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Ifo World Economic Survey September 2002

Ifo World Economic Survey

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IFO WORLD ECONOMIC SURVEY

A faint, light blue world map is visible in the background of the central text area.

World Economic Climate

WORLD ECONOMIC CLIMATE
WORSENERD IN JULY

Economic Expectations

ECONOMIC EXPECTATIONS BECAME LESS
OPTIMISTIC

Inflation

INFLATION IN 2002 EXPECTED TO SLOW DOWN

Interest Rates

SHORT- AND LONG-TERM INTEREST RATES
EXPECTED TO RISE LESS THAN ACCORDING
TO SPRING SURVEY

Currencies

EURO EXPECTED TO STRENGTHEN FURTHER

Special Topic

BUSINESS NEEDS TO CONVEY A POSITIVE
IMAGE AT JOHANNESBURG SUMMIT

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Ifo World Economic Survey

Highlights

- Current situation of the world economy improved
- Economic expectations for the next six months deteriorated but remained positive
- Expectations for 2002 signal that inflation is under control almost everywhere
- Short-term and long-term interest rates expected to rise less than according to the spring survey
- No strong weakening of the US dollar expected
- More balanced assessment of world currencies
- The World Summit on Sustainable Development in Johannesburg

The survey is jointly produced by the Ifo Institute and the Paris-based International Chamber of Commerce (ICC).

In July 2002, the Ifo Institute conducted its 77th World Economic Survey (WES) of 1,055 economic experts of multinational enterprises and competent institutions in 90 countries. The goal of WES is to present an accurate quarterly appraisal of the economic situation as well as a forecast for important industrial, emerging and developing economies. In contrast to official statistics, which are primarily based on quantitative information (in measurable units), WES compiles qualitative information: assessments and expectations of economic experts. Whereas considerable delays are common in the release of official statistics at the international level, the WES survey results are published promptly and allow international comparisons. Especially for countries with an underdeveloped system of official statistics, the assessments and appraisals of local economic experts are particularly important.

The Survey receives financial support from the European Commission in Brussels.

WORLD ECONOMY: SLIGHT SETBACK FOR THE WORLD ECONOMY RECOVERY

In July the world economic climate indicator slipped, after having risen in the previous two surveys. At 101.1 (1995 = 100), the world economic climate is still somewhat higher than its long-term average.

The deterioration of the overall climate indicator is exclusively due to less optimistic expectations for the next six months which, however, still signal a continuation of the economic recovery. The second component of the world economic climate, the evaluation of the current economic situation, continued to improve. This data constellation points to further economic recovery in coming months though at a slower pace than expected last spring.

World economy: Slight dip, no severe setback of climate indicator

Because of strong turbulences in world capital markets there was a risk of a severe negative impact on the world economic climate. However, the indicator declined only marginally signalling that the recovery of the world economy is still on a relatively sound track, although the upswing will have less momentum in coming months than could have been expected on the basis of the April survey (see Figure 1).

The decline of the indicator resulted exclusively from more cautious expectations for the coming six

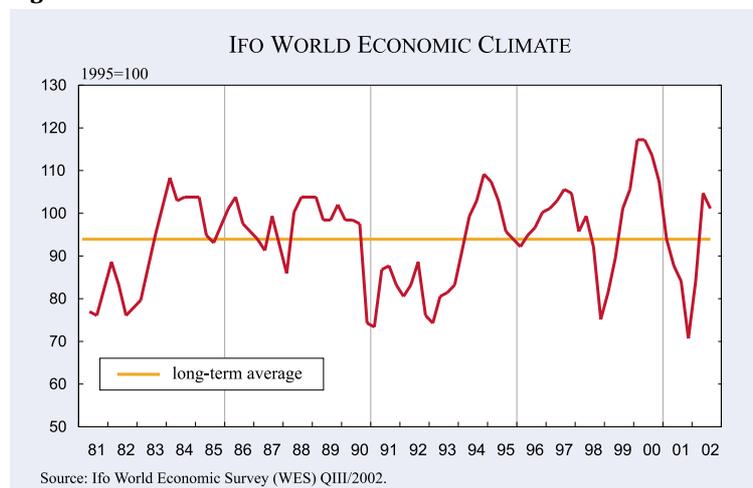
months, whereas the assessments of the current economic situation became a bit more positive. In most countries the recovery in the hard-hit capital expenditure sector is still expected to be somewhat more pronounced than in private consumption (see also Box 1).

Asia: Further improvement of the economic climate, though at a markedly slower pace

According to the new survey, the assessments of the current economic situation improved further, while the outlook for the next six months remained practically unchanged. The overall economic climate indicator for Asia now surpasses the world average and continues on its upward trend in contrast to the indicator for North America and especially Western Europe.

China, where the most optimistic responses were given in the previous survey – both with regard to the current as well as the expected situation – is now taking second place in the assessment of the present economic condition behind the Republic of Korea and only a place in the middle field with regard to expected future developments. Countries like Taiwan and to a slightly lesser degree also Malaysia see more dynamic economic growth ahead and award top grades to the economic outlook. In India, the current economic situation has not improved further, but is still regarded as almost satisfactory after having been in negative territory for quite a while. Expectations still signal that the recovery process – both in the capital expenditure as well as the private consumption sector – will continue in coming months. The economic recovery in Singapore and the Philippines slowed in recent months, but expectations for the next half year remain clearly positive. Japan is still

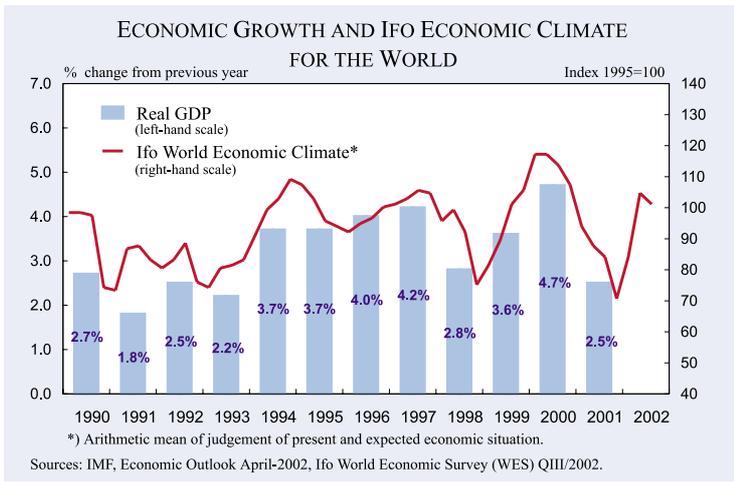
Figure 1



**Box 1:
Ifo World Economic Survey (WES) and Growth in the World Economy**

The Ifo World Economic Climate indicator closely tracks the growth of the world economy (see Figure). In July 2002 the indicator declines slightly after having risen sharply in the January and April survey. Despite this dip, the current value is still above the long-year average. The decline of the indicator results exclusively from somewhat less positive expectations, whereas the assessment of the current economic situation was again a bit more favourable. In total, the actual decline of the world economic indicator signals that the ongoing economic recovery will show less momentum than originally expected.

A break-down by large country groups shows that the decline of the overall indicator results mainly from less positive data in Western Europe and to a lesser degree in North-America, whereas the economic climate indicator in Asia even improves further. This pattern indicates that the strength of the upturn in Western Europe is now clearly less than the world average.



lagging behind the general upward trend in Asia; its current economic situation is rated well below satisfactory, though short-term expectations point to some improvement in economic activity. Indonesia and even more so Hong Kong show considerable weakness in present economic performance; the outlook for the next six months is also still clouded. Both countries are in a position clearly below the Asian average (see Figures 2, 3 and 7).

Western Europe: Economic recovery temporarily stalled

In about half of the Western European countries the current economic situation remained unchanged or improved moderately (Belgium, Finland, France, Germany, Greece, Ireland, Sweden), whereas in the other half a deterioration was observed (particularly in the Netherlands, Portugal and Italy). Expectations for the next half year worsened almost everywhere; Switzerland, where the outlook brightened somewhat, being the only exception. The economic climate (the combination

of the assessment of the current economic situation with the expectations for the next six months) in Finland and Denmark remained better than the European average. The climate indicator in Western Europe is moving downward towards its long-term average, which is almost entirely due to more negative expectations for the coming months.

