

Flash Economics

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Have export-led growth strategies become losers?

The latest forecast from the World Trade Organization (WTO) is that the volume of world trade in goods will decline (by at least 0.5%) in 2025, whereas it had previously been expected to grow by 2.7%.

This sharp downward revision in world goods trade growth is due to the Trump administration's decision to impose tariffs on United States imports (an average of 18.6% on all goods, 25% on cars, and 50% on steel and aluminium).

This US tariff policy is likely to be maintained and, if it indeed causes such a sharp slowdown in world goods trade, countries whose growth has been export-led (Mexico, the euro area, South-East Asian countries) will come to realise that this growth strategy is now becoming a losing one.

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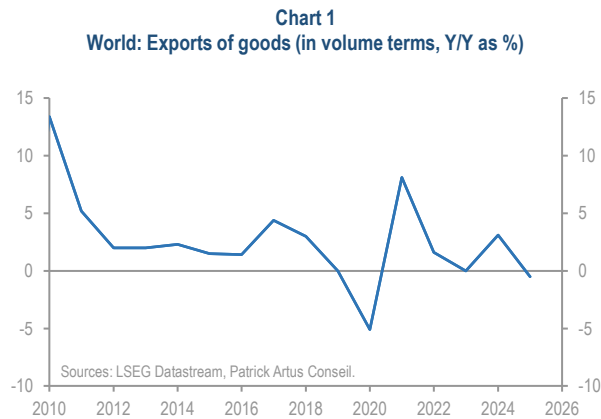
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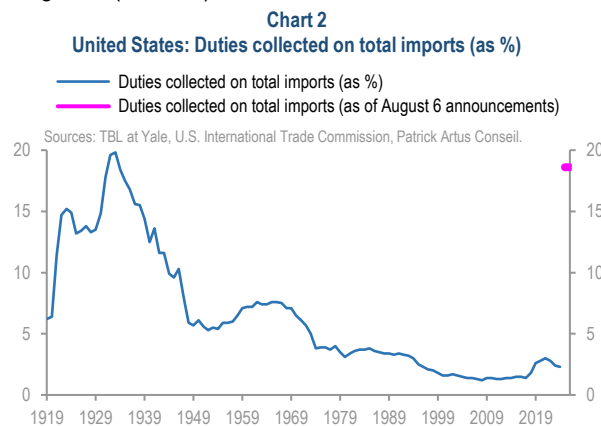
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Expected decline in world trade in goods

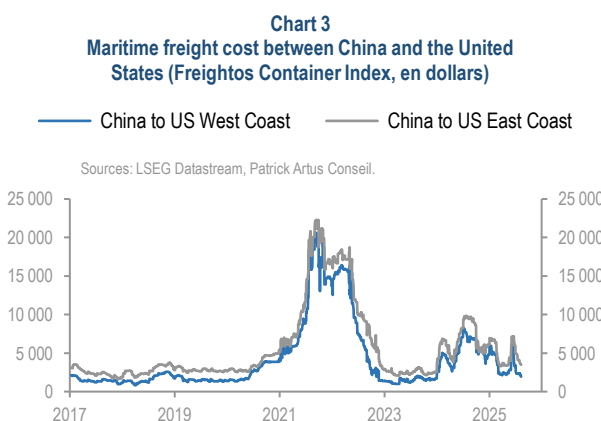
The World Trade Organization (WTO) had forecasted that **the volume of world trade in goods** would grow by 2.7% in 2025, but this figure has been sharply revised down, with the WTO now forecasting a decline of at least 0.5% in the volume of world trade in goods (**Chart 1**).



This sharp downward revision in world goods trade growth stems from the Trump administration’s decision **to substantially increase tariffs**, which now average 18.6% on all goods (**Chart 2**).



The negative effects of higher tariffs on United States imports are already visible when **looking at the trend in maritime freight prices** (**Chart 3**).



It is virtually certain that this policy will be continued, even though it will have negative effects on the US economy (inflation, labour shortages, discouragement of capital inflows). If this policy is implemented on a lasting basis, and given the decline in the volume of world trade in goods that it will bring about, **countries whose growth has been export-led will come to realise that this growth strategy is now becoming a losing one**.

Which countries would be most adversely affected by a decline in the volume of world trade?

These are the countries:

- Whose economies are highly open;
- In which export growth makes a very large contribution to overall growth.

