Adapting to Changing Global Trade Regulations: Opportunities and Challenges for Business Leaders

J. Rajvel, Research Coordinator, National Institute of STEM Research, Coimbatore, Tamil Nadu, India.

The Structural Shift Toward Regionalization

A fundamental realignment away from hyper-globalization is taking place in the global trade environment. While merchandise trade is feared to have both increased and decreased in the year of 2023, there is optimism for 2025. Growth of world merchandise trade in 2025 is now projected by the World Trade Organization to be 2.4% due to the expected growth of highly traded AI products and the "South-South" trade, which is trade between less developed and developing countries [5].

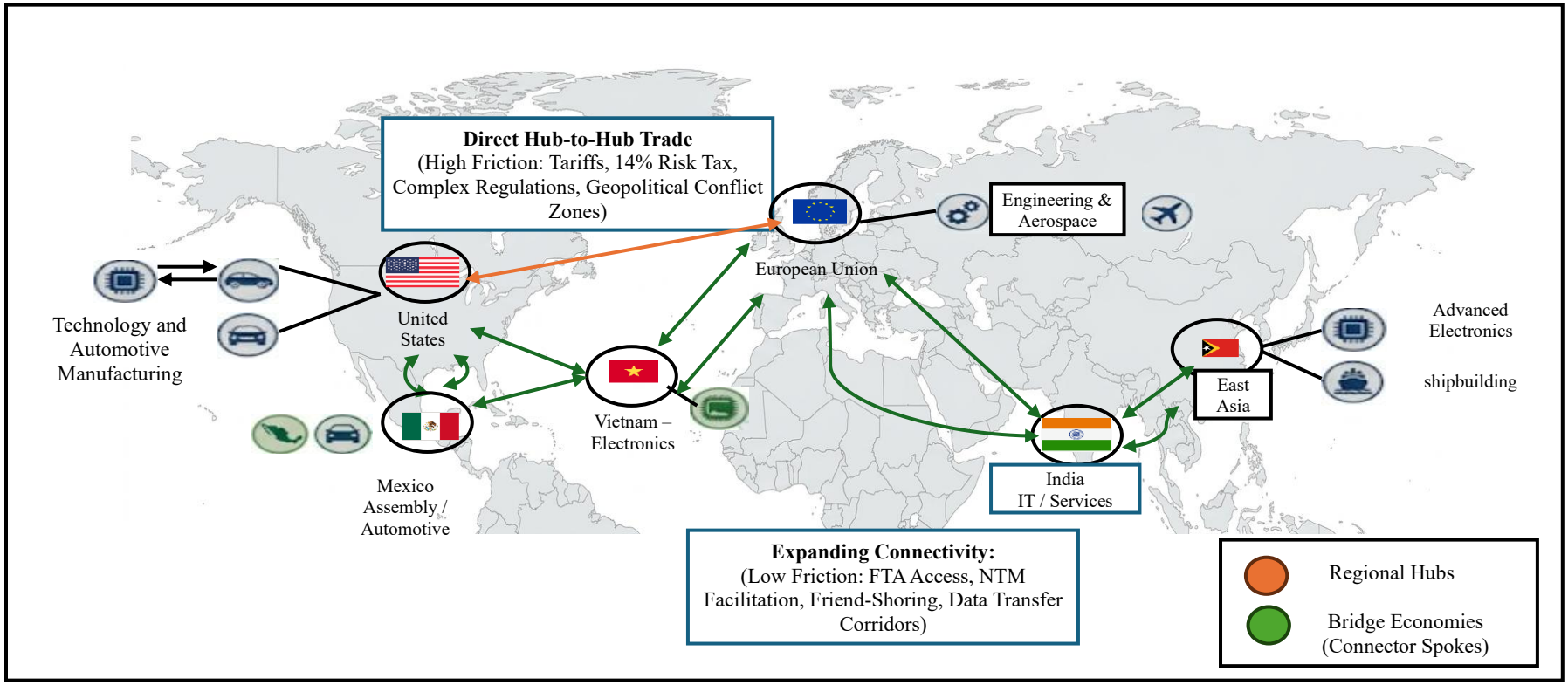

Figure 1: The hub-and-spoke trade architecture

2025 will bring changes to the way companies have traded for the past 20+ years. There will be a shift from, “just-in-time” trade to “just-in-case trade” where trade is based on the companies’ needs and resilience. The expanding fragmentation of global trade from developed to developing countries strengthens important trade connection countries, such as Vietnam and Mexico, as trade “connectors” between major economic centres [1].

