

WORLD DISRUPTIONS & IMPACT ON DEMAND IN ASIA

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2024 APAC Forum
French Foreign Trade Advisors

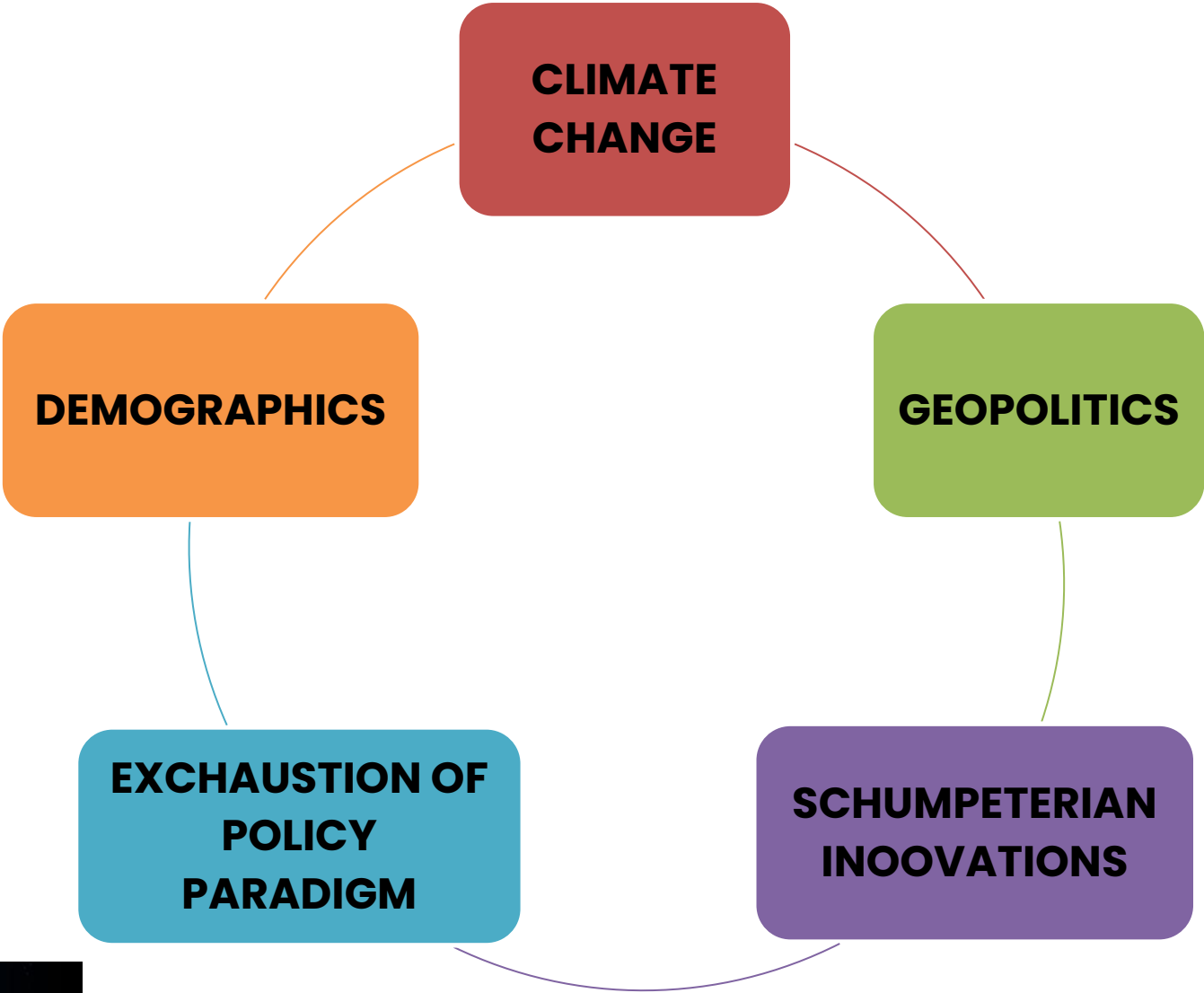
Copil



November 27-29, 2024
New Delhi, India

Challenges and opportunities for French businesses
in the Indo-Pacific region

A convergence of five major trends having disruptive worldwide impact



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These tectonic changes have the capacity to disrupt demand, production and trade, and 4 out of 5 imply a multiplication of Expected But Unpredictable (EBU) events.

They all have self-reinforcing effects that converge today and at least for the next decade, notwithstanding highly different time-schedules.

