



UNITED ARAB EMIRATES
MINISTRY OF ECONOMY

GLOBAL TRADE RISKS Report 2023

Barriers to Global Trade Growth



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Navigating New Horizons

FOREWORD

Navigating New Horizons

Embracing Collective Resilience in the Face of Global Trade Risks



HE Dr Thani bin Ahmed Al Zeyoudi
UAE Minister of State for Foreign
Trade, Chair of WTO's 13th
Ministerial Conference

Global trade is not a static entity; it is a vibrant and evolving ecosystem, mirroring the ebb and flow of our world's economic, political, and technological tides. While it propels us towards new frontiers of growth and prosperity, it also brings to the fore a spectrum of risks - protectionism, fluctuating geopolitics, technological disruptions, and economic instabilities. These challenges, deftly captured in this report, not only test our resilience but also shape our responses and adaptations.

The speed and scale at which these risks evolve necessitate us to move beyond traditional paradigms and embrace innovative, collective strategies. As this report underscores, we must continue to transform our vision of global trade from a network of isolated entities to a tapestry of interconnected systems. This shift in perspective is instrumental in fostering a sense of collective responsibility, where the resolution of trade risks becomes a global endeavor rather than a fragmented effort.

Indeed, the future of global trade hinges on our ability to pool our resources, knowledge, and initiatives, and turn the tide of these challenges together. This is not merely about safeguarding economic interests, but about forging a path towards a more sustainable, equitable, and resilient global trading system. It is about harnessing the very challenges we face as catalysts to rethink, reinvent, and reimagine trade for the benefit of all.

This report is more than a dissection of the challenges that mar our global trading landscape.

It's a testament to the power of collective action and a call for a shared vision. It implores us to transcend geographical and sectoral divides, come together as one global community, and confront our shared challenges head-on. It is an invitation to engage, deliberate, and act, with a spirit of unity and purpose, to rise above the fragmented contours of global trade and come together to shape a future that is resilient, inclusive, and conducive to sustained growth.

As we look ahead to more growth and prosperity, let us be mindful that the challenges we encounter are stepping stones, not stumbling blocks. Together, we can navigate these horizons, turn the tides of global trade, and chart a course towards a future of shared prosperity.



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Challenges in the Road Ahead for Global Trade

Challenges in the Road Ahead for Global Trade

Global trade has experienced a remarkable transformation in the last few decades, evolving from a complex matrix of isolated, national economies to an interconnected, globalized marketplace. Global population growth, liberalization of trade policies, and the emergence of developing countries as powerful players have spurred unprecedented changes, shifting the dynamics of the world's economic landscape. Moreover, in recent years, global trade is witnessing rapid growth through advancements in technology and the dawn of the fourth industrial revolution.

In July 2023, the IMF increased its forecast for 2023 global GDP growth from 2.8% in April to 3.0% due to advanced and emerging economies holding up better than expected in the first half of the year. Global inflation is slightly downgraded for 2023, reflecting headline inflation easing, but slightly upgraded for 2024 on fears of services inflation persisting. In June 2023, the Global Trade Update by UNCTAD noted that over the first three months of 2023, trade in goods went up by 1.9% from the last quarter of 2022, adding about \$US 100 billion to global trade volumes. Global services trade also increased by about \$US 50 billion, up by about 2.8% compared to the previous quarter.

Albeit slower, global trade looks poised to grow in the years to come. However, the world has also seen shifts that did not exist before, or at least in the recent past. These shifts can be major propellers to trade growth or might stunt it. The difference will be how we view them, and deal with them today as governments, individually and collectively.

Amidst the recovery from the impact of the COVID-19 pandemic, the escalating trade disputes and rising economic protectionism, which have become more prominent recently and intensified during the pandemic, are likely to continue influencing global trade relations for the next decade.

There are also rising pressures on businesses to enhance sustainability and increase the use of alternative energy sources, which impacts corporate energy strategies and trade operations worldwide. Moreover, as the pandemic has demonstrated, the role of digital trade and commerce, notably for micro-, small-, and medium-sized enterprises (MSMEs) globally, has proven to be indispensable. However, at the same time, the uneven implementation potentially triggered by regulatory discrepancies and development gaps could lead to undesired outcomes such as inequitable growth, cybersecurity vulnerabilities, and privacy concerns.

As we move towards the G20 summit, it is important to be aware of the evolving barriers to global trade growth, which are a complex interplay of risk factors ranging from geopolitical tensions to technological disruptions, evolving regulatory frameworks, and environmental crises. Both businesses and countries alike face an array of risks that demand astute navigation. The impact of these forces will influence trade flows around the world for the foreseeable future.

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Executive Summary

Global Trade Risks Survey 2023

In the run-up to the forthcoming G20 summit, it is crucial to be privy to the concerns, predictions, and suggestions of those who are actively navigating the turbulent landscape of international trade, the business leaders or major corporations involved in global trade. These perspectives are central to informing, influencing, and shaping policy decisions at the highest level of global trade governance.

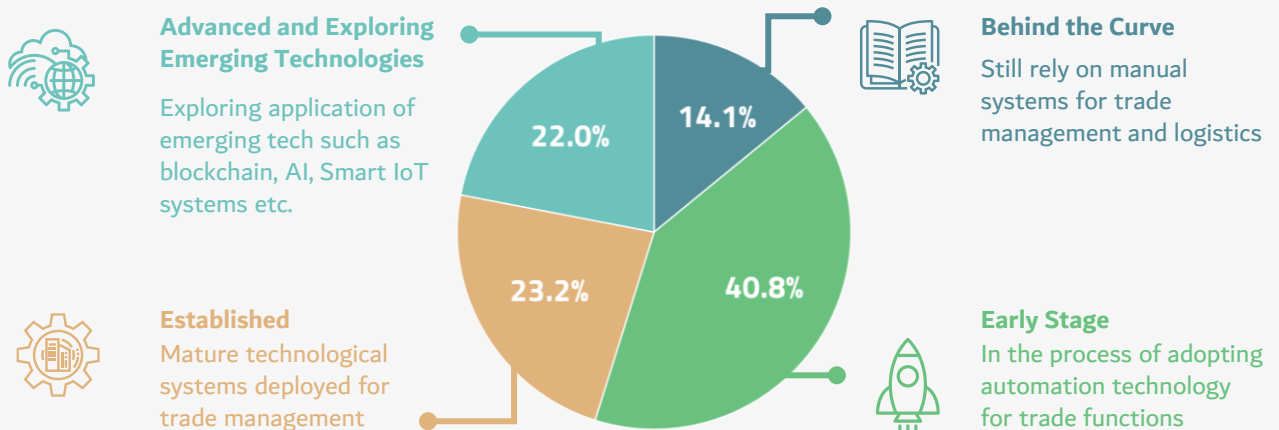
The survey summarized in this report presented results that give voice to a rich and diverse tapestry of 500+ corporate leaders from around the world. They shared with us their views on a wide spectrum of barriers that are presently obstructing or likely to impede global trade growth in the near future. The report also draws upon the expertise of global trade experts, who provide commentaries, valuable critiques, and unique interpretations of the survey findings. Their contributions help translate the data into actionable knowledge, further bridging the gap between corporate experiences and strategic trade initiatives.

The majority of survey participants have their key trade markets based in the Middle East, Africa and Europe with Asia-Pacific and the Americas having a significant share as well (See Appendix for more details).

In addition to their trading geographies, participants were asked to confirm the stage in which their business is today regarding adopting and using trade technology. These are technological innovations and digital tools to facilitate and streamline the processes of international trade. This includes application of technologies such as artificial intelligence, internet-of-things, blockchain and others for managing supply chains, conducting e-commerce, handling logistics, processing transactions, and managing customs and analyzing trade data, among others.

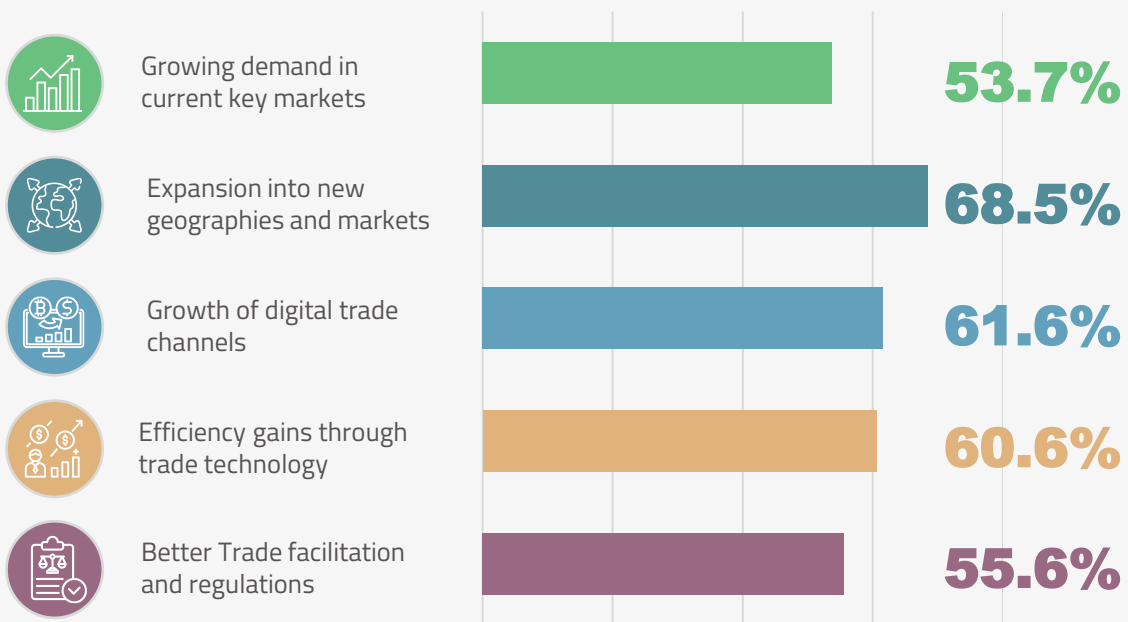
More than half of the respondents (54.9%) are operating businesses that are either in the early stage of adopting trade tech (40.8%) or behind the curve and still relying on manual trade management systems (14.1%).

