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Trading Through Uncertainty

Trade, value chains, and regional cooperation in Asia and the Pacific

RCI Conference, Panel 1

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ADB



Headwinds have multiplied and moved beyond tariffs

Tariffs

US–PRC escalation from 2018; US tariffs since 2025, with their legal basis changed three times in 18 months

Export controls

Advanced chips and chipmaking tools since 2022; PRC controls on gallium, germanium (2023) and rare earths (2025)

Industrial policy

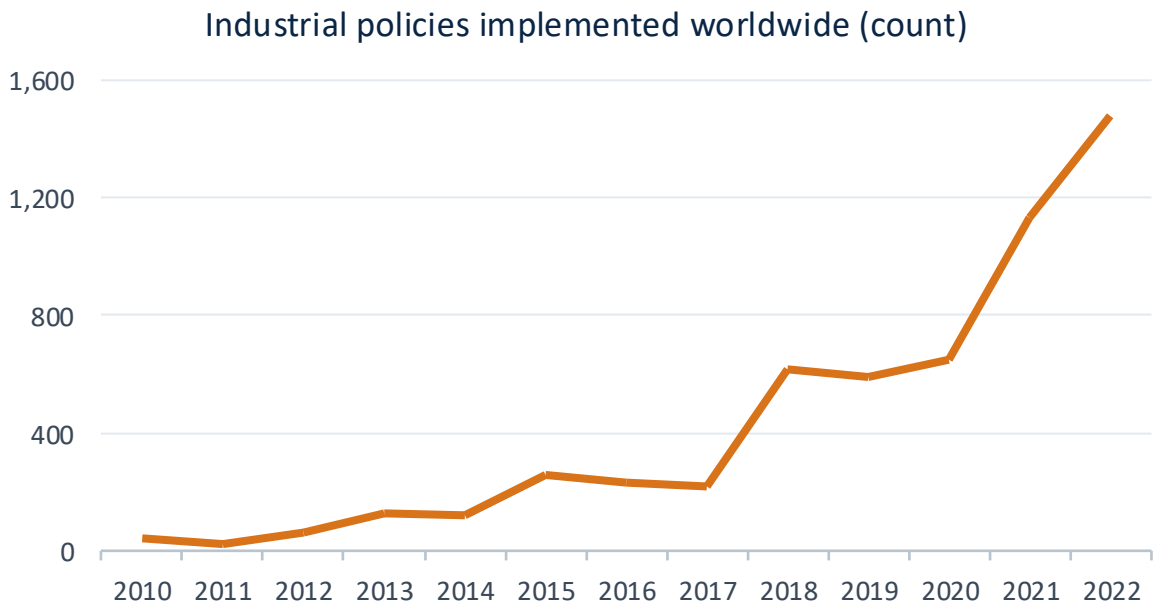
Subsidies and local-content rules aimed at semiconductors, batteries, clean tech and resilience

Climate and standards

Carbon border adjustment (EU CBAM definitive phase from 2026), traceability and due-diligence rules

Conflict and chokepoints

Sanctions after 2022; Red Sea disruption in 2024; Strait of Hormuz closure in 2026



