



Supply-chain Forecast: Political Trends and Impacts

- Supply Chain Business Council

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The next two years will see significant changes in global trade and supply-chains driven by geo-political factors, supply diversification, technological advancements, sustainability initiatives, regional trade agreements, reshoring, and enhanced risk management. These changes will make well planned supply-chains more resilient, efficient, and responsive to both geo-political and environmental challenges. Less structured or ad-hoc supply-chains, and smaller businesses, are at disproportionate risk to these changes.

The top 6 trend headlines are:

1. Continued Supply-chain Diversification

- **Drivers:** Geopolitical tensions, such as the ongoing U.S.-China trade war, and lessons learned from the COVID-19 pandemic will continue to push companies to diversify their supply-chains.
- **Outcome:** Businesses will increasingly adopt a "China plus one" strategy, establishing manufacturing bases in other Asian countries like Vietnam, India, and Indonesia to mitigate risks. This will lead to a more distributed and resilient supply-chain network globally ([SAIS Review](#)) ([MDPI](#)).

2. Digital Transformation and Automation

- **Drivers:** Advances in technology and the need for greater efficiency and resilience will drive digital transformation and automation in supply-chains.
- **Outcome:** The adoption of technologies such as artificial intelligence (AI), Internet of Things (IoT), blockchain, and robotics will enhance supply-chain visibility, efficiency, and security. This shift will reduce dependency on manual labour and improve the ability to respond to disruptions ([CSIS](#)) ([Cato Institute](#)).

3. Sustainability and Green Supply-chains

- **Drivers:** Increasing regulatory pressures, consumer demand for sustainable products, and corporate social responsibility initiatives will push companies to adopt greener supply chain practices.
- **Outcome:** There will be a significant focus on reducing carbon footprints through the use of renewable energy, sustainable sourcing, and circular economy practices. Companies will invest in green technologies and processes to comply with new regulations and meet consumer expectations ([SAIS Review](#)) ([MDPI](#)).

4. Regional Trade Agreements

- **Drivers:** The rise of regional trade agreements such as the Regional Comprehensive Economic Partnership (RCEP) and the African Continental Free Trade Area (AfCFTA) will reshape global trade dynamics.
- **Outcome:** These agreements will facilitate increased intra-regional trade, reducing reliance on distant markets and fostering economic integration within regions. This will lead to the growth of regional supply chains and enhanced economic cooperation among member countries ([SAIS Review](#)) ([MDPI](#)).

5. Reshoring and Nearshoring

- **Drivers:** Geopolitical uncertainties, trade tensions, and the need for supply chain resilience will drive reshoring (bringing manufacturing back to home countries) and nearshoring (relocating production closer to end markets).
- **Outcome:** Companies in North America and Europe will increasingly move production closer to their primary markets to reduce risks and improve response times. This trend will benefit countries with stable political environments and developed infrastructure ([CSIS](#)) ([Cato Institute](#)).

6. Increased Emphasis on Risk Management

- **Drivers:** The disruptions caused by the COVID-19 pandemic have highlighted the importance of robust risk management strategies.
- **Outcome:** Companies will invest more in risk management tools and strategies, including diversified supplier bases, inventory buffers, and advanced analytics for predictive risk assessment. This will enhance their ability to anticipate and respond to disruptions ([SAIS Review](#)) ([MDPI](#)).

Certainties in Trade and Supply Chain for 2024

Here are some key certainties and uncertainties impacting trade and supply chains in 2024:

Certainties

- 1. Technological Advancements:** The integration of AI, automation, and digital technologies in supply chain management is a clear trend. These technologies are helping businesses automate routine tasks, enhance efficiency, and improve resilience against disruptions ([IMD Business](#)) ([Octet](#)).
- 2. Sustainability Focus:** There is a strong and ongoing push towards sustainability in supply chains. Companies are increasingly pressured to reduce their carbon footprints and adopt more environmentally friendly practices ([IMD Business](#)) ([Octet](#)).
- 3. Supply Chain Disruption:** The fallout from past disruptions, including those caused by COVID-19 and geopolitical tensions, continues to impact supply-chains. Companies are still navigating the effects of these disruptions and seeking ways to build more resilient supply-chains ([IMD Business](#)) ([World Economic Forum](#)).
- 4. Easing Shipping Pressures:** There is an expected improvement in shipping conditions, with increased capacity and more reliable schedules. The growth of the global container fleet and the reduction of port congestion are set to alleviate some of the past pressures ([Octet](#)).