The large majority of the participating business leaders are aiming to grow their businesses via global trade in the years ahead. Growth drivers vary as shown on the next page.

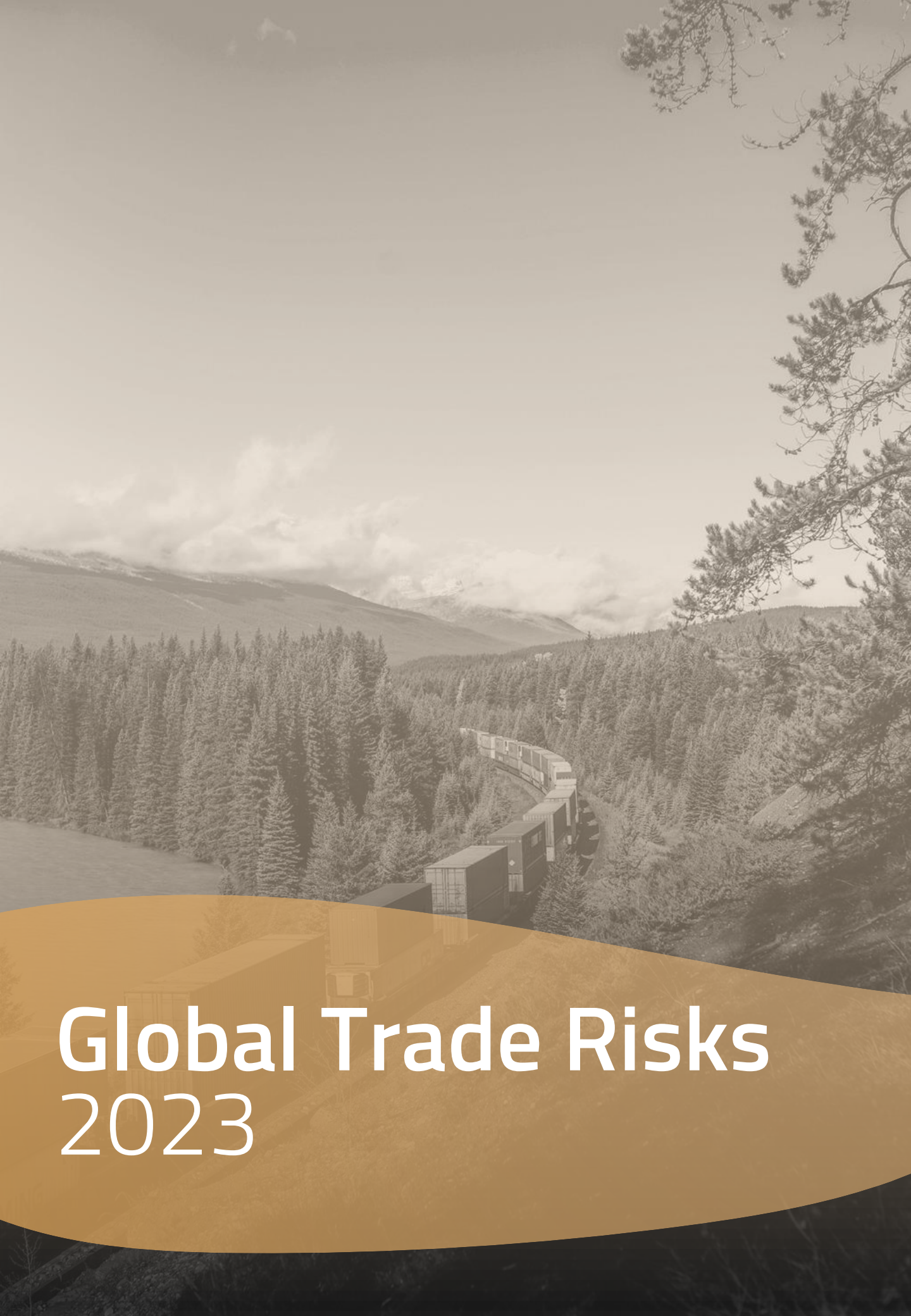


Global Trade Risks Survey 2023

Reflecting on your own business trajectory, select the top 3 drivers for trade growth in the coming 5 years



The majority of participants considered expansion into new markets and geographies (68.5%) as an integral driver of trade growth. Trade technology and growth of digital channels (60.6% and 61.6% respectively) are the next major drivers of trade growth as perceived by business leaders with trade facilitation (55.6%) and growing demand in existing markets (53.7%) following closely behind.

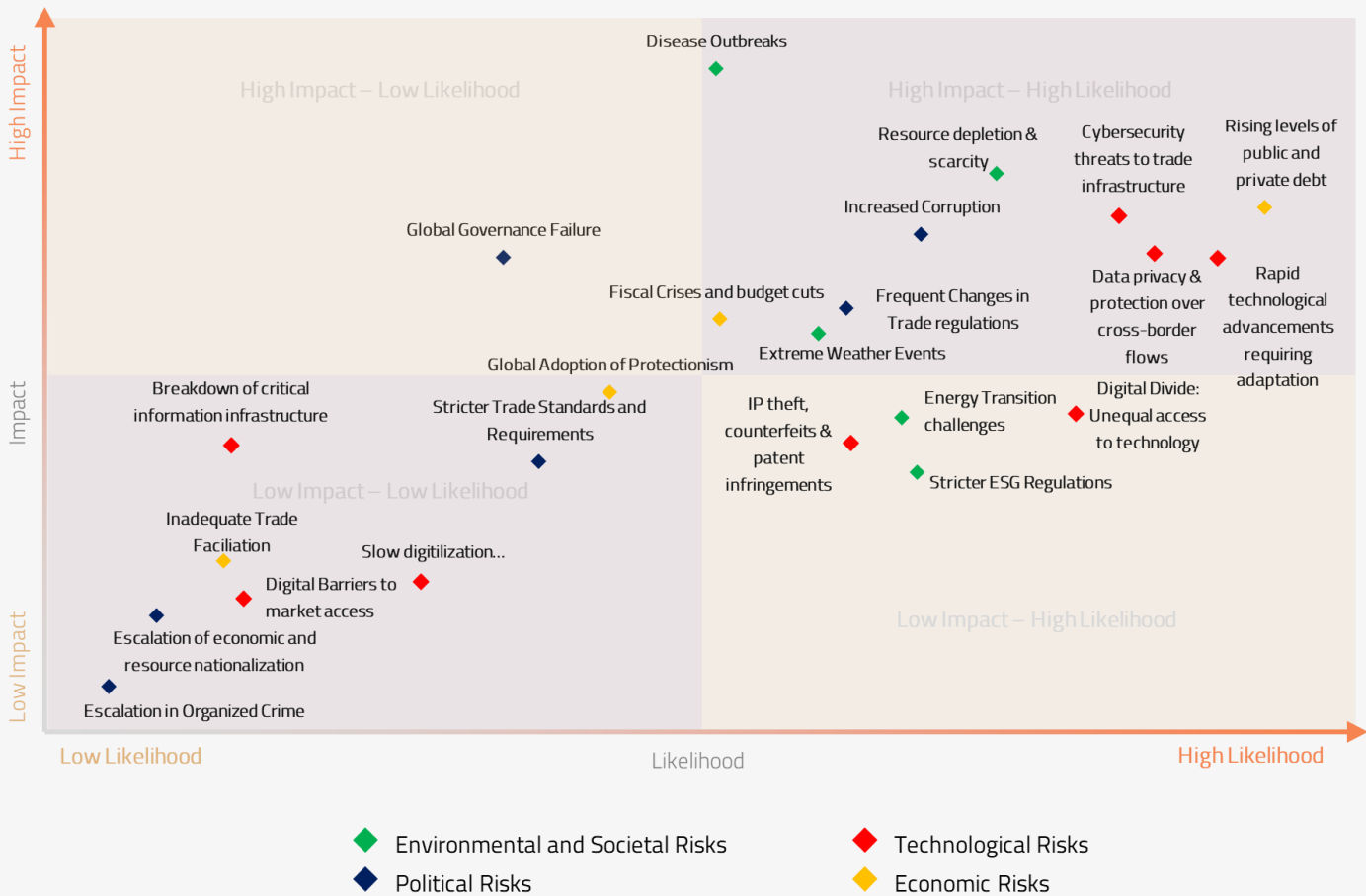


Global Trade Risks 2023

Perceived Global Trade Risks 2023

In order to better capture the risk sentiment of the business leaders in the broader context, the ‘big picture’ overview of our survey assesses the likelihood and impact of each risk relative to all other risks,¹ i.e. Economic, Political, Environment and Social, and Technological all together.

From the bigger picture it is evident that technological and environmental/ societal risks dominate the global trade risk narrative amongst business leaders. However, the highest ranking risk in 2023 seems to be about debt and marco-economic stability (namely the rising levels of public and private debt). It clearly reflects the concerns of business leaders regarding the monetary tightening around the world. The expert commentaries in the following section of the report build further on this overview offering insights and reflecting on the road ahead.



¹ For instance, the risk of adoption of global protectionist measures may rank high in its individual dimension i.e. Political risks, but it may rank lesser when compared to other risks such as the risk of cybersecurity threats to supply chains, a risk belonging to the technological dimension.



Dr. Ralph Ossa
Chief Economist
World Trade Organization

Trade Policy in the Age of Technological Progress: Unleashing the Full Potential of Global Trade

Technological progress has always been a catalyst for trade growth, revolutionizing the way goods and services are exchanged across borders. From the railway, steamship, and telegraph in the 19th century to containers and airfreight in the 20th century, each wave of innovation has propelled international trade to new heights. Today, as we stand at the forefront of the digital era, it is crucial for trade policy to keep pace with technological advancements to harness their full potential. The “big picture” survey conducted by the Ministry of Economy of the United Arab Emirates sheds light on the high-likelihood, high-impact risks identified by CEOs, highlighting the urgent need for trade modernization.

The survey brings to the forefront the pressing technological risks that could impede global trade. Among the top five high-likelihood, high-impact risks identified by CEOs, three revolve around technology: cybersecurity threats to trade infrastructure; data privacy and protection of cross-border flows; and rapid technological advancements requiring adaptation. These findings underscore the need for trade policy to proactively address such challenges and provide an enabling environment for trade in the digital age.

