TRADE TREASURY PAYMENTS

ISSUE 01

THERE'S NO NEW NORMAL

Brave new world for liquidity and risk management

TRADE TREASURY PAYMENTS

tradetreasurypayments.com

✦ OUR TEAM ✦

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TRADE TREASURY PAYMENTS

MEET THE TEAM

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Editor-in-Chief

Deepesh Patel is the Managing Director of Trade Treasury Payments (TTP). Deepesh regularly chairs and speaks at international industry events held by the IFC, EBRD, IMN, WTO, Financial Times and Economist Impact, as well as industry associations including ICC, FCI, ITFA, ICISA and BAFT.

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Carter Hoffman is the Deputy Editor and Head of Research at Trade Treasury Payments. He holds international business degrees from the University of Queensland, Queen's University, the European Business School, and Brock University. Carter's work has been featured in publications by the International Finance Corporation, the World Trade Organization, and the International Chamber of Commerce.

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Eleanor Hill is the treasury editor and a member of the Editorial Board at Trade Treasury Payments covering treasury, cash, and payments. She is the founder of *Treasury Storyteller*, and has worked as the editor of Treasury Management International (TMI) and editorial director of *Treasury Today*.

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eFCOM The Standard of Factoring Software
enigio
Marsh
MonetaGo
PANGEA-RISK
Sullivan Sullivan & Worcester
Surecomp
Swiss Re Corporate Solutions

FOREWORD

Deepesh Patel
Managing Director,
Editor-in-Chief
Trade Treasury Payments

When we first imagined **Trade Treasury Payments (TTP)**, it was as a solution to a feeling many of us share, especially today. With so much uncertainty and noise in the world, we needed something independent, yet grounded in a sense of community. A clear, trusted voice for our industry.

Today, I am both humbled and excited to introduce you to —

TRADE TREASURY PAYMENTS

a new, impartial platform created to educate, inform, and connect the global trade, treasury, and payments community.

TTP is not a bank. It is not a broker, originator, or financier. We do not arrange deals, and we don't have a sales agenda. Instead, our mission is simply to help every market participant – from global banks to first-time exporters – navigate the increasingly interdependent financial environment. If Investopedia helped millions understand investing, we aspire to do the same for the world of liquidity and risk management.

We believe liquidity helps livelihoods prosper. When capital flows confidently and risk is managed transparently, businesses and people thrive.

TTP exists to support that flow—through education, open access resources, and global conversation.

We are launching this inaugural edition of our magazine at a time of intensified fragmentation—geopolitical rifts, rising tariffs, regulatory divergence. The number of national elections over the past year shows just how volatile global markets can be. But history shows that when challenges mount, collaboration is what carries us through. From sustainability efforts in trade finance to innovations in payment infrastructure, our industry has proven its resilience through cooperation.

TTP is here to support and strengthen that spirit.

Turning to history to inform the future is a common theme throughout this edition. We will take a look back at the trends and forces that shaped the last decade of supply chain finance, trade credit insurance, and payments. We look even further back at the history of tariffs over the millenia and use this context to help examine the current tariff climate. And ultimately, we will look to the future and explore the role of global institutions and digital technologies in shaping the trade, treasury, and payments environment that is yet to come.

This first issue is just the beginning. While we may be the curators and editors of this content, it is your insights, perspectives, and engagement that will help to shape its future path, brick by brick. In the coming months, we'll be listening closely to you, our readers, to guide what we explore on TTP. I truly believe that by learning together and supporting each other, the trade, treasury, and payments community can overcome any challenge—and achieve extraordinary things.

Please reach out, share your thoughts, and let us know the topics and issues that matter most to you.

In that spirit, I invite you to join us—read, learn, share and engage. Your voice matters immensely to us, and we're eager to learn directly from your experiences and ideas. Let's confidently follow the orange brick road, together shaping a clearer, more connected future for trade, treasury, and payments.

Thank you for reading and for being part of our launch. Now, without further ado, welcome to **Trade Treasury Payments!**

LET'S FOLLOW THIS ORANGE BRICK ROAD TOGETHER.

Sincerely,

Deepesh Patel
Managing Director,
Editor-in-Chief
Trade Treasury Payments

NAVIGATING TRADE AND CASH SOLUTIONS

LIQUIDITY AND RISK MANAGEMENT

TRADE

Trade Instruments
- Documentary Credits
- Promissory Notes
- Bills of Exchange

Documentary Credits
- Letters of Credit
- Irrevocable Reimbursement Undertaking

Contingent Obligations (Unfunded)
- Standby Letters of Credit
- Guarantees

Funded
- Pre-Shipment Finance
- Post-Shipment Finance (Supply Chain Finance)
- Unsecured Syndicated Credit
- Structured Commodity Trade Finance
- Islamic Finance

Unfunded Risk Participation
- FI Risk Contingent
- FI Risk Unfunded
- Corporate Risk Contingent
- Corporate Risk Unfunded

Funded Participation / Assignment
- FI Risk
- Corporate Risk

Supply Chain Finance
- Payables finance (Reverse Factoring)
- Receivables finance (Factoring, Forfaiting)
- Inventory finance / warehouse finance
- Trade loans and advances

TRADE SOLUTIONS

PAYMENT N
Swift, SEPA, (
ACH, Clearing

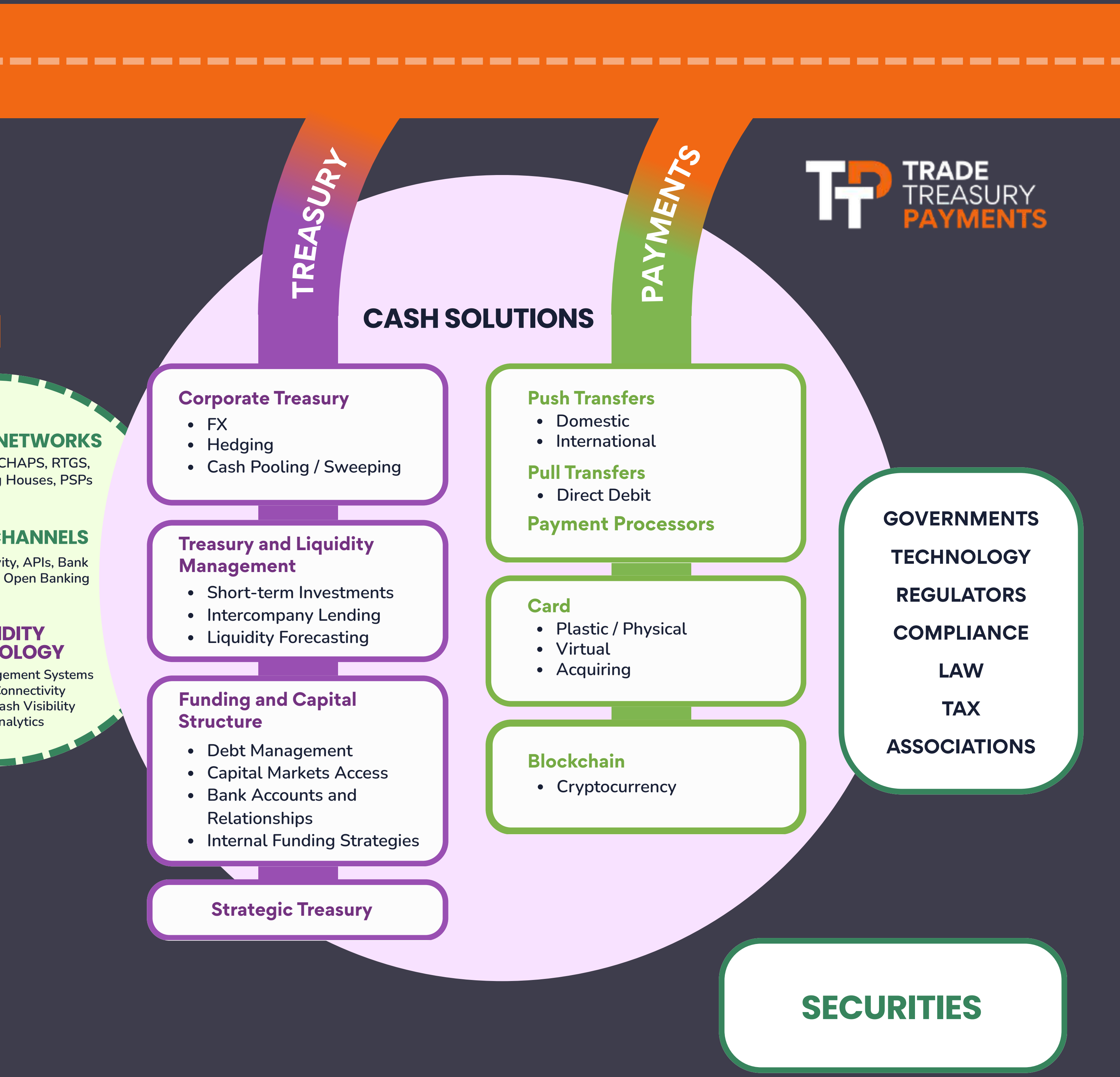
DIGITAL C
ERP Connectiv
Portals, BNPL,

LIQUI
TECHN
Treasury Manag
APIs and C
Real-Time C
Data A

CREDIT RISK MITIGATION
Credit Insurance
Reinsurance
Structured Export Agency Finance
Development Finance
Sureties and Bonds
MDB Trade Loans & Guarantees

This is our highway. We're bringing clarity to the market — helping the world move smarter, manage risk, and unlock liquidity across borders.

TTP connects trade, treasury, and payments — where liquidity and risk flow across systems, markets, and institutions.



1 10 YEAR LOOKBACK

Sean Edwards
Chairman
ITFA

1.1

Looking back on the last 10 years in Supply Chain Finance

"You are old, Father William," the young man said, "And your hair has become very white; And yet you incessantly stand on your head— Do you think, at your age, it is right?"

Lewis Carrol, Alice in Wonderland

Those of us engaged in SCF over the last decade may well have grown old but standing on your head is a phenomenon of an altogether better pedigree. Arguably, this dynamic area, where the physical and financial supply chains collide, has led to great innovation and benefitted large corporates and SMEs while playing an important role in reducing climate changes and achieving some of the UN SDGs. The same period has also seen new pressures and threats as well as throwing up some, largely underserved, negative publicity.

The old stuff works … and in new markets

CCC = DIO + DSO – DPO

This magic formula (where CCC is the Cash Conversion Cycle, DIO is Days in Inventory, DSO is Days Sales Outstanding and DPO is Days Payables Outstanding) still reflects the basic purpose of all payable finance or reverse factoring.

Optimising working capital involves reducing DIO and DSO and increasing DPO – in other words try to get paid as early as possible and pay as late as possible whilst making sure you don't keep your goods too long in an unproductive environment such as a warehouse or ship. Dear readers, nothing has changed on this basic value proposition. Everyone wants to reduce DSO (get paid early) and increase DPO (pay later) and payables finance/reverse factoring/ supply chain finance squares the circle.

Delivery channels have changed (see below) and technology has enabled greater efficiency and market penetration than ever before democratising and driving down the cost of this instrument of working capital. Through the work of MDBs and others, payables finance has begun to be employed in emerging markets and by ever smaller anchor buyers. This writer's own experiences in Central Asia and further-flung markets have confirmed that there is a wide understanding of the benefits this technique brings, at least amongst banks. There is not the rub but rather making the right choice of platform and confidence in local market take-up. This is often matter of finding the right scale for all the parties concerned including the banks. At an ITFA conference in Budapest, a bank from a small Balkan economy demonstrated a viable business model for using SCF based on its central role in, and knowledge of, cash flows, imports etc. in that country. The amounts were not large, but the approach and thinking were very impressive.

Delivery channels have improved ... and have needed to

Aiding emerging market take-up but also responding to cost pressures in developed ones, new technology has allowed SCF to be offered to more users by more and more financial institutions including non-banks.

Blockchain has seemed a spent buzz-word but underlies, in public or private form, many of the platforms, tokenised instruments (alright, I'm looking to the future a bit) and tools

available to the market. The decade saw the rise and fall of some boil-the-ocean platforms, but it would be wrong to pin failure on the technology: it was commercial adoption, or the lack of it, that pulled the plug.

Most of the large IT systems providers have overhauled their offerings to provide flexible, multi-modal tech suites capable of carrying out various forms of SCF. These are leveraging Cloud costs savings and, increasingly, AI. The last offers real potential in analysing past financial behaviour and predicting it for the future. If this seems like the infamous "future receivables "programmes of the discredited Greensill Capital, one of the decade's brightest falling stars, the new technology offers both a safer and more economical way to achieve an important goal of SCF: financing the pre-export leg of the physical supply chain. With prudent policies, however, there is no reason this can't succeed and the tech can make this happen.

But what do we mean by Supply Chain Finance?

I have used the term "Supply Chain Finance" loosely or liberally but for many the term is confusing or, conversely, too limiting, How do we make our way through this Tower of Babel? The decade saw the publication of a major innovation on terminology, the "Standard Definitions for Techniques of Supply Chain Finance" produced by the Global Supply Chain Finance Forum, an umbrella for the world's major trade finance associations including ITFA. The Standard Definitions may not win a prize for the snappiest title or sell well in airports, but they have helped to settle the meaning of things in our world thereby fostering understanding and adoption as well as being major educational tool.

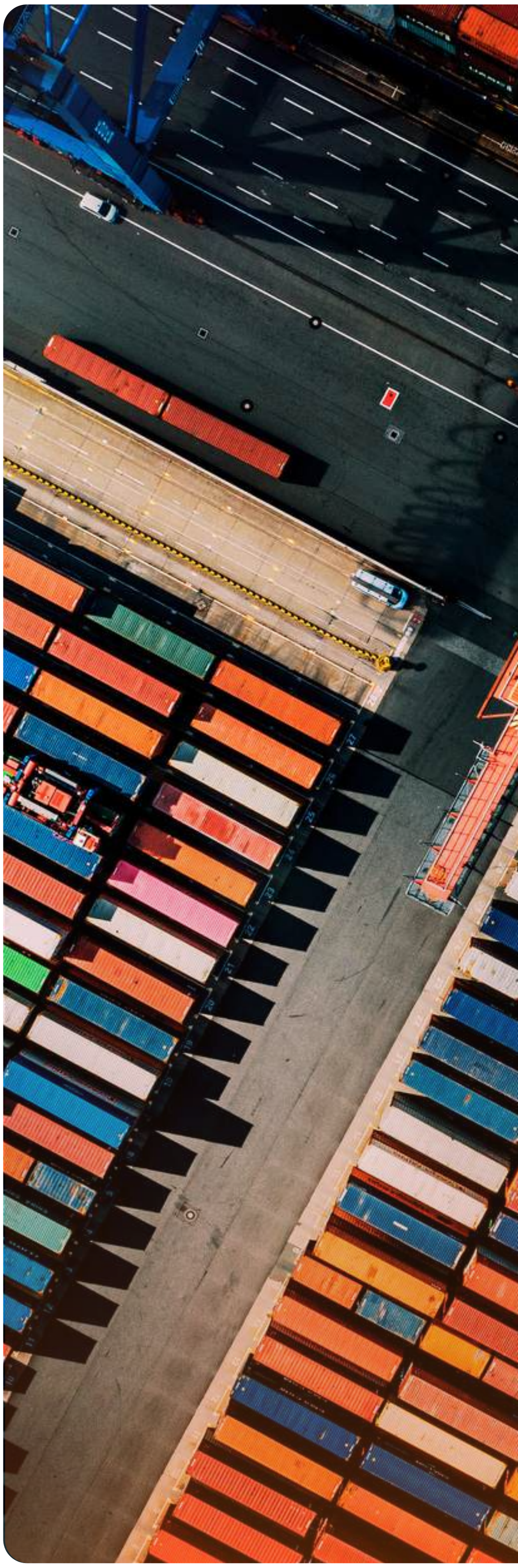
By its nature, SCF is dynamic, and the Definitions have kept pace with evolution.

SCF has emerged as a major weapon in fighting climate change and advancing net zero. Some of this has been forced by legislation but also by public opinion. At the time of writing, this has become a subject of controversy for well-known reasons beyond the scope of this article, but it seems unlikely that it will reverse to any great extent, SCF programmes providing improved pricing to compliant suppliers have been a major force both in helping buyers to meet their legal obligations but also encouraging suppliers into better practices. Some of these have not been monitored or defined as well as could have been and may have been seen as superficial but practices get more robust every year.

Threats and challenges

The ubiquity of SCF has drawn the attention of both rating agencies and regulators.

The first have been concerned about the lack of transparency and have spied "debt-like features" in the practice as well as an over-reliance, and therefore a threat to liquidity, in its use by corporates. A few corporate failures appeared to justify this interpretation with the majority of finance coming through such programmes and/or an excessive (as compared to the market) extension in DPOs. The consequence was a move by the two principal accounting standards boards to introduce new accounting rules for payables finance (note not for other forms of Supply Chain Finance). These did not, as was feared, cause an immediate reclassification of payables finance from trade debt into bank debt. Rather, they have mandated increased transparency to allow the rating agencies to make that determination.



It is too early to tell if the rules will have a chilling effect on the use of payables finance as we are only just coming to the end of the first accounting period but, anecdotally, major corporates are reconsidering the scale of use.

Alongside a perceived abuse of investors was a feeling that suppliers were being exploited by their buyers and force to agree to unfair term extensions which could only be financed using expensive bank finance. Late payment rules exist around the world, but concerns were brought to the boil in Europe with an attempt to revise the Late Payment Directive by, principally, making it illegal to agree to payment terms beyond 30 days. Arguments by ITFA and others that this would remove a major source of liquidity underpinning supply chains have had some effect, but the issue is still on the table and will need further advocacy.

So will we ever achieve perfection?

In short, no but then where would the fun be? SCF has proved to be valuable not just to industry and trade but to be the source of creativity and innovation. What's not to like?

Richard Wulff
Executive Director
ICISA

1.2

Trade credit insurance and surety: the evolution in 10 years time

The worlds of 2015 and 2025 present a fascinating contrast in terms of technological advancements, societal shifts, and global challenges.

In 2015, key technologies such as smartphones, social media, and cloud computing were already significantly shaping communication and information sharing. Smart devices were gaining traction but not yet fully integrated into daily life. Global issues such as climate change, political instability, and economic disparities were pressing concerns, but the urgency for action was often overshadowed by regional instability and immediate crises. Time Magazine's Person of the Year was Angela Merkel, Germany's then-chancellor; Caitlyn Jenner emerged as a female fashion icon; and Ye still went by the name Kanye.

Barack Obama was mid-way through his second term as US president, and Vladimir Putin was into his third term as president of Russia (as he still is). By 2025, the world has seen a remarkable evolution in technology and its impact on society. The proliferation of artificial intelligence (AI) and advanced robotics has transformed industries. Social media has become even more integral to personal and professional life, influencing everything from marketing strategies to political movements. This influence is just as apparent in the underwriting of trade credit insurance and surety.

