



# trade slowdown and fragmentation risks

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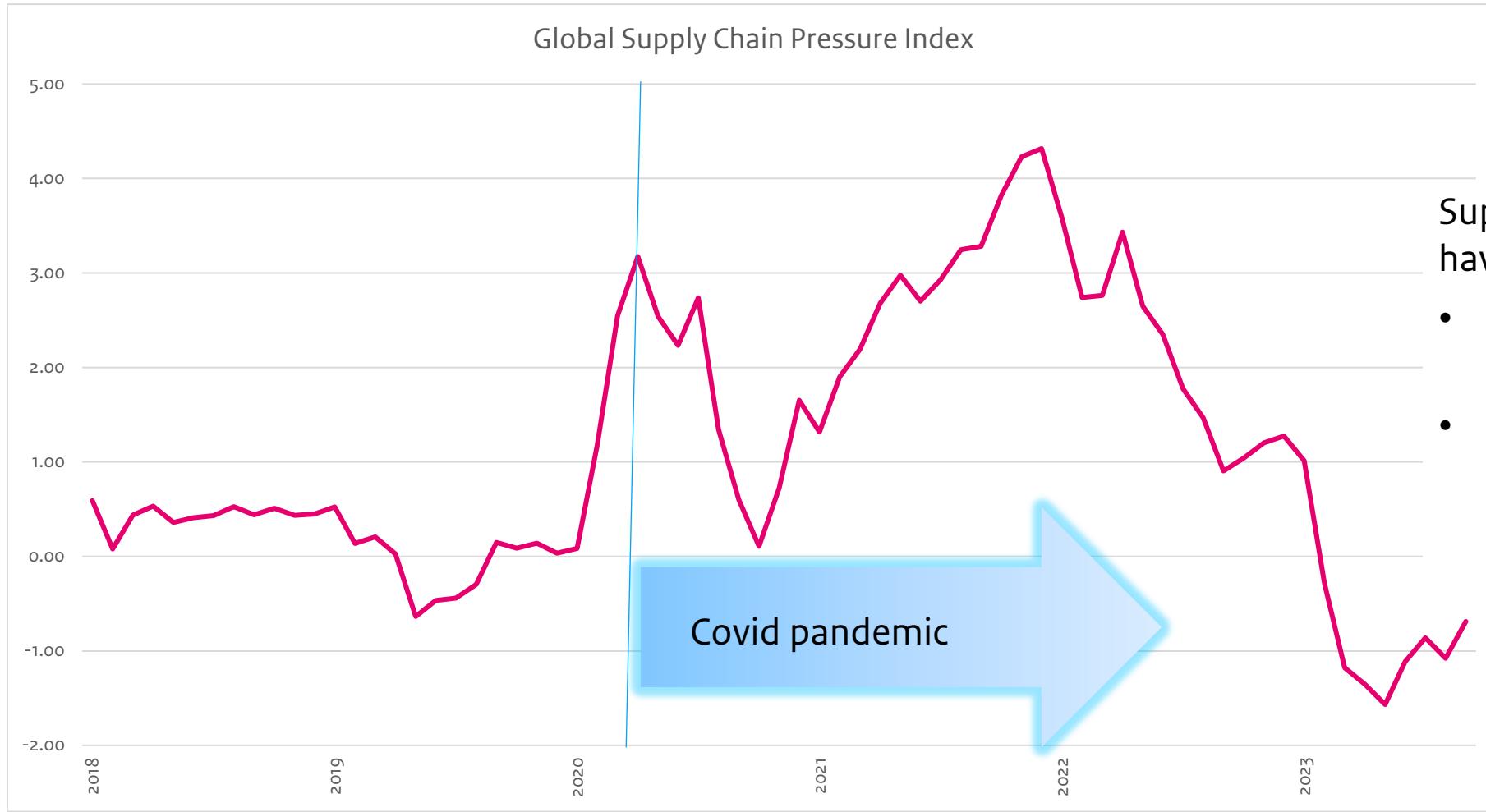
November 2023 - AIECE

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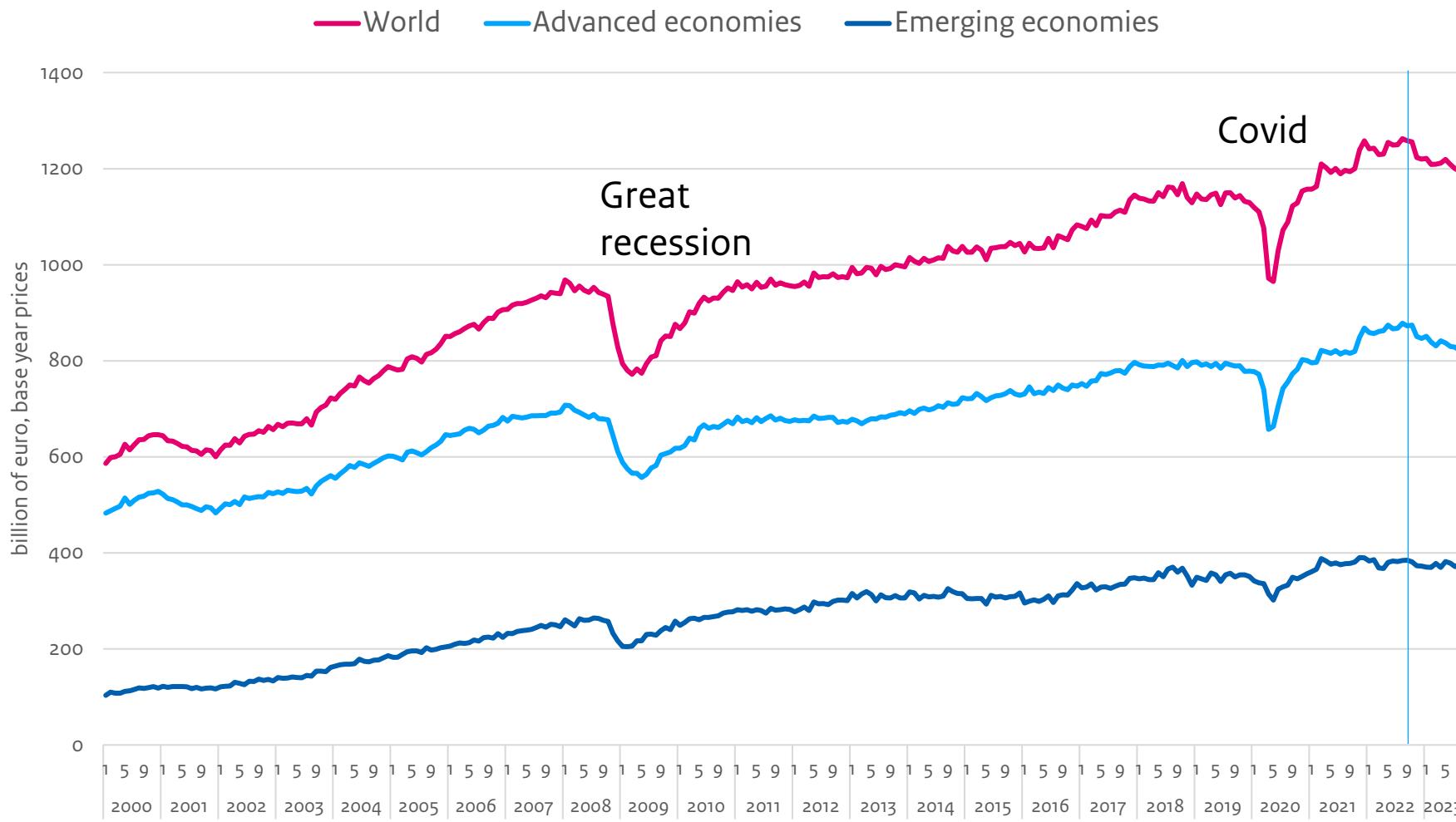
Trade slowdown

