

# **The 2015 ISA Global Trade and Investment Outlook**

**Created by ISA (International Strategic Analysis)**

**[www.isa-world.com](http://www.isa-world.com)**

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# Objectives and Agenda

## Objectives

- To determine how the trends and events of the past year will impact international trade and investment in 2015 and the years beyond.
- To predict the key economic, business and political issues and trends that will shape global trade and investment in 2015 and the years beyond.
- To determine which long-term issues and trends will play a key role in the future of global trade and investment and the direction of the global economy.

## Agenda

**A Look Back at the Previous Year**

**The Outlook for the Global Economy in 2015**

**Key International Risks in 2015**

**Key International Opportunities in 2015**

**Regional Outlooks in 2015**

**Summary**

# **A Look Back at the Year So Far**

## **How 2014 Will Impact 2015**

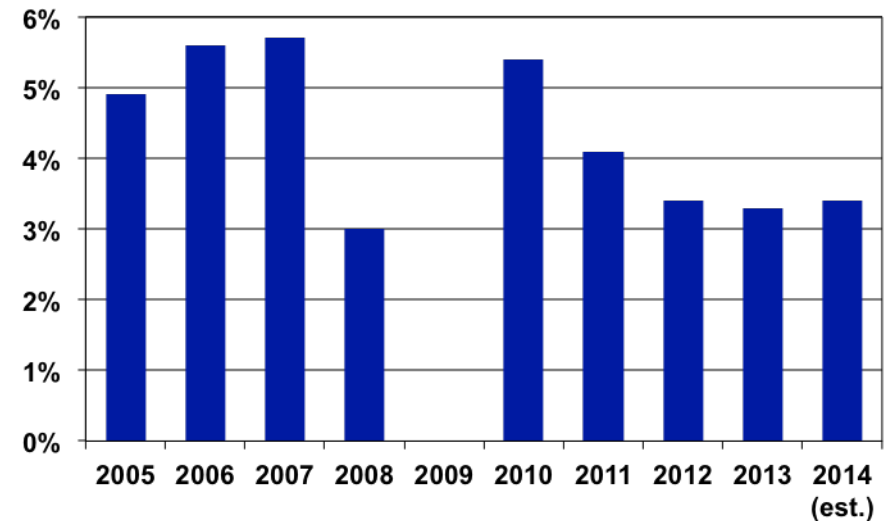
# 2014 – The World Economy

## Key Developments

- Global economic growth has hovered a little above 3% over the past three years, reflecting the fact that the recovery from 2008's financial crisis has been lackluster at best.
- This is the first time since the mid-1990s that global economic growth rates have been below 4% for three consecutive years.
- As in the 1990s, much of the fault for this sluggish growth has been found in Europe and Japan, where domestic demand has been very weak.

## Global Economic Growth

Global GDP Growth Rate



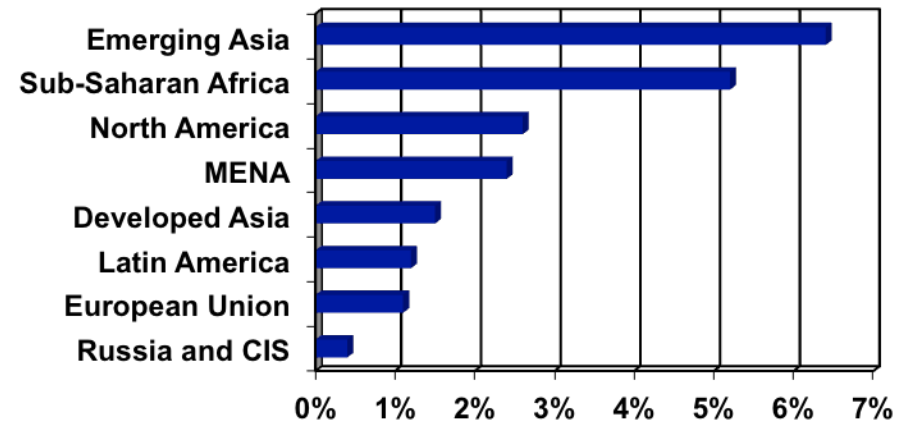
# 2014 – A Mixed Bag

## Key Developments

- In North America, the year started on a down note thanks to a severe winter, but growth accelerated over the course of the year.
- In contrast, Europe started the year hoping that its fragile recovery could gain steam, but instead it fell deeper into stagnation.
- China's economy settled in with growth rates around 7.5%, but signs of a slowdown were evident throughout the country.
- Japan experienced a roller coaster ride as growth soared before April 2014's sales tax hike, but then plunged afterwards.
- Key emerging markets such as Brazil, Russia and Mexico continued to disappoint in 2014.

## Economic Performance by Country

### GDP Growth Rates in 2014



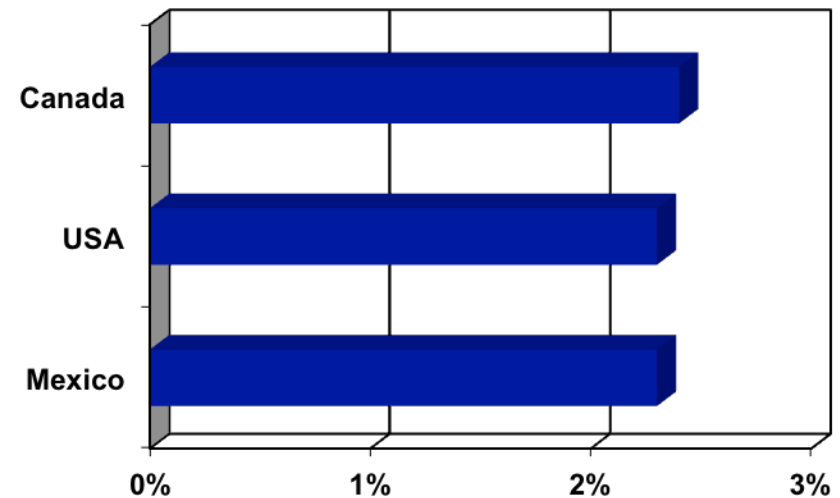
# 2014 – North American Economies Pick Up Steam

## Key Developments

- The expected strengthening of the United States economy was delayed by a severe winter, but it accelerated at a strong pace after the winter.
- Canada experienced relatively steady growth over the past year.
- Mexico's economy continued to underperform in 2014, but many key reforms were enacted during the course of the year.

## Economic Performance by Country

**GDP Growth Rates in 2014**



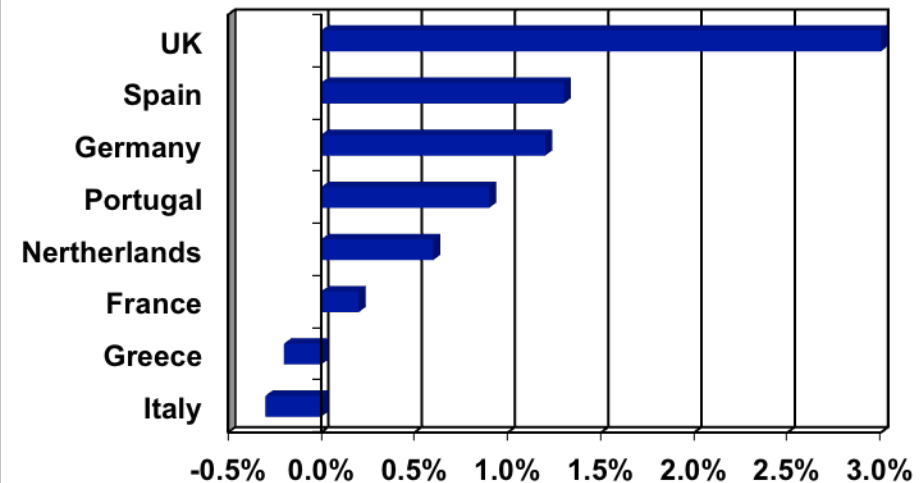
# 2014 – Europe's Recovery Stutters

## Key Developments

- Overall, the European economic recovery has proven to have been both weak and short-lived, as domestic demand has remained depressed.
- There have been a few bright spots, most notably in Britain and the Iberian Peninsula.
- However, Germany, which had been the engine of European growth, began to slow in 2014.
- Likewise, two of the region's other key economies, France and Italy, continued to stagnate in 2014.

## Economic Performance by Country

**GDP Growth Rates in 2014**



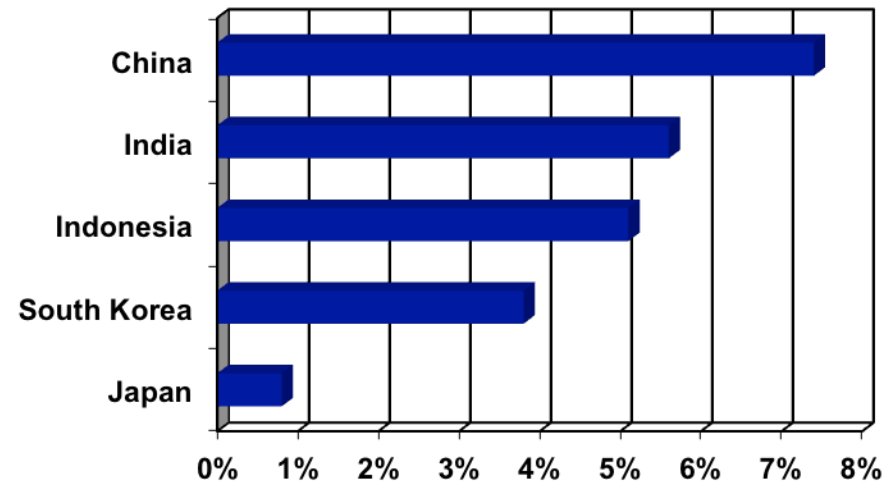
# 2014 – Asia Continues to Drive Growth

## Key Developments

- While the overall rate of economic growth in Asia slowed for the fourth consecutive year, Asia remains a key driver of global economic growth.
- China's growth rates continued to decelerate towards 7% and its economy continued to rebalance from a dependence upon exports to one driven by domestic demand.
- India's slump began to abate, although growth rates remained well below those from a few years ago.
- Other large Asian emerging markets performed well, although with growth rates slightly below those of previous years.
- Japan experienced a roller coaster ride over the past year due to the implementation of a sales tax hike in April 2014.