Moreover, there has been a heightened focus on sustainability and climate action, driven by the recognition of environmental

impacts and the need for a greener economy. This shift reflects a collective societal awareness that was still developing in 2015. This has found its way into underwriting guidelines of the trade credit insurance and surety industry. Even as political taste for green issues waxes and wanes over time, cover for heavily polluting industries has become increasingly hard to find as insurers have become much more conscious of the effects of their covers in that area.

Meanwhile, a trend that has continued throughout this time—and well before—is the support credit insurers provide to SMEs as the beating heart of the economy. SMEs make up a majority of the policyholders for many insurers, particularly in markets where trade credit insurance is well established and part of business-as-usual. The economic health of this segment has been a growing focus of governments in recent years, with many now seeing credit insurance as a key tool for boosting resilience and facilitating access to finance.

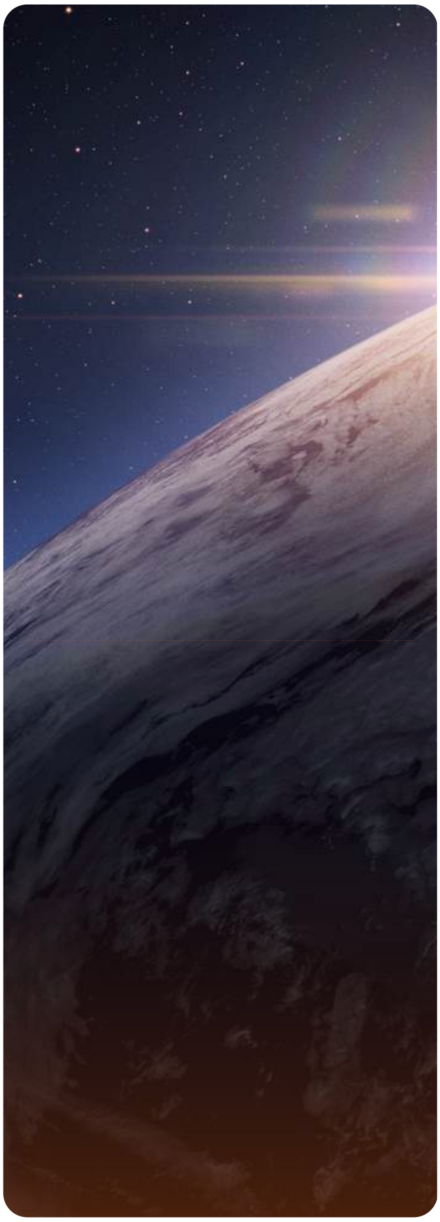
In 2015, very few people had heard of coronaviruses, and fewer still cared about them. The COVID-19 pandemic had major effects on society at large, wreaking havoc on everyday life. Beyond this, its effects have also been widespread.

Working from home in 2015 primarily took place on the weekends or evenings. Business continuity plans sat in drawers, having been formulated but not tested in the real world. Now, flexible working arrangements are a core part of what employers offer in the workplace.

Trade credit insurance and surety markets were also not free from impacts. Government interventions to limit the impact of business insolvencies on the economy saw credit insurance schemes introduced in several countries. While showing some early benefit in maintaining confidence in markets, interventions likely lasted too long before markets could return to normal. Lessons learned for a future crisis we hope aren't needed any time soon.

Someone who had gone into hibernation in 2015 and woke up today would hardly recognise the geopolitical landscape. In 2015 ongoing and expanding globalisation was the accepted wisdom, and contrary voices seemed fringe and radical at best. Supply chains were built on the basis of the "just in time" principle. Trade credit insurance followed this trend with its clients and met the demands of the economy. By 2025, there has been a noticeable re-polarisation as tensions between major powers pose significant challenges. Global cooperation seems to have been reduced, judging by the 62 resolutions adopted by the UN Security Council, compared to 46 in 2024. Trade flows have definitively started to shift.

Trade credit insurance has undergone notable changes over the past decade. In 2015, it was primarily viewed as a safety net for businesses engaging in domestic and international trade. It provided protection against the risk of non-payment by buyers, particularly for exporters operating in volatile markets. Insurers relied heavily on historical data and traditional risk assessment methodologies to determine coverage and premium rates.



By 2025, the trade credit insurance landscape has adapted significantly to the dynamic nature of global trade. Advances in Big Data analytics, artificial intelligence, and machine learning have enriched risk assessment processes, allowing insurers to offer more tailored coverage based on real-time information and predictive modelling. This development has enabled businesses to better understand their risk exposure, leading to a more proactive approach to credit management. Moreover, the aftermath of the COVID-19 pandemic emphasised the necessity for businesses to reassess their risk strategies. Companies have become more aware of the importance of trade credit insurance in safeguarding cash flow and ensuring operational resilience, driving increased adoption across various industries.

In addition, the regulatory environment surrounding trade credit insurance has evolved by 2025. There has been a stronger emphasis on transparency and accountability, prompting insurers to enhance their reporting practices and risk communication with clients. The integration of technology in policy management and claims processing has streamlined operations, making it easier for businesses to navigate and use their insurance options. This shift not only improves efficiency but also fosters greater trust in the trade credit insurance system.

In 2015, some cooperations were beginning to take shape between the banking industry and trade credit insurance and surety companies. In 10 years' time, this has become a major instrument for banks to mitigate risk. It has become a mechanism for capital relief for the banking community. This partnership has channelled much-needed money into the real-world economy safely and efficiently. In 2023 it was the second most used methodology for banks to mitigate risk, according to the IACPM. The outlook for this segment has become somewhat blurred in selected geographies due to the implementation of new Basel rules.

The risk of regulatory divergence between markets (the EU, UK, US, and beyond) on this topic also has implications for banks and insurers, as well as the businesses that rely on financing supported in this way. Developments to increase the flow of funds to narrow the financing gap in developing economies have once again put the spotlights on trade credit insurance as an enabler. Green shoots are sprouting in Asia as well as Sub-Saharan Africa.

Looking ahead, the role of trade credit insurance is likely to continue expanding, particularly as global trade becomes more interconnected and subject to fluctuations. The growing emphasis on sustainability and ethical business practices will also influence the future of trade credit insurance, leading to products specifically designed to cater to environmentally and socially responsible companies.

In summary, the evolution of trade credit insurance from 2015 to 2025 highlights an industry that has become more responsive to market dynamics, leveraging technological advancements to provide robust and adaptable coverage for businesses operating in an increasingly complex trade environment.

Alan Koenigsberg
Founder
Koenigsberg Insights

1.3

The future of payments: The winding road here and the bold path forward

A quarter of the way through the century, we have seen an enormous amount of change, driven in no small part by technological innovation. Consider this - Google wasn't launched until 1998. Before that, searching the web meant you had to "Ask Jeeves." And the ubiquitous iPhone wasn't introduced until 2007. Prior to that, the closest thing to a smartphone was the Blackberry. For those too young to know what a "Blackberry" is, let's just say it isn't a kind of fruit. That said, technology has led the way, as consumer and business use cases were strongly identified or hypothesised, driving the path toward change. Change did not occur simply because of the tech itself. This is especially true in our payment ecosystem.

To celebrate the launch of Trade Treasury and Payments, I reminisced on the last decade, which chronicled significant and accelerating change within the payment's universe. The shifts have been profound! It also helps us look forward as we "roll back the future" and better predict and plan for business scenarios that will require investments in the near term to be ahead of the curve tomorrow.

Think about the US, as an example of change through digitisation. As little as 25 years ago, the act of converting a paper consumer check to a digital form (ACH) through a new process called Accounts Receivable Conversion (ARC) was still on the horizon. At first, consumers were not fans and yours truly took to radio shows all over the country to tout the benefits over drive-time talk shows. Interest was tepid at best. Fortunately, I have a thick skin.

However, after 9/11 (sadly), the paradigm shifted and momentum forward brought about real change. Then during and after COVID, business digitisation followed suit. The lesson here is that technology existed the entire time, but it was the commercial urgency that shifted. Even 10 years ago, the critical groundwork for blockchain infrastructure, trade and supply chain payment solutions and digital non-fiat currencies was attracting enormous investment that continues today.

It's an evolution, not a revolution

Other innovations, many of which are not breakthrough tech, are becoming everyday parts of our payment lives—digital wallets and mobile payments; online payment gateways; contactless and NFC payments; chip-and-PIN technology; peer-to-peer and social payments; buy now, pay later services; embedded payments and APIs; cryptocurrencies and blockchain-based payments; and real-time payments.

How did they come about? William Gibson, who coined the term "cyberspace," also said the following: "The future is already here—it's just not very evenly distributed." Meaning, everything that is being invented has already been invented. You may not see it or its use cases yet, but the seeds of change are already in place.

The point is, technology doesn't change overnight; it evolves steadily. In fact, most real and lasting change happens through demand-driven incrementalism.

For example, the previously mentioned check conversion innovations came about because consumers, businesses and banks wanted to minimise cumbersome and costly processes around managing paper checks. In response, the banking industry introduced ARC to begin digitising these processes. The necessary technology and changes to industry regulations took time, but this major shift paved the way to many of the far-reaching payment innovations we rely on today.

Over the last five years or so, consumers have led the charge, demanding changes that have improved the payment experience.

Business-to-business payments have gradually followed suit as treasury professionals increasingly expect the same conveniences they enjoy in their consumer transactions in the world of business transactions.

And though the payments industry is always looking for the next big trend, many times the driver of change is unexpected. Take for instance the widespread embrace of tap-to-pay, which surged due to the consumer demand for contactless payment methods during COVID. Rather than being accelerated by pure convenience, this innovation was fueled by global public health concerns.

What's next for payments?

I know I'm not going too far out on a limb when I suggest artificial intelligence (AI) will play an outsized role in the payments industry going forward. AI's biggest impact will be in enhancing security and reducing losses. AI is ideally suited to analysing vast amounts of transaction data in real time, making it very good at detecting and preventing fraudulent activities.

Another area that is growing in importance is real-time payments. These payments are finding increased applications for B2B transactions. Regulators and central banks around the world have been working to establish domestic standards. And financial institutions have been busy putting technology infrastructure in place to deliver cross-border transparency. It will take time for the technology to settle in, as banks look to make cross-border and cross-currency payments competitive, digital, inclusive, and secure.

Embedded finance is an oft-talked-about future trend, but truth be told, it has been around since the dawn of the internet and eCommerce.

What will be new and game-changing will be integrating financial services into non-financial platforms. This creates diversification, opening up the opportunity to meet customers where they are in their journey, allowing them to execute transactions more quickly with less friction, lower cost and reduce potential fraud—all with enhanced data and speed.

These are but a few of the innovations that are changing the payments landscape and will continue to do so in the future. For a deeper dive into these topics and others, please take a look at a piece I recently published on the subject .

These are but a few of the innovations that are changing the payments landscape and will continue to do so in the future. For a deeper dive into these topics and others, please take a look at a piece I recently published on the subject .

The digital shift: Opportunity, risk, and the road ahead

The future of payments is evolving rapidly, driven by consumer demand for more options—digital wallets; buy now, pay later services; and even cryptocurrencies. Businesses are adapting and integrating these methods into their payment systems, but the path forward isn't without challenges.

Change always comes with both risk and reward. It's a road full of unknowns, requiring businesses to test new technologies, navigate potential pitfalls, and make strategic decisions along the way. As we move forward, the key will be to embrace innovation with a balance of boldness and responsibility.

At times, the industry will see breakthroughs; other times, it will face setbacks. But progress is about managing risk wisely. Success in this space is about creating a stronger, more adaptable ecosystem that benefits everyone. Pollyanna, perhaps… but change is rarely a straight line forward. In reality, our industry is a series of concentric circles that support one another. Whether it's self-monitoring or taking appropriate risks, the payments ecosystem invites all participants to make profits wisely by creating a healthy environment to do so. Regulators ensure this environment is safe and sound for all players while also leaving room for us to push the limits that will take us to the next level of payment innovation domestically and cross-border.

In my view, payment innovation will continue to evolve naturally, delivering experiences worth having.

The payments universe is unfolding just as it should.

Geoffrey Wynne
Partner and Head of the Trade & Export Finance Group
Sullivan

1.4

Financing receivables: A look back and the shift to a deep-tier, digital future

Ten or so years ago, if a bank wanted to purchase invoices issued by a supplier (of goods or services) to an acceptable buyer (called receivables), it was most likely to sign a receivables purchase agreement (RPA) with the supplier. The supplier would generally be a customer of the bank and the buyer an acceptable credit risk (in the eyes of the bank). The arrangement would allow the supplier to be paid early and allow the buyer to make payment at a later date when the invoice was due.

The purchase would, in most circumstances, be without recourse to the supplier so the bank would take most (or even all) the credit risk of non-payment by the buyer. However, if the buyer disputed the invoice or refused to pay because the goods or services did not meet the contractual terms, then the bank would be able to require the supplier to buy back the receivable. These would be called recourse events.

The bank would pay a discounted price for the receivable to reflect the time it would wait to be paid by the buyer and perhaps with a further discount to reflect some risk that the supplier would take.

In some cases, the supplier would continue to collect from the buyer and pay the proceeds to the bank—this would be as agent for the bank. In other cases, the supplier—or the bank—would serve a notice (of assignment) on the buyer and require payment be made to the bank and to a designated account.

This all sounds reasonable —so what has changed?

Arrangers of these types of RPA have become more resourceful. The RPA product has developed into ways of giving buyers more time and of helping suppliers at the request of the buyer, even where the supplier was not a customer of the bank. The whole structure has turned into supply chain finance (SCF)—the supply chain being sales by a supplier to a buyer.

SCF has also changed into different product offerings:

- **The RPA, as explained above, is based on the receivables of the supplier and the arrangement where the buyer agrees to pay the invoice at a specific date—payables finance.**

All of this has become mechanical, with either banks using an electronic platform or third parties hosting suppliers, buyers, and banks (as funders) on a platform.

In addition, invoice financing has definitely moved on.

More is happening now with the passing of the Electronic Trade Documents Act (ETDA) in 2023. This has allowed for promissory notes (PNs) and bills of exchange (BoEs)—traditional ways to pay for goods and services—to exist in a digital form and so be created and traded on platforms; so long as the platform is a 'reliable system' under ETDA.

What can happen now is for the buyer's promise to pay an invoice to be changed into an ePN or eBoE, issued or payable to a supplier, endorsed to a bank and sold to an investor. The market can continue to expand and, indeed, the more acceptable the structure, the more likely non-bank investors will want to participate in trade assets.

This is part of a wider discussion on the digitalisation of trade.

There is more to come as the structurers look at using the promise from the buyer (now called an anchor buyer) to finance not just the supplier to the anchor buyer (a tier 1 supplier) but also to suppliers to the tier 1 supplier and down the physical supply chain. Watch this space for developments in what is called *Deep Tier Supply Chain Finance* (DTSCF). Read this paper, written by BAFT here, to find out more about DTSCF.

So, simple invoice financing has changed so that it can cover more in the financing of trade and potentially encourage more players to join in trade finance assets—will this turn the original concept into something almost beyond recognition?

Eleanor Hill

Treasury Editor

Trade Treasury Payments (TTP)

1.5

From back office to boardroom: 5 ways treasury has transformed in the last 10 years

Nobody dreams of becoming a corporate treasurer. Most kids, and even adults, don't actually know what a treasurer does. It's a role people stumble into – often by accident, occasionally by design.

A decade ago, it meant being the financial plumber of the organisation. Keeping cash flowing, plugging leaks, managing risks, and staying essentially invisible unless something went wrong.

Today, the tools, responsibilities, and expectations have shifted dramatically. Treasury has moved much closer to the business, closer to the boardroom, and is far more visible than ever before. Treasurers are also more empowered with tech, and have voices that reach across the company, and wider industry.

But that doesn't mean there isn't still work to do.

So, here are my top five changes that have reshaped the function over the past decade, looking at what's different, what's working, and what's still evolving.

1. Artificial intelligence for all

Yes, it's a buzzword, but AI is one of the biggest tech shifts we've seen in treasury over the last decade, and it is empowering treasury teams to take control.

Over the past 18 months, treasurers have shifted from passive curiosity around AI to hands-on experimentation. That's partly because tools like Microsoft and

Google now have AI capabilities baked in, so you don't need to install specialist systems to start getting value. It's also because the security landscape has matured, with clear guardrails around data handling and enterprise-grade large language models (LLMs).

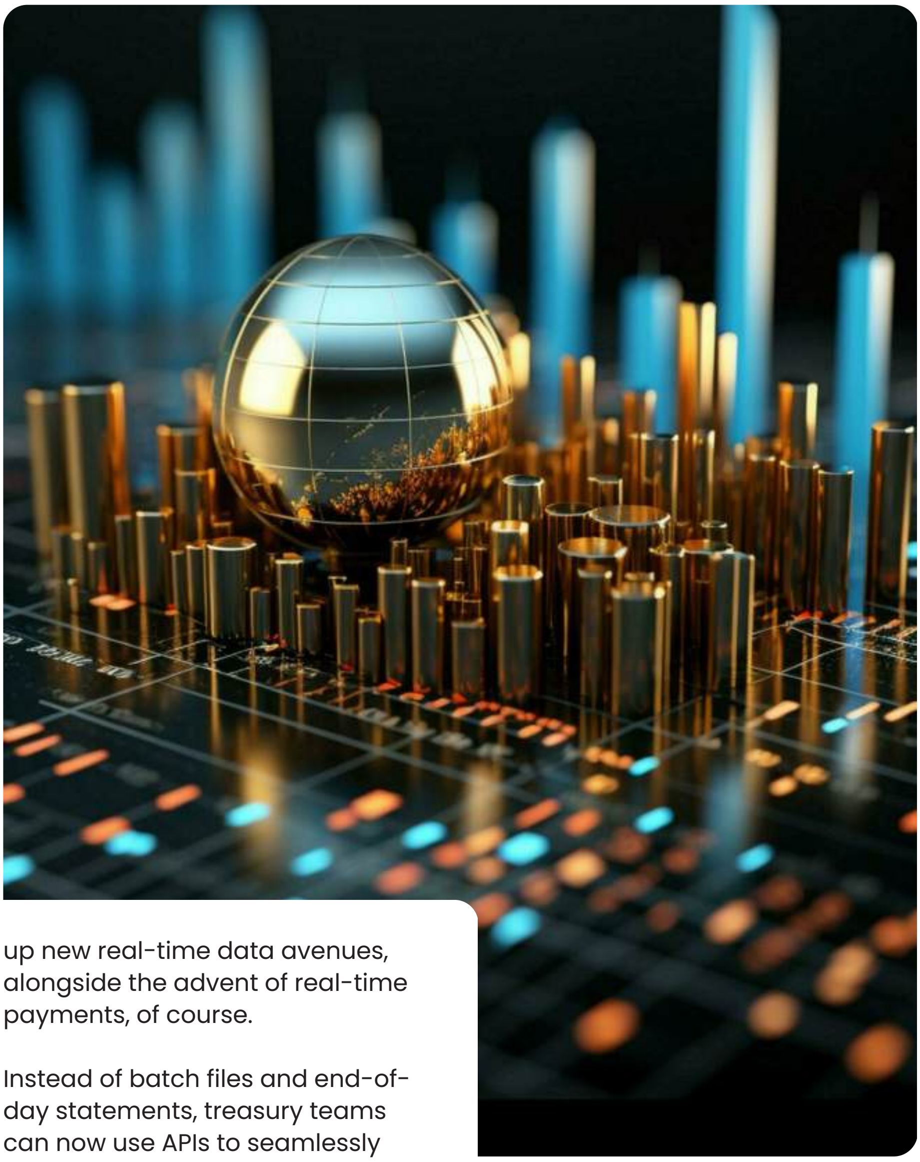
While AI is often pitched (rightly or wrongly) as the ultimate game-changer for forecasting and fraud detection, leading treasurers have started using AI for smaller, more targeted use cases. These include: chasing forecast submissions, pre-populating forms, drafting routine emails and reports, speeding up KYC and validation processes, and automating workflows that used to steal hours from the team each week.