Figure 1 illustrates the connectivity between major regional hubs and key bridge economies. It is expected that although there will be high friction on direct trade between/among the hubs, trade will be expanding between and among the “Bridge Economies.

Navigating the Complexity of Non-Tariff Barriers

The proliferation of the “Green Wall” or regulatory obstacles along the wall of “green” (environmental and sustainability-linked) regulations represents one of the greatest challenges facing contemporary business leaders. The WTO (2024) Environmental Database (EDB) has recorded that since 2009, over 5,000 environment-related measures have been reported by members. Sustainability is no longer a voluntary component of corporate social responsibility; **rather**, it is now a prerequisite to securing a foothold in a targeted market.

Policy debates at the TESS Forum (2025) [2] indicate that the EU’s Carbon Border Adjustment Mechanism (CBAM) and similar policies require companies to keep detailed information on the carbon emissions of every step of their supply chain.

The Rise of the Digital Services Frontier

While trade in physical goods is likely to be hindered by tariffs and logistical bottlenecks, trade in services is expected to continue to grow. The UN Trade and Development (2025) [3] has reported that trade in services grew by 9% over the last four quarters. By the first quarter of 2025, the global value of trade was approximately **$33 trillion (USD)**, primarily driven by services and AI-related products. This is also expected to provide leaders with more opportunities to expand their business portfolio. Finally, the role of AI in the optimization of logistical processes is also important due to the fact that goods classified as AI-related products are estimated to account for almost 50% of the total trade growth of the first half of 2025 (UN Trade and Development, 2025) [3].

Figure 2 provides a high-impact visual representation of the fundamental "decoupling" occurring in the global economy between 2024 and 2026. By contrasting the growth trajectories of physical merchandise against digitally delivered services, the graph illustrates why traditional supply chain models are under pressure while the digital economy thrives.