## Economic Performance by Country

**GDP Growth Rates in 2014**





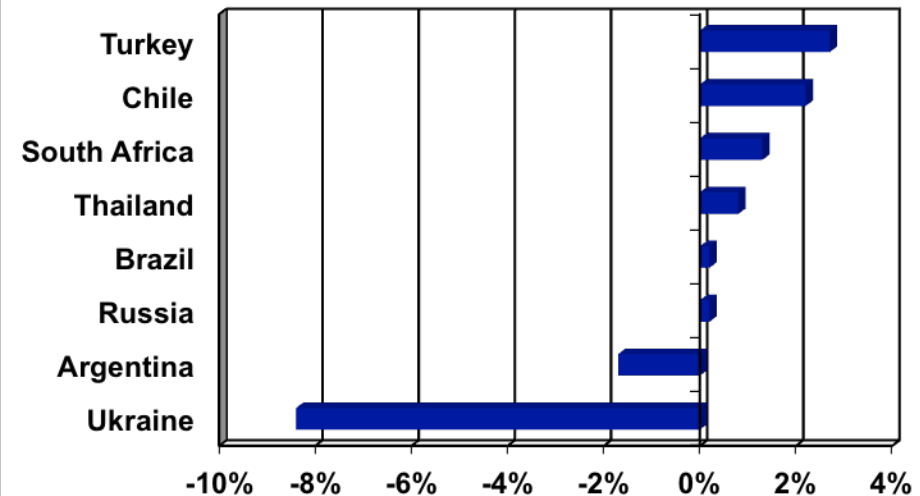
# 2014 – A Number of Key Emerging Markets Struggle

## Key Developments

- Volatility continued to plague many of the world's leading emerging markets in 2014 due to both internal and external factors.
- The continued withdrawal of the quantitative easing programs in the United States led to a fall in foreign investment in emerging markets.
- China's slowdown and Europe's ongoing struggles led to lower demand for exports for many emerging markets.

## Economic Performance by Country

GDP Growth Rates in 2014



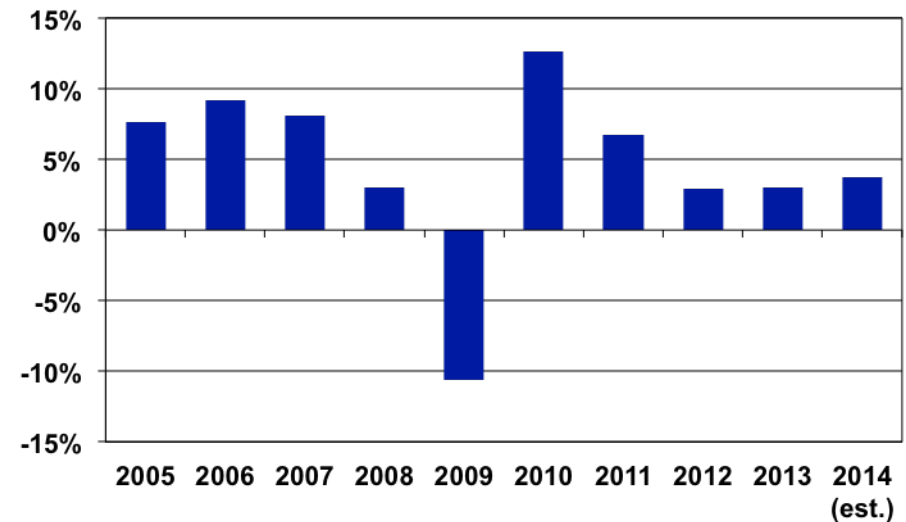
# 2014 – More Mixed Results for Global Trade and Investment

## Overview

- Global trade levels remained relatively stagnant in 2014, with global trade growth once again coming in at less than 5%.
- China's weakening demand for natural resources had a major impact on this decline in trade.
- Foreign investment levels picked up across much of the world in 2014, although growth was muted by lower levels of investment in Europe and South America.

## Global Trade Growth

Global Trade Growth Rate



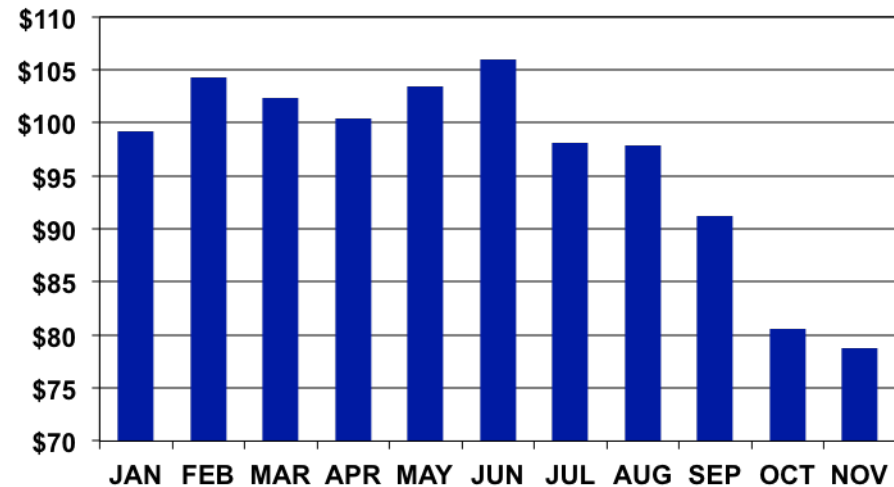
# 2014 – Oil Prices Fall Sharply

## Overview

- After rising to \$107 a barrel (West Texas Intermediate Crude) in mid-2014, oil prices fell sharply in the latter part of the year.
- Oil prices fell by 25% by November 2014, and this fall in prices appeared to be accepted by Saudi Arabia, Iraq, Iran and many other major oil producers.
- The sharp increase in oil output in the United States was a key reason for these lower oil prices.
- In addition, oil demand in Europe and parts of Asia remained soft.
- Lower oil prices could jeopardize many non-traditional oil projects.

## Oil Prices

2014 Avg, Oil Price (US\$) (WTI)



# 2014 – Key Trade Deals

## Largest Trade Deals in 2014

### Trans-Pacific Partnership

Talks towards the creation of a vast free trade area in the Pacific region known as the Trans-Pacific Partnership (TPP) progressed slowly last year.

### Trans-Atlantic Trade and Investment Partnership

The United States and the European Union continued talks on a huge free trade agreement in 2014, but many hurdles remained in place.

### EU-Canada Trade Deal

The European Union and Canada signed the Comprehensive Economic and Trade Agreement (CETA).

### WTO Trade Facilitation Agreement (TFA) Shot Down

India prevented the long-awaited WTO pact to ease worldwide customs rules from being passed at the last minute.

# 2014 – Key Elections

## Most Important Elections in 2014

### India – Parliamentary Elections

The Hindu-nationalist BJP and its leader Narendra Modi won a crushing victory, handing the long-dominant Congress party a humiliating defeat.

### Afghanistan – Presidential Election

Voters turned out in great numbers (and amid significant risk) to vote in an election that resulted in a power-sharing agreement between the top two candidates.

### Indonesia – Parliamentary and Presidential Elections

Reformist candidate Joko Widodo was elected president of Indonesia, but faces a hostile parliament determined to block his planned reforms.

### Brazil – Presidential Election

Center-left President Dilma Rousseff won a second term in office, despite a poor economic record in her first term.

### USA – Mid-Term Congressional and State Elections

The Republican Party took control of the US Senate, handing them control of both houses of the US Congress.

# 2014 – The Winners

## The Winners

### North America

North America's developed economies both experienced strong economic growth over the course of 2014, while Mexico enacted much-needed economic reforms.

### Britain

While much of the rest of Europe remained mired in a severe economic slump, Britain's recovery proved to be far stronger than that of its European neighbors.

### South Korea

South Korea has been the world's best performing developed economy in recent years, with GDP growth rates averaging nearly 4% per year over the past five years.

### Southeast Asia

Overall economic growth rates may have slipped a little, but this region of 660 million people continues to perform better than most other regions.

# 2014 – The Losers

## The Losers

### The Eurozone

Evidence mounted that the Eurozone was set to endure a very long period of stagnation as domestic demand levels remained depressed.

### Russia and Ukraine

Ukraine lost control of two key regions (Crimea and the Donbass), while both Russia and Ukraine experienced major economic disruptions.

### Brazil, Venezuela and Argentina

These three key South American economies each underperformed once again in 2014, with Venezuela and Argentina facing the threat of hyper-inflation.

### The Middle East and North Africa

The optimism created by the Arab Spring has been erased by the unrest across the region and oil prices plunged in late 2014.