They do not substitute, or erase the other traditional sources of risks, but change the way we need to look at macro developments, with the set of additional layers of uncertainties as well as new opportunities.

The known impact of climate change:

- Chronic risk (temperatures, sea levels...) with implications on living /working conditions, transportation...)
- Higher frequency and higher intensity of extreme weather events, with implications on human lives, infrastructure and budget spending

The deep uncertainties and management issues:

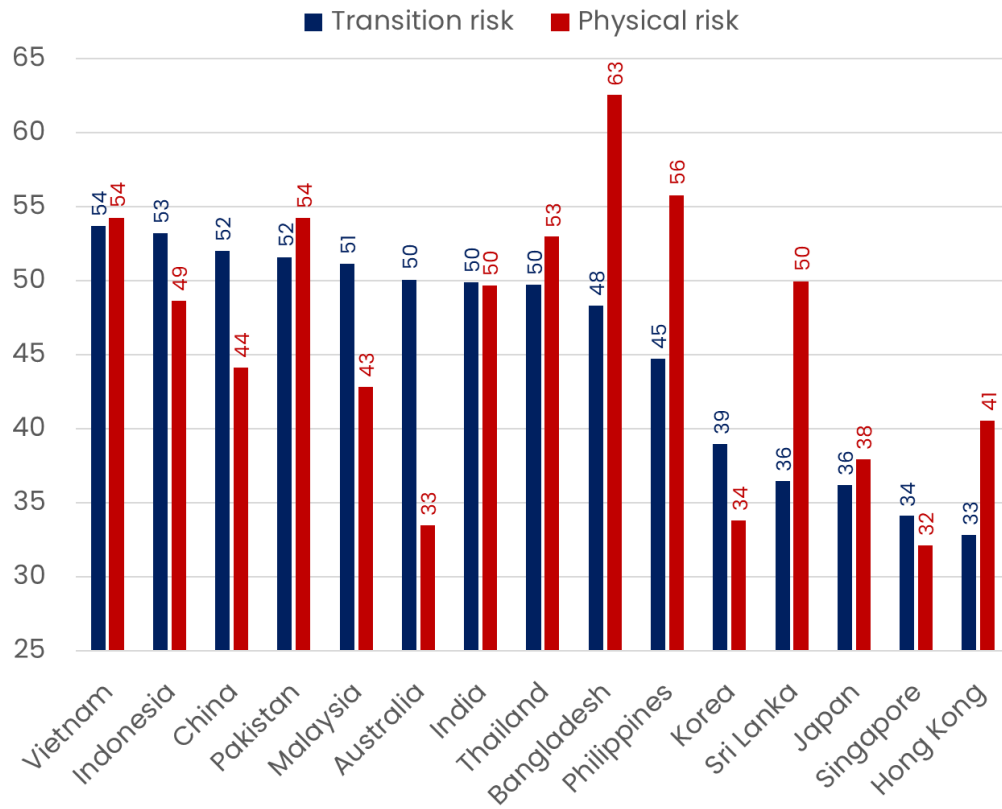
- As a global phenomenon, climate change requires cooperative process and probably a new set of governance bodies
- Priority arbitrage between adaptation and mitigation will become a critical element for future developments

