

Building Trade Resilience Amid Rising Global Market Barriers

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The global trading system is in the most fragmented state in several decades. Tariff, non-tariff, export and investment restrictions have combined to limit the openness that allowed the world to prosper after World War II. This article examines the anatomy of the trade barrier, demonstrates its quantitative impact on merchandise trade flows and provides an organized framework (the “Trade Resilience Framework”) by which firms and policymakers can develop the ability to adapt. Using data from the WTO, IMF and World Bank until early 2025, the article contends that resilience is now a competitive advantage and no longer simply a strategy for protection; and to develop resilience requires firms and investors to simultaneously invest in agility in their supply chains, diversifying their markets, enhancing their digital trade capabilities and developing diplomatic relationships with their stakeholders.

Introduction

As a result of the trade barriers that now exist worldwide, we are entering into the early years of an unprecedented transformation of global trade. The most significant factor has been the United States-China geopolitical rivalry; however, the pandemic has caused us to rethink our supply chain management

strategies, Russia's invasion of Ukraine has raised many issues relating to international relations, and the current rise of economic nationalism has contributed to the creation of this complex and challenging environment. This article argues that the appropriate response from both companies and governments is not merely to adjust defensively to their new realities, but rather to proactively develop a "resilient" trading environment. This means developing systems that will allow companies to maintain their market share and competitive advantages as the rules of international trade continues to change. A complete understanding of resilience involves a dynamic aspect where a firm must have foresight, and cultivate a diverse entrepreneurial model or identity, whilst also having an engaged and supportive institutional base along with a commitment to continuous learning. By providing data compiled by the WTO, IMF, and World Bank from the first quarter of 2025, the study describes and qualifies the existing impediments to resilience. It identifies the magnitude of the barrier, presents a framework for improving the resiliency of businesses and their supply chains, and provides suggestions for how firms and policy-makers should respond.

Numerous statistics underscore that trade barriers across the globe represent a major issue for enterprises and supply chains. In the World Trade Organisation's (WTO) 2024 World Trade Statistical Review, it has been estimated that the growth rate for global goods trade was just 2.3% overall in 2024 which is significantly lower than the long-term average of 3.3%. The reduction in trade barriers can partially explain the slowing pace of trade growth.¹ If the world's economic fragmentation continues down its current path, the IMF projects that global GDP will experience a permanent reduction in output of as much as 7% [2].

Anatomy of Rising Global Trade Barriers

Tariff Escalations and the Return of Protectionism

A substantial dimension of the changing global trading environment is the emergence of a new trade policy environment that is characterized by an increasing use of tariffs as a geopolitical tool. Specifically, the trade war between the United States and China has shifted from temporary tariff imposition via 301 tariffs beginning in 2018 to being a permanent aspect of the diplomatic relationship; and by 2024 the United States was charging 19.3% (up from 3.1% in 2017) on all imports of Chinese goods [3]. In the same vein, the European Union has also imposed tariffs on the importation of Chinese electrical vehicles as a result of anti-subsidy investigations; therefore, the use of tariffs as a means of protecting the domestic economy

from foreign competition is no longer something uniquely undertaken by the United States.

Proliferating Non-Tariff Measures

Beyond tariffs, non-tariff measures (NTMs) — including sanitary and phytosanitary requirements, technical barriers to trade, local-content mandates, and rules-of-origin tightening — have expanded dramatically. The World Bank's Global Antidumping Database recorded a 34% increase in anti-dumping initiations between 2020 and 2023 relative to the preceding four-year period.⁴ These measures are particularly disruptive because they are opaque, jurisdiction-specific, and difficult to challenge under multilateral dispute-settlement mechanisms [4].

