Don’t overstate political threat to AP growth: Deloitte

Deloitte’s biannual publication Voice of Asia suggests the region’s markets should be resilient over the rest of 2019 despite trade tension

Voice of Asia, the new edition of Deloitte’s biannual publication exploring economic prospects for the Asia Pacific region, suggests it would be a mistake to overstate the dangers of trade tensions.

Although the region’s markets and economies have lost ground this year, the report suggests, they have done so from a position of strength. Moreover, even if trade tensions do worsen, there have been some positive developments for the regional economy, and policymakers have short and long-term measures at their disposal to ensure conditions do not worsen.

Deloitte Chief Global Economist Ira Kalish explains, “On the trade front, I am concerned that continued imposition of trade restrictions, and uncertainty about future trade relations, will have a chilling effect on investment, a negative impact on trade flows, and a disruptive impact on supply chains. Absent a reduction in such tensions, the trade war could be an opportunity to implement reforms that boost productivity. It will also likely result in Asian countries seeking to boost trade relations with countries other than the United States.”

When it comes to US-China trade, the report argues that China can do more to ease concerns.

“The risks of a global economic downturn have risen,” says Deloitte China Chief Economist Sitao Xu. “This means China needs to separately address short-term issues such as trade imbalances and market access, and long-term factors such as the effect of industrial policies and perceived forced technology transfers. Happily, it is already showing signs of moving in the right direction.”

“The ASEAN economies will continue to benefit from supply side reforms to improve the ease of doing business, increasing their competitiveness. Add in the surge in spending on infrastructure, and the Southeast Asian economies look well-placed to resist external shocks,” concludes Manu Bhaskaran, Founding Director and CEO of Centennial Asia Advisors, a main contributor to the report.

The report suggests several options on the policy front, including tariff cuts – although these might risk friction between China and its other trading partners in Asia – and relaxed requirements for Sino-foreign joint ventures.

As well as an overview of the biggest issues facing Asia Pacific economies, Voice of Asia also includes Deloitte’s latest, comprehensive forecasts for the economies of China, India, Southeast Asia, Singapore, Japan and Australia.

Access the full report : https://www2.deloitte.com/insights/us/en/economy/voice-of-asia/03-2019.html