

**JETRO WHITE PAPER ON  
INTERNATIONAL TRADE  
2000**

**WORLD TRADE INCREASINGLY AFFECTED BY  
INFORMATION TECHNOLOGY**

(Summary)

JETRO

2000

**JAPAN EXTERNAL TRADE ORGANIZATION**

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## **PART 1. OVERVIEW OF WORLD TRADE**

### **1. World Trade Moves from Recovery to Expansion**

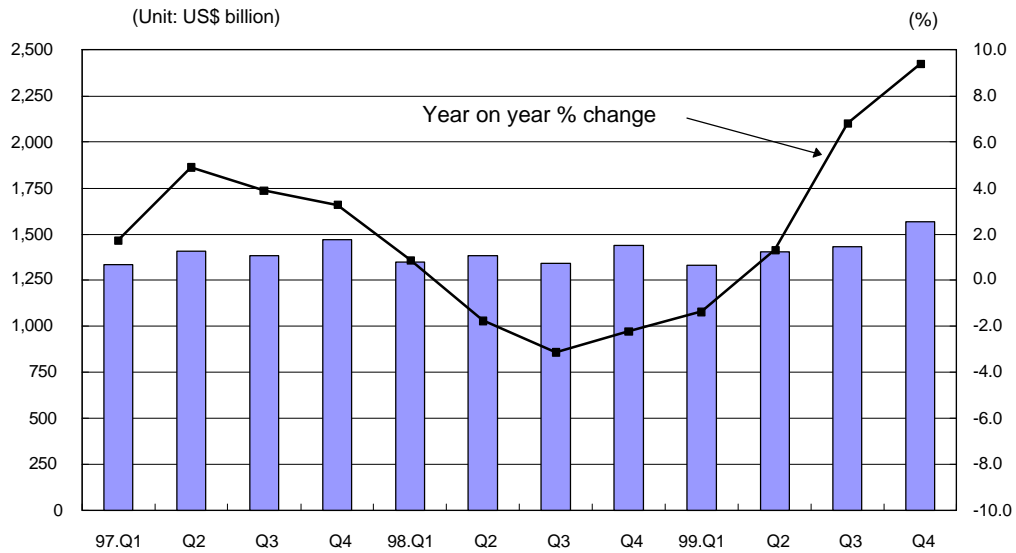
The recovery in world trade gathered momentum and entered a period of expansion in 1999. World trade in goods in dollar terms returned to growth in 1999. Both imports and exports recovered from year-on-year declines of 1.6% and 1.8% respectively the previous year to grow by 4.5% to US\$5.76 trillion and 3.0% to US\$5.57 trillion. Trade volume also showed an upward trend. The International Monetary Fund's April 2000 *World Economic Outlook (WEO)* stated that the growth rate in the volume of world trade rose from 3.8% in 1998 to an estimated 4.9% in 1999, and projected growth in 2000 to reach 8.4%, its highest since 1997 when trade grew by 10.0%. The slide in trade prices in dollar terms also showed signs of coming to a halt. According to the IMF (*WEO*, April 2000), the annual rate of decline shrank in 1999 to 0.8%, and trade prices were forecast to grow by 0.6% in 2000, the first increase in five years.

World trade continued to expand in the first quarter of 2000, when the 27 leading economies, which accounted for 80.1% of the value of world imports in 1999, are estimated to have registered 14.3% growth in exports and 16.7% growth in imports, compared with 3.3% and 6.5% respectively in 1999.

- (1) Following the Asian economic crisis, year-on-year growth in world trade (imports) began to slow from the third quarter of 1997, and was negative from the second quarter of 1998 to the first quarter of 1999. Trade began to grow again in the second quarter of 1999, and the level of trade in dollars had nearly recovered to what it was in the second quarter of 1997 prior to the Asian crisis. In terms of annual value, world trade in 1999 reached a new high, exceeding the US\$5.61 trillion level recorded in 1997 before the contraction set in (Chart 1-1). Regarding first quarter of 2000 trade in dollars by country/region, the trend was one of accelerating growth; East Asian imports and exports rose 30.2% and 26.4% respectively on the year earlier, U.S. imports and exports rose 22.9% and 12.4%, and Japanese imports and exports rose 24.3% and 18.6% (Table 1-5).
- (2) The volume of trade rose among the leading economies in the first quarter of 2000, with imports and exports up 13.2% and 10.9% respectively on a year earlier in the U.S., and up 10.6% and 13.7% in Japan. In East Asia, exports by the Republic of Korea (R.O.K.) and Hong Kong Special Administrative Region (Hong Kong SAR) grew 27.6% and 20.7% respectively, while imports grew 27.0% and 22.8% (Table 1-1).
- (3) Trade prices in the leading economies also stopped declining. The annual decline in export prices in the U.S. shrank from 3.1% in 1998 to 1.3% in 1999, and posted positive growth of 1.4% on a year earlier in the first quarter of 2000. Even in the East Asian economies hit by the effects of the financial crisis, the slide in export prices tailed off (Table 1-2). According to IMF figures, the scale of the decline in primary product prices (excluding energy) more than halved from an annual decline of 14.7% in 1998 to 7.0% in 1999, and then grew by 4.7% on a year earlier in the first quarter of 2000. As a result of factors such as growth in demand due to economic recovery in Asia, crude oil prices recovered from US\$13.07/barrel in 1998 (annual average) to US\$18.14/barrel in 1999, and rose to US\$26.60/barrel in the first quarter of 2000 (Table 1-3). Dollar trade prices, being vulnerable to the effects of changes in exchange rates, plummeted in 1997 and 1998 when the financial crisis in emerging markets caused the U.S. dollar to strengthen. Fluctuations in dollar trade prices declined in 1999, however, as the financial turmoil subsided.

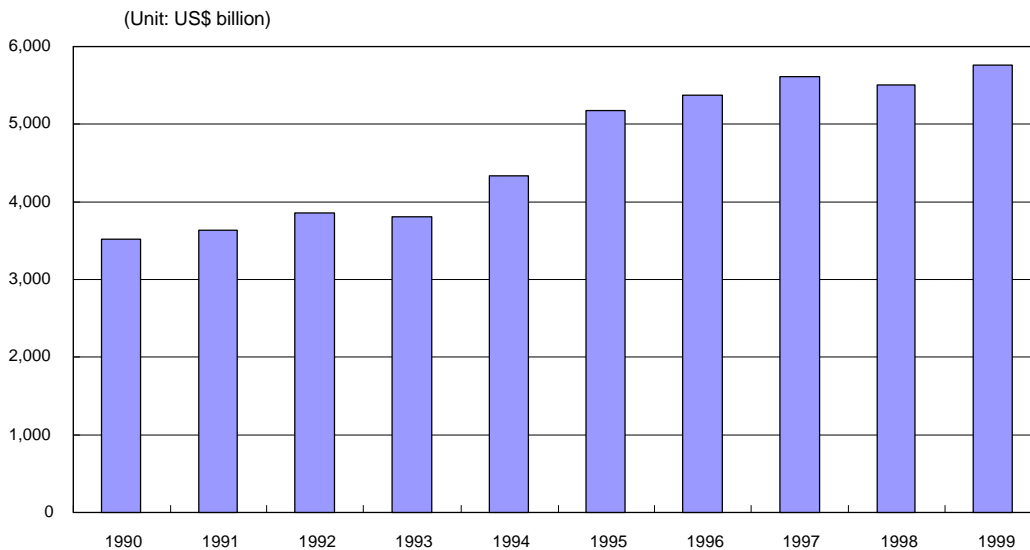
- (4) WTO figures on exports show that trade in services in 1999 (defined as private-sector cross-border trade in non-government services) rose 1.4% on the previous year to US\$1.34 trillion, a modest improvement on 0.1% growth 1998 (Table 1-4).

**Chart 1-1(1). Quarterly Change in Value of World Trade (Imports, in Dollars)**



Source: *International Financial Statistics* (IMF).

**Chart 1-1(2). Annual Change in Value of World Trade (Imports, in Dollars)**



Source: *International Financial Statistics* (IMF).

**Table 1-1. Percentage Change in Major Economies' Trade Volume**

(Unit: %)

	% change in volume of exports				% change in volume of imports			
	1997	1998	1999	2000 Q1	1997	1998	1999	2000 Q1
U.S.	11.9	2.2	4.3	10.9	12.1	11.8	11.3	13.2
Canada	8.2	8.2	10.5	9.9	18.7	4.4	11.1	14.2
Japan	9.5	-1.3	2.2	13.7	2.7	-5.3	9.6	10.6
Euro zone (exports to other regions)	n.a.	n.a.	2.2	n.a.	n.a.	n.a.	4.9	n.a.
France	10.2	6.6	n.a.	n.a.	7.7	7.8	n.a.	n.a.
U.K.	7.7	1.4	2.2	n.a.	8.7	9.5	6.4	n.a.
R.O.K.	24.9	16.9	2.7	27.6	1.5	-21.0	26.1	27.0
Hong Kong	6.1	-4.3	3.6	20.7	7.2	-7.1	0.2	22.8
Singapore	6.9	0.9	5.6	15.3	7.8	-9.3	5.8	14.6
Thailand	7.6	7.9	11.9	n.a.	-10.6	-27.2	23.5	n.a.
Brazil	4.8	10.2	-0.6	22.0	-15.6	0.8	-7.4	7.2

Note: Figures for the first quarter of 2000 indicate percentage change on a year earlier.

Source: *International Financial Statistics* (IMF).**Table 1-2. Percentage Change in Dollar Trade Prices of Major Economies**

(Unit: %)

	% change in price of exports				% change in price of imports			
	1997	1998	1999	2000 Q1	1997	1998	1999	2000 Q1
World	-5.5	-5.3	-0.9	n.a.	-4.9	-6.9	0.5	n.a.
Industrialized countries	-5.9	-3.8	-0.6	n.a.	-5.6	-5.7	-0.3	n.a.
U.S.	-1.5	-3.1	-1.3	1.4	-2.4	-6.0	0.8	8.6
Canada	-2.0	-5.9	1.9	10.1	-0.9	-2.2	0.2	3.7
Japan	-6.5	-6.9	5.7	4.1	-5.6	-12.7	0.9	12.2
France	-11.1	-0.3	n.a.	n.a.	-11.0	-1.0	n.a.	n.a.
Germany	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Italy	-9.7	-1.6	n.a.	n.a.	-9.3	-6.5	n.a.	n.a.
Netherlands	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Spain	-10.7	-1.9	-5.1	n.a.	-10.4	-4.3	-4.4	n.a.
U.K.	-0.7	-3.8	-2.3	n.a.	-1.6	-5.0	-3.6	n.a.
Developing countries	-4.3	-10.2	-2.0	n.a.	-2.7	-10.6	3.4	n.a.
Hong Kong	-1.7	-3.8	-2.9	-0.7	-2.4	-4.9	-2.2	0.0
R.O.K.	-15.9	-13.4	-2.4	3.5	-5.2	-20.0	-0.6	n.a.
Singapore	-6.4	-13.0	-1.1	7.0	-6.4	-13.0	0.4	23.8
Thailand	-3.7	-13.0	-3.9	n.a.	-4.2	-8.0	-5.0	9.2

Note: Figures for the first quarter of 2000 indicate percentage change on a year earlier.

Source: *International Financial Statistics* (IMF).

**Table 1-3. Change in Prices of Crude Oil and other Commodities**

(Unit: %)

	1997	1998	1999	2000 Q1
All commodities (excluding energy)	- 3.3	- 14.7	- 7.0	4.7
Food	- 10.9	- 12.5	- 15.2	- 5.6
Rice	- 10.5	1.0	- 18.5	- 14.2
Wheat	- 23.0	- 21.0	- 11.2	- 10.9
Soybean	- 3.0	- 16.9	- 18.7	5.1
Sugar	- 4.6	- 21.8	- 29.8	- 23.2
Drink	32.6	- 15.2	- 21.2	- 13.8
Coffee	53.8	- 28.4	- 23.1	- 2.8
Tea	33.9	0.6	- 2.6	4.9
Agricultural raw materials	- 6.8	- 16.4	2.0	6.3
Wood	- 10.6	- 26.9	24.2	17.8
Cotton	- 10.3	- 4.7	- 21.4	- 3.5
Rubber	- 27.4	- 29.0	- 12.0	3.0
Tobacco	15.6	- 5.5	- 7.1	- 2.7
Metals	3.0	- 16.3	- 1.1	27.4
Aluminum	6.1	- 15.1	0.3	37.9
Copper	- 0.8	- 27.3	- 5.0	27.7
Iron ore	0.4	3.5	- 9.2	0.0
Nickel	- 7.8	- 33.3	29.9	102.7
Crude oil (US\$/barrel)	19.27	13.07	18.14	26.60

Notes: 1. Figures for first quarter of 2000 indicate percentage change on a year earlier.  
2. Crude oil prices are the average prices of U.K. Brent, Dubai and WTI.

Source: *International Financial Statistics* (July 2000, IMF).

**Table 1-4. World Trade in Services**

(Units: US\$ billion, %)

	Exports					Imports				
	1990	1995	1999	1999		1990	1995	1999	1999	
				% change	Share				% change	Share
World	782.0	1,187.0	1,339.2	1.4	100.0	810.3	1,189.5	1,334.3	2.6	100.0
U.S.	132.2	197.2	251.7	4.9	18.8	97.9	129.3	182.3	9.9	13.7
Japan	41.4	64.0	59.8	- 3.3	4.5	84.3	121.5	113.9	2.9	8.5
EU	369.9	506.1	565.8	0.7	42.2	349.6	492.5	554.0	1.5	41.5
France	66.3	83.1	79.3	- 6.3	5.9	50.5	64.5	59.2	- 9.5	4.4
Germany	51.6	75.2	76.8	- 2.6	5.7	79.2	125.3	127.2	1.7	9.5
Italy	48.6	61.2	64.5	- 3.2	4.8	46.6	54.6	62.7	- 0.3	4.7
Netherlands	29.6	46.8	53.1	2.7	4.0	29.0	44.6	46.5	0.1	3.5
U.K.	53.2	74.6	101.4	2.3	7.6	44.6	59.6	81.4	4.1	6.1
East Asia	68.1	160.3	161.2	5.1	12.0	66.9	165.0	171.0	4.8	12.8
Asian NIEs	46.9	101.1	98.1	5.2	7.3	43.6	86.8	91.6	4.8	6.9
R.O.K.	9.2	22.1	25.0	4.8	1.9	10.1	25.4	26.7	13.5	2.0
Taiwan	6.9	14.9	14.8	- 11.0	1.1	13.9	23.0	23.2	- 0.2	1.7
Hong Kong	18.1	34.3	35.4	2.6	2.6	11.0	20.8	22.4	- 1.6	1.7
Singapore	12.7	29.7	22.9	25.5	1.7	8.6	17.6	19.3	7.8	1.4
ASEAN4	15.4	40.8	36.6	1.1	2.7	19.2	53.6	47.2	0.6	3.5
Thailand	6.3	14.7	14.1	8.0	1.1	6.2	18.6	13.9	17.4	1.0
Malaysia	3.8	11.4	10.8	- 4.1	0.8	5.4	14.8	13.0	- 2.1	1.0
Indonesia	2.5	5.3	4.5	3.5	0.3	5.9	13.2	12.659	7.8	0.9
Philippines	2.9	9.3	7.1	- 4.7	0.5	1.7	6.9	7.649	- 24.2	0.6
China	5.7	18.4	26.6	10.5	2.0	4.1	24.6	32.145	11.7	2.4
Latin America	29.7	44.5	53.5	- 2.2	4.0	34.6	54.1	60.2	- 9.3	4.5
Middle East	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Africa	18.6	25.2	28.4	5.6	2.1	26.8	36.0	37.5	1.1	2.8
Russia, Central and Eastern Europe	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

Source: Prepared by JETRO from WTO database.

**Table 1-5. Major Economies' Trade in First Quarter of 2000**

(1) Exports

	1999			2000 Q1		
	Value US\$ billion	% change %	Share %	Value US\$ billion	YOY % change %	
World	5,567.1	3.0	100.0			
Industrialized countries						
U.S.	702.1	2.9	12.6	187.3	12.4	
Canada	238.4	11.3	4.3	67.3	19.5	
Japan	419.4	8.1	7.5	115.3	18.6	
Germany	541.1	-0.4	9.7	138.6	4.3	
France	300.2	-1.9	5.4	75.3	0.1	
U.K.	268.2	-1.3	4.8	70.8	10.9	
Italy	230.2	-6.3	4.1	56.0	3.3	
Belgium	176.2	-0.9	3.2	47.5	6.1	
Spain	110.0	0.7	2.0	28.3	4.8	
Sweden	84.8	0.0	1.5	22.3	6.2	
Switzerland	76.1	0.9	1.4	18.8	-0.2	
Norway	44.9	13.2	0.8	14.1	45.0	
Australia	56.1	0.4	1.0	15.0	19.2	
Developing countries						
R.O.K.	144.7	9.4	2.6	39.6	30.8	
Hong Kong	173.9	-0.1	3.1	43.6	19.4	
Taiwan	121.5	10.0	2.2	32.9	18.5	
Singapore	122.5	14.7	2.2	30.5	23.4	
Thailand	58.4	7.2	1.0	16.9	29.9	
Malaysia	84.5	15.2	1.5	22.2	21.9	
Philippines	32.2	19.0	0.6	8.6	9.6	
Indonesia	48.7	-0.4	0.9	14.1	39.0	
China	195.2	6.3	3.5	51.7	38.6	
India	36.3	8.6	0.7	10.1	13.8	
Mexico	136.7	16.4	2.5	38.0	26.2	
Brazil	48.0	-6.1	0.9	12.0	19.9	
South Africa	26.7	1.3	0.5	7.3	14.4	
Russia	74.7	-0.3	1.3	23.4	50.6	
(East Asia)	981.5	7.8	16.9	260.1	26.4	
Sub-total	4,551.5	3.3	81.8	1,207.5	14.3	

(2) Imports

	1999			2000 Q1		
	Value US\$ billion	% change %	Share %	Value US\$ billion	YOY % change %	
World	5,763.5	4.5	100.0			
Industrialized countries						
U.S.	1,059.4	12.2	18.4	291.5	22.9	
Canada	220.2	6.9	3.8	59.9	15.0	
Japan	311.3	11.0	5.4	89.2	24.3	
Germany	472.2	0.2	8.2	122.9	5.4	
France	289.9	-0.1	5.0	75.8	3.6	
U.K.	318.0	1.3	5.5	87.3	12.0	
Italy	216.6	-0.8	3.8	56.4	8.7	
Belgium	160.8	-0.9	2.8	43.3	5.6	
Spain	144.4	8.5	2.5	37.1	10.5	
Sweden	68.5	0.3	1.2	18.2	8.8	
Switzerland	75.4	2.1	1.3	19.1	0.2	
Norway	36.2	34.0	0.6	8.1	-3.8	
Australia	69.1	7.0	1.2	17.6	13.7	
Developing countries						
R.O.K.	119.8	28.4	2.1	38.8	51.8	
Hong Kong	179.5	-2.7	3.1	46.7	22.3	
Taiwan	111.0	5.7	1.9	31.6	25.6	
Singapore	122.9	30.5	2.1	29.5	25.1	
Thailand	41.5	-3.4	0.7	13.9	22.1	
Malaysia	65.0	11.4	1.1	18.0	27.0	
Philippines	31.7	-12.7	0.5	7.9	7.8	
Indonesia	24.0	-12.2	0.4	6.5	17.6	
China	165.8	18.2	2.9	46.5	40.8	
India	44.9	4.4	0.8	11.7	12.1	
Mexico	148.7	13.6	2.6	39.3	26.0	
Brazil	51.8	-14.7	0.9	12.0	10.1	
South Africa	26.7	-8.7	0.5	7.1	13.2	
Russia	40.4	-33.1	0.7	9.7	2.9	
(East Asia)	861.1	10.1	14.2	239.5	30.2	
Sub-total	4,615.7	6.5	80.1	1,245.7	16.7	

Notes: 1. Figures for first quarter of 2000 indicate percentage change on a year earlier, based in part on national statistics.  
2. "East Asia" comprises the nine economies of the Asian NIEs, ASEAN4 and China.

Sources: National statistics and *International Financial Statistics* (July 2000, IMF).