Export Controls, Investment Screening, and Technology Decoupling

In addition to tariffs, firms and supply chains are also facing a marked increase in the imposition of non-tariff measures (NTMs) that regulate ensure that products meet trade regulations and standards such as sanitary and phyto-sanitary measures, technical barriers, local content laws and rules of origin. According to the Global Antidumping Database at the World Bank, there was a 34% increase in anti-dumping initiations from 2020 to 2023 compared to the previous four years. Anti-dumping measures are more disruptive than other trade barriers because they have an opaque process, are specific to the

country of jurisdiction and can be difficult to defend against under multilateral dispute resolution mechanisms. The trade and security relationship has also seen the introduction of export controls on dual-use technologies and tightened foreign investment screening as a new category of barrier between trade and national security. There were more than 680 listings on the US Bureau of Industry and Security's Entity List by the end of 2024, which restricted the transfer of technology across semiconductor, advanced material, and AI industries. At the same time, members of the Organization for Economic

Co-operation and Development (OECD) began to implement investment screening frameworks under national security with 38 jurisdictions having formal review mechanisms in place by 2024, compared to 11 jurisdictions in 2010. These developments represent a permanent structural shift, with trade policy increasingly being subservient to security policy, supply chain policy, and industrial strategy. Companies that believe these barriers are temporary will likely significantly underestimate how much they will need to adjust by the time they are able to resume regular operations [1].

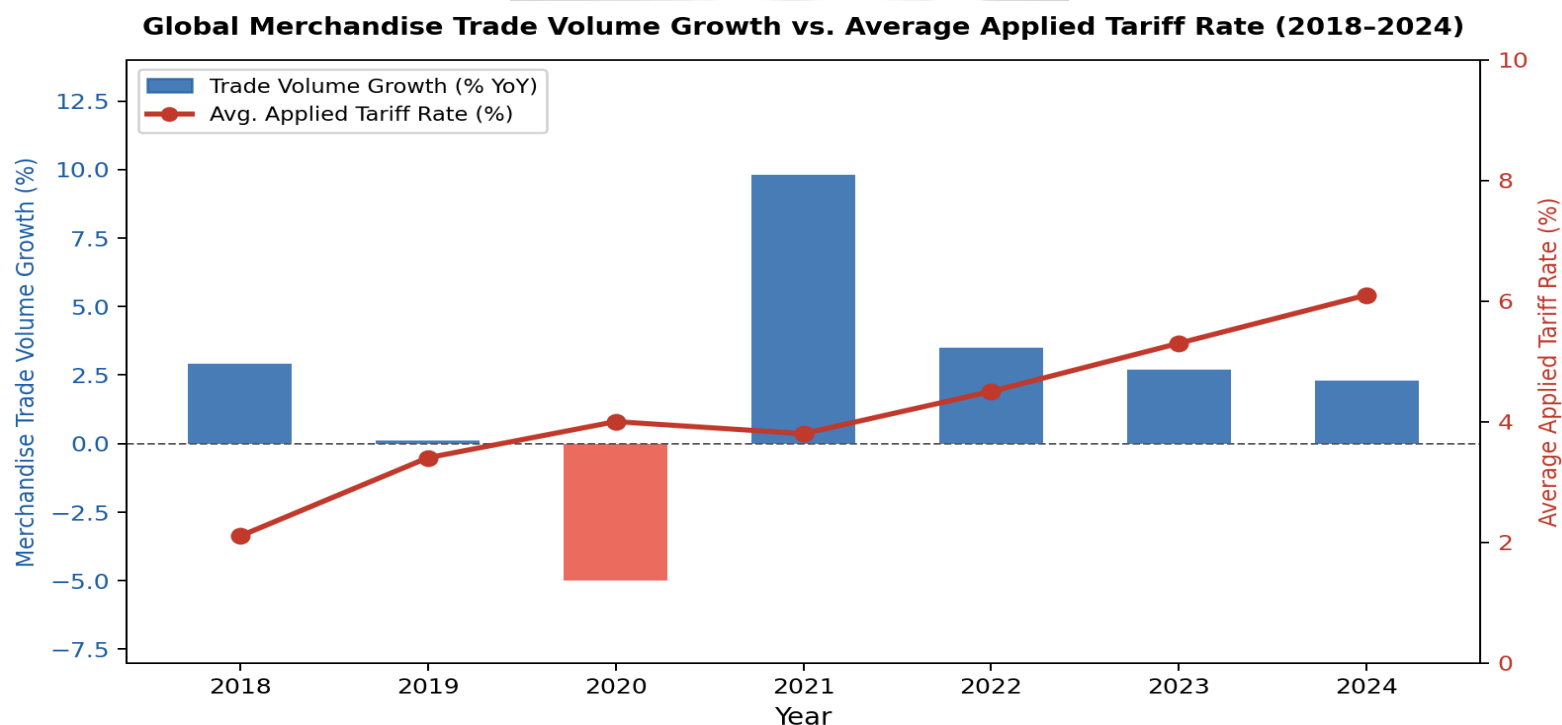


Figure 1: Global merchandise trade volume growth (% YoY) vs. average applied tariff rate (%), 2018–2024. sources: WTO world trade statistical review 2024; world bank world integrated trade solution (WITS) database, 2024

