



What in the World is Going On?

Current Trends and Implications of Geopolitical and Trade Dynamics

Prepared by BCG Global Advantage Practice Area



We are at an inflection point in Great **Power Dynamics**, moving toward a multi-polar world



Liberal and Democratic **Institutions** are under threat, internationally and domestically



Non-political Trends in technology and economics are changing global trade dynamics

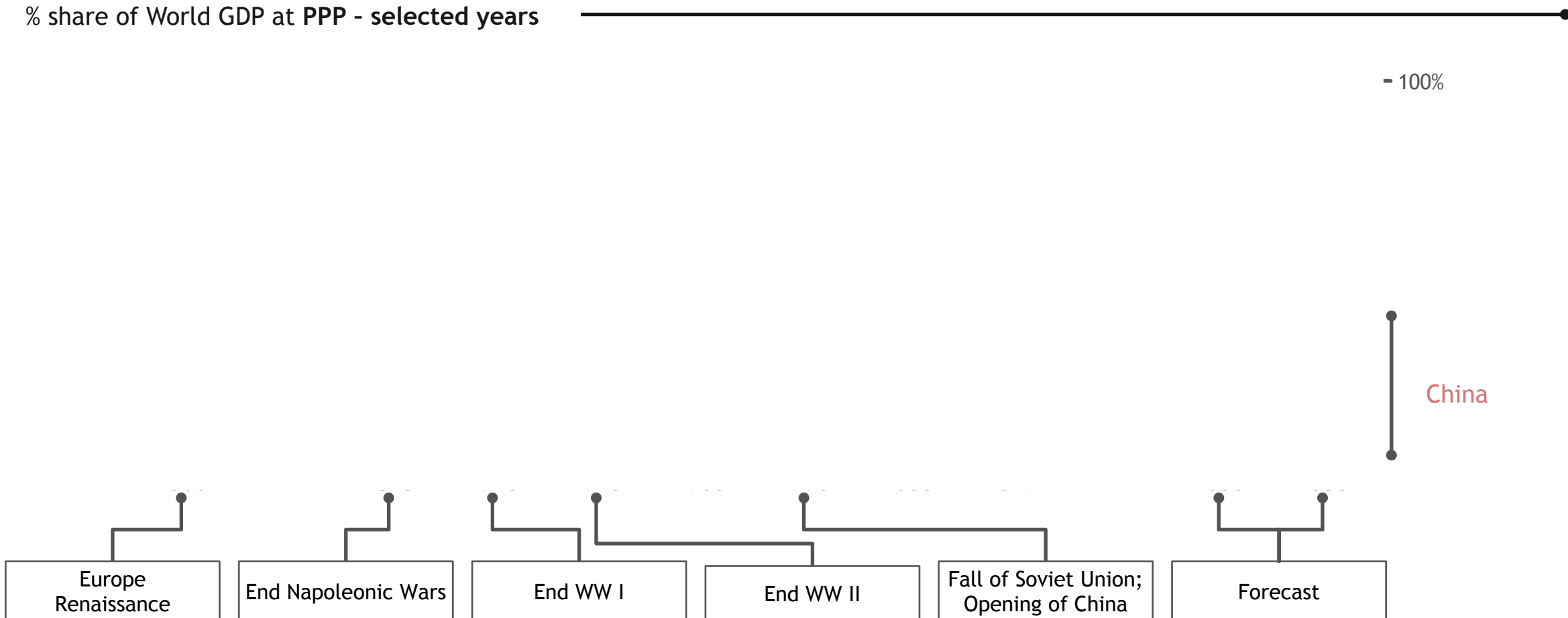


Government Action and Corporate Action are responding, causing **Trade Flows to Shift**



Power Dynamics | Past ~200 years were not “Normal”

% share of World GDP at PPP - selected years



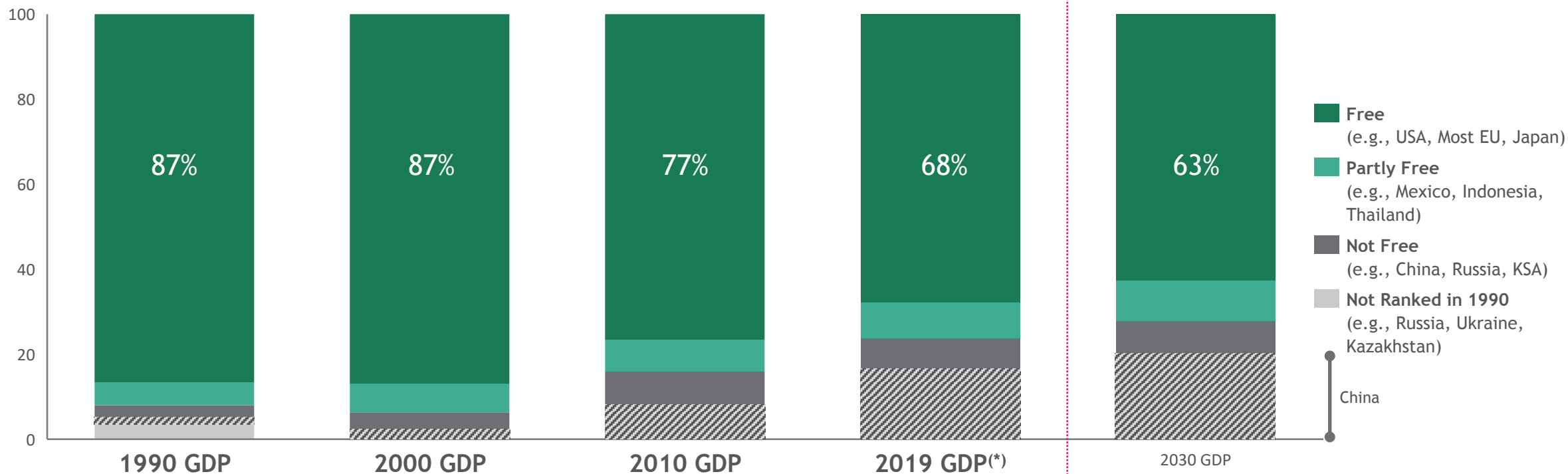
Note: Includes the assumption that growth after 2019 growth will be 2% for US and Europe, 4% for Rest of World and 6% for Asia