Throughout history, trade has thrived on technological breakthroughs, enabling the expansion of global commerce. The establishment of the World Trade Organization (WTO) in 1995 marked a significant milestone in multilateral trade policy, expanding the scope of rule-making beyond goods trade.

The General Agreement on Trade in Services (GATS) within the WTO framework creates a rule-based system for services trade, acknowledging the growing importance of the service sector in the global economy. Furthermore, the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) provided a comprehensive framework for the protection of intellectual property rights, ensuring that innovators and creators could reap the benefits of their work in the global marketplace.



There is a pressing need for **NEW RULES AND PRINCIPLES SPECIFICALLY tailored to govern digital trade and services trade**, ensuring that these sectors can thrive in the evolving global marketplace.

Both these achievements demonstrate the WTO’s recognition of the evolving nature of trade and its commitment to expanding the regulatory framework to encompass key sectors where technology is having a major impact on global commerce. Despite the notable progress made by the WTO in expanding the scope of trade policy, there are persistent challenges in fully leveraging the potential of technological advancements. The rapid growth of digital trade and the increasing importance of services trade call for further modernization of trade policy.

The existing frameworks, originally designed with a focus on goods trade, are insufficient to effectively regulate the complexities of the modern economy. Thus, there is a pressing need for new rules and principles specifically tailored to govern digital trade and services trade, ensuring that these sectors can thrive in the evolving global marketplace.

WTO members have taken action to address these gaps, such as the recently concluded negotiations in the context of the Joint Statement Initiative on Services Domestic Regulation. The objective is to tackle the regulatory barriers in services trade by developing disciplines that mitigate trade-restrictive effects related to licensing requirements, qualification procedures, and technical standards. The initiative aims to enhance transparency, streamline authorization processes, and promote regulatory quality in the services sector.

Moreover, the WTO's Joint Statement Initiative on E-commerce seeks to establish common principles and rules for digital trade, including those related to cross-border data flows, consumer protection, and privacy. By creating a conducive environment for digital trade, this initiative aims to strike a balance between facilitating cross-border transactions and safeguarding national interests. These ongoing efforts at the WTO demonstrate a commitment to adapting trade policy to the challenges and opportunities presented by the digital era.

By embracing such initiatives and expanding the scope of trade policy, we can build a comprehensive, rules-based system that fosters inclusive and sustainable trade in the digital age.

It is through these collaborative efforts that we can ensure that the benefits of technological progress are harnessed by all nations and stakeholders alike, paving the way for a future of enhanced global trade driven by technology and innovation.



Elissa Cavaciuti-Wishart
Head of Global Risk Initiative
World Economic Forum

Global Trade Risks and Technology

The “Future of Global Trade: Growth Catalysts” business leader survey, run by the UAE Ministry of Economy, ahead of the India G20 summit, provides an interesting snapshot of business insights on trade and technology. The survey takes place in the context of UAE action, together with the World Economic Forum, to explore and accelerate the potential benefits of TradeTech, taking care to consider the governance requirements for inclusive global application.

The 500+ respondents report a blend of economic, technological, political, environmental and societal risks facing global supply chains. As a group, they are split fairly evenly between early adopters of technology and those just starting to adopt automation. The top drivers of trade growth, however, as seen by the group, are expansion into new markets and growth of digital trade Channels.

Broadly, they share concern about environmental and social risks, with more comfort around political challenges. Interestingly, there is a fairly strong correlation between the perceived impact of the assessed risks and the likelihood of those risks occurring.. This would indicate that business leaders perceive the risk environment to be rather volatile overall, with a number of potential high-severity risks currently looming on the horizon.

Roughly speaking, the results appear to fall into three buckets. At one end are risks of lesser concern, perhaps because they are seen to be unlikely or well managed. At the other is a set of worrying risks, potentially severe, likely to manifest in one way or another and not well controlled. In between sits a middle group, generally well understood and much debated, but for which global solutions have not yet been forthcoming.

In the lesser concern category sit the risks of failing to deliver on trade facilitation or trade digitalisation, as well as the risks of economic nationalism and illicit trade. Trade facilitation and digitalisation are powerful levers for economic and social development and depend on the deployment at scale of well-established technologies and process reforms. The same technological modernizations can help with transparency, fraud reduction and the democratization of trade needed for broader support.

The middle bucket includes risks such as the energy transition, ESG compliance, trade protectionism and tight regulation. Abating these risks entails significantly greater technology investment, albeit in tested technologies, while mitigating the cross-border spill-over effect of the subsidies and trade controls deployed as part of environmental and technological transition.



The background drivers of these wide-reaching and complex risks are subject to uncertainty, as are the tools or levers we can employ to mitigate and manage risk, often dependent on the pace of change.

The background drivers of these wide-reaching and complex risks are subject to uncertainty, as are the tools or levers we can employ to mitigate and manage risk, often dependent on the pace of change. One line of response is to thicken markets, prepare for disruption and build trust and transparency. Debt concerns meanwhile go to the heart of societal struggles with growth, inequality and intergenerational responsibility.

Deriving a cohesive action agenda from these diverse concerns is not straightforward. Acting through the World Economic Forum, a community of government and business trade leaders prioritize focus on encouraging open and resilient markets, easing the flow of trade and investment and ensuring sustainable and inclusive outcomes. In each case, technology has a role to play, with the governance of that technology assuming an equally important role.



Professor Robert Lawrence

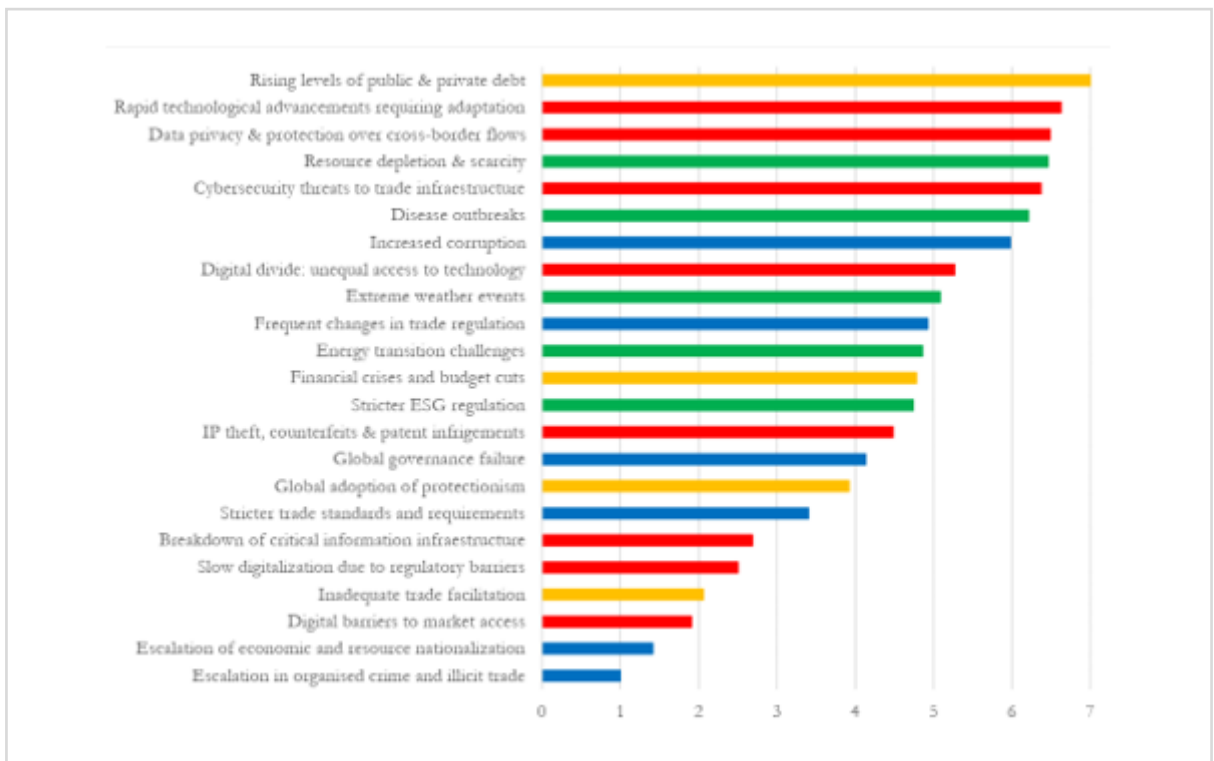
Albert L. Williams Professor of International Trade and Investment
Harvard Kennedy School,
John F. Kennedy School of Government

This short note offers comments on the Future of Global Trade survey conducted with business leaders. We focus our comments on two parts. Part I tackles the issue of ranking of risks identified by business leaders, and Part II notes the way the new risks depart from traditional ways of thinking about trade risks and challenges.