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CLIMATE CHANGE

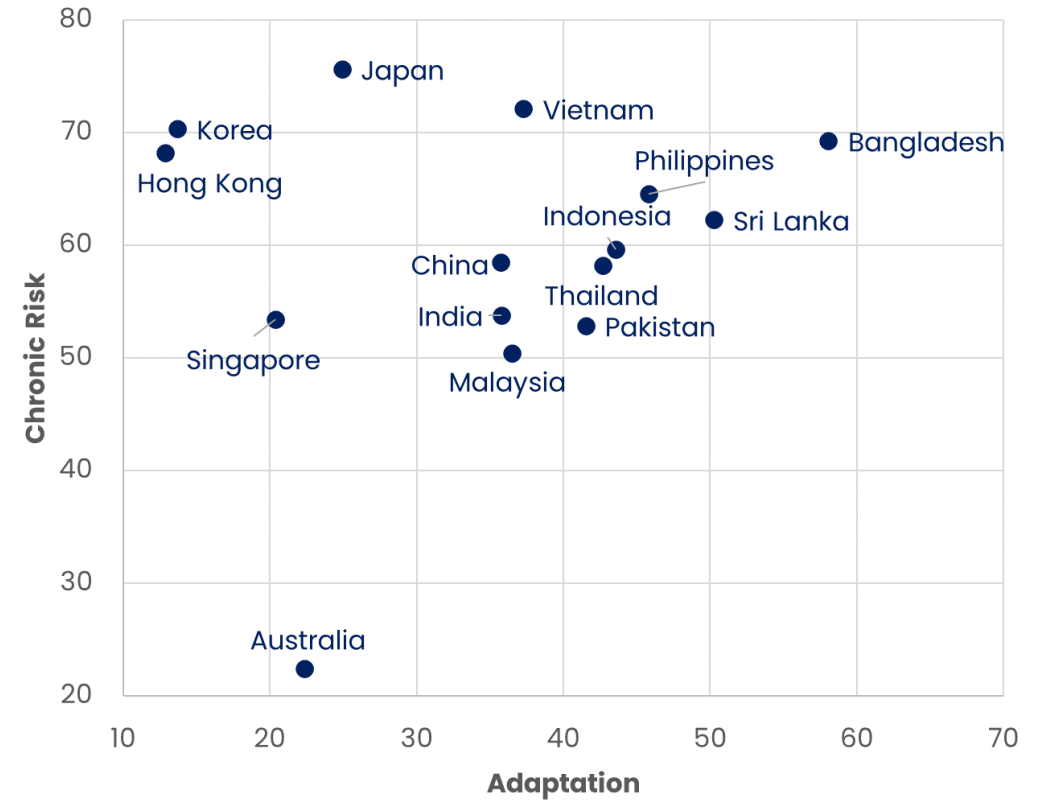
Environmental Risk - Transition and Physical Risks

From 0 (lowest risk) to 100 (highest risk)



Environmental Risk - Adaptation and Chronic Risk

From 0 (lowest risk) to 100 (highest risk)



Source: TAC ECONOMICS

Multipolar Hierarchized World:

- Higher risks of confrontational developments, with implications on supply chains
- Trade and technology as instruments of geopolitical rivalries.

Fragmentation Scenario:

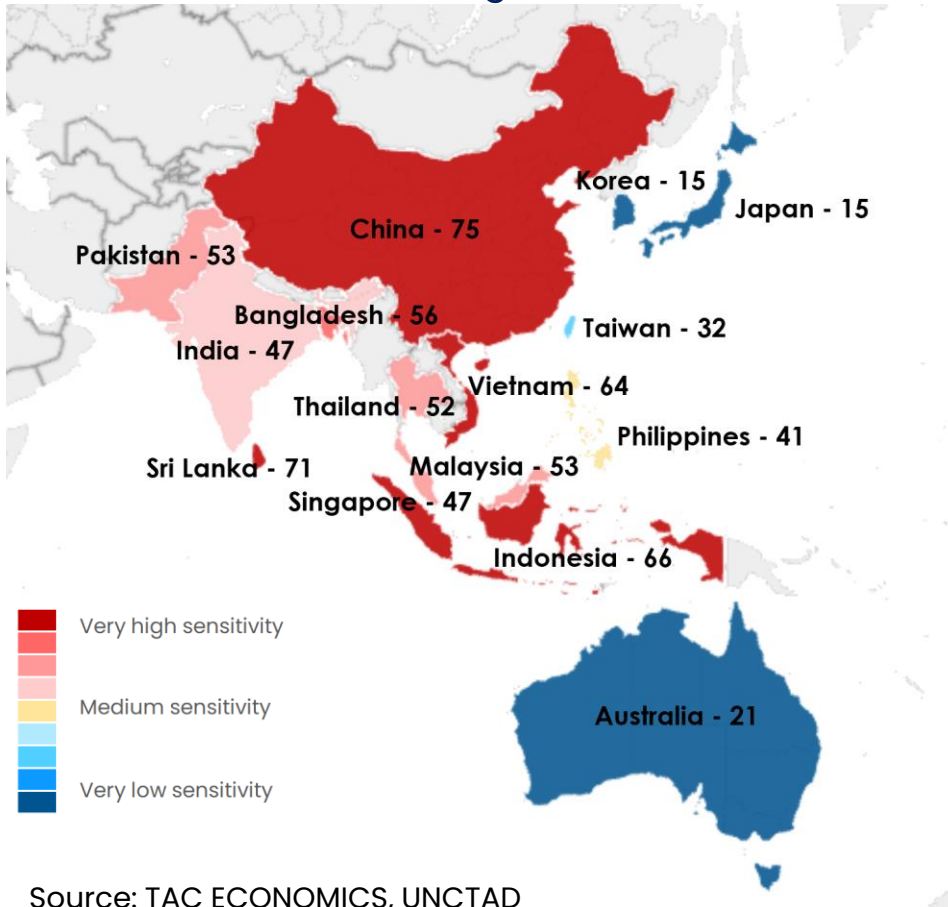
- Differentiated impact on cross border flows of goods, capital and technology” cannot look only at trade flows
- Higher-priority policies aiming at reinforcing both military and ‘home-based’ industrial capabilities.

