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Good afternoon. We now turn to the topic of geopolitics and global trade, with a particular focus on the question, 'What can be done today?'

We want to share with you some interesting corporate perspectives on where global trade might go. I am joined here by an illustrious panel of experts, whom I will introduce in a few minutes – but first I would like to direct your attention to a few slides that show how we see the world evolving.

My name is Nikolaus Lang. I am a senior partner at BCG, Boston Consulting Group. I lead BCG's Global Advantage practice, which is dedicated to geopolitics, trade, and international collaboration.

When I advise corporate leaders, one of the most striking changes that I have observed in the past five years involves the way that corporate leaders think about the future of their business. They are moving away from a monodimensional perspective of the future to a multidimensional perspective.

Corporate leaders often ask us, 'What are the scenarios of the future? What will the world in 2030 look like?' In response, we have developed a few scenarios that we believe could describe the future.

The first scenario, 'Back to the Future', is a reimagining of the world we knew from the 1990s and the first decade of the 2000s: a world geared toward free trade; a world in which the Bretton Woods system and institutions were working, and companies saw the world as relatively flat. Remember, this was a time when Francis Fukuyama was making the case that we had reached the end of history.

The second scenario, which we call 'Limited Stalemate', envisions a prolonged continuation of the conflict in Eastern Europe between Russia and Ukraine – and on that point, Minister Kuleba will speak to us later in the afternoon.

The third scenario, 'Multipolar World', is one in which we see the increasing emergence of three groups – and I am deliberately not calling them 'blocs'. The first is a Western group composed of the US, Europe, and some allies in the Indo-Pacific. The second is an Eastern group consisting of China and Russia and some allied countries, ranging from North Korea to Belarus. And the third is a group of countries that are not re-creating the movement of the non-aligned countries, but that want to be equidistant between the first two groups – and



among these nations are, first and foremost, India, but also Indonesia and other countries in this region and in Africa.

And finally, the fourth scenario – which a lot of corporate leaders ask us about – is ‘Global Escalation’. Just before lunch, we discussed the potential of a global escalation, which would involve the addition of a war in the Indo-Pacific to the current conflicts we see around the world.

These are our four scenarios. Now, the beauty of scenarios is that they are precisely wrong, but generally right.

So when we look at these scenarios going forward, the key questions are, where do we see the future, and what is the most likely scenario?

Going through these four scenarios, we definitely see the ‘Back to the Future’ scenario losing steam. Look at the CHIPS Act; look at IRA; look at the challenges we heard about this morning around the WTO. Having a world in 2030 that is similar to what we had in the 1990s and 2000s is, from our perspective, relatively unlikely.

Second, with regard to the ‘Limited Stalemate’, we have seen movement in the past 12 months with increased Western aid in Ukraine. While there is a static front line, with upcoming elections the conflict could have ongoing impact for years to come.

The ‘Multipolar World’ scenario is the dominant one today – and when you look at what has happened in the past 12 months, a lot of signals point in this direction. It is a multipolar world in which President Xi traveled to Moscow in March and President Putin traveled to Beijing last month. We are seeing the emergence and the expansion of the BRICS nations. We have strong development, around the world, of independent thinking beyond the traditional two-bloc model.

Last but not least, in this multipolar world, we have witnessed the reemergence of old conflicts in the past few weeks: Armenia/Azerbaijan; Kosovo/Serbia; and, of course, Israel/Gaza. All of these developments show that the multipolar world is the likeliest scenario for 2030.

On ‘Global Escalation’, we are a bit more cautious because we believe that, at this stage, given economic development and military unreadiness, it is less likely to happen.

What does this mean for business? Well, I come with half-positive news. The left-hand side of the chart shows the development of global trade over the next ten years. The good news is that global trade will grow by 2.3% per year. You might tell me, ‘Well, that is actually not bad.’

Well, during the period that serves as the model for our the ‘Back to the Future’ scenario, the period from 1990 to 2010, trade grew by 7% per year. Therefore, we are talking about less than one-third of that growth rate. Yes, we are growing, but not as fast as we would in a free-trade world.

Plus, geopolitics impact how trade routes evolve. Now, I am coming to a complex slide – and it is my penultimate slide – but I want to share with you a few of these trade routes.

Some trade routes will go massively down. Obviously, the trade route between Russia and EU goes down by more than €200 billion, due to all of the energy sanctions we see here. However, the trade route between China and the US also goes down.

Then we have trade routes, the yellowish ones, that will grow but grow disproportionately slowly. The most interesting thing shown on this slide is that all of the really strong trade routes are in the Global South. This is the picture of the future, where we see \$1 trillion of



additional trade emanating from Southeast Asia; we see India playing an important role; but we also see North Atlantic trade booming considerably.

You could flatly say that the Europeans are replacing Russian pipeline gas with North American LNG. I think this is oversimplified, but you see a shift in trade going on. In terms of the winners, next to Southeast Asia, look at where Mexico stands. Mexico is the big winner of nearshoring and friendshoring in this world.

Let me conclude, before I move to the panel, by addressing the question, 'What do you see for corporate leaders?' We see five no-regret moves.

First, make sure that you diversify your supply chains. The phrase I hear most in boardrooms currently is 'China plus one' or 'China plus two' – which means, what is the alternative to a China-only approach, both as a market and as a supply chain?

Second, enhance your navigation ability in a world of price volatility and inflation.

Third, prepare your organization to work in different worlds. Do you need one organization for China, one organization for India, and one for Europe?

Fourth, look at turbocharging risk in cybersecurity with capabilities.

And last but not least, build geopolitical muscle in the corporate boardroom.

In order to further develop this geopolitical muscle, I am very pleased to join the members of this great panel, with whom, for the next hour, I will have the pleasure of discussing the impact of geopolitics and global trade on corporate boardrooms.

I will start with a brief round of introductions, and then we will go to the statements. I am joined by Penelope Naas, next to me, who is with the Atlantic Council. Penny, before that, you spent ten years at UPS, taking care of international affairs; before that, at Citigroup; and before that, in the US administration. We talked a lot about your perspective on how trade will change. I think you have a very interesting perspective on the last two US administrations, and we look forward to hearing your view on which one was more beneficial for trade.

Bark Tae-ho, you were South Korea's Minister of Trade in the early 2010s; you have actively promoted trade. You have also been a professor and dean at the Korean National University; and you now advise companies in this all-trade environment.

Nicolas Terraz, you are with TotalEnergies. You started in the French administration and then joined TotalEnergies 22 years ago. You are now president of the company's production and exploration activities. You have been in many different countries, working in places like Nigeria, Myanmar, and Qatar, and we discussed in our preparation that you see your business and your industry as having great power to contribute to development and building bridges going forward.

Jay Truesdale, you were in the Navy; you have been a diplomat in places like Pakistan and many other places; and you then moved to consulting, where you now head Veracity Worldwide, a global geopolitical consultancy and risk consultancy. We have had the pleasure of working together in some instances.