Uncertainties

- 1. Geopolitical Tensions:** Geopolitical uncertainties, such as conflicts in key trade regions and the potential for new trade restrictions, remain significant risks. These tensions can lead to disruptions in raw material supplies and other critical inputs ([Moody's Analytics](#)) ([World Economic Forum](#)).
- 2. Economic Instability:** Fluctuations in global economic conditions, including inflation and interest rates, continue to pose risks. Economic policies aimed at controlling inflation could affect consumer spending and business investments ([Octet](#)).
- 3. Consumer Behaviour:** Shifts in consumer preferences and increased awareness of product origins complicate supply-chain management. Consumers' demand for ethical and sustainable products adds layers of complexity to sourcing and logistics ([Octet](#)).
- 4. Labor Shortages:** Ongoing skills shortages in the logistics and manufacturing sectors pose challenges for maintaining production levels and service quality. The need for a skilled workforce to operate new technologies and automation systems is critical, yet uncertain ([Octet](#)).
- 5. Climate Change:** The increasing frequency and severity of extreme weather events pose a persistent threat to supply-chains. These events can disrupt transportation routes, damage infrastructure, and affect the availability of raw materials ([Octet](#)).

By understanding these certainties and uncertainties, businesses can better prepare for the challenges and opportunities that lie ahead in 2024.

- 1. Continued Supply-chain Disruptions:** The fallout from previous disruptions, such as the COVID-19 pandemic and geopolitical tensions, will persist. For example, military conflicts, like those in the Red Sea, continue to affect key trade routes, leading to increased logistics costs and pricing volatility ([IMD Business](#)) ([S&P Global](#)).
- 2. Inflationary Pressures:** Rising energy costs, driven by geopolitical factors like the Russia-Ukraine war, will continue to affect production costs across various sectors. European companies, heavily dependent on Russian gas, are seeking alternative energy sources to mitigate these impacts ([World Economic Forum](#)).
- 3. Sustainability Efforts:** There is a strong push towards more sustainable supply-chains. Retailers and producers are increasingly focused on reducing their carbon footprints, which might lead to a return to seasonal goods and more localised sourcing ([IMD Business](#)) ([World Economic Forum](#)).

Uncertainties in Trade and supply-chain for 2024

- 1. Geopolitical Instabilities:** The geopolitical landscape remains unpredictable. Issues such as the ongoing tensions between the US and China and potential escalations in the Taiwan Strait could disrupt critical supply-chains, particularly those involving semiconductors and other high-tech components ([World Economic Forum](#)).
- 2. Labour Strikes and Shortages:** Labor actions, such as strikes by dock workers and truck drivers, present significant uncertainties. These disruptions have already affected supply-chains in sectors ranging from electronics to construction materials and are likely to continue causing unpredictability ([World Economic Forum](#)).
- 3. Extreme Weather Events:** Climate change-induced weather events, such as droughts, continue to pose significant risks. Lower water levels in major shipping routes like the Yangtze and Rhine rivers have already disrupted trade flows, and such events are expected to become more frequent and severe ([World Economic Forum](#)).
- 4. Technological Adaptation and Cybersecurity:** The integration of advanced technologies in supply-chains, while beneficial, also brings challenges, including cybersecurity threats. Companies must balance the adoption of innovations like AI and IoT with robust security measures to protect against cyber-attacks ([S&P Global](#)).

Addressing these certainties and preparing for the uncertainties will be crucial for businesses looking to navigate the complex trade and supply-chain environment in 2024.

With a high degree of certainty, what is the most significant uncertainty for 2024.

Predicting which uncertainty will happen is challenging due to the inherent nature of uncertainties. However, based on current trends and the analysis of multiple sources, the most likely uncertainty to manifest in 2024 is continued geopolitical instability.

Reasons for Geopolitical Instability as the Most Likely Uncertainty:

- 1. Historical and Ongoing Tensions:** Geopolitical tensions, particularly between major powers like the US and China, have been escalating over the years. The situation in the Taiwan Strait, for instance, remains a significant flashpoint that could disrupt global supply-chains, especially those related to semiconductors and high-tech components ([World Economic Forum](#)).
- 2. Recent Military Conflicts:** The ongoing conflict in Ukraine continues to have widespread repercussions. This includes disruptions in energy supplies, particularly in Europe, and broader impacts on global food and fertiliser supplies ([S&P Global](#)) ([World Economic Forum](#)).
- 3. Economic Sanctions and Trade Wars:** Economic sanctions, trade wars, and protectionist policies are increasingly common tools in geopolitical conflicts. The US-China trade war is a prime example, having caused significant disruptions and uncertainties in global trade patterns over the past few years ([S&P Global](#)).
- 4. Regional Instabilities:** Other regions experiencing political instability, such as the Middle East and parts of Africa, also contribute to the broader geopolitical uncertainty. These regions are critical for the global supply of energy and raw materials, and disruptions here can have cascading effects globally ([World Economic Forum](#)).
- 5. Predictions from Experts:** Various expert analyses and reports highlight geopolitical instability as a critical area of concern for 2024. Organisations such as the World Economic Forum and S&P Global Market Intelligence emphasise the likelihood of ongoing and new geopolitical conflicts impacting global supply-chains ([S&P Global](#)) ([World Economic Forum](#)).