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GEOPOLITICS

GPSI - Anti-Western Polarization

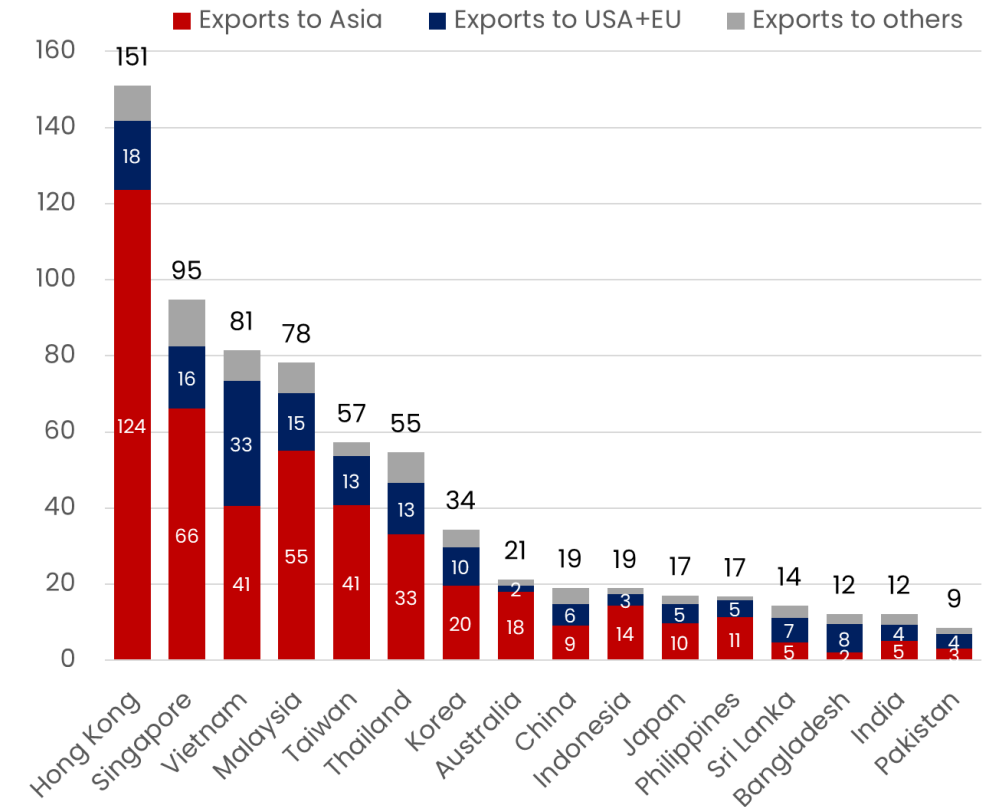
From 0 (lowest) to 100 (highest)



Source: TAC ECONOMICS, UNCTAD

Exports of merchandises (% GDP)

To Asia, USA+EU and others



Innovation is a permanent feature of economic development, but there are moments when a set of different but inter-related breakthroughs have the ability to disrupt the whole economic processes, from household behavior and preferences, to production, distribution, finance and trade.