Quantifying the Impact on Trade Flows

Both the trade volume growth over the period from 2018-2024, demonstrated in figure 1, and the increases in applied tariff rates during the same period demonstrate a clear and inverse relationship between increasing applied tariffs and decreased trade volume growth. The trade volume experienced its greatest contractions in 2020, declining by 5.0%, due to supply chain interruptions due to the COVID-19 pandemic and increasing government-driven costs. The rebound of trade in 2021 was a significant increase (9.8%) from prior years; however, the recovery occurred unevenly, and the results partly stemmed from companies stockpiling for the future rather than normalising demand. (Footnote 1) By 2022-2023, trade volume growth levels were back at rates of about (2.7% and 2.3% respectively), which were lower than GDP growth rates globally. Historically, having lower trade volume growth versus GDP

growth is typically seen as an indicator of a protectionist phase in global trade. In addition, average applied tariff rates have generally increased from 2.1% in 2018 to 6.1% in 2024, which is driven by the cumulative impact of various bilateral tariff disputes and multiple countries retaliating against each other. According to the International Monetary Fund's (IMF) gravity model of estimating trade volume impacts, for each 1.0% of average applied tariff increase, bilateral trade will decrease by approximately 2.4% (all other factors remaining equal). Based upon the aggregate observed tariff trend, it is estimated that the total reduction in trade volume (expressed as a % of trade volume) as of July 1, 2022 is between 9%-10% versus a counterfactual world (where no tariffs were increased after 2018) — the same level as most sector-specific analytical work in automotive, electronics and agriculture supply chains as shown in table 1.

Table 1: Taxonomy of contemporary trade barriers and corporate resilience responses

Trade Barrier Type	Estimated Coverage*	Impact on Trade Flows	Resilience Response
Tariff escalations (goods)	~38% of world merch. trade	−4 to −8% volume	Nearshoring; dual sourcing
Non-tariff measures (NTMs)	~65% of trade value affected	−3 to −6% volume	Compliance diversification
Export controls & sanctions	Tech, energy sectors mainly	−12% in affected sectors	Strategic stockpiling; IP localisation
FDI screening / investment restrictions	\$2.4 trillion FDI affected	−5% cross-border investment	Joint ventures; local equity partners
Digital trade barriers	70+ jurisdictions with rules	−10% digital services trade	Data localisation; regional cloud
Carbon border adjustments (CBAM)	EU + 8 proposed regimes	−2 to −4% EU imports	Green supply chain redesign

* Estimates derived from WTO and UNCTAD databases (2024). NTM coverage ratios follow UNCTAD methodology. FDI figures from UNCTAD World Investment Report 2024.

A Trade Resilience Framework

When thinking about "resilience" within the context of international trade, it may be helpful to think of resilience as not being robust — i.e., having the ability to withstand a shock without changing — but rather having the ability to adapt to changing conditions through detecting, absorbing and reconfiguring the supply chain. This framework is based on four interrelated pillars.

Pillar 1 — Supply-Chain Agility and Geographic Diversification

A nearshore, friend shore or dual-source strategy to reduce reliance on any one country for supply is the preferred response by companies doing business and facing uncertainty associated with Alfaro and Chor found that following the 2018 tariff increases, there was a statistically significant reconfiguration of US multinational supply chains to Mexico, Vietnam, and India, and the magnitude of this reconfiguration is strongest with respect to electronics and machinery [6]. However, geographical diversification has its own costs: shorter, closer supply chains are often not as cost-efficient as longer, more remote supply chains, and rapid reconfiguration of supply chains can lead to quality deterioration and loss of supplier relationships. Working

effectively with agility thus means systematically investing in supply-chain mapping, scenario planning, and pre-qualified alternative suppliers as opposed to opportunistically relocating suppliers. Companies that did a thorough supply-chain stress test before 2020 were able to recover from pandemic disruption more quickly than companies that did not, and thus, this finding also has clear implications for trade-barrier readiness.