While other uncertainties like labour strikes, extreme weather events, and technological disruptions are also significant, the complex and interconnected nature of geopolitical issues makes them particularly prone to causing widespread and unpredictable impacts on global trade and supply-chains in 2024.

Why does China now want to annex Taiwan after 50 years or not doing so?

China's renewed focus on Taiwan is driven by a combination of historical claims, contemporary political dynamics, and strategic considerations. The leadership under Xi Jinping has been particularly assertive, viewing Taiwan's reunification as essential to China's national rejuvenation and regional dominance. This heightened focus on Taiwan, combined with geopolitical tensions, suggests that the issue will remain a significant flashpoint in international relations.

Historical Context

1. Legacy of the Chinese Civil War:

- The Chinese Civil War, which ended in 1949, resulted in the Kuomintang (KMT) retreating to Taiwan and establishing a separate government. The People's Republic of China (PRC) has never renounced its claim over Taiwan, viewing it as a breakaway province that must eventually be reunified with the mainland ([CSIS](#)) ([Cato Institute](#)).

2. One China Policy:

- The PRC's diplomatic efforts have always emphasised the One China Policy, which asserts that there is only one China, and Taiwan is a part of it. This policy has been a cornerstone of China's foreign relations and a basis for its insistence on eventual reunification ([SAIS Review](#)).

Contemporary Factors

1. Xi Jinping's Leadership:

- Under Xi Jinping, China has adopted a more assertive foreign policy. Xi has emphasised national rejuvenation and has linked Taiwan's reunification to the "Chinese Dream" of national rejuvenation. Xi's administration has shown less patience with the status quo and has increased military and diplomatic pressure on Taiwan ([MDPI](#)) ([CSIS](#)).

2. Taiwan's Political Developments:

- Taiwan's political landscape has shifted significantly, especially with the rise of the Democratic Progressive Party (DPP), which advocates for Taiwanese independence. The DPP's victory in multiple elections, including that of President Tsai Ing-wen, has alarmed Beijing, prompting a more aggressive stance to counter what it sees as a move towards formal independence ([Cato Institute](#)) ([SAIS Review](#)).

3. Geopolitical Rivalries:

- The strategic importance of Taiwan in the context of US-China rivalry cannot be overstated. The US's increased support for Taiwan, including arms sales and high-level visits, is perceived by China as a direct challenge to its sovereignty claims. This has intensified China's resolve to assert control over Taiwan to counter US influence in the region ([MDPI](#)) ([CSIS](#)).

4. Military Modernisation:

- China's significant investment in modernising its military capabilities, particularly its navy and missile forces, has emboldened Beijing to consider military options more seriously. The improved capabilities are seen as a means to coerce Taiwan and deter US intervention ([Cato Institute](#)) ([SAIS Review](#)).

5. Economic and Technological Factors:

- Taiwan is a crucial player in global technology supply-chains, particularly in semiconductor manufacturing. Control over Taiwan would give China significant leverage over global technology markets and enhance its own technological capabilities ([MDPI](#)).

Potential Consequences

- 6. Regional Stability:** Increased tension over Taiwan could destabilise the broader Asia-Pacific region, impacting global trade and security.
- 7. US-China Relations:** Any move by China to forcibly annex Taiwan would likely trigger a severe response from the United States and its allies, potentially leading to a major international conflict.
- 8. Economic Impact:** Disruption in Taiwan, a major hub for high-tech manufacturing, could have significant repercussions for global supply-chains, particularly in the technology sector.

What If the EU' CBAM triggers a trade war?

The EU has implemented the CBAM to reduce carbon emissions by imposing a carbon price on imports to ensure that foreign producers meet the same standards as EU producers. The risk comes from major trading economies, including the US, India, and Brazil, elect right-wing governments, that prioritise economic nationalism and protectionism.

Potential Developments and Outcomes:

1. Immediate Retaliation:

- **Action:** These right-wing governments might view CBAM as a protectionist measure and retaliate by imposing tariffs on EU goods.
- **Outcome:** This could lead to a tit-for-tat escalation, where both sides continuously impose tariffs on each other's products. Sectors most impacted could include steel, aluminium, and agricultural products ([Cato Institute](#)) ([MDPI](#)).