# **Key Global Risks in 2015**

## **The Leading Risks for International Trade and Investment in 2015**



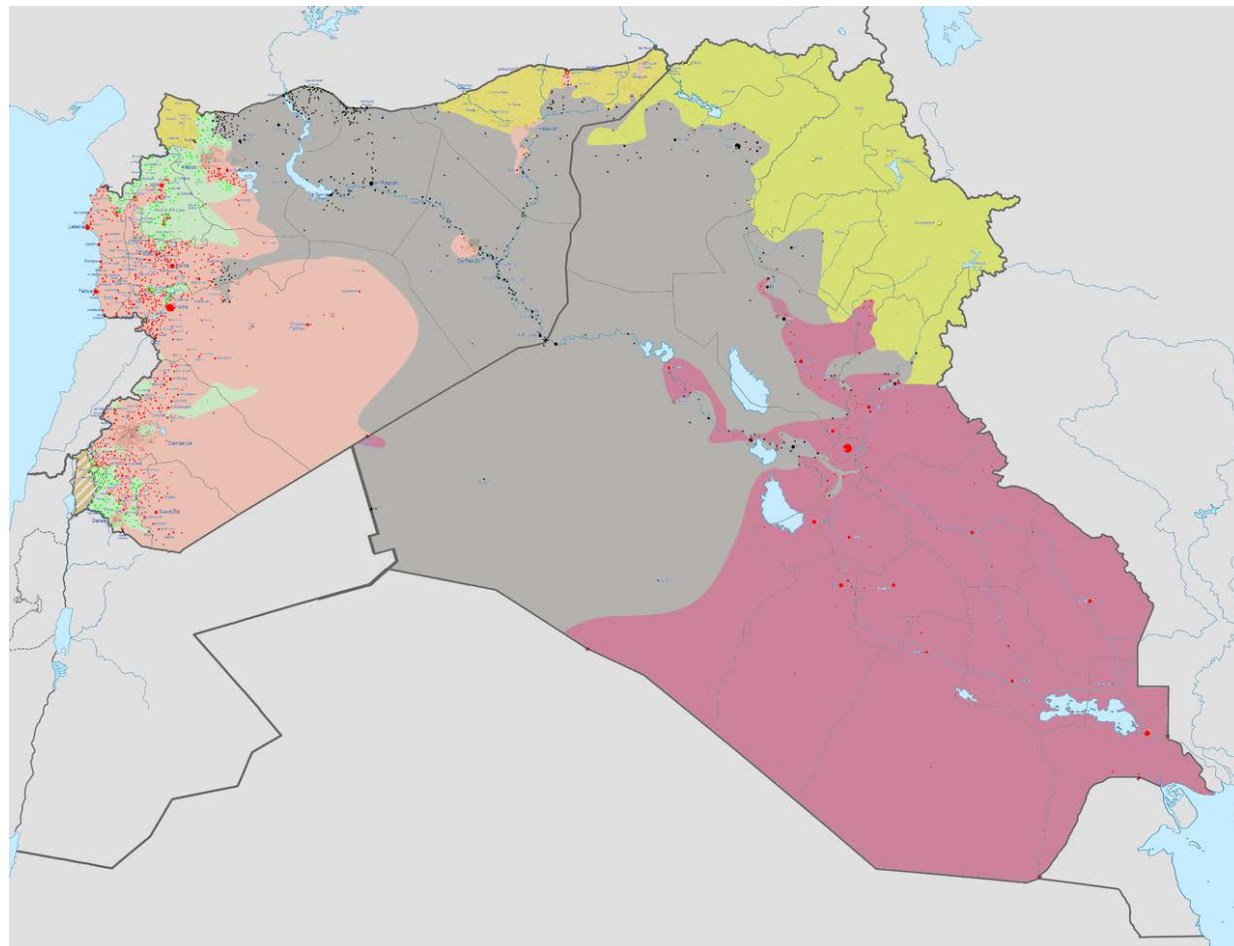
# Key Risk in 2015: More Conflict in the Middle East



# Key Risk in 2015: The War Against the Islamic State

## Overview

- The Islamic State (IS) recovered from its crushing defeat in Iraq in 2008 thanks to the civil war in Syria.
- The Islamic State emerged as the leading rebel force in Syria's civil war.
- In the summer of 2014, the IS seized much of western and central Iraq (including Mosul) and nearly captured Baghdad and Erbil.
- The United States formed a coalition that began airstrikes on IS targets in Iraq and Syria.



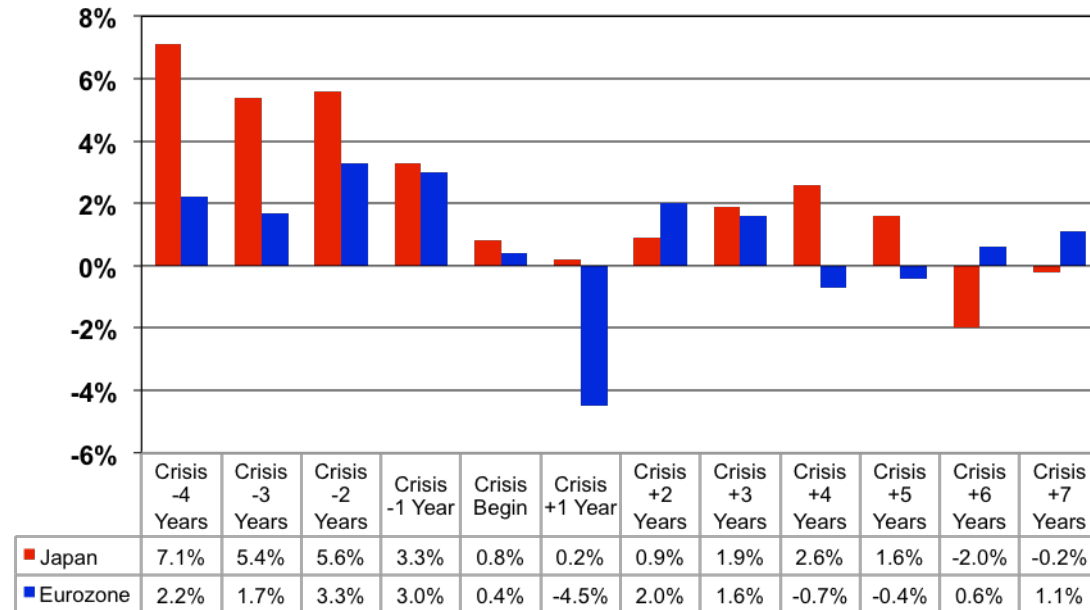
# Key Risk in 2015: Long-Term Stagnation and Deflation in Europe

## Overview

- The Eurozone's current struggles bear many of the hallmarks of Japan's two-decade slump that began in 1992.
- In both cases, demographic declines led to a downturn in domestic demand levels that left both economies dependent upon exports.
- However, both economies suffered a sharp decline in export competitiveness.
- Unsustainable growth in key sectors of both economies played key roles in their downfalls.

## Eurozone and Japan

### GDP Growth Rates



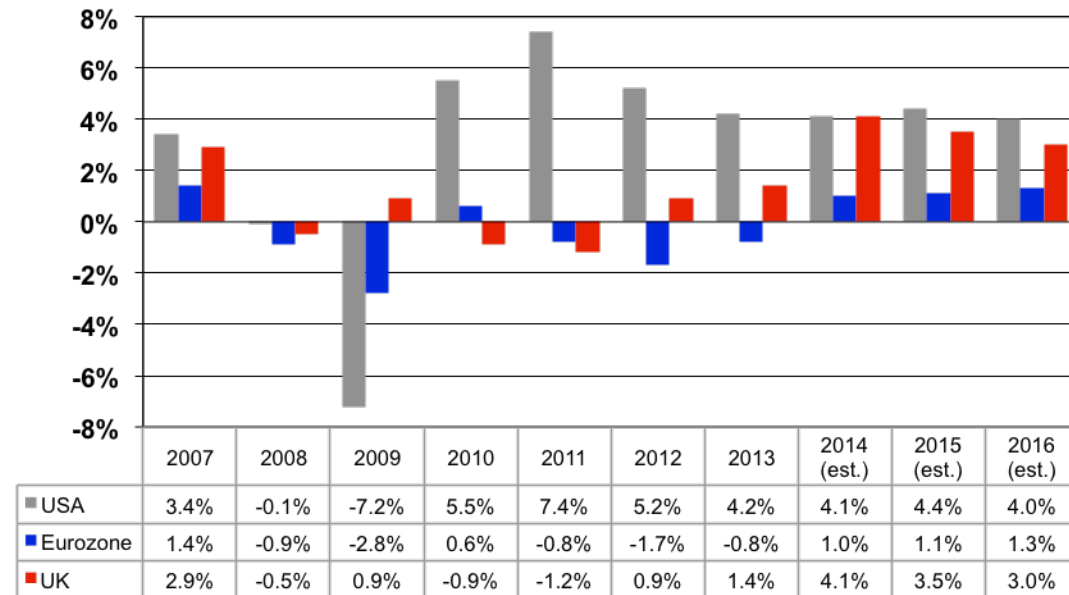
# Key Risk in 2015: Weak Demand Levels in the Eurozone

## Overview

- Domestic demand inside the Eurozone remains very weak.
- Consumer spending and retail sales in the Eurozone remain more than 5% smaller than before the global financial crisis.
- In contrast, consumer demand in the United States and, to a lesser extent, Britain, have rebounded strongly in recent years.