# Supply chains have normalised



- Supply chain pressures have eased:
- global demand for goods weakened
  - production capacity improved

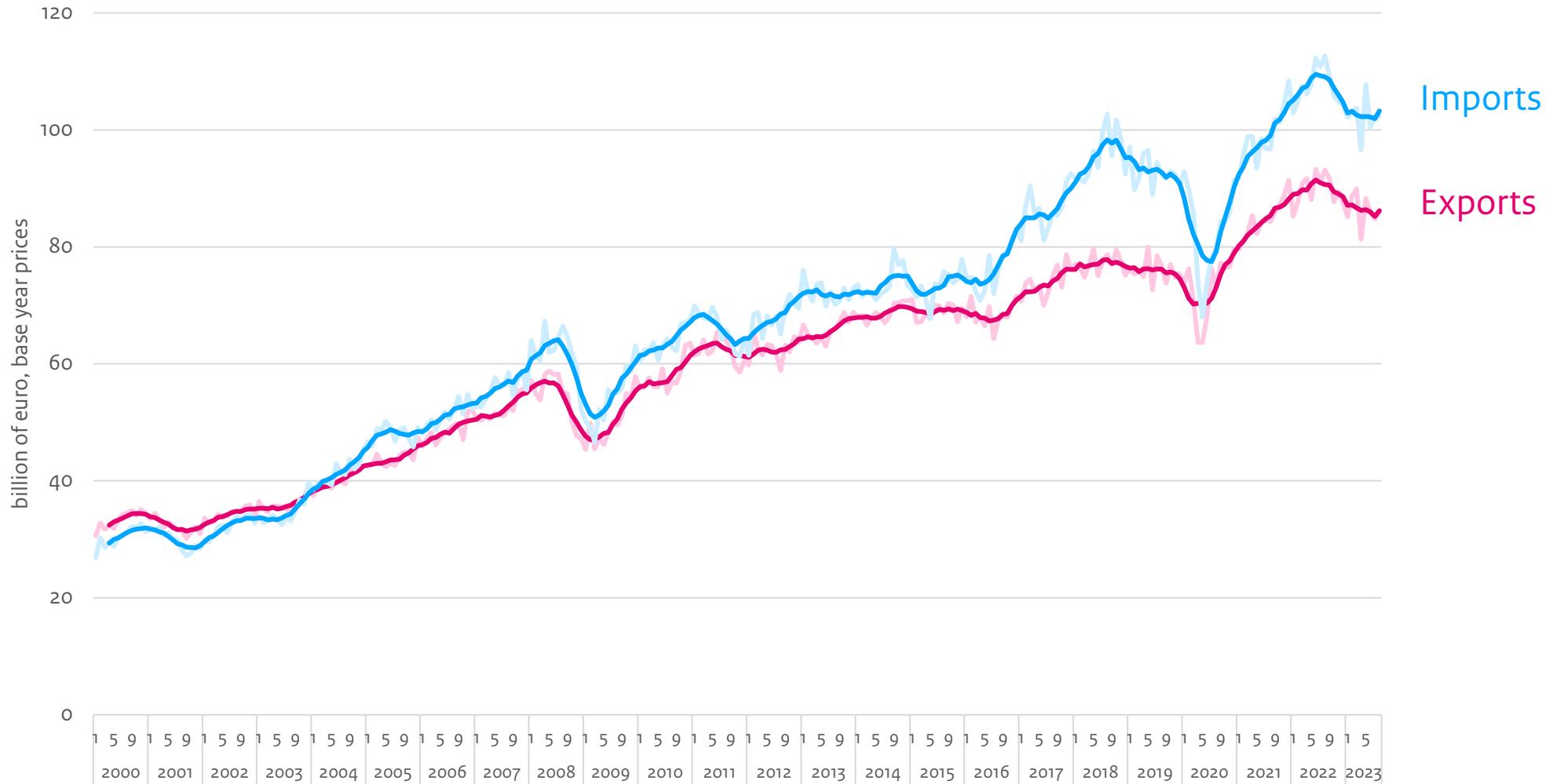
# Trade slowdown: decline in goods trade



- After pandemic trade bounced back strongly
- But since September 2022 world trade in decline