Interestingly, AI is also being used to capture institutional knowledge. According to James Kelly, Founder of AI boutique, Your Treasury, if you record a meeting where the team talks through key processes, feed that into a chatbot, within weeks you can build a living knowledge base. This can be especially useful if a key team member is off sick or away on leave, essentially changing the face of treasury staffing.

2. APIs and real-time treasury

"What's our cash position right now?" used to be a surprisingly difficult question to answer. Bank portals showed yesterday's balances. Payments in transit were invisible. Different systems refused to talk to each other.

It's still not perfect by any means, and not standardised, either. But application programming interfaces (APIs) have gained so much traction over the past five years or so, and completely opened up new real-time data avenues, alongside the advent of real-time payments, of course.



Instead of batch files and end-of-day statements, treasury teams can now use APIs to seamlessly connect directly to banking systems for real-time data. It's like finally driving with the headlights switched on, instead of constantly checking the rearview mirror.
And when treasury teams have access to real-time data, they can make better decisions about everything from short-term investments to FX exposures.

Of course, not everything needs to be real-time. There is a growing movement that says 'on time' treasury is enough for many, if not most. Nevertheless, the capability itself has opened up so many new opportunities for treasury teams, and will continue to do so.

3. The return of active risk management

After years of historically low interest rates and relatively stable currency markets, many treasury teams had forgotten how brutal market risk can really be. Some had even scaled back hedging programmes as unnecessary overhead, assuming the cost outweighed the risk.

That assumption didn't hold. By late 2021 and into 2022, everything changed. Central banks began raising rates at record speed.

Currency pairs that had barely moved in years swung 5-10% in a matter of weeks. The euro briefly dipped below parity with the US dollar. Sterling plunged after the UK's mini-budget crisis. Volatility returned rapidly, and without much warning.

The response was a clear shift back to systematic risk management and rules-based hedging – protecting against the downside with structure and consistency, and the added benefit of evolving tech.

4. The ESG rollercoaster

While ESG might not be the current flavour of the month, it still remains important, and has undeniably been one of the biggest innovations in treasury over the past decade. ESG was once considered treasury-adjacent at best. Sustainability teams handled the reporting, treasury handled the money. That division no longer exists.

Today, capital markets price in environmental risk, reward sustainable practices, and scrutinise greenwashing. Treasury teams have adapted by structuring sustainability-linked loans, issuing green and social bonds, investing in ESG-compliant instruments, and integrating ESG metrics into supply chain finance.

It remains to be seen what will happen to ESG over the next decade, but the tide has turned in how European companies, at least, approach sustainability – and that momentum will be hard to stop entirely.

5. Diversity for better decision-making

Treasury, like most financial functions, has historically lacked diversity in all its forms: gender, race, sexuality, age, disability, and more. Although the change over the past decade hasn't been dramatic (it's still predominantly rather male and pale – I won't say 'stale'!), it has been meaningful. Driven not by just corporate mandates but also by practical necessity.

Global treasury operations require understanding of different markets, regulatory environments, and business practices. And teams composed of similar backgrounds might miss cultural nuances that affect everything from payment practices to counterparty relationships.

Initiatives fostering diversity among the treasury community have created platforms for mentorship and advancement, gradually reshaping the field. And treasury associations like the ACT and IACT are playing their part too, with DEI charters, and programmes to foster young talent.

Again, it is tough to know where this trend will head, given the current political climate. But it is my hope that the most forward-thinking treasury leaders will still actively seek diversity – different thinking

styles, backgrounds, and perspectives – recognising that homogeneous teams produce homogeneous (and often limited) results. Let's see!

Shifting sands

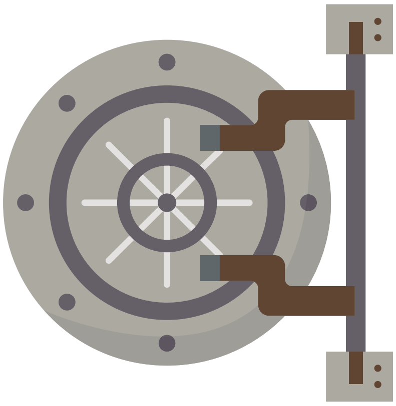
Of course, there are so many more changes than this that have happened in treasury over the past ten years. With SaaS models proliferating, for example, Treasury Management Systems (TMSs) have become so much more accessible to companies of all sizes, not just the elite.

As digital treasury has progressed, cybersecurity has also come within the treasurer's remit with teams needing to embrace multi-factor authentication, biometrics, payment verification protocols, segregation of duties, and rigorous training (among many other measures). Digital currencies have also come onto the scene, offering up new potential for more seamless cross-border payments.

Meanwhile, supply chain finance has experienced a resurgence, in no small part thanks to the pandemic. Pre-COVID, most treasurers managed supplier payments as a routine process with predictable timelines. Then global supply chains fractured under unprecedented strain. Suddenly, working capital became much more than a metric, and turned into a survival strategy.

Through the fragility, companies discovered their suppliers were also struggling with their own cash crunches. Those who couldn't offer financial support watched suppliers prioritise customers who could. Treasury teams quickly deployed early payment programmes, supplier finance arrangements, and flexible payment terms to keep goods flowing.

The pandemic also introduced treasury teams to the concept of remote working, and many teams now have a hybrid model. At the same time, skills requirements are changing – remote teams require different communication skills. And treasury teams in general are having to upskill in new areas from data literacy and technology fluency to strategic thinking and emotional intelligence.



Where will treasury go next?

Treasury's transformation hasn't necessarily been a smooth, intentional evolution over the past decade. It's been reactive, sometimes chaotic, and driven as much by external disruption as internal vision. But, as ever, the function adapted – partly because it had to, but also because there were trailblazers driving change.

Perhaps the biggest treasury evolution, though, is one of perception. It might sound a little cliché, but treasury is no longer just a 'back-office function' – it has become a true strategic adviser with visibility and reach across the organisation. Treasurers have (by and large) been recognised for the expertise they bring, and finally have a seat at the table as value creators and key decision-makers.

Here's to even more progress over the coming decade!

2 TRADE AND TARIFFS


TARIFFS
TARIFFS

Tod Burwell
CEO & President
BAFT

2.1

Q&A with BAFT President and CEO Tod Burwell

Trade banks today are faced with a whirlwind of new changes and challenges. From tariffs and trade wars to digitalisation and data migrations, it can be a difficult space to operate in.
To help clear the air and learn more about what's going on today in the trade banking space, Trade Treasury Payments put together this Q&A article with Tod Burwell, President and CEO of BAFT (Bankers Association for Finance and Trade).

BAFT, is a global financial services association for international transaction banking, helping bridge solutions across financial institutions, service providers and the regulatory community that promote sound financial practices enabling innovation, efficiency, and commercial growth. BAFT engages on a wide range of topics affecting transaction banking, including trade finance, payments, and compliance.

Q: Now that BAFT has announced its separation from the American Bankers Association (ABA), what strategic changes have you implemented, and how do these benefit BAFT members worldwide?

We announced our plans to separate from the ABA, and we are on track for that separation to take effect later this year, likely sometime in the fall. There is a lot of work going into the transition.

We have been focused on keeping our current work streams transparent and moving at the same pace as they have been, and we have not introduced any significant strategic changes yet.

BAFT will still provide thought leadership, best practices advocacy, and industry education. Once we have formally completed this separation, we will revisit our strategic priorities, and there will be some exciting things coming down the road.

Q: How do you define resilience in today's banking landscape, and how does cultivating this resilience now help shape the future of banking?

When I hear the word resilience, I think of how you respond to risks in the ecosystem in which you operate. That can apply whether it's your personal life, your family life, your business, your company, and so forth.

When I think about resilience from a banking and trade point of view, there are many new risks associated with new trading alliances, the risks associated with tariffs, and what those will do to disrupt supply chains. From a payments perspective, there has been a lot of innovation. New payment systems are emerging in different regions, and efforts have been made to connect different payment systems using advanced technologies. There has been a lot of disruption.

The real key to resilience for a bank is being able to anticipate risks and understand where its own vulnerabilities are within its ecosystem.

When something does happen, how well and how quickly can it respond to address the risk?

Q: What developments in the digital trade space are most promising, and what challenges must be addressed?

The most promising development I've seen is some progress from a legal framework standpoint. A few more countries have adopted the Model Law on Electronic Transferable Records (MLETR) framework, which will underpin the legal standing of digital trade. What's particularly important is that this has been happening in some G7 jurisdictions. So that's progress.

There has also been progress from a standards point of view. The ICC Digital Standards initiative (DSI) has done a lot of work to document the key trade documents and data elements, which is really important from an interoperability standpoint and a cross-segment standpoint.

The technology has already existed to some degree; we are waiting for the other pieces to catch up, and a lot of the building blocks for digital trade are already there.

One of the biggest challenges is still demonstrating to corporate clients the value proposition and where they find the benefits of their investment. How do they prioritise those investments based on the tools they need relative to other assets they have to make? That will take more time for us to prove.

One of the risks I'm seeing with digital trade is the same type of risk we're seeing with payments: fraud. If the good actors in trade are digitising, so are the not-so-good actors. How do you ensure that if digital documents are produced, your systems are secure enough? Which systems are reliable? These are new stressors that our members have to try to sort through.

Q: The implementation of ISO 20022 represents a significant shift in cross-border payments. How is BAFT supporting members through this transition, and what benefits do you expect to materialise?

With ISO 20022, the first thing BAFT did was have conversations with the early migrators. We were able to unpack the lessons that they learned from their migration process and create a guide for the banks coming behind them to benefit from the lessons that the early migrants learned. That was the first in a series of three papers that we produced.

The second is a best practices guide around governance, data, testing, and all the other elements that a bank has to manage. That paper has been helpful for banks that need to understand what works and where there are still challenges. The third piece, which we are still working on, examines the compliance aspects of ISO 20022.

I certainly cannot take credit for the success stories of the banks that have done this successfully, but we're trying to help ease the pain and help the community learn from those who have already gone through this.

We've been involved in some other interesting things in the payments world. These include changes in regulation, the connectivity of faster payment systems, and some of the risks associated with trying to connect disparate systems with disparate regulatory regimes and qualification schemes.

We have been engaged with policymakers to address some of those imbalances and, hopefully, reduce some of the risks and friction associated with regulating these cross-border systems. That is going to be a long process, but so far, the policymakers we have spoken with have been supportive.

Q: As global trade patterns evolve, how do you see the role of correspondent banking changing, and what should financial institutions be doing today to prepare?

Correspondent banking always faces one of the most consistent challenges, which is connectivity across a broadening ecosystem. It's a never-ending challenge because new companies come up in new jurisdictions that still need connectivity to counterparts they have never dealt with. That's the whole purpose of correspondent Banking.

The question is, can the banks that have traditionally been doing correspondent banking provide connectivity for those new entrants to the ecosystem? Can they provide connectivity to counterparts who may be in entirely different jurisdictions?

Now, you add to that changing trade lanes. If I have a client base that has typically been doing most of their business in one region, and now they're entering another region, does my network facilitate that connection?

That brings us back to the age-old issues of KYC and risks with certain types of companies, whether they be medium-, small-, or micro-sized companies. As more trade and payments change, this is a consistent challenge for all our members.

The banks that can have that connectivity to all parts of the globe and do it best will see the rewards.

Gabrielle Reid

Head of Advisory

Pangea-Risk

2.2

The implications of US protectionist trade policies for emerging markets

President Donald Trump's "America First" trade policies have upended global commerce, shifting US policy from multilateral cooperation to protectionist tariffs and politically motivated trade measures. While the US seeks to rebalance trade deficits, so too is the Trump administration seeking to extract non-trade concessions from its partners. Africa's regional integration efforts through AfCFTA and Gulf investment in alternative markets point to renewed adaptation among emerging markets. With shifting alliances, potential debt pressures, and evolving trade norms, businesses and policymakers must rethink traditional models to stay competitive.

President Donald Trump's "America First" agenda has upended global trade norms. Under Trump's leadership, the United States (US) has redefined its approach to international commerce by placing tariffs and bilateral negotiations at the centre of its strategy. This new posture departs from the multilateral frameworks and the most-favoured-nation principle that have underpinned trade for decades, with the US opting instead for targeted tariffs and politically driven trade measures.

In doing so, the Trump administration has not only sought to protect domestic industries and reduce a burgeoning US trade deficit but it is using trade policy as a lever to secure non-trade-related concessions from its international partners and adversaries alike.

Yet, Africa's push for regional integration through the African Continental Free Trade Area (AfCFTA) and Gulf region investors seeking alternative export markets signal a pivot towards greater resilience in the face of a more transactional US foreign policy.

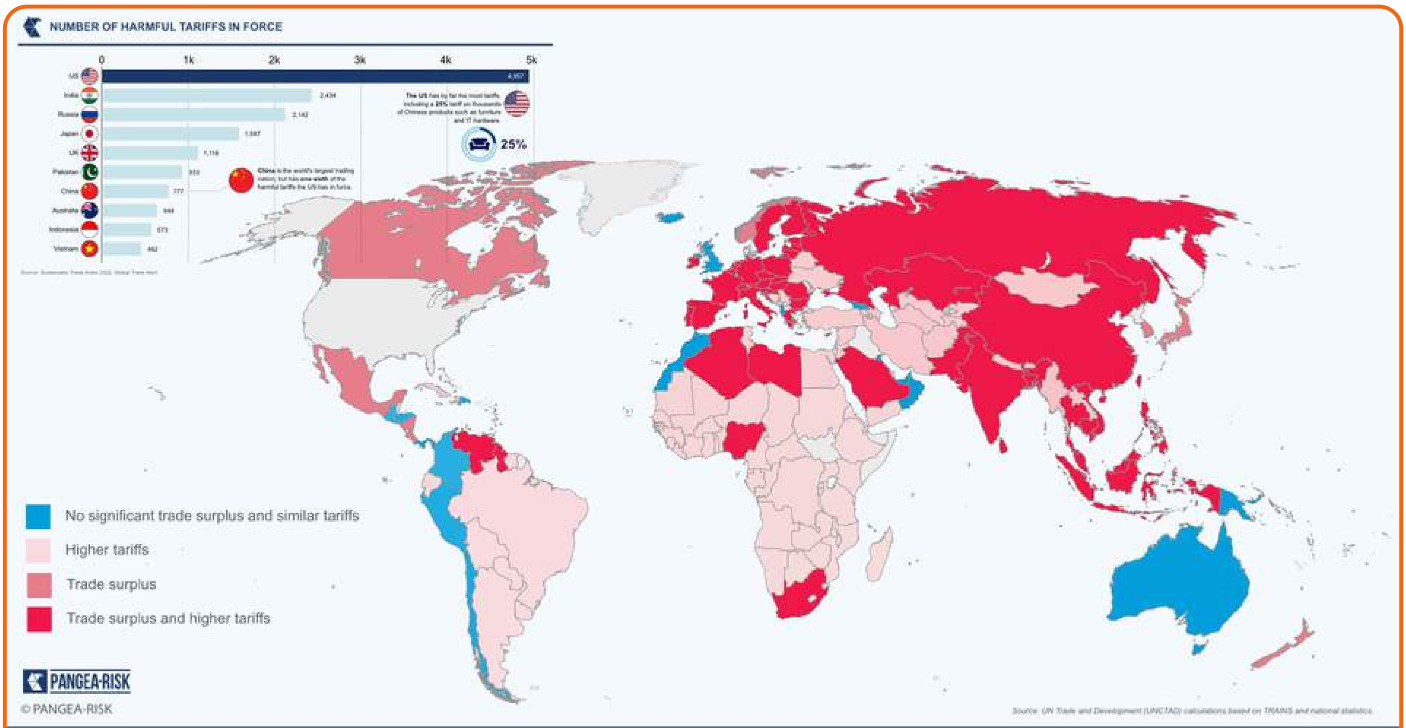
These strategic shifts have the potential to create more robust, diversified, and ultimately more competitive trade relations amid frontier markets. For policymakers and business leaders, the challenge is clear: embrace change and rethink traditional trade models. As global trade evolves, those who capitalise on the alternative paths this new reality offers could arguably fare better in the longer term.

