2024 Global Trade Report

Supply Chain Vulnerabilities & Complexity Are Key Concerns

Thomson Reuters Institute

Executive summary

While supply chain disruptions remain a constant concern for businesses engaged in international trade, one overarching theme foremost on the minds of many global trading professionals is the complexity that is woven among the strategies and priorities that are currently facing those companies.

In this third annual Thomson Reuters Institute's *2024 Global Trade Report*, we examine these strategic priorities and concerns and look at the landscape of the global trading environment, which in last year's report was described as one of "almost constant disruption" that was hindering global trade.

While we found that supply chain vulnerabilities still were a top concern, the key watchword in this year's report is *complexity*.

Whether involving concerns about economies, geopolitical instability, supply chain disruptions, the impact of inflation, labor shortages, a changing regulatory environment, or a myriad of other factors, global trade professionals are constantly managing the ever-evolving interplay between all of those factors and more. This involves both the ongoing day-to-day management of international transactions as well as the ever-present threat of unexpected disruptions.

And the complexity of global trade is growing every year at a potentially accelerating rate. Complexity is growing across all aspects of trade, including regulations and trade laws, global competition, transportation, and logistics. The World Customs Organization concluded in a recent report that "the increasing pace of technological development, growing volume of multi-functional, multi-purpose or composite goods, and increasing diversification of product offerings on the market" place added challenges and strain on the work of the trading community.

Meanwhile, externalities such as geopolitical events or natural disasters remain top-of-mind concerns because of their potential to trigger a matrix of ripple effects that at any moment could cascade across operations, finance, and all other aspects of managing an international trade business.

Although inflation is receding in many major economies, ensuring your organization has the talent and skills needed remains a primary concern because of rising costs and worker shortages. Many companies are looking to outsourcing and automation as means to address their labor issues.

While global trade continues to be the engine that powers the world's economies, the complexity involved will only continue grow over time as businesses and nations build more trade relationships, thereby expanding the challenges of trade management.

Key findings

As we continue to track developments in the global trade profession, this year's report identified some key findings, including:

- Economic uncertainty remains a major concern for international trade professionals.
- Almost three-quarters (74%) of survey respondents said their businesses were impacted by supply chain due diligence, making it the most impactful change among all the regulatory and customs system changes. And more than half (52%) said their businesses were impacted by geopolitically charged export control laws.
- A large majority (81%) of respondents said that environmental, social & governance (ESG) issues are a major consideration in selecting suppliers. Further, key drivers of decisions to collect supplier ESG data include regulatory requirements (80%), requirements from significant customers (34%), investor pressure (28%), and reputational risk (19%).
- Managing a myriad of labor issues — including labor costs, shortages of skilled labor, and labor laws — was cited as a top strategic priority.

74%

said their businesses were impacted by supply chain due diligence

81%

ESG issues are a major consideration in selecting suppliers

- Improved supply chain visibility, security, and data protection are the top technology investment priorities. Also, most respondents said they are satisfied with their current pace of technology adoption — only 6% said they feel they are behind the curve. In fact, large businesses are leading the market in consideration of adopting artificial intelligence (AI) tools, while smaller companies are generally still evaluating, according to the survey

Methodology

The *2024 Global Trade Report* is derived from a survey of global trade professionals from North America (the United States, Canada, and Mexico), the European Union, the United Kingdom, Latin America, and the Asia-Pacific region, most of whom were upper-level executives, directors, and managers involved in various aspects of global trade, including operations, logistics, procurement, supply-chain management, and compliance.

Respondents answered a 15-minute online survey, and open-ended responses were encouraged for many of the questions. A total of 225 professionals took the survey, with 54% representing companies with less than USD$100 million in global annual sales revenue, and 36% coming from companies with more than USD$100 million in global annual sales revenue.

Participating companies were required to have USD$5 million or more in annual sales, of which at least 10% had to come from import/export activities. The highest number of respondents came from the manufacturing sector, but the survey also included companies involved in retail trade, technology and electronics, logistics, and ecommerce. A majority (72%) of the companies represented are privately held, and 28% are publicly traded.

This year's survey is significantly expanded from previous years, both in the number of participants and geographic diversity. This yields a more comprehensive perspective on the issues discussed in this report.

Global trade: challenges & trends

While concerns about inflation have receded somewhat as inflation cools across the globe, it has been largely replaced with renewed fears of a potential global economic slowdown, adding to the already-considerable economic uncertainty weighing on the minds of many global trade professionals. Similarly, labor market conditions have spawned concerns about both wage growth contributing to cost pressures, as well as labor shortages producing bottlenecks and supply chain disruptions.

Technology and automation may help businesses manage these growing complexities, increase efficiency, and improve risk management. In addition, it may help identify new growth opportunities or create competitive advantages for many corporations. Meanwhile, businesses are cautiously eyeing the buzz around generative AI (GenAI) to see if that technology may raise the table stakes for how companies manage technology and automation.

Further, ESG continues to add an additional layer of complexity to data collection, reporting, and supply chain management as it becomes more embedded into the fabric of trade and regulation around the world.

All Roads Lead to the Supply Chain

Many of the challenges and priorities involve companies' supply chains — the cornerstone of most global trade businesses. International sourcing, manufacturing, and distribution, all by their very nature, often require intricate, extended networks that stretch across regions, exposing these systems to numerous factors that can impact businesses both financially as well as operationally.

Supply chain issues were by far the most frequently mentioned strategic priority by respondents for the coming year, spread across a range of specific concerns. This is particularly the case as concerns about inflation — the top strategic priority cited last year by respondents — have notably waned since our previous report. (We had noted in that report that many of the strategic priorities cited by respondents, such as international politics/conflicts, state of the global economy, logistics-transportation issues, etc., actually intersected or overlapped with supply chain concerns.)

This year, survey respondents similarly expressed that many, if not most, of their specific concerns were ultimately related to those concerns' impact on the supply chain. Supply chain due diligence was by far the most frequently cited as the most *impactful* systemic change, with nearly three-quarters of respondents (74%) saying their businesses were impacted by this. Only one other regulatory and customs change (*geopolitically charged export control laws*) was mentioned by more than half of the respondents.