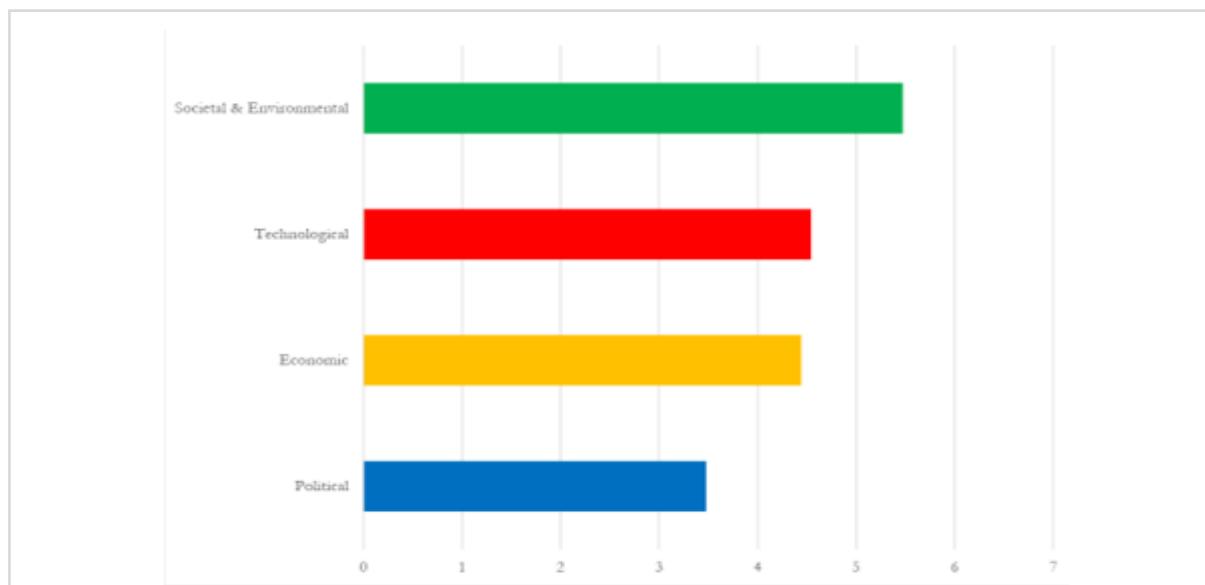
To recap the main points about the survey, the survey classifies global trade risks into four categories: Economic, Political, Societal & Environmental, and Technological. For each of them, respondents are asked to rate their likelihood and impact on a scale from 1 to 7. Based on the average values obtained in these two dimensions, global trade risks are mapped, distinguishing four quadrants. The high impact and high probability quadrant is dominated by Societal & Environmental and Technological risks.

In order to generate a single metric that summarizes the information contained in the survey and allow us to rank the different risks, we multiply the (average) likelihood and the (average) impact. This indicator is then normalized to range from 1 to 7.

As can be seen in the figure above, there are seven risks that stand out based on this indicator: Rising levels of private & public debt, Rapid technological advancements requiring adaptation, Data privacy protection over cross-border flows, Resource depletion & scarcity, Cybersecurity threats to trade infrastructure, Disease outbreaks, and Increased corruption. Of these three correspond to Technological risks and two to Societal & Environmental risks.



However, among the seven risks with the lowest evaluation, three are Technological. In this way, considering that categories present differences in terms of the number of risks (Economic: 4, Political: 6, Societal & Environmental: 5, and Technological: 8), we also calculate the average score of the risks included in each of them.



Based on the above, it seems that the category that presents the highest average score is Societal & Environmental, followed by Technological and Economic.

To put these findings into perspective, it is useful to think of them in contrast to the more traditional concerns for trade negotiators and businesses. Traditionally, trade negotiators and businesses were more concerned with issues resulting from non-tariff barriers to trade, differing domestic standards and regulations that affected trade in goods and services, movement of professionals, sanitary and phytosanitary standards, as well as topics such as environmental protection, labor standards, intellectual property, dispute resolution systems and enforcement mechanisms.

The results of the survey suggest that these more traditional risks to trade have been somewhat displaced in terms of relevance by new risks perceived by businesses. Ultimately, the purpose of expanding and deepening trade relations at bilateral, regional, plurilateral or multilateral levels has to do with the impact that they create in maximizing business and investment opportunities. What we learn from the survey is the priorities of the respondents are different from the traditional emphasis in trade agreements.

They would require negotiators to refocus the scope of trade negotiations and measures needed to respond to the new threat indicators. Such interventions could evolve gradually over time, while adapting to the circumstances and learning of new needs and threats that the businesses perceive.



Responding to major risks posed by resource depletion, preparedness for technological advancements, data privacy concerns, and cyber security would require close coordination between public and private sectors to ensure that the responses, whether from the public or private actors, are creative, iterative, and effective.

Responding to major risks posed by resource depletion, preparedness for technological advancements, data privacy concerns, and cyber security would require close coordination between public and private sectors to ensure that the responses, whether from the public or private actors, are creative, iterative, and effective. Furthermore, this survey also serves another point by illustrating the need to create feedback loops to facilitate communication between public and private sectors and enhance strategic learning for both.

To conclude, the survey has useful insights that the government could take into consideration in light of its priorities. The report on trade modernization and the role of technology that is being prepared could address and elaborate in greater detail the issues and the pros and cons of the new findings.



Afshin Molavi

Senior Fellow at the Foreign Policy Institute of the
John Hopkins University
School of Advanced International Studies

The World Trade Ship Remains Strong Despite Powerful Headwinds

The great 19th century American writer Mark Twain once read his own obituary in a newspaper and replied tartly to the editor: “the news of my demise has been greatly exaggerated.” In many ways, the same can be said for global trade.

As the Covid pandemic and Russia’s invasion of Ukraine packed a powerful 1–2 punch, disrupting supply chains and raising costs and fracturing geopolitics, many commentators proclaimed the coming demise of global trade. The numbers, however, tell a different story.

In the year 2022, the value of world merchandise trade exceeded \$25 trillion, according to the World Trade Organization (WTO) – a rise of 12% on the previous year. To be sure, rising commodities prices contributed to the value gain in trade, but volume growth also defied the doomsday predictions, clocking in at 2.7%. Meanwhile, commercial services trade rose 15% in that same year, hitting \$6.8 trillion, and digital services exports struck \$3.8 trillion, according to the WTO.

If you are keeping count, all of that trade amounts to more than \$35 trillion. Not bad for a world that has seen a pandemic and a major war in Europe over the past few years.

World trade is as old as civilization itself and has weathered many storms over the years. While there will inevitably be a down year or two, the story of the world since 1950 has been of a dizzying rise. We passed the \$1 trillion mark in global trade shortly after 1975 and keep rising by trillions.

The G20 Business Leaders survey lays out a wide range of economic, political, societal and environmental risks.

Broadly, the business leaders surveyed seem to understand the rising risks to global trade in this transitional moment of increasing fragmentation and economic uncertainty.

There is an underlying current of anxiety in the survey findings, but if past history can be a useful guide, entrepreneurs from ancient Greece to ancient Arabia to today’s Silicon Valley and trade hubs like Dubai or Singapore, have always contended with trade risks. These risks are inevitable and navigating them well helps define future success.

As the old adage goes: where you stand on an issue depends on where you sit. If you sit in a government office or in the halls of academia, you can find a wide range of risks to explore and analyze and debate. If you are a business leader, you do not have the luxury of simply analyzing risks. You need to find the best ways to navigate them and, in some cases, find the opportunity inherent in the risk.

An American government official who later moved to the private sector as an investor in emerging markets once told me: “When I was in government, I saw risks everywhere across emerging markets and developing economies. When I left the government and began investing, I looked at those same places and all I saw were opportunities.”

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So, even amid an environment of rising risks to trade, opportunities abound. The business leaders surveyed here clearly see those opportunities. Today’s risks may be unique to our age, but history has proven that the ship of world trade will keep steaming ahead.



Dr. Yasar Jarrar

Professor of Practice at the Hult International Business School

Emerging Markets: Navigating the Opportunities and Risks in the New Decade of Global Trade

As we chart the course of the new decade, the global trade landscape presents both an intriguing mix of risks and opportunities, particularly for emerging markets. Globalization, digitalization, and sustainability - the three forces that will likely shape the narrative of trade in the 2030s - have implications that extend far beyond established economies and resonate strongly with emerging markets.

First, the rise of digital technology and e-commerce represents an unprecedented opportunity for emerging economies. By 2022, the global digital economy was worth \$11.5 trillion, and it has only grown since then. E-commerce and digital platforms allow businesses in emerging markets to reach global customers directly, bypassing traditional gatekeepers. As this digital expansion continues, the businesses that adapt will find new markets, diverse customer bases, and unprecedented opportunities for growth.

At the same time, emerging economies must confront the challenges that come with this digital revolution. These include technological infrastructural gaps, cybersecurity threats, and ensuring equitable access to the benefits of digitalization. Governments and businesses alike will need to invest in robust digital infrastructure and upskill their workforces to exploit the digital economy's benefits and mitigate its potential downsides.

The geopolitical landscape also offers a mix of risks and opportunities. There is an emerging shift in global economic power, with Asia and Africa expected to become key drivers of global growth. This shift will likely present new trading partners for emerging economies, but it could also lead to increased competition.

Moreover, the lingering effects of trade wars and the rise of economic nationalism pose significant risks. Trade protectionism disrupts global supply chains and limits access to international markets, particularly problematic for export-dependent emerging economies. It's crucial, therefore, that these countries continue to champion multilateral trading systems and the rules-based international order.

A notable game-changer for global trade in the next decade is the increasing importance of sustainability. The world is moving towards green economies, driven by the realities of climate change and societal pressure for more sustainable business practices. This transition provides opportunities for emerging markets to innovate and create new, sustainable industries, particularly in renewable energy, sustainable agriculture, and green manufacturing.



The next decade will be a testing ground for emerging markets in the world of global trade.

They will need to seize the opportunities presented by digitalization, geopolitical shifts, and sustainability while remaining cognizant of the associated risks.

However, the transition to a green economy also presents risks. There is the danger of a 'green divide' where wealthier nations transition faster, imposing trade barriers against goods not deemed sustainable. Emerging economies, with their dependence on traditional industries like mining and manufacturing, could find themselves at a competitive disadvantage if they don't transition quickly enough.

Lastly, the ongoing effects of the COVID-19 pandemic should not be underestimated. The pandemic has significantly disrupted global trade, with particularly severe impacts on emerging economies. However, it has also underscored the need for more resilient supply chains, and therein lies the opportunity for emerging economies. By diversifying their economies and strengthening their domestic supply chains, they can build resilience against future shocks and establish themselves as reliable trade partners.

In sum, the next decade will be a testing ground for emerging markets in the world of global trade. They will need to seize the opportunities presented by digitalization, geopolitical shifts, and sustainability while remaining cognizant of the associated risks. Policymakers, businesses, and other stakeholders must work together to navigate these challenges and shape a future of trade that is inclusive, sustainable, and resilient.



Political Risks

Political Risks

Political risks can have a significant impact on trade, affecting the flow of goods, services, and investments between countries. These risks may arise from uncertainties in regulations, geopolitical tensions and/or other political factors.

In this risk category, global governance failure, increased corruption and frequent changes in trade regulations were perceived to be the major political risks facing the future of global trade.