Experts today highlight four areas of such disruptive innovations

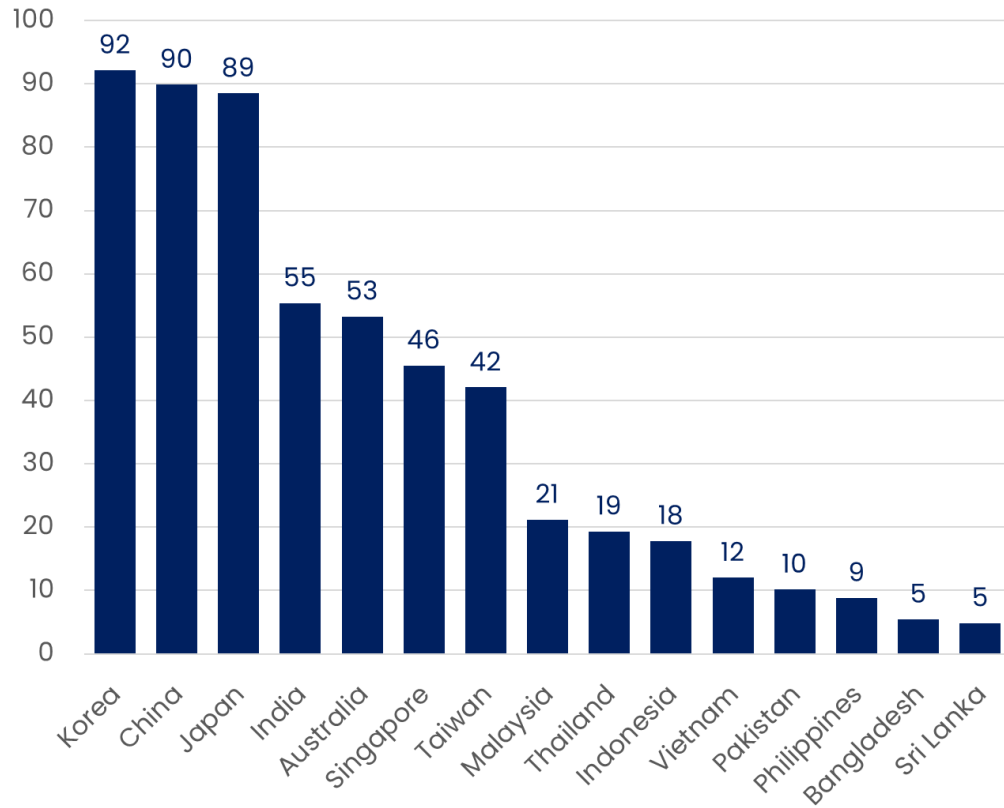
- Artificial Intelligence and Quantum Computing
- Internet of Things and Autonomous Objects
 - Genomics and Genetic Engineering
 - Renewable Energy, Carbon Capture

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SCHUMPETERIAN INOVATIONS

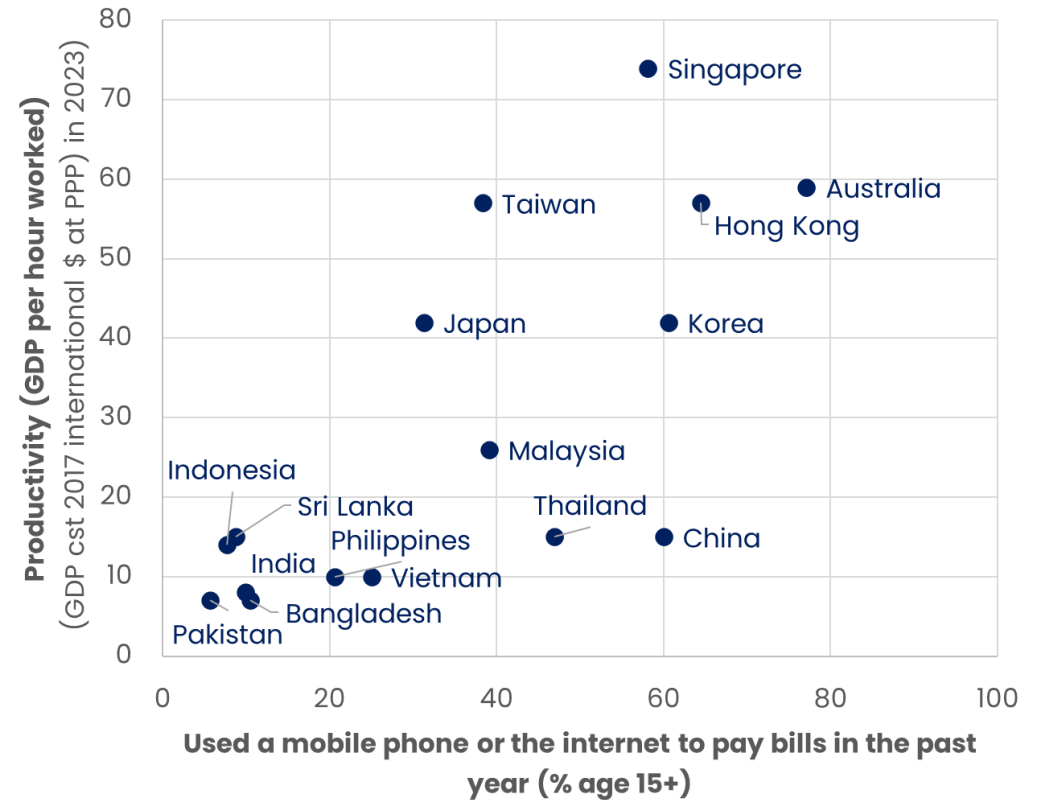
GPSI – Position on Critical Technologies