2. Legal Challenges at WTO:

- **Action:** Affected countries might challenge CBAM at the World Trade Organization (WTO), arguing that it violates free trade principles.
- **Outcome:** If the WTO rules against the EU, the EU might need to adjust CBAM to comply with international trade rules. Conversely, if the WTO upholds CBAM, it could legitimise similar measures by other regions, potentially leading to further trade disputes ([CSIS](#)) ([Cato Institute](#)).

3. Formation of New Trade Alliances:

- **Action:** Countries opposing CBAM might form new trade alliances or strengthen existing ones to counterbalance the EU's influence.
- **Outcome:** These alliances could focus on promoting alternative trade agreements that bypass the EU, potentially fragmenting global trade networks and reducing the EU's market share in certain regions ([SAIS Review](#)).

4. Impact on Global Supply-chains:

- **Action:** Businesses in countries affected by CBAM might shift their supply-chains to avoid tariffs, either by sourcing from countries with lower carbon emissions or by investing in cleaner technologies.
- **Outcome:** This shift could increase operational costs and lead to short-term disruptions in global supply-chains. Over the long term, it might accelerate the global transition to greener production methods ([SAIS Review](#)) ([MDPI](#)).

5. Economic Impact on Developing Countries:

- **Action:** Developing countries with carbon-intensive industries might face significant economic challenges due to CBAM.
- **Outcome:** These countries could experience reduced exports to the EU, leading to economic slowdowns. This might prompt demands for financial and technical support from the international community to help them transition to lower-carbon economies ([SAIS Review](#)) ([MDPI](#)).

6. Increased Investment in Green Technologies:

- **Action:** In response to CBAM, there could be increased investment in green technologies both within and outside the EU.
- **Outcome:** This could lead to technological advancements and reduced costs for sustainable practices globally. Countries investing in green technologies might gain a competitive advantage in the EU market, encouraging a global shift towards sustainability ([CSIS](#)) ([Cato Institute](#)).

Conclusion

The introduction of CBAM amidst the rise of right-wing governments in major trading economies could indeed trigger trade wars. The immediate response might involve retaliatory tariffs and legal challenges, which could escalate into broader economic conflicts. However, this scenario could also drive significant changes in global trade patterns, supply-chains, and investment in green technologies. The long-term impact would depend on how these dynamics unfold and the effectiveness of diplomatic and cooperative efforts to manage the transition.

In the scenario that an extreme republican is elected to the USA presidency, what might be the consequences for trade and supply-chains good and bad?

If an extreme Republican candidate is re-elected to the U.S. presidency, there are likely to be significant consequences for trade and supply-chains. Below are some potential good and bad outcomes based on his previous policies and political stance:

Positive Consequences

1. Reduction in Trade Barriers with Strategic Partners:

- **Outcome:** This president might pursue bilateral trade agreements that reduce tariffs and other barriers with specific countries, potentially boosting trade volumes with those nations. This could lead to more efficient supply-chains with strategic partners.
- **Impact:** Improved market access for U.S. exporters and more competitive pricing for consumers.

2. Increased Domestic Manufacturing:

- **Outcome:** Policies aimed at encouraging domestic manufacturing, such as tax incentives and deregulation, could stimulate production within the U.S.
- **Impact:** Strengthened domestic supply-chains, reduced dependency on foreign suppliers, and potentially more jobs in manufacturing sectors.

3. Investment in Infrastructure:

- **Outcome:** Potential investments in U.S. infrastructure could improve transportation networks, making supply-chains more efficient.
- **Impact:** Reduced logistical costs and improved delivery times for goods, enhancing overall supply-chain efficiency.

Negative Consequences

1. Escalation of Trade Wars:

- **Outcome:** This presidential election could lead to the continuation or escalation of trade wars, particularly with China and the European Union, including higher tariffs and other trade barriers.
- **Impact:** Increased costs for imported goods, disruptions in global supply-chains, and potential retaliatory measures from other countries.

2. Uncertainty in Trade Policy:

- **Outcome:** Potentially erratic and unpredictable trade policies could create uncertainty for businesses, making long-term planning difficult.
- **Impact:** Companies might hesitate to invest in new supply-chain strategies or expand operations, leading to slower economic growth.

3. Impact on Multilateral Trade Agreements:

- **Outcome:** Continued scepticism towards multilateral trade agreements (such as the WTO and NAFTA/USMCA) could undermine international trade norms.

- **Impact:** Reduced effectiveness of global trade rules, increased bilateral tensions, and fragmentation of global trade networks.