The evolving tariff landscape

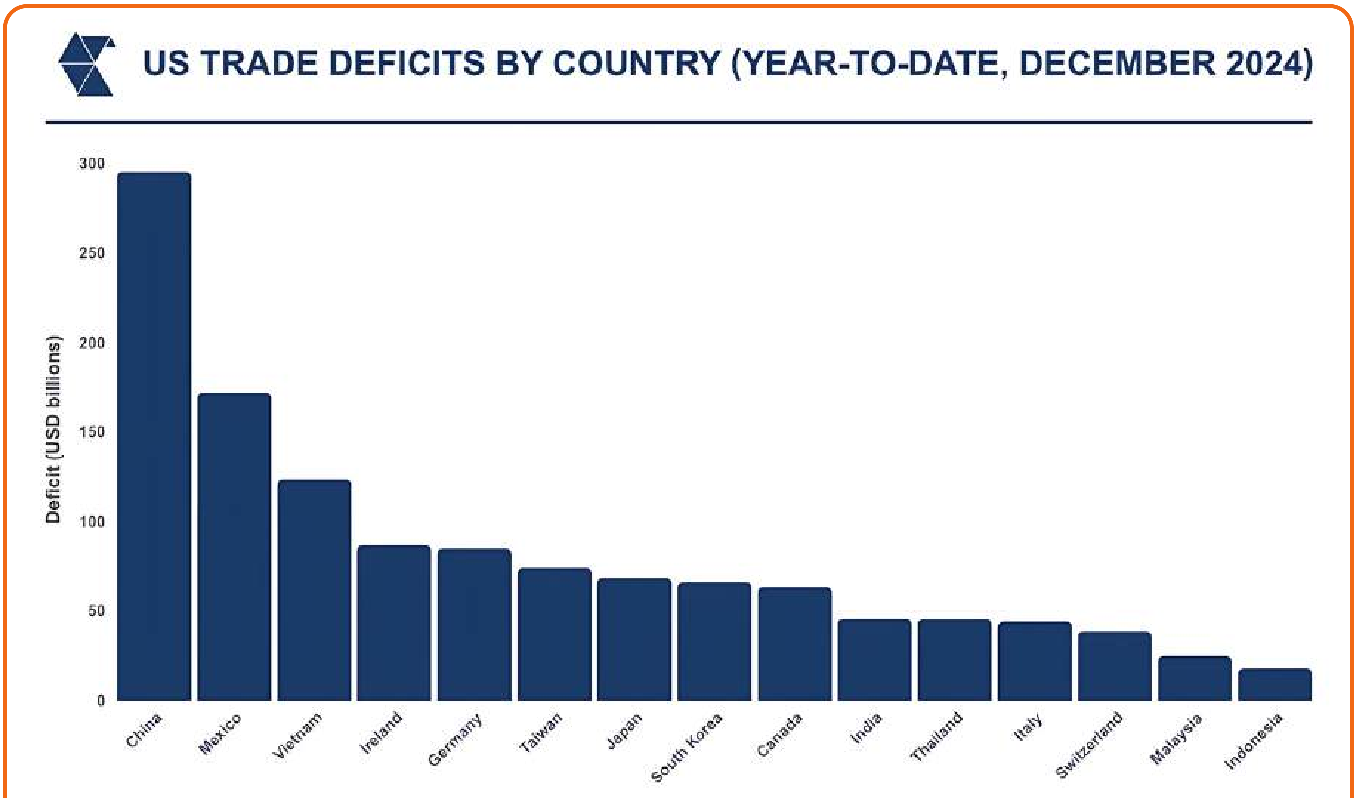
President Trump's trade policy has been characterised by an aggressive recalibration of tariff structures, with a clear focus on reshaping America's trade deficits. The administration's initial moves included a proposed 25 per cent tariff on imports from Canada and Mexico, as well as a 10 per cent levy on Chinese goods.

These measures were not introduced solely on economic grounds; they were also a response to concerns over migration and the illicit flow of fentanyl into the US. Yet, following Trump's espoused "Liberation Day," the US administration announced a baseline 10 per cent duty on all US imports and higher reciprocal tariff rates targeting countries with which the US runs a trade deficit. Despite President Trump's partial reversal on 9 April, announcing a 90-day delay on reciprocal tariffs while maintaining the 10 per cent levy on all imports, the escalating US-China trade dispute and pending trade talks between the US and several other countries signals ongoing shifts in the global trade and tariff landscape.

The additional tariffs on steel and aluminium have reinforced the Trump administration's objective of rebalancing trade flows amid a US trade deficit that reached USD 918.4 billion in 2024 after a 17 per cent increase in 2023. In this context, the introduction of new tariffs on key exports from China, the European Union, and Mexico remains likely after the 90-day grace period. Southeast Asian economies—including Vietnam, Taiwan, Japan, South Korea, and Thailand—will also find themselves vulnerable to new trade terms due to their respective export flows to the US. Although this offers some insight into the likely next steps for the US, the exact structure of its tariff regime is unclear, especially as the Trump administration increasingly wields trade policy for political goals and some countries, such as Israel, Japan and Vietnam, have been willing to come to the negotiating table.



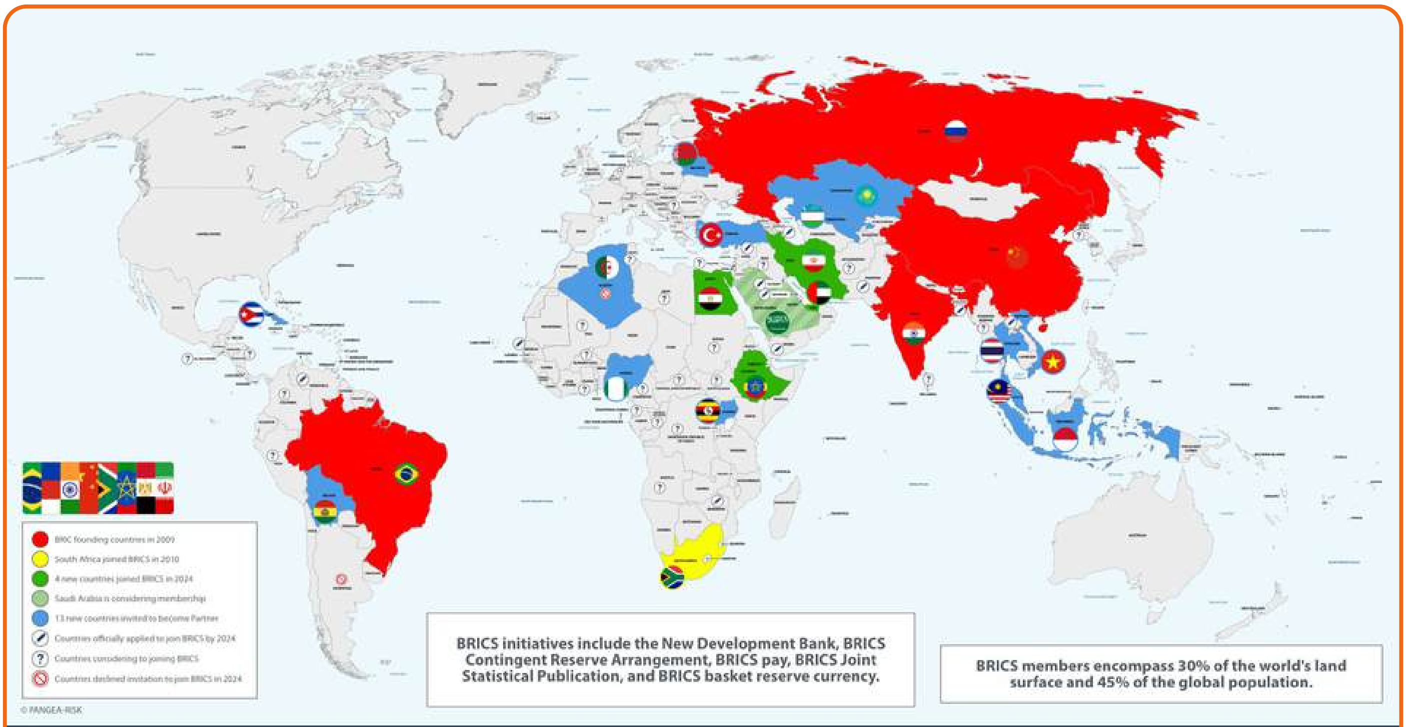
TRENDS IN TRADE TARIFFS APPLICATION SINCE 2024



Source: United States Census Bureau
** Data are goods only, on a Census Basis, in billions of dollars, unrevised.*

Trade as a foreign policy tool

Trade policies are being leveraged as a foreign policy tool to secure non-trade-related concessions from key countries, and this may mean that countries unrelated to the US trade deficit will become embroiled in new trade disputes. Trade-related threats have been used to secure commitments on border security from Canada and Mexico, NATO members have faced threats as a means to bolster proportionate European defence spending in the bloc, while Denmark and Panama have faced tariff threats in response to US geostrategic goals of increasing control over Greenland and the Panama Canal, respectively.

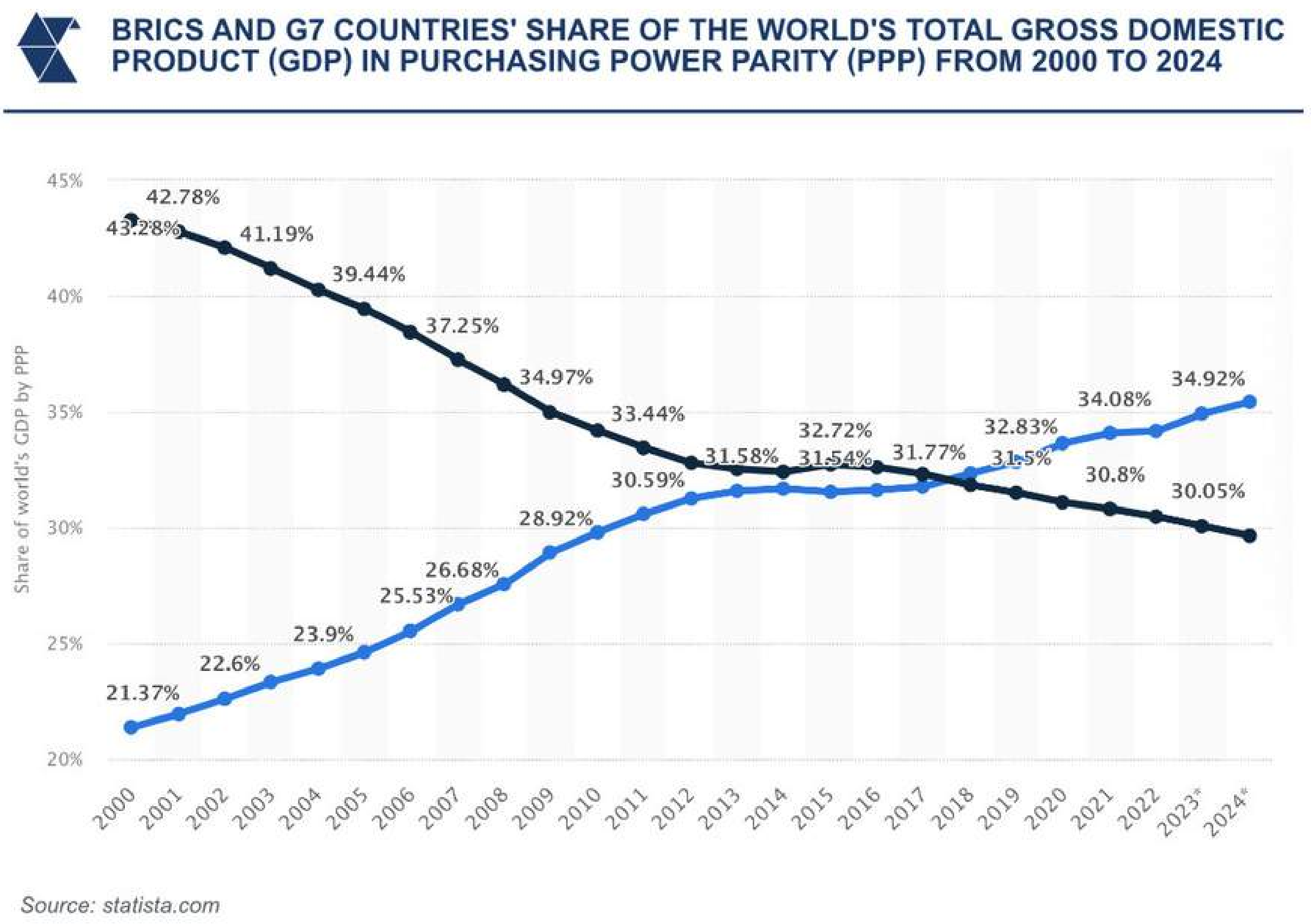


BRICS PLUS MEMBERSHIP AND PARTNERSHIPS BY 2024

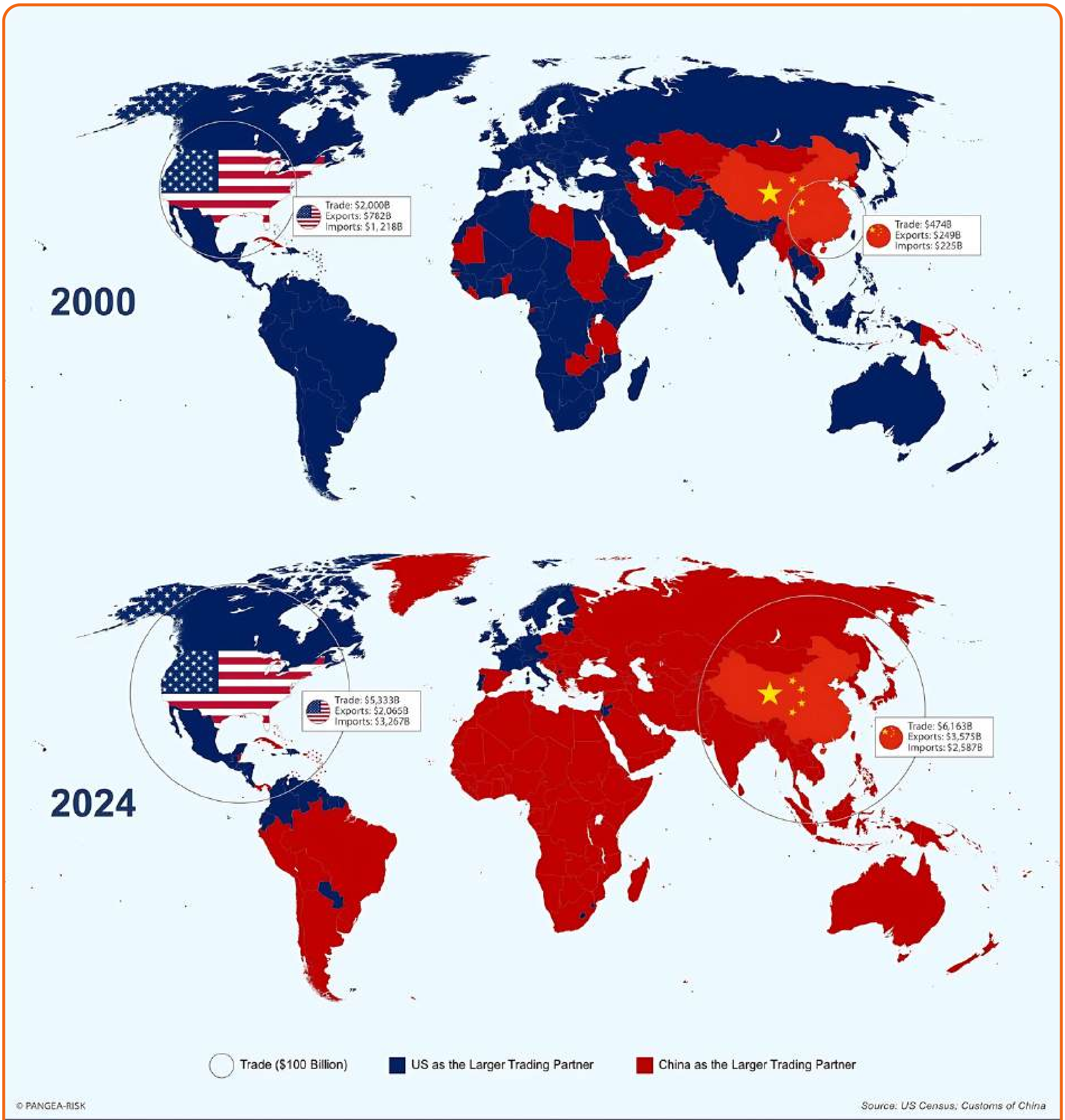
For emerging markets, the administration's earlier threats of a 100 per cent tariff on members of the BRICS bloc in response to reports of the bloc exploring replacing the US dollar as a reserve currency signals the potential for punitive measures against members of the G7 alternative[1]. With these pressures, countries in Africa, Asia, the Middle East, and Latin America are increasingly shifting their alliances towards Russia, China, Gulf states, and other non-traditional counterparts like Türkiye, Iran, and India.

[1] see:

SPECIAL REPORT: BRICS CURRENCY CLEARING INITIATIVE ENHANCES PAYMENTS ACROSS EMERGING AND FRONTIER MARKETS



Against this backdrop, it is clear that the evolving tariff landscape is not driven by pure economic calculations alone but by a broader geopolitical agenda. For business leaders, the challenge is to decode these tariff signals and anticipate future adjustments. An accurate reading of these dynamics is crucial to positioning supply chains, managing risk, and identifying new market opportunities in a world where tariffs and trade conditions become increasingly fluid.



GLOBAL TRADE DOMINANCE: US VS. CHINA (2000 & 2024)

Shift from multilateralism to bilateral bargaining

President Trump's policy represents a fundamental shift away from the multilateral approach embraced by previous administrations. Traditionally, trade policy has been driven by broad agreements forged through international institutions like the World Trade Organisation (WTO) and regional pacts. Under Trump, however, trade negotiations are becoming intensely bilateral.

The African Growth and Opportunity Act (AGOA) was long hailed as a symbol of US commitment to positive trade relations with developing African economies. AGOA provided preferential, duty-free access to the US market for eligible countries such as South Africa, Nigeria, and Kenya, thereby facilitating their integration into global supply chains.

Yet, as the Trump administration's focus has shifted towards bilateral deals, the future of AGOA has become increasingly uncertain[2].

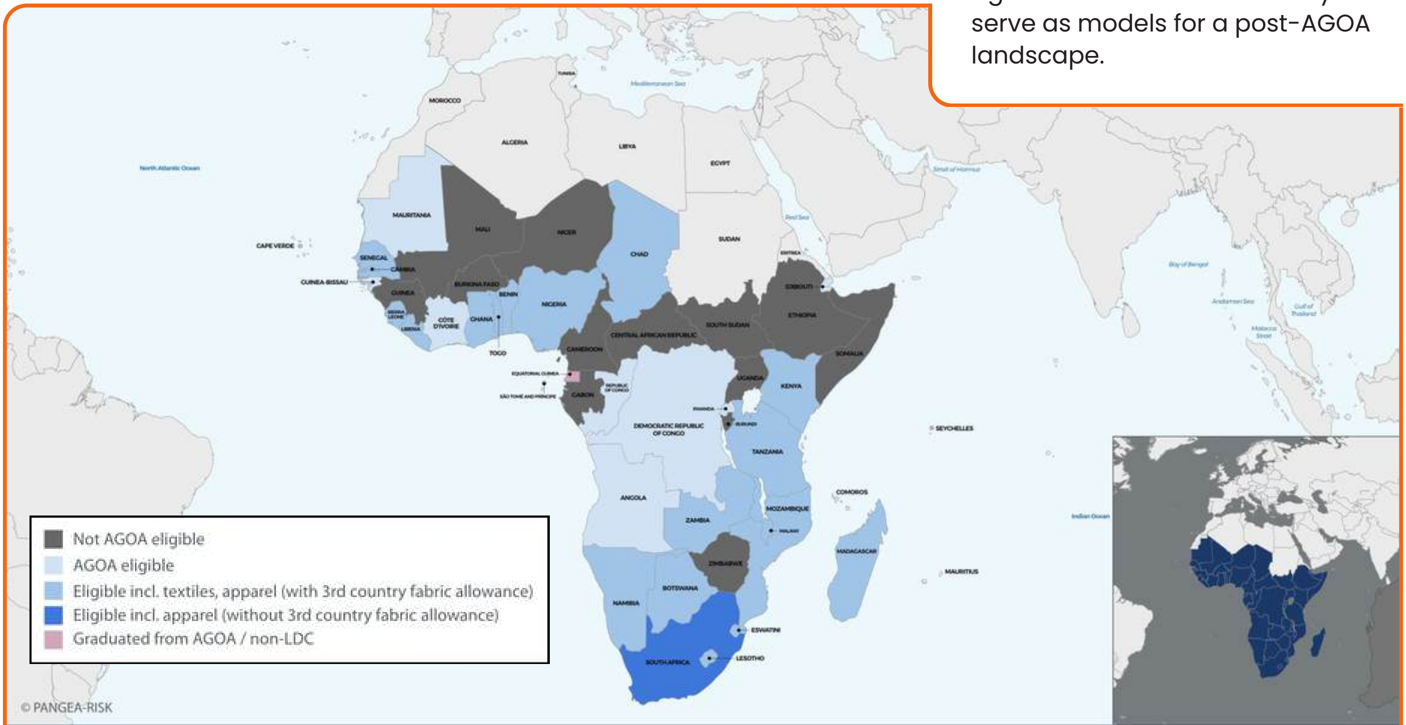
Recent threats—ranging from the imposition of new tax obligations to politically motivated trade penalties—have raised serious questions about the sustainability of the agreement beyond 2025.