From 0 (weakest) to 100 (strongest)



Source: TAC ECONOMICS

Technology adoption and productivity in Asia



From the 1980s to the 2008–09 GFC, economic policy models included fiscal caution, monetary neutrality, global trade integration, and key role of market-based mechanisms. Such foundations are now deeply flawed.

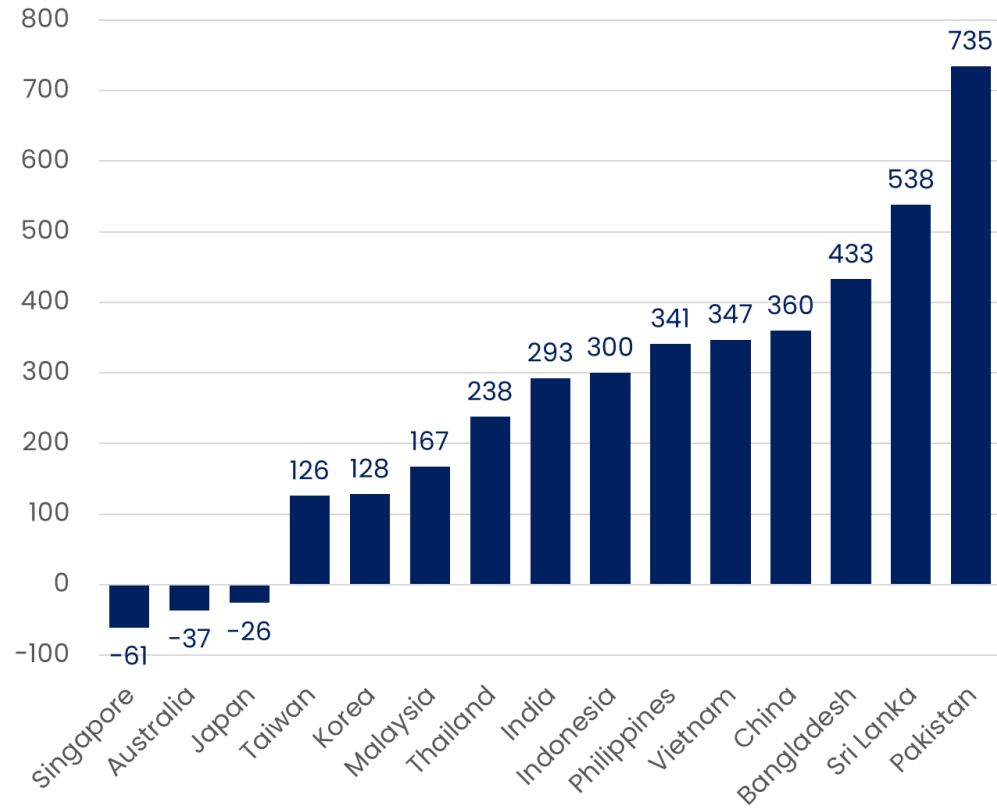
- Public debt close to unsustainability
- Monetary policy away from neutrality
- Trade restrictions have flourished

The “new paradigm” is not yet defined, but it is likely to include stronger “government direction”, from industrial strategies and fiscal support, to constraints on sourcing, finance and technology.