4. Increased Costs for Raw Materials:

- **Outcome:** Tariffs on imported raw materials could increase production costs for U.S. manufacturers.
- **Impact:** Higher prices for consumers, reduced competitiveness of U.S. goods abroad, and potential layoffs in affected industries.

Supply-chain Adjustments

1. Diversification of Supply-chains:

- **Outcome:** Businesses might diversify their supply-chains to mitigate risks associated with tariffs and trade barriers.
- **Impact:** Increased resilience of supply-chains but potentially higher costs due to sourcing from multiple countries.

2. Nearshoring and Onshoring:

- **Outcome:** Companies might move production closer to the U.S. or back to the U.S. to avoid tariffs and trade disruptions.
- **Impact:** Higher initial costs for setting up new production facilities but long-term benefits from reduced dependency on foreign suppliers and improved control over supply-chains.

3. Focus on Digital Trade:

- **Outcome:** Emphasis on digital trade agreements to facilitate e-commerce and reduce barriers to digital services.
- **Impact:** Enhanced opportunities for U.S. tech companies and improved efficiency in digital supply-chains.

Conclusion

An extreme president could lead to significant shifts in trade and supply-chain dynamics, with both positive and negative outcomes. Businesses would need to navigate increased uncertainty and potential trade conflicts while also exploring opportunities for domestic growth and improved infrastructure. Adaptation and strategic planning would be essential to mitigate risks and capitalise on new opportunities.

The EU has seen a greater [right of centre] percentage of extreme leaders elected, what might be the consequences?

The rise of extreme leaders with influence in the EU can lead to significant changes in trade and supply-chains. While protectionist policies and economic nationalism may introduce new barriers and disruptions, they also have the potential to strengthen domestic industries, enhance supply-chain resilience, and drive innovation. The overall impact will depend on how the specific policy is implemented, and the ability of businesses to accept that changing landscape.

Negative Consequences

1. Trade Barriers and Protectionism:

- **Action:** Extreme leaders may implement protectionist policies, such as tariffs and trade barriers, to protect domestic industries.
- **Outcome:** This could lead to a reduction in international trade, disrupt existing trade agreements, and provoke retaliatory measures from trading partners ([SAIS Review](#)) ([MDPI](#)).

2. Supply-chain Disruptions:

- **Action:** Increased protectionism and political instability can cause supply-chain disruptions, especially for industries reliant on cross-border supply-chains.
- **Outcome:** Companies might face higher costs and delays in sourcing materials and products. This could particularly impact sectors such as automotive, electronics, and pharmaceuticals, which depend on complex global supply-chains ([MDPI](#)).

3. Increased Compliance Costs:

- **Action:** New regulations and trade barriers could increase compliance costs for businesses operating in the EU.
- **Outcome:** Smaller businesses might struggle to adapt to these changes, potentially leading to reduced competitiveness and market exits.

4. Economic Nationalism:

Action: Extreme leaders might prioritise national economic policies over international cooperation.

Outcome: This could lead to fragmentation of the EU single market, reduced foreign investment, and economic inefficiencies due to lack of coordinated policy-making.

Positive Consequences

1. Strengthening of Domestic Industries:

- **Action:** Protectionist policies might lead to increased support for domestic industries through subsidies and incentives.
- **Outcome:** This could foster growth in local manufacturing and production, potentially leading to job creation and economic growth within the EU.

2. Resilience through Regionalisation:

- **Action:** Companies might shift towards regional supply-chains to reduce dependency on global trade.
- **Outcome:** This could enhance supply-chain resilience and reduce vulnerabilities to global disruptions, such as those caused by geopolitical tensions or pandemics ([MDPI](#)).

3. Innovation and Self-Sufficiency:

- **Action:** Increased focus on domestic capabilities might drive innovation and investment in self-sufficiency.
- **Outcome:** This could lead to advancements in key sectors such as renewable energy, technology, and healthcare, reducing reliance on imports and enhancing national security.

4. Environmental Benefits:

- **Action:** Regional supply-chains can lead to shorter transportation routes and lower carbon emissions.
- **Outcome:** This aligns with EU climate goals and could lead to environmental benefits, such as reduced pollution and increased sustainability in production processes.

In the scenario India sees a more extreme coalition in power; what might be the consequences for trade and supply-chains good and bad?

The election of a more extreme coalition government in India could significantly impact trade and supply-chains. On the negative side, increased protectionism and trade conflicts could disrupt global supply-chains and deter foreign investment. On the positive side, such a leadership might bolster domestic industries, promote self-reliance, and seek new trade partnerships, potentially enhancing India's economic resilience and negotiating power. The overall impact would depend on the balance between these positive and negative effects and the specific policies implemented by the new coalition leadership.