**Table 1-6. Top 30 Contributors to World Trade in 1999**

(1) Exports (Units: US\$ billion, %)					(2) Imports (Units: US\$ billion, %)				
		Value	Share	% change		Value	Share	% change	
1	U.S.	702.1	12.6	2.9	1	U.S.	1,059.4	18.4	12.2
2	Germany	541.1	9.7	- 0.4	2	Germany	472.2	8.2	0.2
3	Japan	419.4	7.5	8.1	3	U.K.	318.0	5.5	1.3
4	France	300.2	5.4	- 1.9	4	Japan	311.3	5.4	11.0
5	U.K.	268.2	4.8	- 1.3	5	France	289.9	5.0	- 0.1
6	Canada	238.4	4.3	11.3	6	Canada	220.2	3.8	6.9
7	Italy	230.2	4.1	- 6.3	7	Italy	216.6	3.8	- 0.8
8	Netherlands	200.3	3.6	- 0.5	8	Netherlands	187.5	3.3	- 0.1
9	China	195.2	3.5	6.3	9	Hong Kong	179.5	3.1	- 2.7
10	Belgium· Luxembourg	184.1	3.3	- 0.8	10	Belgium· Luxembourg	171.7	3.0	1.2
11	Hong Kong	173.9	3.1	- 0.1	11	China	165.8	2.9	18.2
12	R.O.K.	144.7	2.6	9.4	12	Mexico	148.7	2.6	13.6
13	Mexico	136.7	2.5	16.4	13	Spain	144.4	2.5	8.5
14	Singapore	122.5	2.2	14.7	14	Singapore	122.9	2.1	30.5
15	Taiwan	121.5	2.2	10.0	15	R.O.K.	119.8	2.1	28.4
16	Spain	110.0	2.0	0.7	16	Taiwan	111.0	1.9	5.7
17	Sweden	84.8	1.5	0.0	17	Switzerland	75.4	1.3	2.1
18	Malaysia	84.5	1.5	15.2	18	Australia	69.1	1.2	6.9
19	Switzerland	76.1	1.4	0.9	19	Austria	68.8	1.2	0.8
20	Russia	74.7	1.3	- 0.3	20	Sweden	68.5	1.2	0.3
21	Ireland	70.3	1.3	8.8	21	Malaysia	65.0	1.1	11.4
22	Austria	63.4	1.1	1.1	22	Brazil	51.8	0.9	- 15.0
23	Thailand	58.4	1.0	7.2	23	Ireland	46.0	0.8	3.2
24	Australia	56.1	1.0	0.3	24	Poland	45.9	0.8	- 1.3
25	Saudi Arabia	50.5	0.9	27.0	25	India	44.9	0.8	4.4
26	Indonesia	48.7	0.9	- 0.4	26	Denmark	44.0	0.8	- 3.2
27	Denmark	48.3	0.9	1.8	27	Thailand	41.5	0.7	- 3.4
28	Brazil	48.0	0.9	- 6.1	28	Russia	40.4	0.7	- 33.1
29	Norway	44.9	0.8	13.2	29	Turkey	39.2	0.7	- 15.0
30	Finland	40.7	0.7	- 5.3	30	Portugal	38.5	0.7	- 0.2
Sub-total		4,937.7	88.7	-	Sub-total		4,978.0	86.4	-
EU		2,177.1	39.1	- 1.1	EU		2,127.0	36.9	0.8
East Asia		981.5	17.6	7.8	East Asia		860.6	14.9	10.0
Asian NIEs		562.6	10.1	7.4	Asian NIEs		533.1	9.3	11.8
ASEAN4		223.7	4.0	9.8	ASEAN4		161.7	2.8	- 2.0
World		5,567.1	100.0	3.0	World		5,763.5	100.0	4.5

Notes: 1. Based in part on WTO estimates.

2. "Share" indicates percentage of total world value. "% change" indicates percentage change on the previous year.

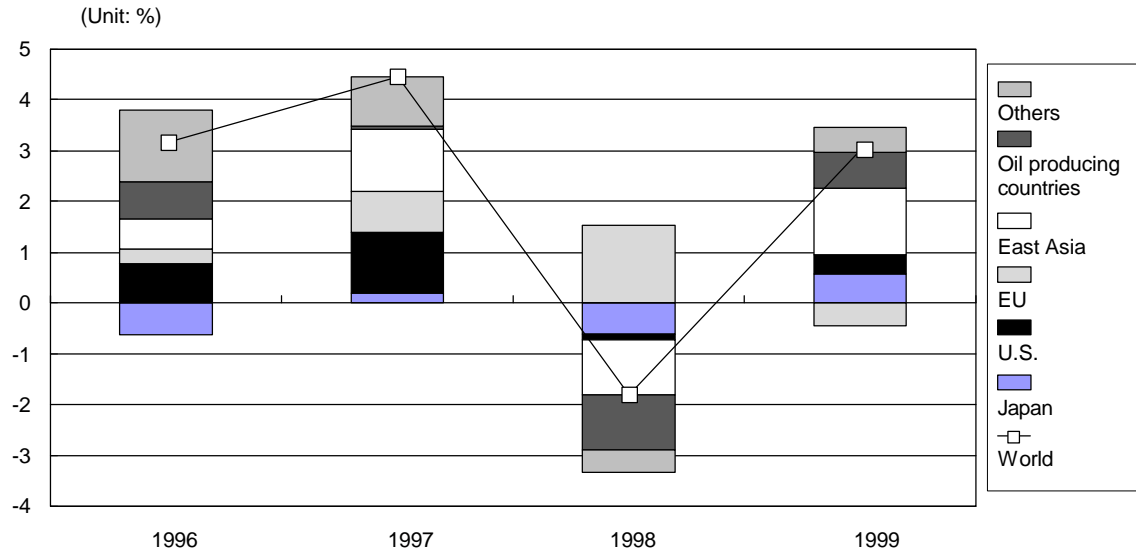
Sources: WTO press releases and *International Financial Statistics* (IMF).

## 2. Reasons for Growth in World Trade

The turnaround in world trade in 1999 was due to three factors: (1) the recovery in trade in developing countries, particularly East Asia, (2) growth in exports due to the expansion of the U.S. economy (U.S. imports exceeded US\$1 trillion for the first time ever, accounting for 18.4% of the value of world imports), and (3) growth in IT-related product trade. As all three factors will continue to be present in 2000, world trade will likely grow further.

- (1) East Asia, which made an important contribution to growth in world trade in 1999 (accounting for 43.3% of the growth in world exports and 31.4% of the growth in world imports), trended upwards in the first quarter of 2000, when the region's exports and imports accounted for 36.1% and 31.1% respectively of total exports and imports by the world's 27 leading economies (Table 1-5). Crude oil and primary product prices bottomed out, and the dollar value of exports by crude oil and primary product exporting countries increased. The total value of exports by 42 crude oil and primary product exporting countries recovered from a decline of 23.3% in 1998 to grow by 19.7% in 1999.
- (2) The value of U.S. imports broke the trillion dollar barrier for the first time ever to reach US\$1.59 trillion in 1999, and surged 21.3% (on a seasonally adjusted basis according to U.S. government statistics) on a year earlier in the first five months of 2000. The contribution of the U.S. to growth in world trade in 1999 was 12.2% in the case of exports and 46.1% in the case of imports. The U.S. ran a trade deficit in 1999 with all of its primary trading regions, including Latin America, with which it had previously had a trade surplus (Chart 2-2).
- (3) Due to strong investment in information technology (IT), growth in trade in IT-related products made a significant contribution to growth in world trade (Chart 2-3). IT-related trade grew not only in industrialized countries but also in developing countries such as China and Mexico, accounting for 54.9% of growth in world exports and 36.9% of growth in world imports in 1999 (Table 2-1). Trade in five major economies (Japan, U.S., Germany, China and Mexico) continued to grow rapidly in the first quarter of 2000, with exports growing 23.7% and imports growing 26.7% on a year earlier.
- (4) Although the U.S. economy is expected to show signs of slowing in the second half of 2000, the world economy will continue to register strong growth. With business conditions continuing to improve in Japan and Europe and the East Asian economies also recovering strongly, world trade is expected to expand even faster than in 1999.

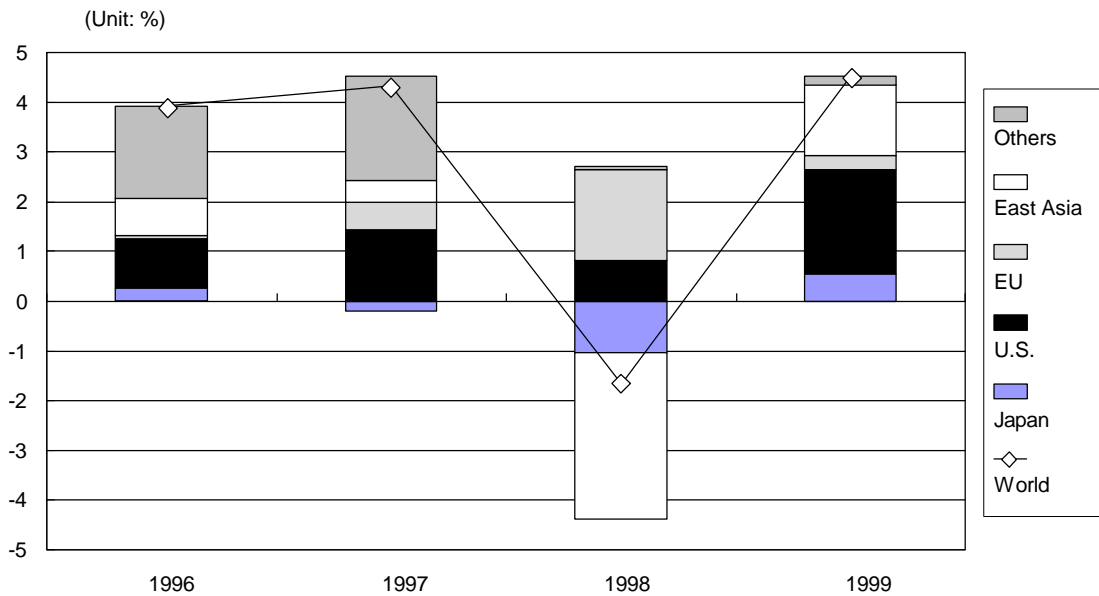
**Chart 2-1(1). Main Regions' Contributions to World Exports (in Dollars)**



Note: "Oil producing countries" consist of 16 countries as defined by the IMF.

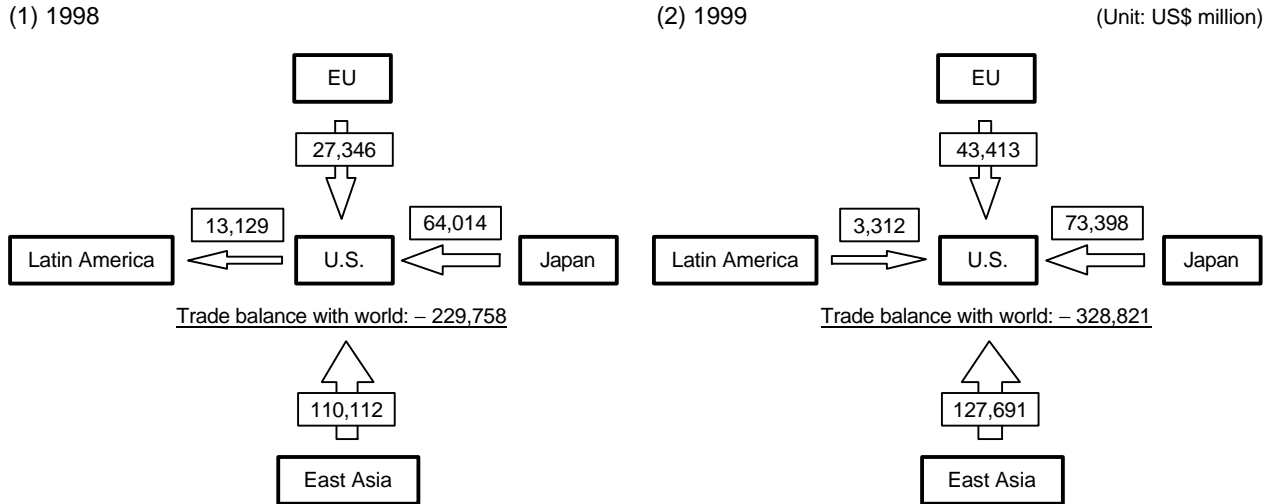
Sources: *International Financial Statistics* (IMF) and WTO.

**Chart 2-1(2). Main Regions' Contributions to World Imports (in Dollars)**



Source: *International Financial Statistics* (IMF).

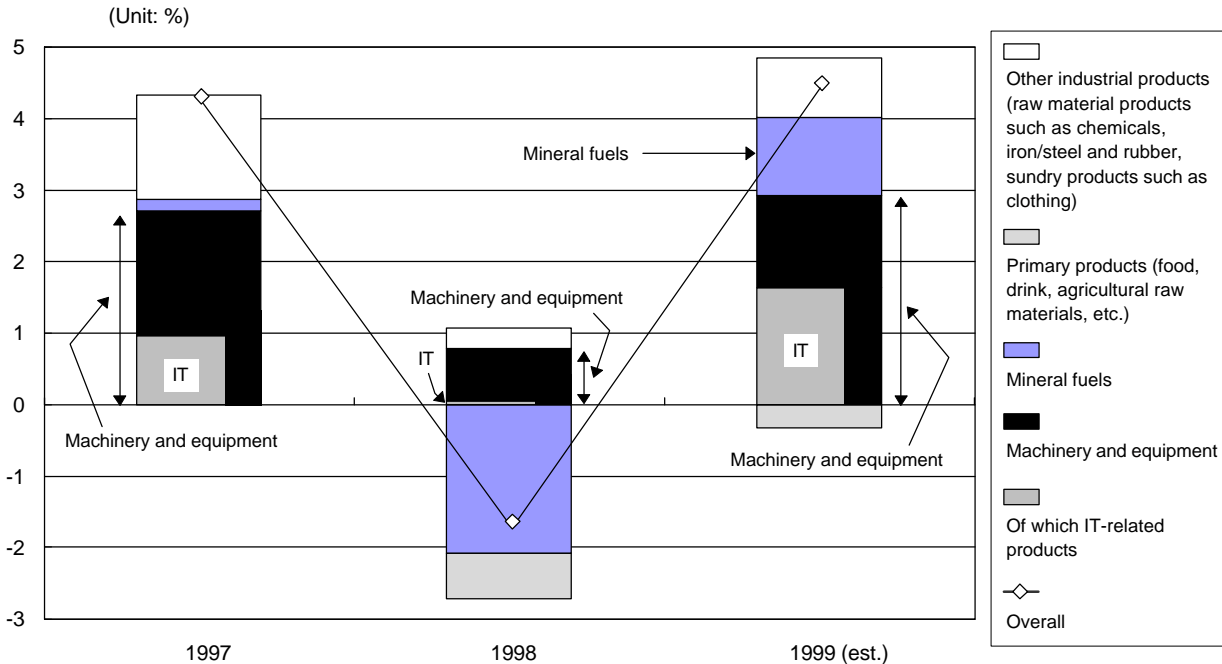
**Chart 2-2. U.S. Trade Balances with Main Regions**



Note: "East Asia" consists of the nine economies of the Asian NIEs, ASEAN4 and China.

Source: Compiled by JETRO from the U.S. Department of Commerce's homepage.

**Chart 2-3. Product Categories' Contributions to World Import Values**



- Notes:
- Contributions of each product category in 1997 and 1998 based on share of each product category according to WTO statistics.
  - Value of imports of each product category in 1999 calculated by multiplying the value of imports in each product category in 1998 by the growth rate in each product category in 24 selected countries of the OECD.

Sources: IFS (IMF), WTO Annual Report and OECD trade statistics.

**Table 2-1. IT-Related Trade as Component of World Trade**

(Units: US\$ billion, %)

		Exports				
		1996	1997	1998	1999	1996-1999
World trade (% change on previous year)	(A)	5,268.0 3.4	5,503.0 4.5	5,404.0 - 1.8	5,567.1 3.0	5.7
Value of IT-related trade <sup>1</sup> . (% change on previous year)	(B)	792.7 -	857.6 8.2	858.8 0.1	948.4 10.4	19.6
(% point contribution to world trade)		-	1.2	0.0	1.7	2.8
(% contribution to world trade)		-	27.6	-	54.9	52.1
% of IT-related trade Value of IT-related trade / value of world trade (% share) <sup>2</sup> .	(B/A)	15.0	15.6	15.9	17.0	15.9
(Additional data)						
Total value of trade of selected countries	(C)	4,506.0	4,689.1	4,620.4	4,761.2	
Total value of trade / total value of world trade (% share) <sup>2</sup> .	(C/A)	85.5	85.2	85.5	85.5	85.4
Value of IT-related trade / total value of trade of selected countries (% share) <sup>2</sup> .	(B/C)	17.6	18.3	18.6	19.9	18.6
		Imports				
		1996	1997	1998	1999	1996-1999
World trade (% change on previous year)	(A)	5,373.7 4.2	5,606.3 4.3	5,513.9 - 1.6	5,763.5 4.5	7.3
Value of IT-related trade <sup>1</sup> . (% change on previous year)	(B)	770.4 -	828.0 7.5	832.6 0.6	924.8 11.1	20.0
(% point contribution to world trade)		-	1.1	0.1	1.7	2.7
(% contribution to world trade)		-	24.7	-	36.9	39.6
% of IT-related trade Value of IT-related trade / value of world trade (% share) <sup>2</sup> .	(B/A)	14.3	14.8	15.1	16.0	15.1
(Additional data)						
Total value of trade of selected countries	(C)	4,543.3	4,685.0	4,594.7	4,808.8	
Total value of trade / total value of world trade (% share) <sup>2</sup> .	(C/A)	84.5	83.6	83.3	83.3	83.7
Value of IT-related trade / total value of trade of selected countries (% share) <sup>2</sup> .	(B/C)	17.0	17.7	18.1	19.2	18.0

Notes: 1. Value of trade in IT-related products is the total value of trade in such products by the following 26 countries and regions ("selected countries") regarding which customs clearance data on IT-related trade was collected:

U.S., Japan, Canada, EU11 (Germany, U.K., France, Italy, Netherlands, Denmark, Ireland, Spain, Portugal, Finland, Sweden), Switzerland, Australia, New Zealand, China, Taiwan, R.O.K., Hong Kong SAR, Singapore, Malaysia, Indonesia, Philippines, Thailand, India, Middle East (Israel, Turkey, etc.), Latin America, Central and Eastern Europe (14 countries including Hungary, Poland and the Czech Republic).

2. Figures on shares of trade in 1996-99 are averages.

Sources: Prepared by JETRO from *International Financial Statistics* (IMF) and national statistics.

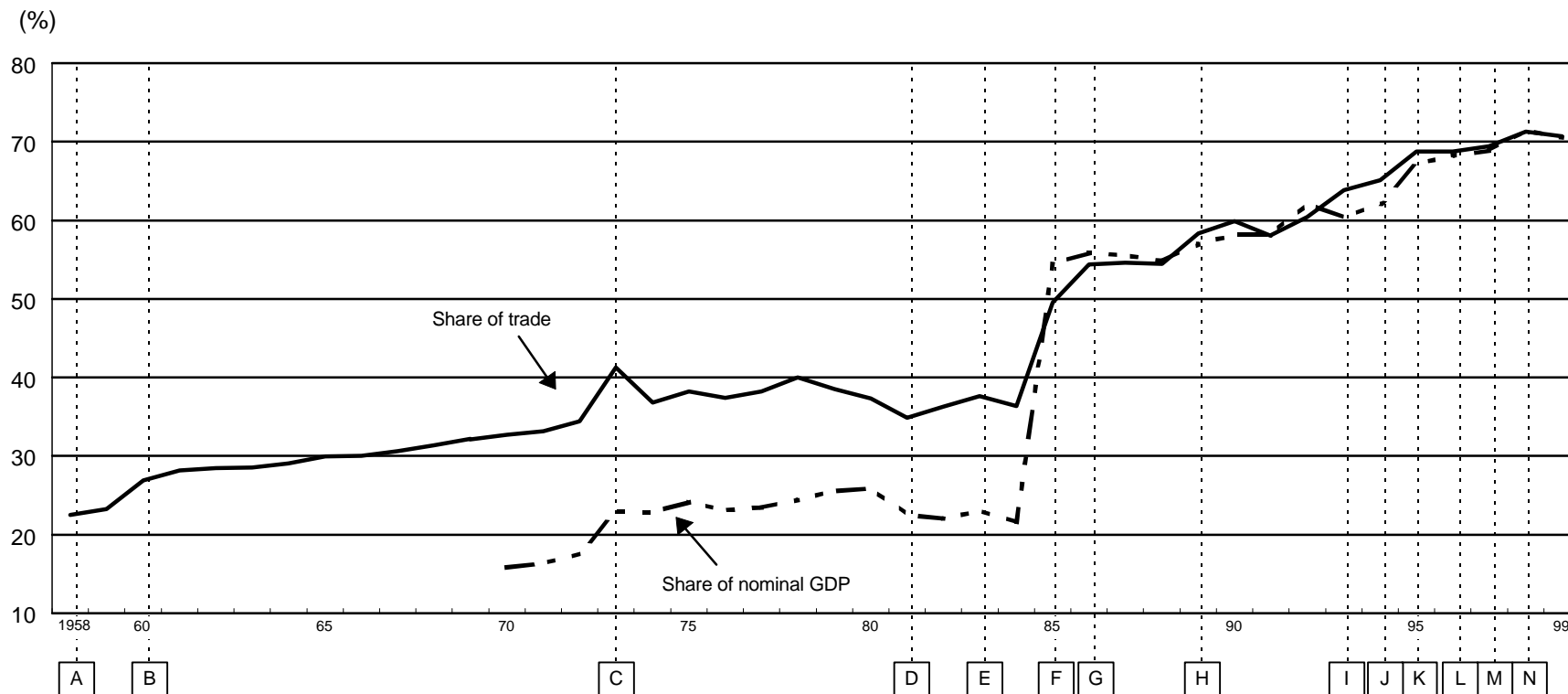
### 3. New WTO Round and Free Trade Agreements

- (1) At the third WTO ministerial meeting, which was held in December 1999 to decide the agenda and framework for the next round of trade talks, strong dissatisfactions among developing countries, including deep antagonism between these countries and the respective developed countries of Japan, the U.S. and the EU led in a decision to freeze plans for new talks. Due to factors such as the U.S. presidential election in 2000 and differences of opinion among industrialized countries concerning the agenda, the talks were widely expected not to start until 2001, but the G8 countries agreed at the Okinawa Summit in July to attempt to launch fresh talks within 2000.
- (2) The 90's saw a flurry of activity among countries signing regional trade agreements (RTAs; which includes FTA and customs unit). As more countries join RTAs, these agreements use accounting for increasing shares of the countries participating to RTAs in the world economy and world trade (Chart 3-1).
- (3) RTAs are gaining more acceptance for their economic benefits, such as increased trade and investment resulting from liberalization among member countries. The formation of a free trade agreement (FTA), for example, can create healthy pressure on a member country to implement regulatory and institutional reforms that would be difficult for the country to implement otherwise alone.