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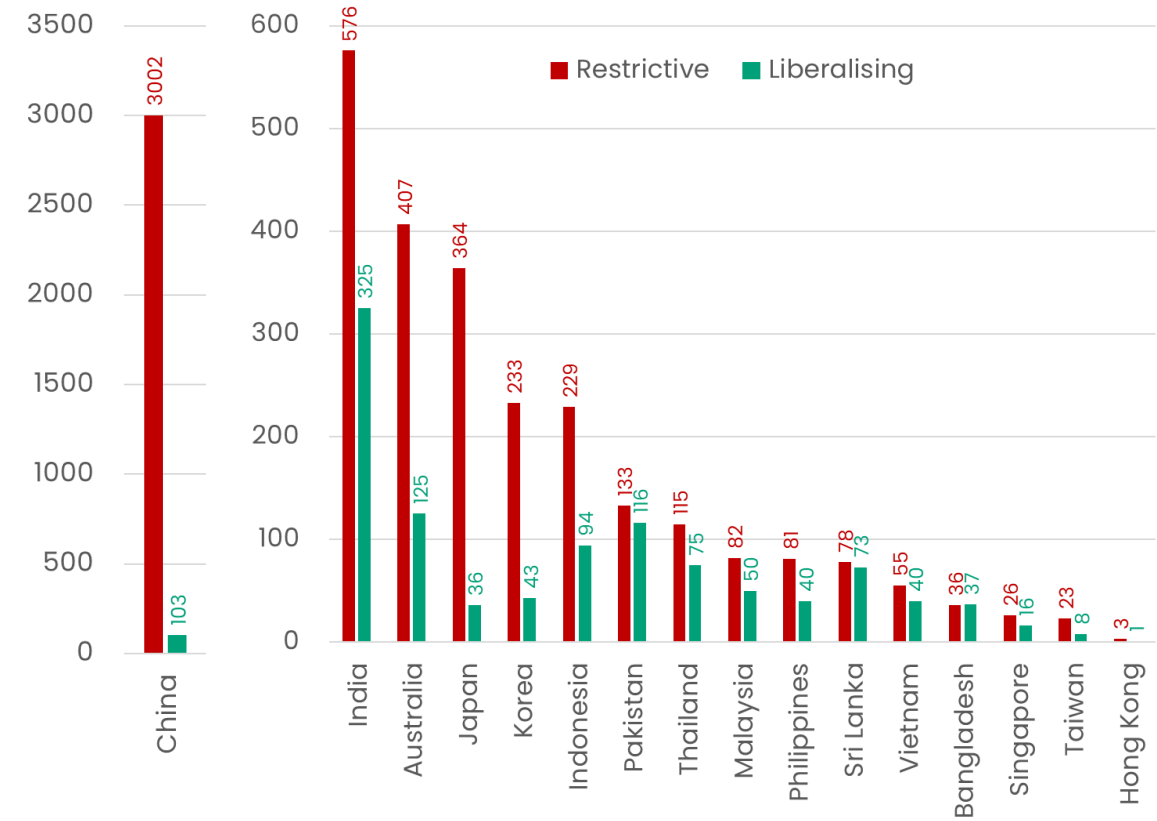
EXHAUSTION OF POLICY PARADIGM

Country Risk Premium
TAC RRECC in basis points



Source: TAC ECONOMICS, IMF/WEO, Global Trade Alert

Number of measures by implementing country
From 2020 to May 2024



A global trend of ageing:

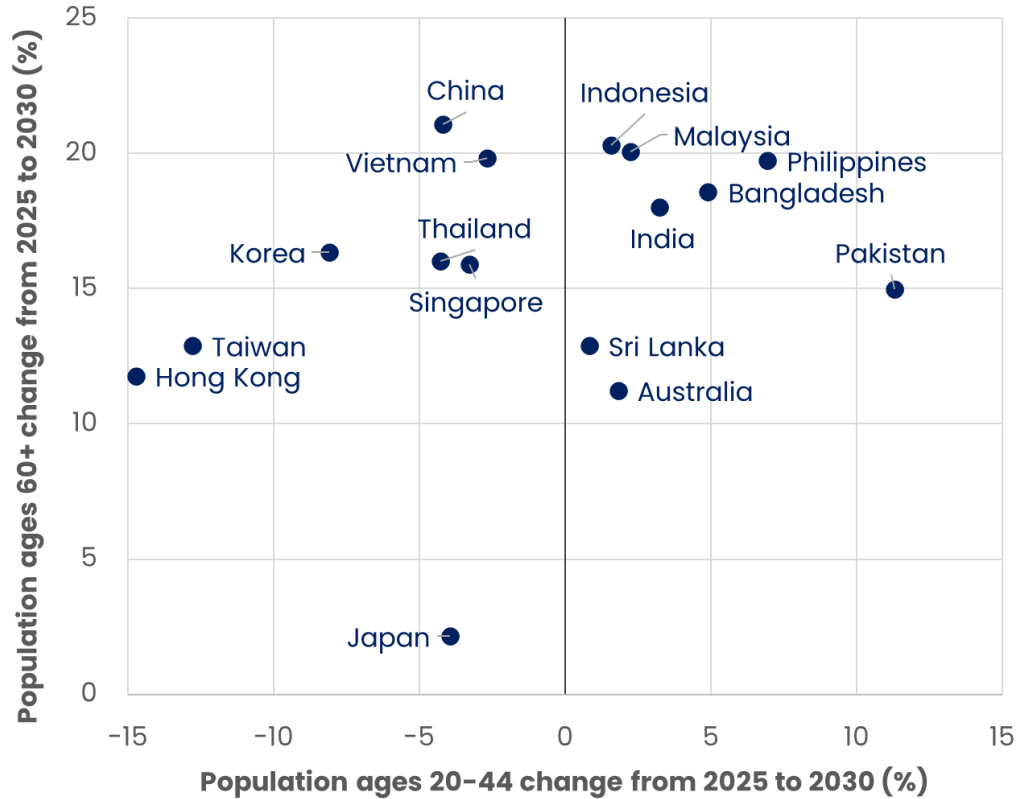
- Very visible in Asia, with the exceptional case of China
- But still a continent of growing population, and, in South Asia and some countries of Southeast Asia, persistent increase in number of “most active” consumers (20–44 years old)