## Retail Sales Growth

### Retail Sales Growth Rate (y-y)

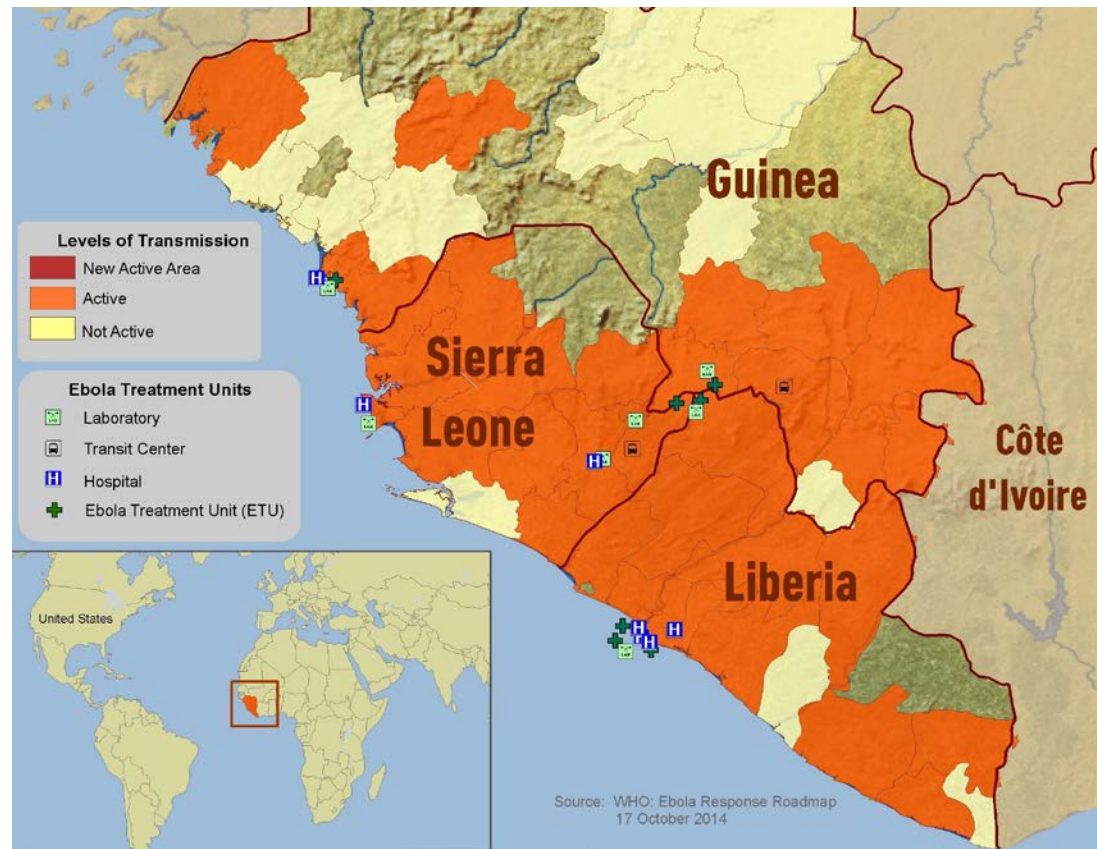


# Key Risk in 2015: Ebola

## Overview

- West Africa's outbreak of the Ebola virus is the worst outbreak of this virus by a wide margin.
- The number of cases of Ebola in West Africa is continuing to soar, particularly in Liberia and Sierra Leone.
- While the outbreak has spread to the US and Europe, the greatest risk remains that it will spread to the giant cities of other emerging markets.

## West African Ebola Outbreak

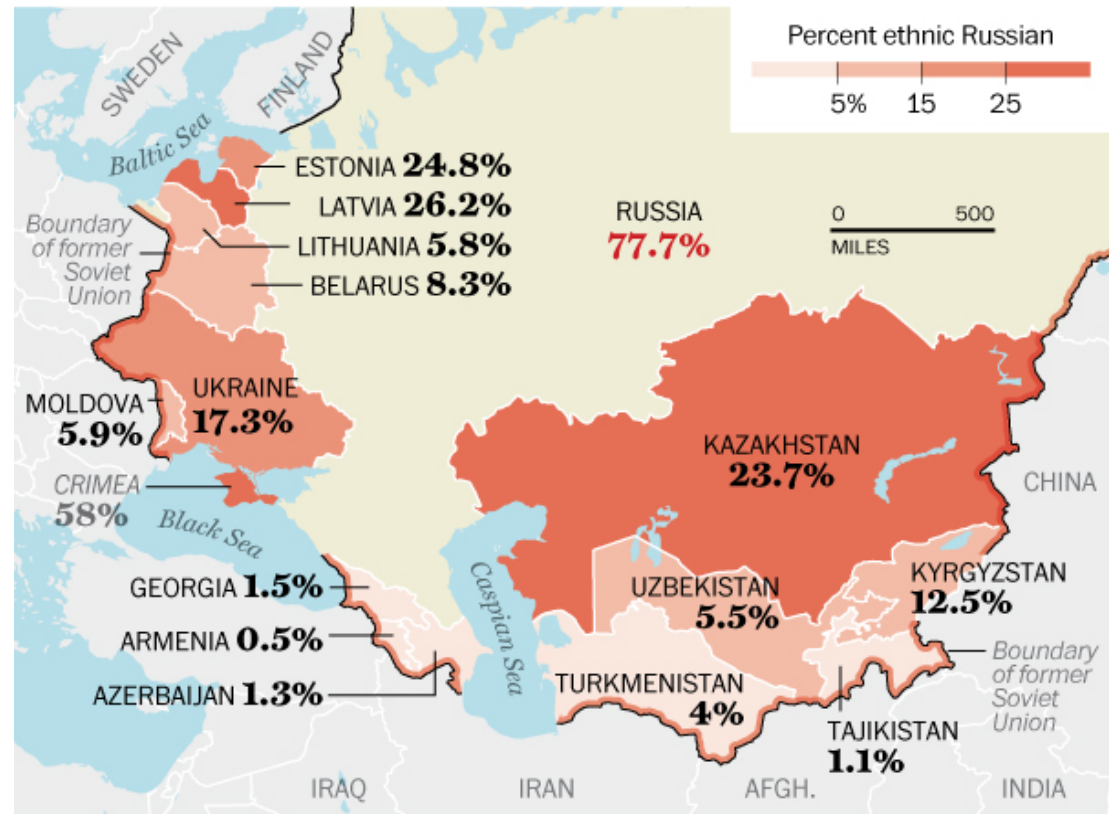


# Key Risk in 2015: Ukraine and Russia

## Overview

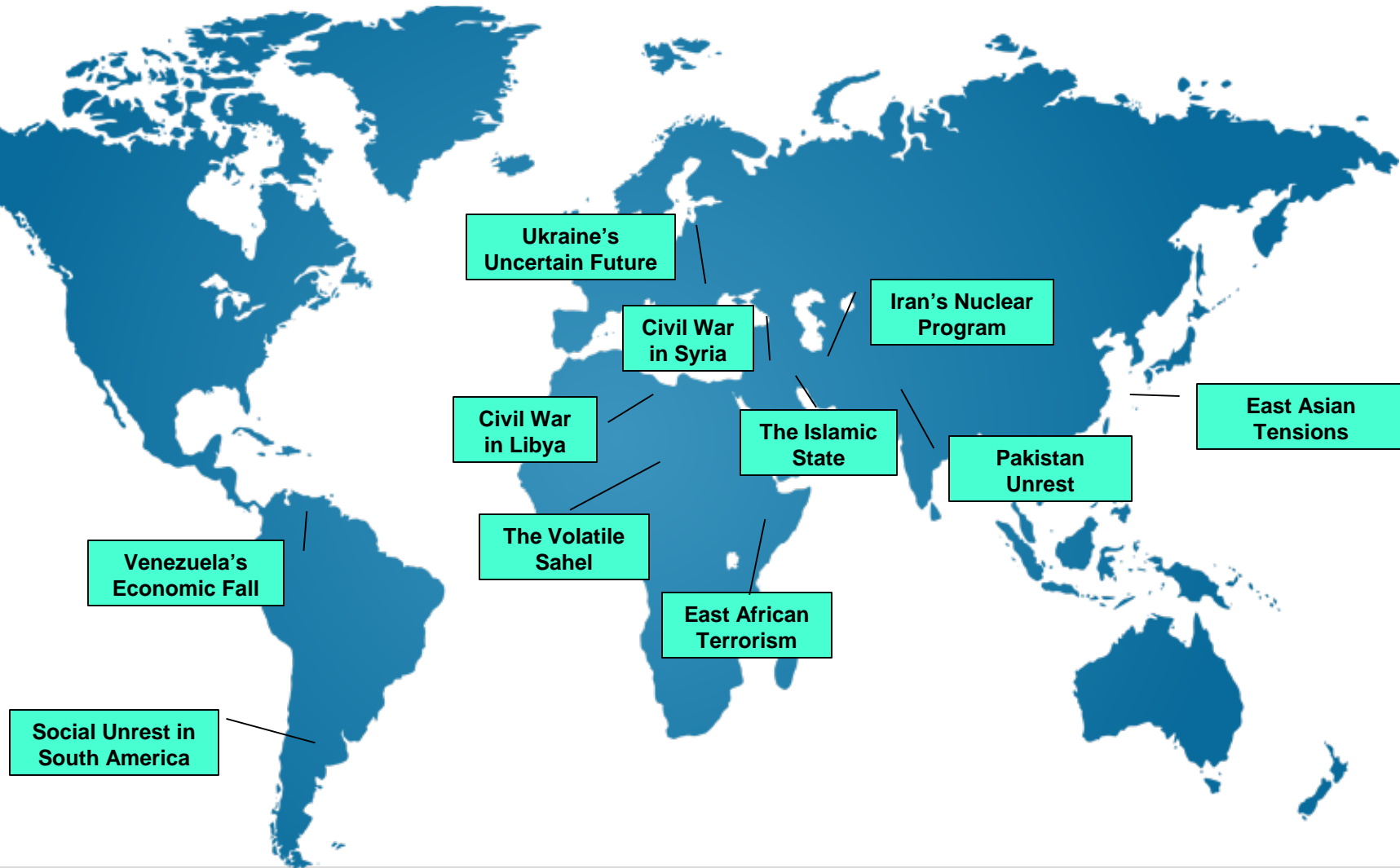
- The situation in eastern Ukraine remains unresolved as pro-Russian militants, backed by Russian forces, continue to control a good deal of territory.
- Moreover, Russia's annexation of Crimea has caused major problems for Russia and Ukraine.
- Elsewhere, large ethnic Russian minorities live in a number of the countries neighboring Russia.

