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World trade 1994-1996

World commodity prices 1994-1996

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Central Planning Bureau
Van Stolkweg 14
P.O.Box 80510
2508 GM The Hague

Telephone +31 70 338 33 80
Telefacs +31 70 338 33 50

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PREFACE

The papers put together in this publication are the half-yearly reports of two working groups of the AIECE, in which the CPB actively participates. The reports, presented on behalf of the groups, form the synthesis of views of many institutes and have their value as such. They do not necessarily reflect the opinion of the reporting institute itself.

AIECE is the Association of European Conjuncture Institutes, (in French: Association d'Instituts Européens de Conjuncture Économique), founded in 1957. The AIECE now groups 42 members and observing institutes, representing 20 countries and 4 international organisations (EU, OECD, IMF and ECE). The membership is open to independent European institutes involved in surveying economic development and macroeconomic forecasting. Independent is interpreted as not directly being involved in conducting economic policies and not representing some economic interests. The main objective of the association is to intensify the exchanges between its members with a view to improve their insight into international economic developments.

The Central Planning Bureau is a long-standing member of this organisation, which is appreciated as a valuable platform for exchange of views with mostly non-governmental institutes, next to the Bureau's official contacts with in particular OECD and EU. Moreover, it is a useful source of information when making CPB-forecasts.

Twice a year world economic issues are discussed in the plenary meetings of the AIECE. Major points on the agenda are the general report on the European conjuncture, prepared in turn by one of the institutes, and the presentation of selected special studies. Two standing working groups report on respectively the development of world commodity prices, and on world trade. In a special session reports are discussed on longer-term prospects and structural changes. These reports are meant to give a general assessment of developments in the respective fields. As the results may be interesting also for a wider public, the CPB publishes the working group reports in its Working Paper series.

Autumn 1995, the German HWWA-institute has reported on world trade development on behalf of the Working Group on Foreign Trade. The analyses are largely based on the forecasts provided by the member-institutes with respect to their own country. The working group deals mainly with non-European developments, and places the European figures in a world setting. The assumptions made with respect to the international environment (oil prices, dollar exchange rate etc.) are consensus forecasts, and thus may have required a modification of the data supplied by the respective institutes for their own country. (The latest CPB analyses can be found in: Macro-economic Outlook 1996, September 1995). Summarising trade tables with e.g. market growth, calculated import prices, export prices of competitors give the institutes the opportunity to re-assess their

forecasts. The trade report this time also contains a special contribution by the Dutch CPB, analyzing the relation between world trade volume and economic growth.

The Belgian IRES-institute reported on behalf of the Working Group on Commodity Prices. The group is formed by specialists on raw material prices of the AIECE member institutes. Their half-yearly report evaluates recent development of commodity prices and presents, starting from a set of framework assumptions, detailed price forecasts for a large number of commodity groups for the coming year and a half. One technical assumption made in its report is constant exchange rates, which is the most striking difference with the approach of the trade group. As there is indeed an exchange of information between the working groups, other differences in framework assumptions are usually limited.

Henk Don
Director

**ASSOCIATION D'INSTITUTS EUROPÉENS
DE CONJONCTURE ÉCONOMIQUE**
- Working Group on Foreign Trade -

WORLD TRADE 1994 - 1996

Report presented to the AIECE at the autumn meeting
Brussels, 26 - 27 October 1995
by Günter Großer, HWWA Hamburg
and Gerard van Welzenis, CPB The Hague

Tables of the Statistical Annex prepared by CPB

Member institutes of the group are

COE	Paris
CPB	The Hague
DULBEA	Brussels
FTRI	Warsawa
HWWA	Hamburg
INSEE	Paris
ISCO	Rome
Kopint	Budapest

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The report of the Group (part I) is based on trade data for AIECE countries as supplied by member institutes in September 1995, supplemented for non-member countries/regions by the Working Group at its meeting on 25-26 September 1995 in Hamburg.

PART I WORLD TRADE 1994 - 1996

I.1 The world economy in 1995 and 1996

Overshadowed by recurring currency turbulences the upswing of the world economy, which had started in the second half of 1993, continued this year, though the expansion lost momentum. In the first half of 1995 the current annual growth rate of gross domestic product of OECD countries was distinctly lower than the year-on-year rate of almost 3% might indicate. The slowdown was most pronounced in North America where the strategy of the Fed is aimed at a soft landing of the economy on the path of potential growth. At the same time, stagnation in Japan in the wake of the smouldering debt crisis and the strong yen proved to be tenacious. In these circumstances, recovery in Western Europe was the most important expansionary force left in the industrial countries. In general, production here continued its rise in the first half of 1995, though at a reduced pace. However, the economic climate began to cool down. To some extent, this can be attributed to the earlier marked rise of long-term interest rates in the course of 1994. But also the weakness of the dollar in the first half of this year and turmoil of intra-European exchange rates burdened business expectations in quite a number of European countries.