Negative Consequences:

1. Increased Protectionism:

- **Action:** A more extreme leadership might adopt protectionist policies to safeguard domestic industries.
- **Outcome:** This could lead to higher tariffs on imports, making foreign goods more expensive and less competitive in the Indian market. In response, trading partners might impose retaliatory tariffs, escalating into trade disputes that disrupt global supply-chains ([CSEP](#)) ([SAIS Review](#)).

2. Trade Conflicts with Major Economies:

- **Action:** India might engage in more aggressive trade policies, potentially clashing with major economies like the EU and the US.
- **Outcome:** Such conflicts could lead to reduced trade volumes, increased costs for businesses, and disruptions in supply-chains, particularly in sectors like pharmaceuticals, textiles, and IT services ([CSIS](#)) ([MDPI](#)).

3. Regulatory Uncertainty:

- **Action:** Extreme leadership might implement unpredictable regulatory changes affecting trade policies and business operations.
- **Outcome:** This uncertainty can deter foreign investment and complicate long-term planning for multinational companies operating in or trading with India, causing supply-chain inefficiencies and increased operational risks ([SAIS Review](#)).

4. Impact on Regional Trade Agreements:

- **Action:** India might withdraw from or renegotiate existing regional trade agreements.
- **Outcome:** This could isolate India from regional supply-chains, reducing its role as a manufacturing hub and impacting industries dependent on cross-border trade within Asia ([MDPI](#)).

Positive Consequences:

1. Strengthened Domestic Industries:

- **Action:** Protectionist policies might encourage the development of domestic industries by reducing competition from imports.
- **Outcome:** This could lead to increased investment in local manufacturing, technological advancements, and job creation within India, potentially making its supply-chains more self-reliant and resilient ([CSIS](#)).

2. Focus on Self-Reliance (Aatmanirbhar Bharat):

- **Action:** Extreme leadership might push for greater self-reliance in line with the Aatmanirbhar Bharat initiative.
- **Outcome:** This could boost local production capabilities, enhance the domestic value chain, and reduce dependency on foreign suppliers, fostering a more robust and independent economy ([Cato Institute](#)) ([MDPI](#)).

3. Opportunities for New Trade Partnerships:

- **Action:** India might seek new trade partnerships with non-traditional allies to counterbalance tensions with Western economies.
- **Outcome:** This could diversify India's trade portfolio, open up new markets for Indian products, and create alternative supply-chains that are less susceptible to geopolitical tensions ([SAIS Review](#)).

4. Enhanced Negotiation Power:

- **Action:** A more assertive leadership might adopt a stronger stance in trade negotiations.
- **Outcome:** This could potentially lead to more favourable trade terms for India, improving market access for its exports and securing better deals on imports essential for its economy ([CSEP](#)) ([CSIS](#)).

In the scenario of an extreme leader being elected in China, what is the impact on global trade and supply-chains?

If China were to see the election of a more extreme leader, it could have profound consequences on global trade and supply-chains. The potential impacts can be both positive and negative, affecting different stakeholders in varied ways.

The election of a more extreme leader in China would likely have significant and far-reaching impacts on global trade and supply-chains. While the immediate consequences could involve increased trade tensions, supply-chain disruptions, and geopolitical instability, there are also potential positive outcomes such as the diversification of supply-chains, increased innovation, and strengthened regional trade agreements. The net effect would depend on the specific policies implemented and the global response to these changes. Effective strategies and cooperation among global stakeholders will be essential to navigate this complex scenario.

Negative Consequences:

1. Increased Trade Tensions:

- **Action:** An extreme leader in China might adopt a more aggressive stance on trade, leading to heightened tensions with major trading partners like the United States, the European Union, and other Western countries.
- **Outcome:** This could result in new tariffs, trade barriers, and retaliatory measures, further escalating existing trade wars. Such actions would disrupt global trade flows, increase costs for businesses, and lead to supply-chain uncertainties ([CSEP](#)) ([CSIS](#)).

2. Supply-chain Disruptions:

- **Action:** China could impose stricter controls on exports of critical materials and components, such as rare earth elements, semiconductors, and pharmaceuticals.
- **Outcome:** This would cause significant disruptions in global supply-chains, particularly for high-tech industries and manufacturing sectors that rely heavily on Chinese inputs. Companies might face production delays, increased costs, and the need to find alternative suppliers ([SAIS Review](#)) ([MDPI](#)).

3. Economic Nationalism:

- **Action:** A more nationalistic approach could lead China to prioritise domestic industries and reduce dependency on foreign companies.
- **Outcome:** Foreign businesses operating in China might face greater regulatory hurdles, reduced market access, and pressure to localise their operations. This could decrease foreign direct investment (FDI) and slow down economic growth in China, impacting global markets ([SAIS Review](#)) ([MDPI](#)).