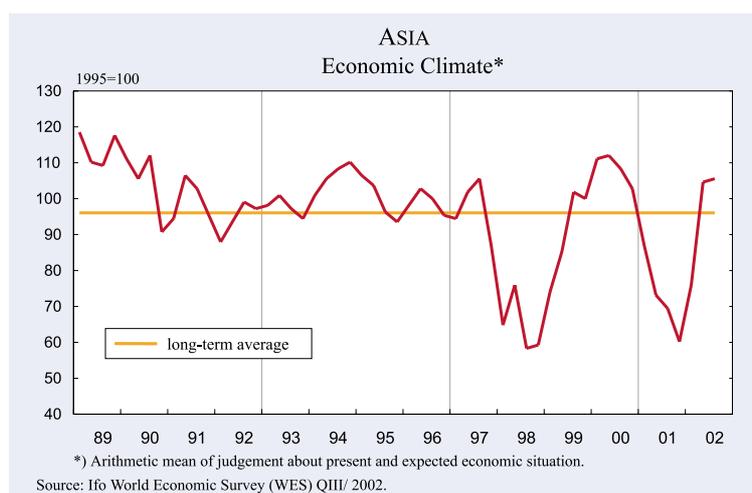
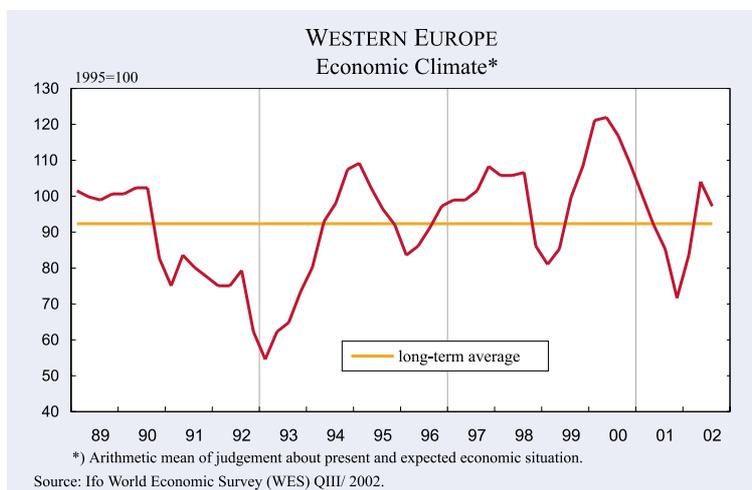
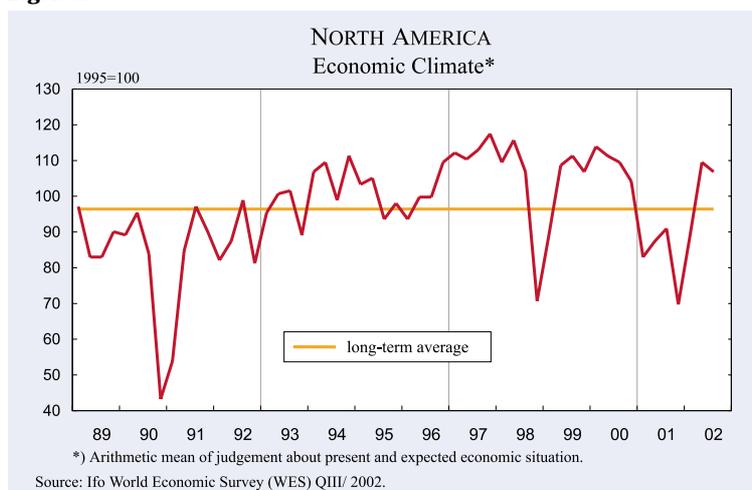
Germany shows by far the lowest level in the assessment of capital expenditure and private consumption. Its overall economic situation, however – still less than satisfactory – is quite surprisingly ranked above that of the Netherlands, Austria or Italy, for example. WES correspondents expect a continuing recovery of the German economy, though at a slower pace than before.

Comparing the Euro area and countries outside this union (namely Denmark, Norway, Sweden, Switzerland and the United Kingdom), the current economic situation is judged significantly better in the non-Euro area than in the countries with the single currency. In contrast, the economic expectations for the next six months are much more positive on average in the Euro area than outside. According to the WES survey, among the countries with the single currency Finland and Ireland have the best economic performance, while Norway and Denmark take first places in the group of European countries outside the Euro area (see Figures 2, 3, 5a and 5b; see also Box 2).

Eastern Europe: Economic climate levels off

The assessments of the current economic situation deteriorated, slipping slightly below the satisfactory level that was just reached last April. On average, the optimism expressed in the last survey regarding the outlook for Eastern Europe decreased moderately. The current economic situation continues to be above average, particularly in Latvia, Estonia and Slovenia. Worth mentioning is

Figure 2



the on-going recovery in Croatia, which is expected to continue and to reach or even surpass the satisfactory level for the first time since 1996 in the coming six months. On the other hand, in Hungary and the Czech Republic the economic situation worsened and is now just a little above the “satisfactory” level and no longer considered “good”. In

Poland and Bulgaria the present state of the economies remained clearly below satisfactory and is expected to brighten only a little in the course of the next six months (see Figures 3 and 6).

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CIS: Stable economic climate

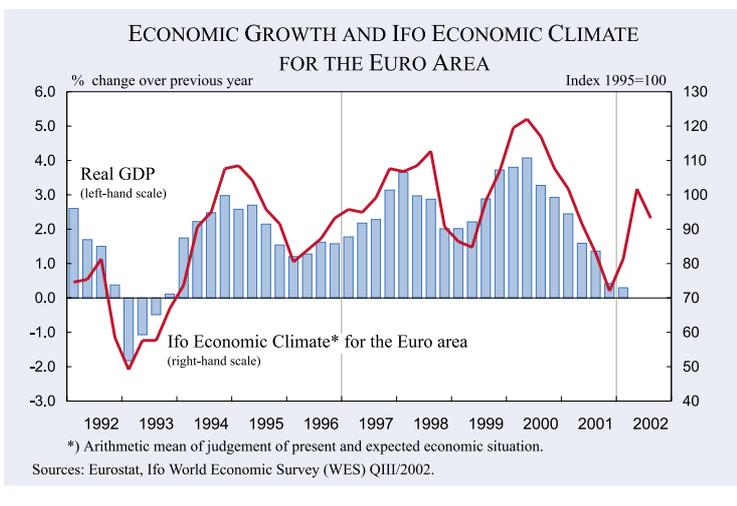
In Russia, both the current economic situation and the economic outlook for the next six months continue to improve, reflecting a rather satisfactory state of the economy. Positive signals also come from the Ukraine where the economy remains on a satisfactory level with expectations for a further recovery in the course of the next six months. The picture for Kazakhstan and Uzbekistan is characterised by a sound economic performance and practically unchanged expectations for the future development.

United States: Economic recovery lost momentum

The economic climate, which had constantly risen since the end of last year, has now experienced a setback. This fall is due to the still positive but more cautious expectations for the future. In contrast, the actual economic situation has improved slightly, now reaching a satisfactory level. This is mainly due to the still buoyant consumer sector, whereas capital expenditure is seen to recover

**Box 2:
Ifo World Economic Survey (WES) and GDP Growth in the Euro Area**

The Ifo Economic Climate (WES) for the 12 member countries of the euro area is the arithmetic mean of the assessments of the general economic situation and the expectations for the economic situation in the coming six months. The July results are based on the responses of 257 experts. The trend of the Ifo Economic Climate indicator correlates well with the actual business-cycle trend for the euro area – measured in annual growth rates of real GDP (see Figure). In July 2002, the climate indicator weakened compared with the survey results in April. Despite this setback the indicator remained above the mean for the years 1989 to 2001. The decline of the Ifo euro area indicator results exclusively from somewhat less favourable expectations for the general economic situation in the coming six months. The assessments of the current economic situation have remained unchanged after having improved in the Spring survey for the first time since the end of 2000. The Ifo Economic Climate indicates points to a continuation of economic recovery in the euro area though at a slower pace than expected some months ago.



A more positive picture of the current economic situation exists in Canada where the economy is following an upward trend and performing well above the satisfactory level. Here too, however, as in the United States, expectations for the coming six months have worsened somewhat. This explains the dip from 109.5 to 106.8 (still significantly above the long-term average of 96.4) in the overall economic climate for North America (see Figures 2 and 3).

Latin America: Current economic situation remains unsatisfactory

Brazil and Chile show the relatively best economic performance at present, although they – like almost all countries in Latin America – are following a negative trend. Uruguay’s assessment of its current economic situation is unchanged, and Argentina is showing first signs of a slow recovery from the recent severe currency and banking crises.

With regard to the outlook for the next six months, the economic performance on average for Latin America is expected to deteriorate slightly, with

Chile and Mexico having the relatively best prospects. The outlook for Argentina and Brazil seems quite negative and Venezuela’s economy is not expected to change much for the better in the coming half year (see Figure 3).

Oceania: After a strong recovery, a slowdown is likely

Australia is steadily following its upward trend which had already set in at the end of last year. Currently the economy is performing at a highly satisfactory level. In contrast, the economic situation of New Zealand has deteriorated significantly in recent months, although it is still regarded as satisfactory. The outlook for the next half year has worsened in both countries compared to the April survey, signalling a slowdown of the recovery process.