Japan has started to investigate the possibility of joining one or more free trade agreements (FTAs) (Table 3-1). JETRO studies conducted respectively with Mexico and the R.O.K. concluded that FTAs not only had the potential to increase trade between the signatories, but could also produce other dynamic effects due to increased productivity and increased business due to the enhancement of trust between the countries' private enterprises. In cooperation with the Foreign Ministry of Chile, JETRO also established a Japan-Chile free trade study group in May 2000.

- (1) Plans to launch a new round of WTO talks stalled due to the developing countries' dissatisfactions with 1) the conduct of negotiations in Seattle, where there was a failure to iron out the controversial issues in advance and real negotiations were conducted by a core of around 30 countries at "Green Room" meetings, which resulted in a lack of transparency; 2) the U.S.'s attempt to put the issue of trade and core labor standards on the WTO agenda; 3) there was dissatisfaction among relative countries on product categories affected by the phased abolition of import controls by 2005 under the WTO Agreement on and clothing Textiles agreed at the Uruguay Round; and 4) the use of anti-dumping measures, for which the majority of developing countries would like to see tighter disciplines.
- (2) Members of the world's main RTAs account for a growing proportion of the world economy and trade. For example, their share of nominal GDP rose from 25.9% in 1980 and 58.2% in 1990 to 70.5% in 1999. Likewise, their share of world trade increased from 37.3% in 1980 and 59.9% in 1990 to 70.7% in 1999.
- (3) One of the economic benefits of RTAs is that they encourage regulatory reform. A case in point is the currency union in the EU, where budget deficit reductions and target rates of inflation and long-term interest rates are conditions for joining the euro. This has led to an improvement in the financial condition of countries in the EU and has had a stimulatory effect on the region's economy.

**Chart 3-1. Main RTA Members' Share of World Nominal GDP and Trade**



Notes: 1. Letters indicate the following regional trade blocs:

- |   |   |
|---|---|
| A EU6 formed by Belgium, France, Germany, Italy, Luxembourg, Netherlands (1958).  | B EFTA established by Norway, Switzerland, Ireland, Liechtenstein (1960). |
| C Denmark, Ireland and U.K. join the EU (1973).   | D Greece joins the EU (1981).   |
| E CER formed by Australia and New Zealand (1983).   | F U.S. and Israel establish free trade association (1985).                |
| G Portugal and Spain join EU to form EU12 (1986).   | H U.S. and Canada establish free trade association (1989).                |
| I AFTA established by Indonesia, Malaysia, Philippines, Singapore, Thailand and Brunei (1993).                              | J NAFTA established (1994).   |
| K Austria, Finland and Sweden join EU to form EU15, Mercosur established by Brazil, Argentina, Paraguay and Uruguay (1995). |   |
| L Vietnam joins AFTA (1996).  | M Canada and Chile establish Free Trade Association (1997).               |
|   | N Laos and Myanmar join AFTA (1998).                                      |

2. Figures on share of GDP in 1999 are estimates.
3. Share of trade calculated on export basis.
4. EU6 and EFTA accounted for total share of world GDP of regional trade blocs in 1970.

Sources: *World Economic Outlook Database* (April 2000, IMF), *International Financial Statistics* (IMF).

**Table 3-1. Joint Studies of FTAs Involving Japan**

Inter-governmental joint study	Summary	Background
1. Japan-Singapore Free Trade Agreement	(2) March 2000 (4) Pending (5) Ministry of Foreign Affairs, Ministry of International Trade and Industry, Ministry of Finance, etc. (6) Ministry of Trade and Industry, Singapore etc.	<ul style="list-style-type: none"> <li>Following an agreement at the summit between Goh Chok Tong, Prime Minister of Singapore and Former Prime Minister Keizo Obuchi during the former's visit to Japan in December 1999, Singapore and Japan launched a joint study involving the participation of representatives of government, industry and academia to consider the specifics of a free trade agreement between the two. The study is scheduled to conclude in autumn 2000 with the submission of a report to the leaders of the two countries.</li> <li>In addition to scrapping tariffs on trade between Singapore and Japan, proposals will also be made to create a more advanced, inclusive "new age" FTA covering liberalization of trade in services, an investment accord and standards and conformity assessment system.</li> </ul>
Joint studies between JETRO and foreign counterparts		
1. Japan-Korea Free Trade Agreement	(1) 21st Century Japan-Korea Economic Relations Study Team (2) December 1998 (3) "Joint Report on Closer Economic Ties and the Possibility of Entering a Free Trade Agreement with the R.O.K." (4) May 2000 (5) JETRO Institute of Developing Economies (6) Korea Institute for International Economic Policy (KIEP)	<ul style="list-style-type: none"> <li>Taking advantage of Korean President Kim Dae-jung's visit to Japan in October 1998, Korean Minister for Trade Han Duck-soo suggested to Minister of International Trade and Industry Yosano that the two countries conduct a joint study of economic relations, as a result of which a study team was set up.</li> <li>The study team analyzed the impact and benefits of removing impediments to trade and investment, and studied the development of a framework for a Japan-Korea Free Trade Agreement, cooperation on currency and financial issues, and industrial cooperation in the private sectors.</li> <li>The R.O.K. has likewise established a study group to study the issues.</li> <li>A symposium on the subject was held in Seoul in May 2000.</li> </ul>
2. Japan-Mexico Free Trade Agreement	(1) Committee for Closer Economic Relations between Japan and Mexico (2) February 1999 (3) Japan: "Report on Closer Economic Relations between Japan and Mexico" Mexico: "Japan and Mexico: Opportunities in Free Trade" (4) April 2000 (5) JETRO (6) Secretary of Commerce and Industrial Development (SECOFI)	<ul style="list-style-type: none"> <li>A study was established in response to a proposal by Minister of Commerce and Industrial Development Herminio Blanco Mendoza during his visit to Japan in June 1998.</li> <li>The team's objectives were to study the effects on trade and direct investment of a free trade agreement between Japan and Mexico. Mexico held a workshop with the involvement of government and industry associations.</li> </ul>
3. Japan-Chile Free Trade Agreement	(1) Japan-Chile Free Trade Agreement Study Group (2) May 2000 (3) Pending (4) 2001 (5) JETRO (6) Ministry of Foreign Affairs General Directorate of International Economic Affairs (DIRECON)	<ul style="list-style-type: none"> <li>A study group to jointly study the signing of an FTA was established at the suggestion of Former Chilean Foreign Minister Juan Gabriel Valdes during his visit to Japan in November 1999 and following a request made by Undersecretary Former Vice Minister for International Economic Relations of the Ministry of Foreign Affairs, Alejandra Jara during his visit to Japan in February 2000.</li> <li>The team's objective is to study the effects of a free trade agreement and measures to promote trade and investment.</li> </ul>

Notes: (1) Name of study team, (2) start of study, (3) title of report, (4) announcement of study findings, (5) Japanese study body, (6) counterpart study body.

Sources: JETRO reports



#### 4. IT-Related Trade Drives Growth in World Trade

- (1) World IT-related trade (import base) among selected countries and regions representing 83.3% of total world trade, calculated on a customs-clearance basis, grew from US\$770.4 billion in 1996 to US\$924.8 a customs-clearance basis, grew from US\$770.4 billion in 1996 to US\$924.8 billion in 1999. Growth in IT-related trade during this period averaged 6.3% a year, considerably more than overall growth in world trade of 2.4%, causing IT-related trade's share of world trade to increase from 14.3% in 1996 to 16.0% in 1999 (Table 4-1).
- (2) The chief characteristic of IT-related trade is that computers and peripherals represent the largest share of overall trade value in the field, followed by semiconductors and other electronic parts. The second-most important characteristic is the fact that the fastest growth in products traded between 1996 and 1999 was in telecommunications equipment, with growth in mobile phones (such as cellular phones) being especially high. And the third-most important characteristic is that the scale of trade in parts has outstripped that for finished products (Table 4-2).
- (3) The main reasons for the growth in IT-related trade are 1) the rapid spread of computers and telecommunications equipment, the appearance of new products utilizing digital technology (such as DVD players and digital copiers), and the concomitant increase in demand for IT-related capital and producers' goods such as electronic components and semiconductor measuring equipment (Charts 4-3 and 4-4), 2) growth in IT-related investment, especially in the U.S., 3) the fall in price of IT-related products and services (Chart 4-5), and so on.

- (1) IT-related trade covers eight categories of products: 1) computers and peripherals, 2) office equipment, 3) telecommunications equipment, 4) semiconductors and other electronic parts, 5) miscellaneous electronic parts, 6) video equipment, 7) audio equipment, and 8) measuring and testing devices (Table 4-2). A breakdown of IT-related trade by product category reveals that trade in computers and peripherals was highest at US\$292.4 billion, and together with semiconductors and other electronic parts and miscellaneous electronic components, these top three items accounted for 72.3% of IT-related trade (Table 4-1, Chart 4-1). The highest growth between 1996 and 1999 was in telecommunications equipment, followed by computers and peripherals, and semiconductors and other electronic parts (Chart 4-2). Trade in IT-related parts (US\$492.2 billion in 1999) exceeded trade in IT finished products (US\$432.5 billion in 1999), and average annual growth in trade in parts was also higher than that in finished products between 1996 and 1999 (Table 4-1).
- (2) The three main features of trade in computers are 1) the value of trade in peripherals (such as monitors and hard disk drives) and parts (such as motherboards) exceeds that in actual computers (i.e., finished and semi-finished products such as PCs and workstations) (Table 4-1), 2) the high proportion of imports accounted for by the U.S. (27.3% in 1999), and 3) the growth of supporting industries (suppliers, etc.) in countries that produce computers. Although there has been no significant change in the line-up of the top ten computer exporting countries, there has been rapid growth in exports from countries such as Ireland, China and Malaysia, which account for a growing proportion of world exports.
- (3) Underlying the growth in trade in telecommunications equipment have been 1) the rapid spread in the use of cellular phones (the number of cellular phone subscribers worldwide grew about 250%

between 1995 and 1998 according to the International Telecommunications Union), and 2) the increasing speed of development of telecommunications infrastructure in developing countries and growing demand for digital telecommunications devices in industrialized countries. A breakdown by country/region reveals that 11 countries in the EU (Germany, United Kingdom, France, Italy, Netherlands, Ireland, Spain, Portugal, Finland, Sweden and Denmark) accounted for the largest share of both world imports (35.3%) and exports (47.6%) in 1999.

- (4) The U.S. accounted for 21.3% of all exports of semiconductors and other electronic parts in 1999. Japanese exports of semiconductors and other electronic components stagnated between 1996 and 1999, declining by an average of 2.9% a year, and Japan's share of world exports also declined. The U.S. accounted for the largest proportion of imports (17.1% in 1999).

**Table 4-1. World IT-Related Trade (Imports)**

(Units: US\$ Million, %)

	1996			1999			1996/1999	
	Value	Share of world trade	Share of IT-related trade	Value	Share of world trade	Share of IT-related trade	Average annual growth rate	% contribution to world trade
Total value of world imports	5,373,700	100.0	-	5,763,500	100.0	-	2.4	-
IT-related products (total)	770,439	14.3	100.0	924,779	16.0	100.0	6.3	39.6
Computers and peripherals	230,475	4.3	29.9	292,364	5.1	31.6	8.3	15.9
Computers	49,195	0.9	6.4	59,109	1.0	6.4	6.3	2.5
Peripherals	95,887	1.8	12.4	117,295	2.0	12.7	6.9	5.5
Parts	85,393	1.6	11.1	115,960	2.0	12.5	10.7	7.8
Office equipment	17,939	0.3	2.3	15,317	0.3	1.7	- 5.1	- 0.7
Telecom equipment	67,200	1.3	8.7	101,424	1.8	11.0	14.7	8.8
Fixed-line telecom equipment	41,546	0.8	5.4	56,864	1.0	6.1	11.0	3.9
Mobile phones (cellular phones, etc.)	19,427	0.4	2.5	36,787	0.6	4.0	23.7	4.5
Others	6,228	0.1	0.8	7,772	0.1	0.8	7.7	0.4
Semiconductors and others electronic parts	188,449	3.5	24.5	225,940	3.9	24.4	6.2	9.6
Miscellaneous electronic parts	134,301	2.5	17.4	150,812	2.6	16.3	3.9	4.2
Video equipment	41,853	0.8	5.4	43,230	0.8	4.7	1.1	0.4
Audio equipment	26,902	0.5	3.5	24,922	0.4	2.7	- 2.5	- 0.5
Measuring and testing devices	63,279	1.2	8.2	70,641	1.2	7.6	3.7	1.9
Finished products	362,425	6.7	47.0	432,539	7.5	46.8	6.1	18.0
Parts	408,014	7.6	53.0	492,240	8.5	53.2	6.5	21.6

- Notes: 1. The value of trade in IT-related products (value of IT-related trade) is the total value of IT-related trade in the following countries and regions: U.S., Japan, Canada, EU11 (Germany, U.K., France, Italy, Ireland, Spain, Portugal, Finland, Sweden, Netherlands, Denmark), Switzerland, Australia, New Zealand, China, Taiwan, R.O.K., Hong Kong SAR, Singapore, Malaysia, Indonesia, Philippines, Thailand, India, Latin America (Mexico, Brazil, Colombia, etc.), Central and Eastern Europe (14 countries including Hungary, Poland, Czech Republic), and Middle East (15 countries including Israel and Turkey).
2. "Fixed-line telecom equipment" comprises telephones, applied telephone machines (answering machine), fax machines and switchboards, etc. "Others" includes radar, wireless devices, etc.

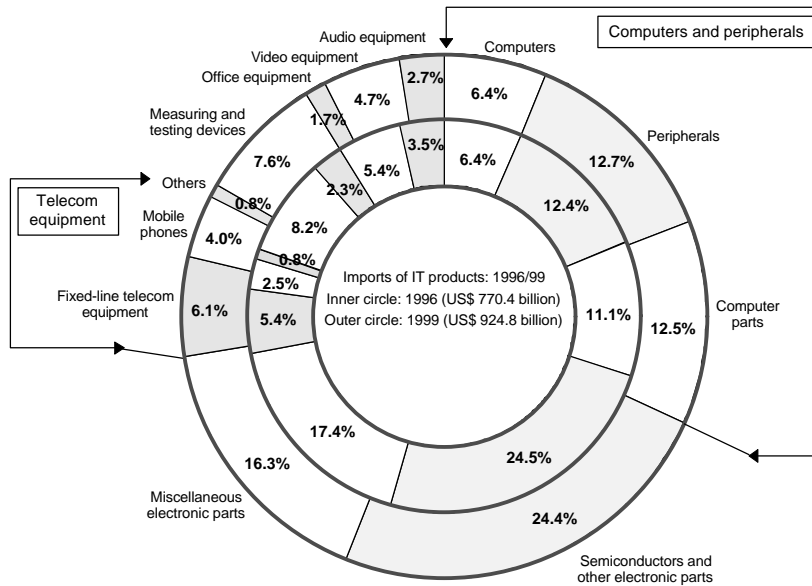
Source: Prepared by JETRO from, *International Financial Statistics* (IMF) and national statistics.

**Table 4-2. Definitions of IT-Related Products**

	Category	HS number	Main products
1	Computers and peripherals	8471, 8473	Finished and semi-finished computers, peripherals (hard disk drives, monitors, keyboards, etc.) and related parts
2	Office equipment	8469, 8470, 9009	Calculators, copiers, word-processors, cash registers, accounting devices
3	Telecommunications equipment	8517, 852510, 852520, 8526	Telephones, cellular phones, wireless and radar devices, etc. and related parts
4	Semiconductors and other electronic parts	8540, 8541, 8542	Electron tubes, semiconductors (diodes, transistors, ICs, etc.)
5	Miscellaneous electronic parts	8504, 8532, 8533, 8534, 8535, 8518, 8522, 8523 8529, 8536	Capacitors, resistors, printed circuits, guards and connectors (switches, fuses, etc.), magnetic tape and disks, parts for audio and video equipment (6, 7)
6	Video equipment	8521, 852530, 852540, 8528, 9006	TVs, VTRs, DVD players, video camcorders, cameras
7	Audio equipment	8519, 8520, 8527	Tape recorders, CD and MD players, stereos, radios, etc.
8	Measuring and testing devices	8543, 9014, 9015, 9024, 9025, 9026, 9027, 9030, 9031, 9032	Industrial measuring devices, semiconductor and IC measuring devices, optical measuring devices, radio-wave measuring devices, aviation equipment (compasses, etc.), surveying instruments, material testing devices, equipment for chemical and physical experiments, etc.
	Finished products		Total of 1 - 8 except parts
	Parts		Computer and peripheral parts (HS8473) and 4 and 5 above

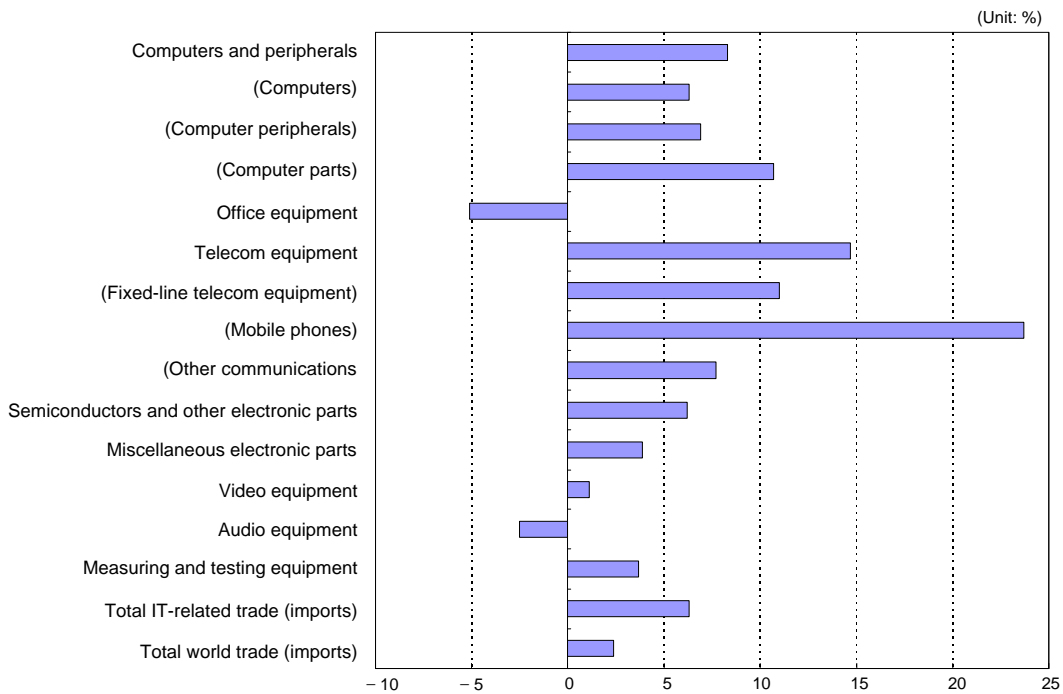
Source: Prepared by JETRO from Harmonized Commodity Description and Coding System (HS) Classification.

