

World trade - a glimpse of the future

As the trade war has dragged on, firms are taking measures to insulate themselves from higher tariffs and uncertainty



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World trade in goods is on course to have fallen in 2019, data released [today](#) by CPB Netherlands show. If confirmed next month – and it would take unprecedented growth of 5.9% in December to get 2019 back into the black – this will be the first time goods trade volumes have fallen on year since 2009. The fall in volumes, likely to be around 0.5%, is noteworthy because industrial production, while faltering, still managed low positive growth in 2019. In recent years trade has roughly kept pace with economic growth, but in 2019 the relationship has faded.

We have seen some trade flows diverted around the trade war tariffs – China importing soybeans from Argentina, factories [moving](#) from China to Vietnam to serve US markets – allowing business as usual to continue while the trade war has progressed. But it's possible that as the trade war has dragged on, firms have begun to substitute some domestic production for imports. Looking at the regional data, it is China where growth in production and international trade have really parted ways in 2019. The shift to less imports-intensive production there is a longer-term trend given extra impetus by the trade war.