Pillar 2 — Market Portfolio Diversification

The concentration of export markets is a major source of vulnerability to trade shocks. When firms are heavily dependent on one bilateral trade corridor (such as US-China, EU-Russia, or UK-EU), they may be more susceptible to disruption from policy actions directed against that trade corridor. A diversified market portfolio, covering several regional trade blocs and combinations of established and emerging economies, provides a natural hedge against bilateral downturns.

Preferential access through regional trade agreements such as the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), African Continental Free Trade Area (AfCFTA), and Regional Comprehensive Economic Partnership (RCEP) is also a way to partially offset the decline of open multilateral trade. According to the IMF (International Monetary Fund) report dated 2023, the full reach of all RCEP trade commitments could generate an additional \$245,000 million (USD) on an annual basis by 2030.

Pillar 3 — Digital Trade Capability and Regulatory Compliance

The digital economy is the fastest growing segment of global trade today and is becoming subject to its own set of barriers, including: data localization requirements; cybersecurity requirements; platform liability requirements; and digital services taxes. According to the OECD (Organization for Economic Co-operation and Development) in 2024, regulatory constraints on digital trade have measurable compliance costs that would equate to an ad valorem tariff of up to 14 percent on all digital service provision. To build resilient firms, organizations must be proactive in developing regulatory intelligence across relevant digital markets, establishing legal structures/infrastructure, designing flexible data architectures to meet localization requirements, and participating in multi-stakeholder digital governance discussions to define new or emerging regulations [5].

Pillar 4 — Stakeholder Diplomacy and Policy Engagement

A dimension of business resiliency that is frequently ignored in corporate strategy is the value of engaging in proactive policy development. By viewing trade policy as something that is done to businesses rather than an external event, companies will always miss opportunities to influence how trade policies are created. Business associations, trade associations/chambers, bilateral trade network/Treaties related to investment

Agreements (BITS), and multilateral advisory bodies are available to be utilized by business to provide input and counsel relative to their perspective in defining regulations on behalf of their members prior to being formally enacted into law. Companies who are most resilient view their public affairs function as an asset comparable in value to logistics and compliance

Recommendations and Conclusion

For Corporate Leaders

Corporate leaders should complete a systematic assessment of their exposure to trade and risk, particularly tariff, non-tariff, and regulatory barriers, through explicit mappings of these risks to their relationships with specific trading partners and development of a comprehensive supply chain model based on a variety of geopolitical scenarios. Leaders should also establish a formalized system for collecting and interpreting trade intelligence from the WTO, statistics agencies, and their government relations functions. They should also invest in digital trade compliance software at the same pace as regulatory changes occur, and to a greater degree in those countries with the fastest rates of growth in digital trade than in other countries.

For Policymakers

Policymakers must recognize that firms have some responsibility for building resilience in their businesses, but

should avoid using trade policy for short-term political purposes because the long-term systemic costs associated with this are substantial. Trade agreements should include built-in flexibility to adapt and evolve the rules when necessary, including flexibility to amend terms and conditions (adjustment clause mechanisms), provide for review of appropriate trade safeguards, and allow a dispute resolution mechanism. Improved trade facilitation facilities in developing countries will reduce the real costs associated with diversifying supply sources for firms involved in international trade and help to expand the number of supply chain options available to international firms.

Conclusion

There is no question that the world's trade markets are currently undergoing a transitional period, and that this will be a long-term change in the way the world competes by using trade. As such, firms that perceive this as a temporary change and do not make the necessary changes to build a sufficient level of resiliency will suffer long-term detrimentally competitive consequences. Firms that develop their operational resilience through the four pillars of trade resiliency outlined above will be better suited to weather the decreasing levels of trade opportunities than their less-prepared competitors and will be able to leverage the asymmetrical disruptions resulting from decreasing trade opportunities to their advantage. Ultimately, trade resilience can be defined as the organizational capability

to recognize a changing environment, rapidly develop a new strategy that enables adapting to the changes, and execute that new strategy more quickly and effectively than its competitors. During a period of unprecedented growth in international trade, trade resilience may be the most effective and enduring source of competitive advantage.

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