Perceived Political Risks

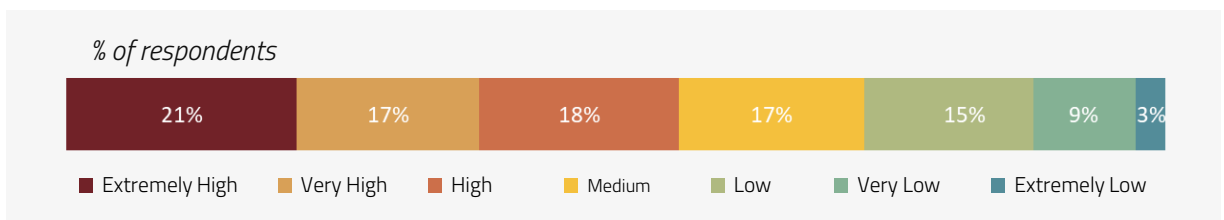


Increased Corruption

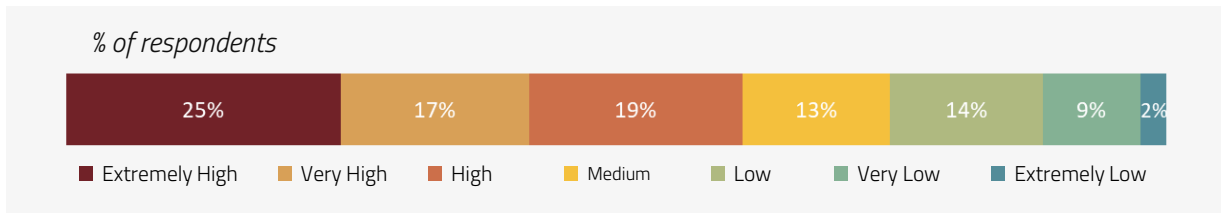
Increased corruption impacts the cost, timing, and feasibility of trade transactions. At the firm level, the OECD estimates informal payments and corruption add a “tax” of anywhere from five to ten percent of the value of company sales in markets where corruption is normalized¹. This can deter firms from entering markets where corruption is prevalent and discourage investment, limiting the growth of global trade.

¹ “Global Trade Without Corruption: Fighting the Hidden Tariff”, OECD (2017)

Likelihood of Increased Corruption



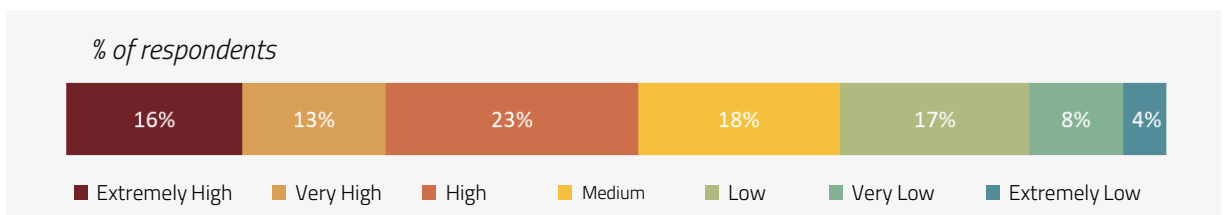
Impact of Increased Corruption



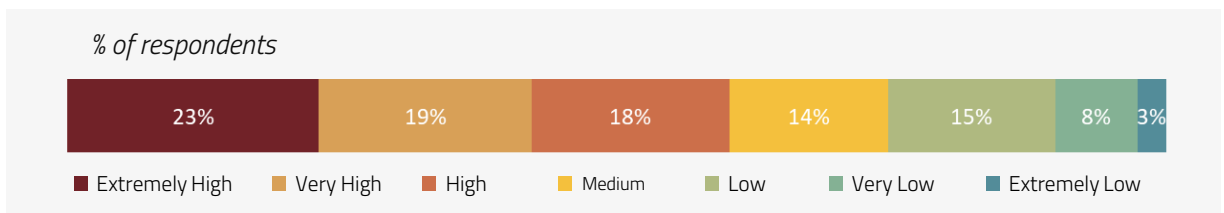
Global Governance failures

Global governance operates through a framework of institutions, rules, and processes aimed at effectively handling cross-border relations. Nevertheless, the global governance landscape is transforming, giving rise to a multipolar world due to the emergence of high growth economies². This is exerting pressure on the current system and causing potential fractures and/or tensions. If they do occur, global governance failures can cause disruptions to local as well as global supply chains for e.g., geopolitical uncertainty can lead to shortages of critical inputs, thus creating global shortages³.

Likelihood Global Governance Failure



Impact Global Governance Failure



²"A BETTER GLOBAL GOVERNANCE: WHAT IS AT STAKE? THE OECD PERSPECTIVE", OECD (2012)
<https://www.oecd.org/china/abetterglobalgovernancewhatisatstaketheoecdperspective.htm>

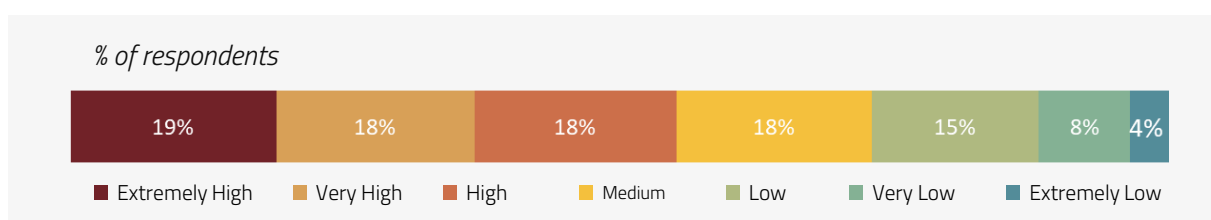
³"5 CHALLENGES FACING GLOBAL SUPPLY CHAINS", WORLD ECONOMIC FORUM (2022).
<https://www.weforum.org/agenda/2022/09/5-challenges-global-supply-chains-trade>

Governance failure at either the national or international level can create a complex and unstable trading environment, leading to reduced global trade, inefficiencies, and potential negative impacts on global economic growth and development. It can negatively impact trade through disputes, intellectual property rights issues, financial system instability and security issues, among many other challenges that could impact investor confidence.

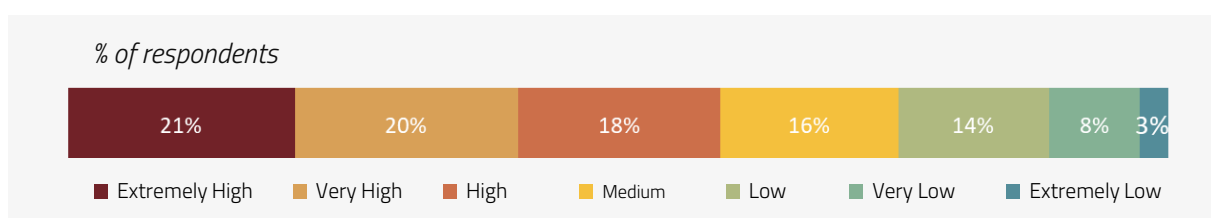
Frequent or drastic changes in trade regulations, policies, and standards

The quality of regulations and their proper implementation significantly influence economic efficiency, trade, and investment results⁴. Nonetheless, frequent or substantial alterations in trade regulations may result in trade barriers, potentially leading to higher prices and posing a risk of global inequality⁵.

Likelihood of Frequent changes in regulations leading to compliance challenges



Impact of Frequent changes in regulations leading to compliance challenges



While regulatory adjustments are sometimes necessary to reflect changes in technology, social priorities, or economic conditions, frequent or drastic changes can create a highly unstable trading environment. Such change creates increased uncertainty, raises cost of doing business, causes supply chain disruptions, can lead to confusion and unintentional non-compliance, exposing businesses to legal risks and potential fines, and inhibits economic integration while negatively affecting long-term agreements and contracts. It is also a deterrent of Foreign Direct Investment (FDI).

Predictable, transparent, and well-communicated policies are essential to support a healthy global trading system, promote economic growth, and foster innovation and collaboration between nations.

⁴ "Sweeping away outdated trade regulations improves competitiveness in developing countries", World Bank Blogs (2023). <https://blogs.worldbank.org/trade/sweeping-away-outdated-trade-regulations-improves-competitiveness-developing-countries>

⁵ "Growing threats to Global Trade", IMF (2023). <https://www.imf.org/en/Publications/fandd/issues/2023/06/growing-threats-to-global-trade-goldberg-reed>



Economic Risks

Economic Risks

Economic risks can have a substantial impact on trade. This may be due to exchange rate fluctuations, financial instability, economic downturn, etc. which may lead to changes in trade volumes and patterns.

This risk category covers rising levels of public and private debt which was perceived to be the most important economic risk facing the future of global trade.

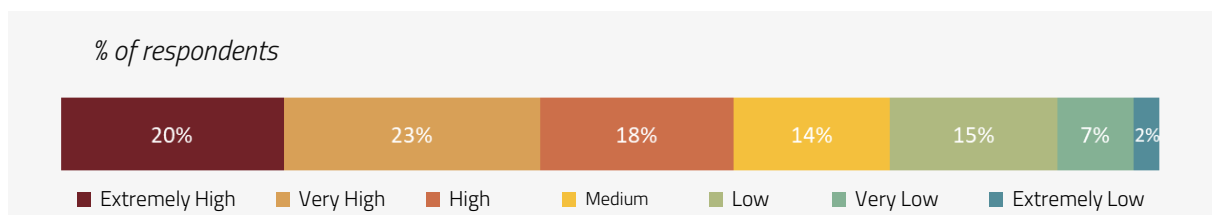
Perceived Economic Risks



Rising levels of public and private debt

The expansion of trade depends on a reliable and efficient source of financing⁶. However, rising levels of public and private debt, financial market volatility and liquidity concerns are affecting global trade. The majority of low-income developing countries are today either already in or near debt distress⁷.