African governments face a stark choice: continue relying on a US-centred preferential regime or diversify their export markets and strengthen regional trade ties. Countries that depend heavily on AGOA-related trade, such as Nigeria, which exported USD 3.5 billion worth of goods under the scheme in 2022, or Kenya and Madagascar—with exports of USD 614 million and USD 406 million, respectively—face significant vulnerabilities if preferential access is withdrawn.

[2] see:
SPECIAL REPORT: TRUMP PRESIDENCY IMPLICATIONS FOR AFRICA)

The emergence of the African Continental Free Trade Area (AfCFTA), for example, offers a promising avenue for reducing overreliance on the US market. By fostering intra-African trade and investment, AfCFTA represents a critical step towards building a more resilient regional trade landscape.

On the one hand, growing reliance on bilateral deals removes the blanket security regional agreements offer individual countries, but it also opens up opportunities to redesign trade deals to better suit individual national interests—provided the US will accept any associated concessions. Countries such as Kenya—which has already experimented with bilateral agreements with the US—may serve as models for a post-AGOA landscape.



AGOA BENEFICIARIES

Global south collaboration

Similarly, India had sought to bolster its bilateral ties with the US, offering a useful buffer should the Trump administration's adversity towards the BRICS bloc grow while also seeking improved relations with China[3].

The Indian government's 2025/2026 budget, for instance, includes provisions for lower tariffs on goods deemed strategically important to the US. Such measures were implemented to help India secure favourable terms in its trade relationship with Washington prior to 'Liberation Day' and could serve as a model for other emerging markets seeking to mitigate the risks associated with a retreat from multilateralism if successful in offsetting the Trump administration's threat of new tariffs against India.

Those emerging economies able to effectively maintain cordial ties with the US alongside other strategic bilateral relations with the likes of China, the Gulf states, and regional economic blocs will be best placed to safeguard their trade.

As the US retreats into protectionism and isolationism, emerging markets are increasingly turning to the Gulf Cooperation Council (GCC) as a robust alternative for trade and investment[4].

Over the past decade, the likes of the United Arab Emirates, Saudi Arabia, Qatar, and Türkiye have invested over USD 100 billion in Africa, with last year witnessing 73 foreign direct investment projects worth more than USD 53 billion. Their investments span key sectors—energy, logistics, ports, agribusiness, mining, and renewable energy—highlighting a strategic commitment to diversifying their domestic economies while bolstering infrastructure and trade networks across the continent.

Enhanced by frameworks such as the AfCFTA, which promises a unified market of 1.7 billion people, the Gulf's trade with Africa has soared to a record USD 154 billion in 2022. This burgeoning relationship not only provides Africa with much-needed economic diversification but also exemplifies the dynamic shift towards South-South collaboration in an era marked by Western retrenchment.

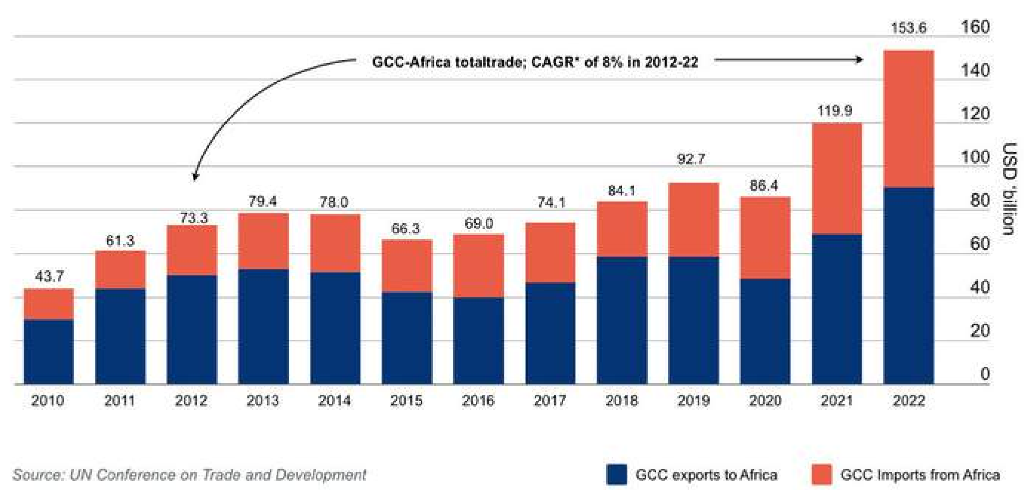
[3] see:

INDIA: ECONOMIC SLUMP AND FDI WOES PERSIST AS GOVERNMENT SEEKS BETTER TIES WITH CHINA)

[4] see:

THE YEAR IN 2025: FIVE BIG TRENDS IN GLOBAL SOUTH COUNTRY RISK IN THE COMING YEAR

GCC-BILATERAL TRADE WITH AFRICA (USD BILLION)



Source: UN Conference on Trade and Development

Broader economic and debt impacts

Trump's aggressive tariff strategy has not only disrupted global trade flows but has also set in motion a range of broader economic consequences that could be acutely felt in emerging markets. The imposition of tariffs has contributed to a stronger US dollar, which, if sustained, will increase the cost of servicing dollar-denominated debt for many developing countries.

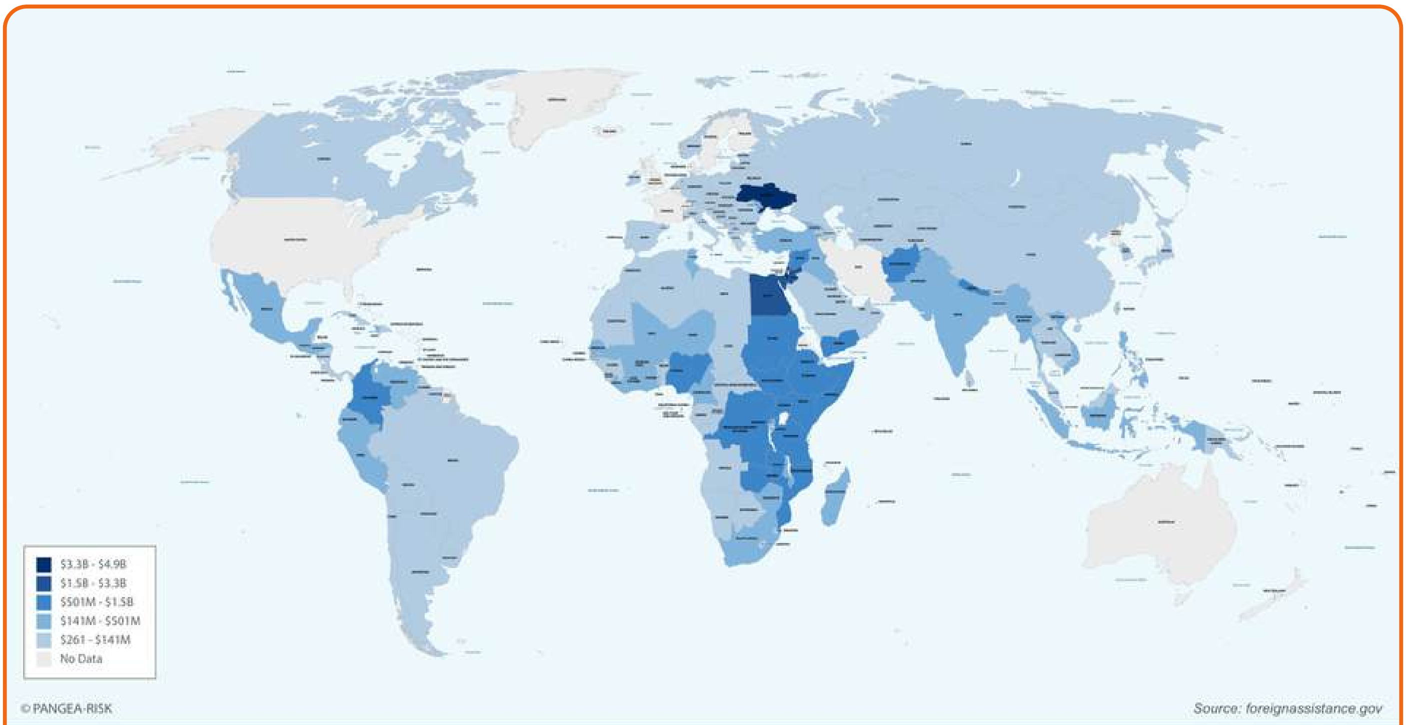
This appreciation, compounded by inflationary pressures and subsequent interest rate hikes, has created a challenging environment for governments already burdened by significant external liabilities.

For many African states, in particular, the rising cost of debt servicing will lead to painful fiscal adjustments. Reduced access to international financing, in combination with the likelihood of an inward-looking US administration that is less inclined to support debt relief initiatives, has heightened the risk of defaults and financial instability.

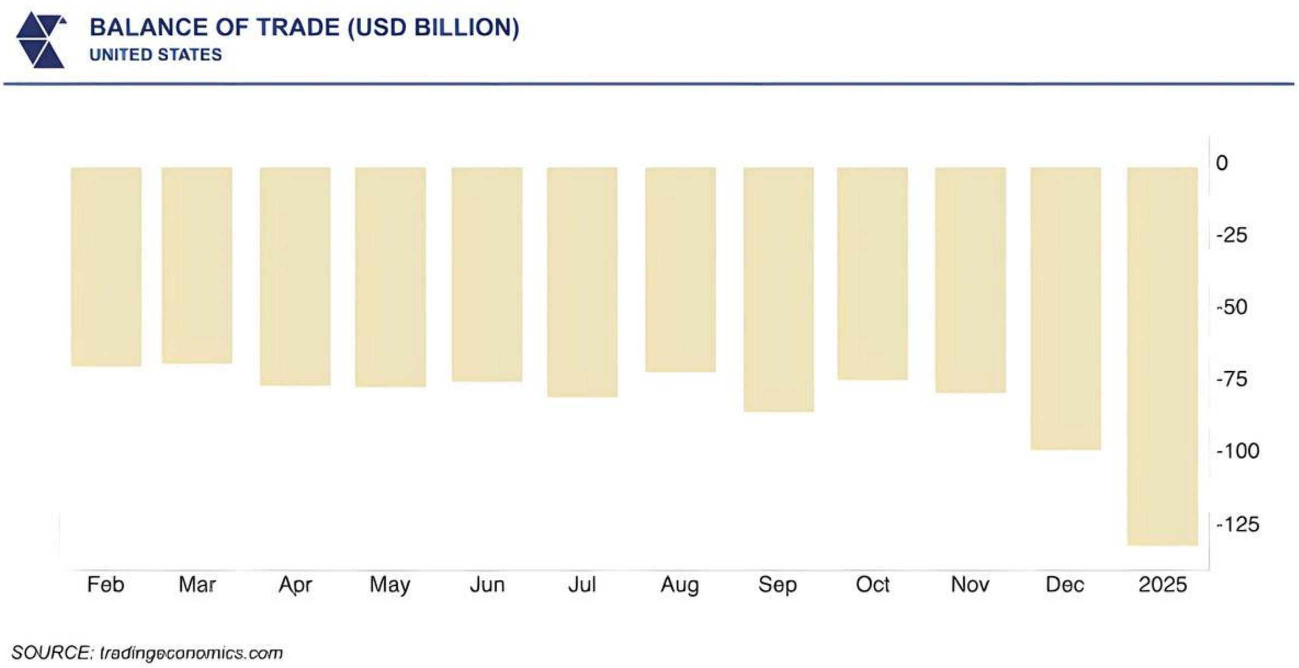
The Trump administration's drive to re-shore manufacturing and boost domestic production has been supported by tax cuts and additional tariff hikes. However, these measures have, in turn, stoked inflationary pressures within the US. As the Federal Reserve responds with interest rate increases, emerging markets may experience a dual blow: higher borrowing costs and shrinking fiscal space.

The net result is an environment in which governments are forced to adopt austerity measures that can undermine social welfare programmes and impede long-term economic development.

Moreover, the broader strategy of using trade policy to secure political concessions has already impacted foreign aid. Although some programmes are expected to resume following the Trump administration's 90-day ban on foreign aid spending, some cuts will remain. The Trump administration's first-term efforts to slash development aid by 30 per cent—although only partially implemented—have left a legacy of diminished financial safety nets for many emerging economies.



US FOREIGN AID DISBURSEMENTS AS AT DECEMBER 2024



Advisory

In an era marked by unilateral tariffs, shifting alliances and a retreat from multilateral frameworks, emerging markets face a complex and rapidly evolving trade environment. Trump's trade policies have not only redefined tariff structures and diplomatic engagement but have also exposed vulnerabilities in the broader economic architecture of developing economies. With a trade deficit surging to USD 918.4 billion in 2024 and the spectre of punitive measures looming over strategic partners—from Canada and China to members of the BRICS bloc—business leaders must now contend with a new paradigm where trade is as much about political signalling as it is about economics.

For business leaders, recognising this dual role of trade policy is essential. Tariffs are no longer mere instruments of economic protection; they are also political tools that can reshape alliances and alter market dynamics overnight. This reality requires a recalibration of risk assessments and investment strategies. By understanding the geopolitical dimensions of trade policy, companies can better navigate the shifting sands of international commerce and protect their supply chains from sudden geopolitical shocks.

Against this backdrop, the strategic outlook for emerging markets must be both pragmatic and forward-facing. Diversification of trade and investment partnerships is imperative. Initiatives such as AfCFTA and enhanced bilateral arrangements with partners like India and Gulf states offer a route towards greater resilience. At the same time, the development of agile, adaptive business strategies will be useful in navigating a more dynamic trade policy environment. This means building robust supply chains, investing in regional partnerships and maintaining a vigilant eye on geopolitical developments.

In doing so, emerging markets can transform the uncertainties of a protectionist era into the foundations for sustainable, inclusive growth.

Pangea-Risk helps businesses mitigate these risks by providing in-depth country, political and macroeconomic risk intelligence, enabling leaders to anticipate and adapt to shifting global trade dynamics. Our analysis supports strategic diversification efforts, helping companies identify resilient trade and investment opportunities. By strengthening supply chain risk assessments and offering timely insights into geopolitical developments, we equip businesses with the tools to navigate uncertainty and build longer-term resilience.

https://pangea-risk.com/

2.3 Liberation Day After [1]

Dr Rebecca Harding
CEO
Centre for Economic Security

The clue is in the name: Liberation Day. When President Trump announced at the beginning of his speech that he was declaring the independence of the United States from the global trade system, this was not a negotiation. The rhetoric used was violent: "America has been looted, pillaged and raped by other countries." The scale of the tariffs imposed was unprecedented—a minimum of 10% and for some, notably China, much higher.

All this was designed to shock the rest of the world, and it did. His electoral mandate is to deliver on his campaign pledges—that he and his team would "break things". From the outset they have explicitly stated they would conduct a "comprehensive overhaul" of the global trading system on American terms.

In case there were any doubts, this is the end of the Bretton Woods system that has governed international trade since the end of the second world war. It is also the end of the multilateral trade system. This system was built around the concept of globalisation, the World Trade Organization (WTO) and the free movement of goods and services, finance, people, and technologies around the world. Yet America is declaring it dead, even as the BRICS nations led by China at their Kazan summit last year reaffirmed their commitment to it.

President Trump and his team have declared the so-called "international rules-based order" irrelevant to America; they have brushed off the market reaction to all of this as short-term before they adjust to the reality that is new US trade policy: according to Marco Rubio in a speech at NATO, "Markets are crashing because markets are based on the stock value of companies who today are embedded in modes of production that are bad for the United States".[2]

The world is now dealing with the Day After.

Economists are wondering about the calculations. Nauru, for example, has a tariff of 49% imposed on its $1.16 million of light ignition engines and lifting mechanisms to the US,[3] while a range of small uninhabited islands in Antarctica have all had tariffs imposed – for example, the Norfolk Islands at 29%; even though the administration there says that there are no exports to the US from the island.[4]

A quick fact-check with Comtrade shows there to have been some $123,073 of exports in 2023, suggesting that maybe the de minimis tariffs on small parcels are being applied, not just to China but also to smaller nations[5]. Meanwhile, Russia has not had tariffs imposed on it because, apparently, the sanctions already imposed on it are sufficient.[6]

ING economists estimate that the value of world trade affected by the tariffs is around $600 billion globally.[7] World trade in 2024 was around $33 trillion, so around 1.8% of world trade will be directly impacted by tariffs. However, China has already hit back with 34% tariffs on US goods and launched a complaint against the US at the WTO. While the other nations, including the EU and the UK, have yet to make announcements on retaliation, it is likely that a greater proportion of world trade will be affected than $600 billion if a trade war begins in earnest. The IMF estimates that global GDP will be about 0.5% lower as a result of the US tariffs alone and does not forecast a recession.[8] Whether this ends up being the case will ultimately depend on how trade partners and allies of the US react.

We know the effects will be negative and significant in the short term because of the impact on global prices as supply chains adjust and US production scales up to substitute for the imported goods. As good monetarist economics will tell us, it is the fact that the supply side takes time to adjust after a boost in demand (in this case, for US goods by US consumers) pushes prices up. Here, consumers will immediately pay the higher prices. Unless the dollar appreciates, pushing down the price of imports, the inflationary impact will also be immediate on US prices and stay high until the supply side adjusts. Economic history tells us that this is a slow process and that prices are "sticky" downwards anyway. And it doesn't look as though the dollar is playing the game at the moment—the dollar had its biggest one-day drop since 2022 in the immediate aftermath of the tariffs as investors looked for other "safe haven" currencies in the yen and the euro.[9]

Yet this does not bother the Trump administration. They are prepared to do what it takes to exit the international rules-based system that they helped to create. This is a mystery to everyone who does not have a Trumpian perspective on the world. So, how can we explain what is happening?