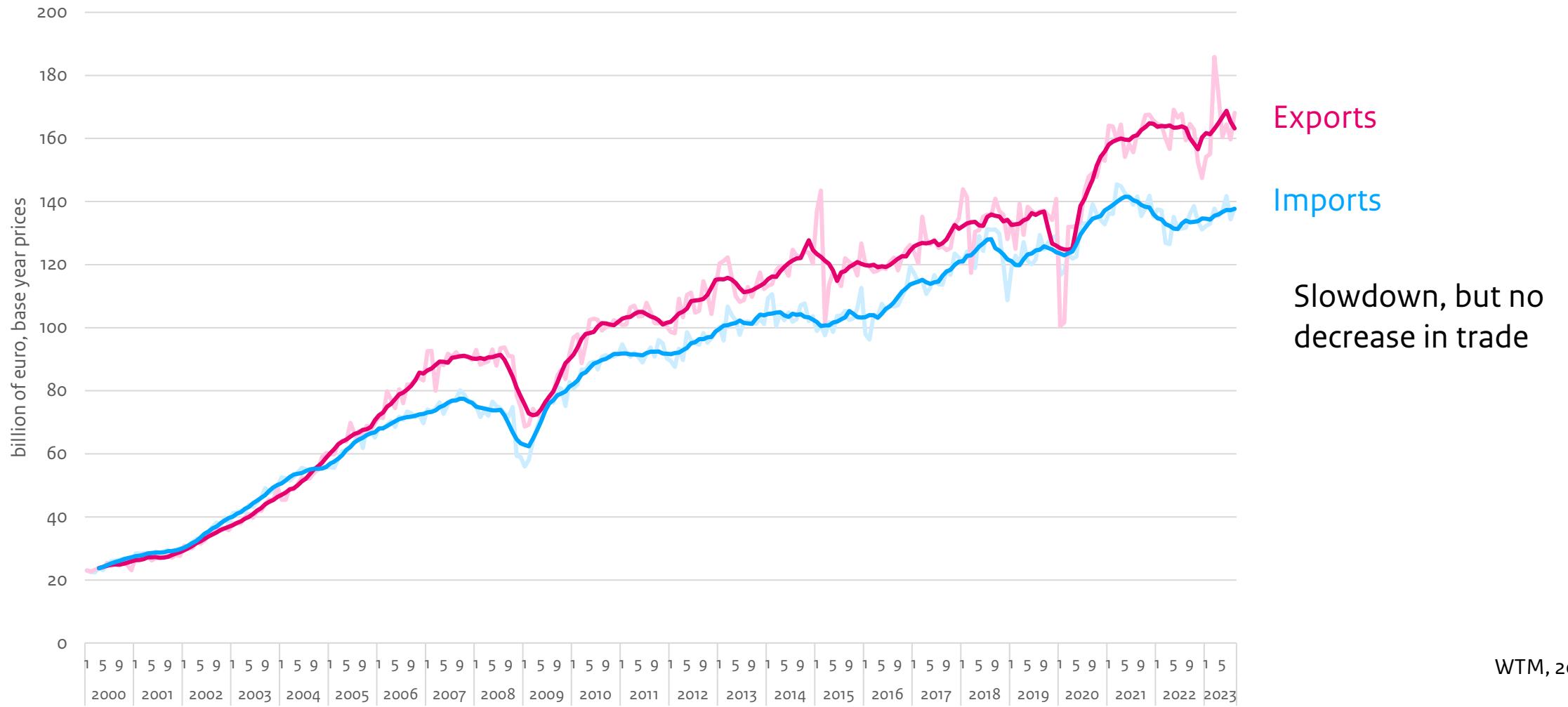
WTM, 2023

# Sharp decrease in emerging Asia excl China

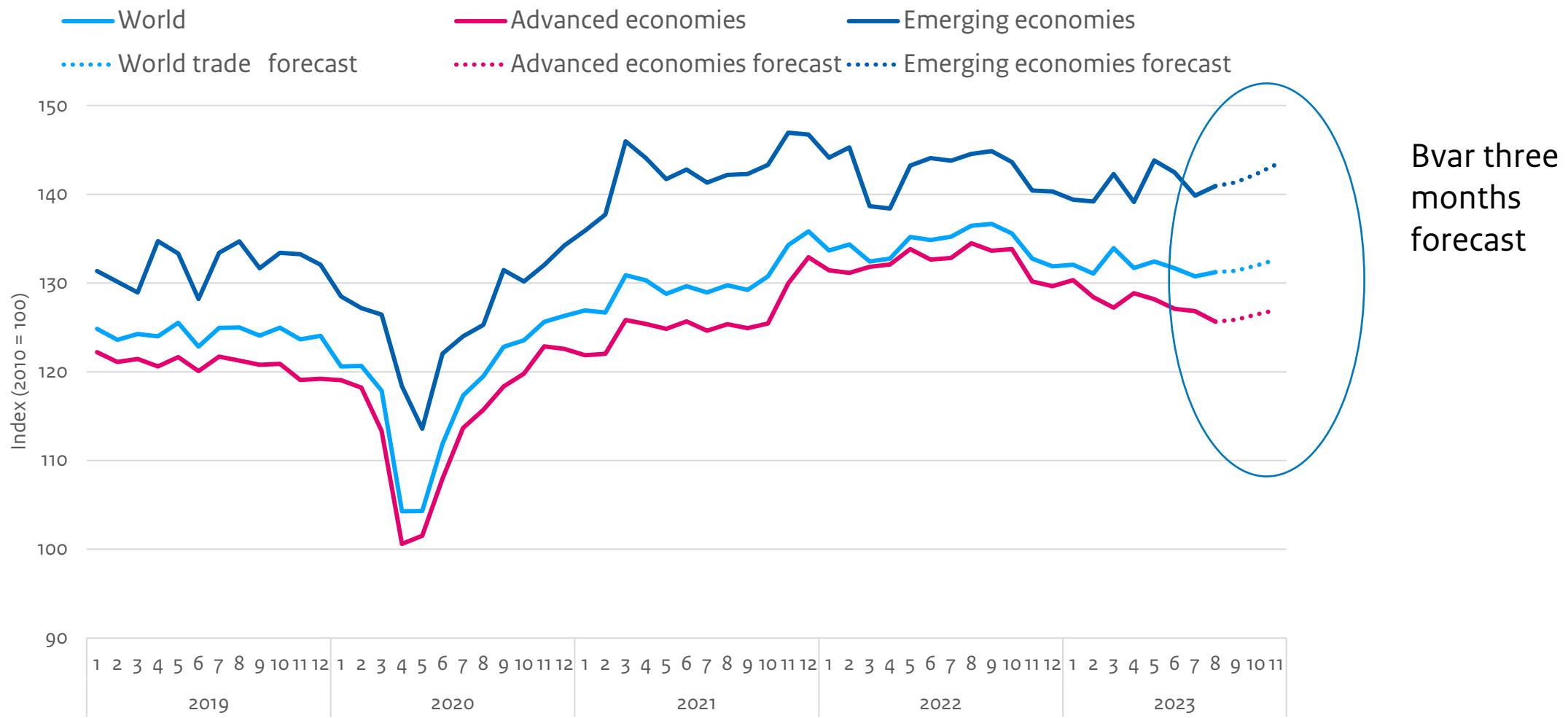


