

SELECTIONS
FROM

The
Economist

IT IS easy to be downcast about the state of global trade. It has faced stiff headwinds in recent years: in 2016, for the first time in 15 years, it grew more slowly than the world economy. Regional and global trade deals are going nowhere, slowly. And America's new president has promised to protect his country from trade-inflicted "carnage".

Amid all this gloom, optimism seems foolhardy. But in Asia's export dynamo, trade is picking up steam. In January, Chinese exports rose year-on-year for the first time in ten months; South Korean shipments have increased for three months in a row. Surveys

reveal strong export pipelines in Japan, Singapore and Taiwan. Healthy order books for Asia's manufacturers normally bode well for global trade and indeed the global economy. It is too soon to declare a definitive upturn in global trade, but it looks like more than a blip (see chart).

The simplest explanation for the rebound is that global demand is itself on solid ground. Global growth is still slower than before the financial crisis of 2008, but is heading in the right direction. Both the IMF and the World Bank think it will speed up a bit this year. Investors have turned more bullish: the MSCI all-world index, which covers 46 different markets, hit a record high this week. The rebound in Asian exports is more reason for bullishness.

Structural changes may also be at play in Asia. A much-cited factor behind the slowdown in global trade in recent years has

been China's tightening grip on complex supply chains. As more production takes place inside a single country, fewer cross-border transactions are needed to produce final goods. Yet this consolidation within China is starting to meet more friction. China is still aiming for a bigger share of high-tech industries, but less-developed countries in Asia are scooping up more of its low-end manufacturing, and wealthier markets are also fighting back. Over the last nine months of 2016, China's export performance trailed the rest of Asia.

Nevertheless, there are good

Finance and economics | Bouncing back

Asia's exports rebound

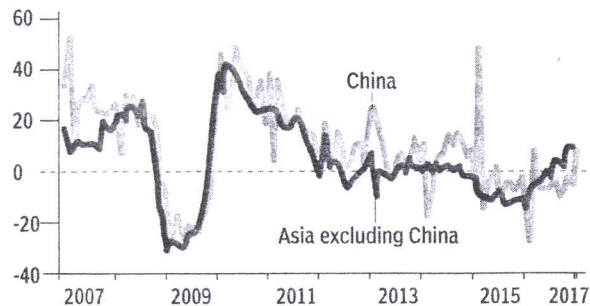
Trade figures augur well for the global economy

China is still aiming for a bigger share of high-tech industries, but less-developed countries in Asia are scooping up more of its low-end manufacturing, and wealthier markets are also fighting back. Over the last 9 months of 2016, China's export performance trailed the rest of Asia

reasons to restrain the optimism. The rebound in exports from Asia's commodity producers such as Indonesia and Malaysia is mainly the result of higher prices for oil and metals. Growth in their trade volumes has been much slower. For Asia's high-tech economies, the rebound's durability hinges on the fickle tastes of consumers. Both Samsung and Apple are expected to launch shiny new gadgets this year. Semiconductor makers around the region have gone into overdrive in anticipation. If demand falls short of expectations, exports of electronics will quickly dive again.

Harnessed to China

Goods exports, % change on a year earlier



Source: WTO

And looming large over all these trends is Donald Trump. Fears that he might declare China a currency manipulator in his first few days in office came to naught. But his threats during the election campaign to slap heavy tariffs on Chinese prod-

ucts still linger in the background. A trade war would be unwelcome at any time. If it came just when the world was breaking free from a long slump in global trade, the irony would be all the more cruel.

© The Economist Newspaper Limited