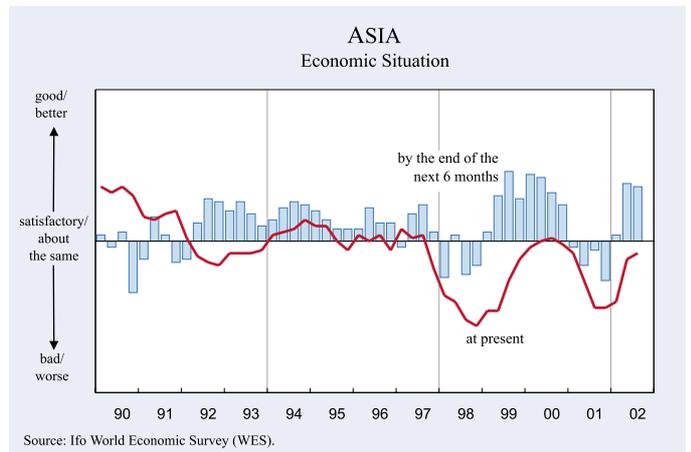
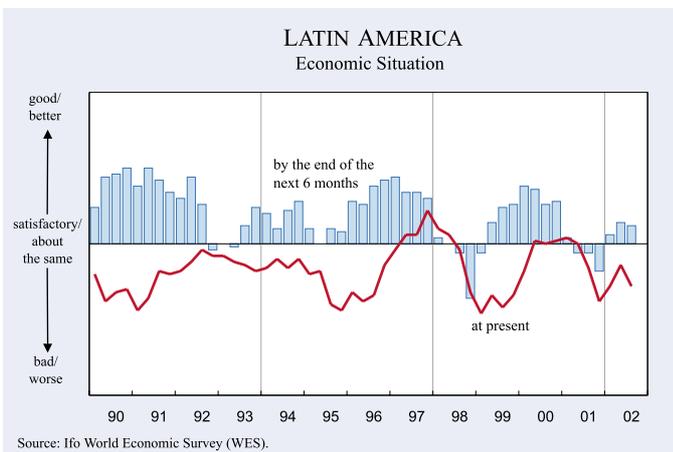
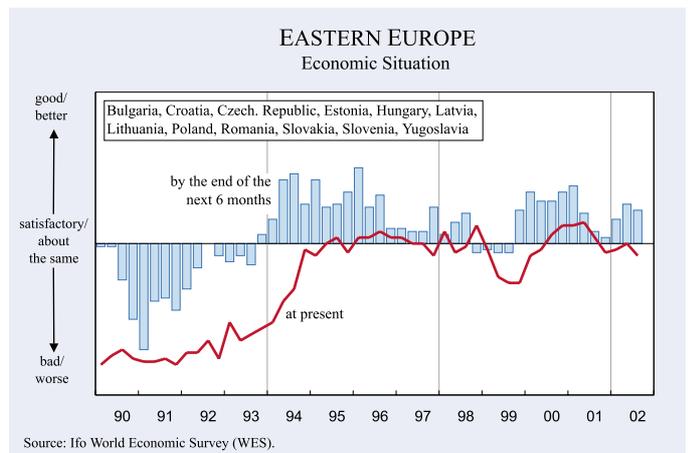
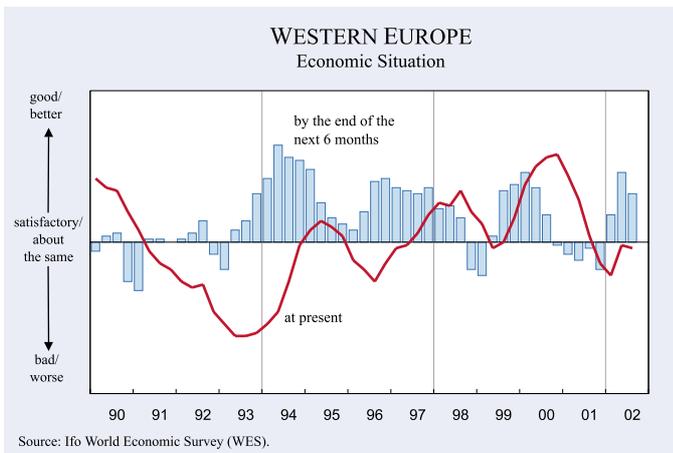
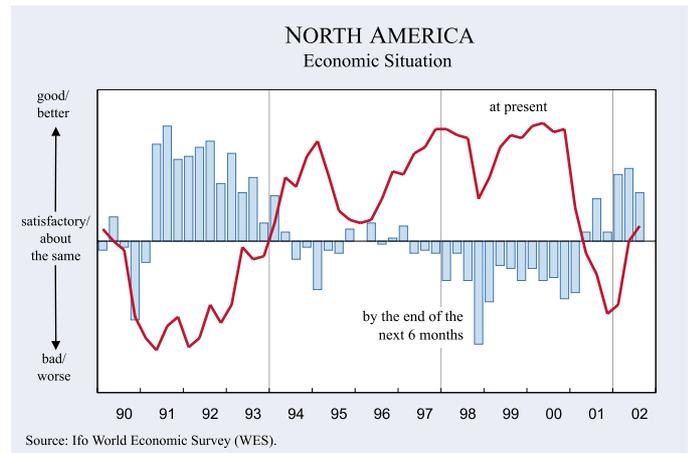
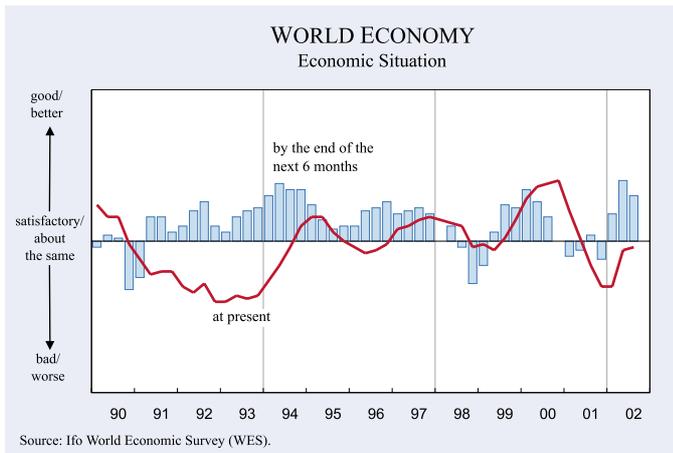
According to WES correspondents, this will be mainly due to a significantly more negative outlook for the export sector and, probably related to this development, a more moderate increase in capital expenditure than originally expected.

Africa: Weak signs of economic stabilisation

Although economic performance has slightly improved during recent months, the economic situation still remains in negative territory throughout most of the African continent. Only the economies of countries like South Africa, Morocco and Tunisia are regarded as satisfactory by the WES experts. Furthermore, South Africa is expected to continue its recovery process in the coming months and might even surpass the satisfactory level. The worst economic situation was again reported from Zimbabwe where the outlook also remained very bleak. The situation in Egypt is also very poor; here the economy has currently declined significantly and shows no signs of a quick recovery. Generally speaking, expectations for the African continent deteriorated slightly, though no major changes seem to lie ahead in the next half year.

Figure 3

SELECTED REGIONS



Near East: Disparity of economic trends decreases

The overall assessment of the current economic situation in the Near East remained practically unchanged at a below-satisfactory level. However, the disparity of economic trends mentioned in the last report has decreased, as the present performance of the Saudi-Arabian economy has worsened and that of Turkey has improved to about the same extent, though still being below the satisfactory level. By far the best economic performance is shown by the United Arab Emirates where the outlook for the coming six months – like the average for the Near East – signals that there are no major changes ahead. Israel continues to suffer from recession.

Interest rates: Fewer participants expect increase

In line with the weakening of the economic upswing and the slowdown of inflation, worries about a tightening of monetary policy, reflected in *short-term interest rates*, were less widespread than in the previous survey. This tendency was particularly pronounced in the United States and in Africa, whereas in Western Europe, Latin America and Asia expectations of an increase of interest rates in the course of the next six months edged up further. In Eastern Europe and the CIS countries, the prevailing view is still that short-term interest rates will decline in coming months, though to a somewhat lesser degree than previously thought.

A similar message is given by the new WES results for the likely trend of *long-term interest rates* in the next six months. Expectations of rising rates are slightly less widespread than in the previous survey. This tendency is particularly pronounced in the United States, South Africa and in Oceania (Australia and New Zealand). After these adjustments, the expected moderate rise in long-term interest rates is now about the same in the United States as in Western Europe. In Latin America and Asia an even weaker rise in interest rates is expected. In Eastern Europe, the CIS countries and the Near East – with the exception of the United Arab Emirates and Kuwait – long-term interest rates are seen to decline further in coming months.