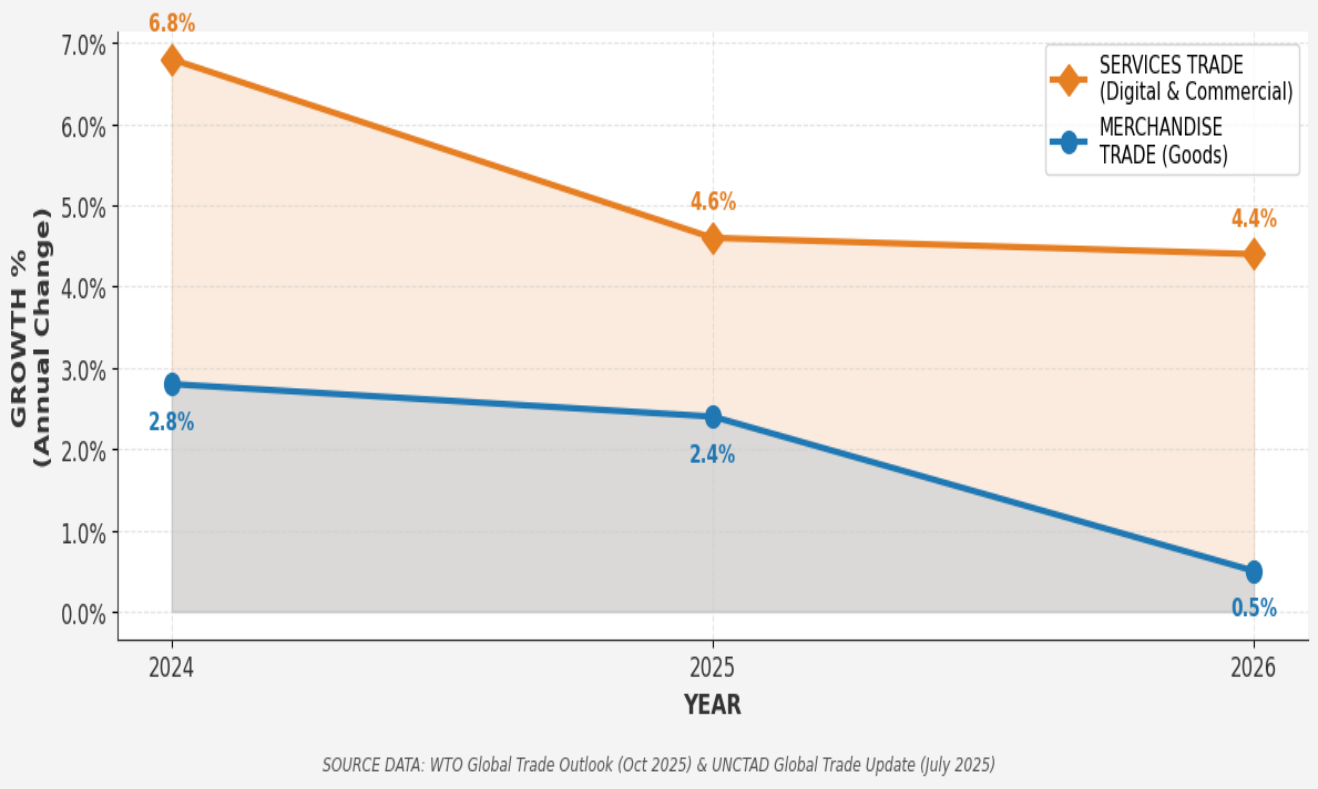

Figure 2: Divergent growth – goods vs. services (2024–2026)

Source data: WTO/UNCTAD 2025 Updates.

The Divergent Gap: Atoms vs. Bits

A notable aspect of the most recent trade data is the widening "scissors gap" of physical vs. digital trade. While Services Export Growth continues to plateau at lofty levels, the Merchandise Trade line shows far more pronounced decline. The growth of physical trade is projected to contract sharply toward a near-stagnant 0.5% by 2026 (World Trade Organization, 2025b) [6]. This indicates that the movement of physical goods is being choked due to "Green Wall" regulations, as well as geopolitical tensions, while streaming digital services are largely unimpeded.

Resilience and the "Digital Dividend"

Digital trade shows a lesser degree of sensitivity to the 14% "geopolitical risk tax" identified by the World Bank Group (2025) [4]. While merchandise trade mirrors the volatility of physical trade and traditional tariffs, the services sector illustrates a positive structural resilience. This implies to leaders

that, in 2026, the next source of competitive advantage will lie in the more export of intellectual property, software, and AI services, as opposed to burdensome physical goods.

Strategic Resilience

In order to survive in the current climate, an organization must focus on the development of leadership in terms of the anticipation of regulatory changes. "Friend-shoring" has become a tactical necessity. Research by the World Bank Group (2025) [4] shows that spikes in geopolitical risk act as a 'covert tax' with a potential tariff effect of up to **14%.** With a forecast of global trade volume growth to stagnate to 0.5% in 2026, the successful businesses will be those that view the intricacies of regulation as the roadmap for building resilience and digitally integrated businesses [1][6].

Data Appendix for Visuals

Table 1 outlines an empirical backbone for the article by providing a high-level statistical summary of the global economy's transition for the years 2024 to the end of 2026. The data shows a distinct 'decoupling' of physical trade and digital services and provides a roadmap of where executive leadership should funnel their resources. For Global GDP Growth, there is a strong stability between 2.6% and 2.7%, but for the first and second years of the forecast the intensity of trade in physical goods is expected to worsen. For 2024 the prediction is an increase to 2.8% and for 2026 a prediction of nearly 0.5%. This demonstrates that the friction in global supply chains is increasing as a result of the 'Green Wall' of regulation and geopolitical fragmentation.

Table 1: Global trade indicators (2024–2026)

Metric	2024 (Actual/Est)	2025 (Forecast)	2026 (Projected)
Merchandise Trade Growth	2.8%	2.4%	0.5%
Services Export Growth	6.8%	4.6%	4.4%
Global GDP Growth	2.7%	2.7%	2.6%
South-South Trade Value	+6.0%	+8.0%	TBD

Source: WTO Global Trade Outlook (Oct 2025) & UNCTAD Global Trade Update (July 2025)

In clear terms, value Services Export Growth shows the most stable expansion opportunity compared to the rest of the dataset. Digital trade is forecasted to start at 6.8% growth in 2024, and sustain a projected 4.4% growth in 2026. By the end of the forecast, digital trade is outpacing merchandise trade by nearly 9 to 1 (specifically 8.8 to 1) based on the 2026 projected growth rates. It is reasonably safe to assume that "Reglobalization" is mostly digital in nature as trade of software, AI, and professional services are unimpeded by logistical challenges of crossing physical borders.

In addition, the South-South Trade Value shows a significant reconfiguration of trading patterns. The rapid increase of +6.0% to +8.0% in 2025 exemplifies the emergence of "Bridge

Economies" and "Connector Spokes." This shift shows that emerging markets are trading amongst themselves more successfully than previously, reducing their reliance on the historically dominant East-West trade routes and illustrating the more permanent reconfiguration of the global trade system.

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