**Chart 4-1. Share of World IT-Related Trade (1999)**



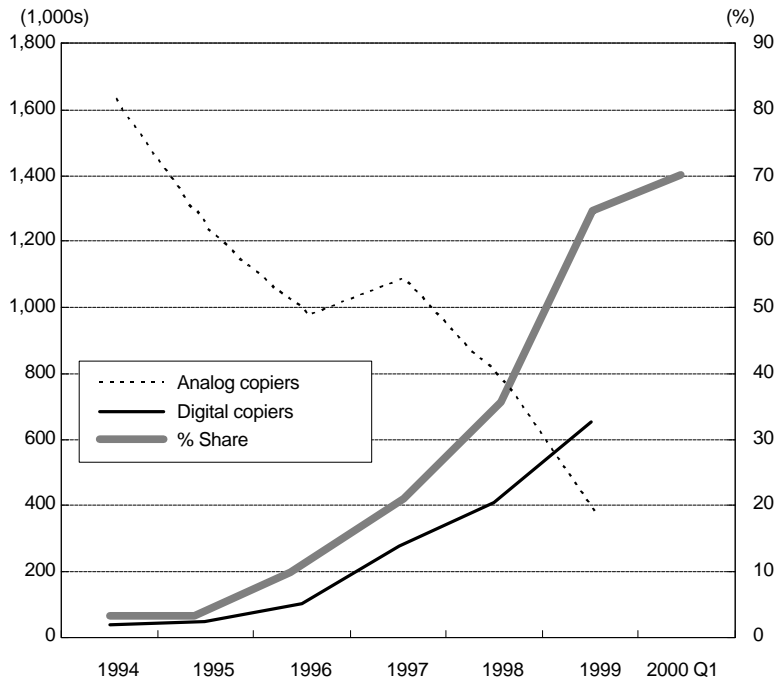
Source: Prepared by JETRO from national statistics.

**Chart 4-2. Average Annual Change in World IT-Related Trade (1996-99)**



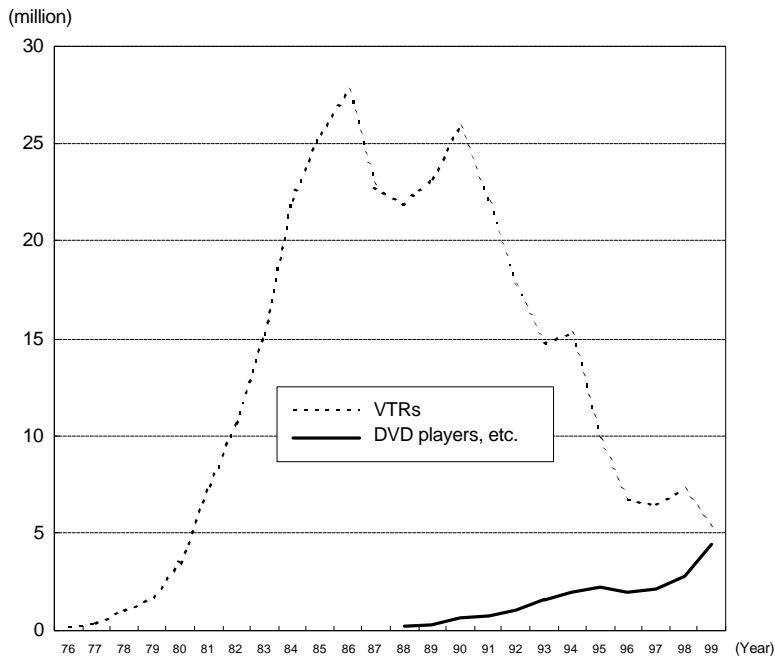
Source: Same as Chart 4-1.

**Chart 4-3. Digital Copiers' Share of Japanese Copier Exports**



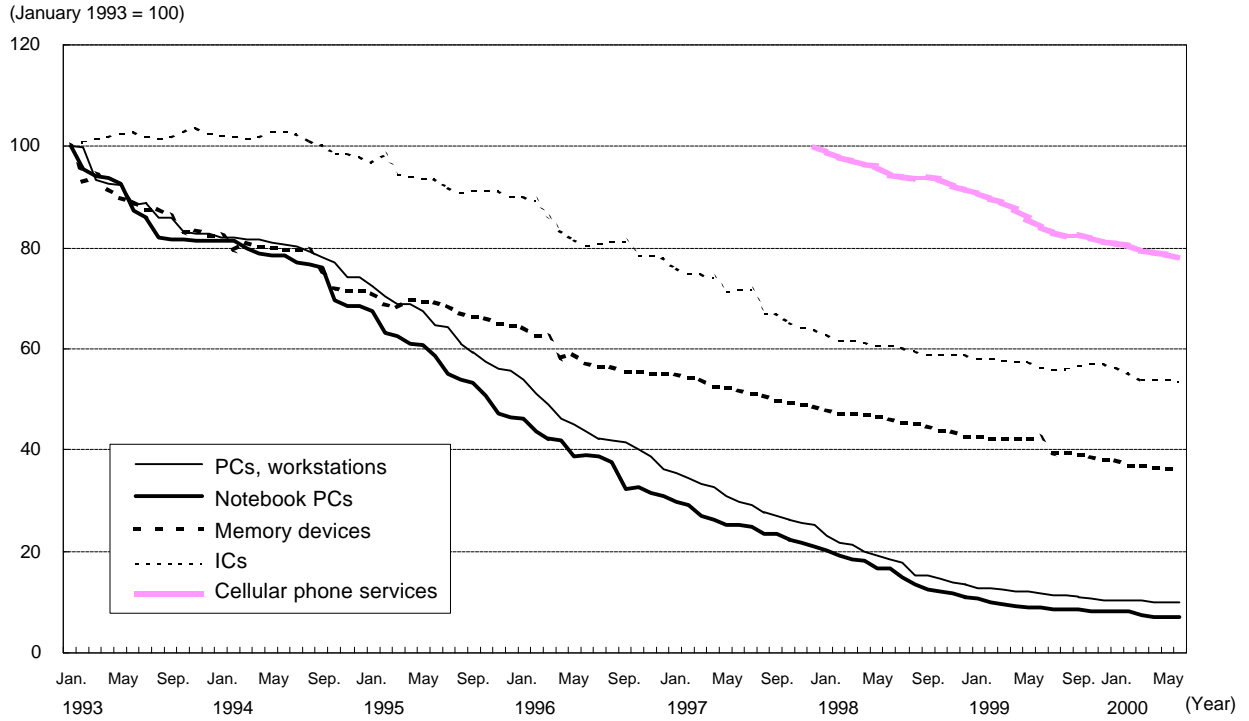
Notes: 1. Digital copiers include color copiers.  
 2. % share is number of exported digital copiers divided by number of total exported copiers.  
 Source: Prepared by JETRO from *Photocopier Shipments* (Japan Business Machine Makers Association).

**Chart 4-4. Exports of Digital Products vs. VTRs**



Source: Prepared by JETRO from *Collected Data on Electronic Equipment in the Residential and Commercial Sectors* (Japan Electronic Equipment Industry Association).

**Chart 4-5. Prices of IT-Related Goods and Services in U.S. (Producer Price Basis)**



Note: Figures for cellular phone services based on consumer prices (December 1997 = 100)  
 Sources: Prepared from U.S. Department of Labor, *PPI Detailed Report and CPI Detailed Report* (Bureau of Labor Statistics)

## 5. IT-Related Trade Buoyant in U.S. and EU but Weak in Japan

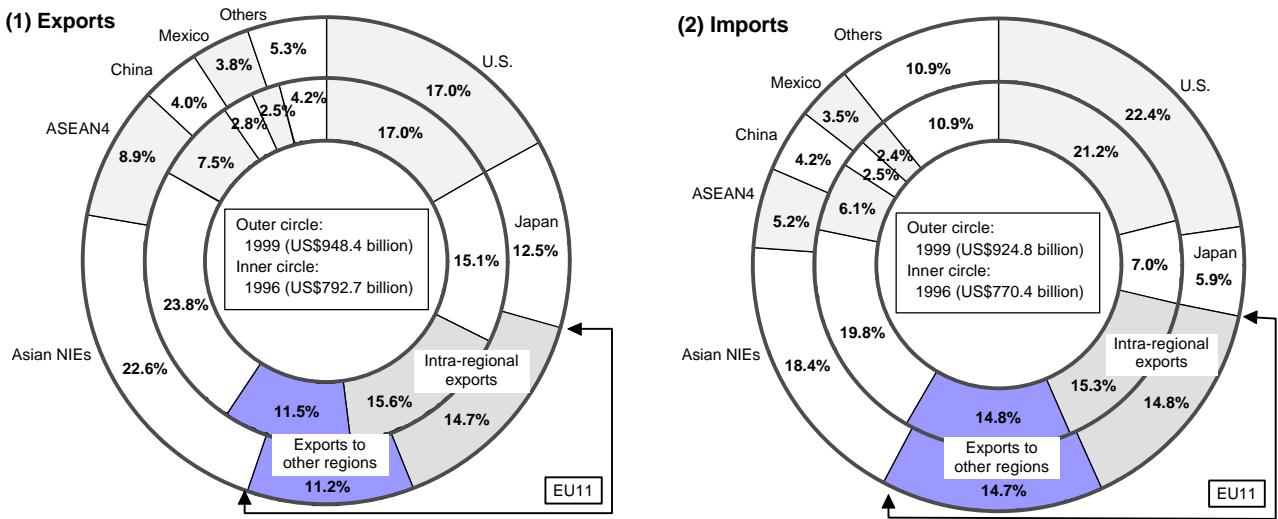
The most obvious characteristic of world IT-related trade is the dominant position of the U.S. and its particularly large contribution to imports (Table 5-1). IT-related trade is also growing strongly in the EU (Table 5-2) as a result of the stable internal market and expansion of trade with countries in Central and Eastern Europe. A second characteristic is the stagnation of demand in Japan. In terms of both imports and exports, IT-related trade in Japan is growing more slowly than in the world as a whole, and exports have even shrunk (Table 5-3). And thirdly, there has been the rapid growth in IT-related trade in countries near the main areas of consumption of Japan, the U.S. and the EU (Chart 5-3). Countries that enjoyed particularly brisk growth in IT-related trade between 1996 and 1999 were those such as China, Mexico, Ireland, the Philippines and Hungary. Growth in both imports and exports was particularly strong in the case of China and Mexico, whose contributions to the growth of world IT-related trade consequently rose (Tables 5-8 and 5-9).

- (1) IT-related trade in the late nineties was dominated by the U.S., which accounted for 17.2% of exports and 28.2% of imports between 1996 and 1999. A breakdown by sector shows that the U.S.'s contribution exceeded 20% in two categories of exports (including semiconductors) and six categories of imports (such as computers) (Table 5-1).
- (2) Another major force in world IT-related trade is the EU (i.e., the EU11 mentioned earlier), which accounted for 24.6% of exports (more than the U.S.) and 26.6% of imports (Table 5-2). The proportion of IT exports by EU members bound for destinations within the region was 58.2% in 1999.
- (3) Japan's IT-related trade languished between 1996 and 1999, when exports grew by an average annual rate of minus 0.4% and imports grew by 0.5% (Table 5-3). The stagnation in Japanese IT exports in the late nineties appears to have been due in the main to 1) the sharp drop in exports to East Asia (excluding China) in 1998 due to the Asian financial crisis (Table 5-4), 2) the export substitution effect due to the development of offshore production, 3) the impact of the fall in prices for DRAM and other semiconductors (Table 5-5), and 4) the leveling off in exports of telecommunications equipment, which comprise the largest category of growth in IT-related trade (Table 5-6). Imports, on the other hand, leveled off in value terms; although import prices dropped dramatically and caused the volume of imports to increase, prices fell by proportionately more than the increase in volume (Table 5-7).
- (4) Between 1996 and 1999, China's growth in IT exports averaged 19.9% a year and its share of the value of world IT exports increased from 2.8% to 4.0% (Table 5-8). Chinese computers/peripherals and miscellaneous electronic parts, which together accounted for 58.9% of total exports in 1999, grew rapidly by an average of 30.0% and 18.5% respectively between 1996 and 1999. China's imports averaged high annual growth of 25.7% and its share of world IT imports increased from 2.5% to 4.2% during the period. Imports of components (especially from Japan, Taiwan, the R.O.K. and the U.S.), which comprised 69.8% of the total, surged by an annual average of 29.7% between 1996 and 1999.
- (5) Mexico's IT exports grew by an average of 21.2% a year between 1996 and 1999, and its share of the value of world IT exports rose from 2.5% to 3.8% (Table 5-9). The increase in exports was underpinned by an annual average increase of 21.5% in exports to the U.S., which accounted for 93.1% of Mexico's total IT exports in 1999. Imports registered average annual growth of 20.8% over



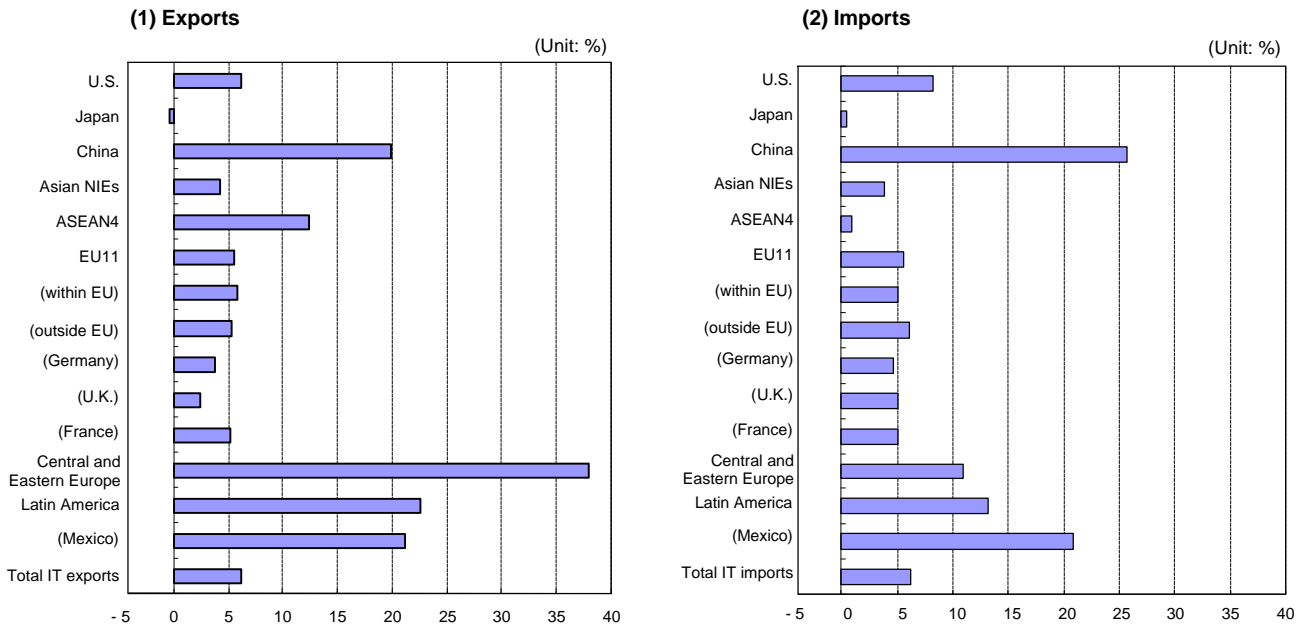
the past four years, and Mexico's share of the value of world IT imports rose from 2.4% in 1996 to 3.5% in 1999. As in the case of China, parts account for a large proportion of Mexico's IT imports (69.4% in 1999), and rising production of computers and video equipment caused imports of parts to grow by an annual average of 21.1% between 1996 and 1999.

**Chart 5-1. Shares of World IT-Related Trade of Selected Countries and Regions**



Source: Prepared by JETRO from national statistics.

**Chart 5-2. Average Annual Growth Rate in IT-Related Trade (1996-99)**



Source: Prepared by JETRO from national statistics.

**Table 5-1. U.S. IT-Related Trade Share of World Trade, Growth Rate and Contribution**

(Unit: %)

	Exports				Imports			
	Share of world trade in 1999	% point change on share in 1996	1996/1999		Share of world trade in 1999	% point change on share in 1996	1996/1999	
			Average annual growth rate	% contribution			Average annual growth rate	% contribution
IT-related products (total)	17.0	0.0	6.2	17.2	22.4	1.2	8.2	28.2
Computers and peripherals	16.0	-2.3	2.0	5.3	27.3	1.0	9.5	30.8
Office equipment	8.5	0.7	1.0	-	24.8	-2.0	-7.6	-
Telecom equipment	16.3	-1.3	12.5	13.9	21.1	3.9	22.8	28.8
Semiconductors and other electronic parts	21.3	1.0	9.5	25.3	17.1	-3.1	0.4	1.3
Miscellaneous electronic parts	14.5	0.4	5.2	17.8	17.7	2.2	8.7	35.8
Video equipment	4.9	1.2	8.4	-	35.7	9.9	12.6	335.4
Audio equipment	8.3	1.3	0.3	-	37.6	7.3	4.8	-
Measuring and testing devices	27.1	1.4	6.4	36.9	16.6	3.3	11.8	45.1

Note: "% contribution" indicates the percentage contribution of the U.S. to the change in value of world trade in each product category.

Source: Prepared by JETRO from U.S. Department of Commerce trade statistics.

**Table 5-2. EU11 IT-Related Trade Share of World Trade, Growth Rate and Contribution**

(Unit: %)

	Exports				Imports			
	Share of world trade in 1999	% point change on share in 1996	1996/1999		Share of world trade in 1999	% point change on share in 1996	1996/1999	
			Average annual growth rate	% contribution			Average annual growth rate	% contribution
IT-related products (total)	26.8	-0.4	5.6	24.6	29.5	-0.6	5.6	26.6
Computers and peripherals	28.1	-0.4	6.2	26.3	36.9	-0.4	7.8	35.2
Office equipment	22.1	-5.5	-8.7	-	40.6	2.1	-3.5	-
Telecom equipment	47.6	2.9	17.8	53.0	35.3	3.0	18.2	41.3
Semiconductors and other electronic parts	14.9	-1.7	3.9	8.1	16.5	-3.0	0.5	1.4
Miscellaneous electronic parts	26.7	-2.3	1.3	9.1	26.8	-0.5	3.3	22.6
Video equipment	17.7	-2.5	-5.1	-	32.1	-0.4	0.7	20.8
Audio equipment	13.4	0.9	-3.3	-	26.0	0.2	-2.3	-
Measuring and testing devices	40.6	-2.1	2.8	25.8	34.8	-1.4	2.4	23.1

Note: "% contribution" indicates the percentage contribution of the EU9 to the change in value of world trade in each product category.

Source: Prepared by JETRO from national statistics.

**Table 5-3. Japanese IT-Related Trade Share of World Trade, Growth Rate and Contribution**

(Unit: %)

	Exports				Imports			
	Share of world trade in 1999	% point change on share in 1996	1996/1999		Share of world trade in 1999	% point change on share in 1996	1996/1999	
			Average annual growth rate	% contribution			Average annual growth rate	% contribution
IT-related products (total)	12.5	-2.6	-0.4	-1.0	5.9	-1.1	0.5	0.6
Computers and peripherals	9.0	-2.9	-2.9	-4.8	6.7	-1.4	1.7	1.6
Office equipment	38.5	4.9	2.8	-	5.0	0.0	-4.8	-
Telecom equipment	6.0	-2.0	5.0	2.3	3.8	-2.2	-1.3	-0.4
Semiconductors and other electronic parts	14.1	-5.2	-2.9	-6.6	6.0	-1.1	0.4	0.4
Miscellaneous electronic parts	13.6	-0.7	2.5	8.4	4.8	-0.4	1.4	1.8
Video equipment	26.0	3.5	4.1	-	6.8	-0.9	-3.0	-
Audio equipment	11.6	-1.0	-8.0	-	5.5	0.7	2.0	-
Measuring and testing devices	14.1	-1.1	2.0	6.5	7.8	-1.1	-0.7	-

Note: "% contribution" indicates the percentage contribution of Japan to the change in value of world trade in each product category.

Source: Prepared by JETRO from Japanese Ministry of Finance trade statistics.