Supply chain disruptions

Not surprisingly, supply chain disruptions are a constant worry, and their potential causes are many-fold. Natural disasters and geopolitical events including wars are common concerns because of their unpredictable nature in impact, timing, location, and duration. And natural disasters can involve more than one-time events such as hurricanes and earthquakes. For example, the on-going drought in Panama resulted in restrictions being placed on traffic through the Panama Canal in 2023, and normal levels of operations may not be restored until 2025.

The recent dock workers strike at East Coast and Gulf Coast ports in the US that began in October was thankfully short-lived, lasting only a few days. However, even during that brief period, the strike raised considerable global concerns about the economic impact, which was estimated at $5 billion per day for the US alone, particularly with the strike occurring just ahead of the critical retail holiday period. Quickly, this near miss became a cautionary tale for every manufacturer on the importance of having resilient and adaptable supply chains.

In addition to natural disasters and work stoppages, other potential issues present concerns that are more omni-present in nature. Issues such as labor shortages or scarcity of essential items, such as shipping containers, can result in both disruptions as well as increased costs. Infrastructure issues at all levels of the supply chain were commonly mentioned as a source of disruptions by survey respondents.

All of these factors combine to present a multitude of scenarios that threaten to upend supply chains at any time. As one trade professional noted in the survey, “natural disasters and infrastructure issues frequently disrupt our supply chain, making resilience a top priority.”

Supply chain diversification

Several trade professionals in the survey expressed concern about the vulnerability of extended supply chains. Lengthy supply chains and trade routes greatly increase a company’s exposure to potential disruptions as well as increasing logistics costs and the complexity of managing the supply chain. Numerous respondents mentioned geographic isolation of various parts of their supply chain as a concern, both raising the risk of disruption and limiting opportunities for remediation.

As a result, many businesses now are exploring diversification of suppliers — both in number as well as by geographic location — as a key strategy for improving supply chain resilience. Diversification can help protect companies against natural disasters and geopolitical events, localized logistics bottlenecks, work stoppages, and other disruptions. Supply chain diversification also can better allow companies to place their sourcing, production and customer markets in closer proximity to one another. This can reduce logistics costs, streamline production schedules, and improve responsiveness to market changes such as new competitors or shifting demand.

Diversification does bring added complexity to supply chain management; however, given the high levels of concern about disruptions, it is perhaps not surprising that many global trade businesses are evaluating or pursuing this strategy.

> “Natural disasters and infrastructure issues frequently disrupt our supply chain, making resilience a top priority.”

Supply chain management

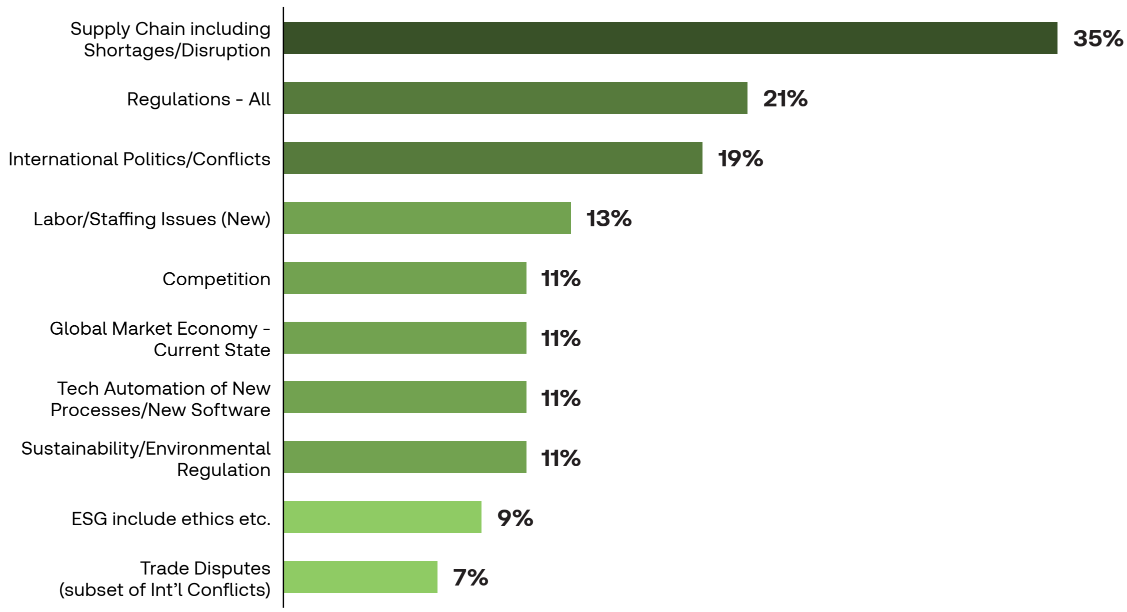
With continued growth in global trade markets, the amount of goods shipped, and the complexity of the regulations involved, many respondents — not surprisingly — have expressed the need for improving their companies’ supply chain management. Priorities for managing suppliers include improved visibility into supplier performance, as well as inventory management across the entire supply chain. Several respondents said that dealing with corruption across the supply chain is a strategic priority.

Logistics management is also a common concern. Respondents said their businesses need to improve management of their extended logistics, from route planning down to last-mile challenges.

FIGURE 1:

Strategic priorities for global trade and supply chain management

Top 10 most commonly mentioned



Source: Thomson Reuters 2024

International politics & conflicts

Geopolitical issues and conflicts are a frequent source of concern among many global trade managers. Trade disputes, retaliatory tariffs, and regional conflicts create far-reaching impacts that often stretch beyond the parties that are directly involved. For example, the trade disputes between the US and China expanded this year into semiconductors, a major sector for both economies and an increasing area of focus for US national security given the rapid growth of GenAI. In addition, the US recently took steps to close trade loopholes that it contends Chinese e-commerce players, such as Shein and Temu, have used to flood the US market with cheap consumer goods.

Meanwhile, Germany, Brazil, and several other countries have asked the EU to delay implementation of an anti-deforestation law which is set to take effect at the end of 2024. The law bars importation of products produced on land that was deforested after December 2020. While hailed by environmental groups as a major breakthrough in the fight against climate change, critics say it imposes a heavy burden on farmers and businesses involved in a vast range of goods including coffee, cocoa, soy, timber, cattle, paper, and rubber.

