

What to watch in 2024 : Global trade and top trade themes in Asia- Pacific

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In 2024, global demand is expected to stage a modest recovery. This will largely reflect a hangover from pandemic-era disruptions, particularly amid inventory destocking following the frontloading of orders amid supply-chain disruptions in 2021-22. This will support new export and manufacturing activities, sustained partially by a mild rebound in global electronics demand. The outlook for services trade is also positive, as global tourism is continuing to recover and the nearshoring of value chains is driving outsourcing investment into sectors like financial services, consulting and telecommunications.

These benign assumptions remain vulnerable to a wide range of factors. The depressive effects of elevated global interest rates, signs of cooling Western consumer demand and prolonged import weakness in China could easily derail this outlook, given our view that many of the growth and geopolitical fissures present in 2023 will slip into 2024. We expect these downside risks to be most pronounced in the first half of 2024. By contrast, easier global credit conditions from mid-year should help to revive consumer and investment activity, putting a stronger floor under global trade growth.

Nevertheless, other structural impediments to trade are rising. An expected proliferation in global trade

barriers, for example—erected partially in response to growing Western scrutiny over China’s subsidy-driven industrial model, particularly as that country leans more heavily on external demand to deliver growth—will preserve trade policy risks. These will be the most prominent in sectors like emerging technology and renewable energy. Climate risks, such as the effect of drought on water levels in the Panama Canal, will complicate global shipping operations and make them more costly. This will happen at a time when global freight rates are already rising as a result of geopolitical developments in the Middle East.

Top trade themes in Asia-Pacific

1. Food security concerns will intensify, particularly over rice. The negative effects of El Niño weather patterns will cause the agricultural protectionism evident in 2023 to persist into 2024. India had already imposed a ban on rice exports in July 2023. The inability of other major producers like Thailand and Vietnam to offset the resulting shortfall consequently caused regional rice prices to surge. The likelihood of India keeping its export ban in place until after its elections in mid-2024 suggests that rice prices will remain elevated. Food security concerns will preserve the risk of copycat export restrictions across rice-

exporting markets in Asia and South America.

2. Export restrictions on critical minerals and rare earths will come into greater focus. These policies have already become a geopolitical flashpoint between China and the West, and efforts by South-east Asian nations to take advantage of their own natural resource endowments, to develop domestic refining and processing capacities, will increase trade protectionism. Indonesia's prohibitions on nickel ore exports and its planned restrictions on copper ore—alongside Malaysia's consideration of a similar ban on rare earth exports—may encourage other nations with reserves of critical minerals or rare earths to adopt similar measures. We advise observers to keep a close eye on Vietnam.
3. Worsening Chinese industrial overcapacity will exacerbate international trade frictions. The resilience of Chinese goods export volumes has contrasted with weakness in export values, illustrating the depressive effects of producer price deflation. These factors partly reflect the price competitiveness of Chinese firms. Western governments are nevertheless concerned that aggressive Chinese subsidies have unfairly facilitated this, particularly as the surge in Chinese internal combustion engine and electric vehicle (EV) exports is likely to continue in the context of domestic automotive price wars. Trade concerns around Chinese subsidies may spill over into other sectors in 2024, but this could also create export opportunities for other Asian exporters like Indonesia, Vietnam and South Korea.

<Biography>

Tom Rafferty is the head of global forecasting and economics at EIU. He draws on more than a decade of experience as an analyst, much of it spent working in China. He is a published expert on China's political economy and has conducted in-depth research on issues such as supply chains and geopolitical risk across Asia. Prior to EIU, Tom held research and policy roles in organisations including the UK Parliament and Oxford Analytica. He holds bachelor's and master's degrees from the University of Oxford.

(企業概要)

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