**Table 5-4. Percentage Change in Japanese IT Exports to East Asia (Excluding China)**

(Unit: %)

	1997	1998	1999	1996/1999
IT-related products (total)	0.6	- 21.0	16.4	- 2.6
Computers and peripherals	7.9	- 21.0	25.4	2.3
Office equipment	1.3	- 39.9	18.8	- 10.2
Telecom equipment	20.3	- 39.6	- 7.2	- 12.3
Semiconductors and other electronic parts	- 3.5	- 18.4	15.7	- 3.1
Miscellaneous electronic parts	2.4	- 15.2	15.7	0.1
Video equipment	- 4.5	- 21.9	- 2.5	- 10.1
Audio equipment	- 16.8	- 41.5	- 8.9	- 23.8
Measuring and testing devices	8.0	- 34.5	31.3	- 2.4

Note: Figures for 1996-99 indicate average annual percentage change.

Source: Same as Table 5-3.

**Table 5-5. Percentage Change in Japan, U.S., EU and R.O.K. Exports of Semiconductors and Other Electronic Parts**

(Unit: %)

	1997	1998	1999	1996/1999
World (total)	8.2	- 2.1	18.2	7.8
Japan	- 5.7	- 16.3	15.8	- 2.9
U.S.	9.6	- 2.4	22.8	9.5
R.O.K.	13.6	- 1.3	12.5	8.1
EU11	3.6	4.2	3.9	3.9

Note: Figures for 1996-99 indicate average annual growth rate.

Sources: Prepared by JETRO from national statistics.

**Table 5-6. Percentage Change in Japan, U.S. and EU Exports of Telecommunications Equipment**

(Unit: %)

	1997	1998	1999	1996/1999
World (total)	17.3	11.7	17.2	15.4
Japan	8.5	- 2.4	9.2	5.0
U.S.	23.8	2.4	12.3	12.5
EU11	21.0	19.3	13.1	17.8

Sources: Prepared by JETRO from national statistics.

**Table 5-7. Percentage Change in Volume and Average U.S. Dollar and Yen Prices of Imports**

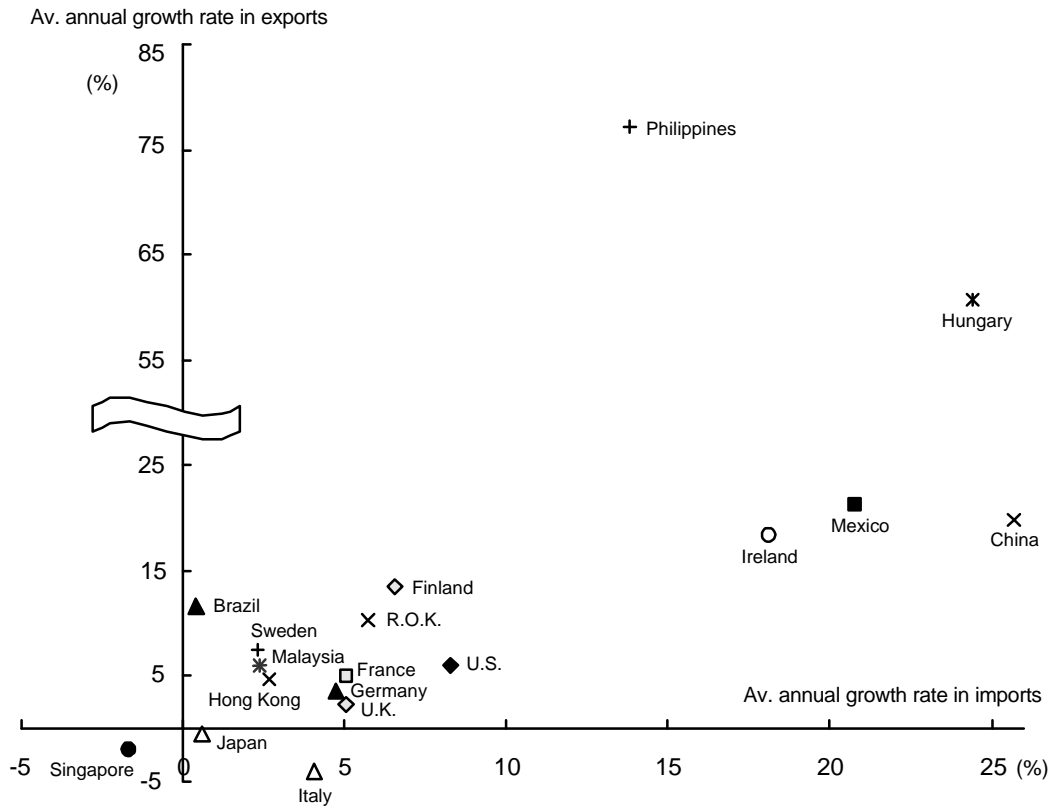
(Unit: %)

	% change in value (U.S. dollars)			% change in volume			% change in average U.S. dollar prices			% change in average yen prices		
	97/96	98/97	99/98	97/96	98/97	99/98	97/96	98/97	99/98	97/96	98/97	99/98
Cellular phones	- 73.0	32.4	- 31.2	- 66.1	103.1	- 39.6	- 20.3	- 34.8	13.9	- 13.6	- 26.8	0.5
Notebook PCs	9.1	- 24.1	124.8	10.1	- 19.0	155.2	- 0.9	- 6.3	- 11.9	9.3	1.2	- 23.5
Magnetic disk drives	- 3.2	- 0.1	14.6	21.9	- 4.0	29.7	- 15.6	- 13.7	- 16.5	- 6.3	- 6.9	- 27.3
CD-ROM drives	8.3	- 16.0	28.0	- 13.4	88.2	60.5	- 20.7	- 32.8	- 17.9	- 11.7	- 27.1	- 28.5
Optical disk drives	44.7	72.1	65.1	9.4	51.5	8.7	- 18.1	- 36.2	- 13.9	- 9.3	- 30.2	- 26.8
Converters	2.9	- 17.2	8.2	1.6	14.5	5.9	- 4.6	- 12.7	8.2	6.6	- 6.2	- 5.5
Piezoelectric crystal devices	- 31.3	26.6	31.8	19.3	3.6	12.0	- 10.5	- 17.6	14.3	0.0	0.0	0.0
Ceramic capacitors	- 10.4	- 3.4	- 6.4	116.1	97.4	51.3	- 33.0	- 12.8	9.1	- 26.1	- 6.2	- 6.6
DRAM	-	- 20.7	32.9	-	2.9	3.3	-	- 23.0	28.7	-	- 15.7	9.3
MPU	-	- 28.5	35.3	-	- 16.8	7.9	-	- 14.0	25.4	-	- 6.4	7.5
MCU	-	37.8	- 20.3	-	1.6	29.5	-	35.5	- 38.4	-	49.0	- 46.6

Note: Yen depreciated 10.1% in 97/96 and 7.6% in 98/97, and appreciated 14.9% in 99/98 (average rate during period).

Source: Same as Table 5-3.

**Chart. 5-3. IT Imports and Exports Growth by Selected Countries (Average Annual Growth Rate, 1996-99)**



Source: Prepared by JETRO from national statistics.

**Table 5-8. Chinese IT-Related Trade Growth Rate, Share of World Trade and Contribution to World Growth**

(Unit: %)

	Exports					Imports				
	Share of world trade in 1999	% point change on share in 1996	1996/1999		Share of world trade in 1999	% point change on share in 1996	1996/1999			
			Average annual growth rate	% contribution			Average annual growth rate	% contribution		
IT-related products (total)	4.0	1.2	19.9	10.3	4.2	1.7	25.7	12.4		
Computers and peripherals	4.0	1.8	30.0	12.6	2.4	1.1	32.7	6.6		
Office equipment	8.5	1.8	6.6	-	3.1	1.2	11.4	-		
Telecom equipment	3.0	0.3	19.0	3.5	4.6	0.6	20.2	5.8		
Semiconductors and other electronic parts	1.6	0.8	35.9	4.8	5.9	3.4	41.9	23.2		
Miscellaneous electronic parts	6.8	2.2	18.5	23.5	6.4	2.3	20.2	24.9		
Video equipment	6.3	2.2	13.9	-	1.8	-0.0	0.5	-		
Audio equipment	13.7	2.9	2.3	-	0.2	-0.3	-26.5	-		
Measuring and testing devices	1.2	0.3	16.8	3.6	3.4	-0.0	3.7	-		
(Parts)	3.6	1.3	24.0	9.4	5.5	2.4	29.7	17.3		

Note: "% contribution" indicates China's percentage contribution to the change in value of world trade in each product category.

Source: Prepared by JETRO from Chinese customs statistics.

**Table 5-9. Mexican IT-Related Trade Growth Rate, Share of World Trade and Contribution to World Growth**

(Unit: %)

	Exports					Imports					% of trade with U.S. (1999)	
	Share of world trade in 1999	% point change on share in 1996	1996/1999		Share of world trade in 1999	% point change on share in 1996	1996/1999		Exports	Imports		
			Average annual growth rate	% contribution			Average annual growth rate	% contribution				
IT-related products (total)	3.8	1.2	21.2	10.0	3.5	1.1	20.8	9.0	93.1	75.8		
Computers and peripherals	3.2	1.6	34.7	10.8	1.4	0.5	25.8	3.2	84.0	65.7		
Office equipment	2.1	-0.2	-4.8	-	2.1	0.3	-0.3	-	84.4	56.3		
Telecom equipment	3.2	1.4	38.5	5.7	2.8	1.2	37.8	5.1	94.8	69.5		
Semiconductors and other electronic parts	1.0	-0.0	7.7	1.0	4.5	1.5	21.9	12.0	88.9	82.5		
Miscellaneous electronic parts	5.9	1.5	14.7	17.4	7.1	2.4	19.5	26.9	97.8	76.1		
Video equipment	12.9	5.3	18.1	-	2.0	0.6	15.1	21.3	99.4	69.0		
Audio equipment	9.7	4.3	15.2	-	3.9	0.9	6.3	-	96.3	68.9		
Measuring and testing devices	3.3	1.5	26.6	13.5	3.3	0.8	13.4	10.0	94.4	78.6		
(Parts)	2.9	0.7	16.8	5.9	4.5	1.5	21.1	11.6	90.6	78.1		

Note: "% contribution" indicates Mexico's percentage contribution to the change in value of world trade in each product category.

Source: Prepared by JETRO from Mexican Ministry of Commerce and Industry statistics.



## 6. Japanese Imports and Exports Return to Growth

- (1) Japanese trade grew in dollar terms in 1999 after declining in 1998, with exports growing 8.1% to US\$417.4 billion and imports rising 10.9% to US\$309.7 billion. The balance of trade registered a surplus of US\$107.7 billion, the third highest on record. The expansionary trend continued in the first six months of 2000, when exports rose 20.6% on a year earlier to US\$234.8 billion and imports rose 26.1% to US\$181.3 billion (Table 6-1). The turnaround in 1999 was due to growth in both volume and dollar terms. Both imports and exports registered positive growth for the first time in a year in volume terms, and for the first time in three years in dollar terms.
- (2) The fluctuation in Japanese trade in 1999 was due to the following factors (Table 6-2): 1) the stimulation of trade by the expansion of IT-related industries, such as the electronic parts and machine tool sectors, 2) increased "reverse" imports from Japanese affiliates in the East Asian computer and consumer electronics sectors, 3) increased exports of components to East Asia due to the recovery of production in East Asia, 4) the impact of international prices of crude oil and primary products.
- (3) A questionnaire survey of Japanese manufacturing affiliates in the ASEAN5 conducted by JETRO found that the majority of respondents expected to procure more parts and materials from Japan in 2000 than in 1999, with 37.1% saying they expected their level of procurement to "further increase" and 28.8% saying they expected procurement to "slightly increase" (Table 6-7); and more than half of the respondents expected exports to Japan (reverse imports) to be higher in 2000 than in 1999, with 26.4% expecting exports to "further increase" and 24.8% expecting exports to "slightly increase" (Table 6-8).

### (1) Trends in Japanese trade

#### 1) Exports recover to pre-Asian financial crisis level

Exports in 1999 rose 8.1% to US\$417.4 billion, the third highest level on record after US\$442.9 billion in 1995 and US\$422.9 billion in 1997. This figure also exceeded the value of exports in 1996 before the onset of the Asian financial crisis, due to positive growth in both the volume and value of exports. Imports registered positive growth for the first time in three years, growing by 10.9%, but did not reach the 1996 level. This was because imports, although higher than in 1996 in volume terms, were significantly lower in dollar terms (Chart 6-1).

#### 2) Recovery in trade volume and prices in first half of 2000

There was robust growth in the volume of trade in the first six months of 2000, with exports growing 13.5% and imports increasing 11.6% on a year earlier. Dollar import and export prices rose 12.9% and 6.2% respectively on a year earlier.

### (2) Changes in imports and exports in main sectors

#### 1) Stimulation of overall trade by growth in IT-related industries

The worldwide growth in demand for IT-related products stimulated trade in electronic parts in 1999, causing exports to rise 12.2% to US\$67.0 billion and imports to rise 19.0% to US\$28.1 billion. The main growth categories in exports were MOS integrated circuits for microcomputers, etc. (up 17.8%) and parts such as transmitters (up 34.2%), while the strongest growth in imports was in MOS integrated circuits for microprocessors, etc. (up 33.0%) and computer parts (up 12.7%). The

index of horizontal specialization in the electronic parts industry fell from 60.5 in 1994 to 43.3 in 1997 and 41.5 in the first four months of 2000, showing that the degree of export specialization in Japan is falling as imports increase with the rise in offshore production by Japanese firms and competition becomes fiercer.

IT-related capital investment by manufacturers in Taiwan and the R.O.K. (e.g., in the semiconductor industry) caused exports of machine tools to the Asian NIEs to rise 58.9% to US\$1.4 billion in 1999. Broken down by product category, dollar exports of semiconductor manufacturing equipment (dry etching) rose 155.2% and injection molder and lathe exports rose 119.3% and 29.7% respectively.

2) Increased reverse imports from China and ASEAN

Increased exports of consumer electronics products from China and ASEAN to Japan (reverse imports to Japan) caused Japan's imports of consumer electronics products and video equipment to increase 18.4% to US\$3.2 billion in 1999. Increased consigned production in Taiwan caused imports of computers to increase 22.0% to US\$19.4 billion.

3) Impact of international prices

Crude oil prices soared from August 1999, causing the value of imports of oil and petroleum products to increase 24.2% to US\$33.0 billion, which accounted for 39.8% of the growth in Japanese imports overall. There were falls in the prices of corn (down 11.4%), soybeans (down 18.7%), wheat (down 11.2%) and coffee (down 23.1%).

4) Iron and steel exports declined 9.2% to US\$13.0 billion. Exports to the U.S. slumped 51.7% to US\$1.5 billion as a result of anti-dumping measures, but exports to ASEAN grew 19.9% to US\$3.3 billion, propelled by the recovery in production in the region.

(3) Trade trends and prospects of Japanese affiliates in ASEAN

Trade with Japan by Japanese manufacturing affiliates based overseas fell in fiscal 1998, with procurement from Japan falling 4.4% and exports to Japan falling 14.7% from fiscal 1997. A breakdown by region reveals the slump in trade activity to have been particularly pronounced among affiliates in the ASEAN4 (Tables 6-4 and 6-5). Japanese trade with the ASEAN4 in the main sectors rebounded in 1999, however, exports growing by 19.8% and imports rising 17.8%. The recovery was strongest in exports to the ASEAN4 of automobiles and auto parts and imports from the ASEAN4 of electronic and auto parts (Table 6-6).

A questionnaire survey of 347 firms in Singapore, Malaysia, Thailand, the Philippines and Indonesia conducted by JETRO between May and June 2000 found that the majority of respondents expected procurement of parts and materials from Japanese manufacturing affiliates in the ASEAN5 to increase (Table 6-7). Over half (51.2%) expected exports to Japan to increase, and a large majority (80.1%) expected exports to the world to increase (Table 6-8). The most commonly cited reason for expecting growth in world exports was "economic recovery in East Asia," which drew more responses than "continued strength of the U.S. economy" and "economic recovery in Japan" (Table 6-9).

**Table 6-1. Trends in Japanese Trade**

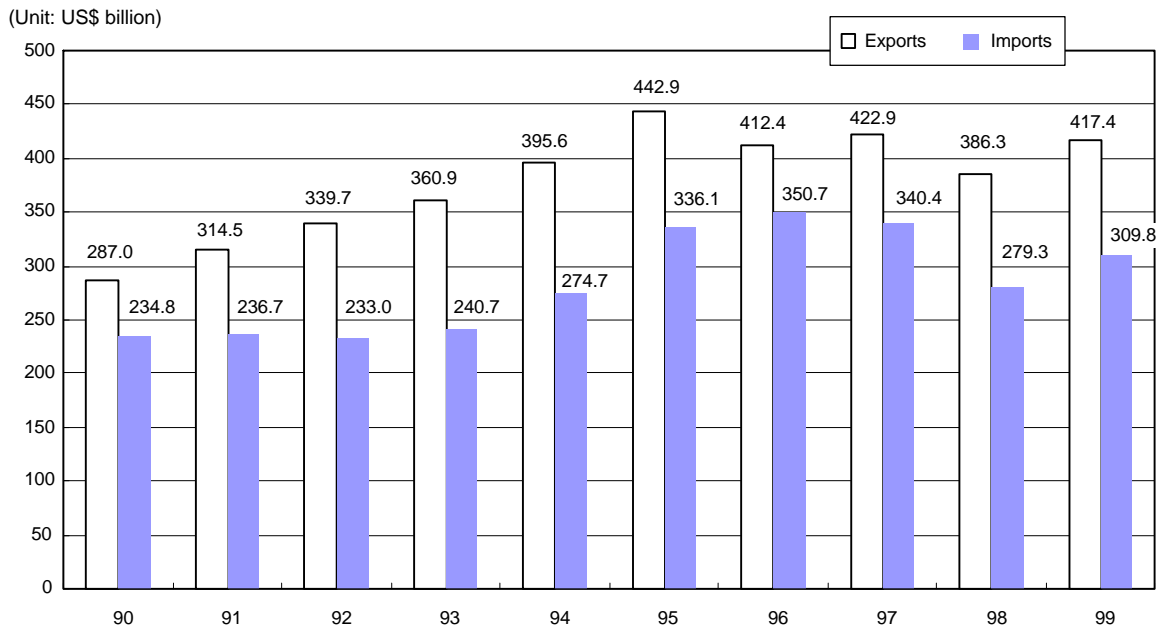
(Units: US\$ million, %)

	1996	1997	1998	1999	1999 Q1	Q2	Q3	Q4	2000 Q1	Q2
Total value of exports	412,433 (- 6.9)	422,881 (2.5)	386,271 (- 8.7)	417,442 (8.1)	97,729 (- 0.3)	96,866 (2.0)	105,753 (12.9)	117,094 (17.6)	115,783 (18.5)	118,995 (22.8)
Total value of imports	350,654 (4.3)	340,408 (- 2.9)	279,316 (- 17.9)	309,745 (10.9)	72,000 (- 4.1)	71,839 (6.0)	76,980 (15.0)	88,926 (27.9)	89,621 (24.5)	91,713 (27.7)
Trade balance	61,779 (- 42.2)	82,474 (33.5)	106,955 (29.7)	107,697 (0.7)	25,729 (12.1)	25,027 (- 7.9)	28,773 (7.6)	28,168 (- 6.4)	26,162 (1.7)	27,281 (9.0)
% of nominal GDP	1.3	2	2.8	2.5	2.5	2.6	2.8	2.3	2.3	-
Exports volume index (1995 = 100)	101.2 (1.2)	113.1 (11.8)	111.6 (- 1.3)	114 (2.1)	106.1 (- 3.1)	109.9 (- 1.4)	117.3 (4.1)	122.9 (8.9)	120.7 (13.8)	124.6 (13.4)
Imports volume index (1995 = 100)	105.6 (5.6)	107.4 (1.7)	101.7 (- 5.3)	111.4 (9.6)	106.2 (4.1)	108 (8.6)	111.3 (9.4)	120.4 (16.3)	117.5 (10.7)	121.6 (12.6)
Real GDP growth rate	5.1	1.6	- 2.5	0.2	1.5	1	- 1	- 1.6	2.4	-
% point contribution of external demand	- 0.5	1.4	0.5	- 0.3	- 0.1	- 0.5	- 0.3	- 0.4	0.6	-
Crude import price (US\$/barrel)	20.4	20.7	13.9	17.1	11.4	14.8	18.5	23.5	26.2	26.6
Yen/U.S. dollar exchange rate	108.81	120.92	131.02	113.94	116.54	120.94	113.61	104.54	107.07	106.61

Notes: 1. Figures in parentheses indicate percentage change on previous year. Figures for first two quarters of 2000 indicate percentage change on a year earlier.  
2. Interbank rate used for yen/dollar exchange rate (average during period).

Sources: Prepared by JETRO from *National Accounts* (Economic Planning Agency), *Financial and Economic Statistical Monthly* (Bank of Japan) and *Trade Statistics* (Ministry of Finance).