## Russians Outside of Russia



# Key Risk in 2015: Flashpoints

Map of Key Flashpoints in 2015



# **Key Global Opportunities in 2015**

## **The Leading Opportunities for International Trade and Investment in 2015**



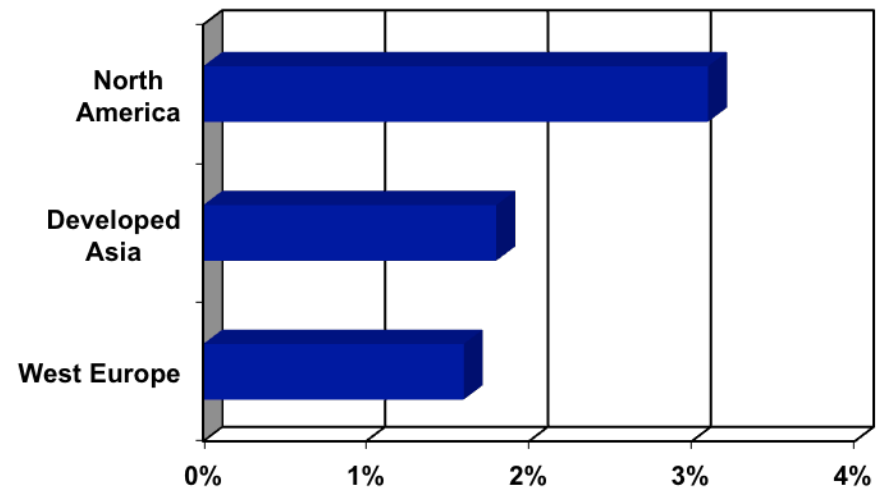
# Key Opportunity in 2015: Booming North America

## Overview

- North American economic growth rates are forecast to rise in the coming years.
- The United States economy will realize solid economic growth rates in the coming years and this will provide a major boost for Canadian and Mexican exporters.
- North American economic competitiveness will continue to improve in the years ahead thanks to expanding working-age populations and lower energy costs.

## GDP Growth Rates

**Regional Average Annual GDP Growth Forecasts (2015-2019)**



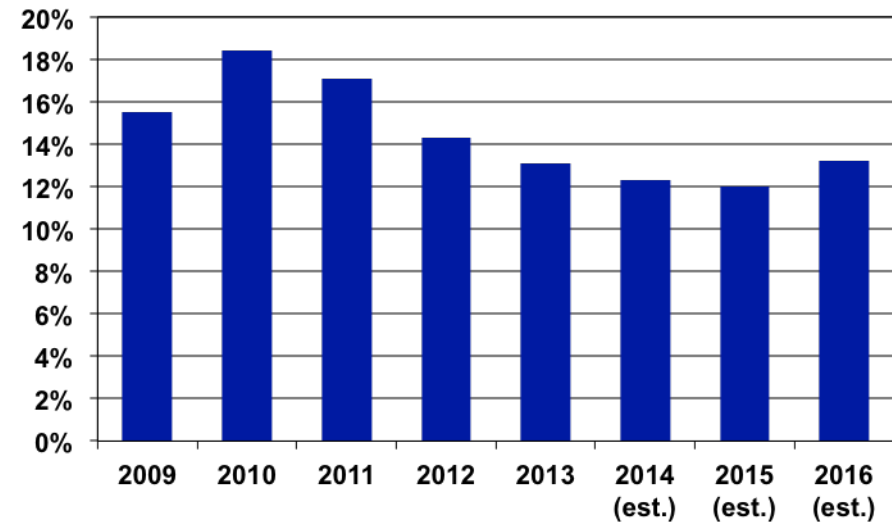
# Key Opportunity in 2015: The Chinese Domestic Market

## Overview

- The Chinese economy is continuing to undergo a gradual transformation from one that was driven by export demand to one that derives much of its growth from domestic demand.
- The purchasing power of Chinese consumers has risen faster over the past 25 years than anywhere else in the world.
- Moreover, with huge pent-up savings and a strengthening currency, Chinese consumers' appetite for imported goods and services will boom in 2015 and the years beyond.

## Retail Sales in China

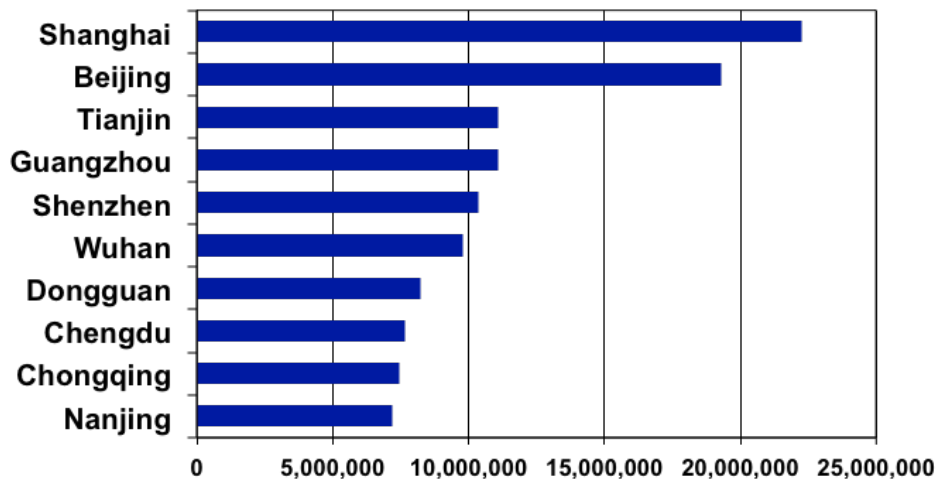
Retail Sales Growth Rates in China



# Key Opportunity in 2015: China's Urban Centers

## Largest Cities in China

### Metropolitan Area Populations



## Economic Growth by Region

|             | Gross Regional Product (million yuan) |         | Growth rate<br>2008–12 (%) |
|-------------|---------------------------------------|---------|----------------------------|
|             | 2008                                  | 2012    |                            |
| Beijing     | 11,115                                | 17,879  | 161                        |
| Tianjin     | 6,719                                 | 12,894  | 192                        |
| Shanghai    | 14,070                                | 20,182  | 143                        |
| Jiangsu     | 30,982                                | 54,058  | 174                        |
| Zhejiang    | 21,463                                | 34,665  | 162                        |
| Guangdong   | 36,797                                | 57,068  | 155                        |
| Hubei       | 11,329                                | 22,250  | 196                        |
| Hunan       | 11,555                                | 22,154  | 192                        |
| Chongqing   | 5,794                                 | 11,410  | 197                        |
| Sichuan     | 12,601                                | 23,873  | 189                        |
| Guizhou     | 3,562                                 | 6,852   | 192                        |
| Yunnan      | 5,692                                 | 10,309  | 181                        |
| China total | 316,030                               | 516,282 | 163                        |

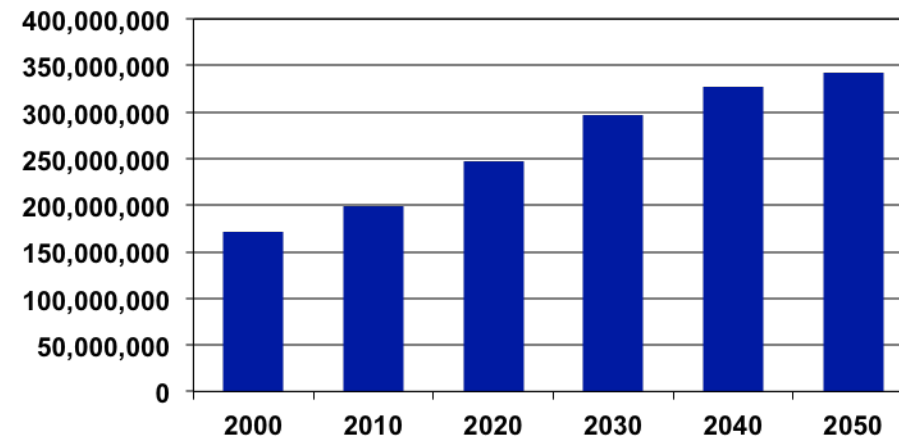
# Key Opportunity in 2015: The Global Elderly Market

## Overview

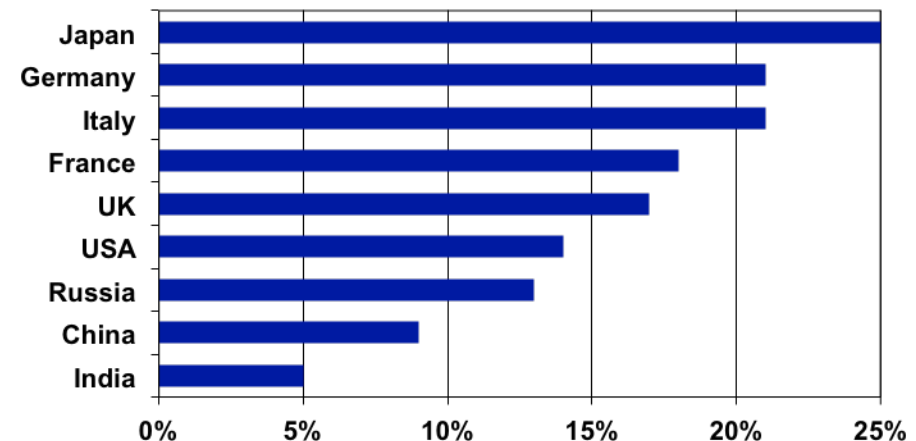
- The fastest growing market segment in the world in the coming decades will be the elderly market.
- In developed countries, the elderly population will grow by more than 70% by the middle of this century, while all other age groups will stagnate or decline.
- In emerging markets, the elderly population will soar as life expectancies continue to rise.