First, the Trump administration sees its deficit as a national security problem—the *America First Trade Policy* memo published in January mentioned "deficits" three times and "national security" 12.[10]

[1] *In International Relations, the "Day After" refers to the aftermath of a major incident or event and how its impact is dealt with*

[2] https://www.state.gov/secretary-of-state-marco-rubio-remarks-to-press-2/

[3] https://www.bloomberg.com/news/articles/2025-04-04/trump-tariffs-what-in-the-world-does-the-us-want-from-nauru

[4] https://www.theguardian.com/us-news/2025/apr/03/donald-trump-tariffs-antarctica-uninhabited-heard-mcdonald-islands

[5] https://www.independent.co.uk/asia/china/trump-china-tariffs-shein-temu-de-minimis-b2726706.html

[6] https://www.newsweek.com/white-house-explains-why-russia-not-included-trumps-new-tariffs-2054548

[7] https://think.ing.com/articles/beautiful-tariffs-risk-turning-the-growth-outlook-ugly/

[8] https://www.ox.ac.uk/news/2025-04-04-expert-comment-why-has-trump-launched-so-many-tariffs-and-will-it-cause-recession

[9] https://think.ing.com/articles/fx-daily-when-the-dollar-is-no-longer-a-safe-haven/

[10] https://www.whitehouse.gov/presidential-actions/2025/01/america-first-trade-policy/

Illustration: Liu Rui

Only by pulling the US out of the Bretton Woods institutions like the IMF, the World Bank, and the Multilateral Banks will America stop spending its hard-earned money on other nations—hence, USAID has been stopped[11], and US funding for multilateral development banks, including the IMF is under review[12]. This is Project 2025, and it sits at the heart of both the campaign trail promises and the executive orders since[13]. This also explains why it is wavering in its support for Ukraine and, indeed, its own support and funding for NATO.

Second, tariffs as a tool of preference are seen as an ideal way both of closing the deficit and of forcing the rest of the world to either pick up its own spending on security and defence or to give something to the US in exchange for the provision of security. For example, the EU and the UK may expect higher and more punitive tariffs if there is no further increase towards America's 5% of GDP targets for defence spending.

The use of tariffs is not new—trade protectionism resting on the fact that a nation should provide itself with a protective shield in the form of tariffs and quotas to protect domestic industry has a long history in trade economics, although it has debatable success in practice. The use of tariffs as a coercive tactic is also not a new feature of economic statecraft, but its use on this scale is.

Third, why the shock and awe tactics like this against the apparent disregard for the economic and geopolitical impact it will have? The answer to this is key to understanding the whole MAGA approach to economic policy. President Trump and his administration are using a "rational expectations" theory to manage their economic relations with the rest of the world. In other words, there will be a shock when a policy like this is announced, but everyone will catch on to the idea that this is serious and, hence adapt their behaviours immediately.

This explains why everything is being done in such a rush with little obvious concern for the short-term impact: everyone will come around to the idea that America is rebuilding itself successfully and, in the end, will start to invest again in the US more quickly if they know that this is not a negotiating tactic. Finally, there is still one mystery for anyone who has studied or believed in the benefits of international trade —isn't it supposed to be about comparative advantage? Don't we trade because one country is better at producing something than we are and vice versa?

Well, yes, except that this is not how trade is viewed by the key influencers over President Trump's policy. Because the US is rich in resources and because it could be self-sufficient, a MAGA approach says that the US can produce substitutes for a lot of the things it imports, and the fact that it has a deficit is due to other countries behaving unfairly.

[11] https://researchbriefings.files.parliament.uk/documents/CBP-10196/CBP-10196.pdf

[12] https://www.atlanticcouncil.org/blogs/africasource/how-trump-could-upend-global-finance-and-how-the-world-might-respond/

[13] https://www.cgdev.org/blog/project-2025-and-development-policy-i-read-it-so-you-dont-have

The deficit is a reflection of globalisation's inequalities and unfair practices, therefore, and not a reflection of the fact that global supply chains have evolved to improve the productivity of global businesses—not least American ones.

The Gorilla experiment in psychology helps us understand what's going on. In Europe, the basketball-passing game of tariffs is being watched with stunned focus: Will there be a slowdown?
Or a market crash?
Or de-dollarisation?
Or a major trade war?

The Gorilla at the back of the stage is the collapse of Bretton Woods and the globalisation of the last 35 years. The world was warned of this on the campaign trail, but its willful "sustained inattentional blindness" made it hope that tariffs were just a negotiating tactic.

Everywhere that is, except China. Why has it appealed to the World Trade Organisation? Perhaps because, as Europe, in particular, looks for answers in its own multilateralism, China realises it may be time to reinforce its stated belief in the International Rules-Based Order of globalisation just as America pulls away.

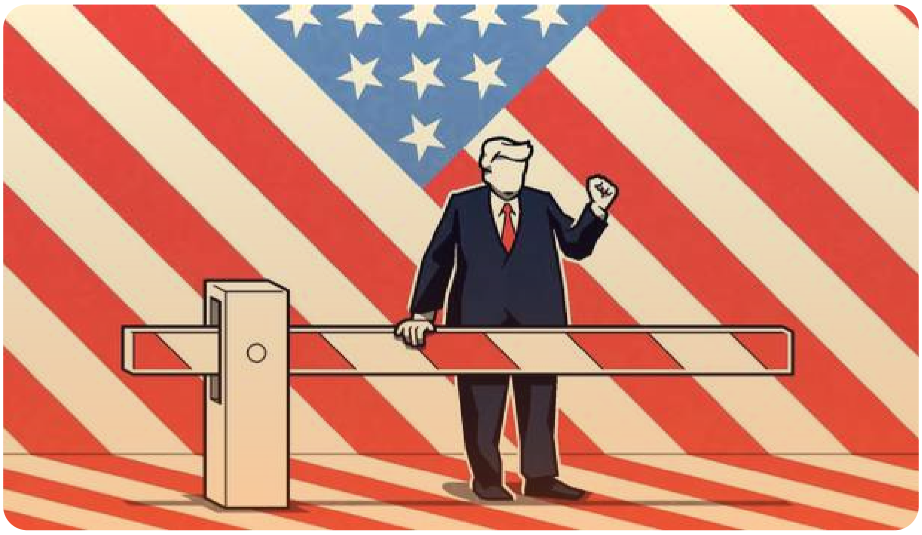
Carter Hoffman

Trade and Technology Editor

Trade Treasury Payments (TTP)

2.4

History of tariffs: From ancient times to the modern day



Tariffs are by no means a new concept, though they have gained a lot more prominence among everyday folk since US President Trump took office for his second term.

Formally defined by the Oxford Dictionary as "a tax that is paid on goods coming into or going out of a country", tariffs have been a feature of trade for millennia and have played a major role in shaping the empires and economies that we know today. Given their renewed prominence, I wanted to take a look back at the role that tariffs have played in economics and politics over the millennia.

This article will trace the history of tariffs, from their origins as simple tolls in ancient markets to their central role in modern trade wars. By providing the historical context for major tariff policies, highlighting influential economic theories (from mercantilism to comparative advantage), and exploring case studies (such as Britain's Corn Laws and the US Smoot-Hawley Tariff), I hope to paint a clearer picture of the economic and political impacts that tariffs have had over time.

Tariffs in antiquity and the medieval world

Tariffs are as old as organised trade. In the Bronze Age (3rd–2nd millennium BCE), merchant records from the Old Assyrian trading colony at Kanesh (in Anatolia) show that local rulers imposed levies on caravans trading metals and textiles. Despite these taxes, Assyrian merchants still profited and simply treated tariffs as a cost of doing business.

Ancient states used such duties to raise revenue for their treasuries and regulate commerce. In classical Greece, for example, Athens levied a 2% duty at its port of Piraeus on vital imports like grain to fund the city-state's needs. The Roman Empire likewise developed tariffs with internal trade within Rome's provinces taxed at around 1-5%, while luxury goods entering from Asia or other external regions faced much higher rates (often 12-25%). This made silk and spices exorbitantly expensive for the average Roman.

During the medieval period, tariffs became more systematised across Europe. As commerce revived in the 12th-15th centuries, feudal lords and monarchs imposed tolls at city gates and on trade routes. In medieval England, wool was a cornerstone of the economy and subject to heavy export duties. By the 13th and 14th centuries, English authorities fixed steep tariffs on wool exports—often equivalent to several shillings per sack—to protect this pillar of the English Medieval economy.

Similar duties applied to other commodities like leather, tin, and cheese. While these charges provided revenue and shielded local producers, they also incentivised smuggling and creative evasion (for example, by lying about the contents of taxed sacks), another practice that unfortunately continues to this day. Still, the medieval use of tariffs laid the early groundwork for the concept of regulating trade to serve the interests of the state and as European kingdoms grew into early modern nation-states, they would look back on the lessons learned and use them to expand on these tariff practices.

Mercantilism and early modern tariff policies

In the 16th to 18th centuries, European powers embraced mercantilism. Simply (and perhaps pessimistically) put, under the mercantilist way of thinking, a nation's success was directly correlated to the amount of gold in its coffers—regardless of the quality of its citizens' lives. Naturally, then, the leaders of the era sought to maximise their exports (which brought gold into the country) while minimising their imports (which sent gold out).

High tariffs were a hallmark of mercantilist policy across Europe. Rulers from Tudor England to Bourbon France sought to protect domestic industries and minimise imports, especially of manufactured goods, through steep import duties and outright import bans. For example, England, under the Tudor monarchs and later Stuart advisors like Robert Walpole, imposed heavy tariffs on foreign manufactured goods, subsidised exports, and banned colonial industries that might compete with the mother country.

By 1720, British tariffs on imported manufactures averaged 45-55%—extremely high by today's standards—as Britain nurtured its own textile and metal industries behind protective walls.

Similar protectionist measures were seen in France under Jean-Baptiste Colbert, who levied high duties to foster French industries and navy, and in Spain and other colonial powers, who forbade their colonies from trading freely or developing rival manufactures. These and other mercantilist governments viewed tariffs as a tool to enrich the nation at rivals' expense, even if it meant higher prices for their citizens.

At the same time, some thinkers began questioning mercantilist orthodoxy. In the mid-18th century, the Physiocrats in France advocated free trade in grains, and in 1776 Adam Smith published *The Wealth of Nations*, which sharply criticised mercantilist tariffs. Smith argued that keeping tariffs and trade restrictions low would benefit all nations. "Tariffs and other taxes," he noted, usually just make goods costlier for consumers and stifle industry, whereas "free exportation and free importation" allow each country to prosper by focusing on what it produces best.

This was a revolutionary shift in economic theory. No one before had suggested that free trade, not protectionism, was the route to national wealth. In 1817, David Ricardo further reinforced this idea with his theory of comparative advantage, demonstrating that even a nation more productive in everything gains by specialising in its relatively most efficient industries and trading for others' products.

Classical economists thus provided a theoretical foundation for lowering tariffs in direct opposition to mercantilist practice. As with many nascent theories, however, it took time before these free-trade ideas reached the mainstream, and longer still before they would be translated into policy.

Tariffs, industrialisation, and reform in the 18th and 19th centuries

Following the classical economic ideas of Smith and Ricardo, the late 18th and 19th centuries brought intense debates and shifts in tariff policy, though these varied widely across countries. In the early United States, tariffs were initially considered a crucial source of revenue for the young federal government; the very first US Congress enacted a Tariff Act in 1789 largely for revenue purposes.

In the first decades of the 19th century, US tariff rates remained relatively low, especially to appease the agrarian Southern states that depended on exporting cotton and importing manufactured goods. But pressures to protect nascent American industries grew. By 1828, Northern manufacturers pushed through a steep tariff increase.

The Tariff of 1828—denounced by the South as the "Tariff of Abominations"—raised import duties so high that it nearly provoked a constitutional crisis. South Carolina threatened to nullify the tariff and secede, forcing a compromise reduction in 1833. This near disaster for the young union taught American policymakers how tariffs could inflame regional political tensions by pitting protected industrial interests against raw commodity exporters.

Meanwhile, in Britain, the world's first industrial nation, tariff policy took a different turn. Well into the 1820s, Britain itself still practised mercantilist-style protection (with average industrial import tariffs around 50%) even as it gained a manufacturing lead. However, after years of agitation by free-trade advocates, Parliament repealed its infamous Corn Laws in 1846, ending hefty tariffs on imported grain.

The Corn Laws, in force since 1815, had kept British grain prices (and landowner profits) high by barring cheaper imports. Their repeal came amid the Irish Famine's terrible hunger and widespread public pressure for cheaper food. The law's removal was equivalent to free trade in grain, inaugurating Britain's embrace of free trade principles.

Tariffs on many other goods were also lowered or abolished in the ensuing years. Britain's unilateral move to free trade was motivated in part by liberal economic ideas (the writings of Smith and Ricardo) and the belief that free trade would bring peace and prosperity. However, it did not immediately persuade other nations to follow.

In the mid-19th century, protectionism persisted on the European continent and in the United States.

For example, Friedrich List, a German economist, argued in 1841 that developing countries like Germany or the US should do what Britain had done (i.e., use tariffs to build industries) rather than what Britain now said (i.e., free trade)—accusing Britain of "kicking away the ladder" after climbing to industrial supremacy behind high tariffs.

Case Study: The Corn Laws (1846)

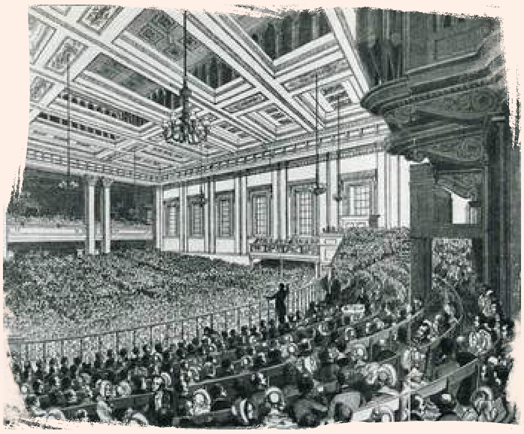
In 1815, Britain imposed a series of tariffs and other trade restrictions on imported grain, intending to protect British grain producers from cheaper alternatives entering the market from overseas. These became known as the Corn Laws.

While they were great for domestic producers and landowners, who profited heavily from higher prices and a lack of competition, the laws were terrible for the broader population, who faced higher prices on dietary staples like bread.

In 1838, Richard Cobden and John Bright formed the Anti-Corn Law League, an advocacy group that argued against the laws and for free trade. Their campaigns had little practical effect until the Irish Potato Famine took hold in 1845. Without the ability to supplement the failed crop with provisions imported from abroad, many citizens starved to death. With unignorable suffering to point to, the moral and economic arguments for repealing the Corn Laws gained overwhelming momentum.

In 1846, Prime Minister Sir Robert Peel, formerly a proponent of the Corn Laws, sought to have them repealed. Even with a tangible humanitarian disaster in their own backyard as evidence, members of the Prime Minster's own Conservative Party still put up fierce opposition.

In the end, however, Peel secured the support of the Whigs and other free trade proponents in parliament and had enough votes to finally repeal the tariffs, which, unsurprisingly, reduced the cost of food and helped improve the lives of ordinary citizens.



A meeting of the Anti-Corn Law League in 1846

Indeed, after its Civil War (1861-65), the US adopted very high tariffs to protect its burgeoning steel and manufacturing sectors. From the 1860s through the 19th century, average US import tariffs on dutiable goods ranged from 40% to 50%, making the United States the bastion of protectionism during that period.

American leaders like Alexander Hamilton had earlier articulated the infant industry argument, which claims that young industries needed temporary tariff protection until they matured. This idea guided US policy. By rejecting Ricardo's free-trade advice and sheltering its manufacturers, the US was able to industrialise rapidly.

Similarly, Germany unified in 1871 and soon after, under Chancellor Bismarck, abandoned earlier freer-trade experiments and imposed iron and grain tariffs in 1879 to protect German industry and agriculture.

By the late 19th century, a clear pattern had emerged. After 1846, Britain remained largely committed to free trade, while rising powers like the US and Germany maintained high tariffs to catch up economically.

This had measurable effects.

From 1870 to 1913, Britain's industrial growth (about 2% annually) lagged behind the more protectionist US and Germany (4-5% annually). Some contemporaries credited tariffs for the faster growth of the latter—though other factors were at play, including natural resource endowments and the scale of domestic markets.

Outside the West, European empires imposed their own tariff preferences: many colonies were forced into free trade or low, flat tariffs that benefited the coloniser. Notably, unequal treaties in the mid-1800s compelled China and Japan to accept import tariff caps (often around 5%), stripping those nations of tariff autonomy. For instance, after the Opium War, the Treaty of Nanjing (1842) fixed Chinese tariffs at a nominal 5%, flooding China with foreign goods.

The global "free trade" of the 19th century was sometimes imposed by imperial power. Britain and France preached free trade at home and in Europe, but in their colonies or spheres of influence, they often mandated low tariffs to open markets for their exports. Conversely, when colonies tried to industrialise, imperial policy usually barred them from using protective tariffs.

The early 20th century: tariffs, war, and depression

At the dawn of the 20th century, tariff levels worldwide remained generally high. Leading up to World War I, most great powers protected key industries. For example, the United States kept average tariffs on manufactured goods around 40% into the 1920s, and newly independent nations in Latin America and elsewhere often relied on tariffs for revenue and industry-building.

After WWI, there was a brief attempt at tariff reduction (some European countries lowered barriers in the 1920s), but these efforts were soon overshadowed by economic turmoil. The Great Depression of the 1930s marked the nadir of international trade relations, as nations worldwide dramatically raised tariffs in a spiral of protectionism. The most infamous example was the United States' Smoot-Hawley Tariff Act of 1930, which raised US import duties to record levels on over 10,000 products. Average US tariffs on dutiable imports jumped to about 60%, aiming to shield American farmers and factories from foreign competition amid the economic collapse.

In the wake of Smoot-Hawley, US trading partners like Canada, Britain, and others hit back with their own tariffs or shifted their trade elsewhere (Canada, for example, which had been the USA's largest trading partner, diverted trade toward the British Empire in response).

World trade contracted severely. While modern economic historians note that the Depression's primary causes lay in monetary and financial collapse, the beggar-thy-neighbour tariff wars unquestionably exacerbated the global downturn at the margin.

Case Study: The Smoot-Hawley Tariff and the Great Depression (1930s)

The Smoot-Hawley Tariff Act, enacted in the United States in June 1930, is remembered as one of the most controversial and economically detrimental trade policies in history.