In addition, businesses continue to deal with trade sanctions resulting from Russia's invasion of Ukraine in February 2022. The major conflict involving Israel in Gaza, as well as those in Ethiopia, Sudan, Myanmar, Armenia-Azerbaijan, and elsewhere are also creating regional, and in some cases, global supply chain disruptions.

Economic uncertainty

Economic fluctuations and uncertainty can significantly affect everything from consumer demand to cost structures, necessitating robust risk management strategies.

As global central banks continue to try to balance their inflation-fighting policies with preventing a recession, economists are torn on the risks of an economic downturn. In August, JPMorgan Chase forecast a 45% probability of a global recession by the end of 2025, while at the same time, Oxford Economics projected a moderate global GDP growth rate of 2.7% and had earlier forecast only a 2.7% global recession risk. However, both forecasts were issued prior to the U.S. Federal Reserve Bank's surprisingly large interest rate cut in September, its first lowering of interest rates in four years. In addition, recessions historically are often triggered by unforeseen events, such as the recent Covid-19 global pandemic, which makes it more difficult to deal with economic uncertainty.

And here too, nearly all challenges and priorities eventually point back to the importance of maintaining a flexible, resilient supply chain. Many survey respondents pointed out that economic volatility makes it challenging to accurately forecast demand, which in turn impacts their supply chain planning.

Regulatory compliance

Regulatory challenges in global trade are increasing, and many global trade professionals and business leaders are exploring how to manage those challenges as well.

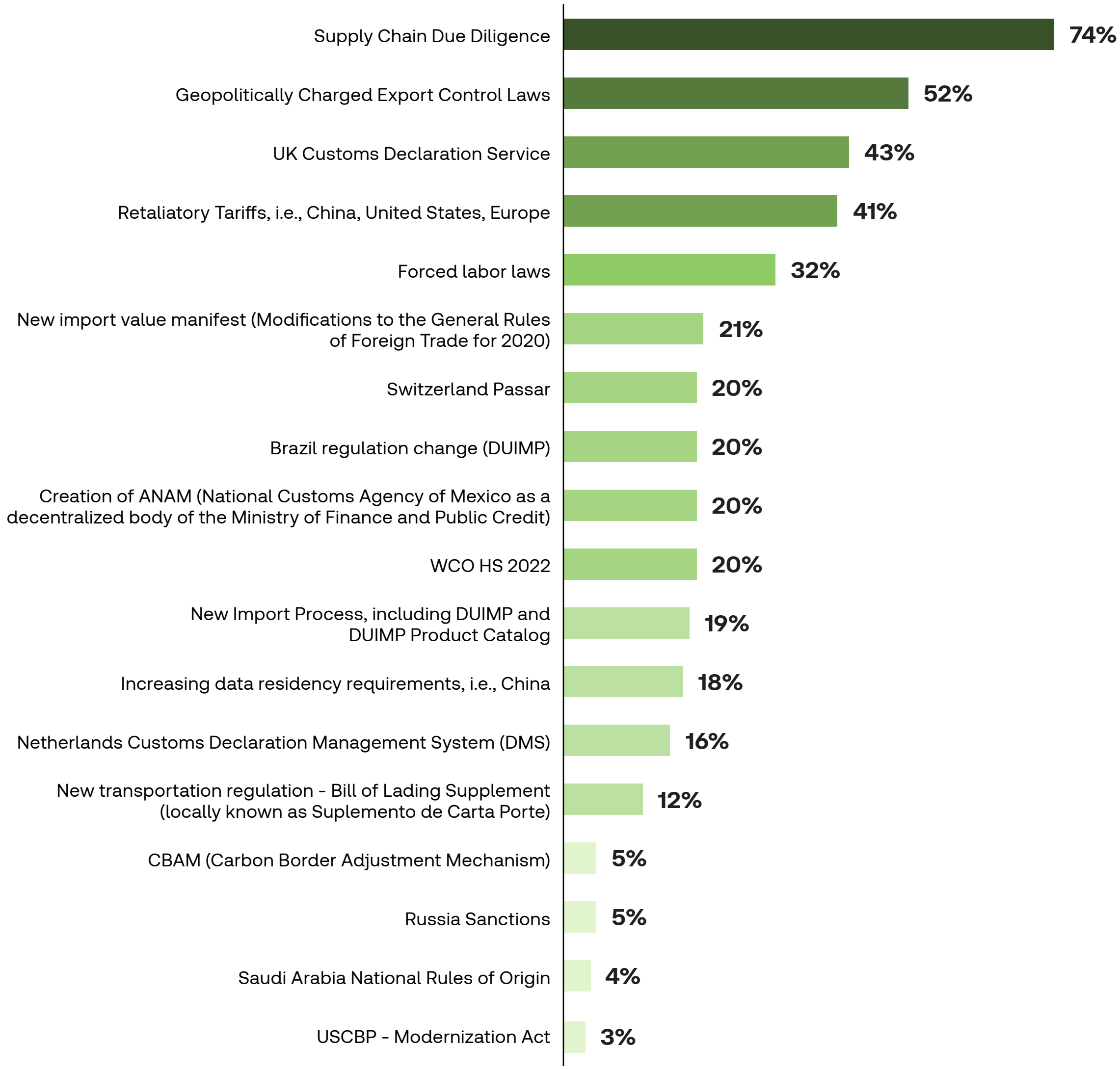
The rapid growth of e-commerce and digital products continues to pose new issues with which regulators are struggling, such as digital taxation, cybersecurity regulations, and data privacy laws. In fact, several new data privacy laws are taking effect in the US in 2024, including in Florida, Texas, and Oregon. In addition, in the EU, major provisions of the EU Data Act are set to take effect in 2025, with the Digital Services Act and Digital Market Act also poised to impact international trade.

In order to stay current on trade classification changes, online research and government alerts are the most common methods, used by about half of companies, respondents said. Yet less than one in ten survey respondents (8%) use software or an online service provider to stay current on classifications, according to the survey. However, there are significant differences between large and small companies. Almost two-thirds (63%) of respondents from businesses with less than USD$50 million in revenue use government alerts, making it their most commonly used means of staying up to date on classification changes. However, those alerts are used by only 16% of those businesses with more than USD$1 billion in revenue, according to respondents, making it one of their *least* relied-upon resources. Conversely, 71% of respondents from the largest companies said they use consultants to stay up to date, while only 9% of those from the smallest companies do so.

