

# ISA RESEARCH BRIEFING

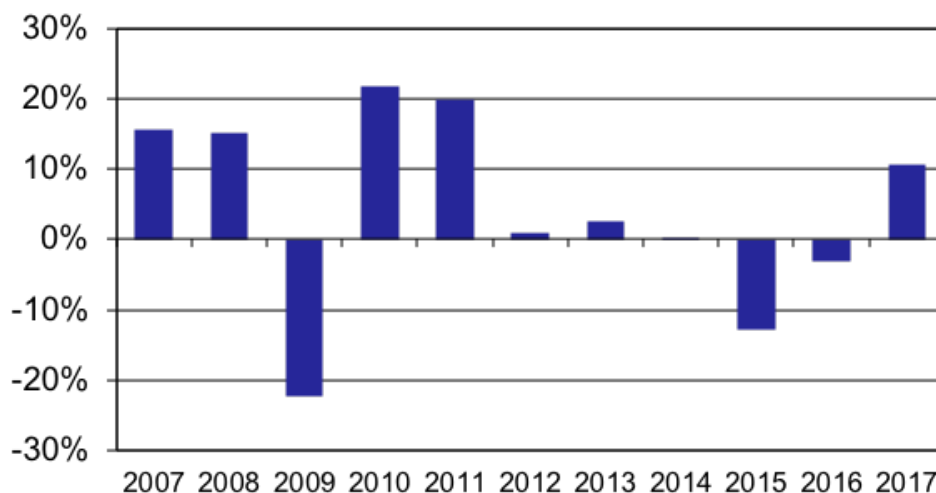
## The Leading Growth Markets for Exporters

July 31, 2018

Without a doubt, these are worrying days for exporters. Whether it is a business that is counting on export markets for much of its future growth, or a country that relies on exports to drive its economy, the threats facing global trade are an unwelcome development. These worries are fueled by the rise in protectionism in many areas of the world, most notably the United States, the country that has led the global trading system for the past century. This protectionist sentiment is leading to policies that are jeopardizing the access to key export markets for businesses and export-oriented economies alike. At the same time that protectionism is emerging as a threat to global trade, many of the international markets that exporters had hoped would provide major opportunities for growth have fallen flat, disappointing exporters and reducing their options for finding new growth markets. Furthermore, no one doubts that there is a significant threat of new disruptions harming international trade in the months and years ahead.

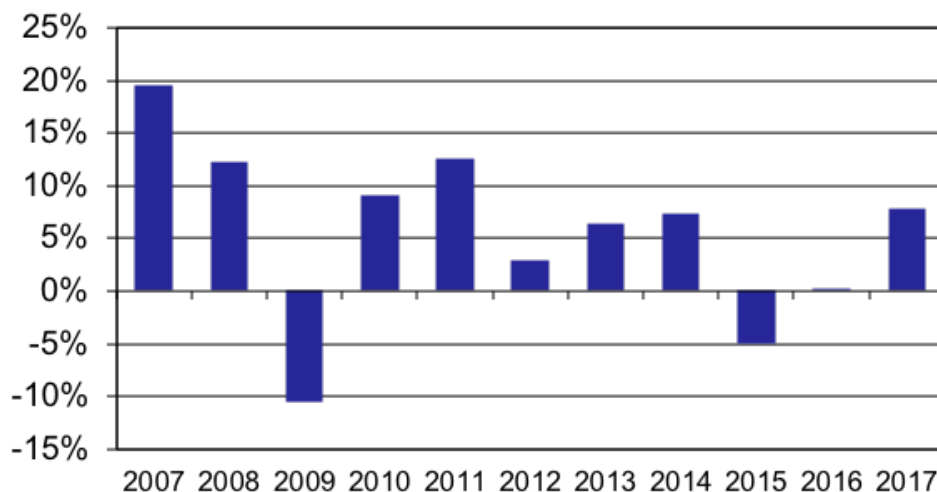
When compared to a decade ago, the picture for global trade looks relatively healthy. For example, global merchandise trade last year was 26.5% higher than it was a decade before.

**Merchandise Import Growth Rates  
(Bil. US\$)**



As far as services are concerned, growth was even higher, with the overall global trade in services being 49.3% higher last year than a decade earlier.

