

Preface

Trade has always been a cornerstone of connectivity between nations around the world. However, the world order which was established after the second world war, based on the ideals of multilateralism, the rule of law, market economy and free trade, is undergoing massive shifts and facing a multitude of challenges.

Since early 2018, rising trade tensions have become a major cause of geopolitical volatility. With the US imposing three rounds of tariffs on more than \$250bn worth of Chinese goods, we witnessed China retaliating by imposing tariffs ranging from 5% to 25% on \$110bn of US products. The escalating US-China tension over the last few years has not only contributed to market uncertainty but has also led many to question if multilateralism is slowly giving way to preferential trade deals, leading perhaps ultimately to the decline of multilateralism.

While it has been repeatedly pointed out that the US runs a large deficit with China and it is quite well known that China has over the years flouted many global rules of trade and exchange rate management, an attempt to rectify this by raising tariffs on Chinese goods is not the best way forward. Furthermore, the US attempt to isolate China is virtually impossible as the Chinese government's Belt and Road Initiative now involves around 126 countries and 29 international organisations.

While the temporary truce between the US and China in the recent G20 meeting has given cause for optimism, just days after the truce, Europe became the new target of US trade policies. The US proposal of new tariffs on EU goods worth \$4bn covering 89 products could be seen as an intensification of the trade fight with the EU over aircraft subsidies. The US has been locked in a dispute with the European Union for years over two of the largest airplane manufacturers. As the escalation of trade tensions comes just after the truce with China, there is a growing sense that the danger of departure from multilateralism still looms ahead.

This departure from the multilateral trade system would have pernicious long-term effects and would lead to the creation of a complex web of trade barriers erected, which will affect global economic growth and prosperity. Without US support for open market principles, and the divergent interests of economies and trading blocs, countries are facing a major choice between openness and isolation, between the belief in win-win cooperations or a zero-sum game. The need for global economic and trade cooperation has never been greater.

It is important that nations strengthen their ties and uphold multilateralism and the rules-based free trade system. Europe and Asia as "natural partners" have a common interest in preserving a rules-based, cooperative and international system where multilateral organisations are the natural fora for achieving common objectives.

In this issue of *Panorama*, we focus on the economic and trade connectivity between Asia and Europe. Our authors not only look at the US-China trade war but also provide an overview of Asia-Europe relations in the age of rising uncertainty, including the development and implications of the Asia-Europe connectivity strategy and the Belt and Road Initiative. The impact of regional blocs on trade relations between Asia and Europe is also elucidated. Aside from the various multilateral and bilateral trade deals, the articles also look at other issues such as currency swap and bilateral agreements which help to forge a common bond between Asia and Europe.



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