## Elderly Demographics

### Over 65s in Developed Economies



### % of Population Over 65



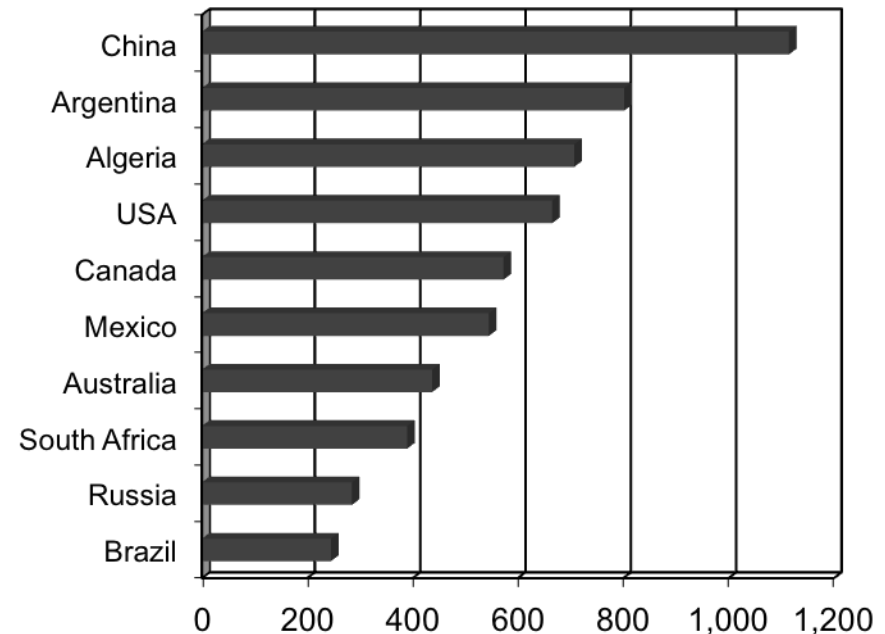
# Key Opportunity in 2015: Shale Gas and Oil

## Overview

- The development of the shale gas and oil industry in the United States is providing major opportunities.
- One hand, the development of the shale gas and oil industry in the United States has given it major advantages in terms of economic competitiveness.
- Moreover, shale gas and oil reserves can be found in many other areas of the world and these countries will look to US companies to help them exploit these resources.

## Shale Gas Output by Country

### Known Shale Gas Reserves



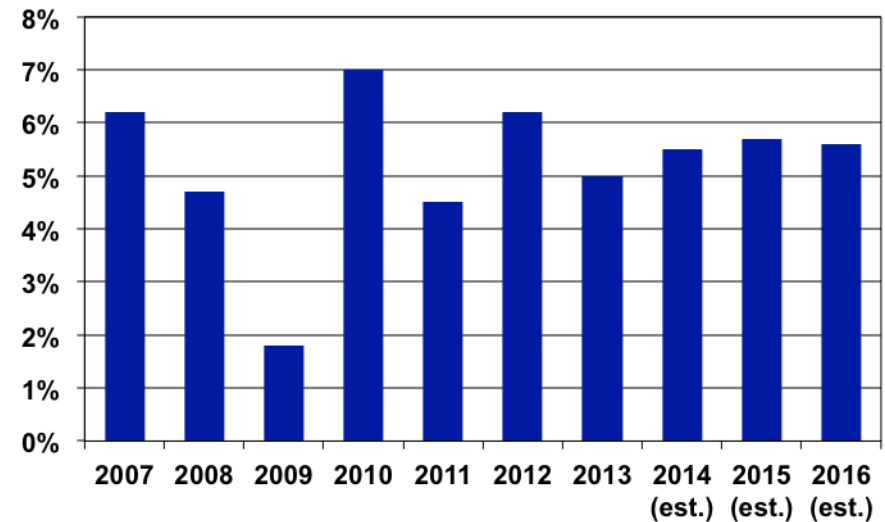
# Key Opportunity in 2015: Southeast Asia

## Overview

- Southeast Asia, home to nearly 660 million people, will continue to be one of the fastest-growing regions in the world in the coming years.
- Larger Southeast Asian countries such as Indonesia, Vietnam and the Philippines will benefit from higher levels of foreign investment that is attracted by low labor costs and rapidly-growing domestic markets.
- Meanwhile, Myanmar's political reforms are opening that country's economy to foreign investors.

## GDP Growth in Southeast Asia

GDP Growth Rate in Southeast Asia



# Key Opportunity in 2015: Agricultural Exports

## Overview

- The agricultural sector will continue to benefit from soaring global demand driven by population growth and rising levels of demand for agricultural products.
- Large agricultural exporters such as the United States and southern South America will benefit from rising demand in Asia and other emerging markets.
- Weather conditions will continue to be a major factor in the success of the global agricultural sector.



# **Regional Outlooks for 2015**

**The Outlook for All of the World's Regions in 2015**



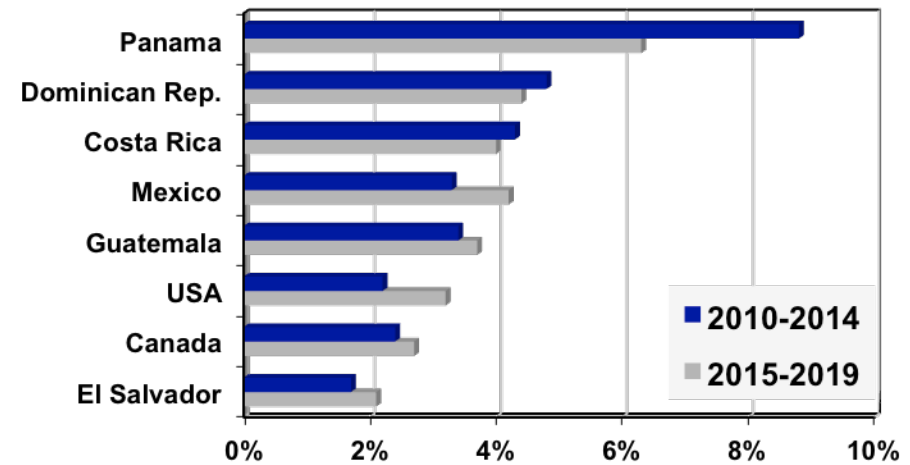
# Regional Outlook: North America

## Economic Outlook

- The United States and Canada constitute a combined developed market of nearly 360 million people that will be a key driver of global economic growth in the coming years.
- The US economy will grow by an average of 3% over the next five years, its best performance since before the financial crisis.
- Mexico has been one of the world's most disappointing emerging markets in recent years, but growth is set to trend upwards in the coming years.
- Economic growth rates will vary greatly across Central America in coming years, with Panama continuing to be that region's best-performing economy.

## Economic Performance

### Avg. Annual GDP Growth Rates



### Star Performers

- **The United States** – After a long sluggish recovery, the world's largest economy is set for a period of strong growth, in contrast to most other large developed economies.
- **Panama** – Panama has become the service center of Central America and the expansion of the Panama Canal will allow the economy to continue to grow.

# Regional Outlook: North America

## Political Outlook

- **United States President Barack Obama** has entered the “lame-duck” period of his presidency.
- **Foreign policy** will remain at the forefront in politics in the United States as the US is actively engaged in a number of high-level and low-level conflicts around the world.
- **Mexico’s reformist President Enrique Pena Nieto** has lost a good deal of support inside Mexico, although he remains very popular outside of the country.

## Elections to Watch in 2015

- **Mexico** – Parliamentary (July)
- **Guatemala** – Presidential and Parliamentary (September)
- **Canada** – Parliamentary (October)

## Flashpoints to Watch in 2015

- **US Border** – Fears over unrestrained migration and terrorism are leading to tensions between the United States and other North American countries.
- **Cuba** – Cuba’s aging leadership is on its last legs, resulting in an uncertain future for that country.

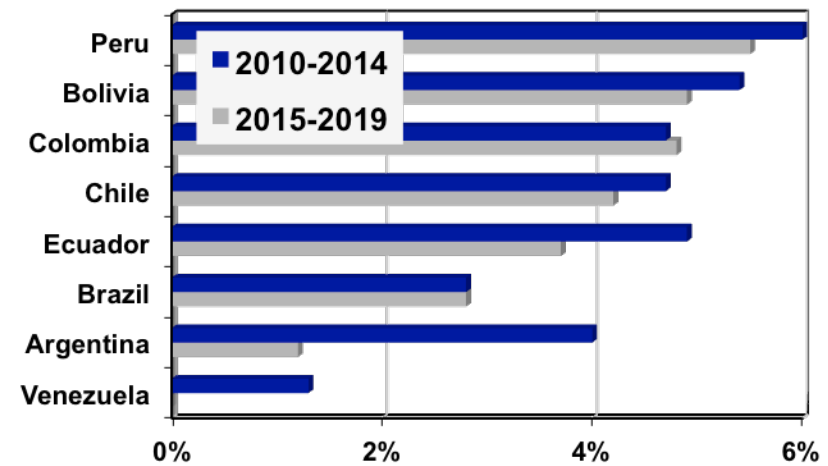
# Regional Outlook: South America

## Economic Outlook

- The key drivers of economic growth in South America will continue to be the natural resource exporters of the Andes Mountains.
- Brazil's economic performance will continue to disappoint in the coming years.
- Venezuela and Argentina face the near-term threat of hyper-inflation and will struggle to record any economic growth.

## Economic Performance

### Avg. Annual GDP Growth Rates



### Star Performers

- **Bolivia** – Unlike the region's other far-left governments, Bolivia's government has followed more sensible policies that have allowed the economy to flourish.
- **Peru** – Rapid economic growth is leading to a wealthier domestic market, offsetting the country's dependence upon mining exports.

