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Security-Driven Pathways for the World Trading System Through to 2035

Simon J. Evenett

Professor of Geopolitics & Strategy and Co-Chair, World Economic Forum Trade & Investment Council

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IMD / Real learning
Real impact

Attitudes to Binding Trade Rules

This essentially splits the world into three groups of nations: Follow the Money

Characteristic	Fortress nations	Ambivalent nations	Dependent nations
Share of world imports of goods and services	0.582	0.226	0.193
Share of world exports of goods and services	0.575	0.226	0.198
Share of world absorption (private sector consumption and investment spending)	0.667	0.233	0.100
Share of world population	0.485	0.174	0.341
Total value of imports of goods and services. \$bn	16794	6515	5570
Total value of exports of goods and services. \$bn	16987	6679	5857
Total value of absorption. \$bn	68103	23774	10210

Security Provides The New Anchor

- Ever Opening Markets and Low Interest Rates are no longer the anchor for globalisation.
- Economic Giants now give more weight to economic and national security considerations.
 - Commercial consideration still matter, but come second.
- Still the case that everywhere else living standards are dependent on trade/openness.
- Beyond conflict, security factors have three effects relevant to business:
 1. Ties between the Giants weakening; ties within **regions** seen as safer.
 2. **Industrial policies** (both carrots and sticks) being used a lot to shape private sector.
 3. Defence spending is pushing up fiscal deficits, raising **cost of capital** for firms.

New Anchor: Security-Driven Fragmentation, Higher Production Cost, Elevated Capital Cost

Porous Zones

HIGHEST
LIKELIHOOD

Central Scenario

THE TRIGGER

Struggle for global and regional primacy

CORE LOGIC

Security concerns reshape commercial relationships as nations prioritise strategic advantage over economic efficiency.
Managed trade replaces open markets between major powers.

Regions First

Trade gravitates towards regional blocs — Europe anchored by the EU, East Asia by dense supply chains, the Americas shaped by hemispheric dynamics. Each zone develops its own governance logic.

Porous Borders

Zones are not sealed. Secondary powers maintain cross-regional ties through free trade agreements. Legacy global trade persists, though diminished. Connections remain, but are harder to sustain.

Managed Trade

Between major powers, trade is managed through quotas, minimum prices, and political bargains. Predictability is low. Protectionism in Europe takes the form of subsidies, procurement preferences, and regulatory barriers.

Sinocentric Drift

Alternative Scenario 1

HIGH
LIKELIHOOD

THE TRIGGER

States respond to assertive unilateralism across multiple policy domains.

CORE LOGIC

The premium on policy predictability reshapes alignments. Nations gravitate toward the actor perceived as more stable and less interventionist. Relative consistency becomes more valued than ideological affinity.

Stability Premium

Governments prioritise predictability in economic partnerships. The perceived stability of one major power's policies — relative to the volatility of another — gradually shifts commercial alignments across Asia, Latin America, and parts of Africa.

Competitive Pressure

Subsidiaries of Asian manufacturers expand production across East and Southeast Asia, intensifying price and functionality competition in European and global markets. Value propositions face sustained pressure from lower-cost alternatives.

No New Hegemon

No single power assumes full global leadership or delivers public goods like enforceable trade rules. The WTO persists but anchored by informal commitments rather than binding enforcement. Promises remain difficult to hold to account.

Fluid Camps

Alternative Scenario 2

MODERATE
LIKELIHOOD

THE TRIGGER

Multiple security events catalyse asymmetric fears and accelerate camp formation.

CORE LOGIC

Countering a perceived rising threat requires coalition-building, at least intermittently. Alliances re-emerge as necessary instruments of strategic competition. Camp membership not always stable.

Tiered Access

Camp membership determines trade terms. Allies enjoy preferential access; non-aligned nations receive less favourable treatment. Rival camps largely bar each other's exports. Market access becomes a function of geopolitical positioning.

Non-Aligned Bloc

A substantial group of nations — led by emerging powers — declines to align with either camp. These countries limit exposure to both sides, forging their own trade relationships. Switzerland likely finds itself in this group.

Fluid Membership

Camp boundaries shift as nations recalculate strategic interests. This fluidity creates instability in trade flows and competitive landscapes. Planning horizons shorten dramatically; scenario planning becomes essential.

Trade Armistice

Alternative Scenario 3

LOW
LIKELIHOOD

THE TRIGGER

Trade tensions between major players escalate to a point where costs become intolerable.

CORE LOGIC

Aggressive security logic moderates as the economic damage from trade wars becomes undeniable. Governments pivot from escalation to de-risking. The goal is stability, not a return to open globalisation.

Barriers Lock In

Existing tariffs and trade restrictions become permanent features of the landscape, but extreme measures are rolled back. The trading system stabilises at a higher level of protection than pre-2025, enabling longer-term planning.

Institutions Revive

The WTO finds a renewed role in monitoring and transparency, though not in negotiating liberalisation. Binding commitments regain value. Governments have strong incentives to negotiate FTAs that reduce the newly elevated tariff baseline.

De-Risked Investment

Cross-border sourcing and investment become safer as policy volatility decreases. Supply chains partially restore. The competitive environment stabilises, though firms must now compete with higher tariffs baked into cost structures.

About me

<https://www.linkedin.com/in/simonevenett/>

Simon J. Evenett is Professor of Geopolitics and Strategy at IMD. For almost 30 years, he has guided board members, senior executives, EMBA's, and MBA's through the significant shifts in the global business environment and their implications for firm operations, performance, and strategy.

In 2023, he was appointed Co-Chair of the World Economic Forum's Global Future Council on Trade and Investment.

Simon founded the St. Gallen Endowment for Prosperity Through Trade, a non-profit vehicle that collects and assesses policy intelligence relevant to corporate executives and their firms and business associations. He relishes engagement with companies, shareholders, analysts, and other experts.

✉ simon.evenett@imd.org

☎ +41 78 812 3909

