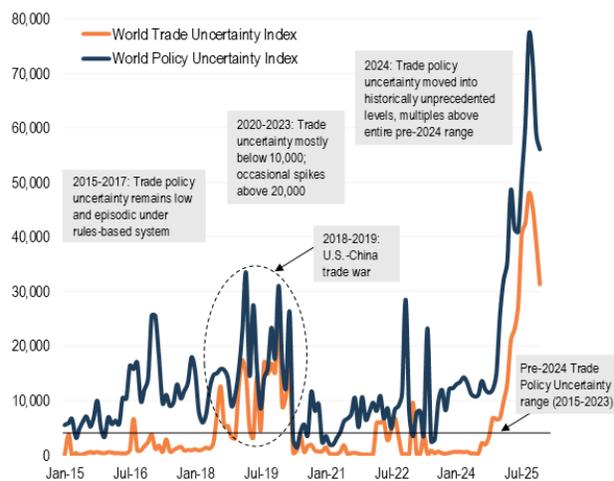


Trade Policy Uncertainty Has Become a Structural Feature of the Global Economy

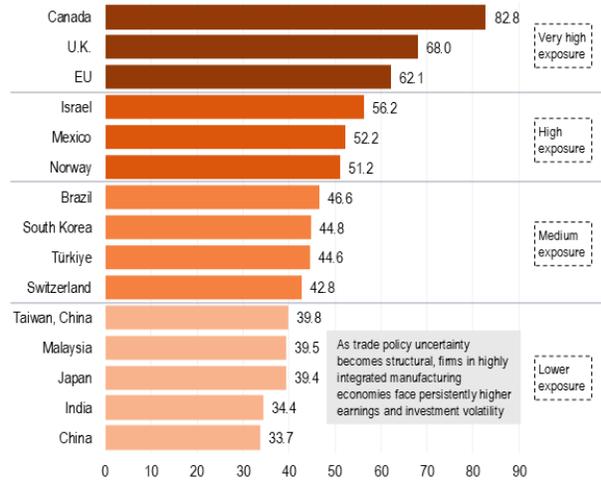
A decade of data shows a structural break in 2024, after which trade policy volatility no longer returns to its historical baseline, leaving highly integrated manufacturing economies more exposed to global trade shocks.

World Trade and Policy Uncertainty Indices, Index Value (Jan. 2015-Dec. 2025)



Note: The World Trade and Policy Uncertainty indices serve as proxies for shifts in the global environment using media frequency as measure. Manufacturing integration is measured using the intra-industry trade index (Grubel-Lloyd), with higher values indicating deeper supply-chain integration. Source: UNCTAD, UN Comtrade, ANDAMAN PARTNERS Analysis

Manufacturing Integration with Global Supply Chains Index, Selected Economies (2024)



The Economic Policy Uncertainty Index and the Trade Policy Uncertainty Index are widely used measures that track the global policy environment. Both indices are constructed from the frequency of policy- and trade-related uncertainty terms in leading global newspapers. The indices are proxy measures of the intensity and persistence of uncertainty in the policy framework facing firms, investors and global supply chains.

For most of the past decade, trade policy uncertainty remained episodic. Even during major shocks such as the U.S.–China trade war in 2018–2019 and the COVID period, volatility spiked and then returned toward its historical baseline. That pattern shifted decisively in 2024. Since then, trade policy uncertainty has moved into a historically unprecedented regime, several multiples above its entire pre-2024 range, and shows no sign of normalising.

This marks a structural shift rather than a cyclical shock. Trade policy uncertainty is no longer a transient disturbance that firms can wait out; it has become a persistent feature of the operating environment.

Manufacturing integration, measured by the intra-industry trade index, captures the extent to which countries participate in cross-border production within the same industries. Economies

such as Canada, the U.K. and the EU rank at the top of this distribution, reflecting heavy exposure to complex, multi-country supply chains.

In a world of structurally high trade policy uncertainty, highly integrated manufacturing economies face persistently higher earnings volatility and greater investment risk. As uncertainty becomes a permanent feature of the operating environment, supply chain resilience and geographic diversification move from tactical risk management to permanent strategic priorities. For CEOs, trade volatility is no longer a cyclical risk to manage; it is now a structural planning constraint that shapes sourcing, production and capital allocation decisions.

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