>2,500

industrial policy measures in 2023, two-thirds trade-distorting

>5×

rise in export curbs on critical raw materials, 2009–2023

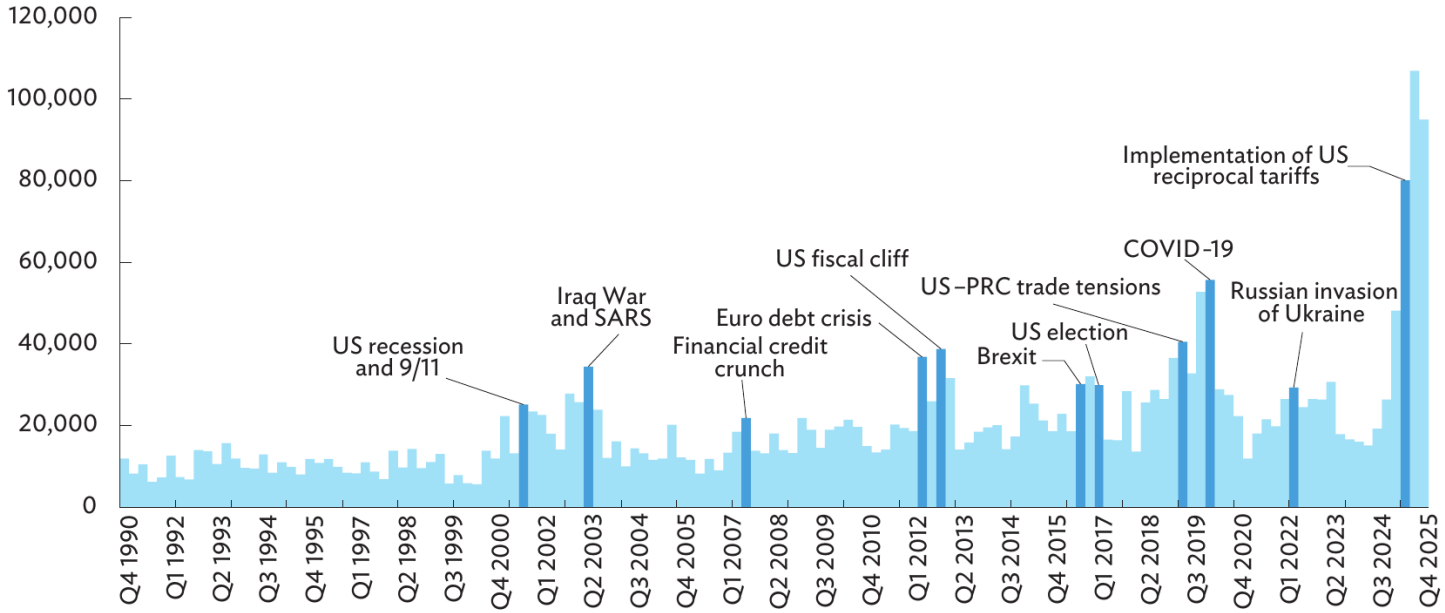
11.8%

of world imports covered by import restrictions in force (2024)

2 Sources: Juhász et al. (2025), as shown in ADPR 2026; IMF (2024) using Global Trade Alert; OECD Inventory of Export Restrictions on Industrial Raw Materials (2025); WTO trade monitoring (Dec 2024).

Uncertainty has risen to unprecedented levels

World Uncertainty Index (average across 143 economies)



A record high

The index in 2025 was roughly double its COVID-19 peak, driven by tariff and wider policy uncertainty.

No longer the calm region

Asia recorded lower uncertainty than elsewhere through the 2010s, but since COVID-19 has tracked the global pattern.

It moves with trade

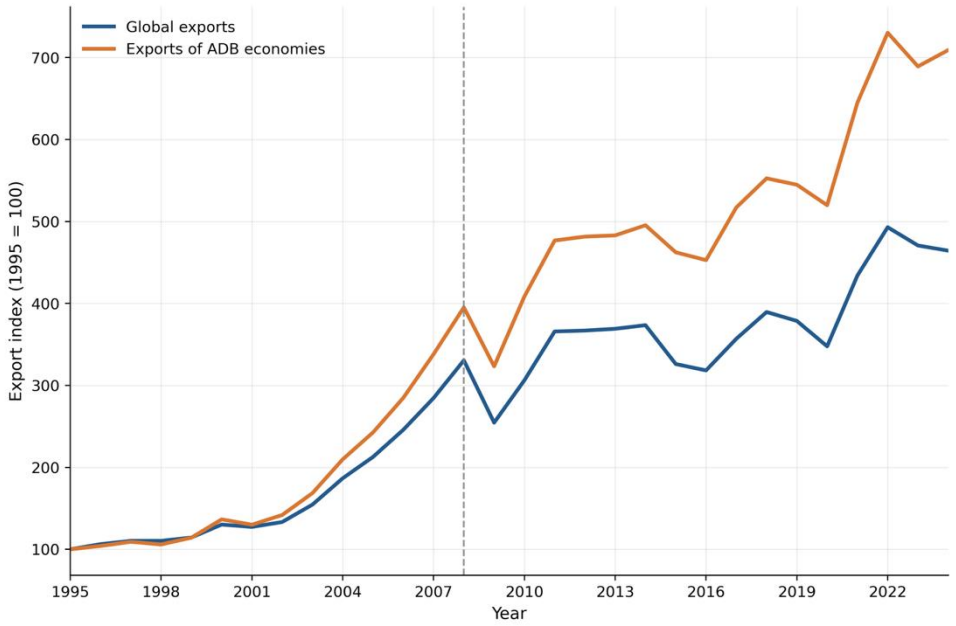
Periods of heightened uncertainty have coincided with slower or negative trade growth in Asia and the Pacific.