# Regional Outlook: South America

## Political Outlook

- **While the political left has lost some momentum in recent years, it remains in power in a majority of countries in South America.**
- **Efforts at regional integration are being hampered by the deep divisions between the political right and left in South America, leading to rival camps.**

## Elections to Watch in 2015

- **Argentina** – Presidential and Parliamentary (October)

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## Flashpoints to Watch in 2015

- **Argentina** – Economic worries are intensifying and this is adding to political and social tensions in Argentina.
- **Colombia** – 2015 will be the make-or-break year for peace talks between the Colombian government and the far-left FARC rebel group/

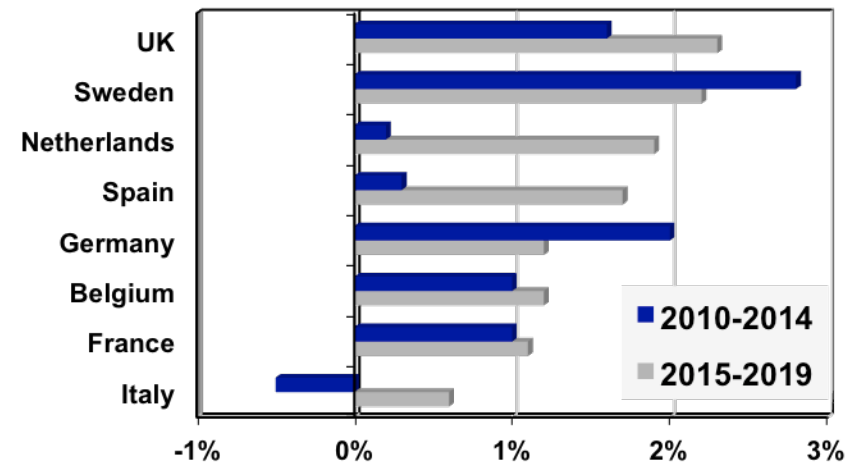
# Regional Outlook: West Europe

## Economic Outlook

- Economic growth will remain sluggish across most of the Eurozone in the coming years as domestic demand remains weak and export competitiveness fails to improve.
- Britain and a handful of northern European economies will grow at a pace above the regional average in the coming years.
- Spain and Portugal will benefit from economic reforms that allow their economies to recover, somewhat, from the recent crisis.
- Without major reforms, France and Italy face longer-term stagnation.

## Economic Performance

### Avg. Annual GDP Growth Rates



### Star Performers

- **Britain** – The UK suffered mightily in the global financial crisis, but its dynamic service sector has allowed for a strong recovery.
- **Norway** – Oil wealth has made Norway one of the world's wealthiest countries, and unlike most other smaller European countries, it controls most of its own economy.

# Regional Outlook: West Europe

## Political Outlook

- **Many governments in West Europe have seen their support levels plunge as a result of the region's lingering economic problems.**
- **Many countries have committed military forces to one or more of the conflicts underway in the Middle East or Africa, stretching the region's already-depleted military resources.**
- **Right-wing political movements running on anti-immigration or anti-Brussels platforms will continue to gain support, as will some far-left parties.**

## Elections to Watch in 2015

- **United Kingdom** – House of Commons (May)
- **Portugal** – Parliamentary (October)
- **Switzerland** – Federal Assembly (October)
- **Spain** – Parliamentary (December)

## Flashpoints to Watch in 2015

- **The Mediterranean** – Over 3,100 migrants died in 2014 attempting to reach Europe from North Africa, and the political situation in that region is worsening.
- **Independence movements** – While Scotland rejected independence from the UK, plenty of other European regions would like the chance to vote on their own independence.

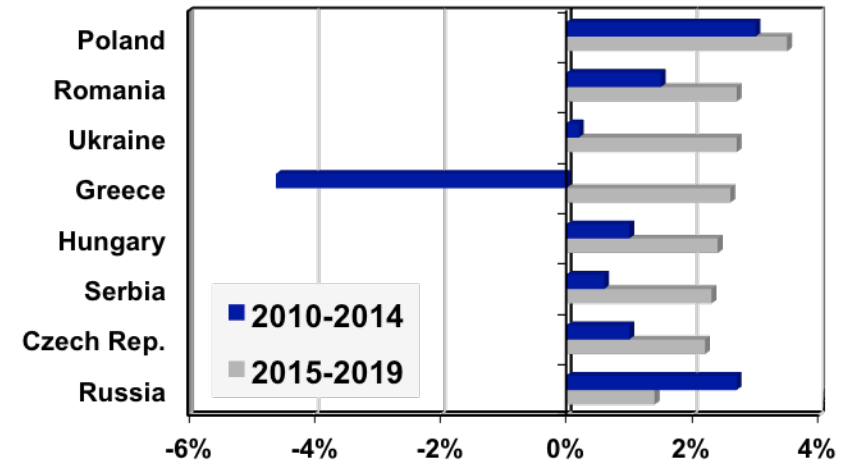
# Regional Outlook: Central and East Europe

## Economic Outlook

- The war in eastern Ukraine has devastated that country's economy.
- Russia too has felt the impact of the war in Ukraine as well as the sharp fall in oil prices, leading to sluggish growth rates.
- Russia could face more economic sanctions as a result of the crisis in Ukraine.
- Export-dependent Central European economies will continue to suffer as a result of sluggish demand in West Europe.

## Economic Performance

### Avg. Annual GDP Growth Rates



### Star Performers

- **Poland** – Poland's expanding domestic market gives it a major advantage over its regional rivals, hence its ability to avoid falling into a recession during the recent crisis.
- **Romania** – Romania's low-cost manufacturing sectors will give the country's economy a boost in the coming years.

# Regional Outlook: Central and East Europe

## Political Outlook

- **Russia's efforts to reverse its geopolitical setbacks of the previous 25 years will continue to destabilize countries such as Ukraine.**
- **The potential for the war in Ukraine to restart will remain in place.**
- **Populist movements have gained ground in many central and eastern European countries.**
- **Poland's size and recent economic strength has given that country a new-found leadership role in Central Europe.**

## Elections to Watch in 2015

- **Poland** – Presidential (May)
- **Poland** – Parliamentary (October)

## Flashpoints to Watch in 2015

- **Ukraine** – Russia has yet to achieve its goals in Ukraine and this is bad news for the prospects for peace in that country.
- **Russian minorities around Russia's borders** – Countries such as Moldova, Latvia and Kazakhstan are fearful of Russia's intentions in their countries.



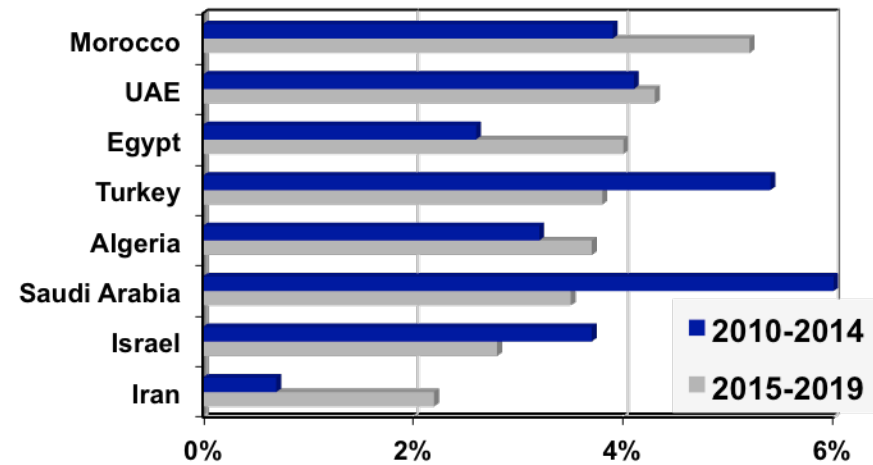
# Regional Outlook: Middle East and North Africa

## Economic Outlook

- The recent fall in oil prices will have significant repercussions for the region's leading oil producers.
- Political unrest is impacting many of the region's economies, although this unrest has thus far remained outside of most of the region's economic centers.

## Economic Performance

### Avg. Annual GDP Growth Rates



### Star Performers

- **Morocco** – After a period of disappointing economic growth, Morocco is poised to see an acceleration in growth rates.
- **Qatar** – The region's wealthiest country sits atop of some of the world's largest natural gas reserves.

# Regional Outlook: Middle East and North Africa

## Political Outlook

- **Nearly half of the countries in the Middle East and North Africa will either be facing a full scale war or a sizeable insurgency on their territory.**
- **The war against the Islamic State (IS) will continue to rage in Syria and Iraq unless sizeable ground forces can be found to fully defeat the militants.**
- **Regional rivalries will remain firmly in place and this will stoke regional tensions and serve to create proxy wars across the region.**

## Elections to Watch in 2015

- **Sudan** – Presidential and parliamentary (April)
- **Turkey** – Parliamentary (June)
- **Yemen** – Presidential and parliamentary (TBD)

## Flashpoints to Watch in 2015

- **The Islamic State** – Despite US and coalition military power, the Islamic State continues to control a large area of Syria and Iraq.
- **Libya** – The latest failed state could split into two or more states or could remain an anarchic entity.
- **Lebanon** – Syria's civil war could spread across the borders in Lebanon to a greater degree in 2015.