Regulatory compliance and customs clearance is the area most likely to be outsourced by businesses, with two-thirds (67%) of respondents saying they outsource in this area. Indeed, this may be an indication of the importance that businesses place on compliance, with respondents saying they prioritize having the proper level of resources and specialized expertise with access to the most up-to-date information.

FIGURE 2:

Companies impacted by regulatory and customs system changes



Source: Thomson Reuters 2024

Most impactful system changes

Supply chain due diligence is by far the most impactful systemic change, mentioned by more than three-quarters (78%) of respondents. The result is understandable given the importance of the previously mentioned concerns involving supply chain management.

It's also not surprising that several other systematic changes with broad impact involve geopolitical issues. Geopolitically charged export control laws impact more than half of respondents' companies, the survey noted. Close behind, 41% of respondents said their companies were affected by retaliatory tariffs. The current tariff environment particularly impacts companies in the US and the Asia-Pacific region because of the on-going trade disputes between the US and China that involve a broad range of goods including semiconductors, agricultural products, cars, textiles, steel, and aluminum.

At the same time, more than one-quarter of respondents from companies in the UK and the EU (28%) and Latin America (26%) said they are also impacted by geopolitically charged export control laws, graphically demonstrating how the interconnected web of global trade stretches across all corners of the globe. In addition, nearly one-third of respondents said their companies were impacted by forced labor laws, particularly those in the US, the UK, the EU, and the Asia-Pacific region.

WCO HS 2022

One in five respondents cited the impact of WCO HS 2022 — the newest edition of the Harmonized System (HS) Nomenclature from the World Customs Organization. The HS is the global standard for ensuring uniform classification of goods in international trade, and WCO HS 2022 introduced a range of significant changes.

However, even two years on since its adoption, there are on-going concerns about delays in implementing the new system. Between one-quarter and one-third of respondents from companies in Latin America (34%), the UK and EU (28%), and the Asia-Pacific region (26%) said their companies are still impacted by WCO HS 2022. Only 3% of respondents from US companies said they are currently being impacted.

The WCO initiated an exploratory study of a potential strategic review of the HS 2022, and an interim report, issued in January, acknowledged that “there are areas where improvements to the HS could be made to improve usability or extend its capabilities.” The interim report noted that the system requires a high level of skill to use, increasing the time and resources needed for companies to use the system appropriately and avoid mistakes in classification that could result in accidental non-compliance.

The interim report also concluded that HS could be reduced in complexity and strengthened to meet future demand, and it also added a statement affirming the HS as a crucial trade classification system and stating that there is no superior alternative that’s currently been identified.

Country-specific system changes

Meanwhile, several recent country-specific changes in regulatory and customs systems are also having a broad impact on global trade businesses.

UK: Customs Declaration Service

Nearly half of respondents (47%) said their companies have been impacted by the UK’s Custom Declaration Service (CDS), which replaced the country's previous customs system, CHIEF, last year. CDS is now the only system that businesses can use to process UK import/export declarations. In the long run, CDS is supposed to make international trade easier; however, it introduced new data requirements and procedures that require companies to adapt their trade systems or invest in new technologies to meet CDS’s new requirements.

Switzerland: Passar

Switzerland continues the rollout of its new goods traffic system, called Passar, which is intended to streamline customs processes, improve efficiency, speed up border crossings, and enhance flexibility for businesses involved in cross-border trade. The first phase, which began in June 2023, digitized processing of exports.

Overall, 20% of all respondents — and nearly half of respondents in the UK and EU — said their businesses have been impacted by the introduction of Passar.

Now, businesses are preparing for the second phase, Passar 2.0, which will start in early 2025 and include the importing of goods and other special procedures. By the end of 2026, the system will have replaced all previous freight applications, and all processes related to transit, exportation, importation, special customs clearance, and the collection of other levies will be simplified and fully digitalized.

Mexico: ANAM

Twenty percent of respondents said their businesses are still being impacted by the creation of the National Customs Agency of Mexico (ANAM) in 2022. ANAM was intended to modernize and streamline Mexico's customs operations and align it with international standards. While ANAM has enhanced border security and provided for more timely shipments and deliveries, some respondents reported inconsistent interpretation and enforcement of regulatory requirements.

Brazil: DUIMP

Brazil's DUIMP, or Single Import Declaration (SDI), impacts the majority of Latin American companies, and about 20% of companies globally, according to respondents. Introduced in 2018, DUIMP was intended to create a simpler, faster, more transparent import/export process.

Brazil is known for its strictness in enforcing customs rules, often delaying or seizing shipments accompanied by inaccurate or incomplete documentation. And compliance concerns are likely to increase, as starting in October, DUIMP becomes mandatory, completely replacing the previous Import Declaration (DI) and Simplified Import Declaration (DSI) systems.

Russia: Sanctions

Only 5% of all respondents said their businesses were being currently impacted by sanctions on Russia, and even in the UK and EU, barely 10% report being impacted. The percentage has been steadily decreasing since 2022, suggesting that trade managers have adapted to the prolonged Russian conflict in Ukraine and have taken steps to address its effects. Prior to the Ukraine invasion, the EU was Russia's largest trading partner, representing 37% of Russia's total goods in trade.

Talent & skills: Labor costs & worker shortages

Labor and staffing issues present a major challenge for global trade businesses on multiple fronts, according to our survey.

