**Policy Brief**

**Global Trade Outlook 2025: Industry Insights**

[January 2025]

**Introduction**

While a new wave of trade restrictions threatens to reshape the global business landscape, these developments must be viewed in the broader context of a decade-long trend of rising protectionism. Since the 2007-2008 financial crisis, governments have been increasingly introducing trade-restricting measures, including tariffs, export controls, and investment restrictions, which are contributing to trade fragmentation. Over 3000 trade restrictions were implemented globally in 2024 alone. While the challenges to the multilateral trading system are not new, they are intensifying, with a significant risk of further erosion.

The erosion of the rules-based multilateral trading system is undoubtedly resulting in greater uncertainty and higher information costs. This will particularly affect developing countries, for which the multilateral trade rules provide potential opportunities for higher growth and income convergence with advanced countries. Without the global trading system, these countries would see a 33% drop in developing countries’ merchandise trade relative to a baseline scenario with the multilateral system still in place, and a permanent GDP loss to developing countries of over 5% – driven in part by a 5% decline in foreign direct investment flows.[[1]](#footnote-2) Trade or FDI fragmentation could reduce global GDP on average by about 2%.[[2]](#footnote-3)

As part of its efforts to assess recent industrial policy trends, the International Chamber of Commerce (ICC) conducted two focus group meetings with several international companies across various industries and regions to explore the evolving shift in trade policies, including tariffs, and their potential impact on business operations.[[3]](#footnote-4)

Several key themes emerged from our focus group discussions that shed light on the priorities of the global business community at the start of 2025.

**Key Takeaways**

* A strong, rules-based global trading system anchored in a fully-functioning World Trade Organization (WTO) remain a top concern for businesses, which need stability, transparency, and predictability to make informed long-term trade, business and investment decisions.
* The risk of retaliation to unilateral trade measures raises the spectre of a domino-effect race to the bottom, leaving no country safe from shocks or potential disruptions, fuelling further uncertainty. Tariffs would also raise the cost of inputs, many of which are imported, further affecting domestic exporters.
* New trade policies and instruments are expected to affect a much larger array of firms. Many that were previously unaffected by rising protectionism now anticipate being directly affected. This challenge is further compounded by a post COVID-19 trade environment characterised by higher interest rates, sticky inflation, record debt levels, and geoeconomic fragmentation.
* Businesses are better prepared for abrupt changes in trade policies. They have already been responding to tariff uncertainty by sourcing from different geographic locations, stockpiling inputs, and adjusting pricing and cost absorption strategies, affecting profitability and investment.
* Efforts to strengthen supply chain resilience, including reshoring, are constrained by a shortage of skilled workers and related suppliers, which will take time to address.

**Spotlight on Tariffs**

As tariffs are widely expected to increase, companies stressed the importance of resolving uncertainty and ensuring predictability and policy transparency. Clear communication on the size, scope, and time length of tariffs (i.e., which goods and jurisdiction, how much, and for how long) is essential to effectively plan and mitigate risks.

Experience from the 2018 tariff hikes introduced by the United States, retaliatory measures and scenario analyses offer critical lessons into potential effects of new tariffs, with evidence pointing to largely negative effects on profitability, market share, investment, and potential price hikes.[[4]](#footnote-5) Firms’ international competitiveness may also suffer.

In response, firms have been adapting to the new reality of tariffs and anticipating new measures by diversifying their suppliers, lengthening their supply chains via third countries, and stockpiling inputs. However, there is a risk that alternative sourcing destinations such as Vietnam and Mexico, may also face tariffs because of efforts to decrease large current account surpluses or curb trade diversions.

Finally, if the main goal of tariffs is to support domestic companies or attract investment, businesses noted that other factors need to be considered. Businesses all agreed that these goals will take time to materialise, as the availability of supply chains and of skilled labour is critical in relocation and investment decisions. Therefore, tariffs, which were used in the 19th and 20th century to promote infant industries, may not be the most efficient tool in the modern era, and other ones may be more beneficial to achieve these goals.[[5]](#footnote-6)

**Conclusion**

As global trade faces mounting challenges, the role of the WTO in helping all countries achieve its growth potential remains more critical than ever. More than 80% of global trade in goods is conducted on Most-Favoured-Nation terms and underscores the continued importance of the multilateral framework for the global trading system.[[6]](#footnote-7) A strong and effective multilateral trading system, with clear, transparent, and predictable rules, supporting all countries to achieve growth and prosperity, is essential to fostering global economic stability, especially in light of the increasing complexity of new and evolving business models and emerging topics in areas of digital technologies and sustainability. The global trading system offers businesses of all sizes the predictability and transparency they need to thrive and invest.

To prevent further erosion and address long-standing challenges, including ensuring the rules underpinning trade are fair, inclusive, and create a level-playing field, it is imperative to reform the WTO. Meaningful reform will require not only technical solutions but also strong leadership to address the unintended negative consequences of trade on parts of societies through both multilateral and domestic initiatives, including industrial policy. All stakeholders – governments, businesses and civil society – must work together to support and strengthen the WTO to ensure it remains relevant and fit for purpose. ICC urges policymakers to engage constructively in WTO reform efforts drawing on ICC’s holistic framework for WTO reform[[7]](#footnote-8) and advance initiatives that promote inclusive, sustainable, and rules-based trade. Only through collective action can the integrity of the global trading system be upheld to the benefit of businesses and their communities worldwide.

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1. ICC and Oxford Economics (2024), The Impact on Developing Economies of WTO Dissolution, <https://iccwbo.org/wp-content/uploads/sites/3/2024/04/2024-ICC-The-impact-on-developing-economies-of-WTO-dissolution.pdf>. [↑](#footnote-ref-2)
2. Gopinath, G. (2023). Cold War II? Preserving Economic Cooperation amid Geoeconomic Fragmentation, <https://www.imf.org/en/News/Articles/2023/12/11/sp121123-cold-war-ii-preserving-economic-cooperation-amid-geoeconomic-fragmentation>. [↑](#footnote-ref-3)
3. In December 2024 and January 2025, focus group meetings were held with several large auto, consumer, electronics, and logistics companies (see Appendix for discussion questions). [↑](#footnote-ref-4)
4. See, for instance, (i) Amiti, M., S. Heise, and N. Kwicklis (2019), The Impact of Import Tariffs on U.S. Domestic Prices, <https://libertystreeteconomics.newyorkfed.org/2019/01/the-impact-of-import-tariffs-on-us-domestic-prices/>, and (ii) Flaaen, A. and J. Pierce (2019), Disentangling the Effects of the 2018-2019 Tariffs on a Globally Connected U.S. Manufacturing Sector, <https://www.federalreserve.gov/econres/feds/files/2019086pap.pdf>. [↑](#footnote-ref-5)
5. See Cherif, R. and F. Hasanov (2024), The Pitfalls of Protectionism: Import Substitution vs. Export-Oriented Industrial Policy, IMF Working Paper 24/86, <https://www.imf.org/en/Publications/WP/Issues/2024/04/26/The-Pitfalls-of-Protectionism-Import-Substitution-vs-546349>. [↑](#footnote-ref-6)
6. <https://www.wto.org/english/res_e/reser_e/ersd202502_e.pdf>. [↑](#footnote-ref-7)
7. ICC (2023), How to Fix the WTO: A Holistic Framework for Reform, <https://iccwbo.org/news-publications/policies-reports/how-to-fix-the-WTO-a-holistic-frameworkfor-reform>. [↑](#footnote-ref-8)