Passed in response to the onset of the Great Depression and named after its sponsors (Senator Reed Smoot and Representative Willis C. Hawley), the legislation was initially intended to protect American farmers from foreign competition by raising agricultural import duties. Once lobbyists got involved, however, the scope of the proposed tariffs quickly expanded to cover nearly the entire economy.

Despite a public petition from more than 1000 economists warning of the economic repercussions, President Herbert Hoover signed the tariffs into law, convinced that protectionism would help domestic recovery.

Contemporary economists, industry leaders, and prominent newspapers of the era recognised Smoot-Hawley as a policy disaster and predicted that it would have a detrimental impact on international trade and the broader economy.

They were right. It didn't take long for trading partners to respond with their own tariffs on American goods. Between 1929 and 1933, world trade declined by approximately two-thirds, which worsened the effects of the Great Depression as industries reliant on exports suffered, further worsening unemployment.

Unlike the British Corn Laws, which were repealed outright, the Smoot-Hawley Tariffs were gradually repealed over the years, beginning with Roosevelt's Reciprocal Trade Agreements Act of 1934.

A political cartoon from c. 1930 by artist Dorman H. Smith

The United Kingdom, which had been the champion of free trade, also abandoned laissez-faire in 1932, imposing new tariffs after generations of openness. Dozens of countries followed protectionist policies in the early 1930s. The trauma of this period convinced many leaders that uncontrolled tariff competition was counterproductive.

In 1934, the US took a first step away from protectionism by passing the Reciprocal Trade Agreements Act, which allowed the President to negotiate mutual tariff reductions with other countries (rather than requiring Senate approval). In the five years between the Act's enactment and the outbreak of World War II, the Roosevelt Administration signed trade agreements with 19 countries (including Canada and the UK), which lowered tariffs and paved the way for the broader multilateral agreements to come.

Post-World War II: liberalisation under GATT and the WTO

The aftermath of World War II heralded a global reorientation of tariff policy. In 1947, 23 nations (led by the US and UK) signed the General Agreement on Tariffs and Trade (GATT), the guiding principle of which was that successive negotiations would reciprocally reduce tariffs and therefore prevent a return to the escalating trade wars of the 1930s.

This framework was remarkably successful. In 1947, the average tariff among GATT participants was about 22%, but after decades of negotiations, the average tariff fell below 5% by 1994.

In other words, the GATT and its successor, the World Trade Organization (WTO) (established in 1995), helped bring tariffs to historic lows, ushering in an era of expanding global trade. Many industrialised countries that once had average tariffs in the tens of per cent (such as the US, which had roughly 40% tariffs in 1947) slashed them to single digits by the end of the 20th century.

This shift was informed by the post-war economic consensus that free trade fosters growth, a view influenced by Keynesian and classical economic theories and bolstered by the perceived failure of interwar protectionism.

Tariff reduction went hand-in-hand with the formation of regional trade blocs. In Europe, the European Economic Community (later European Union) eliminated internal tariffs among its members in the 1950s and 1960s, creating a customs union with a common external tariff. The North American Free Trade Agreement (NAFTA)—signed in 1992 by the US, Canada, and Mexico—similarly aimed to remove most tariffs within North America. Across Asia, Africa, and Latin America, numerous regional agreements sought to lower tariffs and encourage trade.

However, the post-war liberal trade order was not without exceptions. Many developing countries in the 1950s-1970s adopted import-substitution strategies, keeping tariffs high to foster domestic industries (often citing the infant industry argument). Some, like the "Asian Tigers" (South Korea, Taiwan, etc.), did use selective protection and subsidies in the post-war decades to build competitive industries—echoing earlier mercantilist strategies but later gradually opening up as their industries matured.

By the 1990s, though, even most developing nations were lowering tariffs as part of IMF and World Bank-advised reforms and joining the WTO system.

Twenty-first-century tariff conflicts and trends

In the early 21st century, average tariff rates remained low by historical standards, but tariffs have not disappeared—nor have trade disputes. Global supply chains and free trade agreements flourished in the 2000s, yet some countries have periodically turned to tariffs as a policy tool for economic or strategic reasons.

For instance, in the late 2010s, the world witnessed a sharp resurgence of tariff wars. The United States, in President Donald Trump's first term, raised tariffs on hundreds of billions of dollars of imports—targeting steel, aluminium, and especially Chinese goods—citing unfair trade practices and the need to protect domestic industries.

China and other trading partners retaliated with their own tariffs. By 2019, the US had imposed new tariffs on over $360 billion in Chinese imports, and China

answered with tariffs on $110 billion of US goods. At the time, these actions marked the most significant tariff escalation since the 1930s and demonstrated that even in an age of globalisation, tariffs remain a potent political lever.

President Trump's second term in office has thus far brought a disorienting onslaught of fresh tariffs, tariff threats, temporary reprives, and more tariffs against both traditional adversaries—like China—as well as traditional allies—like Canada, Mexico, and the EU. While the WTO's rules discourage arbitrary tariff hikes, the system has struggled when major powers invoke national security or other exceptions to justify duties.

In parallel, there has been pushback against free trade in various societies. Free-trade critics have argued both that rapid trade liberalisation hurts manufacturing workers in high-income countries and that it can be used as leverage by authoritarian states. This has led to calls in some quarters for strategic tariffs to protect critical industries or address trade imbalances.

While the economic implications of the latest tariff wave are yet to be fully known, virtually all economists today (as they did in the 1930s) argue that, in general, high tariffs reduce overall economic welfare by raising prices and provoking retaliation. The long history of tariffs shows both sides of the argument. For young America and Germany, tariffs helped nascent industries develop while generating government revenue. In famine-era Ireland, however, tariffs helped cause widespread starvation, while for interwar America, they invited trade wars and worsened an already difficult economic situation. The challenge for policymakers has always been to balance these outcomes.

Conclusion

Over the centuries, the global perception of tariffs and trade policy has swung like a pendulum, alternating between protectionism on one end and free trade on the other.

In ancient and medieval times, tariffs were a straightforward tool to raise revenue and protect local industry. With the rise of nation-states, they became weapons of economic competition under mercantilism. The 19th century brought the first great debate over free trade, pitting the liberal arguments of Smith and Ricardo against the protective needs of emerging industries—a debate encapsulated by Britain's repeal of the Corn Laws and the US's tariff-fueled industrialisation.

The catastrophes of the early 20th century taught the world about the perils of tariff wars, leading to an unprecedented experiment in international cooperation to reduce trade barriers after 1945. That experiment largely succeeded: by the 2000s, tariffs had never been lower globally, and trade reached unprecedented volumes.

Yet, the history of tariffs did not end with free trade as the universal victor triumphing over weaponised protectionism. Tariffs are a resilient policy instrument. Their renewed place in the early 21st century's trade conflicts is a reminder that their use is driven by political calculations as much as by economic theory.

As globalisation faces new criticisms, some countries may recalibrate their tariff policies to address concerns about jobs, security, or fairness. The long sweep of history suggests that while the rationale for tariffs may change—from financing ancient empires to protecting infant industries to retaliating against unfair practices—the fundamental tension between the desire to protect domestic interests and the benefits of open markets will persist.

Understanding the historical trajectory of tariffs and the theories developed around them can help inform today's debates and may (hopefully) even help shape the future of international trade policy.

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2.5

MDBs: Advancing development through trade

TRADE, FINANCE, AND DEVELOPMENT

Trade has become well-established and recognised among practitioners and policymakers as an effective way to support and advance international development and poverty reduction. Multilateral institutions, including multilateral development banks (MDBs), have embraced this perspective, and most leading MDBs today put significant priority on the nexus between trade and development.

Equally importantly, given that 80% or more of international trade depends on some form of trade financing[1], the role of MDBs in providing trade financing (both traditional trade finance and various forms of supply chain finance) is critical to the trade and development equation.

The policy focus and the program-level priorities of MDBs have evolved materially over the past decade, covering a broad range of activities. Leading MDBs are active in major infrastructure projects at the country level, as well as in promoting and facilitating regional collaboration and even economic integration on a regional basis. Whether an MDB provides long-term project financing, short-term trade finance, or targeted support for a strategically important commercial sector, or the ever-critical small- and medium-sized enterprise segment, such activities are likely to be supported by a complementary portfolio of 'technical assistance' or 'capacity building' initiatives.

2023: BY THE NUMBERS

$4.7 BILLION value of transactions supported	**$1.8 BILLION** ADB commitments	**$2.9 BILLION** in cofinancing
21,416 transactions supported	**112%** increase in transaction numbers	**6,900** transactions supporting SMEs
$705 MILLION in supply chain business	**$166 MILLION** in climate positive transactions	**$1 BILLION** in food security and agriculture transactions

Trade and Supply Chain Finance Program (TSCFP) | Asian Development Bank[2]

These can include high-quality training programs delivered in-market to raise technical skills in a wide variety of areas, including esoteric specialisms like trade financing. They can, in trade-based development, include supporting partnerships between developing member banks and leading international banks to create net new financing capacity, and to facilitate the sharing of best practices.

While most MDBs have a regionally focused mandate, the geographic lines have blurred somewhat over the several years, though the World Bank and its sister entities—the International Finance Corporation (IFC) being the centre of operations focused on private sector engagement, including trade financing—retain a global mandate. Over the past decade, the fundamentally important contribution of MDBs has been brought sharply into focus on multiple occasions, even if we limit consideration to "just" the private sector and trade-related activities of the MDBs.

The Global Trade Finance Program (GTFP) is IFC's flagship trade finance program, having provided over 188,000 firms with $120 billion of trade finance over the last 20 years.

The GTFP supports key strategic priorities, including food security, job creation, climate, and gender, and most of the beneficiary firms operate in IDA countries. In fact, one third of GTFP activities are in agriculture and food, and 40% are in Africa.

IFC's Global Trade Finance Program[3]

In trade financing, prior to the global financial crisis (GFC) of 2008, there were serious discussions among leading practitioners about whether there was any real need for entities like public sector export credit agencies or multilateral entities like the MDBs, to continue to provide trade financing[4]. The view beginning to take root was that private sector players could more than meet the needs of the market. The GFC and the global chaos which followed were caused by financial engineering and the related sale of toxic, junk-quality mortgage assets sourced in the United States and marketed globally as high-quality, high-value investments.

[1] WTO - https://www.wto.org/english/thewto_e/coher_e/tr_finance_e.htm

[2] https://www.adb.org/what-we-do/trade-supply-chain-finance-program

[3] www.ifc.org/GTFP

[4] Auboin, 2009 - https://cepr.org/system/files/publication-files/103051-policy_insight_35_boosting_the_availability_of_trade_finance_in_the_current_crisis.pdf - (Dr. Marc Auboin, World Trade Organization)

The implosion of several major brands in finance and resulting concerns about the (then unclear) levels of exposure to these assets caused the interbank lending market to evaporate overnight, likewise devastating critical financing activities linked to international trade.

Trade, and the related economic multipliers, immediately showed the impact of knock-on effects, perhaps most strikingly visible in the mushrooming of empty, stranded cargo vessels in ports across Asia. Beyond that, the crisis and the resulting absence of global liquidity arguably contributed to a longer-lasting crisis in shipping. The GFC surfaced a reality that was known by trade finance practitioners but rarely acknowledged outside this small community: that financing is just as fundamental to the enablement of trade (and trade-based development) as the supply chains that serve as the arteries of global commerce.

Trade finance, that unique and poorly understood branch of finance, plays an indispensable role in facilitating the exchange of goods and services that have advanced societies and global growth for thousands of years.

Watershed moments, crucial contributions

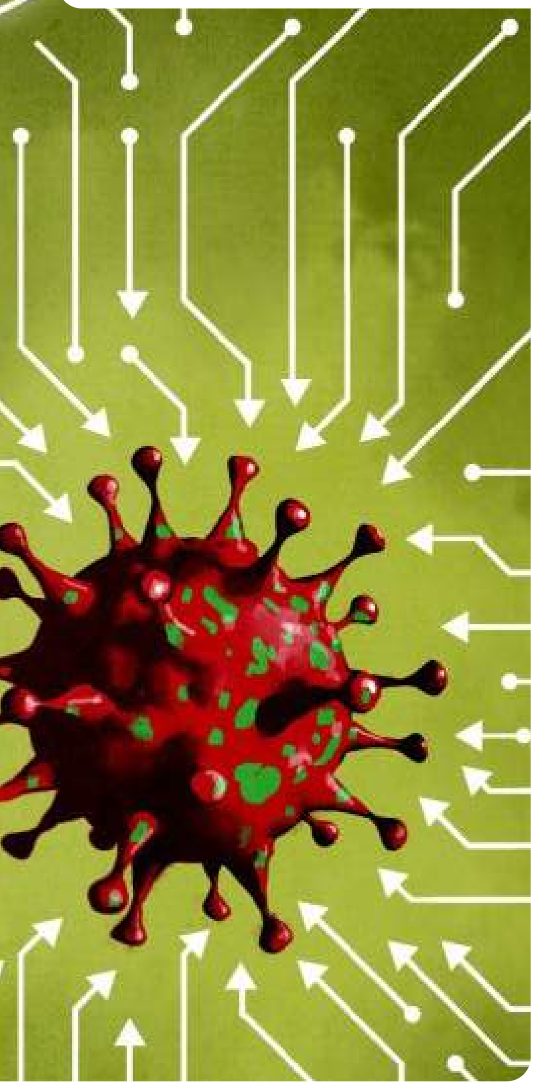
The GFC clearly and beyond any doubt showed that private sector players cannot be fully counted on—especially in times of crisis—to provide access to essential forms of financing (and related support) to ensure the uninterrupted flow of systemically critical activities like trade. Public good considerations, even when they are directly and visibly connected to urgent human need and imminent suffering, simply do not enter into a commercial calculus.

The MDBs, spurred by the World Trade Organization (WTO) and supported by governments around the world, multiplied the size of their various programs, including their capacity for trade financing, and deployed billions in support of the global trading system. A system that had, until then, led growth and outpaced GDP for close to fifty years but suddenly faced a crisis which it had no part in creating.

The COVID-19 pandemic was a human tragedy of global proportions, with economic impacts unseen perhaps since the great depression. It also demonstrated beyond doubt the importance of maintaining a network of multilateral institutions whose mandates and people are fundamentally centred on service and public good. MDBs like the Asian Development Bank (ADB) stepped up to map the vaccine supply chain, finance the import of vaccines into developing markets, and actively support the import of essential goods.

At times, the mere presence of an MDB in a given market, or its entry into a market, can have an invaluable positive impact through a "Demonstration Effect": that is, showing private sector players and other stakeholders that it is possible to operate in a country or market in crisis. The European Bank for Reconstruction and Development (EBRD) has done this in Lebanon, and ADB remained in Sri Lanka during its recent political and economic crisis, enabling at least one global bank to support the country in its moment of need.

MDBs, either individually or in collaboration, have taken leadership roles in advancing important policy priorities, but equally in helping to create necessary "enabling conditions" to achieve certain development and inclusion-related or climate-related objectives, among many others. ADB and IFC published a joint "Reference Note" on sustainable trade finance to help clients access trade financing in support of green or sustainable trade flows, and the heads of leading MDBs came together at the urging of their various trade finance program leads to jointly advocate for the deployment of more supply chain financing capacity, in collaboration with the WTO.



Looking ahead

Recent high-level dialogue, including in the context of the Indian Presidency of the G20 and B20, sought to highlight the potential to better leverage MDBs to address pressing global issues, including through greater use and deployment of MDB guarantees. If such a vision remains in play, the MDB heads and those "working the problem" need only look to the trade financing expertise within their own organisations, where the use of guarantees helps amplify capacity and leverage private sector capital in support of trade-based development.

With the unconscionable dismantling of USAID and the human toll that will follow, MDBs will again need to step up to help address a crisis, however, the current chaotic political climate raises questions about how the MDB Boards (made up of funding country representatives) will react, and how they may shift the priorities and focus of individual MDBs, and even of the global community of multilaterals.

One positive outcome may be a loosening of restrictions on the financing of non-renewable energy, absolute restrictions against which are both hypocritical and impractical and do little to reduce carbon from low-emitting developing economies. Those countries urgently require access to affordable energy sources, and do not have the luxury of financing, at scale, the import of solar panels or the creation of wind farms.

In the end, MDBs need to be able to continue their work as effective crisis response vehicles, and must be supported in their efforts to address various forms of market gaps, including the $2.5 trillion in global unmet demand for trade financing.

Operationally, trade must remain at the heart of development, and trade financing is a crucial enabler of flows through global supply chains, even as those are being reassessed in light of current protectionism and trade war footing.

MDBs will continue to evolve their SCF offerings and should continue to complement core financing activities with a range of enabling initiatives, including ones already underway around digitalising trade, combatting money laundering and terrorism financing, advancing supply chain traceability, and sustainable trade.

MDBs like the Inter-American Development Bank will be important partners in ultimately resolving an ongoing issue in global correspondent banking. Entire regions like the Caribbean, the Pacific, and parts of Africa are currently disconnected from these networks, which are key to the conduct of trade, and critical to trade-based development.

MDB mandates anchored in commitments to public good, coupled with the unique credibility and convening power of these organisations, are more urgently needed today than perhaps at the peak of the worst moments of crisis of the last decade.

MDBs are indispensable in the fight against poverty and imperative to advancing international development. Despite their imperfections, discussions in the coming years cannot center around disengaging from MDBs in trade and trade financing: they must focus on how best to empower MDBs to scale and multiply their contributions and impact.