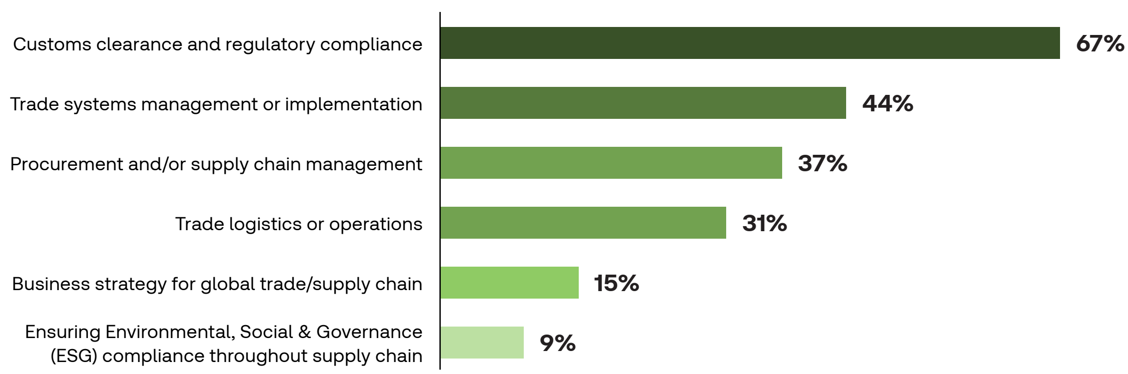
Shortages of skilled workers can leave businesses inadequately staffed, affecting functions such as manufacturing, logistics and warehousing, customer service, and others. One respondent said that “labor shortages are making it difficult [for their company] to maintain production levels,” impacting both its reliability and efficiency. Many respondents said their trade businesses are increasingly looking at automation and robotics to fill labor gaps.

However, even when adequate staffing is available, wage inflation can impact bottom lines. In addition, many respondents said that compliance with local labor laws is a challenge, especially for those businesses that operate across a large number of countries or regions.

An overwhelming 95% said their businesses outsource some portion of their global trade and supply chain management. The most commonly outsourced functions are customs clearance and regulatory compliance, trade systems management or implementation, procurement and supply chain management, and trade logistics and operations. Respondents from more than half of US companies said they outsource procurement and supply chain management, while those from the UK and EU, Latin America, and the Asian Pacific region said their companies are more likely to outsource trade system management or implementation.

FIGURE 3:

Elements currently outsourced



Source: Thomson Reuters 2024

ESG: Environmental, social & governance issues

In today's business landscape, the integration of environmental, social & governance (ESG) criteria in supplier selection has become increasingly critical. Companies recognize that sustainable and ethical practices are not only beneficial for the environment and society but also essential for long-term business success. By prioritizing those suppliers that adhere to ESG standards, businesses can mitigate risks, enhance their reputation, and meet the growing demands coming from consumers and investors for more responsible corporate behavior. Ultimately, this shift towards ESG-focused supplier selection reflects a broader commitment to sustainability and ethical governance that contributes to a more resilient and sustainable global supply chain.

In addition, ESG changes continue to evolve from being largely driven by shareholder and customer pressures or reputational and corporate values considerations towards formal regulatory, legal, and accounting frameworks. Major trading nations are increasingly adopting laws restricting or prohibiting trade in goods that are not manufactured or produced according to emerging environmental, labor, and human rights standards, as well as mandating corporate ESG reporting.

Sustainable and ethical practices are not only beneficial for the environment and society but also essential for long-term business success.

In 2023, for example, the EU adopted the Corporate Sustainability Reporting Directive, which requires both EU and non-EU companies that meet certain criteria to publish regular reports on the social and environmental risks those companies face, and on how their activities could impact people and the environment.

Whether voluntary or compulsory, ESG is now firmly entrenched in the global trade ecosystem. While ESG disclosure and reporting was initially driven primarily by the EU, US, and Canada, it is now universal across all trade businesses that were surveyed.

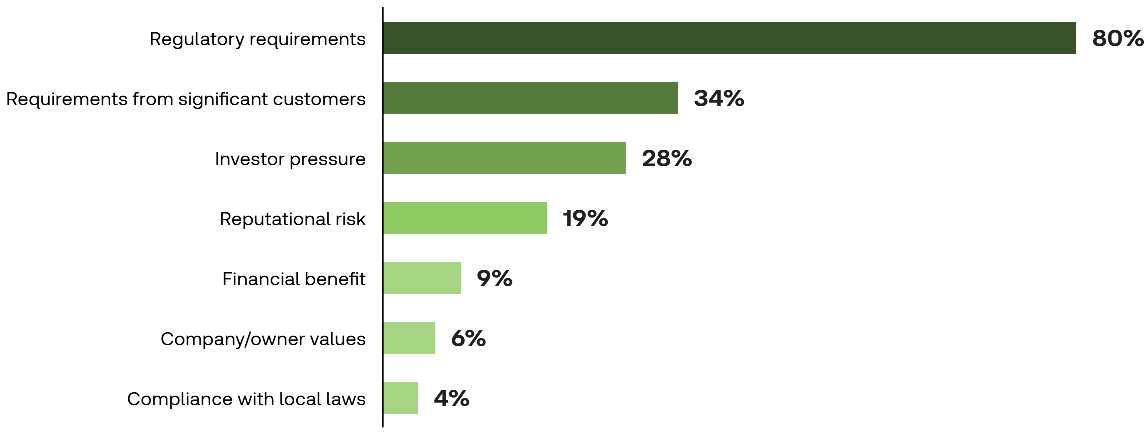
When it comes to choosing suppliers, respondents overwhelmingly said that ESG is a major consideration for their businesses. Fully 81% of respondents said that ESG considerations are *important* or *very important* in deciding which suppliers to use. That total is primarily driven by the US (with 97% of respondents saying this) and the UK and EU (90%). Conversely, ESG is an important or very important consideration for 70% of respondents from Latin American companies and just over half (58%) of those from Asia Pacific region companies.

Further, eight of ten said regulatory requirements are a key driver of their decision to collect ESG data from their suppliers. Other top drivers include requirements from significant customers (34%), investor pressure (28%), and reputational risk (19%). Respondents said their companies typically collect supplier information annually, although more than one-third (36%) said they collect data either quarterly or monthly. Companies in Latin America are less likely to be driven by regulatory requirements, and more likely to be driven by compliance with local laws and investor pressure than companies in other regions, respondents said.

While regulatory requirements are the top driver in every region, ESG requirements from significant customers is the next most frequent driver in most regions, according to the survey. Consumers are increasingly demanding sustainable products, pushing companies to ensure ethical sourcing and reduce their carbon footprint. One trade professional said that “meeting consumer demands for sustainability is crucial, and we are focusing on ethical sourcing and reducing our carbon footprint.” Another respondent noted that, in particular, environmental considerations and implementation of sustainable practices are seeing an increased focus. “Environmental regulations are becoming more stringent, pushing us to adopt more sustainable practices across the supply chain.”