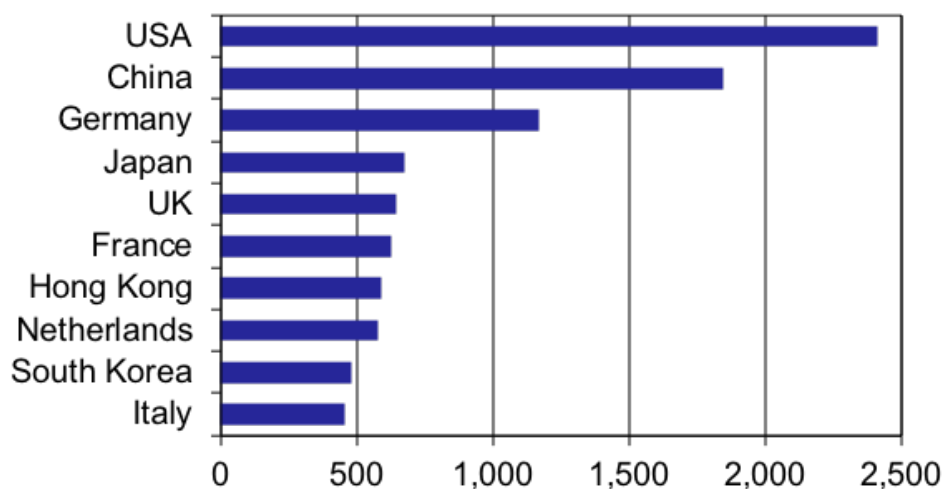
### Service Import Growth Rates (Bil. US\$)



However, this masks a slowdown in global trade over the past three years. Since 2014, global merchandise trade has fallen by 6.5%, while growth in services trade has expanded by just 2.9%. As this was driven, in part, by lower commodity prices and economic slowdowns in key emerging markets, most economists believed that global trade growth would accelerate in the coming years. However, with the threat of additional trade barriers looming as part of what could become a global trade war, it is by no means certain that the recent slump in global trade will not continue, if not worsen.

Merchandise trade provides the bulk of international trade, currently accounting for 77% of all global trade. Over the past decade, global merchandise trade has increased by 26.5%, although merchandise trade fell between 2012 and 2016, before staging a recovery over the past 18 months.

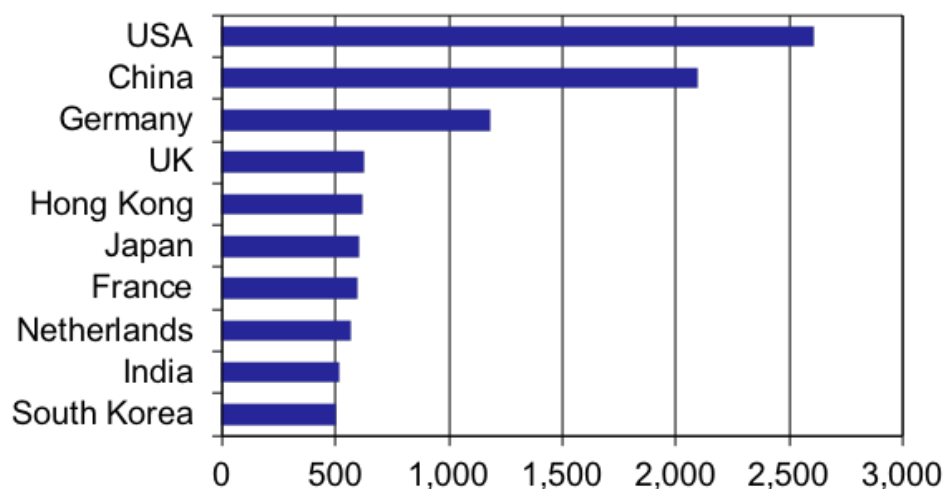
### Largest Merchandise Importers in 2017 (Bil. US\$)



At the moment, the United States remains the largest market for merchandise exports, with a market currently valued at \$2.5 trillion. In second place is China, where the market for merchandise exports rose from \$956 billion in 2007 to \$1.8 billion last year,

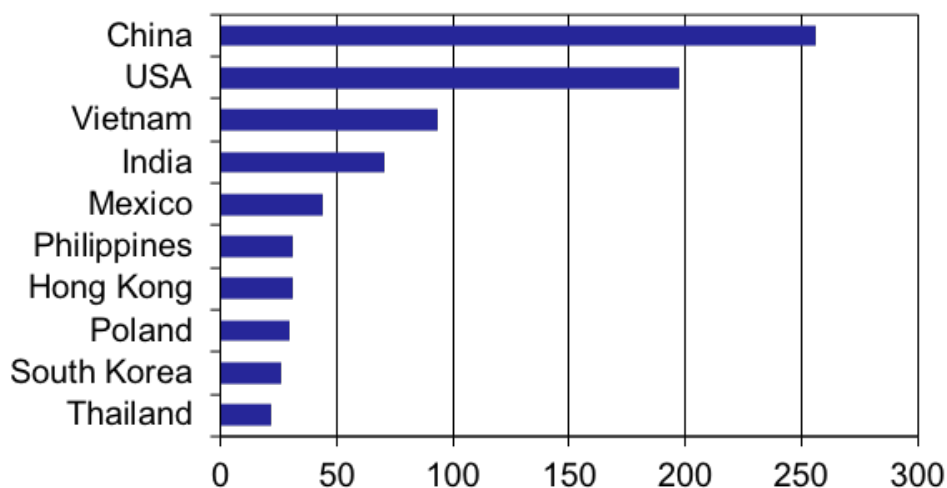
although growth has slowed in recent years. Europe is also home to many important markets for merchandise exports, although growth in Europe has been very slow over the past decade. In contrast, many Asian markets have seen a major increase in merchandise imports in recent years, with markets such as Vietnam, India and the Philippines providing some of the highest rates of growth for merchandise exporters from around the world.