Economic growth in OECD countries is not expected to decelerate further in 1996. However, there are important risks and uncertainties. This is most apparent in Japan where the lability of the financial positions of firms and especially of banks due to the consequences of the speculative "bubble" of the late eighties and to the strong yen is still high. In the United States where similar debt problems obviously have been defused it cannot yet be taken for granted that the difficult task of dampening a vigorous upswing without causing stagnation or even recession will be accomplished. In Western Europe the dampening impact of increased long-term interest rates seems to be more pronounced than expected, all the more as progress in improving structural conditions for growth is slow. It is of high importance, therefore, whether and when the reversal of interest rate trends since early 1995 will sufficiently strengthen expansionary forces.

Table I.1 Main assumptions and world trade forecast 1994 - 1996

	Spring 1995			Autumn 1995		
	1994	1995	1996	1994	1995	1996
	annual percentage changes or levels					
GDP volume						
United States	4.1	3	2	4.1	3	2¼
Japan	0.6	1½	3¼	0.5	½	2
OECD Europe	2.5	3	3	2.8	3	2¾
OECD total	2.8	2¾	2¾	2.8	2½	2½
Exchange rates (levels)						
DM per dollar	1.62	1.50	1.50	1.62	1.45	1.50
Yen per dollar	102	95	95	102	95	100
World trade prices (\$)						
Crude oil (level, \$/b)	15.7	16.7	16.7	15.8	17	17
Non-energy commodities (HWWA-index)	19.0	18	2	19.3	14	2
Manufactured goods ^a	1.5	3½	1¼	2	7	-1
World trade prices (nat. curr.) ^b	2	3	3	2	3½	2
World trade volume goods ^a	10	8½	7½	9½	8½	7½
Exports Western Europe	9½	8	6½	9½	7½	6½
Imports Western Europe	8	7	6½	8½	5¾	5¾

^a Forecasts derived from world export price, oil price and price of non-energy commodities.

^b Average of imports and exports.

The forecast for 1996 is based on the expectation that the US economy will continue to grow on a path slightly below potential growth. This takes into account that no overheating has to be balanced. Such a development would constitute favourable conditions for supporting expansionary forces in other countries. Among them Japan is expected to gradually overcome stagnation after a partial recovery of the competitive position due to the recent depreciation of the yen. In Western Europe moderate economic expansion is probable to continue as conditions have improved owing to the decrease of interest rates this year and the relaxation of monetary policies in quite a number of countries. On the whole, demand and production in industrial countries are forecasted to further expand at about the slower pace that evolved during the first half of the current year. This will bring about an increase of gross domestic product of industrial countries by roughly 2½% in 1995 as well as in 1996.

Accordingly, moderate growth of demand will be reflected in rather balanced primary commodity markets and no significant change of the actual price level of commodities.

This also holds for world oil markets. The average OECD crude oil import price is projected at around \$ 17 per barrel also in 1996, not taking into account a possible lifting of the UN embargo on Iraq deliveries.

Exchange rate assumptions of the forecast scenario are governed by the impression that the recent correction of an earlier overshooting has laid ground for more stability in the forecast period. The outcome of this is an average dollar rate of DM 1.45 in 1995 and DM 1.50 in 1996, respectively ¥ 95 and ¥ 100. Intra-European exchange rates are assumed to hold steady.

As to the recording of trade figures by European countries uncertainties stemming from the change of the statistical system in 1993 still seem to impair the analysis of foreign trade. Due to base effects this also holds for growth rates of exports and imports in 1994. Moreover, as problems evolving in the collection and preparation of figures by the statistical offices are still important, the information on the current year is more scarce than before 1993 at this time of the year.

I.2 World trade

Developments in 1995

Slower growth of demand and production is reflected in the development of world trade in 1995. Especially imports of industrial countries have lost momentum. A reduction of the growth rate from 10½% in 1994 to about 8% in 1995 is expected. This tendency holds for North America as well as for Western Europe, while in Japan the stimulation by the high exchange rate of the yen prevailing until summer is superimposed on the impact of weak demand.