We examine the situations of:

Canada ([Chart 4A](#)), Mexico ([Chart 4B](#)), Brazil ([Chart 4C](#)), the euro area ([Chart 4D](#)), India ([Chart 4E](#)), China ([Chart 4F](#)), Japan ([Chart 4G](#)), and the South-East Asian countries (Malaysia, Thailand, Vietnam, Indonesia, the Philippines, [Charts 5A, B, C](#)).

Chart 4A
Canada: GDP share and volume growth of goods and services exports

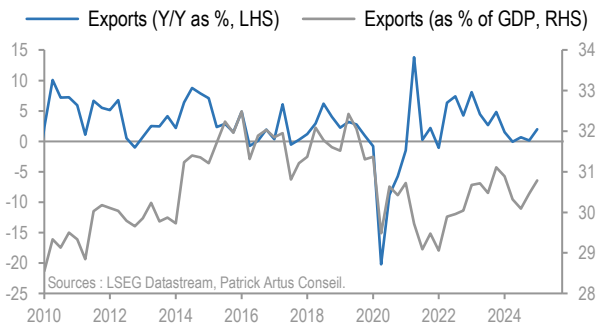


Chart 4B
Mexico: GDP share and volume growth of goods and services exports

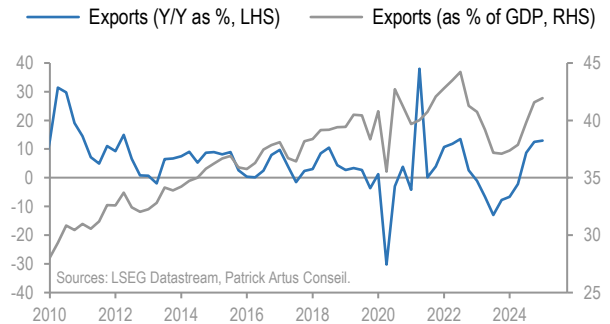


Chart 4C
Brazil: GDP share and volume growth of goods and services exports

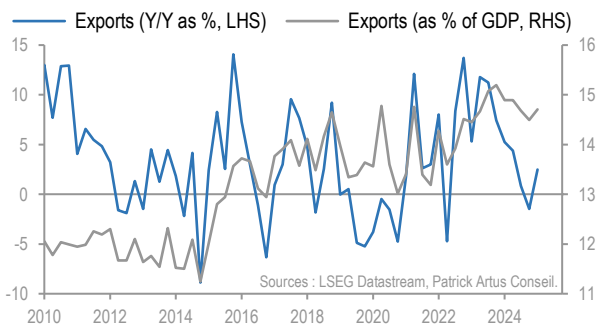
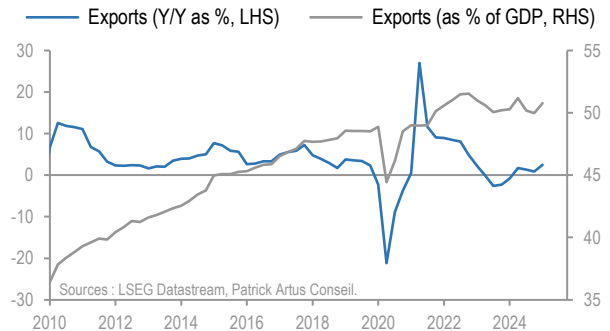