4. Geopolitical Instability:

- **Action:** Increased assertiveness in geopolitical matters, including territorial disputes and military posturing, could heighten regional tensions.
- **Outcome:** This instability might disrupt trade routes, particularly in the South China Sea, which is a critical passage for global maritime trade. It could also lead to broader economic sanctions and embargoes ([CSIS](#)) ([MDPI](#)).

Positive Consequences:

1. Diversification of Supply-chains:

- **Action:** Businesses might accelerate efforts to diversify their supply-chains to reduce dependency on China, adopting strategies like "China plus one" (establishing additional manufacturing locations outside China).
- **Outcome:** This could lead to increased investment in other regions, such as Southeast Asia, India, and Mexico, fostering economic growth and creating more resilient global supply-chains ([SAIS Review](#)).

2. Innovation and Resilience:

- **Action:** Faced with potential trade barriers and supply-chain challenges, companies may invest more in innovation and automation to enhance efficiency and reduce reliance on China.
- **Outcome:** This drive for innovation could lead to technological advancements, more sustainable production practices, and stronger, more resilient supply-chains globally ([CSIS](#)).

3. Regional Trade Agreements:

- **Action:** Countries might strengthen regional trade agreements to counterbalance China's influence and mitigate trade disruptions.
- **Outcome:** Enhanced cooperation within regions like ASEAN, the European Union, and the Americas could lead to more integrated markets, reduced trade barriers within these regions, and increased economic stability ([SAIS Review](#)).

In the scenario that ASEAN nations elect a greater percentage of more extreme leaders, what might be the consequences for trade and supply-chains good and bad?

The election of extreme leaders in ASEAN nations could lead to a mix of challenges and opportunities for trade and supply-chains. On the one hand, protectionism and political instability could disrupt trade and deter investment, while on the other hand, a focus on regional cooperation and self-sufficiency could foster local industry growth and innovation. The overall impact would depend on the specific policies adopted and the ability of businesses and governments to adapt to the changing landscape

Negative Consequences

1. Protectionism and Trade Barriers:

- **Action:** More extreme leaders might adopt protectionist policies to shield domestic industries from foreign competition.
- **Outcome:** This could lead to increased tariffs, quotas, and other trade barriers, disrupting the flow of goods and services between ASEAN countries and their trading partners. It might also result in retaliatory measures from affected countries, escalating trade tensions and reducing overall trade volumes ([SAIS Review](#)) ([MDPI](#)).

2. Political Instability:

- **Action:** Extreme political views and policies can lead to internal and regional political instability.
- **Outcome:** Instability might deter foreign investment, disrupt existing supply-chains, and create an unpredictable business environment. Companies might relocate their operations to more stable regions, impacting local economies and employment ([MDPI](#)) ([SAIS Review](#)).

3. Reduced Multilateral Cooperation:

- **Action:** Extreme leaders might prioritise national sovereignty over regional cooperation.
- **Outcome:** This could weaken ASEAN's collective bargaining power and reduce the effectiveness of regional initiatives aimed at economic integration and trade facilitation. Such a shift could fragment the region's economic landscape, making it harder for businesses to operate across multiple ASEAN countries ([SAIS Review](#)) ([MDPI](#)).

4. Human Rights and Labor Issues:

- **Action:** Extreme policies might lead to human rights abuses and poor labour practices.
- **Outcome:** International companies might face ethical and legal pressures to disengage from markets with poor human rights records, leading to supply-chain disruptions and reputational damage ([SAIS Review](#)) ([MDPI](#)).

Positive Consequences

1. Domestic Industry Boost:

- **Action:** Protectionist measures could support the growth of local industries by reducing foreign competition.
- **Outcome:** Local businesses might thrive, creating jobs and boosting the domestic economy. Increased self-reliance can lead to the development of local supply-chains and reduce dependency on international suppliers ([SAIS Review](#)) ([MDPI](#)).

2. Strategic Realignment:

- **Action:** ASEAN nations might seek new trade alliances and partnerships outside of traditional Western markets.
- **Outcome:** This could diversify trade relationships and reduce economic dependency on any single region. New alliances with other emerging markets could open up new opportunities for trade and investment ([MDPI](#)) ([SAIS Review](#)).

3. Focus on Regional Trade:

- **Action:** Emphasis on regionalism might lead to stronger intra-ASEAN trade relations.
- **Outcome:** Improved regional supply-chains could enhance resilience against global trade disruptions. Investments in regional infrastructure and trade facilitation measures could benefit local economies and improve connectivity within ASEAN ([SAIS Review](#)) ([MDPI](#)).