Imports of developing countries seem to continue their vigorous growth, originating above all in the newly industrializing economies. But also suppliers of primary commodities have profited from the world economic upturn during the last year via a brisk recovery of export income and a corresponding increase of import capacity. The oil producers, however, still suffer from an abundant supply of oil from sources outside OPEC and, correspondingly, low oil prices. Due to balance-of-payments restrictions, this group of countries is hardly increasing its imports. On the other hand, quite a number of countries in Eastern Europe have improved their external position thanks to higher demand originating in Western Europe. This allows a marked increase of their imports.

Graph I.1 Export and import volumes (seasonally adjusted)^a

^a Calculations by HWWA based on IMF-figures.

All in all, the growth of world imports will be lower in 1995 than in 1994, although the rate, declining from almost 10% in 1994 to slightly more than 8%, still will be remarkably high. The impact of the slower increase of import demand is clearly showing up in the exports of most European countries, though the performance of individual countries is influenced by the marked exchange rate changes which occurred during the past few years. This also explains a further accelerating export growth in the United States. In Japan the loss of market shares still continues, albeit less marked than before. This will show up in a slightly higher export growth. Among other country groups primarily the oil exporters will miss the average growth rate of world exports by a wide margin again, while exporters of manufactures among developing countries will continue to take advantage of a still rather brisk demand for their products.

Estimates of the impact of recent changes in competitive positions of industrial countries are made difficult by the pronounced fluctuations of exchange rates in the course of this year. Thus, the US dollar weakened in the first four months by more than 9% vis-à-vis the ECU and by 17% vis-à-vis the Japanese yen. The fall of the dollar, in return, triggered a shift of exchange rates among European currencies which followed by and large the same pattern as in 1992-1993. Already in the course of August, however, part of recent shifts vanished in the wake of some strengthening of the dollar.

In a longer-term view the dollar rate vis-à-vis the ECU this September was not very different from the level prevailing in the beginning of the nineties. This markedly contrasts with the relation between dollar and yen. Here the exchange rate of the dollar as of September still was about a quarter lower than the 1991 average, tantamount to a substantial appreciation of the yen by 35%. However, the outcome for individual European currencies vis-à-vis the dollar is showing pronounced divergencies, ranging from an appreciation of the Swiss Franc of more than 20% during the same period to a corresponding devaluation of the Italian lira by almost a quarter.

Prospects for 1996

The scenario of OECD economic growth continuing at the moderate pace that evolved in the first half of 1995 likewise determines the forecast of world trade. The decrease of the growth rate of trade from 8½% in 1995 to 7½% in 1996 is not contrary to this, as the figure for the current year is enlarged by a remarkable "carry-over".

Graph I.2 Real effective exchange rates^a

^a Calculated by IMF, based on relative normalized unit labor costs in manufacturing. August, September 1995: nominal changes.

This pattern of world trade mirrors developments in the industrial countries. Their imports will continue to increase markedly in 1996. Still, the yearly growth rate will be distinctly lower than in 1995 due to a slowdown of import growth in the United States, where capacity pressures will abate, and in Japan, where the stimulation effect of the strong appreciation of the yen till last spring will diminish. In Western Europe lower rates of import growth are forecasted for a majority of countries. This is balanced, on the whole, by higher rates in Germany, Spain, and the United Kingdom. Because of the big share of reciprocal trade the deceleration also will show up in the exports of the industrial countries. The exception is Japan, due to a certain recovery of exports supported by the recent depreciation of the yen.

Less dynamic import demand of industrial countries will reduce external impulses for other regions in the world. However, the growth process there has become less dependent on deliveries to industrial countries, while trade within the non-industrial world is steeply rising. Taking this into account exports as well as imports of newly industrialized economies and of many other non-oil developing countries are forecasted to continue their marked increase. In many East European countries in transition weakening conjunctural impulses for exports to Western Europe will be compensated by the increasing effects of economic integration so that exports and imports will expand at a hardly changing rate. On the other hand, OPEC countries seem to gain little from continued growth of the world economy, as oil supplies from other sources increase and oil prices remain depressed. Thus, poor export revenue will only permit a slow rise of OPEC imports.