**Chart 6-1. Japanese Imports and Exports (in U.S. Dollars)**



Source: Prepared by JETRO from *Trade Statistics* (Ministry of Finance).

**Table 6-2. Reasons for Growth/Decline in Product Imports and Exports by Japan in 1999**

	Exports		Imports	
	Reasons for increase	Reasons for decrease	Reasons for increase	Reasons for decrease
Electronic parts	Growth in demand for information technology and IT-related products in U.S. and Asia. Growth in exports of parts such as laminated ceramic capacitors, piezoelectric crystal devices and transmitters for communications terminals.		Increase in specialization due to increase in offshore production by Japanese firms, intensification of competition, and increase in imports of ICs. Imports of MOS ICs rose 33.0% on the previous year.	
Computers and peripherals		Exports of notebook PCs continued their decline since 1997 due to increased offshore production, falling 13.7% from the previous year in 1999.	Due in part to an increase in consigned production by Taiwanese makers, imports of notebook PCs rose sharply in 1999. There was also an increase in imports from Asia of hardware such as input and output devices.	
Mobile phones	Rapid digitalization of mobile phones led to large jump in exports to U.S. in 1999. Exports to the R.O.K. surged as a result of the abolition of the system to diversify sources of imports and the launch of CDMA services.		Increase in imports from Finland and Sweden due to launch of sale of i-mode compatible devices by European makers in 2000.	With just a few exceptions, imports declined in 1999 due to an increase in production of domestic products. U.S. imports in particular continued to decline as a result of the shift in production to Japanese makers.
Consumer electronics and video equipment	Increase in exports of new products such as digital TVs and DVD players.	Exports fell due to an increase in offshore production.	Increased output in East Asia. Imports from China rose 25.8% on the previous year, and its share of imports rose from 6.2% in 1994 to 24.2% in 1999.	
Automobiles and auto parts	Reflecting the buoyant state of the U.S. economy, exports of automobiles to the U.S. (especially SUVs and high-end models) increased. Exports of automobiles to the U.S. rose 20.0% on the previous year in 1999, and exports of auto parts rose 15.1%. Due to the recovery in output, exports of automobiles and auto parts to ASEAN rose 95.5% and 68.9% respectively.	Weak exports of automobiles to the EU and Middle East.		Despite brisk sales of minicars, domestic demand for passenger vehicles was dull. Strong sales of "reverse imported" vehicles from the U.S. in the first half of 2000.
Machine tools	1999 saw an increase in IT-related investment in Asian NIEs such as Taiwan and the R.O.K. Exports rose driven by strong exports of lathes for micro-processing (up 29.7% on the previous year) and injection molders (up 119.3%). Exports to the R.O.K. rose sharply as a result of the scrapping of the system for diversification of sources of imports of lathes and machining centers.	Leveling off in capital investment in the auto industry in the U.S. Decline in 1999 of exports of machining centers (down 37.1% from the previous year), lathes (down 26.4%) and grinders (down 20.4%).		

	Exports		Imports	
	Reasons for increase	Reasons for decrease	Reasons for increase	Reasons for decrease
Iron and steel	Exports to ASEAN grew 19.9% driven by a recovery in output and demand in Thailand and Malaysia. Exports to the R.O.K. rose as a result of one-off factors, such as regular maintenance of main plants, as well as the economic recovery, causing exports of ordinary-quality steel ingots and semi-finished products to increase. Exports of ordinary-quality steel ingots and semi-finished products to the U.S. also increased.	The impact of anti-dumping measures caused a slump in exports to the U.S. Exports of steel plate dropped 93.8% from the previous year, hot-rolled steel sheet fell 98.5%, cold-rolled steel sheet fell 43.0%, seamless steel tubes fell 32.0%, and steel shapes fell 91.3%.		
Chemicals	Exports rose rapidly due to the recovery in prices in ASEAN and the Asian NIEs. Rapid increase of exports in PVC (up 82.2% on a year earlier) and ethylene (up 2204.0%).			
Petroleum products			Crude oil prices climbed steeply from August 1999, pushing up the value of imports in 1999. Prices remain high, and rose 130.5% on a year earlier in the first quarter of 2000.	
Food			Rise in imports of meat and fish. Frozen fish imports rose 30.5% on the previous year, fish fillets rose 31.1%, edible offal rose 31.7% and pork rose 30.1%.	Fall in value of imports as a result of declines in the price of corn (down 11.4% from the previous year), soybeans (down 21.7%), wheat (down 11.0%) and coffee (down 23.1%), etc. Imports of wine fell in volume terms due to the end of the "polyphenol" boom.
Textiles			Substantial increase in imports of low-priced Asian products, especially from China. Chinese imports rose 20.6% on the previous year in 1999, and imports from the R.O.K. rose 14.3%.	Decline in EU products (especially high-end apparel). Imports from Italy and France fell 12.2% and 10.2% respectively from the previous year in the first four months of 2000.
Health-related products			Increase in imports of wheelchairs from Asia due to OEM production by foreign firms.	

Source: Prepared by JETRO.

**Table 6-3. Imports and Exports by Main Industries**

(Units: US\$ million, %)

	Exports					Imports						
	1999 Value	% change on previous year	% contribution ( 99/98 )	Jan-Jun 2000 Value	% change on a year earlier	% contribution ( 00/99 )	1999 Value	% change on previous year	% contribution ( 99/98 )	Jan-Jun 2000 Value	% change on a year earlier	% contribution ( 00/99 )
Automobiles	62,517	4.8	8.9	32,332	6.4	4.8	6,360	10.9	2.0	3,592	17.4	1.4
Auto parts	32,107	13.8	12.2	17,957	21.4	7.9	4,658	11.6	1.6	2,660	24.6	1.4
Consumer electronics and video equipment	6,934	- 7.9	- 1.9	3,464	8.5	0.7	3,239	18.4	1.6	1,839	22.2	0.9
Electronic parts	67,007	12.2	22.8	39,709	33.6	24.8	28,077	19.0	14.4	17,159	32.3	11.2
Computers and peripherals	25,828	- 4.0	- 3.4	13,270	9.0	2.7	19,422	22.0	11.2	12,662	34.2	8.6
Chemicals	30,996	13.5	11.5	17,430	22.1	7.8	23,503	11.4	7.7	12,901	15.7	4.7
Iron and steel	13,047	- 9.2	- 4.1	6,740	20.0	2.8	2,741	- 8.1	- 0.8	1,473	29.6	0.9
Mobile phones	719	193.4	1.5	514	121.3	0.7	44	- 34.1	- 0.1	44	16.4	0.0
Machine tools	6,098	- 2.2	- 0.4	3,701	29.0	2.1	645	8.6	0.2	352	15.2	0.1
Oil and petroleum products	1,055	5.2	0.2	527	16.3	0.2	33,033	24.2	20.7	24,881	101.5	33.4
Textiles	8,000	8.6	2.0	4,118	14.2	1.3	22,029	9.9	6.4	11,363	21.2	5.3
Food	2,118	5.6	0.4	1,029	4.6	0.1	44,401	7.2	9.6	22,879	7.5	4.3
Medical equipment's and health-related products	2,868	4.2	0.4	1,427	8.1	0.3	3,856	12.2	1.3	2,070	11.3	0.6
Subtotal	259,292	6.6	50.0	142,218	18.9	56.2	192,007	14.0	76.0	113,876	31.5	72.7
Total value	417,442	8.1	100.0	234,778	20.6	100.0	309,745	10.9	100.0	181,334	26.1	100.0

Source: Prepared by JETRO from *Trade Statistics* (Ministry of Finance).

**Table 6-4. Change in Value and Percentage of Procurements from Japan**

(Units: ¥ billion, %)

Fiscal year		1995	1996	1997	1998
Value of procurements from Japan	All regions	10,362.2	12,494.1	13,253.3	12,674.0
	North America	3,704.5	4,650.0	5,244.2	5,603.0
	Asia	3,766.3	4,875.7	4,950.0	3,583.0
	Europe	2,454.0	2,468.8	2,254.1	2,584.0
	ASEAN4	1,126.4	1,087.4	2,113.6	1,244.7
Percentage of total value of Japanese exports		25.3	27.9	26.6	26.6
% of procurements from Japan	All regions	39.1	39.3	38.1	37.6
	North America	35.1	38.4	38.2	40.1
	Asia	41.9	41.8	40.0	35.8
	Europe	43.9	38.7	35.1	33.9
	ASEAN4	45.7	41.9	40.5	33.6

Note: "% of procurements from Japan" is the value of exports of intermediate producers' goods from Japan divided by the total value of procurements by overseas affiliates of Japanese firms.

Source: *29th Survey of Overseas Business Activities* (Fiscal 1999, MITI).

**Table 6-5. Change in Value and Percentage of "Reverse imports" from Offshore Japanese Manufacturing Affiliates**

(Units: ¥ billion, %)

		1995	1996	1997	1998
Value of reverse imports	All regions	2,665.0	4,053.2	5,181.9	4,421.6
	North America	294.7	375.2	426.4	400.5
	Asia	2,158.1	3,391.8	4,364.7	3,597.6
	Europe	97.0	175.4	243.1	275.7
	ASEAN4	751.1	956.4	2,168.7	1,676.9
Percentage of total value of Japanese imports		9.1	11.2	14.3	14.0
% of reverse imports	All regions	7.7	9.0	10.4	9.1
	North America	2.1	2.2	2.1	1.9
	Asia	18.5	20.9	25.2	25.1
	Europe	1.4	2.0	2.6	2.6
	ASEAN4	18.8	12.7	29.4	31.4

Note: "% of reverse imports" is calculated by dividing the value of exports to Japan by total sales.

Source: *29th Survey of Overseas Business Activities* (Fiscal 1999, MITI).



**Table 6-6. Trade between Japan and ASEAN4 in Main Products**

(Units: US\$ million, %)

	Value of Japanese exports to ASEAN4			% change		Share of ASEAN4			Value of Japanese imports from ASEAN4			% change		Share of ASEAN4		
	1997	1998	1999	98/97	99/98	1997	1998	1999	1997	1998	1999	98/97	99/98	1997	1998	1999
Automobiles	3,002	390	1,036	-87.0	165.4	5.1	0.7	1.7	19	13	8	-28.4	-38.5	0.2	0.2	0.1
Auto parts	4,873	1,437	2,632	-70.5	83.2	14.9	5.1	8.2	839	811	1,062	-3.4	31.0	19.3	19.4	22.8
Consumer electronics and video equipment	189	104	119	-45.0	14.4	2.0	1.4	1.7	1,402	1,217	1,411	-13.2	15.9	43.4	44.5	43.6
Electronic parts	11,629	10,393	11,524	-10.6	10.9	17.3	17.4	17.2	4,015	3,438	5,318	-14.4	54.7	15.1	14.6	18.9
Computers	1,564	1,356	1,685	-13.3	24.3	5.2	5.0	6.5	3,825	3,527	4,364	-7.8	23.7	21.0	22.2	22.5
Chemicals	3,581	2,642	3,257	-26.2	23.3	12.0	9.7	10.5	952	894	1,058	-6.1	18.4	4.0	4.2	4.5
Iron and steel	3,356	2,035	2,635	-39.4	29.5	21.8	14.2	20.2	99	77	77	-23.0	-0.1	2.4	2.6	2.8
Mobile phones	29	5	16	-81.6	197.1	12.0	2.2	2.2	0	0	2	-66.9	-	0.1	0.0	4.7
Machine tools and semiconductor manufacturing equipment	1,027	453	453	-55.9	0.2	14.6	7.3	7.4	21	22	36	3.1	64.3	2.9	3.7	5.6
Oil and petroleum products	127	75	66	-40.7	-12.5	7.6	7.5	6.3	3,321	1,964	2,427	-40.9	23.6	8.0	7.4	7.4
Textiles	746	618	698	-17.1	12.8	9.0	8.4	8.7	1,812	1,306	1,352	-27.9	3.5	7.6	6.5	6.1
Food	198	291	173	46.7	-40.7	9.0	14.5	8.2	4,486	4,101	4,159	-8.6	1.4	9.7	9.9	9.4
Medical equipment's and health-related products	86	47	53	-45.6	13.3	3.0	1.7	1.9	98	90	109	-8.1	21.5	2.8	2.6	2.8
Total imports and exports	47,976	30,266	36,250	-36.9	19.8	11.4	7.8	8.6	40,579	32,144	37,855	-20.8	17.8	12.0	11.5	12.1

Source: Prepared by JETRO from *Trade Statistics* (Ministry of Finance).

**Table 6-7. Expected Changes in Value of Procurements of Parts and Supplies from Japan in 2000 Compared with 1999**

(Unit: %)

	No. of valid responses	Further increase	Slight increase	Practically no change	Slight decrease	Large decrease
Overall	337	37.1	28.8	19.3	12.5	2.4
Singapore	28	25.0	28.6	32.1	14.3	0.0
Malaysia	87	31.0	35.6	21.8	6.9	4.6
Thailand	129	41.9	23.3	15.5	17.1	2.3
Philippines	29	31.0	34.5	20.7	31.8	0.0
Indonesia	64	43.8	28.1	17.2	9.4	1.6
General machinery	11	27.3	18.2	36.4	9.1	9.1
Assembly of electric/electronic products	75	13.3	33.3	24.0	24.0	5.3
Electric/electronic parts	108	42.6	31.5	18.5	6.5	0.9
Auto assembly	13	53.8	23.1	15.4	7.7	0.0
Auto parts	85	54.1	27.1	5.9	10.6	2.4
Precision machinery	5	40.0	20.0	40.0	0.0	0.0
Others	40	27.5	22.5	35.0	15.0	0.0

Notes: 1. "Others" comprises sectors such as chemicals, clothing and textiles, and die processing.  
2. Shares calculated by dividing by the number of valid responses for each country/sector.

Source: Prepared from JETRO, *A Survey of Economic Recovery in ASEAN and Trade Prospects in 2000*.

**Table 6-8. Expected Changes in Value of Exports to Japan and World in 2000 Compared with 1999**

(Unit: %)

	Exports to Japan						Exports to world					
	No. of valid responses	Further increase	Slight increase	Practically no change	Slight decrease	Large decrease	No. of valid responses	Further increase	Slight increase	Practically no change	Slight decrease	Large decrease
Total	242	26.4	24.8	33.1	9.1	6.6	281	45.6	34.5	14.2	3.6	2.1
Singapore	18	0.0	38.9	38.9	16.7	5.6	26	38.5	53.8	3.8	3.8	0.0
Malaysia	64	25.0	21.9	43.8	1.6	7.8	80	47.5	36.3	11.3	2.5	2.5
Thailand	92	32.6	21.7	27.2	12.0	6.5	103	49.5	28.2	17.5	3.9	1.0
Philippines	19	31.6	21.1	26.3	10.5	10.5	25	52.0	28.0	16.0	4.0	0.0
Indonesia	49	24.5	30.6	30.6	10.2	4.1	47	34.0	38.3	17.0	4.3	6.4
General machinery	9	11.1	11.1	55.6	0.0	22.2	10	0.0	30.0	40.0	10.0	20.0
Assembly of electric/electronic products	55	32.7	23.6	32.7	7.3	3.6	60	38.3	43.3	13.3	3.3	1.7
Electric/electronic parts	82	35.4	25.6	30.5	3.7	4.9	98	60.2	28.6	9.2	1.0	1.0
Auto assembly	4	0.0	75.0	0.0	0.0	25.0	14	28.6	50.0	14.3	7.1	0.0
Auto parts	65	16.9	24.6	29.2	21.5	7.7	60	43.3	35.0	15.0	6.7	0.0
Precision equipment	3	33.3	33.3	33.3	0.0	0.0	4	25.0	75.0	0.0	0.0	0.0
Others	24	16.7	20.8	50.0	4.2	8.3	35	42.9	25.7	22.9	2.9	5.7

Notes: 1. "Others" comprises sectors such as chemicals, clothing and textiles, and die processing.

2. Shares calculated by dividing by the number of valid responses for each country/sector.

Source: Prepared from JETRO, *A Questionnaire Survey of Economic Recovery in ASEAN and Trade Prospects in 2000*.

**Table 6-9. Reasons for Expected Increases in Exports in 2000**

(Unit: %)

	No. of valid responses	Continued strength of U.S. economy	Economic recovery in Japan	Economic recovery in East Asia	Economic recovery in Europe	Exchange rates (strong yen/weak dollar)	Cuts in production costs	Increase in shipments of products to parent company
Total	271	46.5	29.9	64.9	24.0	22.5	19.2	28.4
Singapore	26	61.5	23.1	88.5	38.5	23.1	19.2	15.4
Malaysia	78	55.1	25.6	73.1	32.1	28.2	15.4	20.5
Thailand	95	40.0	34.7	61.1	22.1	22.1	26.3	34.7
Philippines	23	39.1	30.4	52.2	21.7	17.4	8.7	26.1
Indonesia	49	59.2	30.6	53.1	8.2	16.3	16.3	36.7
General machinery	9	11.1	22.2	55.6	11.1	22.2	0.0	11.1
Assembly of electric/electronic products	61	47.5	32.8	59.0	31.1	19.7	16.4	32.8
Electric/electronic parts	93	62.4	38.7	75.3	33.3	21.5	21.5	32.3
Auto assembly	10	20.0	0.0	80.0	20.0	10.0	40.0	10.0
Auto parts	60	30.0	30.0	53.3	13.3	25.0	16.7	28.3
Precision equipment	5	60.0	20.0	80.0	20.0	20.0	0.0	40.0
Others	33	45.5	12.1	63.6	9.1	30.3	24.2	18.2

Notes: 1. "Others" comprises sectors such as chemicals, clothing and textiles, and die processing.

2. Shares calculated by dividing by the number of valid responses for each country/sector.

Source: Prepared from JETRO, *A Questionnaire Survey of Economic Recovery in ASEAN and Trade Prospects in 2000*.

## 7. Issues Facing Japan

### (1) Active contribution by Japan to expansion in world trade

- 1) According to IMF figures, the real growth rate in world trade in 1999 was 4.9%, up from 3.8% in 1989, and the growth rate is expected to gain even more speed in 2000. If the upward trend in world trade is to continue, it is important that the Japanese economy achieve growth driven by domestic demand to enable the country to play a leading role in the expansion of imports from developing countries in Asia and elsewhere.
- 2) It is essential that the stalled WTO round of negotiations be quickly relaunched, for which Japan must play an active role. Effective expansion of trade and investment requires an inclusive approach that embraces not only previous agreements on agriculture and services, but also further reduction in tariffs on industrial products, rules for investment, and a review of the Anti-Dumping Agreement. Of particular importance is the need to encourage developing countries' active participation in the new round of talks in order to incorporate their positions on textiles and clothing and anti-dumping issues. It needs to be recognized that the WTO is not a suitable forum for the issue of core labor standards in developing countries; instead, support measures are needed to help improve working conditions in these countries. Also required is action to restore the developing countries' confidence in the WTO system, such as technical cooperation to support training and the development of legal systems.
- 3) FTAs are now counted as positive means of strengthening economic inter-dependence, complementing the WTO multilateral free-trade framework. FTA can have the economic effects of not only increasing the opportunities for trade and investment, but also enabling countries to implement domestic regulatory reforms that would otherwise be difficult for them to achieve working alone, thus encouraging competition. Recognizing these benefits, Japan is undertaking research into the potential that FTAs offer. Joint studies JETRO conducted respectively with Mexico and the R.O.K. suggest that, in addition to increased trade, agreements with these countries could result in more business due to increased opportunities for investment and strategic tie-ups between firms. Japan should help promote further liberalization by working toward the establishment of new frameworks not yet adopted by the WTO, namely by seeking inclusive FTAs covering issues such as standards and conformity assessment systems, intellectual property rights, government procurement and dispute settlement.

### (2) Speedy reforms for an information society

Speedy reforms are required to build a society where the public can enjoy the full benefits of the much-discussed IT revolution.

- 1) Japan lags behind the U.S. in terms of Internet penetration. In order to reap the full benefits of the IT revolution, Japan needs to carry out deregulation to encourage healthy competition and establish needed infrastructure, human resource development and financing. These efforts should include alleviating the shortage of IT experts through policy changes and systematic adjustments that accommodate foreign experts (e.g., improve the transparency of visa requirements and living conditions for foreigners) as well as by training IT experts in Japan.
- 2) Electronic data interchange (EDI) for online trading and financing offers savings of cost and time for both governments and private enterprises, and thus should be actively pursued. Singapore, for instance, has successfully introduced a one-stop service for trading. Similarly, Japan needs to integrate the Japan Electronics Open Network Trade Control System (JETRAS) and Nippon Automated Cargo Clearance System (NACCS). Regarding trade finance, Japan should actively

promote the international adoption of its Trade and Settlement Electronics Data Interchange system (TEDI).