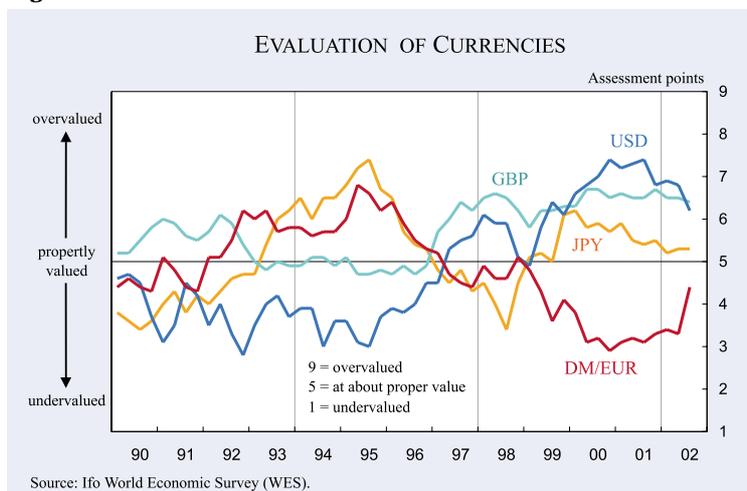
World currencies continue moving toward a more stable equilibrium

On average of the 90 countries polled, the US dollar and British pound sterling are still judged to be overvalued, but to a significantly less degree than in the previous surveys. On the other hand, the euro, which for a long time has been assessed as undervalued, is gradually approaching an appropriate level. Such a level has already been reached by the Japanese yen, according to the WES experts (see Figure 4).

In Canada and Australia the US dollar is seen as more overvalued against own currencies than it is the case in Western Europe and Russia. WES experts in Eastern Europe consider the major world currencies close to “fair value” against their local currencies. In Latin America, the US dollar as well as the euro and the yen are judged undervalued against some local currencies such as the Mexican peso. However, after strong devaluations, the currencies of Brazil and Columbia appear now to be generally undervalued. In Australia and also in South Africa the domestic currency appears to be undervalued vis-à-vis the major world currencies.

Independent of these different assessments of the current situation, the US dollar is still predicted to remain unchanged or even to rise by the end of the next six months. This applies again to all regions of the world except for Western Europe, Canada, the United Arab Emirates, Australia and New Zealand as well as some Asian countries like Taiwan, Thailand, Philippines and the Republic of Korea. In Japan, where in the previous survey experts had expected that the US dollar would strengthen against the yen,

Figure 4



the outlook for the next six months has now changed in favour of a likely stabilisation of the yen/US dollar cross-rates at the current level.

According to this downward trend, the inflation rate is expected to be significantly lower on a world-wide scale than in 2001 (3.8% in July last year).

Inflation is expected to slow world wide in 2002

On a world-wide scale, consumer price inflation in 2002 is now seen to be 3.3% compared with an expected 3.4% in the April survey (see Table 1).

Regarding the Euro zone, the July survey confirms the results of April with an expected rate of 2.3% for 2002, though the European Central Bank (ECB) had set its price target for 2% at the most, which – in light of the new figures – might have been too strict. About half of the countries within the Euro area

Table 1

Expected Inflation Rate for 2002^{*)}
WES July 2002 [a] and WES April 2002 [b] in %

	a	b		a	b
AVERAGE of 90 COUNTRIES	3.3	3.4	OCEANIA	2.9	3.1
31 High-income countries	1.8	1.8	Australia	3.1	3.2
47 Middle-income countries	9.1	9.5	New Zealand	2.5	2.6
22 Upper-middle	9.5	9.5			
25 Lower-middle	8.4	9.4	CENTRAL & EASTERN EUROPE	5.9	6.7
12 Low-income countries	5.0	5.2	Bosnia-Herzegovina	3.0	2.0
High-income OECD countries	1.9	2.0	Bulgaria	7.2	8.2
Middle-income OECD countries	7.8	7.7	Croatia	3.5	3.8
Middle-income oil exporters ¹	10.3	9.4	Czech Rep.	3.4	4.1
EU countries	2.3	2.3	Estonia	4.2	4.5
EURO-Land ²	2.3	2.3	Hungary	6.2	6.3
Mediterranean (non-EU) countries ³	14.6	14.9	Latvia	2.7	2.9
ASEAN and East Asian NICs ⁴	1.9	1.8	Lithuania	1.5	2.2
Asian Pacific Rim ⁵	1.7	1.8	Poland	3.1	3.8
Arabian OPEC countries ⁶	4.3	3.6	Romania	22.7	23.7
			Slovakia	5.1	5.3
WESTERN EUROPE	2.2	2.3	Slovenia	6.8	6.9
Austria	2.0	1.8	Yugoslavia	19.8	17.5
Belgium	2.0	2.2			
Cyprus	3.8	2.8	CIS	13.7	16.0
Denmark	2.4	2.2	Kazakhstan	7.0	6.5
Finland	1.8	1.9	Russia	15.7	18.2
France	1.9	2.0	Ukraine	6.1	7.5
Germany	1.6	1.8			
Greece	3.4	3.2	CENTRAL & LATIN AMERICA	13.5	13.7
Iceland	5.3	-	Argentina	87.5	82.5
Ireland	4.4	4.1	Bolivia	4.4	6.9
Italy	2.4	2.5	Brazil	6.3	5.9
Luxembourg	2.0	2.5	Chile	2.8	3.4
Malta	-	2.5	Colombia	6.8	7.6
Netherlands	3.2	3.5	Costa Rica	10.0	10.0
Norway	2.3	2.2	Ecuador	14.6	15.8
Portugal	3.6	3.4	El Salvador	2.4	2.5
Spain	3.2	2.8	Guatemala	12.0	7.0
Sweden	2.3	2.5	Mexico	5.3	5.2
Switzerland	0.9	1.0	Panama	1.3	1.5
United Kingdom	2.3	2.3	Paraguay	10.3	11.0
			Peru	2.7	2.3
NORTH AMERICA	2.1	2.4	Uruguay	20.0	8.5
Canada	2.1	2.1	Venezuela	32.1	24.3
United States	2.1	2.5			

Please turn over

¹ Algeria, Indonesia, Iran, Saudi Arabia, Venezuela.

² EU countries without Denmark, Sweden, United Kingdom.

³ Algeria, Bosnia-Herzegovina, Croatia, Cyprus, Egypt, Israel, Lebanon, Malta, Morocco, Slovenia, Tunisia, Turkey, Yugoslavia.

⁴ Hong Kong, Indonesia, Korea, Malaysia, Philippines, Singapore, Taiwan, Thailand, Vietnam.

⁵ Australia, China P.R., Hong Kong, Indonesia, Korea, Malaysia, New Zealand, Philippines, Singapore, Taiwan, Thailand, Vietnam.

⁶ Algeria, Iran, Kuwait, Saudi Arabia, United Arab Emirates.

^{*)} Compared to average of previous year.

Table 1 (continued)

Expected Inflation Rate for 2002^{*)}
WES July 2002 [a] and WES April 2002 [b] in %

	a	b		a	b
ASIA	1.1	1.2	NEAR EAST	10.6	11.4
Bangladesh	3.0	2.0	Bahrain	1.6	2.7
China P.R.	0.5	1.2	Iran	17.3	14.1
Hong Kong	-1.6	-1.6	Israel	6.8	3.7
India	4.2	4.1	Jordan	3.3	2.5
Indonesia	12.2	10.6	Kuwait	2.3	2.3
Japan	-0.7	-0.7	Lebanon	5.0	2.6
Korea	3.5	3.6	Saudi Arabia	1.0	0.9
Malaysia	2.3	2.6	Turkey	38.2	41.9
Pakistan	5.5	5.0	United Arab Emirates	2.8	2.5
Philippines	4.9	5.2			
Singapore	1.6	1.0	AFRICA	11.5	11.5
Sri Lanka	13.2	12.7	Algeria	2.7	3.5
Taiwan R.O.C.	1.0	1.1	Cameroon	6.0	-
Thailand	1.8	1.9	Egypt	5.5	6.2
Vietnam	3.5	3.9	Ghana	20.0	12.5
			Kenya	7.3	9.4
			Mauritius	6.5	5.0
			Morocco	1.9	1.8
			Nigeria	18.0	19.8
			South Africa	8.8	8.3
			Tunisia	3.1	2.9
			Zimbabwe	133.6	124.8

*) Compared to average of previous year.

Source: Ifo World Economic Survey (WES) QIII/2002.

(namely Austria, Belgium, Finland, France and Germany) are expected to meet or even fall below the 2% mark whereas the remaining countries (Greece, Ireland, Italy, the Netherlands, Portugal and Spain) lie almost all more than 1% above the set limit (except Italy with 2.4%).

Whereas in April the inflation figures for the United States were slightly above the ones for Europe, they are now expected to be on a lower level (2.1% after an expected 2.5% in April). However, the US inflation rate is still within the range regarded as normal by the US Fed (around 2.5%), whose priority lies equally on price stability and economic growth.