Source: AEIR 2026, using the World Uncertainty Index (Ahir, Bloom and Furceri 2022).

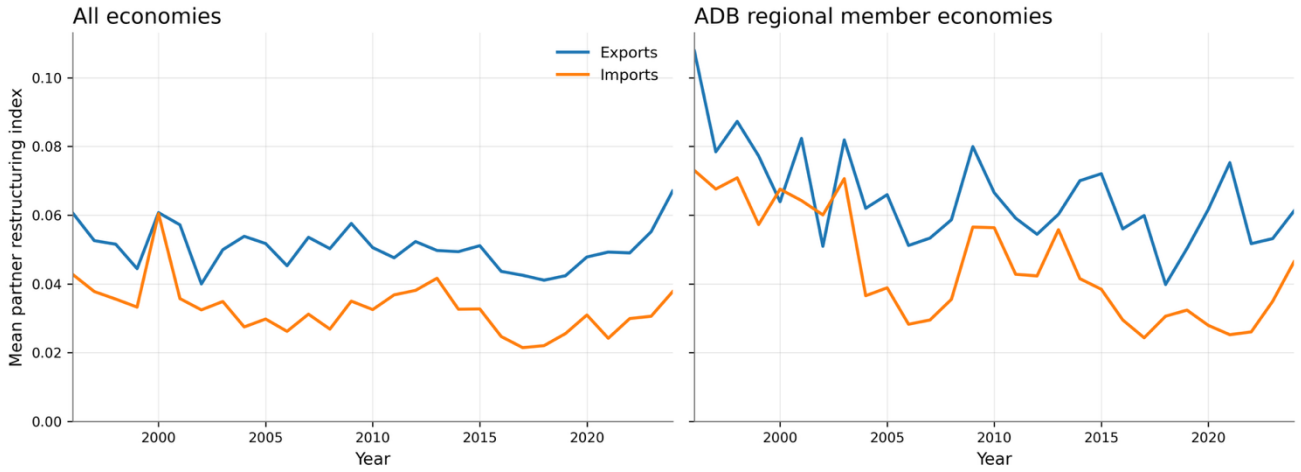
3

Trade is reconfiguring, not retreating

Merchandise exports, 1995 = 100



Partner restructuring index (higher = more reshuffling of trading partners)



Reshuffling of partners has picked up since 2018; globally, export restructuring reached its highest level in 2024.

10.7% → 3.7%

ADB members' annual export growth before vs after the GFC: still growing, but slower and more volatile

15 of 27

economies with more than half of forward GVC trade inside the region; regionalization rose in most

71%

of world AI-related exports from six Asian economies: the boom is reinforcing existing hubs