- 3) JETRO intends to play a part by improving its IT-based information services to support expanded trade. A particular focus will be on the use of IT, such as its Trade Tie-up Promotion Program (TTPP, an effort to promote international business operations tie-ups in technology, merchandise, investment and business exchange) and Web-based trade showcase (system) to promote increased international business.

(3) Enhanced commitment to sustainable development in East Asia

- 1) Although the economies of East Asia are making headway toward economic recovery, there remain deep-rooted financial and corporate debt-related problems that make steady progress toward reform all the more necessary. In order to achieve economic stability in East Asia, international frameworks are needed for, among other things, mutual surveillance of macroeconomic indicators and a currency swap scheme to prevent a reoccurrence of the financial crisis.
- 2) Japan is the country best placed to support the development of countries in East Asia, playing, for example, a crucial and decisive role by providing financial support during the economic crisis in the region. Japan's contribution to economic development in East Asia includes promotion of investment, improvement of corporate governance to enhance transparency in the public and private sectors, establishment of systems of economic law to encourage entry of new firms through competition, and support for small and medium-sized enterprises, such as the incubation of supporting industries and ventures with high growth potential. Support from not only Japan but also the industrialized countries of North America and Europe is essential to economic development in East Asia. Measures such as Official Development Assistance (ODA) have an important contribution to make to the development of infrastructure in the region.
- 3) There must be no retreat from efforts to spur intra-regional trade in East Asia through the ASEAN Free Trade Area (AFTA). Action is also required to ensure the steady implementation of the ASEAN Investment Area (AIA) in an effective manner. It is also desirable that with regard to the ASEAN Industrial Cooperation scheme (AICO), prescribed local capital ratios be permanently abolished.

## **PART 2. SUMMARY OF REGIONAL TRENDS**

### **1. North America**

#### **1) Economic Trends: Record U.S. Boom Continues**

In the U.S., the record period of expansion that began in March 1991 continued. Underpinned by buoyant domestic demand driven largely by strong growth in personal consumption and private non-residential investment, the economy grew 4.2% in 1999 to register the third straight year of growth in excess of 4%. There are growing concerns about inflationary pressures in the economy, though, such as the tight labor supply. Following the Federal Reserve Board's interest rate hike to head off inflation, some economic indicators begin showing signs of a slowdown in 2000.

The Canadian economy also grew, registering 4.5% growth in 1999 due to a rise in exports because of the strong U.S. economy and weak Canadian dollar, as well as robust domestic demand. First quarter growth in 2000 was again high, increasing 4.9% on a year earlier.

#### **2) Trade Trends: Record U.S. Trade Deficit, Growth in Canadian Exports to U.S.**

A look at U.S. trade in goods and services (on a balance of payments basis) shows that exports rose 2.5% and imports rose 11.0% on the previous year, causing the trade deficit to hit a record US\$265.0 billion. In 2000, too, the deficit has continued to expand. Growth in exports was led by semiconductors and electrical machinery, while import growth was led by demand for telecommunications equipment, computers and aircraft.

With regard to Canadian trade in 1999 (on a customs clearance basis), exports rose 11.1% and imports rose 7.2% on a year earlier, rebounding from the 1998 trade deficit to record a surplus of US\$10.5 billion.

#### **3) Developments in Trade Environment: Steps toward Trade Liberalization**

Since taking office, the Clinton Administration has worked to open up foreign markets and has made use of regional and multilateral frameworks to promote trade liberalization. The failure to launch a new WTO round of trade talks in December 1999 was a major blow to the administration. To maintain the momentum toward global trade liberalization, however, the administration has adopted a positive stance on trade issues, such as China's accession to the WTO and the signing of a trade agreement with Vietnam.

In order to overcome its excessive dependence on trade with the U.S., the Canadian government is in the process of negotiating free trade agreements with countries such as Costa Rica and Singapore to complement its existing agreements and diversify its trading partners.

#### **4) Trends in Trade with Japan: U.S., Canadian Trade Deficits with Japan Grow**

The U.S. trade deficit with Japan grew 14.7% on the previous year to US\$73.4 billion in 1999, once again the largest deficit with any of its trading partners. While exports shrank 0.6% from the previous year as a result of the slow pace of economic recovery in Japan, growth in demand due to the booming U.S. economy caused imports to grow by 7.4%. The main areas of growth in exports were in foods and mineral fuels, while in the case of imports there was marked growth in telecommunications equipment, automobiles, engines and pumps.

Economic and trade relations between the U.S. and Japan had been relatively calm since the auto trade agreement reached in 1995. This was brought to an end by the Asian financial crisis in 1997,

however, when the U.S. government begin showing concern over the growing size of its trade deficit with Japan and repeatedly called on the Japanese government to pursue greater deregulation and open up its markets.

With regard to Canadian trade with Japan in 1999, exports fell 3.5% and imports grew 7.4% on the previous year. The Canadian trade deficit with Japan continued its upward trend, rising 24.2% on the previous year to C\$6.8 billion.

### Basic Economic Indicators in the U.S. and Canada

	Real GDP growth (%) <sup>1</sup>		Rise in CPI (%) <sup>2</sup>		Unemployment (%)		Exports of goods		Imports of goods		Balance of trade (Goods and services)	
	U.S.	Canada	U.S.	Canada	U.S.	Canada	(US\$ billion) <sup>3</sup>		(C\$ billion) <sup>3</sup>		(US\$ billion)	(C\$ billion)
1995	2.7	2.8	2.8	2.2	5.6	9.5	584.7	248.4	743.5	225.6	- 99.9	25.3
1996	3.6	1.5	3.0	1.6	5.4	9.7	625.1	259.3	795.3	232.6	- 108.6	33.2
1997	4.4	4.4	2.3	1.6	4.9	9.1	689.2	281.2	869.7	272.9	- 104.7	14.6
1998	4.4	3.3	1.6	1.3	4.5	8.3	682.1	297.5	911.9	298.4	- 166.9	11.9
1999	4.2	4.5	2.2	1.5	4.2	7.6	695.8	330.4	1,025.0	319.9	- 265.0	27.3

Notes: 1. Base years are 1996 for the U.S. and 1992 for Canada. Figures are annual changes on the previous year.  
 2. Percentage change on previous year.  
 3. U.S. exports are FAS and imports are customs value. Canadian imports and exports are FOB.

Sources: Department of Commerce, Department of Labor (U.S.) and Statistics Canada (Canada).

## 2. Latin America

### 1) Economic Trends: Strong Recovery Trend in 2000

For the economies of Latin America, which plunged into recession following the devaluation of the Russian ruble in August 1998, the year 1999 was the worst of the nineties. The GDP of the region as a whole grew just 0.4%, and countries such as Ecuador, Venezuela, Colombia, Argentina, Chile and Uruguay all fell into negative growth. The economic turmoil was particularly severe in Ecuador, where the embattled government adopted the U.S. dollar as legal tender in an effort to end its economic woes. Brazil, on the other hand, whose currency tumbled in January 1999 and which was forecasted to enter a severe recession, achieved growth of 1.0%, and inflation remained in single figures at 8.9%. The inflation rate for the region as a whole also fell to 9.6%.

The major economies of Latin America made steady headway toward recovery in the first quarter of 2000, when GDP grew on a year-on-year basis by 0.9% in Argentina, 3.1% in Brazil, 2.2% in Colombia, 5.5% in Chile, 7.9% in Mexico, and 8.5% in Peru. According to the IMF's *World Economic Outlook*, Latin America as a whole is expected to achieve 4.0% economic growth for the year. The main contribution to growth in exports was from expansion of exports of industrial products, which became more price competitive due to the fall in the value of currencies in the region in 1999, and a rise in prices of primary products such as oil and copper. A cause for concern, however, is the slowdown in the U.S. economy and rise in U.S. interest rates.

### 2) Trade Trends: Imports Squeezed by Recession, Trade Deficit Shrinks 60%

According to the United Nations Economic Commission for Latin America and the Caribbean (ECLAC), Latin American exports of goods and services rose 4.8% on the previous year to US\$342.0

billion in 1999. Imports, however, declined 4.8% to US\$360.6 billion, and as a consequence the trade deficit shrank from US\$52.6 billion in 1998 to US\$18.6 billion in 1999. The recovery in the prices of primary products such as oil and copper contributed to the growth in exports. Costa Rica and Mexico registered particularly large gains in exports. This was due in large part to exports of integrated circuits by Intel's operations in Costa Rica and exports to the U.S. by makers of automobiles and auto parts in Mexico. The decline in imports is attributable to the slump in business conditions in the major economies of the region, including Brazil, Argentina, Colombia and Peru.

### 3) Developments in Trade Environment: Trade Friction Erupts in Mercosur

The devaluation of the Brazilian real in January 1999 triggered an outbreak of trade friction between Brazil and Argentina, plunging Mercosur into crisis. But the two reached a compromise and agreed to sign a new auto trade agreement. They also agreed to coordinate Mercosur's macroeconomic policies. Mercosur launched free trade agreement negotiations with the Andean Community in 1999 and with the EU in April 2000. Individual countries were also active, Mexico signed a free trade agreement with the EU in November 1999, which went into effect in July 2000, and Chile began negotiating a free trade agreement with the EU in April 2000.

### 4) Trends in Trade with Japan: Economic Slump Causes 8.1% Fall in Japanese Exports

According to Japanese customs statistics, Japanese exports to Latin America fell 8.1% from the previous year to US\$17.79 billion. Japan's imports from the region, however, rose 3.6% to US\$9.25 billion.

Exports of transport machinery, which dominated a large share of exports to the region, shrank 7.3% to US\$9.99 billion, and there were also declines in exports of electrical machinery (down 0.7% to US\$2.79 billion) and general machinery (down 16.0% to US\$2.35 billion). Growth in imports from the region was largely accounted for by the rise in copper and oil prices.

### Basic Economic Indicators of Major Economies of Latin America

	Real GDP growth (%)		Rise in CPI (%)		Balance of trade in goods and services (US\$ billion)		Current account (US\$ billion)		External debt (US\$ billion)	Gold and foreign exchange reserves (US\$ billion)
	1998	1999	1998	1999	1998	1999	1998	1999	End 1999	End 1999
Brazil	-0.1	1.0	2.5	8.4	-16.2	-7.3	-34.0	-24.7	241.1	36.3
Mexico	5.0	3.6	18.6	12.3	-8.5	-7.0	-15.7	-14.0	167.5	30.7
Argentina	3.9	-3.0	0.7	-1.8	-7.4	-4.8	-14.7	-12.2	144.7	26.4
Venezuela	0.4	-7.5	29.9	20.0	-0.8	6.7	-2.6	5.4	30.6	15.2
Colombia	0.4	-4.5	16.7	9.2	-4.0	0.4	-5.3	-1.3	34.4	8.1
Peru	0.1	1.9	6.0	3.7	-3.0	-1.1	-3.8	-2.0	28.6	8.4
Chile	3.1	0.0	4.7	2.3	-2.6	1.4	-4.1	-0.1	34.0	14.7
Ecuador	1.0	-9.4	43.4	60.9	-1.4	1.5	-2.2	0.9	16.3	1.3
Costa Rica	7.7	8.0	12.4	10.1	-0.2	0.9	-0.5	-0.5	3.7	1.5
Latin America	2.1	0.4	10.3	9.6	-52.6	-18.6	-87.6	-54.1	757.7	153.6

Source: United Nations Economic Commission for Latin America and the Caribbean (ECLAC).



### **3. Asia and Oceania**

#### **1) Economic Trends: On Course for Full Recovery from Financial Crisis**

The economies of the ASEAN5 and the R.O.K. bounced back from the financial crisis of 1998 to post positive growth from around the second quarter of 1999. One important factor underlying this return to growth has been the healthy level of exports of electronics products due to the global information technology boom. As these economies head toward a real recovery, a certain amount of progress has been made in toward dealing with issues such as reorganizing the banks and resolving bad loans. National statistics for the first quarter of 2000 indicated that all of these economies achieved real GDP growth in excess of annual growth in 1999.

Among the four new members of ASEAN, although Vietnam's growth rate declined for the fourth year running in 1999, Laos, Cambodia and Myanmar all enjoyed robust growth as a result of the buoyant state of the agricultural sector.

In South Asia, industry in India and agriculture in Pakistan, Sri Lanka and Bangladesh performed well in 1999, while in Oceania, the Australian and New Zealand economies prospered due to strong private consumption.

Although China, which celebrated its fiftieth anniversary in 1999, is in a deflationary trend, economic stimulus measures mainly in the form of government spending had the desired effect, and the GDP growth rate rose 7.1% in 1999 and 8.1% in the first quarter of 2000.

In Taiwan, the budget deficit increased due to spending to cope with the disaster of the earthquake in September 1999, but GDP nevertheless grew by 5.7% in 1999, and growth of 6.6% is forecasted in 2000.

#### **2) Trade Trends: Economic Growth Driven by Strong Exports**

According to national statistics on the dollar value of exports from the Asian NIEs, exports grew 8.6% in the R.O.K., 10.0% in Taiwan and 4.4% in Singapore. ASEAN countries included growth of 7.4% in Thailand, 15.7% in Malaysia, and 18.8% in the Philippines. The main reasons for this were 1) healthy growth in exports of electrical and electronics products, especially to the booming U.S. economy, 2) increased demand for computer peripherals because of the Y2K bug and for cellular phones and other telecommunications devices for Internet use, and 3) increased export competitiveness due to the weak state of Asian currencies, such as the Thai baht and Malaysian ringgit, which remained tied to the U.S. at levels favoring exports. Although Indonesian exports fell 0.4% overall in 1999, there was positive growth in the latter half of the year. In China, growth in exports rose from 0.6% in 1998 to 6.1% in 1999 as a result of strong growth in exports to Asia and the effects of export promotion measures, such as increased rebate rates for VAT on exports.

The recovery in business conditions also caused a return to positive growth in imports, with growth of 28.4% in the R.O.K., 5.8% in Taiwan, 9.4% in Singapore, 17.7% in Thailand, 12.7% in Malaysia, and 3.6% in the Philippines. Chinese imports also recovered from negative growth in 1998 to surge by 18.2% in 1999, due in large part to an increase in imports through legal channels as a result of a strengthened clampdown on smuggling. Imports in Indonesia shrank for the third year running, falling by 12.2%.

#### **3) Developments in Trade Environment: Progress toward Regional Trade Liberalization, Expansion of Regional Economic Blocs**

Headway is being made in ASEAN toward regional trade liberalization ahead of the launch of the ASEAN Free Trade Area (AFTA) in January 2002. At the meeting of economic ministers in Singapore in

September 1999, six ASEAN economies agreed to lower tariffs to 0-5% for at least 85% of the products covered under the CEPT scheme by January 2000, and to increase the figure to at least 90% by January 2001 and 100% by January 2002. At the unofficial ASEAN leaders' summit meeting in Manila, December 1999, agreement was also reached to scrap tariffs on all products (with certain exceptions) among the ASEAN6 by 2010, and among the four new members by 2015. At the same time, however, there have been signs of moves to protect domestic industries. Malaysia, for example, requested in September 1999 that finished vehicles and knockdown sets, scheduled to be moved from the Temporary Exclusion list to the Inclusion List under the CEPT scheme in January 2000, be delayed, which economic ministers meeting in Yangon in May 2000 agreed to do until 2005.

At the unofficial ASEAN-CER (Australia-New Zealand Closer Economic Relations Trade Agreement) ministerial meeting in Singapore in October 1999, it was decided that a taskforce should be set up to research the possibility of establishing a free trade area around 2010. Singapore, meanwhile, entered government-level talks with New Zealand on the establishment of an FTA between the two countries, and it also began studies with Japanese and Canadian government, industry and academic circles to consider the possibility of establishing FTAs with these countries.

China's accession to the WTO during 2000 is looking increasingly likely, following agreements with Japan in July 1999, the U.S. in November 1999, and the EU in May 2000. On the basis of the "China first, Taiwan later" principle affirmed by the GATT Council in 1992, the likelihood is that China's entry will be soon followed by that of Taiwan.

#### **4) Trends in Trade with Japan: Surge in Imports and Exports in 1999**

Japanese statistics on trade with East Asia in 1999 show that both imports and exports registered strong growth. In terms of dollar value, growth in exports to the ASEAN4 was 19.5%, to the Asian NIEs 15.5%, and to China 16.5%. There was a particularly strong surge in exports to the R.O.K. (49.7%) and Thailand (21.3%) as exports revived after declines in 1998 due to slumps in domestic demand caused by the financial crises. Exports to China hit a record high.

Imports from the ASEAN4, Asian NIEs and China recovered respectively by 17.5%, 25.7% and 16.2% after declining 21.6%, 18.9% and 12.3% in 1998. Imports from China also hit a record high.

Looking at trade in the first four months of 2000, there was strong growth in Japanese exports to the ASEAN4 (up 31.4%), the Asian NIEs (up 40.1%) and China (up 18.9%). Among the Asian NIEs, strongest growth was in exports to the R.O.K., which grew 55.9%. This was due to the recovery in capital investment and imports of materials for export products, for which the R.O.K. is highly dependent upon Japan.

There was also positive growth in imports from the ASEAN4 (34.4%), the Asian NIEs (32.2%) and China (30.1%) as a result of the underlying recovery in the state of the Japanese economy. Among the ASEAN4, there was particularly striking growth of 41.9% in imports from Malaysia, which has adhered to a fixed exchange rate relative to the U.S. dollar.

## Basic Economic Indicators of Major Asian Economies

	Real GDP growth (%)			Rise in CPI (%)		Approved foreign investment (US\$ billion)		Balance of trade (US\$ billion)		Current account (US\$ billion)	
	1998	1999	2000	1998	1999	1998	1999	1998	1999	1998	1999
China	7.8	7.1	6.5	-0.8	-1.4	52.10	41.22	43.6	29.1	29.3	12.0
Hong Kong	-5.1	2.9	5.0	2.8	-4.0	14.77	-	-10.9	-6.0	-	-
R.O.K.	-6.7	10.7	7.5	7.5	0.8	8.85	15.50	41.6	28.7	40.8	25.5
Taiwan	4.6	5.7	6.3	1.7	0.2	3.74	4.23	10.3	15.1	3.4	8.7
Singapore	1.5	5.4	5.9	-0.3	0.5	3.12	3.69	14.7	11.0	17.6	16.1
Indonesia	-13.2	0.2	4.0	58.5	20.5	13.56	10.89	18.4	18.2	4.1	4.9
Malaysia	-7.5	5.4	6.0	5.3	2.8	3.33	3.23	17.5	19.3	9.2	11.0
Philippines	-0.5	3.2	3.8	9.8	6.6	1.68	1.36	-0.0	4.3	1.3	6.0
Thailand	-10.4	4.1	4.5	8.1	0.3	6.16	3.59	12.2	8.9	14.3	11.3
Vietnam	4.4	4.4	5.0	9.2	0.1	3.66	1.57	-1.0	1.0	-1.2	0.7
Cambodia	1.3	5.0	6.0	14.8	4.0	0.56	0.15	-0.2	-0.2	-0.2	-0.2
Laos	4.0	4.0	4.5	142.0	86.7	0.10	n.a.	-0.2	-0.2	-0.1	-0.1
Myanmar	5.0	4.5	-	49.0	-	0.03	0.05	-1.3	-	-0.4	-
Bangladesh	5.2	4.4	5.0	7.0	9.0	2.89	1.74	-2.3	-2.7	-0.3	-0.4
India	6.8	5.9	7.0	6.9	3.3	7.47	6.61	-16.5	-17.6	-7.7	-
Pakistan	3.3	3.9	3.8	7.8	5.7	0.60	0.38	1.9	2.1	-1.7	-1.8
Sri Lanka	4.7	4.2	5.0	9.4	4.7	0.94	0.81	-1.1	1.3	-0.2	-0.3

- Notes:
1. Approvals basis for China.
  2. Balance of payments basis for Hong Kong SAR.
  3. Commitment basis for Singapore.
  4. BOI plus export processing zone approvals for the Philippines.
  5. 1999 figures for Cambodia are for January-September.
  6. 1999 figures for Myanmar are for January-November.
  7. 1998 figures for Pakistan and Bangladesh are for July 1997 to June 1998.
  8. Figures on foreign investment approvals for Bangladesh do not include investment in export processing zones (EPZs).

Sources: *Asian Development Outlook 1999* (ADB) and national statistics (foreign investment approvals only).

