

Policy Brief

Global Trade Outlook 2025: Industry Insights

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Introduction

Global trade is, in many ways, at a crossroads. As governments respond to economic and geopolitical pressures, trade policies are evolving in ways that, while intended to address national concerns, are putting unprecedented pressure on businesses. Since the 2007-2008 financial crisis, there has been a steady increase in trade-restricting measures – such as tariffs, non-tariff measures, export controls and investment restrictions – contributing to growing trade fragmentation. In 2024 alone, over 3,000 trade restrictions were implemented globally. 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 driving greater uncertainty and higher costs for businesses, and potentially leading to higher prices for consumers. This will particularly affect developing countries, for which the multilateral trade rules provide opportunities for higher growth and income convergence with advanced countries. Without the global trading system, developing countries would see a 33% drop in merchandise trade relative to a baseline scenario with the multilateral system still in place, and a permanent GDP loss of over 5% – driven in part by a 5% decline in foreign direct investment flows.¹ Fragmentation in trade or foreign direct investment (FDI) could reduce global GDP on average by about 2%.² These figures underscore the indispensable role that the World Trade Organization (WTO) plays in ensuring a stable, transparent and predictable trading environment – a role strongly supported by the global business community.

As part of its efforts to assess recent industrial policy trends, the International Chamber of Commerce (ICC), the world's largest business organisation, conducted extensive consultations as well as 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

¹ ICC and Oxford Economics (2024), The Impact on Developing Economies of WTO Dissolution, www.iccwbo.org/wp-content/uploads/sites/3/2024/04/2024-ICC-The-impact-on-developing-economies-of-WTO-dissolution.pdf.

² Gopinath, G. (2023). Cold War II? Preserving Economic Cooperation amid Geoeconomic Fragmentation, www.imf.org/en/News/Articles/2023/12/11/sp121123-cold-war-ii-preserving-economic-cooperation-amid-geoeconomic-fragmentation.

³ In December 2024 and January 2025, focus group meetings were held with several large auto, consumer, electronics and logistics companies.

Several key themes emerged from our consultations and 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 WTO remains a top concern for businesses, which need stability, transparency and predictability to make informed long-term trade, business and investment decisions.
- Unilateral trade measures and the risk of retaliation to unilateral trade measures raise 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 higher up the value chain.
- 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 have strengthened their defences against abrupt changes in trade policies. They have already been responding to geopolitical pressures and tariff uncertainty by diversifying from different geographic locations, stockpiling inputs, and adjusting pricing and cost absorption strategies. However, these costly adaptations are affecting profitability and investment while providing no failsafe against major trade disruptions.
- 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.
- Active and continuous negotiations among governments, incorporating industry perspectives, are essential to address evolving challenges and seize new opportunities.

Spotlight on tariffs

During our consultations, as tariffs were 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.

They underscored the negative effects of tariffs on profitability, market share, investment and potential price hikes.⁴ 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, the companies expressed concern that alternative sourcing destinations, such as Vietnam

⁴ See, for instance, (i) Amiti, M., S. Heise, and N. Kwicklis (2019), The Impact of Import Tariffs on U.S. Domestic Prices, www.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, www.federalreserve.gov/econres/feds/files/2019086pap.pdf.

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, are not the most efficient tool in the modern era, and other ones are needed to achieve these goals.⁵

Business response and adaptation policies

Our consultations revealed several key strategies for businesses to navigate trade policy uncertainty. Companies emphasized the need to prioritise:

- **Education and compliance capabilities** as an immediate first step. Teams need to thoroughly understand trade regulations, tariff structures and potential policy impacts. Having dedicated compliance expertise helps companies prepare for and navigate policy changes effectively. This education should extend to key suppliers to ensure aligned understanding and preparation in the supply chain.
- **Effective supply chain strategies and contingency planning** are essential, including analysing potential scenarios and diversifying suppliers where appropriate.
- **Leveraging technologies** like artificial intelligence can also enhance adaptability and help businesses respond quickly to policy shifts.
- **Engagement with business organisations** provides crucial support throughout these efforts. Companies should actively work with their chambers of commerce and industry associations to stay informed, access practical guidance and ensure business perspectives are heard by policymakers.

Conclusion

Throughout our extensive consultations and roundtables with businesses worldwide, one message has remained consistent: the private sector urgently needs predictability and certainty to operate effectively in global markets. Unilateral actions contribute to the very uncertainty that companies of all sizes fear most – their ability to plan investments, manage supply chains and create jobs. This feedback from multinational enterprises to small businesses underscores why sustained multilateral engagement and a rules-based system must remain the cornerstones of international trade relations.

The WTO provides an essential forum for trade monitoring, negotiation and enforcement, built on principles of transparency and predictability. It provides the stable foundation that businesses need to engage in cross-border trade and make long-term investments and is fundamental to fostering global

⁵ See Cherif, R. and F. Hasanov (2024), The Pitfalls of Protectionism: Import Substitution vs. Export-Oriented Industrial Policy, IMF Working Paper 24/86, www.imf.org/en/Publications/WP/Issues/2024/04/26/The-Pitfalls-of-Protectionism-Import-Substitution-vs-546349.

economic stability. More than 80% of global trade in goods is conducted on Most-Favoured-Nation terms, underscoring the vital importance of the multilateral framework for the global trading system.⁶

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.

Drawing on ICC's holistic framework for WTO reform⁷, ICC calls on policymakers to take three concrete actions to strengthen the multilateral trading system:

- WTO member states should reinvigorate multilateral trade talks by identifying practical areas where grand bargains could be secured to address major trade frictions.
- Governments should pursue complementary dialogue through plurilateral initiatives that can deliver tangible benefits. Such initiatives are not incompatible with industrial policies focused on national growth – both can coexist.
- Stakeholders should work to enhance negotiation mechanisms that can effectively address emerging trade challenges.

The business community stands ready to support these efforts, bringing practical insights and solutions to help modernise the multilateral trading system. Only through collective action can the integrity of the global trading system be upheld to the benefit of businesses and their communities worldwide.

⁶ www.wto.org/english/res_e/reser_e/ersd202502_e.pdf.

⁷ ICC (2023), How to Fix the WTO: A Holistic Framework for Reform, www.iccwbo.org/news-publications/policies-reports/how-to-fix-the-WTO-a-holistic-framework-for-reform.

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