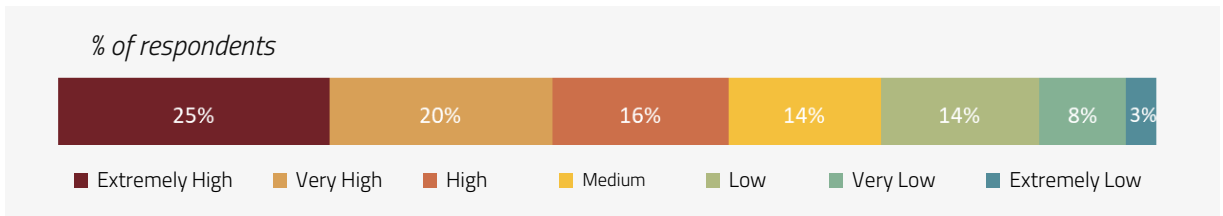
Likelihood of Rising levels of public and private debt and liquidity concerns



⁶“The Trade, Debt and Finance Nexus: at the Cross-roads of Micro- and Macroeconomics”, WTO Secretariat (2004)

⁷“World Economic Outlook”, IMF (April, 2023)

Impact of Rising levels of public and private debt and liquidity concerns



Rising levels of public and private debt pose a serious risk for the future of global trade growth. In the public sector, escalating debt levels can constrain government spending and investment in critical areas like infrastructure, education, and innovation, all of which are essential for sustained trade expansion. High levels of public debt may also lead to austerity measures, reducing domestic demand, and potentially impacting international trade. In the private sector, increased debt burdens can limit the ability of companies to invest in expanding production or entering new markets.

Additionally, elevated private debt can increase the vulnerability of the financial system, threatening economic stability. Should interest rates rise further or economic conditions deteriorate, the servicing of these debts could become problematic, leading to defaults and a potential financial crisis. The interconnectivity of the global financial system means that such a crisis could rapidly spread, disrupting global trade flows and impeding economic growth.



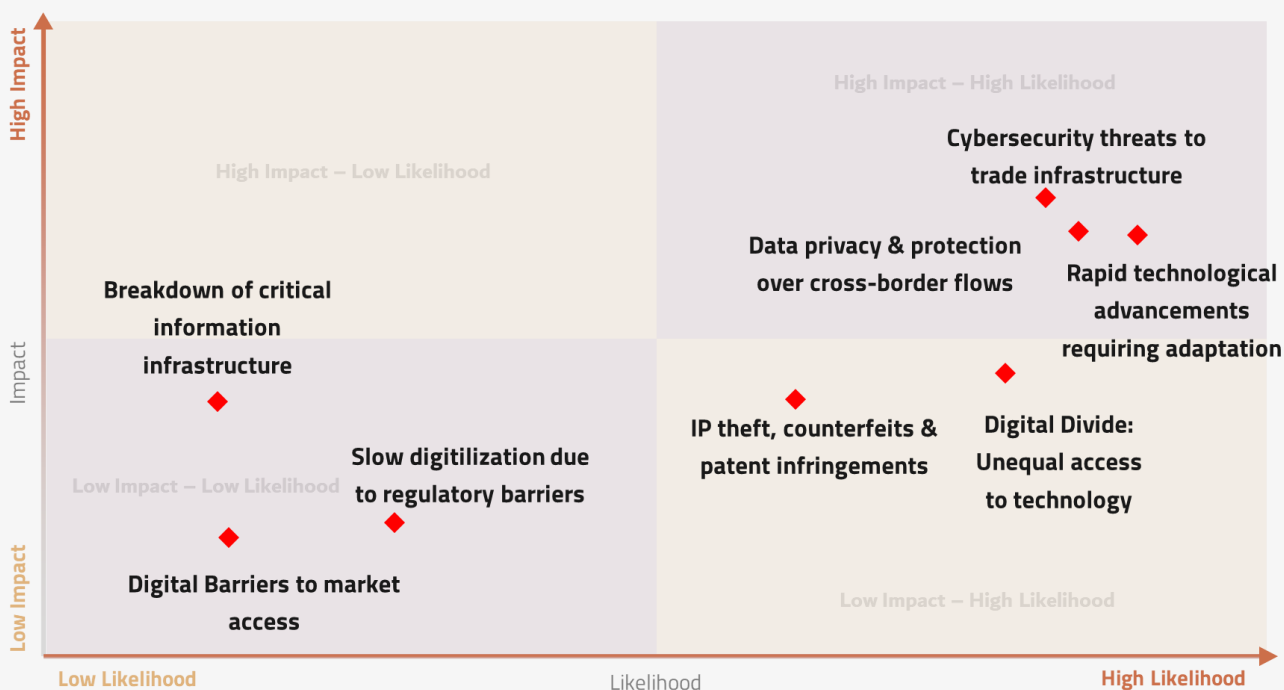
Technology Risks

Technology Risks

Technology risks can have a considerable impact on the global trade landscape. The digital transformation has led to various benefits including decreased costs in international trade, streamlined the coordination of global value chains (GVCs), and fostered greater connectivity among businesses and consumers worldwide⁸.

In this risk category, rapid technological advances requiring adaptation, cybersecurity threats to trade infrastructure and data privacy & protection concerns over cross-border flows were perceived to be the major technological risks facing the future of global trade.

Perceived Technological Risks

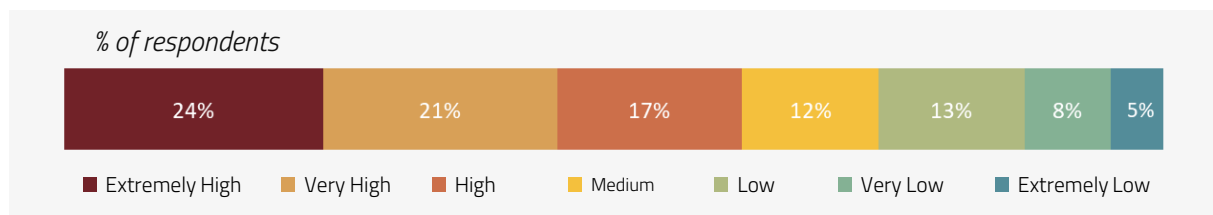


Rapid technological advances requiring adaptation

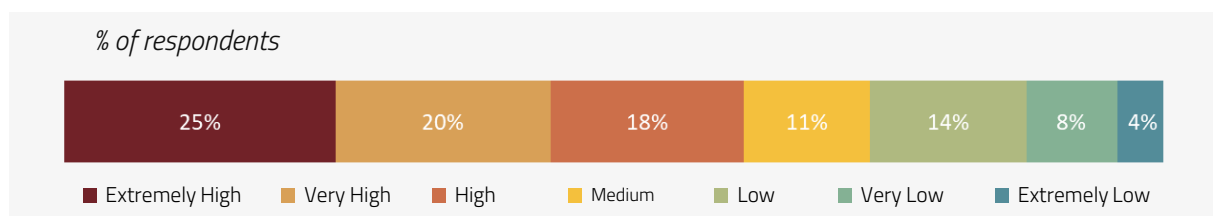
Rapid advances in technology such as automation, artificial intelligence, and blockchain are disrupting traditional trade patterns and requiring prompt adaptation. These frontier technologies have already demonstrated the potential to improve efficiencies in cross-border trade flows in various areas⁹. Implementation of these technologies also requires finding the right talent and upskilling existing teams.

⁸ Digital Trade – OECD, <https://www.oecd.org/trade/topics/digital-trade/>

Likelihood of Rapid Advances in Technology leading to adaptation challenges



Impact of Rapid Advances in Technology leading to adaptation challenges



Rapid technological advances are reshaping the entire value chain of global trade, requiring widespread adaptation from all involved. This transformation brings both opportunities and challenges. Technologies like artificial intelligence, robotics, and blockchain are automating and streamlining various aspects of the trade process, from manufacturing to customs clearance, reducing costs and time delays, while advanced analytics enable better demand forecasting, inventory management, and trend analysis, leading to more responsive and optimized supply chains.

However, there are challenges. Investing in new technologies and integrating them into existing systems requires significant financial and human resources, which may be challenging for smaller businesses and developing countries. To avoid a rapidly increasing skills gap, the workforce needs to acquire new skills to adapt to technological changes, and failure to address this gap may lead to unemployment and social disparities. There is also cybersecurity risk. Increased reliance on digital technologies exposes the trade value chain to cyber threats, requiring robust security measures.

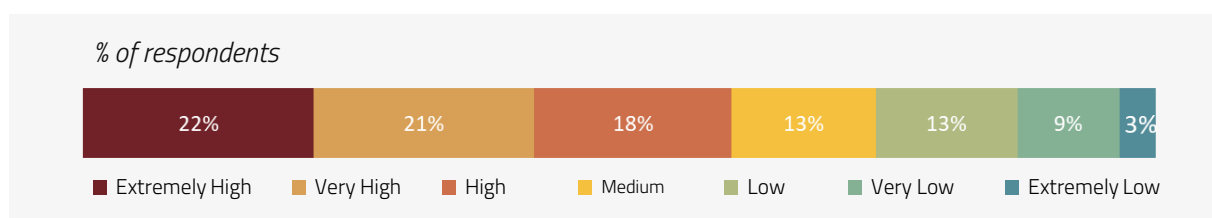
Ensuring that regulations keep pace with technological advances is vital to prevent legal ambiguities and to foster an environment conducive to innovation.

Increasing frequency and sophistication of cyberthreats to trade infrastructure

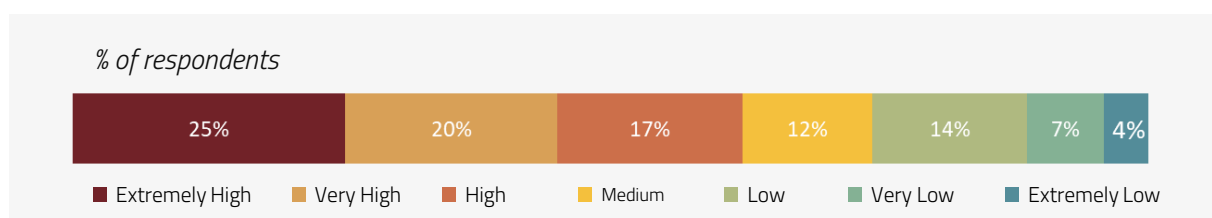
Transformative digital technologies need to be secure and resilient to achieve the potential benefits of global digital ecosystem¹⁰. Cyber security is one of the most important systemic issues for the global economy¹¹. Increasing frequency and sophistication of cyberthreats to trade infrastructure, supply chains and digital platforms may lead to disruption of operations.