Chart 4D
Euro zone: GDP share and volume growth of goods and services exports*



*Including intra-euro zone

Chart 4E
India: GDP share and volume growth of goods and services exports

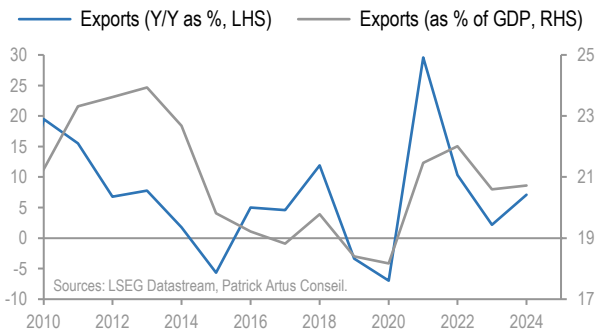


Chart 4F
China: GDP share and volume growth of goods and services exports

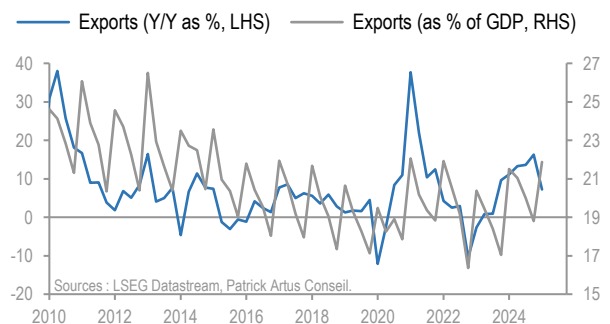


Chart 4G
Japan: GDP share and volume growth of goods and services exports

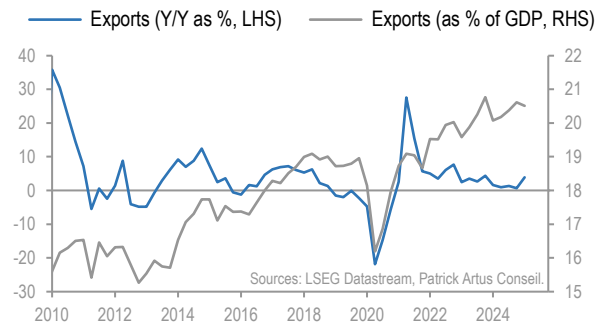


Chart 5A
Goods and services exports (in volume terms, as % of real GDP)

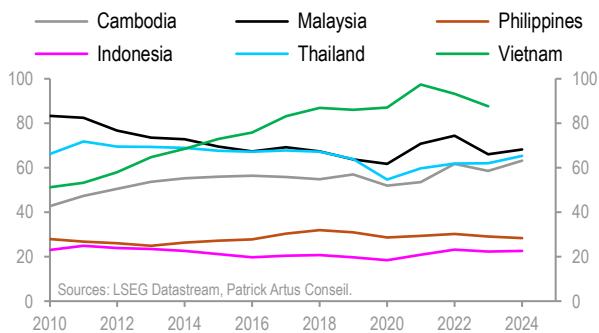


Chart 5B
Volume growth of goods and services exports (Y/Y as %)

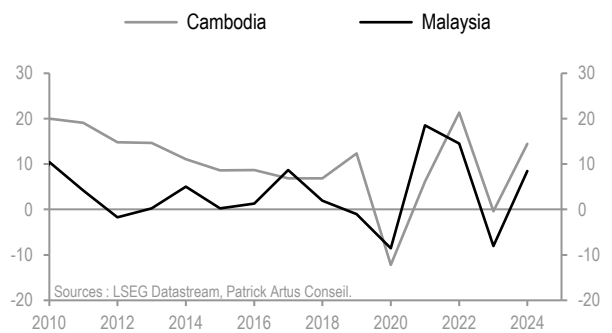
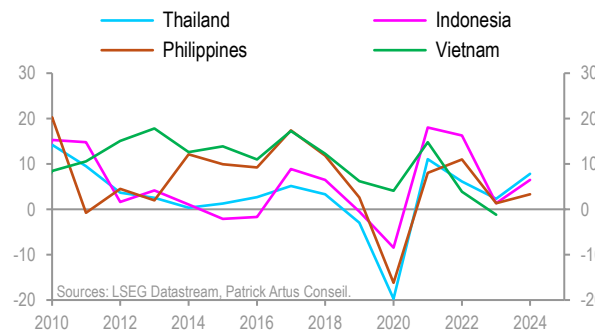


Chart 5C
Volume growth of goods and services exports (Y/Y as %)



The countries with highly open economies are Canada, Mexico, the euro area, Vietnam, Malaysia, Thailand and Cambodia.

The countries where export growth makes a substantial contribution to total growth are Mexico, the euro area, Vietnam, Malaysia, the Philippines and Cambodia.

Summary: which countries will see their export-led growth strategy compromised if Donald Trump does not reverse course on tariffs?

It is virtually certain that Donald Trump will continue to impose heavy taxes on United States imports, despite the negative impact of tariffs on the US economy. Consequently, countries whose economies are highly open, or where overall growth is largely driven by export growth, will be particularly hard hit. Among the major countries or regions, these are Mexico, the euro area, and the South-East Asian countries.

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