Asia continues to show by far the highest degree of price stability and this even slightly more than before (1.1% compared to 1.2% in the April and 1.5% in the January survey). The Asian data are again suggesting that inflation close to the zero line may lead in some countries of the region to a contracted deflationary process, which is the case in Japan (expected 2002 price change: -0.7%) and Hong Kong (-1.6%). Also, China seems to be in danger of getting into this deflationary cycle as inflation is now expected to be only

0.5% for 2002 compared to an expected 1.2% increase in the April survey.

The inflation outlook for Central and Eastern Europe has decreased since April from 6.7% to 5.9%. The only country in this bloc moving against this downward trend is Yugoslavia with an expected increase of a couple of percentage points reaching an inflation rate of around 20% in 2002.

As in Central and Eastern Europe, inflation is also expected to fall slightly in Central and Latin America (from 13.7% in April to currently 13.5%). A closer look at the data for this region reveals that in about half of the countries inflation expectations have increased and decreased in the other half. The greatest changes have been recorded in Uruguay and Venezuela (a rise of 11.5% and 7.8%, respectively). In Argentina, inflation is also still on the rise, reaching an expected rate of 87.5% (compared to 82.5% in April).

The inflation outlook for Africa has not changed since the last survey (11.5%), though the situation in Zimbabwe has grown even worse as inflation expectations have now gone up to 133.6%.

Figure 5a

EUROPEAN UNION

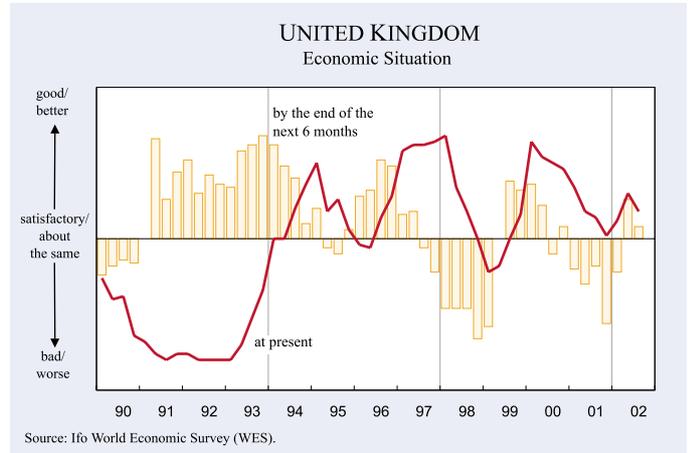
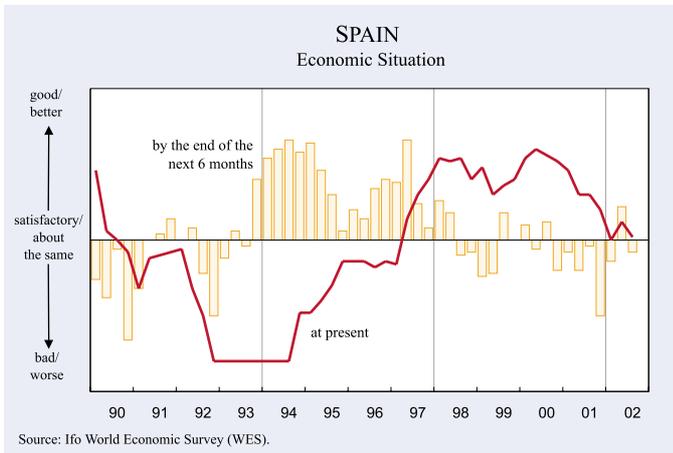
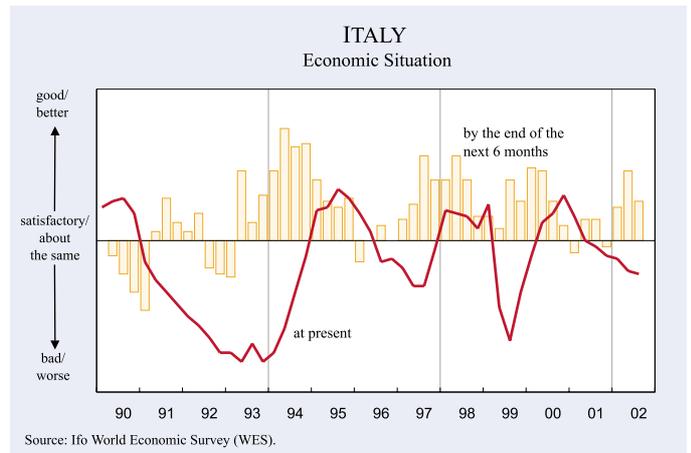
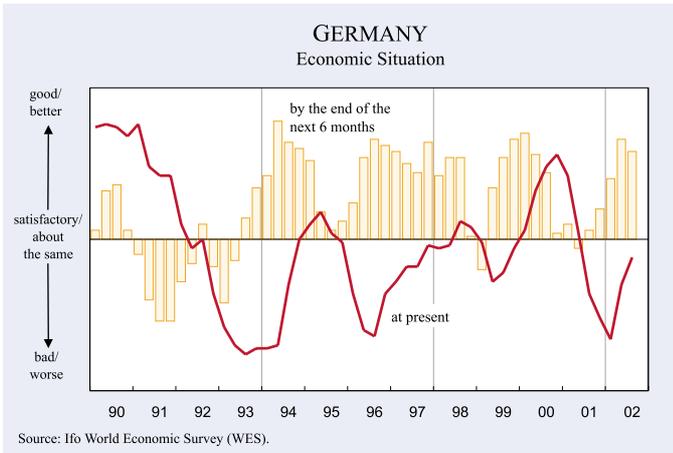
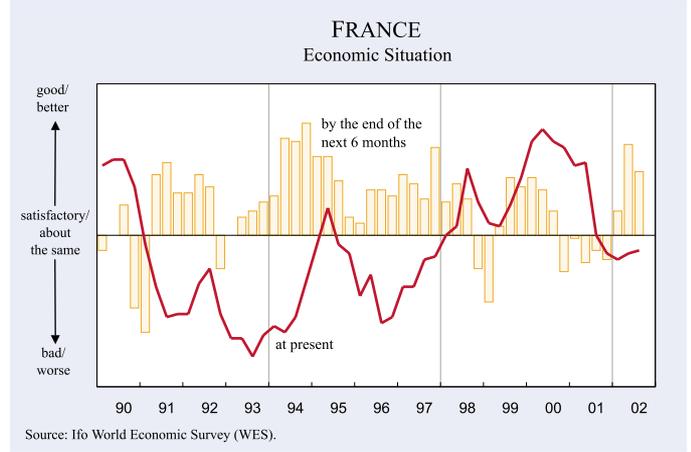
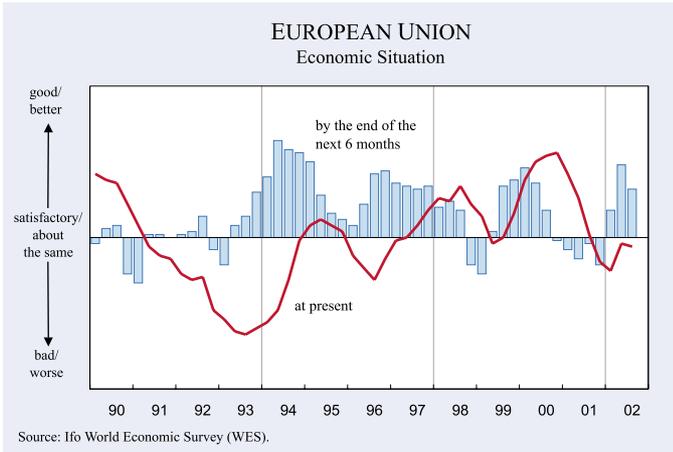