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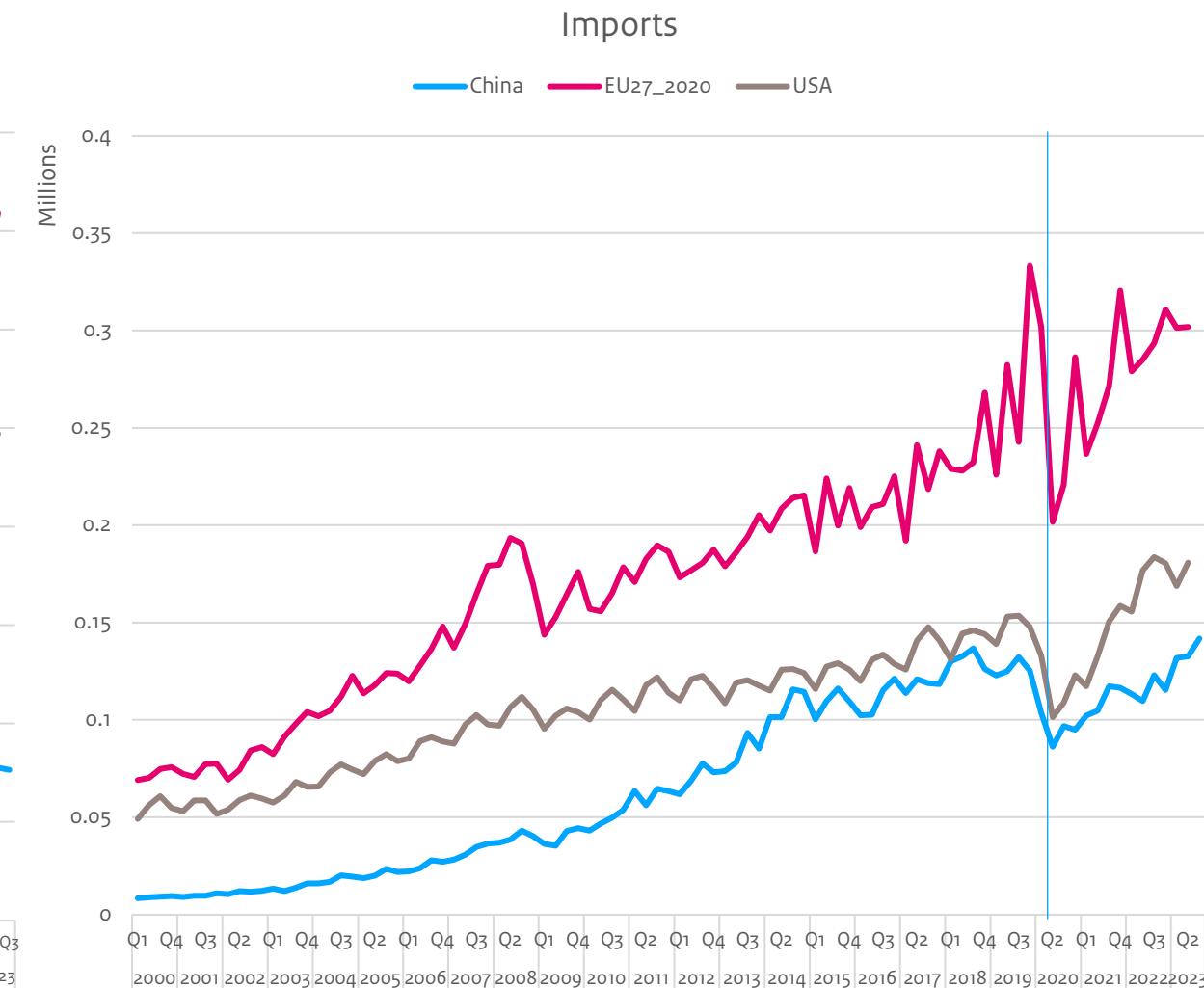
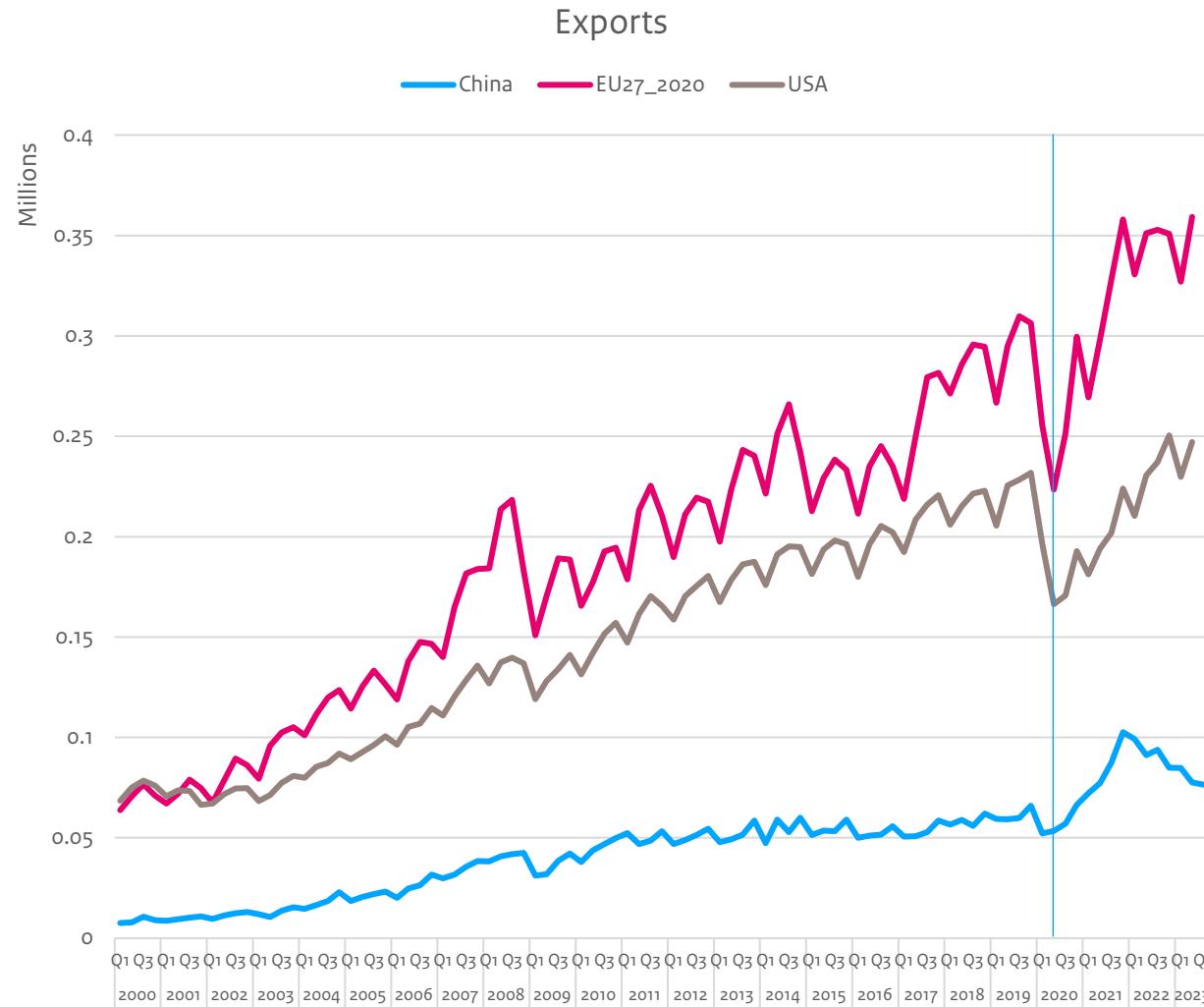
# China still catching up



