WORLD TRADE: WAITING FOR THE AUDIT

Since taking office, President Trump has confirmed his threats to raise tariffs, but fears of universal and widespread application have abated somewhat. He will decide whether to carry out his threats once an audit of the United States' trade relations with all its trading partners has been completed, which should be by the beginning of April. Between now and then, and even over 2025 as a whole, the divergence in the trajectory of world trade between advanced countries and emerging and developing countries (EMDs) is set to increase. Trade between EMDs is expected to grow significantly faster in 2025 (5%) than during the 2012-2018 pre-COVID period (+3.9% per annum on average), whereas it will be the opposite for advanced countries. The uncertainty surrounding US trade policy could accelerate the redirection of exports from emerging Asian countries, so that the indirect effects of an increase in tariff barriers may partly compensate the negative direct effects.

Since taking office, President Trump has confirmed his threats to raise tariffs, either to protect US producers or as a means of exerting pressure through his migration and anti-narcotics policies (vis-à-vis Mexico and Colombia).

USE OF THREATS

However, fears of universal and widespread application have abated somewhat. On the one side, the US President has threatened to increase tariffs on Canada & Mexico imports to 25% on all goods, except energy products which would carry a 10% tariff. These threats have been delayed by 30 days following concessions on border security by the two countries. Indeed, D. Trump has put the blame on his USMCA partners, Canada and Mexico mainly on the basis of a national emergency over fentanyl and illegal immigration. On the other side, D. Trump has been more moderate vis-a-vis China than during the electoral campaign as tariff on Chinese imports has been increased so far by only 10%. But he did not refer to any other emerging countries except China on the basis of trade policy.

The US President will only decide whether to carry out his threats once an audit of the United States' trade relations with all its trading partners has been completed, which should be by the beginning of April.

WORLD TRADE AT DOUBLE SPEED

The threat to world trade from an increase in customs tariffs will therefore not be felt until the second quarter. In the meantime, the recovery in trade is set to continue. According to the IMF's January forecasts, world trade is set to grow by 3.2%, following 3.4% in 2024. The Fund's economists have revised their forecast slightly downwards compared with October, precisely to take account of the uncertainty surrounding trade policy. But this uncertainty is assumed to be transitory, as the IMF's central scenario does not currently envisage a widespread increase in US tariffs, let alone a drift towards a trade war.

The divergence in the trajectory of world trade between advanced countries (ACs) and emerging and developing countries (EMDs) is set to increase. Trade for EMDs is expected to grow significantly faster in 2025 (5%) than during the 2012-2018 pre-COVID period (+3.9% per annum on average), whereas the opposite is true for ACs (2.1% compared with 3.4% per annum on average over 2012-2018). There are two reasons for this.

Firstly, regardless of the uncertainty surrounding US trade policy, trade growth will remain sluggish for the Eurozone and the UK (less than 2%).

Secondly, the uncertainty factor could backfire on the United States because of the dollar's overvaluation, which will largely neutralise the supposedly positive effect of tariff hikes to protect the «Made in America» project. Conversely, the uncertainty surrounding trade policy could accelerate the redirection of emerging economies' exports. In this respect, emerging Asian countries excluding China would be the main beneficiaries.

EMERGING ASIA TRUMPS ALL OTHER... AGAIN

Already, in 2024, the region's exports were buoyant (+6%), benefiting from the strong ripple effect exerted by Chinese exports, which grew by more than 10%.

According to the Purchasing Managers' Index (PMI), the majority of manufacturers' opinion indexes on their export orders are above the threshold of 50, and significantly higher than over the 2012-2018 period. In India, the index even hit an all-time high in January.

China is the exception, with an index below 50 and down sharply in January. No doubt that the 10% increase in US tariffs on Chinese products, if implemented, would act as a brake on intra-regional trade.

However, ASEAN countries have been able to take advantage of the trade tensions between China and the United States since 2018. In their October regional report on the Asia-Pacific region, IMF economists showed that, for several ASEAN countries, exports of products targeted by an increase in tariff barriers (from the US on Chinese products, from China on US products, and from China or the US on products from other parts of the world) grew faster than exports of non-targeted products (i.e. relative gains in market share), notably because exports of targeted products were redirected to third markets other than China and the US. It should be remembered that these positive redirection effects have gone hand in hand with the intensification of Chinese foreign direct investment in the region as a whole in recent years. All in all, unless Donald Trump decides to raise tariffs on all the countries in the region, the indirect effects of an increase in tariff barriers could partly compensate the negative direct effects for Asian countries.

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