Asia-Pacific trade performance is expected to slowdown in 2019

The United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP) has released a new report titled Asia-Pacific Trade and Investment Report 2018: Recent Trends and Developments. The Asia-Pacific Trade and Investment Report (APTIR) 2018 notes an accelerated imposition of restrictions on trade in goods and services, and more reservations on Foreign Direct Investment (FDI).

The Asia-Pacific Trade and Investment Report 2018 tracks trade and investment trends in Asia and the Pacific since 2017, i.e. trade in goods, trade in services and foreign direct investment. The report places a special focus on related policy developments and provides a forward-looking analysis of the potential impact of existing and potentially increasing trade tensions on Asia and the Pacific. A few highlights from the report are summarized below:

The Asia-Pacific region increased its share of global merchandise trade further to 38.5% with double-digit growth in the value of both exports and imports during 2017

The region accounted for 39.8% of global merchandise exports and 36.5% of global merchandise imports, and remained the largest trading partner globally for trade in goods. This was achieved because the region again surpassed global trade growth and registered double-digit growth rates of 11.5% and 15% for exports and imports, respectively, in 2017. Such dynamic trade growth, leading to a further increase in the Asia Pacific region's share of global trade, meant a break in the unprecedented five-year period of trade contraction prior to 2017. However, there is no great optimism that such dynamic growth can be sustained beyond 2018.

A further trade slowdown to 2%-3% growth in real terms is expected in 2019, unless trade tensions ease

The region's trade performance in 2019 is expected to worsen if trade tensions between the United States and China, and possibly other economies, remain or deepen. ESCAP anticipates that the export volume of the Asia-Pacific region may slow to 2.3% in 2019, while import growth may drop to 3.5%. China may see its real exports stagnate in 2019. Other countries integrated with China through international manufacturing supply chains may also expect their export growth to soften further in 2019. Rising economic uncertainty may also delay foreign direct investment (FDI) and other capital investments that have been important drivers of global demand recovery thus far.

Services export growth is driven by a handful of economies, especially China and India

The Asia-Pacific region has outperformed the rest of the world with higher growth of commercial services exports and imports. The share of world exports in commercial services captured by the Asia-Pacific region increased from 22% in 2005 to 28% in 2017, while its share of world imports grew from 28% to 32%. The positive services trade performance was driven mainly by the rapidly growing roles of China and India. These two economies, together with Japan and Singapore, accounted for more than half of the services trade in the region. More than 80% of services trade in the region was concentrated in only 10 economies.

The protectionism trend is broad and not limited to bilateral or sectoral trade conflicts

The trend towards increasing trade and investment protectionism across the board is evident. Policy changes from 2017 to 2018 point to an accelerated imposition of restrictions on trade in goods, increasing restrictiveness of trade in services and more reservations on FDI. At the global level, the number of new discriminatory measures reached a record figure (88 per month) and largely exceeded the number of new liberalizing measures (32 per month) implemented in the same period. Similarly, in Asia and the Pacific, the number of new harmful measures introduced by countries of the region (33 per month) was more than double the number of liberalizing measures. Several Asia-Pacific economies raised the restrictiveness of trade in services, which could make their engagement in Industry 4.0 more difficult.

Escalating tariff wars may reduce global GDP by more than $200 billion

ESCAP estimates, based on computable general equilibrium (CGE) simulations, reveal that the current trade war will have detrimental impacts globally and regionally. Global and regional trade flows are set to slow, particularly in the short term, as ongoing United States-China tensions disrupt existing supply chains and dampen investor confidence. While China and the United States experience economic losses under all scenarios, Asia-Pacific countries are affected by a significant loss of demand for intermediate products and commodities from China. ESCAP estimates that global GDP could fall by nearly $215 billion if the tariffs threatened in 2018 materialize in 2019. In the Asia-Pacific region, the adverse impacts on China could drive the regional GDP down by about $60 billion. In the case of a prolonged trade war in which investor confidence declines significantly, the cost of adverse impacts increases to about $400 billion at the global level.

Please find enclosed the full report for your kind reference.

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