Figure 5b

EUROPEAN UNION

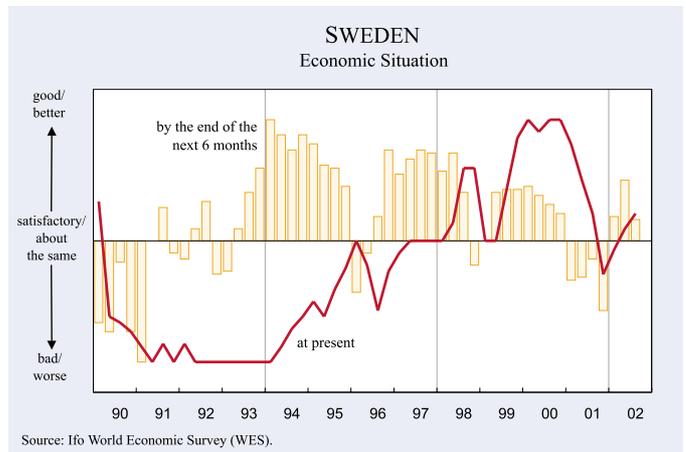
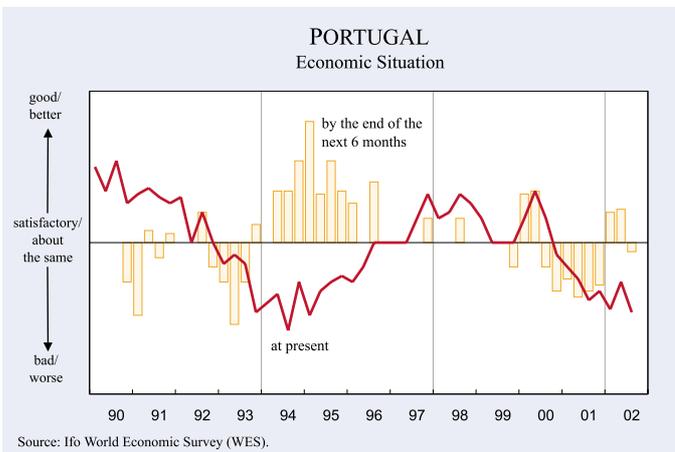
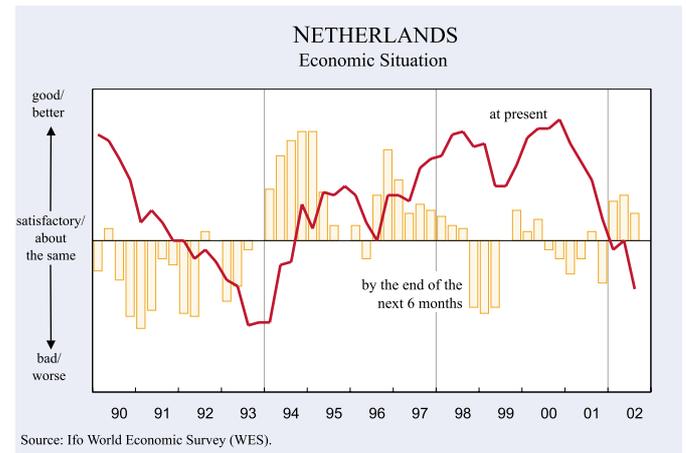
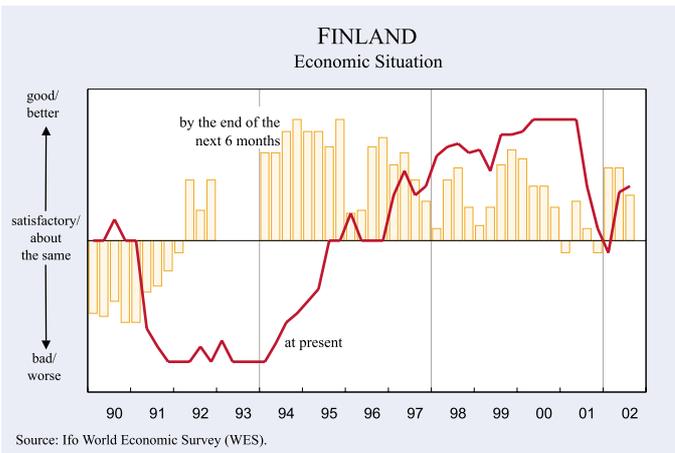
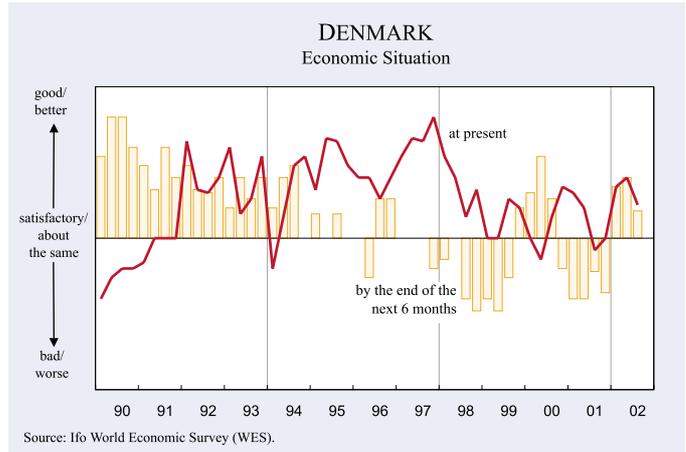
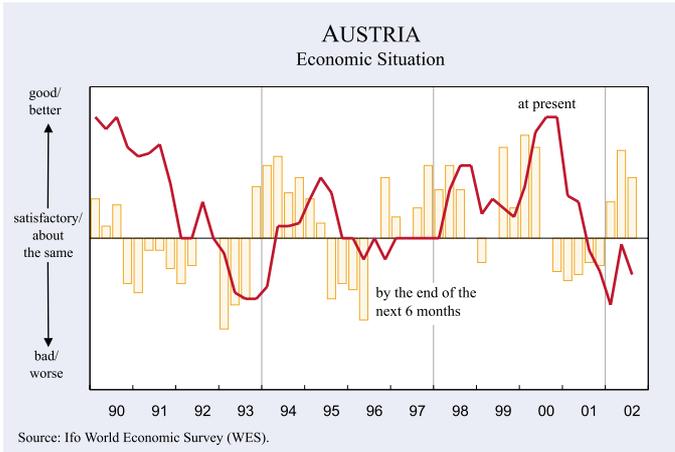