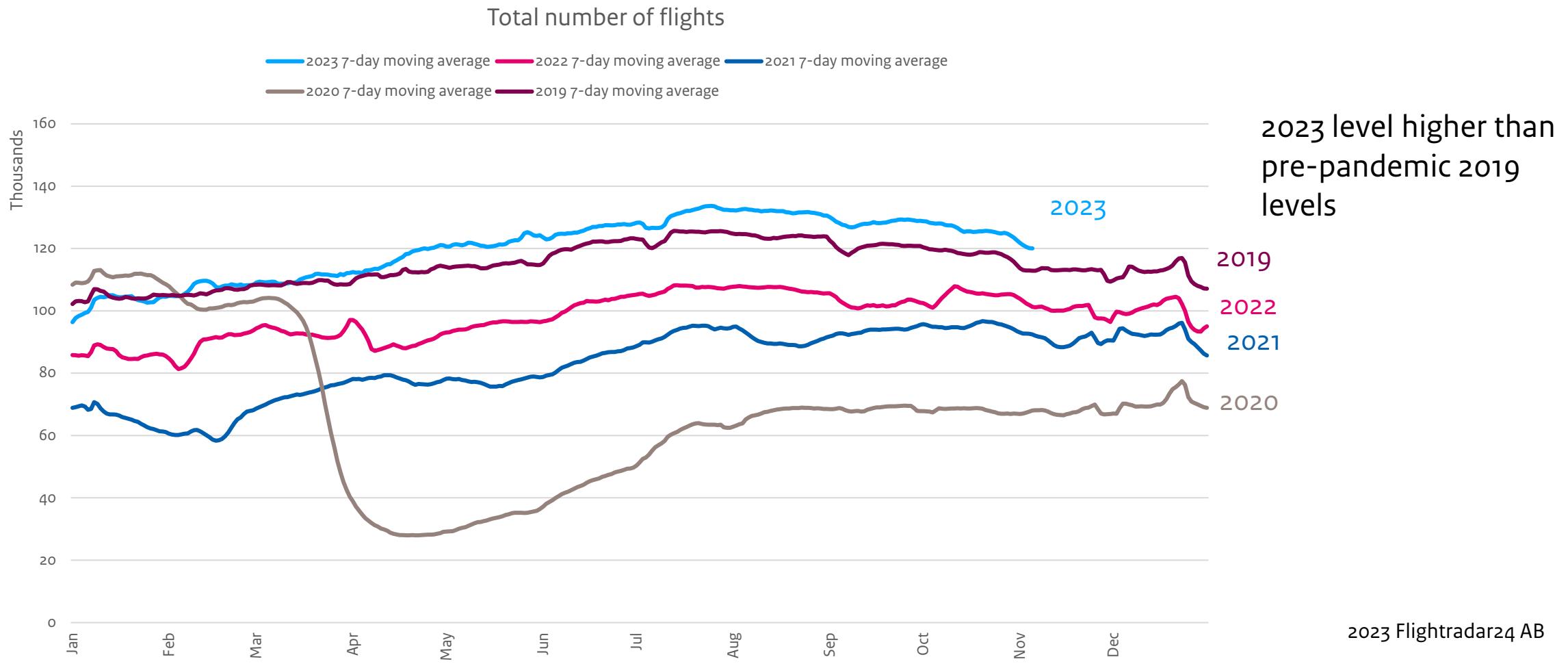
# Return to growth expected



# Services trade on the uptick

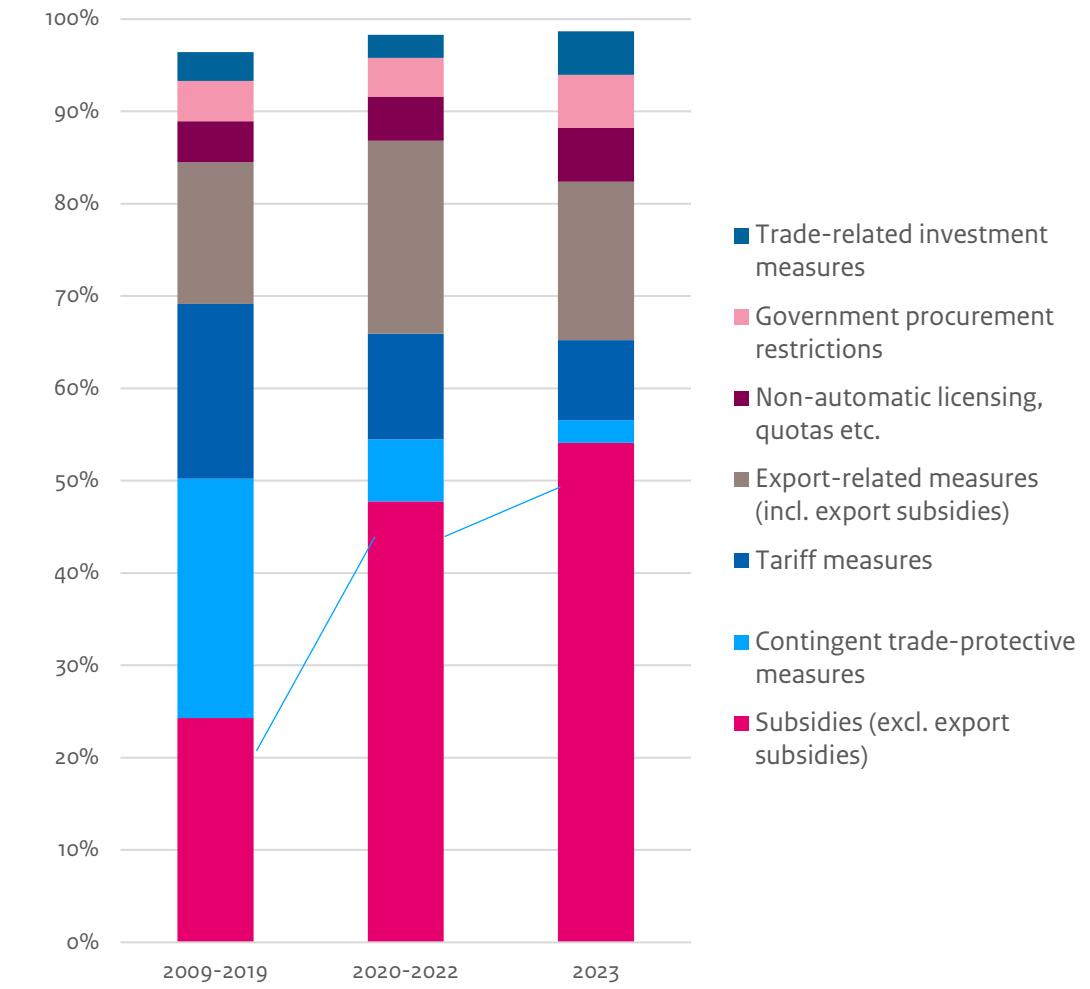
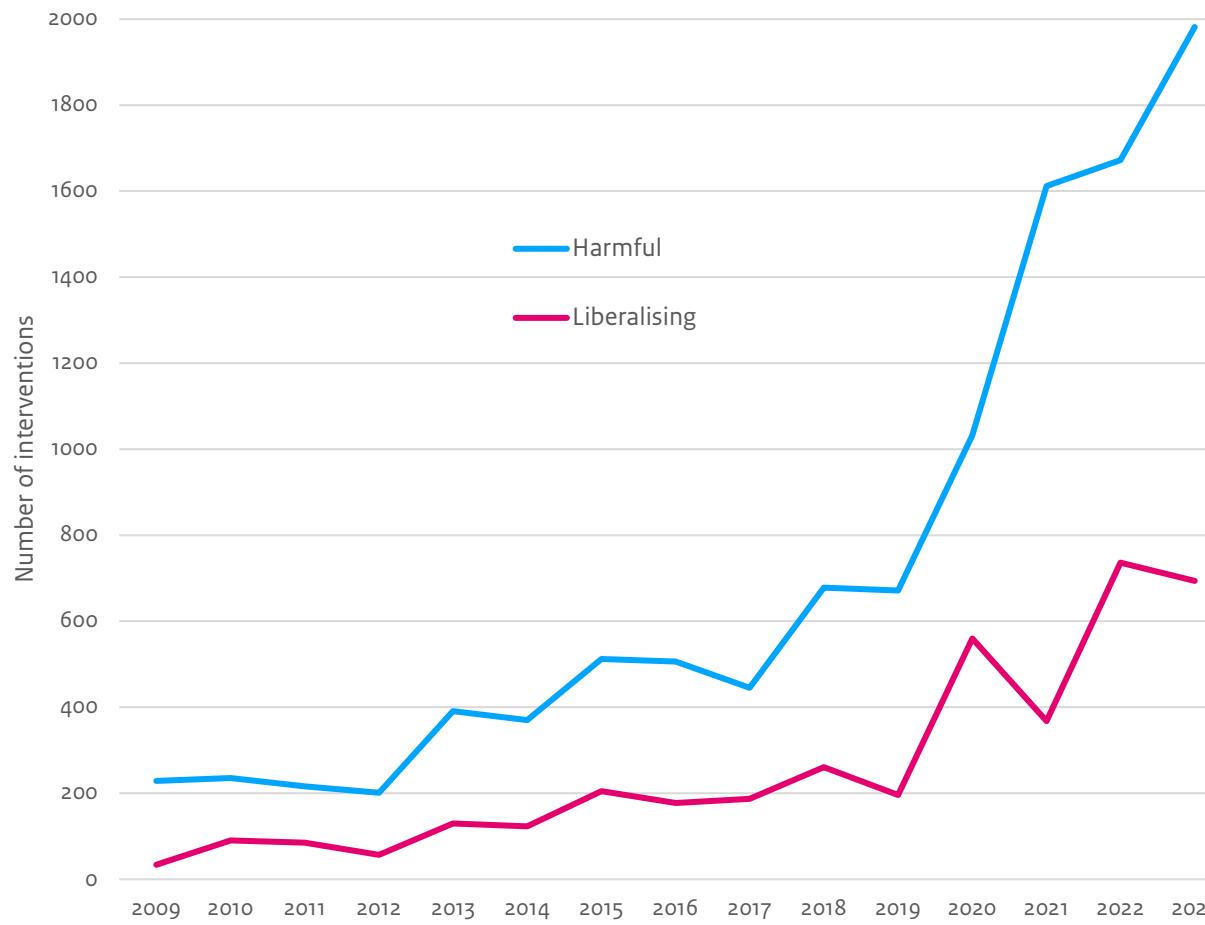