I.3 Long-term trends in world trade

Notwithstanding the world economic recovery in 1994 – and contrary to optimistic scenarios prevailing at the start of this decade – the first half of the nineties was a period of rather slow growth of the world economy. On a yearly average, world gross domestic product rose by 2.4%. Even excluding the transition countries the growth rate was 2.8% which is distinctly below the long-term trend. Compared to this, world trade held up remarkably well, with an average growth amounting to 5.5%. The elasticity of 2 exceeded the long-term relationship observed before by a wide margin. This is all the more remarkable taking into consideration the problems arising from marked output gaps and high unemployment in many countries which favoured protectionist activities. The importance of world trade for the growth of productivity and real incomes calls for a look at the sources of higher world trade dynamics by country groups.

The relative acceleration of trade growth started already in the late eighties. Therefore, and in order to minimise accidental influences it seems appropriate to compare extended periods. Accordingly, the following comparison is based on IMF figures for the two 10-year periods from 1977 to 1986 and – including Group forecasts for this and next year – from 1987 to 1996. This is adequate also with regard to similar patterns of the business cycle in industrial countries in both periods. In this calculation transition countries could not be included because comparable data are not available.

The major single determinant of world trade growth is trade of industrial countries because of the sheer size of their economies and of their foreign trade sectors. Even after a distinctly declining trend in the early nineties their share of nominal world trade actually still is in the order of 70%. The residual is contributed by developing countries in a broad sense.

Table I.2 World trade volume

	Exports			Imports		
	1994	1995	1996	1994	1995	1996
	annual percentage changes					
OECD countries	9	8½	7½	10½	8¼	6¼
Western Europe	9¼	7½	6½	8½	5¾	5¾
OPEC	3	3	3	-8	2	4
Other developing countries	12	11	10	11	9	10
Eastern Europe ^a	12	9½	8½	7	8	8

Table I.3 World trade unit values (dollars)

	Export unit values			Import unit values		
	1994	1995	1996	1994	1995	1996
	annual percentage changes					
OECD countries	2¾	8	-¾	1¾	7¾	0
Western Europe	3	11	-1	3	11	-¾
OPEC	-3	6	0	2½	7	1
Other developing countries	2	6	2	3	6	1
Eastern Europe ^a	2½	5½	1½	2	6	1

Table I.4 Unit values of OECD regions (national currencies)

	Export unit values			Import unit values		
	1994	1995	1996	1994	1995	1996
	annual percentage changes					
United States	0	1½	2	-¼	3	2
Japan	-1	-2	0	-8	-4	3
Western Europe	1½	2¾	2	1¾	3¼	2½
OECD countries	2	2½	2¼	1¾	2¾	2¾

Table I.5 Exports and market performance of OECD regions

	Export volumes			Market performance ^b		
	1994	1995	1996	1994	1995	1996
	annual percentage changes					
United States	11	13	10	1	3¾	2
Japan	2	5	7	-7¾	-3½	-¾
Western Europe	9¼	7½	6½	½	½	0
OECD countries	9	8½	7½	-½	¾	½

^a Eastern Europe including extra-trade of former Soviet Union.

^b Export growth minus export market growth.

The volume growth of imports of the industrial countries accelerated slightly between both periods, from an average yearly increase of 4.8% to 6.0%, going along with a marginally lower rate of GDP growth. At the same time, in the developing countries there was a leap of import growth from 2.7% to 9.5%, while GDP growth slightly strengthened. Still more pronounced was the divergence with exports, the growth rate of which accelerated from 4.4% to 5.8% in industrial countries and from 1.1% to 9.5% in developing countries. Obviously, the elasticity of foreign trade in relation to the growth of total output distinctly increased in both regions.

Table I.6 Shares in world trade

	Exports			Imports		
	1976	1986	1996	1976	1986	1996
	%					
Industrial countries	75.3	77.1	69.6	71.0	76.7	71.0
Developing countries	24.7	22.9	30.4	29.0	23.3	29.0
Fuel exporters ^{a,b}	8.8	5.9	4.5	16.0	6.6	5.6
Non-fuel exporters ^a	15.9	16.9	25.8	13.0	16.7	23.5
Manufactures ^a	8.3	10.9	18.3	7.1	11.3	17.9

^a Predominant export. ^b Including Mexico.

Sources: IMF; World Economic Outlook, May 1995. Figures for 1996 are forecasts of the Group.

Due to the diverging expansion of foreign trade the contribution of the two country groups to the growth of world trade changed remarkably. On the one hand, the growth contribution of industrial countries, calculated on a volume basis for the average of imports and exports, decreased from 88% between 1976 and 1986 to 65% between 1986 and 1996. Correspondingly, the contribution of developing countries to the growth of world trade rose from 12% to 35%.