### Largest Merchandise Importers in 2028 (Bil. US\$)



Over the next decade, the United States will hold off China to remain the world's largest market for merchandise exports, as growth in China slows and as the US continues to grow faster than most other developed markets.

### Increase in Merchandise Imports by 2028 (Bil. US\$)

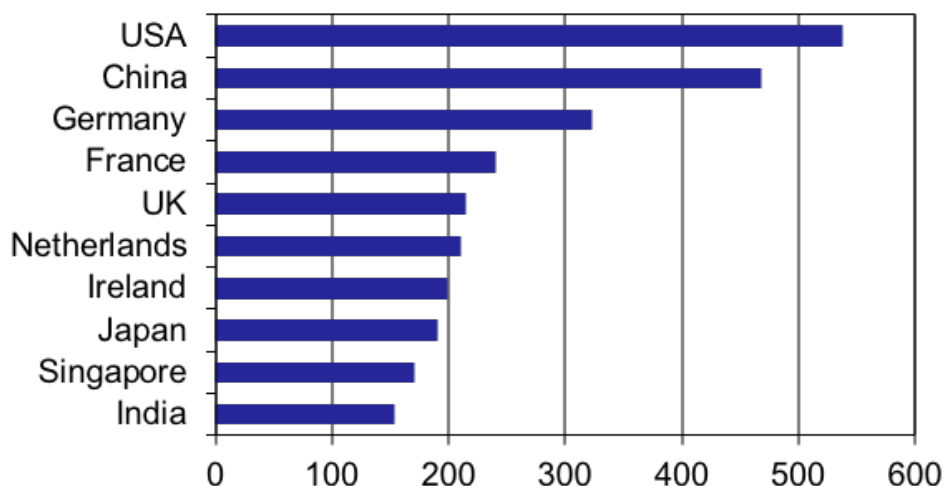


Meanwhile, growth will remain concentrated in Asia, where markets in both Southeast Asia and South Asia will provide some of the best opportunities for growth in the coming decade. In contrast, many developed merchandise export markets are forecast to shrink in the coming years, led by Japan, Italy, France, Canada and Australia, each of which is

forecast to record a decline in manufacturing exports of at least 4% over the next decade.

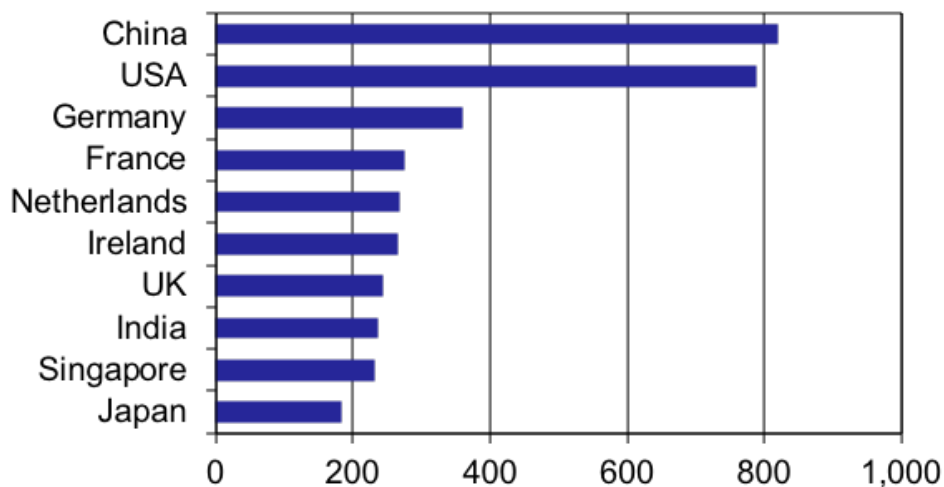
Services account for 23% of global trade today, up from 20% a decade ago. Nevertheless, growth in the trade of services is forecast to exceed merchandise trade in the coming decade, providing many opportunities for export growth for service providers.