## 4. Europe

### 1) Economic Trends: Upturn Due to Export Recovery and Increase in Private Consumption

Economic growth in Western Europe slowed between the latter half of 1998 and the first half of 1999 due to the slump in external demand. Thereafter, however, business conditions began recovering as a result of vigorous domestic demand throughout 1999 and improved exports from the second half of 1999, particularly to the U.S. and Asia. Economic growth in 2000 is expected to be propelled by a further increase in exports and growth in private consumption underpinned by growth in real wages and an improvement in employment conditions. Increased private consumption is also expected to result in an increase in imports. There are concerns that in several countries, particularly Ireland, the increased rate of economic growth may be accompanied by higher inflation. With its main goal being to maintain price stability, the European Central Bank responded to worries about inflation in the euro zone by raising its interest rate for main refinancing operations to 4.50% in August 2000. Buoyed by strong expectations, the euro started out high, but subsequently fell some 13% over the course of the year. The fall in the euro can be traced to the gaps in growth and interest rates between the U.S. and the euro zone, budget deficits of countries in the euro zone, the slow pace of structural reform of labor markets, and outflows of capital to

the U.S.

In December 1999, recognizing the importance of information technology to employment and economic growth, the EU launched the e-Europe initiative to bring Europe online. The initiative was subsequently endorsed at an EU summit meeting, and an e-Europe 2002 action plan laying down concrete measures and targets for bringing e-Europe forward has been adopted.

Growth in the economies of Central and Eastern Europe slowed in 1999 as a result of the slump in exports caused by the slowdown in the region's main trading partner, the EU. Economic recovery in the EU, however, brought a return to growth in the latter half of 1999. In Romania, which has continued to suffer negative growth, the new government is pursuing a program of economic reform and signs are starting to indicate that a recovery is on the way.

## **2) Trade Trends: Recovery from Second Half**

According to Eurostat's preliminary estimates on the EU's external trade in 1999, exports rose 3.4% on the previous year to 758.3 billion euros, imports rose 8.8% to 773.0 billion euros, and the balance of trade registered a deficit of 14.7 billion euros. The trade surplus plummeted in 1998 when exports stalled, and turned into a deficit in 1999. This was due in large part to growth in imports, caused mainly by an increase in crude oil prices and private consumption. Broken down by region, it can be seen that much of the growth in exports in 1999 was due to the recovery in Asia and growth in demand in the U.S. and countries in Central and Eastern Europe (such as Hungary, Poland and the Czech Republic). Although exports to the U.S., which account for over 20% of the region's external exports, rose strongly due to the weak euro, a heavy fall in exports to Asia (including Japan) and Latin America in the first half of the year restricted growth for the year as a whole. Imports from the Middle East and oil producers in other regions increased due to a rise in crude oil prices. Converting the value of external trade of the 11 countries in the euro zone to dollars reveals that exports shrank 3.6% and imports rose 0.8%. Although the external exports of the Euro-11 may have begun to recover from the latter half of the year, the weakness of the euro resulted in a decline in dollar terms.

Regarding trade in Central and Eastern Europe, both imports and exports of most countries fell due to the slump in demand in Russia and the economic slowdown in the EU in the first half of 1999. Only Hungary, the Czech Republic and Romania saw their exports grow from the previous year. Led by Hungary, 76.2% of whose exports were destined for the EU, the region's dependence on trade with the EU continues to increase.

## **3) Developments in Trade Environment: Introduction of Euro and Expansion of Regional Economic Blocs**

In addition to increased economic integration in the EU, with 11 of the 15 members joining the euro in 1999, negotiations continue on expanding the EU to incorporate countries including Central and Eastern Europe countries. February 2000 saw the start of talks on the admission of six new members, bringing the number of countries negotiating entry to the EU to 12. As well as EU member countries entering negotiations on association agreement respectively with Mediterranean countries which aim at the establishment of a free trade zone in 2010, a new partnership agreement with ACP (African, Caribbean and Pacific) countries was signed in June 2000 to replace the Lomé Convention that expired in February. Since January 1 a inclusive agreement with South Africa, which includes an agreement on free trade, was partially applied on a provisional basis, and on July 1 a free trade agreement with Mexico came into effect. The EU is thus promoting the liberalization and expansion of bilateral economic and trade

relations between EU and individual countries and regions, while at the same time pursuing the formation of new multilateral trade rules through negotiations within the framework of the WTO.

#### 4) Trends in Trade with Japan: Recovery in Exports to Japan

Regarding the EU's trade with Japan in 1999, exports grew 11.7% on the previous year to 34.5 billion euros, imports rose 6.4% to 69.9 billion euros, and the trade deficit remained roughly the same as in 1998 at 35.4 billion euros.

According to Japanese customs statistics, Japan's only trade deficits with countries in the EU were with Ireland, Denmark and Sweden. The deficit with Ireland quadrupled on the previous year to US\$889 million as a result of a major increase in imports of organic chemicals and precision equipment, while the deficit with Denmark was pushed up by a 40% increase in the value of pork imports. The large deficit with Italy in 1998 turned into a surplus of US\$62 million in 1999 due to a large increase in exports of transport equipment. In the case of trade with the Netherlands, a substantial increase in exports of IT-related products such as computers caused the surplus to rise US\$1.14 billion.

With regard to Japanese trade with Central and Eastern Europe, exports rose 9.5% on the previous year to US\$1.35 billion and imports rose 0.1% to US\$614 million, resulting in an 18.9% increase in the trade surplus to US\$732 million.

#### Main Economic Indicators of Major Western European Economies

	Real GDP growth (%)			Rise in CPI (%)		Unemployment (%)		Exports (billion euros)		Imports (billion euros)		Balance of trade (billion euros)	
	1998	1999	2000	1998	1999	1998	1999	1998	1999	1998	1999	1998	1999
EU	2.7	2.3	3.4	1.3	1.2	9.9	9.2	733.3	758.3	710.5	773.0	22.8	- 14.7
Euro-11	2.7	2.3	3.4	1.1	1.1	10.8	10.0	796.3	807.2	711.0	753.8	85.3	53.4
Germany	2.2	1.5	2.9	0.6	0.6	9.4	9.1	485.0	503.1	420.6	436.2	64.4	66.9
France	3.2	2.8	3.7	0.7	0.6	11.7	11.0	286.0	303.9	274.5	293.4	11.5	10.5
Italy	1.5	1.4	2.7	2.0	1.7	11.9	11.3	215.6	216.3	192.5	203.6	23.1	12.7
Spain	4.0	3.7	3.8	1.8	2.2	18.7	15.8	99.9	97.7	121.9	127.0	- 22.0	- 29.3
Netherlands	3.7	3.5	4.1	1.8	2.0	4.0	3.1	190.9	202.6	174.5	190.7	16.4	11.9
Belgium	2.7	2.3	3.5	0.9	1.1	9.5	9.0	162.3	172.1	150.7	160.4	11.6	11.7
Luxembourg	5.0	5.0	5.6	1.0	1.0	2.8	2.7						
Ireland	8.9	8.3	7.5	2.1	2.5	7.7	6.5	57.4	62.7	38.5	42.1	18.9	20.6
Portugal	3.5	2.9	3.6	2.2	2.2	5.1	4.5	22.1	22.4	33.9	36.2	- 11.8	- 13.8
Austria	2.9	2.3	3.2	0.8	0.5	4.7	4.4	57.2	60.7	62.0	66.6	- 4.8	- 5.9
Finland	5.0	3.5	4.9	1.4	1.3	11.4	10.2	39.0	39.5	29.4	30.0	9.6	9.5
Greece	3.7	3.5	3.9	4.5	2.1	10.7	10.4	9.6	9.2	26.6	23.9	- 17.0	- 14.7
U.K.	2.2	2.0	3.3	1.6	1.3	6.3	6.1	244.4	252.2	286.5	302.0	- 42.1	- 49.8
Denmark	2.7	1.4	2.0	1.3	2.1	5.1	4.5	43.7	46.6	41.8	42.8	1.9	3.8
Sweden	3.0	3.8	3.9	1.0	0.6	8.3	7.0	75.6	79.3	61.0	64.3	14.6	15.0
Norway	2.1	0.9	2.9	2.2	2.4	2.4	3.2	36.1	42.1	32.6	31.5	3.5	10.6
Switzerland	2.3	1.4	2.0	0.0	0.9	3.9	2.7	70.3	75.5	71.4	77.9	- 1.1	- 2.4
Iceland	5.0	6.0	2.9	1.7	3.2	3.0	1.7	1.7	1.7	2.2	2.2	- 0.5	- 0.5

Notes: 1999 figures are estimates and 2000 figures are forecasts. Value of trade in 1998 in ECUs. Trade figures for Belgium and Luxembourg are aggregates for the two countries.

Sources: European Commission, IMF and Eurostat.

## Main Economic Indicators of Major Economies of Central and Eastern Europe

	Real GDP growth (%)		Inflation (%)		Unemployment (%)		Exports (US\$ billion)		Imports (US\$ billion)		Balance of trade (US\$ billion)	
	1998	1999	1998	1999	1998	1999	1998	1999	1998	1999	1998	1999
Poland	4.8	4.1	8.6	9.8	10.4	13.0	28.23	27.41	47.05	45.91	- 18.82	- 18.50
Hungary	5.1	4.3	14.3	10.0	9.6	9.6	23.01	25.01	25.71	28.01	- 2.70	- 3.00
Czech Republic	- 2.3	- 0.5	10.7	2.1	7.5	9.4	26.35	26.85	28.79	28.86	- 2.44	- 2.02
Slovakia	4.4	1.9	5.6	14.2	15.6	19.2	10.78	10.25	13.01	11.24	- 2.23	- 0.99
Romania	- 5.4	- 3.2	40.6	54.8	10.3	11.5	8.30	8.50	11.84	10.39	- 3.54	- 1.89
Bulgaria	3.4	2.4	1.0	6.2	12.2	16.0	4.19	3.97	4.96	5.47	- 0.76	- 1.50
Slovenia	4.0	3.7	6.5	8.0	7.9	7.7	9.05	8.55	10.10	9.95	- 1.05	- 1.41
Croatia	2.7	- 0.3	5.7	4.2	11.6	12.6	4.54	4.28	8.38	7.78	- 3.84	- 3.50

Sources: Figures on real GDP growth rates (except for Croatia) based on European Commission statistics. Other indicators based on government and central bank statistics.

## 5. The Commonwealth of Independent States (CIS)

### 1) CIS Economies Recovering from Russian Financial Turmoil

Recovering unexpectedly quickly from the turmoil of the Russian financial crisis in 1998, 10 of the 12 CIS economies (the two exceptions being Ukraine and Moldova) registered positive growth in 1999. The turnaround was especially marked in the case of Russia, which accounts for two thirds of the region's total GDP, where the effects of the devaluation of the ruble and the rise in the export price of crude oil caused industrial production to grow by 8.1% on the previous year, the highest level of growth since independence. The recovery is heavily dependent on external factors, however, such as the effects of the currency devaluation, soaring oil prices and fine weather for agricultural production, and the general view is that the economies of the region must implement further structural reforms if growth is to be sustainable.

### 2) Ruble Devaluation Causes CIS Imports to Plunge

On the foreign trade front, Russia's devaluation of the ruble forced all the other members of the CIS to devalue their own currencies. With the single exception of Turkmenistan, all countries' imports fell, and some countries also experienced sharp declines in exports due to a fall in exports to Russia. Devaluation resulted in a significant improvement in the CIS's balance of trade, however, and Russia's trade surplus rose steeply from US\$28.6 billion in 1998 to US\$41.9 billion in 1999. The chronic trade deficits of the other 11 members also shrank markedly from a total of US\$5.4 billion to US\$300 million. The proportion of the total value of the CIS's trade accounted for by intra-regional trade fell significantly from 33% in 1997 (prior to the Russian financial crisis) to 25% in 1999.

### 3) Russia Seeks to Regain Regional Influence

Although a series of agreements for cooperation to build an oil pipeline from Azerbaijan to Turkey was signed by the governments concerned in November 1999, the financial aspects of the project have yet to be fully ironed out. Meanwhile, construction of the "Blue Stream" natural gas pipeline from Russia to Turkey across the Black Sea looks set to begin. Russia expects exports of natural gas to Turkey and Europe to grow, and has again started buying natural gas from Turkmenistan. Headed by a new administration under President Putin, Russia is seeking to reestablish its position as a centripetal force in

the region and is strengthening its relations with Central Asian countries by, for example, offering cooperation in the fight against terrorism by Islamic fundamentalists.

#### 4) Japan's Exports to Russia Fall by Half

A look at Japanese trade with the CIS region in 1999 shows that exports fell by 38% from the previous year to US\$752 million and imports rose by 28% to US\$4,070 million. There was a particularly marked decline in exports to Russia, which fell by exactly half to US\$481 million, and trade fell to levels seen in the 1970s before trade between Japan and the Soviet Union really got underway with the development of the Russian Far East and Siberia. There was, however, a general increase in exports to CIS countries other than Russia, such as the three European members of the CIS (up 12%), the three countries of the Caucasus (up 81%), and the five countries of Central Asia (up 26%). Imports from Russia, meanwhile, continued their upward trend, growing by 30% to US\$3,760 million, and Japan's large trade deficit with Russia increased further.

#### Basic Economic Indicators of the CIS

(% change on previous year)

	Real GDP growth		Industrial production		Rise in CPI		Exports		Imports	
	1998	1999	1998	1999	1998	1999	1998	1999	1998	1999
CIS	- 3.6	2.9	- 2.0	7.0	26.0	81.0	- 15.0	- 5.0	- 14.0	- 27.0
Russia	- 4.9	3.2	- 5.2	8.1	84.0	36.5	- 16.0	0.5	- 18.0	- 30.0
Ukraine	- 1.7	- 0.4	- 1.0	4.3	11.0	22.7	- 11.0	- 8.0	- 14.0	- 19.0
Belarus	8.4	3.0	12.4	9.7	73.0	293.7	- 3.0	- 16.0	- 2.0	- 22.0
Moldova	- 8.6	- 4.4	- 11.0	- 9.0	8.0	39.0	- 18.0	- 27.0	- 13.0	- 44.0
Azerbaijan	10.0	7.4	2.2	3.5	- 1.0	- 8.5	- 22.0	53.0	36.0	- 4.0
Armenia	7.2	3.1	- 2.1	5.2	9.0	0.6	- 5.0	6.0	1.0	- 11.0
Georgia	2.9	3.0	- 2.2	4.8	4.0	19.0	- 21.0	24.0	12.0	- 32.0
Uzbekistan	4.4	4.4	3.6	6.1	17.7	...	- 20.0	- 6.0	- 25.0	- 4.0
Kazakhstan	- 1.9	1.7	- 2.4	2.2	7.0	8.3	- 17.0	3.0	- 1.0	- 15.0
Kyrgyzstan	2.1	3.6	5.3	- 1.7	12.0	35.9	- 15.0	- 12.0	19.0	- 29.0
Tajikistan	5.3	3.7	8.2	5.0	43.0	26.3	- 20.0	15.0	- 5.0	- 7.0
Turkmenistan	5.0	16.0	2.0	15.0	16.8	...	- 21.0	95.0	- 15.0	18.0

Sources: Prepared by JETRO from the Interstate Statistical Committee of CIS, "Statistics Yearbook" (1999), "Statistical Bulletin" (Nos. 2 and 5, 1999); United Nations Economic Commission for Europe (UNECE), "Economic Survey of Europe" (Volume 1, 2000).

## 6. Middle East and Africa

### (1) Middle East and North Africa

#### 1) Trade and Economic Trends

The real GDP growth rate of the Middle East and North Africa slowed from 2.7% in 1998 to 0.7% in 1999. This appears to have been due to negative growth in some oil producing countries arising from a cut in crude output (despite a substantial increase in crude oil prices since March due to oil producers' agreement to cut output), and negative growth in Turkey as a consequence of earthquakes.

Progress has been made toward the establishment of free trade areas, such as the agreement to establish a customs union among members of the Gulf Cooperation Council (GCC) by 2005 and the

formation of the Arab Free Trade Area by reducing tariff rates by 2007, and a series of bilateral agreements between Mediterranean countries and the EU to establish a free trade zone by 2010.

## **2) Trends in Trade with Japan**

Japanese exports to the Middle East declined 21.8% from the previous year to US\$12.3 billion in 1999, while imports rose 20.1% to US\$31.3 billion. Behind the decline in exports was a drop in demand for transport equipment (passenger vehicles and ships), which account for over 40% of the total value of exports, as well as general machinery and electrical machinery. Behind this were the effects of exports of container ships to the GCC having run their course and a fall in demand for investment goods and consumer durables as a result of the depressed state of the oil-producing economies. The rise in imports resulted from an increase in crude oil imports (which account for over 70% of Japanese imports from the region) due to higher oil prices, and a rise in both the volume and value of imports of petroleum gas.

## **(2) Africa**

### **1) Trade and Economic Trends**

The real GDP growth rate of sub-Saharan Africa slowed from 2.5% in 1998 to 2.2% in 1999. Underlying this were weak international prices for key crops, such as coffee and tea, and the slump in agricultural output in some countries brought on by drought.

Regarding developments vis-à-vis regional trade blocs, the West African Economic and Monetary Union (UEMOA), the members of which previously focused on reducing or eliminating internal tariffs, introduced a common external tariff in January 2000 and established a customs union. The Common Market for Eastern and Southern Africa (COMESA) and the Southern African Development Community (SADC) also contributed toward liberalization of regional trade.

### **2) Trends in Trade with Japan**

Japanese exports to sub-Saharan Africa in 1999 fell 8.3% from a year earlier to US\$3.8 billion, and imports rose 2.0% to US\$3.5 billion. The decline in exports was due to a fall in exports of transport equipment such as ships and automobiles, which account for over 50% of exports to the region, and iron and steel sheet. There was a decline in food imports (which make up over 20% of imports) due mainly to lower prices of coffee beans, and a fall in ore imports because of a decline in ferrochrome prices. Imports increased overall, however, as a result of growth in imports of oil, petroleum products and platinum.



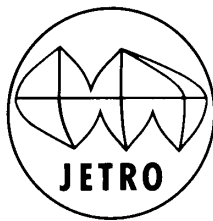
## Basic Economic Indicators of Economies of Middle East and Africa

(Units: US\$ million, %)

Country	Real GDP growth		Rise in CPI		Value of exports		Value of imports		Current account		External debt
	1998	1999	1998	1999	1998	1999	1998	1999	1998	1999	End 1998
Iran	1.6	2.4	20.0	18.0	13,118	14,016	14,286	9,484	- 2,140	3,579	13,999
Saudi Arabia	1.6	- 2.3	- 0.2	- 1.2	38,822	n.a.	30,013	28,032	13,150	n.a.	n.a.
United Arab Emirates	- 7.1	8.5	2.0	2.0	30,728	n.a.	28,003	n.a.	- 1,364	n.a.	n.a.
Turkey	3.1	- 5.0	69.7	68.8	26,974	26,588	45,921	40,692	1,871	- 1,364	102,074
Israel	2.2	2.2	8.6	1.3	21,202	23,476	27,011	30,630	- 842	- 2,601	10,900
Egypt	5.7	6.0	4.5	2.9	3,207	3,504	16,537	15,976	- 2,479	- 1,709	28,224
Kenya	1.8	1.4	6.6	3.5	1,896	1,633	3,276	2,773	- 463	- 258	7,010
Tanzania	4.0	4.7	12.8	7.9	583	553	1,573	1,651	- 947	- 862	7,603
Zimbabwe	1.5	0.5	31.7	58.5	1,914	1,524	2,773	1,753	- 334	n.a.	4,716
South Africa	0.6	1.2	6.9	5.2	26,689	26,709	25,907	24,076	- 2,104	- 467	24,711
Nigeria	1.9	1.1	10.0	6.6	8,971	16,252	9,211	4,394	- 4,244	n.a.	30,315
Côte d'Ivoire	5.6	1.5	4.6	0.8	4,295	4,301	2,996	2,887	- 204	- 133	11,048

- Notes:
1. Local currencies converted to U.S. dollars at IMF's average rate for each year.
  2. Provisional estimates: Current accounts of Saudi Arabia and Côte d'Ivoire, real GDP of United Arab Emirates in 1999, and all 1999 figures for Kenya and South Africa.
  3. Figures for Iran are for the Iranian fiscal years (March 21-March 20) of FY1998/99 and FY1999/2000. FY1999/2000 figure imports, exports and current account are for the first three quarter.
  4. IMF estimates are used for 1999 real GDP growth rates of Saudi Arabia, Zimbabwe and Nigeria.
  5. External debt is to the end of 1999 for Saudi Arabia, Israel and Côte d'Ivoire, and the end of June 1999 for Egypt.
  6. Figures for Egypt are for the Egyptian fiscal year (July 1-June 30) in FY1997/98 and FY1998/99. The calendar year is used for imports and exports.
  7. The Tanzanian central bank's estimate is used for the 1999 current account.
  8. Zimbabwe imports and exports in 1999 are for the first 10 months of the year.

Sources: National Statistics; *IFS*, *World Economic Outlook* (IMF), *Global Development Finance*, and *World Development Indicators* (World Bank).



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