# Services: flights above 2019 levels



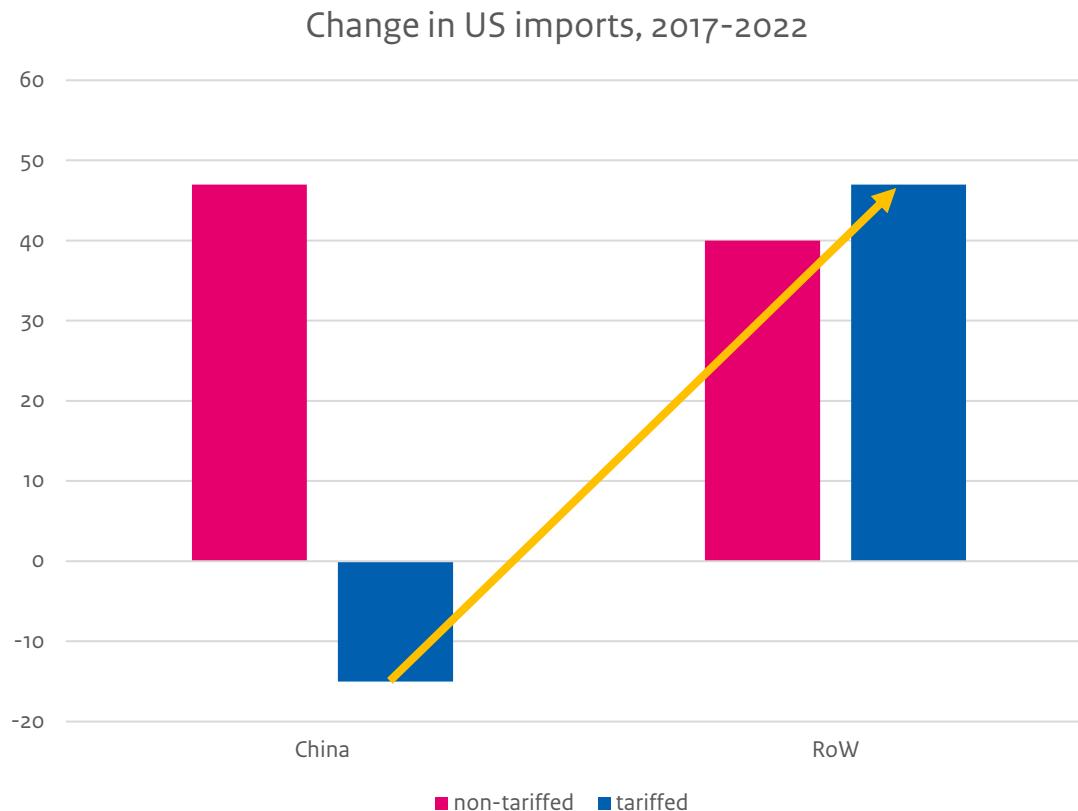
# Fragmentation risks

# Harmful (goods) trade measures: pandemic-related subsidies?





# Effect US-China trade war: more trade diversion

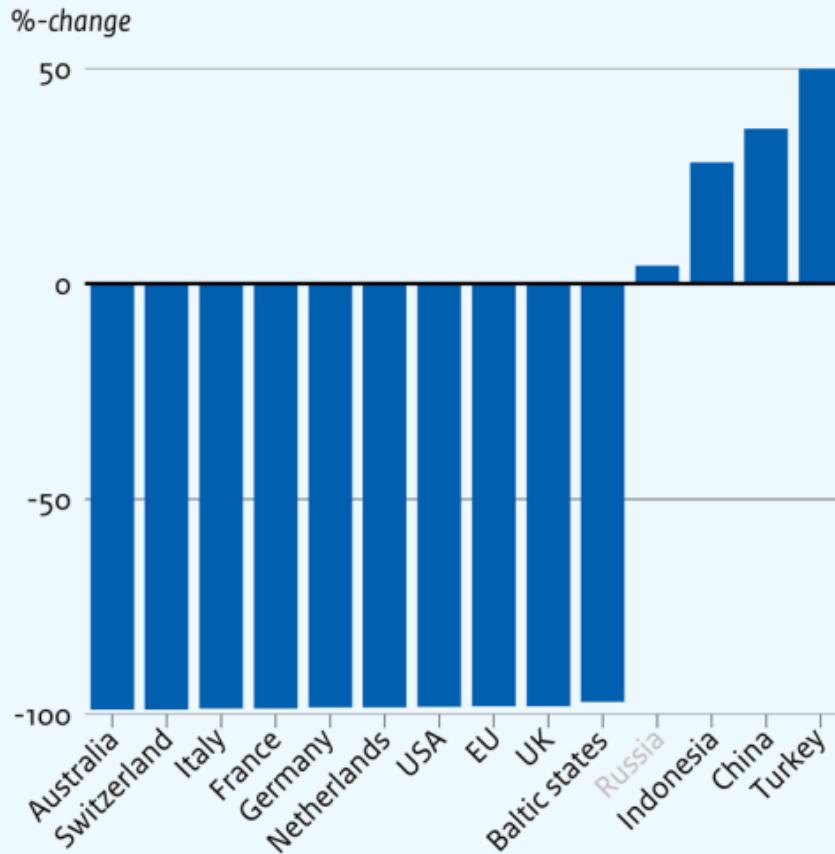


- Trade diversion in tariffed goods, from China to rest of world (e.g. Vietnam)
- Trade growth in non-tariffed goods