FIGURE 4:

Drivers of decisions to collect supplier data



Source: Thomson Reuters 2024

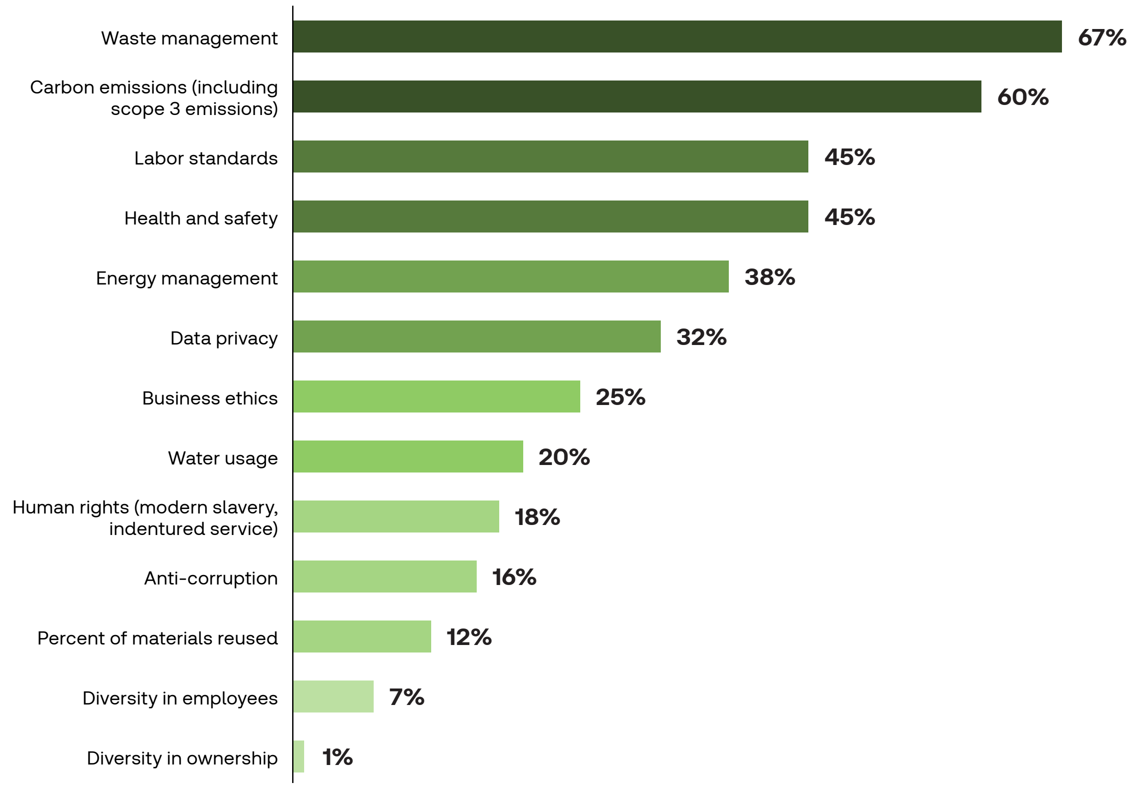
Significantly, every respondent surveyed said their companies — across all geographic regions, industry, and company size — collect ESG data from suppliers. While nearly all companies globally collect data at least once a year, non-US companies are more likely to collect supplier data more frequently, respondents said. However, only 17% of US respondents said their companies collect data more than once a year, compared with nearly half of respondents from companies in other regions that collect data semi-annually or quarterly.

Waste management and carbon emissions are the data most likely to be collected from suppliers, with those categories being collected by a majority of trade businesses, respondents report, adding that labor standards, health and safety, energy management, and business ethics are also common areas for supplier data.

“Meeting consumer demands for sustainability is crucial, and we are focusing on ethical sourcing and reducing our carbon footprint.”

FIGURE 5:

Areas companies collect data on from suppliers



Source: Thomson Reuters 2024

Clearly, ESG standards are now an integral part of business operations and corporate governance. Respondents noted that their companies are driven by both compliance with local legislation and regulations, as well as the financial, reputational, and relationship benefits of meeting evolving customer desires. Those companies that fail to comply with ESG reporting mandates now risk alienating investors and customers, damaging their reputations, and limiting the markets in which they can operate. At the same time, respondents said their businesses are seeing that robust ESG compliance measures can positively demonstrate company and owner values to the market and potentially resulting in financial benefits for the business.

Competition: Push for expansion

The proliferation of product offerings in international markets and advances in technology and production techniques is intensifying competition among businesses, both locally and globally, the survey shows.

Respondents said their businesses are increasingly finding themselves challenged to develop new products, expand into new markets, develop innovative strategies, and upgrade and automate processes in order to compete effectively and stay ahead. As one global trade professional put it, “the competition is fierce, and we need to continuously innovate to maintain our market position.”

And competitive pressures are increasing as a result of several factors. For example, many nations are increasing defense spending and bolstering military alliances in response to rising geopolitical tensions. In addition, recent advances in emerging technologies, such as artificial intelligence, quantum computing, semiconductors, renewable energy, and biotechnology are also reshaping the global economic landscape.

Indeed, leadership in these fields is perceived by policymakers as essential for both industrial competitiveness and national security. However, this has the potential to lead to new industrial and trade policies, including increased protectionism.

Technology: Prioritizing investments

Investment in technology and automation remains a key method for many global trade businesses to improve their efficiency, reduce costs, and more effectively manage an increasingly complex global trade environment.

The vast majority of respondents said their companies are using enterprise resource planning (ERP) and third-party due diligence screening technologies (75% and 64%, respectively). These solutions have been adopted relatively consistently across all regions, industries, and company sizes.

However, beyond those functions, there are significant gaps that show numerous functions in which technology and automation have not yet been broadly deployed. Fewer than one in five respondents said their companies are currently utilizing technology for ESG, global trade management, and trade & supply chain data analytics.