Figure 6

EASTERN EUROPE

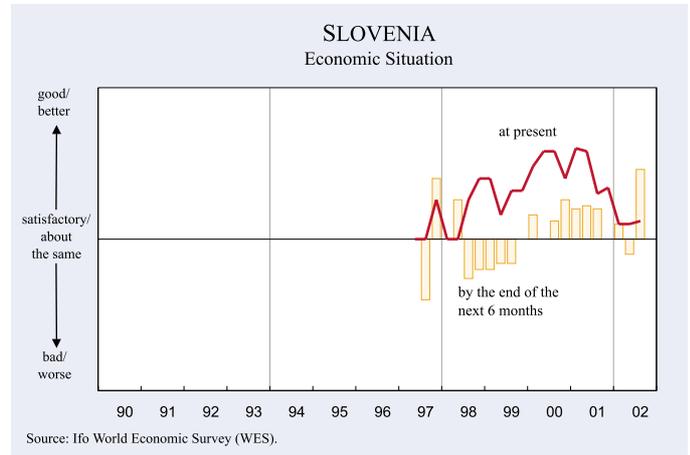
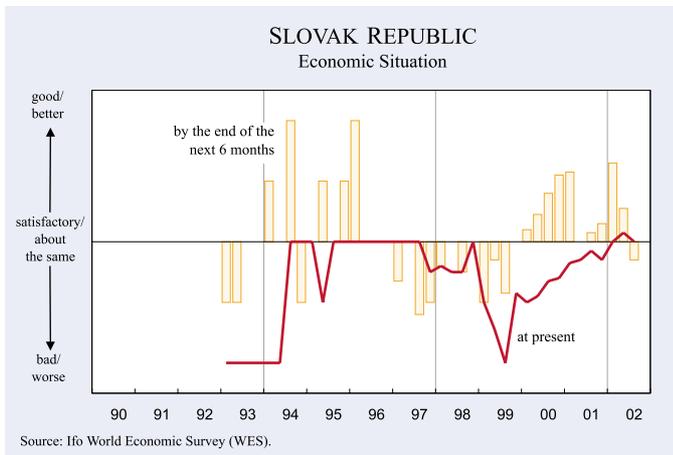
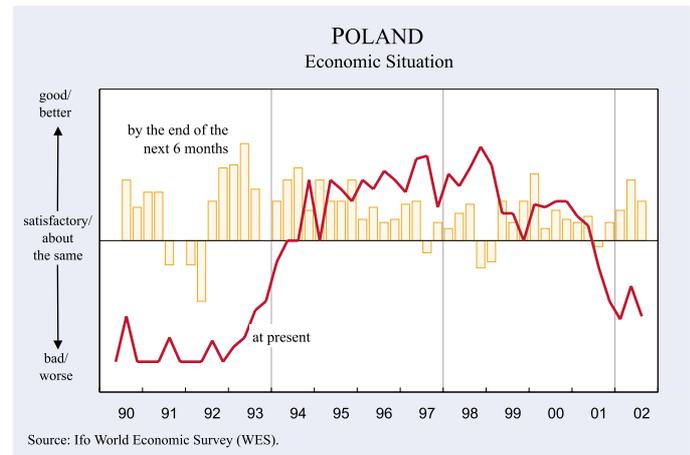
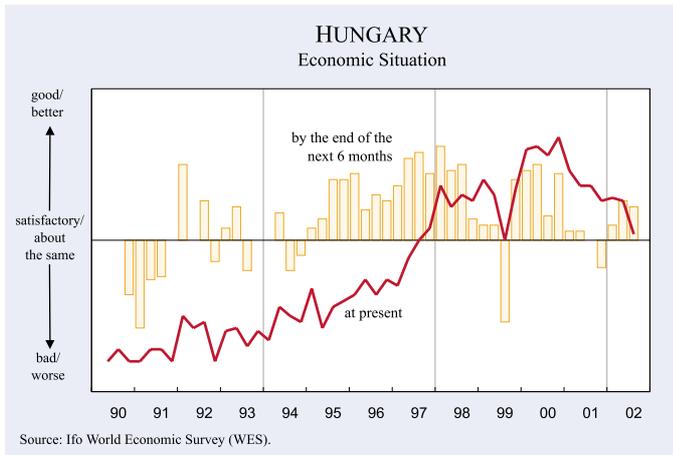
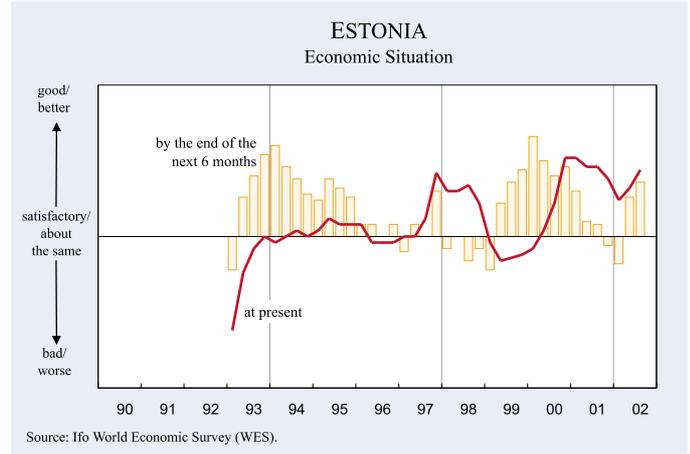
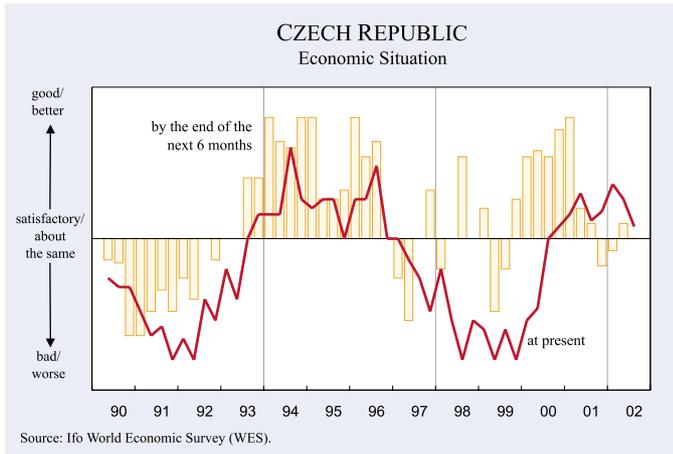
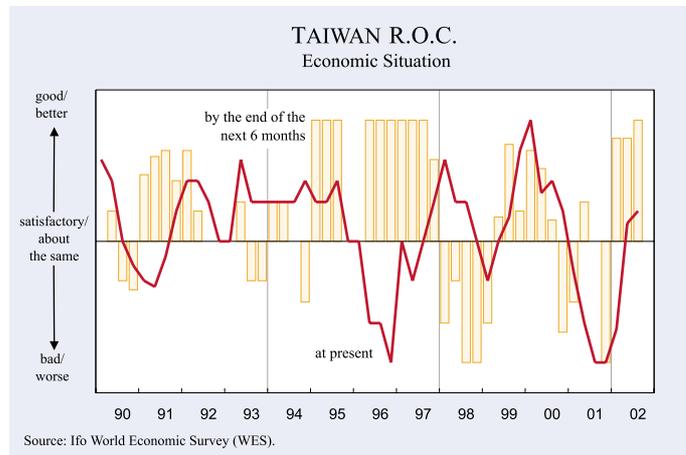
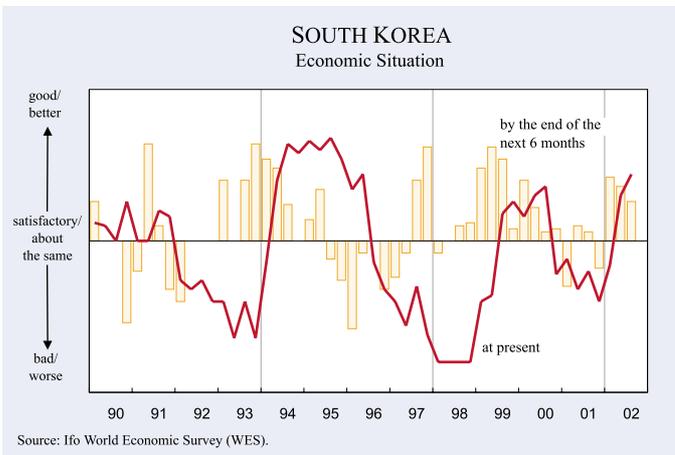
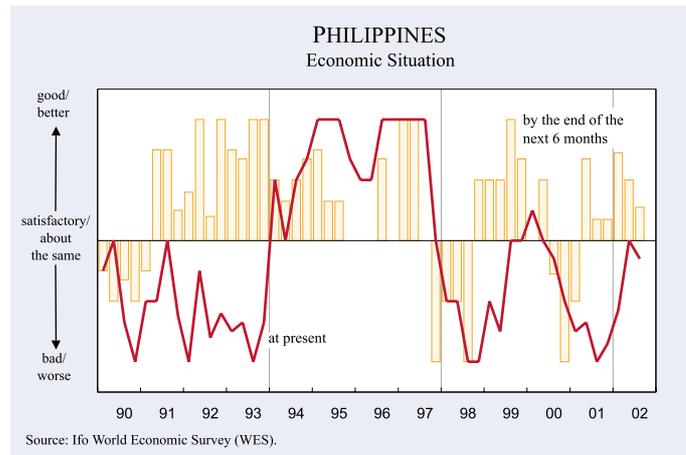
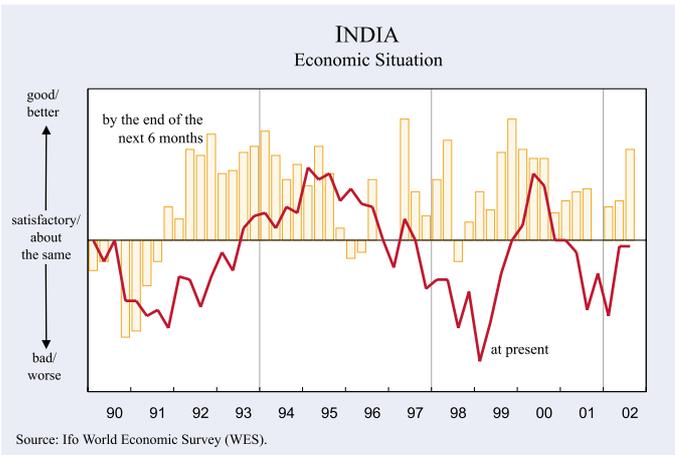
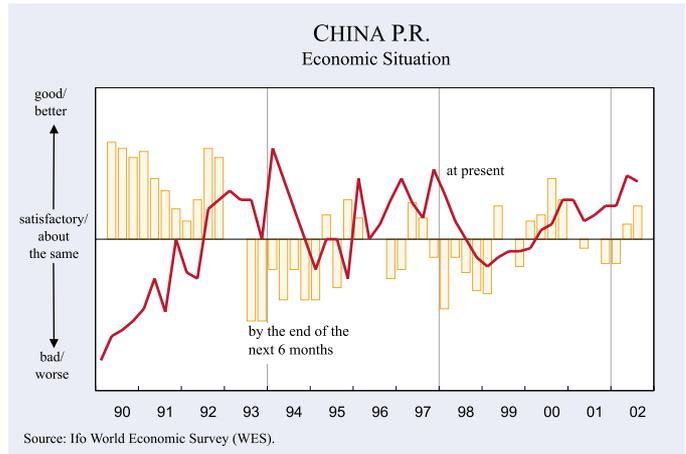
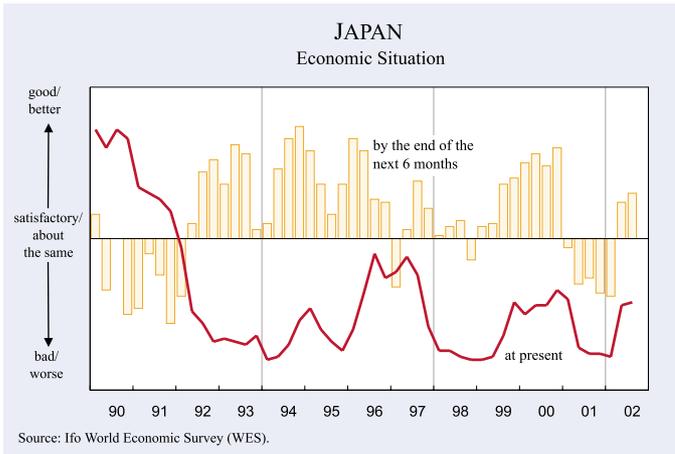