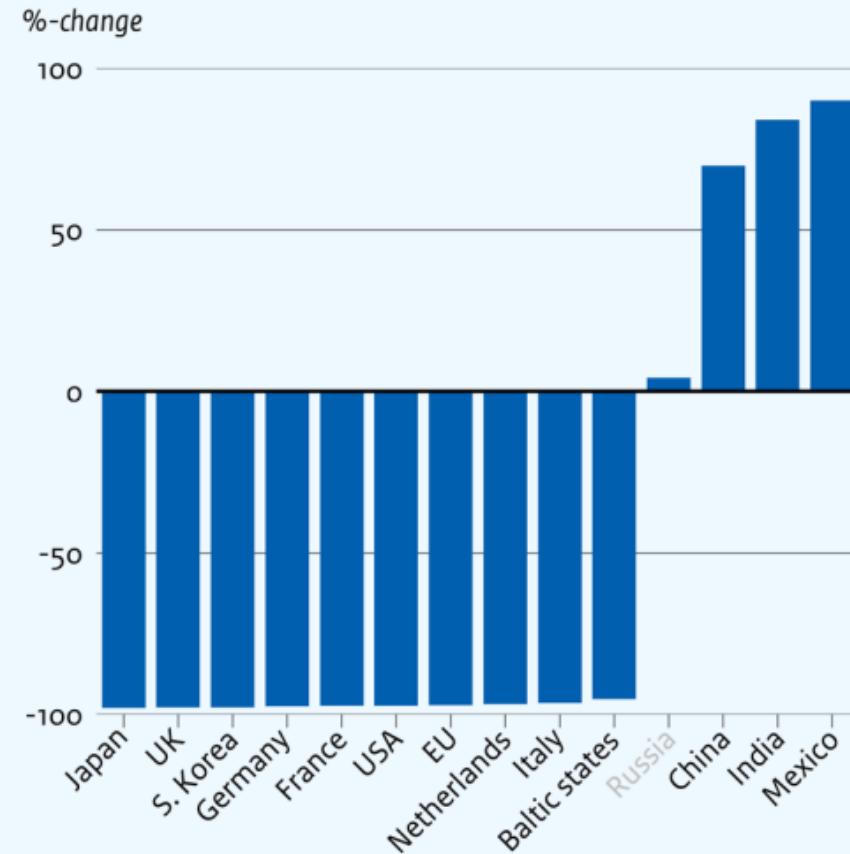
US International Trade Commission.; cited in WorldBank, 2023

# Expected trade diversion after sanctions Russia

Export diversion Russia



Import diversion Russia



Trade diversion:

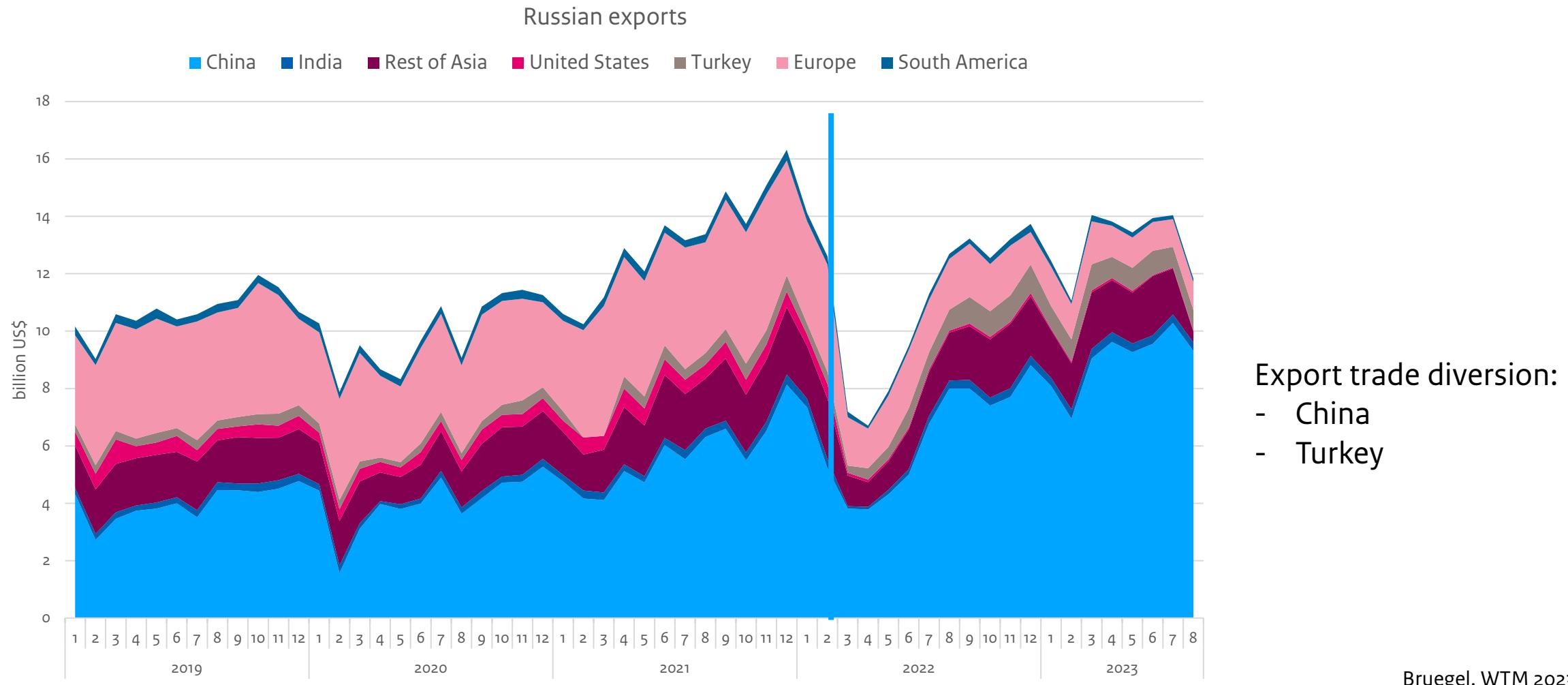
- China
- Turkey
- India

Minor:

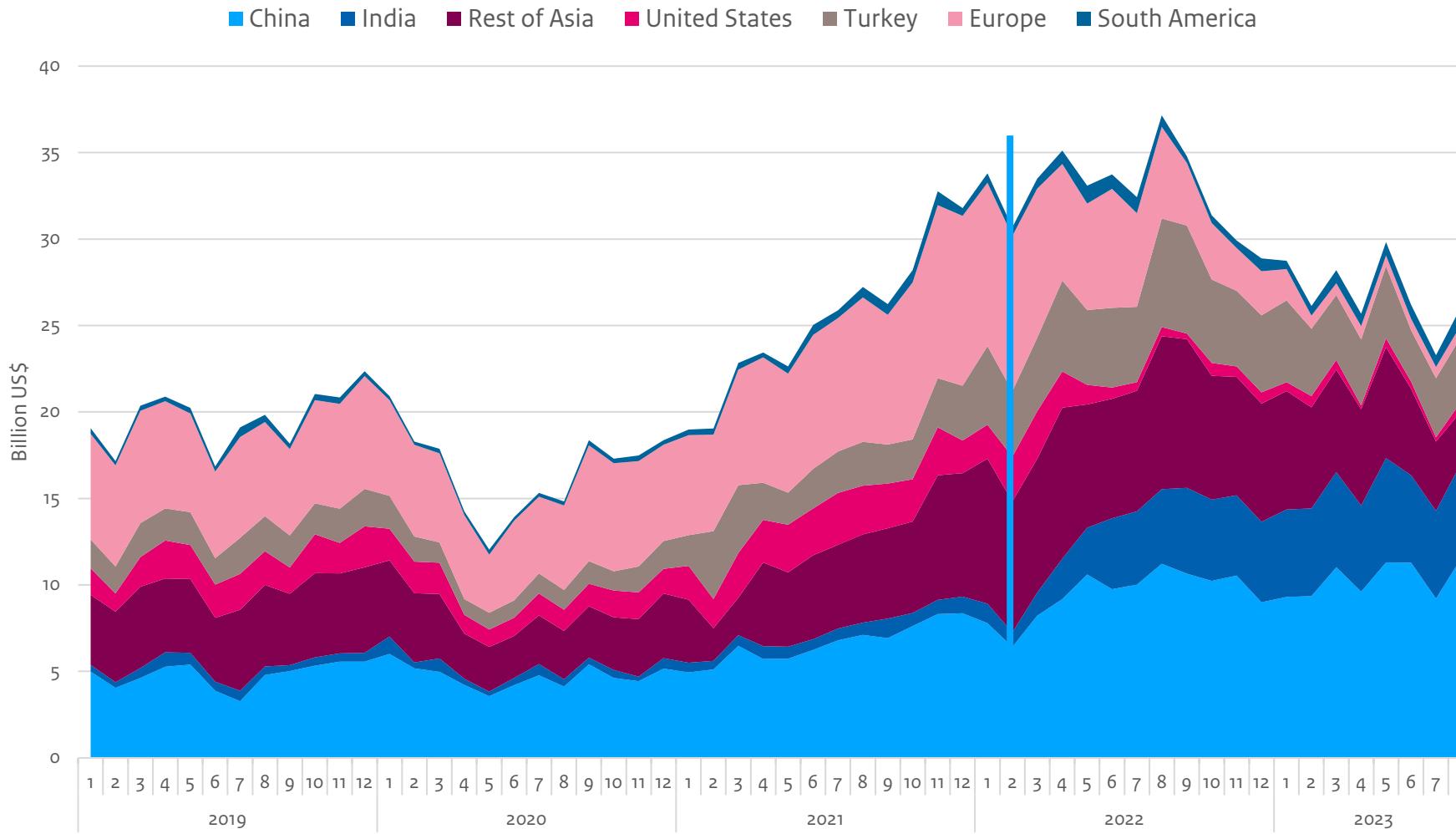
- Mexico
- Indonesia



# Trade diversion and decreased exports



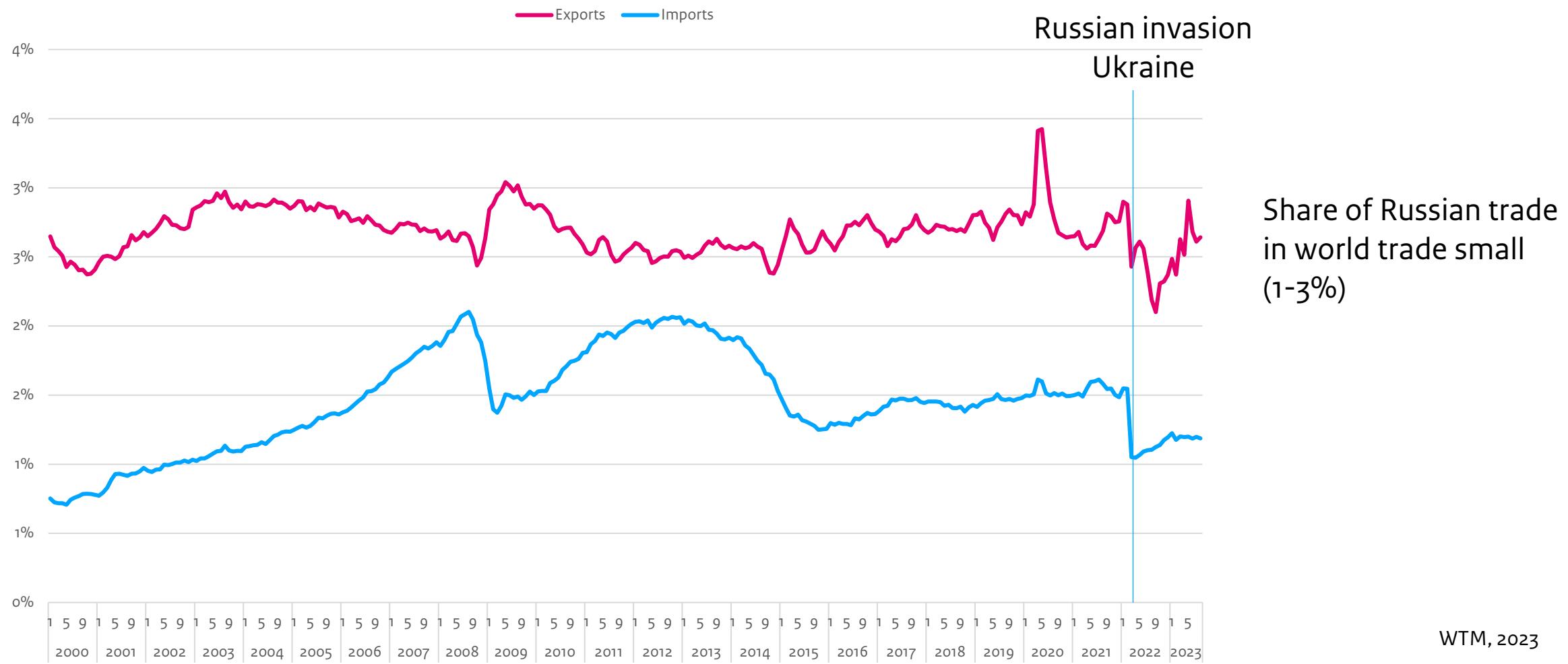
# Trade diversion and declining imports



Import trade diversion:

- China
- India
- Turkey

# Effect sanctions Russia on world trade small



# Key take-aways

- World trade for goods slowdown:
  - ‘Normalisation of trade’?
  - Post-covid reversal; shift from goods to services
  - Subdued macro-economic growth
- Fragmentation risks:
  - Leading to more trade diversification
  - Reconfiguration of supply chains
  - No evidence that it is leading to trade slowdown (yet)

# Centraal Planbureau

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