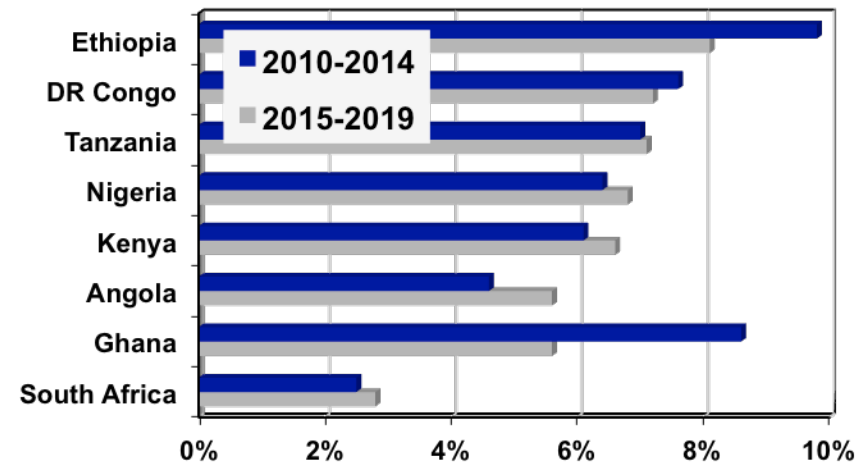
# Regional Outlook: Sub-Saharan Africa

## Economic Outlook

- Sub-Saharan Africa will remain the region with the fastest-growing economy in the world over the remainder of this decade.
- Export demand for natural resources from Sub-Saharan Africa will continue to fuel much of this growth.
- Slowly, but surely, domestic demand levels are also on the rise across the region.

## Economic Performance

### Avg. Annual GDP Growth Rates



### Star Performers

- **East Africa** – This region continues to grow at a rapid pace and there are continued hopes for further regional integration.
- **Nigeria** – The expansion of Nigeria's giant domestic market brings hope that the country's reliance upon oil exports could be lessened.

# Regional Outlook: Sub-Saharan Africa

## Political Outlook

- **Too many countries in Sub-Saharan Africa will continue to suffer from political instability which will include full scale civil wars, insurgencies and internal divisions.**
- **Nigeria, the region's most populous country, faces a contentious presidential election and a worsening Boko Haram insurgency.**
- **Congo-Kinshasa, located at the heart of the region, could once again descend into chaos and this would destabilize it and many of its neighbors.**

## Elections to Watch in 2015

- **Nigeria** – Presidential and parliamentary (February)
- **South Sudan** – Presidential and parliamentary (July)
- **Tanzania** – Presidential and parliamentary (October)

## Flashpoints to Watch in 2015

- **The Impact of Ebola** – West Africa's Ebola-hit countries have been left severely destabilized by the ongoing Ebola outbreaks inside their borders.
- **The Sahel** – This increasingly lawless region is home to a range of groups that remain outside of the control of their country's governments.

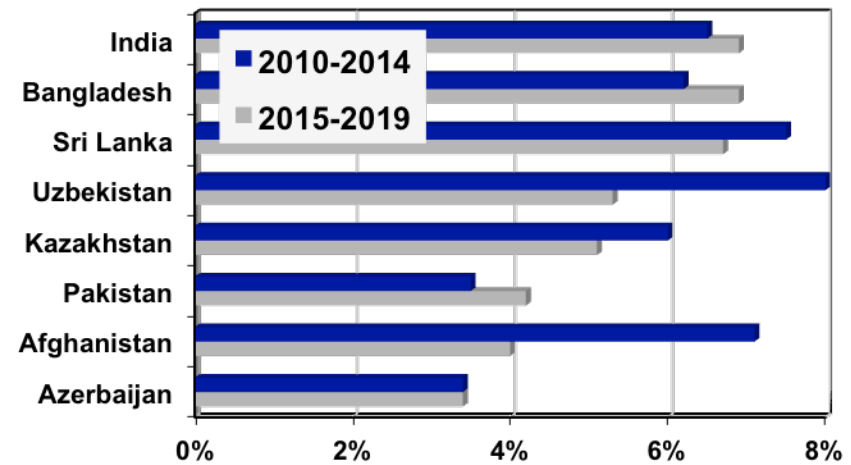
# Regional Outlook: Central and South Asia

## Economic Outlook

- India's economic slump will slowly come to an end, but without major reforms, the high rates of growth realized in previous years will be unattainable.
- South Asia's other leading economies will record solid rates of growth in the coming years.
- Pakistan's economy will continue to struggle as that country's political unrest hampers its ability to attract foreign investment.

## Economic Performance

Avg. Annual GDP Growth Rates



### Star Performers

- **Sri Lanka** – Higher levels of political stability have led to an increase in foreign investment.
- **Bangladesh** – Low-cost manufacturing and services industries are increasingly attracted to Bangladesh.

# Regional Outlook: Central and South Asia

## Political Outlook

- **Indian Prime Minister Narendra Modi is attempting to shake-up India's internal politics as well as its foreign relations.**
- **Afghanistan's weak central government and a much-decreased US and international presence in the country are opening the door for a Taliban revival there.**
- **Pakistan's internal situation is unlikely to stabilize in the near-future, threatening to lead to another military coup and even worse relations with its neighbors.**
- **Russia's attempts at regaining its lost influence in the former Soviet Central Asia will be welcomed by some countries and resisted by others.**

## Elections to Watch in 2015

- **Uzbekistan** – Presidential (March)
- **Afghanistan** – Parliamentary (TBD)

## Flashpoints to Watch in 2015

- **Kashmir** – This divided region could once again spark a conflict between India and Pakistan.
- **Kazakhstan** – This country's large Russian minority is coveted by Russian President Vladimir Putin.
- **Afghanistan** – A scaled-back US-led foreign military presence may not be enough to prevent the Taliban from gaining more territory.

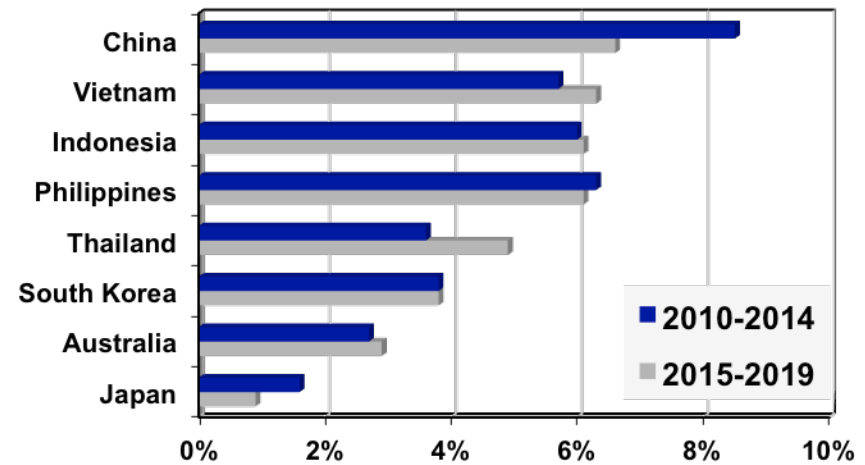
# Regional Outlook: East Asia and Pacific

## Economic Outlook

- China will continue to head towards economic growth rates of between 6% and 7%, with domestic consumer spending playing an ever-larger role in the economy.
- Other large East Asian emerging markets such as Indonesia, Vietnam and the Philippines will benefit from soaring domestic demand.
- South Korea and Australia will remain two of the world's fastest-growing developed economies.
- Japan's sluggishness will return as domestic demand continues to falter, while real interest rates in Japan are now negative.

## Economic Performance

### Avg. Annual GDP Growth Rates



### Star Performers

- **The Philippines** – Long one of the region's most disappointing economies, the Philippines has turned a corner and is now one of the region's stars.
- **Mongolia** – The country's mining boom may have abated, but it will remain one of the fastest growing economies in the world.

# Regional Outlook: East Asia and Pacific

## Political Outlook

- **The recent unrest in China (Hong Kong, Xinjiang, etc.) has raised fears inside the Chinese government that various elements are seeking to reduce its control of that country.**
- **China's range of territorial disputes (East China Sea, South China Sea, Indian border) are leading to closer ties among many of China's neighbors, raising fears of encirclement in China.**
- **Military spending continues to rise across the region, leading to fears of an arms race.**

## Elections to Watch in 2015

- **Myanmar – Parliamentary (November)**

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## Flashpoints to Watch in 2015

- **Maritime Borders** – Maritime disputes in the East China Sea and the South China Sea have worsened in recent years.
- **The Korean Peninsula** – Uncertainty over the leadership of North Korea could lead to higher levels of tensions in this part of the world.



# Summary

# Summary

## Key Takeaways

- **North America will once again be the key driver of global economic growth in the years ahead.**
- **China's economic rebalancing will continue, with growth rates gradually trending downwards.**
- **Many of Europe's leading economies will continue to experience long-term stagnation as domestic demand remains weak.**
- **Political volatility will remain high in many areas of the world and could implicate some of the world's leading powers.**

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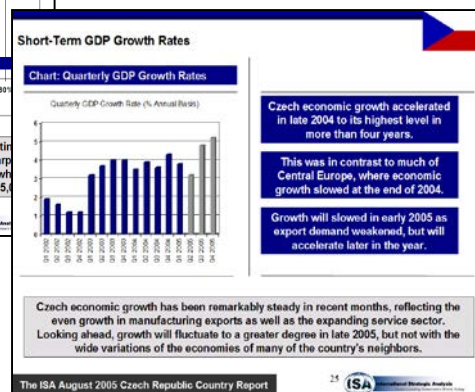
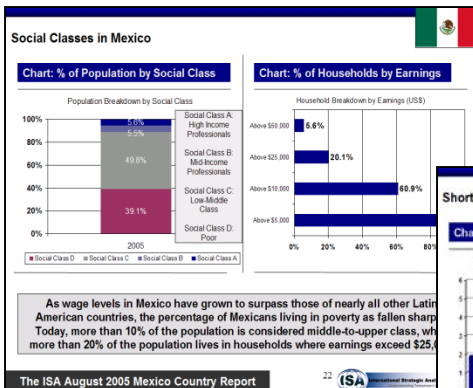
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# **The 2015 ISA Global Trade and Investment Outlook**

**Created by ISA (International Strategic Analysis)**

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