⁹“Global Report On Blockchain And Its Implications On Trade Facilitation Performance”, UNCTAD (2023)

Likelihood Increasing frequency of cyberattacks on trade infrastructure



Impact of Increasing frequency of cyberattacks on trade infrastructure



The landscape of global commerce is being reshaped by the digital revolution, and with it, comes the escalating risk of cyberthreats to our trade infrastructure. In an interconnected world, the effects of a cyberattack can be both profound and widespread, often reaching far beyond the immediate target.

The disruption caused by a successful cyberattack can halt operations across key components of trade infrastructure, including ports, logistics networks, and financial systems. This disruption can manifest as significant delays, the interruption of essential services, and considerable financial losses. Today's cybercriminals are not just after disruption, they also increasingly target sensitive business information, such as intellectual property, trade secrets, and customer data. The loss of such information can erode a company's competitive advantage and damage relationships with customers and partners.

Our financial systems, so critical to the flow of global trade, are not immune to these threats. Cyberattacks on banks and financial institutions can disrupt trade finance, shaking confidence in the global financial system, and affecting transactions worldwide. The ripple effects of a single cyberattack can also expose vulnerabilities in our increasingly interconnected supply chains, where an incident at one entity can trigger a cascade of disruptions across multiple businesses and borders.

Data privacy and protection concerns affecting cross-border flows

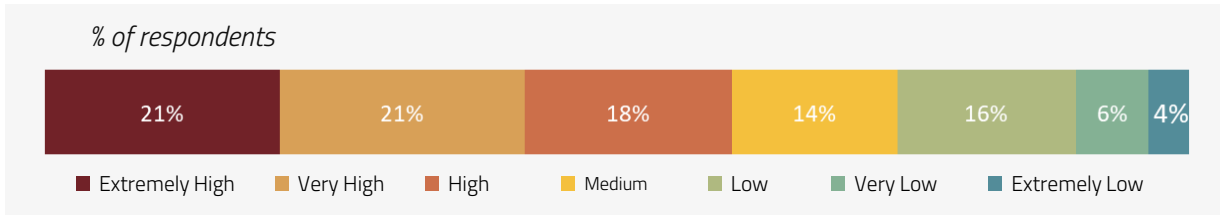
Cross-border data flows are critical for global economic and social activities, underpinning daily business operations, logistics, supply chains and global communication. However, cross-border data flows may pose challenges between and among governments, businesses and individuals, as they amplify concerns about privacy and data protection, intellectual property protection, digital security, trade, competition and industrial policy¹².

¹⁰ "Future Series: Cybersecurity, emerging technology and systemic risk", World Economic Forum (2020)

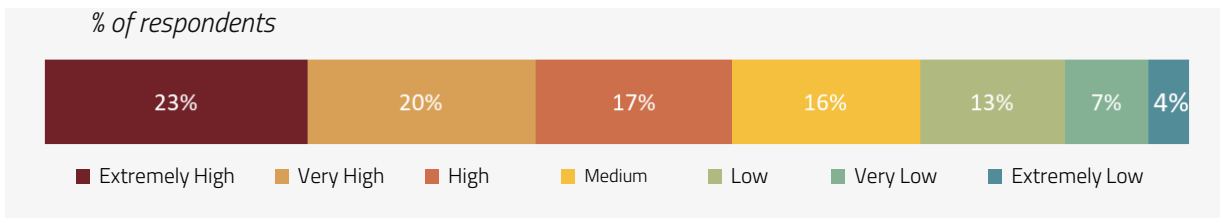
¹¹ Ibid.

¹² "Fostering Cross-Border Data-flows with trust", OECD Digital Economy Papers (2022)

Likelihood of Data privacy and governance concerns affecting cross-border flows



Impact of Data privacy and governance concerns affecting cross-border flows



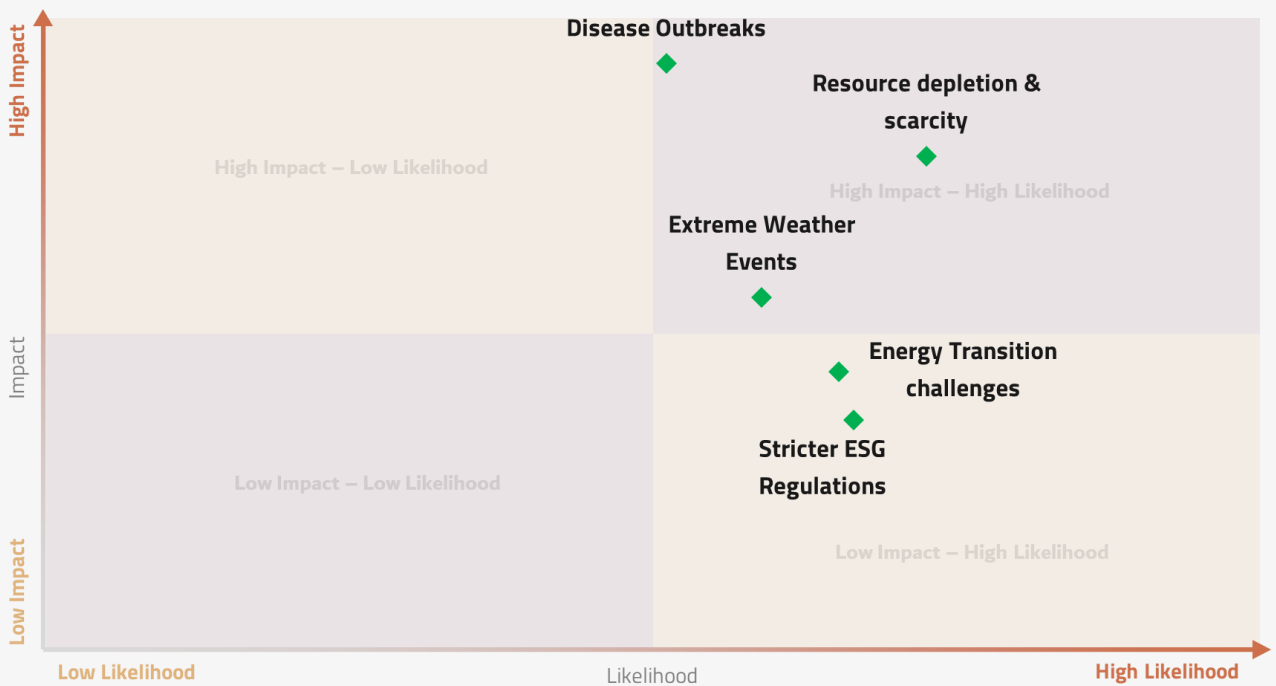


Environmental and Societal Risks

Environmental And Societal Risks

Environmental and societal risks can have profound impacts on global trade. These risks include climate change, natural disasters, social unrest, and health crises which can affect trade flows and supply chains. In this risk category, disease outbreaks, extreme weather events and resource scarcity & depletion were perceived to be the major environment and societal risks facing the future of global trade.

Perceived Environment and Societal Risks

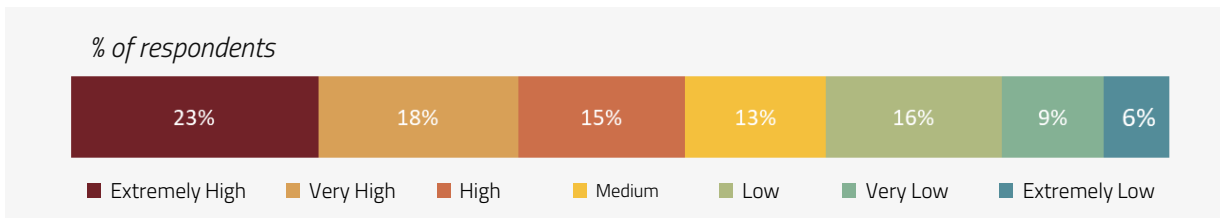


Greater incidences of extreme weather events may lead to supply chain restrictions and disruptions

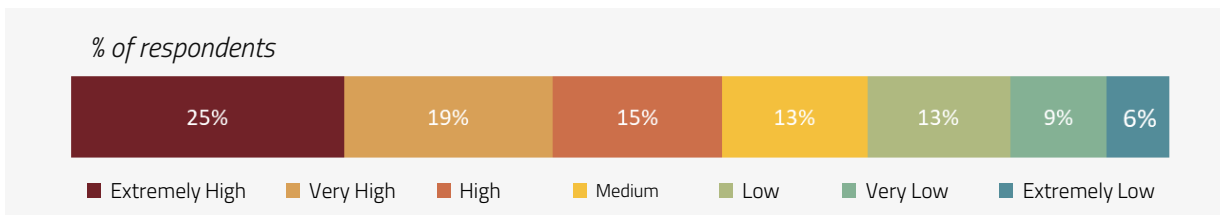
The increasing occurrence and severity of abrupt and extreme weather events attributable to climate change presents challenges to the supply, transport and distribution channels that are vital for the functioning of global trade routes. According to the OECD, maritime shipping, responsible for approximately 80% of global trade by volume, could face adverse effects, such as more frequent port closures resulting from extreme weather events¹³.