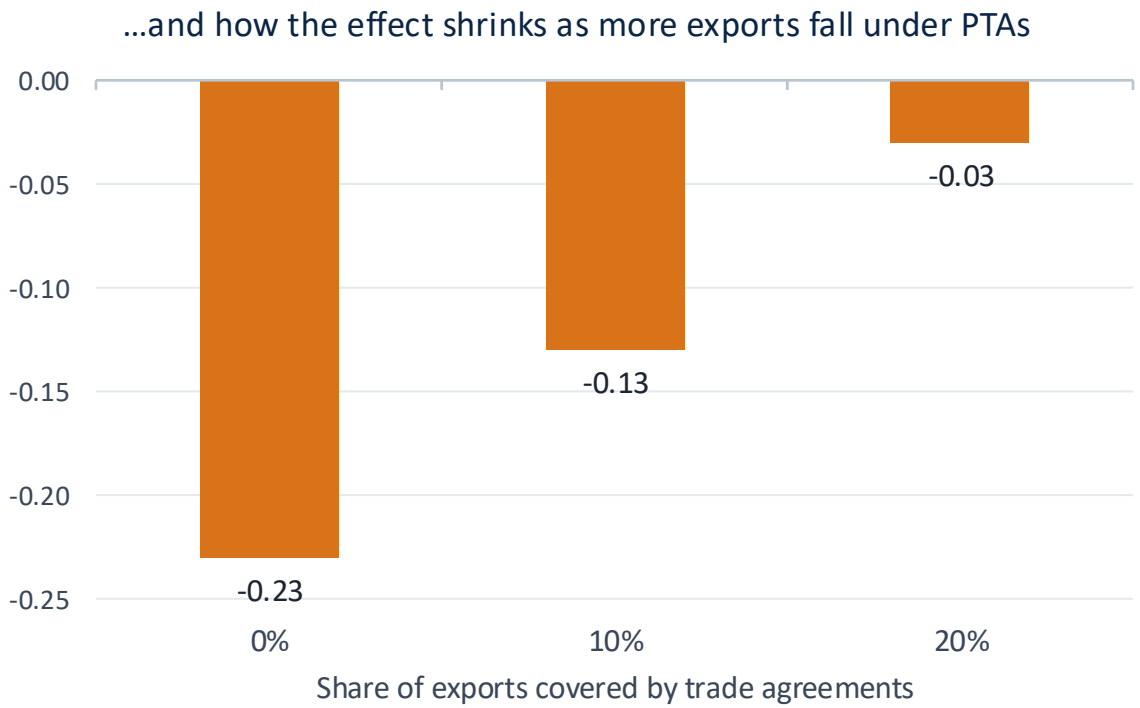
Redirected

after the 2025 tariffs: US export shares fell for the PRC and rose in parts of Southeast Asia; concentration barely moved

4 Source: AEIR 2027 draft, using CEPII BACI and ADB MRIO data.

Uncertainty is costly; trade agreements cushion it





~3% vs ~20%

trade boost from Asian vs non-Asian agreements: shallower, overlapping and underused

55% vs 60%+

share of exports within agreements: ADB members vs the world (under 15% in 2000)

Diversify

concentrated exporters face more uncertainty and more volatile exports

5 Sources: AEIR 2026; AEIR 2025; AEIR 2027 draft.

Resilience is built before the shock

Economies more reliant on imported inputs lost more output

Each bar: how much further below its pre-shock trend GDP was two years after the shock in the most import-reliant economies, compared with the least import-reliant (percentage points)



Import reliance = backward GVC participation (use of foreign value added in production), measured the year before each shock. Most vs least reliant = top vs bottom of the distribution across about 60 economies, controlling for income and region.

Source: AEIR 2027 draft.

Reshuffling didn't speed recovery

Across four shocks, over 99% of trade changes happened within existing relationships, shifts were often reversed, and economies that reshuffled more did not recover faster.

Regional integration cuts both ways

It supported recovery after the GFC, a shock from outside the region, but offered less protection when shocks hit regional production and supply.

Openness beyond the region matters

Regional integration works best alongside strong links outside the region, as RCEP and CPTPP enlargement now offer.

Where regional cooperation and integration comes in

RCI in trade and value chains: building options before they are needed, and keeping them open

Keeping trade flowing

Connectivity, trade facilitation and standards as regional public goods

How can landlocked and remote economies reach markets reliably?

Making agreements count

From a dense web of PTAs to usable market access

Why do so many preferences go unused?

Anchoring open rules

Open regionalism alongside the multilateral system

What can the WTO still do for smaller economies?

Managing shared exposures

Concentrated sourcing of critical inputs and strategic goods

What can be done collectively, not just nationally?

Widening options

Investment and capabilities to move into new products and markets

What turns trade and FDI into upgrading?

Sources: AEIR 2027 draft (policy section); ADPR 2026, Section 5.7.