Source: World Bank, The Maddison Project, IMF, BCG analysis and estimates



Institutions | More of the World is less and less "Free"

% World nominal GDP by level of freedom (as determined by Freedom House)



It will be more challenging to access international markets and protect international assets

Notes: Assumes that post-2020, nominal GDP will grow by 2% for US and Europe, 4% for other and 6% for Asia. Assumes that the freedom status of any country will not change post-2019

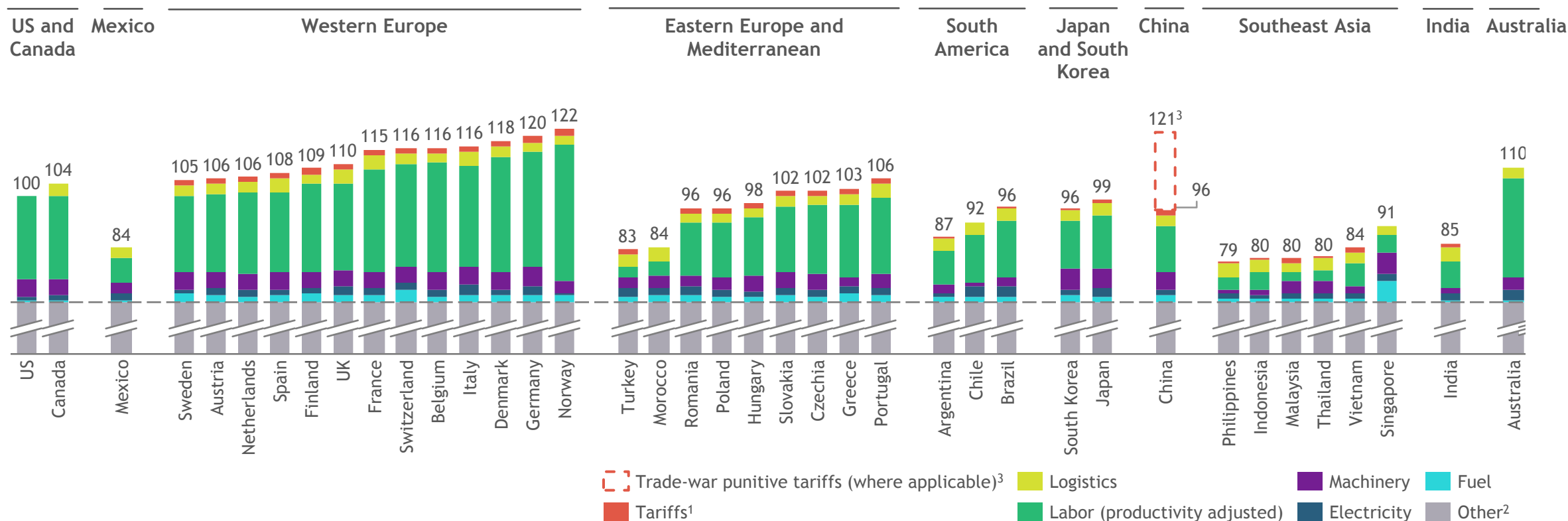
*. 2019 chosen to avoid Covid effect on global GDP

Source: Freedom House, World Bank, BCG analysis and forecast estimates



Secular Trends | Less labor arbitrage, as China cost rises

2022 landed cost—including manufacturing cost, logistics, and tariffs—indexed to US cost (%)



 Trade-war punitive tariffs (where applicable)³
 Logistics
 Machinery
 Fuel

Tariffs¹
 Labor (productivity adjusted)
 Electricity
 Other²

Sources: World Bank; US Census Bureau; World Trade Organization; US Bureau of Labor Statistics; EnerData; Economist Intelligence Unit; International Labor Organization; International Federation of Robots; Drewry; National Bureau of Statistics of China; BCG analysis.

¹ Includes WTO, most favored nation, and preferential tariffs. Excludes anti-dumping, countervailing duties, and all safeguard tariffs except US trade-war tariffs on China.

² Includes materials, capital expenditures on facilities, taxes, and other operating expenses.

³ Refers to US Code §301 tariffs on Chinese imports; graph displays maximum value of 25%.

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