**Largest Service Importers in 2017  
(Bil. US\$)**



As with merchandise trade, the United States and China remain the largest markets for service exports by a wide margin. However, there are a number of specialized economies that have used their positions as tax havens or trade centers to become major markets for services. These include markets such as the Netherlands, Ireland and Singapore, each of which has prospered as service centers for their wider regions.

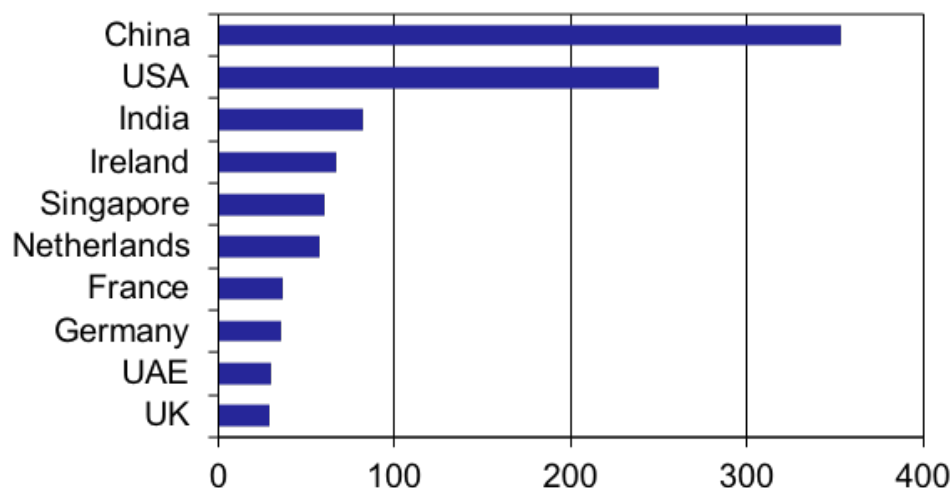
**Largest Service Importers in 2028  
(Bil. US\$)**



Unlike in the merchandise sector, China is forecast to overtake the United States and become the world's largest market for services in the coming decade. Even as the US

market for services continues to grow at a pace well above that of most other large developed economies, China's market for services is forecast to expand by 76% over the next decade as wealth levels there continue to rise.

### Increase in Service Imports by 2028 (Bil. US\$)



Likewise, growth in service imports in Asia is forecast to expand rapidly over the next decade, with India and Singapore providing the largest opportunities for growth outside of China in that region. At the same time, many specialized economies in Europe such as Ireland and the Netherlands will continue to experience strong growth in service imports, particularly as Britain's service sector struggles to deal with Brexit. Expect more smaller economies to attempt to follow the lead of these dynamic centers of the world's service sectors in a bid to attract more trade and investment in the years ahead.

Looking ahead, a number of export markets are forecast to provide significant opportunities for growth in the coming decade. Here are the ten markets that are forecast to provide the largest opportunities for export growth over this period, ranked by their forecast increase in imports between now and 2018:

- **China:** \$609 billion increase in imports by 2028 (58% of this increase in services, 42% in merchandise)
- **United States:** \$448 billion increase in imports by 2028 (56% services, 44% merchandise)
- **India:** \$154 billion increase in imports by 2028 (54% services, 46% merchandise)
- **Vietnam:** \$102 billion increase in imports by 2028 (8% in services, 92% in merchandise)
- **Singapore:** \$66 billion increase in imports by 2028 (93% in services, 7% in merchandise)
- **Ireland:** \$63 billion increase in imports by 2028 (100% in services, 0% in merchandise)
- **Hong Kong:** \$61 billion increase in imports by 2028 (50% in services, 50% in merchandise)
- **Mexico:** \$56 billion increase in imports by 2028 (21% in services, 79% in merchandise)
- **South Korea:** \$55 billion increase in imports by 2028 (53% in services, 47% in merchandise)

- **Philippines:** \$54 billion increase in imports by 2028 (42% in services, 58% in merchandise)

For the global economy, as well as for individual businesses and consumers, there is so much at stake with regards to the current threat of a global trade war. Without question, global trade and the system of international trade that has been in place for decades has raised the level of living standards and prosperity for so many people around the world. Now, the world is engaged in a major fight to maintain this system and keep markets open so that businesses can export their products around the world, while consumers can have access to goods and services from any number of different sources. If markets remain open, the prospects for growth for exporters are strong in the coming years.

However, the threat of a trade war between the world's two largest economies (and the two largest growth markets for exporters) is a serious threat that could have repercussions in export markets around the world. At the moment, there is no greater threat to the global economy than a surge in protectionism that cuts off consumers from their providers of goods and services, or businesses from their export markets or international suppliers of parts and labor. Hopefully, politicians will see the benefits of international trade before it is too late. If not, the next decade could be a rough ride for exporters.