4. Innovation and Self-Sufficiency:

- **Action:** To counteract the impact of reduced foreign trade, there might be a push for innovation and self-sufficiency.
- **Outcome:** Investment in local technology and industries could foster innovation, leading to more sustainable and competitive domestic industries. Long-term, this could strengthen the region's economic resilience and global standing ([MDPI](#)) ([SAIS Review](#)).

Accuracy of this analysis

This analysis is credible drawing from multiple reputable sources that offer comprehensive insights into the various factors influencing the likelihood of political change or instability. However, given the inherent uncertainties in geopolitical forecasting, it remains essential to continuously update and reassess the situation as new information becomes available.

Report methodology

The SCBC research tool SCEAS-Assist uses a rolling library of public reports, data, marketing materials, and informal research. Where possible for copyright or cost reasons materials are included. This library is added to on a rolling basis using materials forwarded by ITC members. Content will be removed from the library based on its individual period of validity or relevance. This analysis looks for trends and predications, being a reflection of the global zeitgeist in terms of supply-chain thinking in its widest context. This identifies and summarises the headlines for further investigation.

Method for Ranking Certainties and Uncertainties

1. Literature Review and Expert Analysis:

- **Certainties:** Identify issues consistently highlighted across multiple credible sources (e.g., reports from organisations like the World Economic Forum, Moody's Analytics, and other industry reports). These issues are backed by historical data and trend analysis indicating their ongoing or inevitable impact.
- **Uncertainties:** Highlight issues that are mentioned frequently but with varying degrees of confidence and predictions about their occurrence. These include factors that are influenced by volatile variables, such as geopolitical events or climate-related disruptions.

2. Current Trends and Historical Context:

- **Certainties:** Look at established trends and historical patterns that provide strong indicators of future occurrences. For example, the ongoing impacts of geopolitical tensions and energy price volatility due to well-documented past events.
- **Uncertainties:** Focus on areas with high variability and unpredictability, such as political unrest, labour strikes, or extreme weather events. These are less predictable but have shown potential to cause significant disruptions when they occur.

3. Scenario impact analysis:

- **Certainties:** Assess the breadth and depth of impact on global trade and supply-chains. Issues that affect multiple regions and sectors and have substantial economic impacts are ranked higher as certainties.

- **Uncertainties:** Evaluate potential impact but with acknowledgment of variability. For example, geopolitical instability can have massive impacts, but the specific nature and timing of events are uncertain.

4. Consultation of Real-Time Data and Forecasts:

- Utilise real-time data and forecasts from reputable institutions (e.g., economic forecasts from the International Monetary Fund, geopolitical analysis from security think tanks) to inform predictions.
- **Certainties:** Data showing consistent trends (e.g., inflation rates, energy prices).
- **Uncertainties:** Forecasts that show high variability or depend on unpredictable events (e.g., potential conflicts, political elections).

Example Application:

- **Certainties:**

- **Inflationary Pressures:** Supported by continuous reports of rising energy costs and their impact on production costs (e.g., Moody's Analytics, World Economic Forum) ([Moody's Analytics](#)) ([World Economic Forum](#)).
- **Sustainability Efforts:** Ongoing corporate and regulatory emphasis on sustainability practices is a clear, consistent trend.

- **Uncertainties:**

- **Geopolitical Instability:** While the potential impact is high, the specific nature, timing, and extent of geopolitical events (e.g., US-China relations, Middle East conflicts) remain uncertain ([World Economic Forum](#)).
- **Extreme Weather Events:** Predicting specific events like droughts or floods is inherently uncertain, though their increasing frequency due to climate change is noted.

By combining these methods, we can systematically rank issues in terms of certainty and uncertainty, providing a comprehensive understanding of the trade and supply-chain landscape for 2024.

About the International Trade Council

The International Trade Council (ITC) is a peak-body trade organization that provides a range of services to help exporters navigate the complex world of international trade. ITC members include startups, mid-to-large sized corporations, government export promotion agencies, and government foreign direct investment promotion agencies.

The ITC provides valuable resources and support to help exporters comply with international trade regulations, find new markets, and connect with potential buyers and partners. Through its programs and services, the ITC helps exporters access trade information, training, and market intelligence, as well as providing networking opportunities and business matchmaking services. The International Trade Council is also home to the [Go Global Awards](#), the [Global Business Confidence Survey](#), the [Quality in Business Certification](#) and a [USA Business Incubation Service](#). By leveraging the ITC's resources and expertise, exporters can increase their chances of success in the global marketplace.

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