¹³Trade and the environment - OECD

Likelihood of Extreme weather events leading to supply chain restrictions



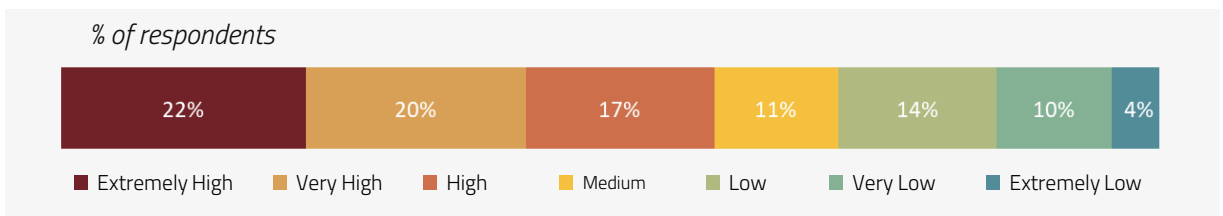
Impact of Extreme weather events leading to supply chain restrictions



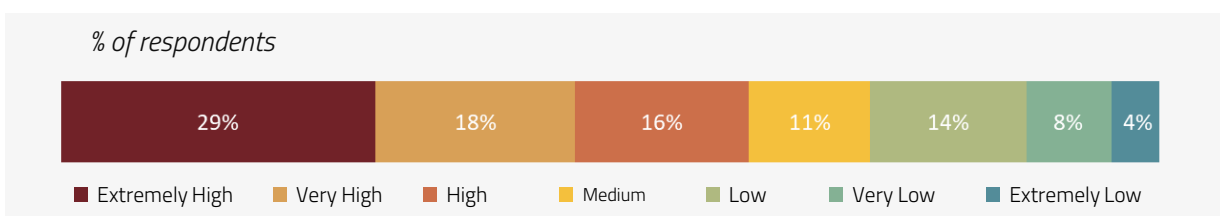
Outbreaks of infectious diseases and pandemics can cause major disruptions to global trade

Spread of infectious diseases or pandemics can lead to severe setbacks which may also impact trade. During the last pandemic in 2020, a severe drop in international trade was noted which stemmed from a widespread decrease in global demand, increased cross-border restrictions, and logistical disruptions such as port closures¹⁴.

Likelihood of Outbreaks of diseases causing global trade disruptions



Impact of Outbreaks of diseases causing global trade disruptions

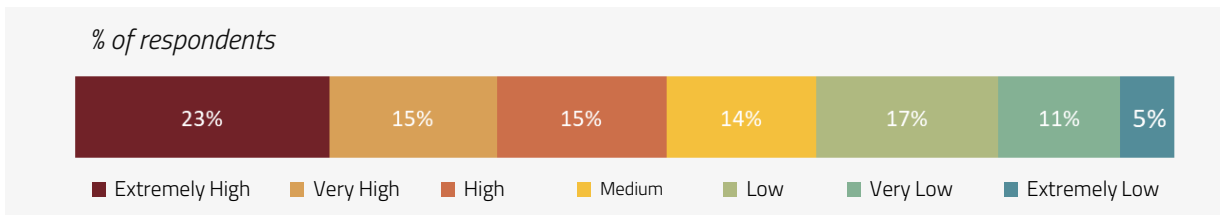


¹⁴ "Impact of the Covid-19 pandemic on trade and development: Lessons learned", UNCTAD (2022)

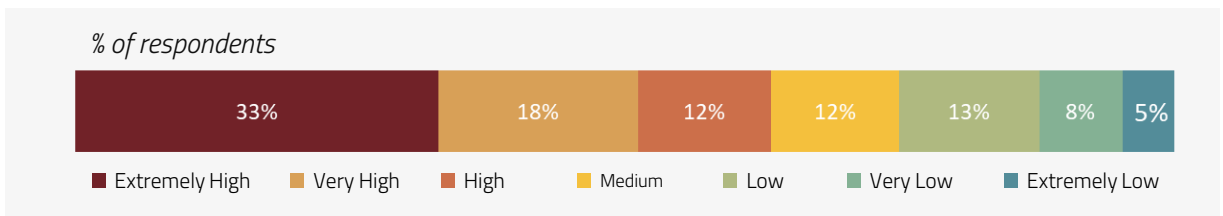
Depletion of natural resources, water scarcity, and environmental degradation is affecting production, sourcing, and sustainability of global trade

Natural resources play a vital role in the production of output that can be used for trade purposes. WEF highlights that water stress acts as a multiplier to shortages of other key resources. In the absence of effective adaptation, agricultural productivity is severely impacted by climate change, diverging in intensity between regions. Data shows that crop yields have fallen in volume and nutritional value due to heat, changing weather patterns, dry and wet precipitation extremes, and shifts to the distribution of insects, pests and diseases¹⁵.

Likelihood of Outbreaks of diseases causing global trade disruptions



Impact of Outbreaks of diseases causing global trade disruptions



The depletion of natural resources, water scarcity, and environmental degradation pose significant challenges for global trade, affecting production, sourcing, and overall sustainability.

As resources become scarcer, industries face higher production costs, leading to potential supply chain disruptions and geopolitical tensions. Water scarcity hinders agriculture and manufacturing, altering sourcing patterns for commodities and affecting trade routes. Environmental degradation impacts the availability and quality of resources, reducing productivity and triggering regulatory changes and consumer demands for sustainability. In response, businesses must adapt practices and supply chains to meet eco-friendly standards, ensuring a more sustainable global economy through international cooperation and innovative solutions.

¹⁵ "Global Risks Report", World Economic Forum, (2023)



Appendix

Our Methodology

The business leaders survey classified global trade risks into four categories: Economic, Political, Societal & Environmental, and Technological. For each of the categories, respondents were asked to rate their likelihood and impact on a scale from 1 to 7 for each sub-risk that falls under each category

In order to better capture the risk sentiment of the business leaders in the broader context, a 'big picture' comparison of all risks outlined in our survey was mapped to capture the likelihood and impact of each risk relative to all others. This would allow the audience to understand the perceived risk impact and risk likelihood of each risk in all categories of global trade risks in one frame i.e. Economic, Political, Environment and Societal, and Technological all together.

This was done by calculating the average values for each dimension of each risk. Based on the average values obtained in these two dimensions, global trade risks were mapped, distinguishing four quadrants. The high impact and high probability quadrant is dominated by Societal & Environmental and Technological risks. In order to capture the importance of each risk in its own context therefore, we also have category-wise highlights of the survey to better reflect the business leaders' perceived risk impact and risk likelihood of a particular risk category.

Our Survey Partner - AIM Congress¹⁶

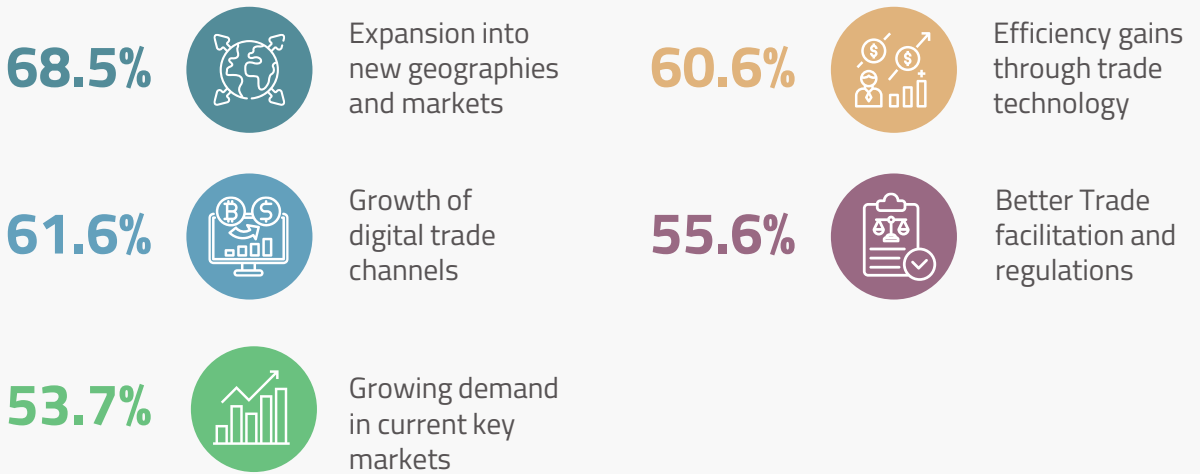
We would like to thank AIM, our survey partners, for connecting our survey with their global network of business leaders. The Annual Investment Meeting (AIM) is an initiative of the AIM Foundation, an independent international organization fully committed to empowering the world's economy by boosting effective promotion strategies and facilitating opportunities for economic productivity and expansion.

The Annual Investment Meeting or AIM is a leading investment conference that brings together all types of investors, entrepreneurs and government sectors from all over the globe. Annually held in the United Arab Emirates, it serves as a platform for all sectors to have an open discussion of the latest investment trends and opportunities and have an opportunity to exchange ideas and explore potential partnerships. Focusing on emerging markets and growing technologies, Annual Investment Meeting aims to drive innovation and economic growth globally.

¹⁶ <https://www.aimcongress.com/>

Our Respondents

Reflecting on your own business trajectory, select the top 3 drivers for trade growth in the coming 5 years



What are your key trade markets?

Middle East

52.9%



Africa

50.5%



Europe

42.6%



Asia-Pacific

39.6%



Americas

30.1%



¹⁶ <https://www.aimcongress.com/>

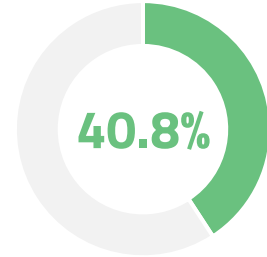
Our Respondents

Where do you see your company in terms of adopting trade management technology?



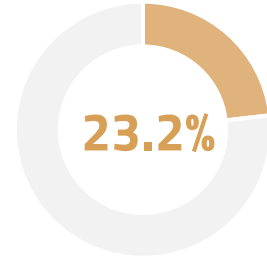
Early Stage

In the process of adopting automation technology for trade functions



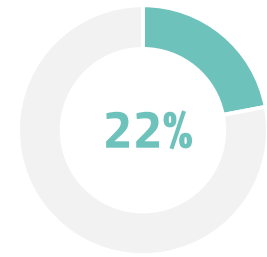
Established

Mature technological systems deployed for trade management



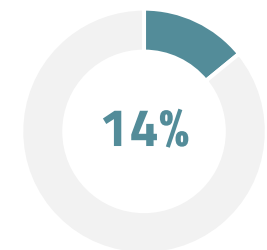
Advanced and Exploring Emerging Technologies

Exploring application of emerging tech such as blockchain, AI, Smart IoT systems etc.



Behind the Curve

Still rely on manual systems for trade management and logistics



¹⁶ <https://www.aimcongress.com/>

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