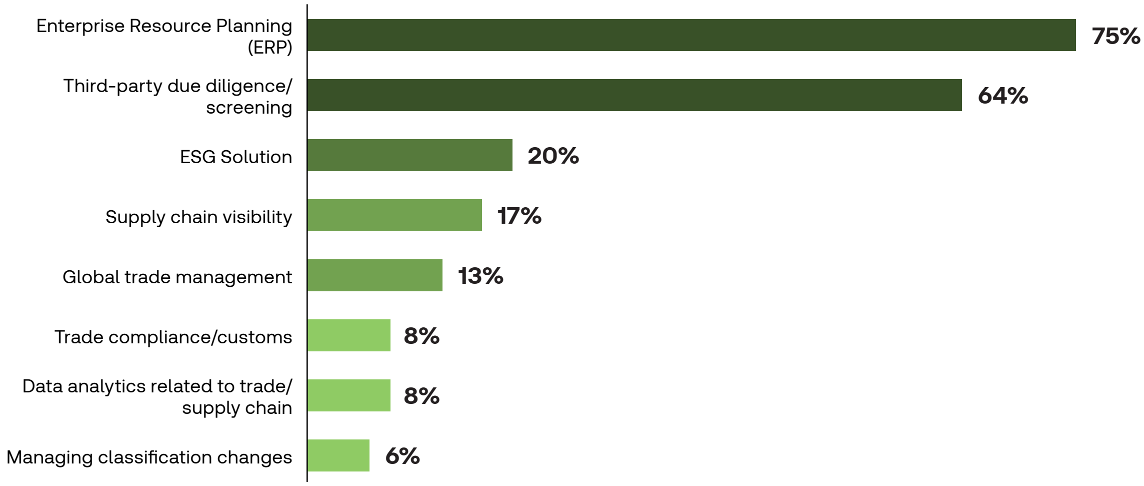
In particular, there were several areas that are of note: First, only 17% of respondents said their companies are utilizing technology for supply chain visibility. Given that supply chain disruptions and supply chain efficiency are among the top strategic priorities cited by respondents, it is somewhat surprising that so few companies are currently leveraging technology to protect and improve their vulnerable supply chains.

Second, an even smaller percentage (8%) of respondents said their companies are utilizing technology for trade compliance and customs, despite concerns about the rising volume and complexity of trade laws and regulations.

Finally, only about one-third of respondents (36%) said their companies have integrated systems for viewing data trade across regions. Most companies have either disparate systems that only provide data for a specific region or business unit, or use only partially integrated systems that provide some visibility across regions and business units. With many respondents saying their companies want to expand geographically across markets and diversify their supplier base, this lack of integrated international trade data systems could hinder those efforts and potentially prevent companies that implement those changes from realizing the intended benefits.

FIGURE 6:

Platforms and information services currently used



Source: Thomson Reuters 2024

In this respect, many respondents said their companies are generally aware of their shortcomings as well as the tech-related opportunities in these areas. Just slightly more than one-quarter of respondents (26%) said they are satisfied with the integration of trade systems and data across their company. Even fewer (15%) are satisfied with their ability to view all free trade agreements and understand how their company can both comply with and take advantage of those agreements.

As a result, more than three-quarters of respondents said their companies are prioritizing technology investments in those areas. While supply chain security and data protection was the most frequently mentioned technology investment priority (79%), it was closely followed by better visibility into supply chains (78%), and improving workflow and information sharing within and across departments (76%). Predictive analytics to anticipate and resolve issues before they happen (72%) was also a common technology priority. Businesses are clearly prioritizing leveraging technology for better flows of information in order to improve efficiency and risk management.

And in an increasingly competitive global trade environment, businesses are also looking to technology to provide data insights into new opportunities, which was cited as a priority by more than two-thirds (68%) of respondents. As one trade professional noted: "The cost of implementing new technologies is high, but it's essential for staying competitive."

"The cost of implementing new technologies is high, but it's essential for staying competitive."

Improved supply chain visibility, security, and data protection are the top tech investment priorities, respondents said. Technologies for handling due diligence, transaction compliance, and performance optimization also are being strongly supported, along with data analytics to identify opportunities and to anticipate and resolve any issues before they happen.

Satisfied with pace of technology adoption

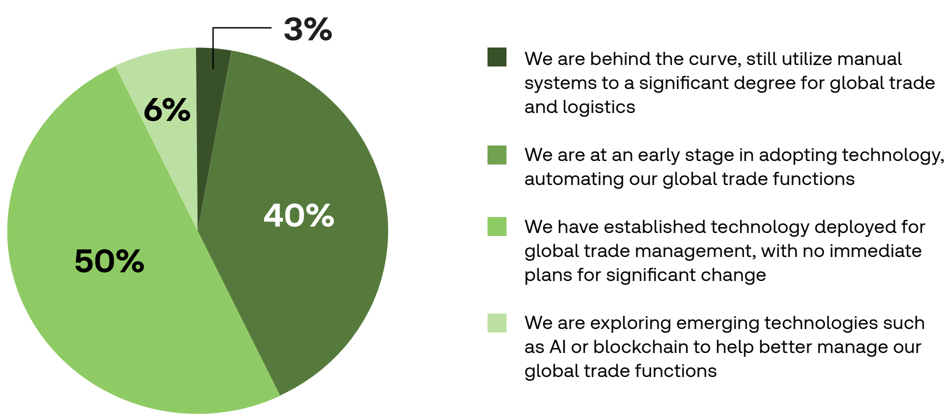
As companies move towards addressing their technology gaps, most respondents said they are generally satisfied with the current pace at which they are adopting technologies. While fully half have now deployed established technologies for global trade management, another 40% still consider themselves in the early stages of adoption. Only 6% of respondents said they feel their companies are behind the curve and still utilize manual systems to a significant degree.

Interestingly, those behind-the-curve companies are almost entirely smaller businesses with USD$5 million or less in annual revenue. In fact, nearly one in ten (9%) of respondents from small companies said they consider their companies to be at that level. However, the majority of respondents from small companies (53%) said they consider their companies to be at the early stage of adopting global trade automation.

Indeed, use of global trade management technology is now widespread to the point of being nearly universal among companies of all sizes; however, companies clearly are at different stages in their automation journey. A significant portion of respondents (40%) said they consider their companies in the early stages of leveraging technology, indicating their tech development is still very much a work-in-progress. However, businesses with more than USD$1 billion in revenue are much more likely than smaller companies to say they consider themselves to be established users of technology.