3 DIGITAL REVOLUTION

Pamela Mar
Managing Director
International Chamber of Commerce - Digital Standards Initiative

3.1

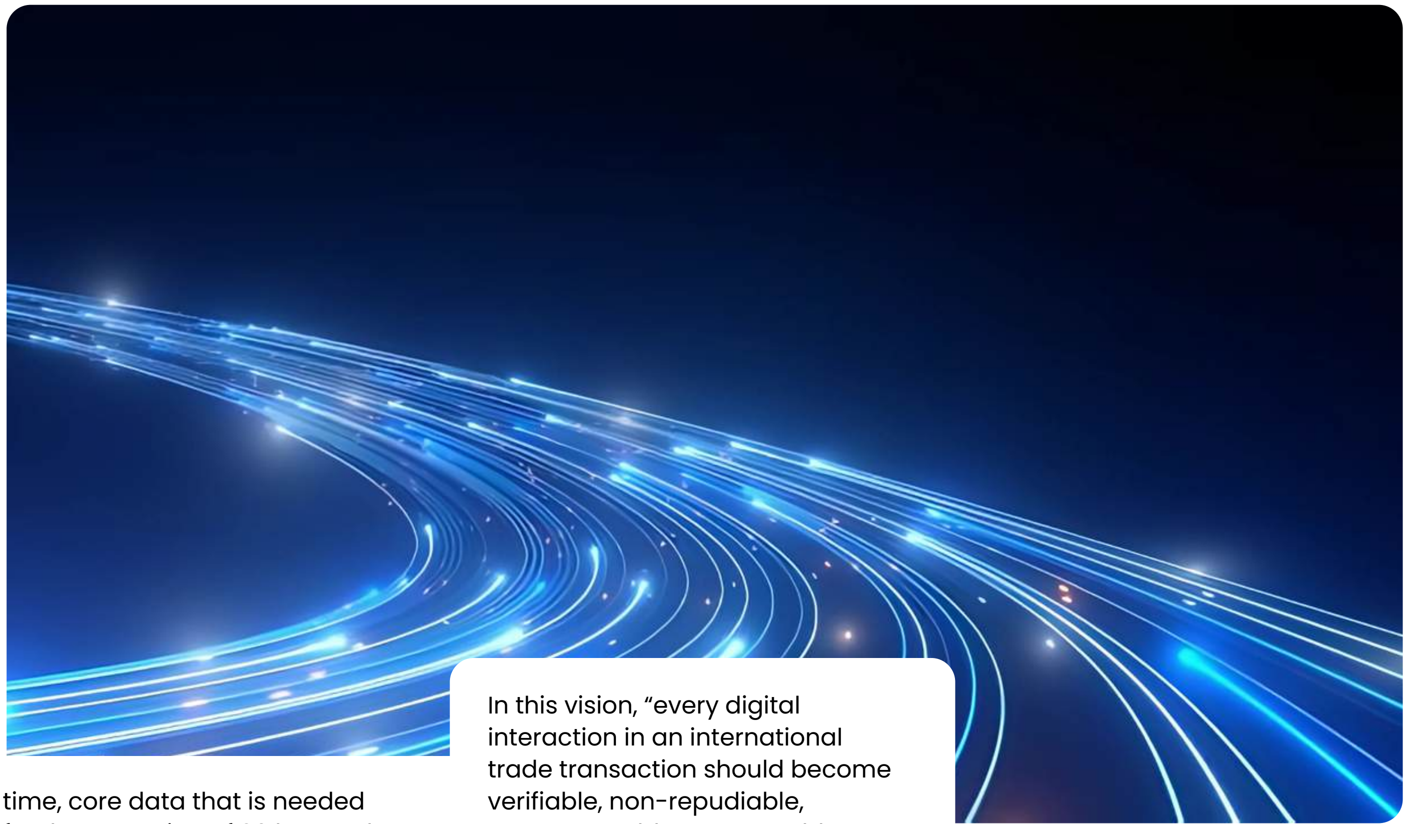
Trust in trade: Towards the seamless and secure sharing of data across a digitalised trade ecosystem

For centuries trust has been the backbone of trade. From the interpersonal to the communal to the national and now to the international, the expansion of trust methodologies has enabled that evolution in trade, despite its complexity. Trust for trade has evolved to incorporate systems of codes, certifications, checks, monitoring, stamps, policies, and protocols to enable dozens and sometimes hundreds of parties to align and perform in a single supply chain across different geographies.

At the same time, digital technologies clearly offer the possibility of "going paperless" as a matter of convenience, cost, and efficiency. Digital is not only a new way to execute existing processes but also a prompt to fundamentally rethink how trust is generated, transferred, and valued along the supply chain. Crafting and then implementing this vision is at the heart of the Digital Standards Initiative (DSI).

The DSI's ambition is to transform trade so that the end-to-end supply chain is driven by digitalised processes across public and private nodes that rely on common frameworks for data standards and electronic records to facilitate seamless data sharing, security, and traceability. In such an ecosystem, data would be generated once, tagged at the source, and then shared by permission with relevant parties in the supply chain. Each user would see what they need and have the ability to verify its truth, authenticate its provenance, and trust its journey through secure tracking.

The two key pillars in such an ecosystem are standards for the data and standards for the flow of that data across the chain. With the release of the Key Trade Documents and Data Elements (KTDDE) framework in 2024, the DSI has made headway towards the former by mapping, for the first



time, core data that is needed for the execution of 36 key trade documents representing key processes along the supply chain. Such a framework provides guidance to trade platforms and their users on convergence towards globally interoperable data standards. The second stage of this work, which is already underway, involves providing data semantic connectors and solving interoperability issues across differing standards to facilitate adoption and connectivity to existing corporate data processes.

Beyond aligning with KTDDE standards, users must align with technology principles for managing, sharing, and securing the data and electronic records (documents) that enable trade. This is outlined in the 2023 DSI publication Trust in Trade. Stakeholders must agree on the application of technologies to achieve the seamless transfer and sharing of documents and data, as well as their verification, authentication, and protection.

In this vision, "every digital interaction in an international trade transaction should become verifiable, non-repudiable, retro-traceable, accountable, and auditable for any required retention period."

Trust, in its trade semantic, should always be established through verifiability. The overall conception should adhere to the "never trust, always verify" mantra, embodied by the counterintuitively labelled "Zero Trust Architecture" movement, which is rapidly growing within the cybersecurity industry. This creates a vision of a new, verifiable digital layer beneath the information supply chain, which itself underpins the physical and financial supply chains: i.e., a "trust supply chain".

A trust supply chain enables data and documents to flow across organisational boundaries with the same protections as if they were being shared within a permissioned or closed network. Cryptography deployed in Public Key Infrastructures (PKI) is instrumental to achieving this goal and ensuring that the multitude of parties in trade will be legally protected.

In essence, the trust supply chain will eliminate the need to build "members-only" networks with restricted data sharing, as it will provide the same level of security and trust across broader, decentralised networks.

This feature of the future digital trade ecosystem guarantees it will have all needed security while being open, inclusive, and scalable, even given the heterogeneity in today's trade environment.

Arriving there will require significant progress in the availability of software and hardware across the global supply chain, advancements in PKI, and substantial upgrades in organisational capabilities. In other words, permissioned, high-walled networks may remain a practical and commercially viable option for some time. But given the scale limitations of these incumbent networks, we should already be seeking ways to transition toward the future of a trust supply chain.

A first step towards this could focus on protocols for the reliable transfer of electronic documents, or in particular electronic transferable records (ETRs), which can be seen as precursors to a supply chain that transacts only in data.

With the release of a technical framework for reliability in October 2024, the DSI and the Digital Governance Center in Canada have provided a way for platforms or systems to evidence their ability to transmit ETRs while guaranteeing the ETR's singularity, integrity, and exclusive control during the process. The Model Law on Electronic Transferable Records (MLETR) outlines clear requirements for such systems as follows:

- **Singularity:** Ensuring there is only one original of the ETR, functionally equivalent to its paper counterpart.
- **Integrity:** Ensuring the ETR is transmitted intact, without any alteration.
- **Exclusive Control:** Ensuring that only one party holds the ETR and can assert the performance of the obligations.

The framework should not be confused with applications that guide users on how to achieve such reliability by using a combination of technologies, processes, or tools. The framework is open source and has been developed by a working group bringing together users, trade platforms, and technical and standards experts. DSI will continue to develop the framework, which has already granted its first statements of verification, as industry needs evolve. Eventually, a third-party assessable framework that leads to certification may be necessary.

The future described above—as rational as it may seem—may also appear far off for many enterprises in early stages of digitalization. The FIT Alliance EBL Survey, published in December, showed that supply chain transporters are an extremely divergent bunch, with adoption rates of EBL ranging from nil all the way to 100 per cent by owners. (The average of all respondents using EBL in part or exclusively was 49.2%).

The lack of EBL adoption by peers should not lead to complacency, and to simply "wait" for the digitalisation trend to hit their industry. There are already key ways that the sector can prepare for the coming shift to digital. Key among these is to use assessments like the reliability assessment to review how they generate, check, track, and manage data that is core to their supply chain as well as to survey their existing data for alignment with globally interoperable standards that will eventually become the norm.

Indeed, a key objective for 2025 for the DSI is to develop a digital trade readiness maturity assessment that will address both of these issues and prepare enterprises for adoption when their specific supply chain moves over.

Lastly, as many have stated, there are multiple benefits to going digital, including cost, speed, efficiency, and data security. And yet all of this is facilitated by a conducive legal framework that involves local jurisdictions aligning with MLETR. The legal campaign is underway, led by DSI, industry, regional, and international organisations.

Every business stands to benefit, so thank you in advance for your engagement.

Emmanuelle Ganne
Chief of Digital Trade and Frontier Technologies
World Trade Organization

3.2

The digital revolution in trade: How tradetech is transforming global trade

Digital technologies are changing the way we live, work, and trade. As **WTO Director-General Ngozi Okonjo-Iweala** often says, the future of trade is digital, and it must be inclusive.

The digitalisation of trade has gained significant momentum over the past decade. Despite frequent discussions about the supposed decline of globalisation, the reality is quite different. Rather than fading, globalisation is evolving, with digital trade and intangibles, such as services, assuming an increasingly central role. According to WTO estimates, the value of global exports of digitally delivered services has quadrupled since 2005, expanding at an average annual rate of **8.2%**, outpacing growth in both goods exports **(4.8%)** and other services exports **(4.6%)**.

Artificial intelligence (AI) is poised to accelerate this shift further. AI is transforming international trade byreducing costs across logistics, supply chain management, and regulatory compliance while simultaneously driving demand for AI-enabled products and services[1]. For developing economies, AI presents unprecedented opportunities to enhance economic development through improved accessibility to essential public services and upgraded quality standards. WTO simulations indicate that widespread AI adoption, coupled with high productivity growth, could boost global trade growth by nearly 14 percentage points by 2040.

At the same time, blockchain technology is being leveraged to digitise key trade documents such as bills of lading and certificates of origin and facilitate smoother

information exchanges between companies and customs authorities, simplifying cross-border transactions. However, the growing significance of digital trade should not overshadow the essential role of trade in goods, which serves as a fundamental enabler of this digital transformation. The shift towards a data-driven global economy, along with groundbreaking advancements in AI, would not be possible without tangible components such as high-performance computing systems and sophisticated microchips. Likewise, the underlying physical infrastructure—including vast telecommunications networks—remains indispensable in supporting the expansion of digital trade.

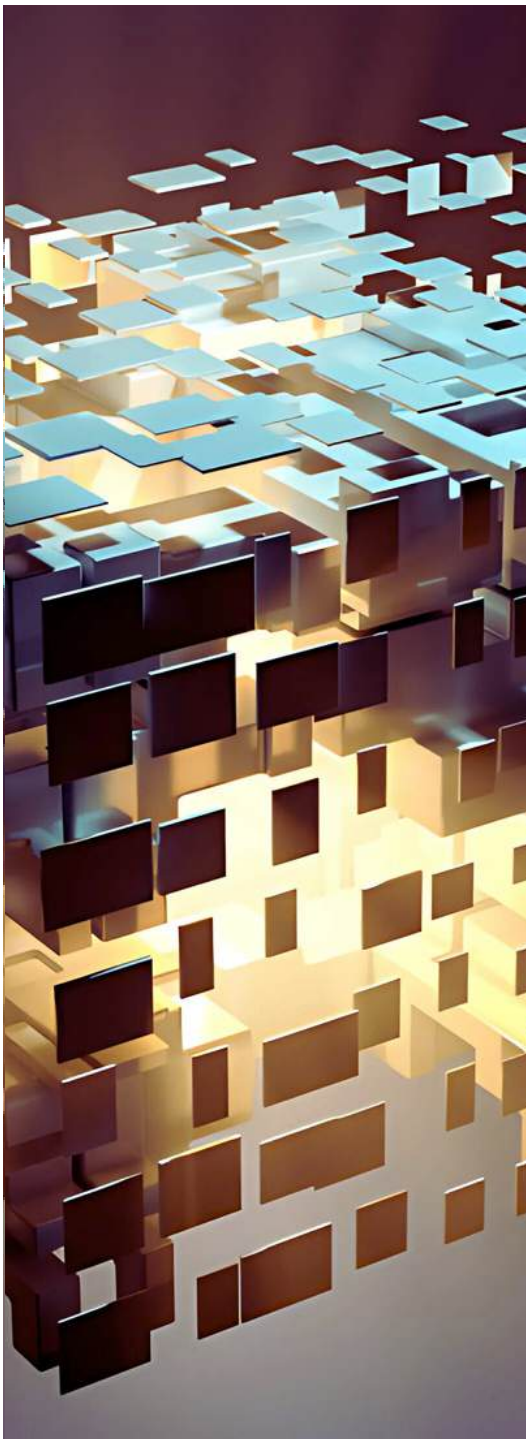
This interdependence highlights a critical shift: the "goodification of services" and the "servicification of goods". Goods increasingly enable digitally delivered services, fostering trade in services, and services are increasingly embedded in goods, further blurring the boundaries between these categories. This dynamic underscores the importance of making trade in goods more efficient through digitalisation, as it not only enhances the efficiency of merchandise trade transactions but also fosters the scalability and accessibility of digitally delivered services.

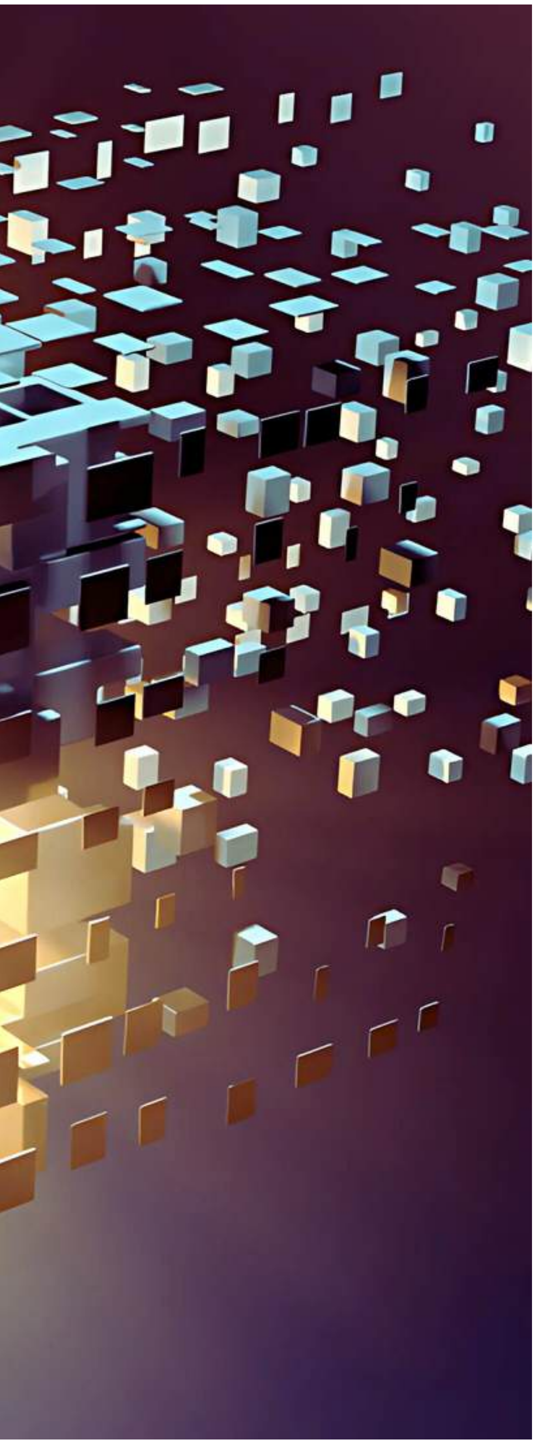
Significant progress has been made in this area. The adoption of electronic bills of lading, a pivotal element in international trade, has accelerated significantly in recent years. A recent survey conducted by the FIT Alliance indicates that the proportion of companies using electronic bills of lading—whether exclusively or alongside traditional paper-based systems—has increased from **33.0% in 2022** to **49.2% in 2024**[2]. This can particularly benefit micro, small and medium-sized enterprises (MSMEs), which stand to gain the most from digital trade efficiencies. In 2021 and 2022, ICC United Kingdom and The Commonwealth published the benefits of digitalising trade transactions across 60 economies, large and small. The numbers speak for themselves: digitalising trade documents could cut trade transaction costs by **80%**, reduce the trade finance gap by **50%**, cut cross-border processing times from 25 days to one day, and increase MSME efficiency by **35%**[3].

Digital technologies offer developing countries and least-developed countries an opportunity to integrate more fully into the global trading system. For these economies to capitalise on digital trade, however, the digital divide must be addressed. While global internet penetration has risen from **54.9%** in 2019 to **68%** in 2024, approximately **2.6 billion** people—predominantly in developing nations—remain offline, limiting their ability to engage in digital trade.

Another challenge lies in overcoming digital fragmentation. Many digital trade solutions are developed in isolation, lacking interoperability. Historically, trade digitalisation efforts have centred on individual trade documents or specific use cases rather than on the broader supply chain. To ensure seamless data exchange from end to end, a global interoperability framework is essential.

The ICC Digital Standards Initiative—supported by key stakeholders such as the Asian Development Bank, the government of Singapore, the World Customs Organization, and the WTO—is working to develop a comprehensive global data interoperability framework. The WTO rulebook also plays an important role in promoting alignment with international standards. The Trade Facilitation Agreement encourages members to base import, export, and transit procedures on relevant international standards, while the Technical Barriers to Trade Agreement requires that Members align their national regulations and procedures with relevant international standards.





The growing importance of data also necessitates renewed attention to cross-border data flows. Cross-border data flow restrictions have been on the rise and data localisation requirements have been increasing in number and restrictiveness, threatening to undermine the benefits of digital trade. According to a recent OECD-WTO study, geoeconomic fragmentation of data flows could shrink global exports by 1.76% and reduce global GDP by almost 1%[4]. Addressing these barriers requires enhanced international cooperation and alignment on data governance principles.

Looking ahead, the next decade is set to be defined by an even greater acceleration of digitalisation, driven by AI advancements, hyper-connectivity, real-time traceability, and automated trade flows. We are likely to witness the emergence of AI-driven trade ecosystems that seamlessly integrate predictive analytics, autonomous shipping fleets and logistics systems, and real-time regulatory compliance monitoring. Blockchain and AI could combine to create transparent, real-time, trustless trading environments. As digital twins and advanced simulations become mainstream, businesses will be able to optimise global trade strategies with unprecedented precision, further blurring the lines between the physical and digital economies.

Services trade will flourish as virtual reality enables immersive cross-border collaborations, and next-generation quantum technologies may unlock new frontiers for digital trade.

However, realising this vision hinges on proactive policymaking today. Ensuring equitable access to digital technologies, fostering interoperability along the entire supply chain and across digital trade solutions, and achieving global consensus on data flow governance will be crucial to preventing uneven growth and deepening fragmentation in the tradetech landscape. By taking decisive action now, we can pave the way for a more inclusive, efficient, and interconnected global trading system.

[1] wto.org/english/res_e/booksp_e/trading_with_intelligence_e.pdf

[2] FIT Alliance Survey – Watch this video full of insights and viewpoints

[3] ICC United Kingdom | Seizing the moment — Unleashing the potential of trade digitalisation

[4] data_regulation_e.pdf

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