2/3 of Asia total (and working-age) population is in China and India, but they have highly different path to 2030 and beyond

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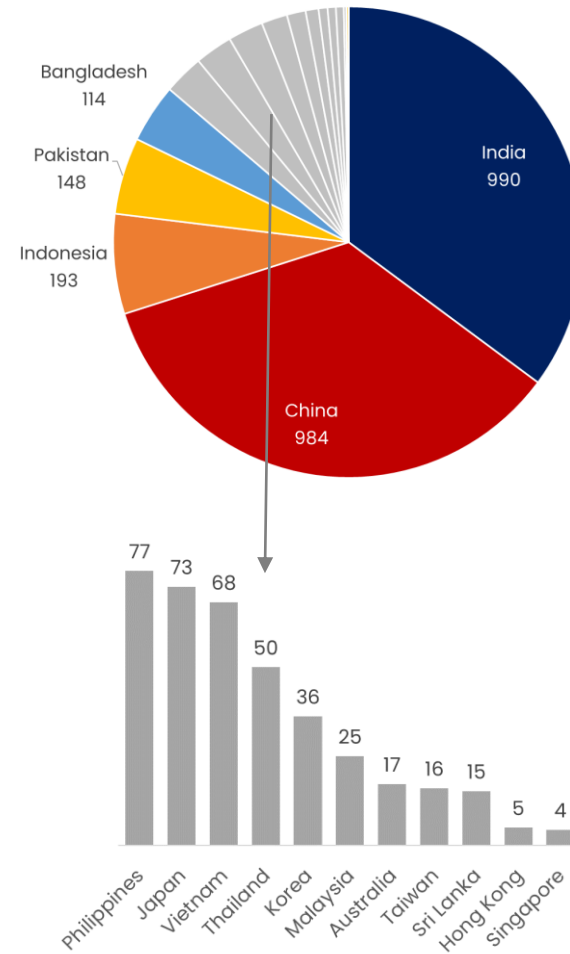
DEMOGRAPHICS

Population ages 20-44 and 60+ change from 2025 to 2030



Source: TAC ECONOMICS, UN

Population ages 15-64 (mn)



Median Age

	2000	2030
Japan	40.8	51.5
Hong Kong	35.0	50.4
Australia	34.4	39.5
Singapore	31.2	39.1
Taiwan	31.1	47.8
Korea	30.7	48.5
Thailand	29.0	42.6
China	29.0	42.9
Sri Lanka	26.2	34.8
Indonesia	23.6	31.8
Vietnam	22.7	35.7
Malaysia	22.5	33.0
India	21.2	30.8
Bangladesh	19.7	27.7
Philippines	19.0	28.2
Pakistan	17.0	21.6

Key take-aways for final demand in Asia...

Administrations

- Public spending / PPP on transition / physical risks related to GCC
- Technology catch-up and control
- Structural constraints on budgets
- New policy instruments with greater government interference

Export markets

- Risks of supply chain disruptions and price volatility
- Intra-region + South-South more promising, with “domestic preference” policies
- Uncertainties and likely shock in competitive positions, related to technology adoption and policies

The Consumer

- Ageing, life-cycle products and services
- Higher spending / adaptation to environmental risks (housing, transport, food)
- Increase presence of local / regional / Global South brands

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Q&A



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