FIGURE 7:

State of development for leveraging technology



Source: Thomson Reuters 2024

AI: A general wait-and-see attitude

Despite the considerable water-cooler buzz around generative artificial intelligence (GenAI) and large language models (LLMs), only 6% of respondents said their global trade businesses are actively exploring emerging technologies such as AI and blockchain. This suggests that companies are not rushing to adopt AI simply to adopt it. Rather, the lack of thoroughly developed global trade AI tools with established track records and use cases are likely responsible for the current low adoption rates.

At the same time, a larger proportion of respondents (24%) said their companies are evaluating AI for internal use and say that investment in that area is a priority going forward. As is the case with any new technology solution, however, businesses are carefully evaluating AI on how it can potentially provide value by solving problems and improving efficiency.

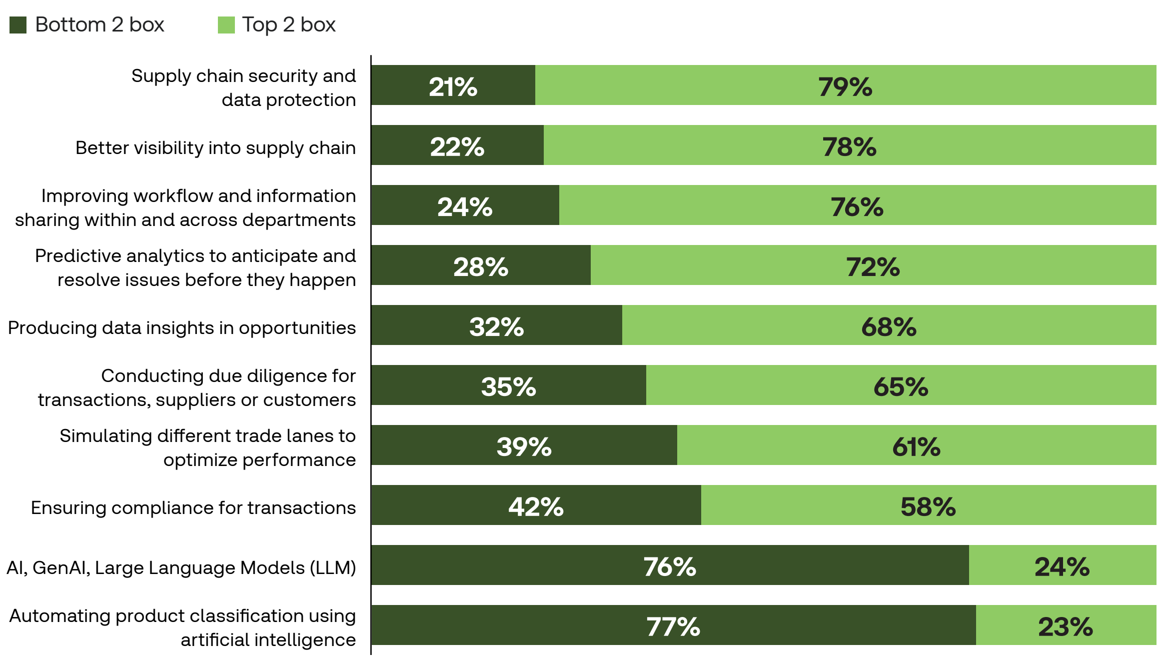
More than half of respondents from companies with USD$1 billion or more in revenue say they are prioritizing investment in AI. And given competitive pressures and the rapid advance of AI, adoption rates for AI and LLM technology could change quickly in the future.

As people watch what is happening in many other most industries, it will be interesting to see if AI tends to benefit larger companies by extending their competitive advantages of scale and reach, or boosts smaller businesses by *leveling the playing field* and enabling capabilities that were previously unavailable to smaller companies.

FIGURE 8:

Priorities for technology investment

4 point scale: (1 = high priority and 5 = not a priority)



Source: Thomson Reuters 2024

Conclusion

If the watchword from this year's report is indeed *complexity*, then the lessons going forward need to involve *flexibility* and *adaptability*. Global trade continues to grow in complexity. Expanding trade relationships mean new trade routes and logistics considerations. The volume of applicable regulations that impact trade continually grows. And while governments and trade organizations continue efforts to streamline bureaucracies, reform customs processes, and institute global standards, such initiatives also tend to bring with them new reporting requirements which can be a burden on companies. And risks from natural disasters and adverse geopolitical developments such as war, regional conflicts, and trade disputes will always be present.

International trade remains a dynamic, often volatile environment.

In this year's survey, respondents made it clear that supply chain management is their number one strategic priority. The widespread concern is a result of supply chains being impacted by so many different factors — disruptions, global economic uncertainties, geopolitical events, logistics, corruption, and more. Effective supply chain management strategies can help companies prevent or mitigate negative impacts from those factors. Already, many businesses are pursuing more robust, geographically diverse supply chains to reduce risks from disruptions. This may also aid in addressing labor shortages and costs — another frequently mentioned concern this year — as well as helping to develop new markets. While businesses are generally satisfied with their pace of technology adoption, many are prioritizing investments in technology to improve visibility into supply chains, as well as information sharing and workflows within their companies. Indeed, better information flows will be essential to increasing efficiency as well as improving risk management. The role of technology will continue to generally expand as businesses increasingly leverage automation to reduce costs and provide data-driven insights that can inform effective strategic planning. What GenAI will bring to those dynamics remains largely an open question.

Further, companies must deal with ESG issues being increasingly governed by legal, regulatory and accounting requirements, even as they have become firmly embedded into trade business management and practices to the point of being a universally accepted and vital part of the business among survey respondents.

Regulations remain an omni-present concern for respondents in terms of volume, complexity, and frequency of change, but are much less of a priority than supply chain management and geopolitical concerns. Trade and tariff compliance was not a highly rated priority this year, suggesting that many businesses are content with their current ability to manage compliance and are able to devote more attention to other priorities.

In general, international trade remains a dynamic, often volatile environment. Our survey results highlight the many current market uncertainties. Businesses that are able to rapidly adapt will be in the best position to both overcome challenging market conditions as well as identify new opportunities to grow their global trade businesses.

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