As a consequence of their favourable performance the share of developing countries in nominal world trade which had decreased during the earlier period from 27% to 23% in 1986 probably will amount to about 30% in 1996. This change of direction exclusively mirrors tendencies in oil exporting countries, where the loss of world market shares was very pronounced during the first period starting from the high level achieved after the first oil price explosion. On the other hand, exporters of manufactured goods among developing countries steadily increased their share in world trade, from about 8% in 1976 to probably 18% in 1996.

PART II VOLUME GROWTH OF WORLD TRADE 1994 - 1996

– An exercise with the new CPB World Model

According to most forecasts, world trade in goods grows much faster than GDP in the OECD area over the years 1994-1996. A partial investigation with the new CPB World Model reveals that this phenomenon can, to a large extent, be explained by historical relations.

II.1 Introduction

This paper addresses the question whether the current rapid rise of world trade relative to OECD production can be explained by historical relations. As a general reference we will use the recent OECD Economic Outlook, which estimates the 1994 volume growth of world trade in goods at 9.8% with GDP growth in the industrial world at 2.9%. For the 1995-1996 period production growth in the OECD area is forecasted to hold its pace, whereas the growth of world trade is projected to decelerate slightly to an average annual rate of 8.4%.

The historical relations employed in this paper form part of the new CPB World Model (WM). Section 2 offers a short introduction to the import relations of WM, and explains why we will focus on OECD imports rather than on world trade. The analysis of OECD import demand within the framework of WM is in section 3. Concluding remarks are allocated to section 4.

II.2 Import relations in WM

WM is a traditional macro-economic model of the world economy. It contains similarly structured country models for the six largest OECD economies and two OECD regions, comprising all other OECD countries. For the non-OECD area only trade relations are specified to close the world model.

International trade is divided into non-factor services and three kinds of goods: energy, other raw materials and industrial products. In the WM models for *OECD countries*

import demand for each of these products is linked separately to eleven demand categories:

$$(1) \quad m_{ij} = \alpha_i * v_j + \beta_i * (pm_i - pv_j) + \gamma_i$$

for m_{ij} import volume change of product i in behalf of demand categorie j
 v_j volume change of demand categorie j
 pm_i import price change of product i
 pv_j price change of demand categorie j

The general philosophy behind these relations is that total demand can be satisfied by either domestic production or imports. The distribution is partly dependent on relative prices. Apart from this, there is a long-term tendency for imports to grow faster than total demand, particularly for imports of manufactures and non-factor services. This shows up in equation (1) as a positive constant γ_i and/or a demand elasticity α_i exceeding 1.

Linking imports separately to the various demand categories greatly improves the explanation of import volumes, as demand categories with a high import intensity (i.e. consumption of durables, investment in machinery and transport equipment, stockbuilding and export demand) display relatively sharp cyclical movements. Linking imports directly to total demand would result in high demand elasticities and (very) negative constants. Such relations are not very useful for the analysis of import demand over the short- and medium term.

Total import growth of product i can be determined as a weighted average of m_{ij} , using import shares of product i per demand categorie as weights:

$$(2) \quad m_i = \alpha_i * v_{h_i} + \beta_i * (pm_i - pv_{h_i}) + \gamma_i$$

for m_i import volume change of product i
 v_{h_i} volume change of total demand reweighted with import shares of product i
 pv_{h_i} price change of total demand reweighted with import shares of product i

Import volumes of goods and services of the *non-OECD area* are determined in WM by (lagged) real export earnings, including net transfers. The missing model-link between total demand and imports for this area, prevents a proper analysis of the contribution of non-OECD imports to the current rapid rise in world trade.

II.3 Import demand projections with WM

The analysis presented in this section refers to total trade in goods, although the underlying model calculations are made at a more detailed level. As a reference for our model forecasts we will use the recent OECD Economic Outlook data and projections to 1996.

As our model is not well-suited for a proper analysis of current trends in *non-OECD imports*, we will simply compare the import development of the non-OECD and OECD area. The volume growth of non-OECD imports in the 1994-1996 period slightly surpasses import growth of the OECD area, whereas over the past 15 years non-OECD import growth fell slightly short of that in the OECD area. From this we may conclude that non OECD imports certainly do not hamper the current rapid rise of world trade volumes, but they do not seem the main explanatory factor.

The analysis of *OECD imports* over the period 1978-1996 is based on equation (1). Values of the explanatory variables for the years 1994-1996 are taken from the Economic Outlook. A complicating factor in this kind of analysis is that imports are partly determined by exports, whereas exports are fully dependent on import levels (in other countries). Exports are, therefore, not treated as exogenous factors of demand, but instead calculated as endogenous demand variables in the model.

The contributions of the various explanatory variables in equation (1) with respect to total OECD imports of goods are depicted in graph 1, together with the model residuals. Relative prices do not play a major role in the explanation of import volumes in our model, especially not in the longer run. The contribution of this factor in the 1994-1996 period is insignificant.

The autonomous factor, i.e. the weighted sum of all constants γ_i in equation (1), contributes positively to the current OECD import growth. The steady increase of this factor over time is due to changing country and, more particularly, product shares in total OECD imports. The changing product mix also influences the average demand elasticity: at the level of total OECD imports α rises steadily from 1.3 in 1978 to 1.4 in 1996. From this we may conclude that the changing product mix in world trade tends to accelerate the growth rate of total imports relative to (import reweighted) total demand.

*Graph II.1 Determinants of the OECD import volume of goods, 1978-1996
(annual percentage changes)*

The import reweighted total demand volume is by far the most important explanatory factor of import volumes. It also points to a considerable upswing in OECD imports over the years 1994-1996, in spite of the rather modest production growth. Graph II.2 depicts the volume growth rates of GDP and import reweighted total demand in the OECD area. It shows that the cyclical fluctuations of import reweighted demand are more volatile than of GDP. It also shows that the differences in growth rates in the current upswing are rather extreme compared to previous cycles. This element largely explains the considerable margin between the current growth rates of imports and production in the OECD area.

*Graph II.2 GDP and import weighted total demand in the OECD area, 1978-1996
(annual percentage volume changes)*

However, the positive residual in 1994 (see graph II.1 d) reveals that WM cannot fully explain the sharp rise in OECD imports in that year. To a lesser extent this is also the case for our 1995 import forecast relative to that of the Economic Outlook. The size of the residuals, however, is not unusual in a historical perspective. We may, therefore, not conclude that historic relations of import demand are no longer valid. This becomes all the more evident as we look at graph 3, which depicts actual and forecasted OECD import growth over the years 1978-1996. It appears that the explanatory power of the model particularly falls short when reweighted total demand growth reaches peaks (as is currently the case) or troughs.¹

¹ The import forecasts, particularly of peaks and troughs, improve considerably if we add the absolute change in demand growth to equation (1). This specification is currently tested on its model properties. With this specification the model has no difficulty in explaining the rapid rise of OECD import demand in 1994, and even tends to overestimate OECD import growth in 1995 relative to the Economic Outlook projection.

*Graph II.3 OECD imports of goods: realisations versus model forecasts, 1978-1996
(annual percentage volume changes)*

A closer look at individual OECD countries shows that in particular the Economic Outlook estimates and projections for current Japanese imports are out of step with our model forecasts, as is shown in table II.1. The development of Japanese imports over a longer period is hard to explain with equation (1): residuals over the past 15 years are extremely large as well. The estimated parameters of the Japanese import equations, however, are not very different from those of other OECD countries. The unexplained accelerations of Japanese imports are possibly connected to official policies. The international pressure on Japan to reduce its trade surplus may currently be of influence. The Plaza agreement of 1987 was also followed by a sharp unexplained rise in Japanese imports.

Table II.1 Differentials between Economic Outlook and WM^a forecasts of goods imports

	1994	1995	1996
	annual percentage volume changes		
Japan	12.7	8.2	5.6
Other OECD countries	2.4	1.0	0.5
Total OECD-area	3.2	1.6	0

^a WM import forecasts are based on Economic Outlook data as far as explanatory variables are concerned, with the exception of export demand volumes which are endogenous in WM.

II.4 Concluding remarks

The current rapid growth of world trade in general and of OECD imports in particular can be largely explained by historical relations, in spite of the rather modest overall production growth. The main explanatory factors are the ongoing shift in the product mix of international trade and the relatively sharp cyclical increase in import-intensive demand. The current rapid rise in Japanese imports remains largely unexplained within the framework of our model: international political pressures may play a role here.

PART III STATISTICAL ANNEX

Sources:

The tables in this annex are based on data submitted by AIECE member institutes for their own countries, and estimates of the Working Group on Foreign Trade for all other countries and regions.

Technical note:

Decimal percentage changes of summary figures calculated from rounded country data are not intended to be more accurate than these.