Figure 7

ASIA



Special Topic: Sustainable Development – Expectations of the Johannesburg World Summit 2002

In co-operation with the International Chamber of Commerce (ICC) in Paris a set of special questions was posed to WES experts concerning the Johannesburg World Summit on Sustainable Development. The majority of them (970 experts in 89 countries) answered these special questions. The Johannesburg World Summit which takes place from 26 August to 4 September 2002 follows the 1992 UN “Earth Summit” in Rio de Janeiro and the (1997) Kyoto “Climate Summit”. World governments, UN agencies, non-governmental organisations (NGO’s) and civil society groups will deal with the following two main tasks at the Johannesburg Summit:

- Examining what has been achieved in the last decade

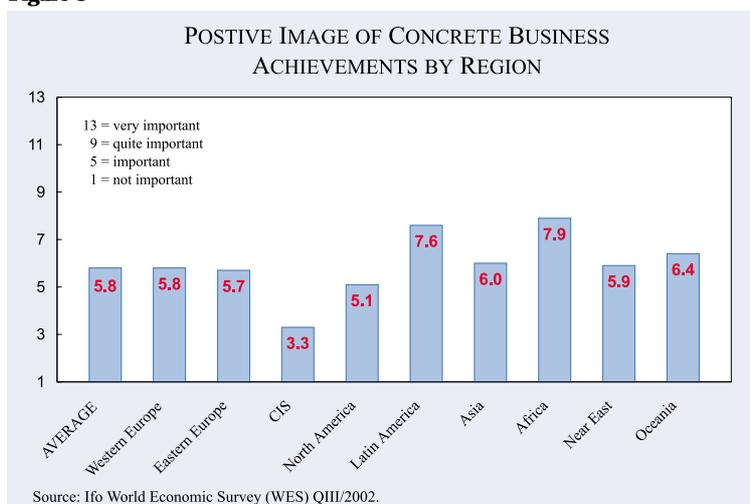
- Adopting concrete steps for a better implementation of Agenda 21, a global plan of action for sustainable development

In this context the following questions were asked in the July 2002 World Economic Survey:

- Importance of a positive image of concrete business achievements projected at the Johannesburg summit
- Priority given to the integration of socially responsible behaviour or environmentally responsible behaviour in companies’ management systems
- Impact of expected decisions on business in each country

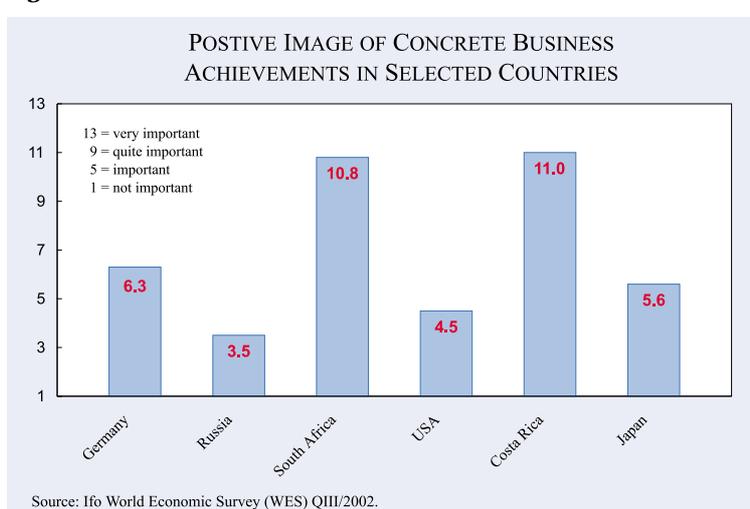
Wide agreement on the importance of a positive image of concrete business achievements projected at the summit

Figure 8



On average for all countries, great importance of a positive image has been identified. Comparing the main regions of the world, the WES experts’ view is quite homogeneous, exceptions being responses from the CIS region, from Latin America and Africa (see Figure 8 and Table 2).

Figure 9



Whereas the CIS experts measure the positive image of business achievements as not very important, experts from Latin America and above all experts from Africa consider the positive image by far more important than the general average. In particular experts from Brazil, Costa Rica, Peru and South Africa evaluate this question as quite important or even very important. Within Western Europe and Eastern Europe, the assessment is very similar.

The answers given in Japan and in the United States are shown in Figure 9. These two selected countries represent the assessment of the average of Asia and North America quite well (see Figure 9).

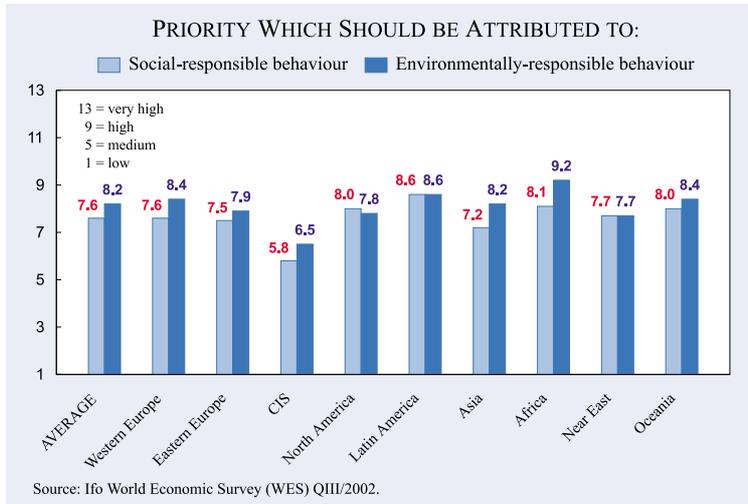
Table 2

Sustainable Development – Expectations of the Johannesburg World Summit 2002 (share of answers in %)

	Average of all countries	Western Europe	North America	Oceania	Eastern Europe	CIS	Latin America	Africa	Asia	Near East	High-income countries	Middle-income countries	Low-income countries
a) How important is it for business in your country that a positive image of concrete business achievements for sustainable development be projected at the Johannesburg summit?													
"very important"	11%	11%	6%	9%	7%	0%	27%	19%	13%	15%	9%	16%	22%
"quite important"	23%	22%	19%	36%	30%	14%	27%	48%	26%	16%	22%	26%	30%
"important"	41%	43%	48%	36%	37%	31%	31%	20%	34%	46%	44%	31%	25%
"not important"	25%	24%	27%	19%	26%	55%	15%	13%	27%	23%	25%	27%	23%
b) What priority should be attributed at the summit:													
ba) to the integration of socially-responsible behaviour in a company's management systems?													
"very high"	14%	11%	25%	10%	10%	7%	23%	17%	7%	14%	14%	14%	8%
"high"	46%	48%	35%	66%	53%	24%	48%	45%	52%	45%	46%	44%	59%
"medium"	32%	36%	30%	14%	27%	52%	24%	36%	29%	35%	32%	35%	21%
"low"	8%	5%	10%	10%	10%	17%	5%	2%	12%	6%	8%	7%	12%
bb) to the integration of environmentally-responsible behaviour in a company's management systems?													
"very high"	18%	21%	17%	17%	14%	9%	20%	32%	13%	18%	18%	17%	19%
"high"	49%	46%	40%	60%	56%	38%	53%	44%	58%	44%	48%	47%	60%
"medium"	29%	30%	39%	13%	19%	36%	24%	22%	25%	26%	31%	28%	13%
"low"	4%	3%	4%	10%	11%	17%	3%	2%	4%	12%	3%	8%	8%
c) What impact do you expect decisions made at the Johannesburg summit to have on business in your country?													
"very strong"	1%	0%	0%	0%	0%	0%	3%	0%	1%	2%	0%	1%	4%
"strong"	11%	9%	6%	40%	11%	11%	19%	14%	14%	13%	9%	15%	16%
"slight"	68%	73%	71%	41%	69%	39%	64%	71%	62%	70%	71%	62%	54%
"none"	20%	18%	23%	19%	20%	50%	14%	15%	23%	15%	20%	22%	26%

Source: Ifo World Economic Survey (WES) QIII/2002.

Figure 10



The high grades given to this question by experts in South Africa is perhaps due to the fact that the Summit is taking place in their country and a positive image of its decisions is therefore interpreted with some local patriotism.

This might to some extent also be true for Latin America, where the Rio Summit took place in 1992.

Higher Assessment of priority given to environmentally behaviour than to socially responsible behaviour

A more homogeneous response of the world's different regions was registered on the question concerning the priorities which should be given at the Summit. Except for North America, the average of countries gives the integration of environmentally responsible behaviour in company's management systems a higher priority than the integration of socially responsible aspects. Nevertheless, the attention to socially responsible aspects is quite high and is assessed, on average, as important.

In North America – in the United States more so than in Canada – the situation is the reverse. Experts from the United States give a higher priority to the integration of

socially responsible behaviour in a company's management systems than to environmental aspects (see Figure 10).

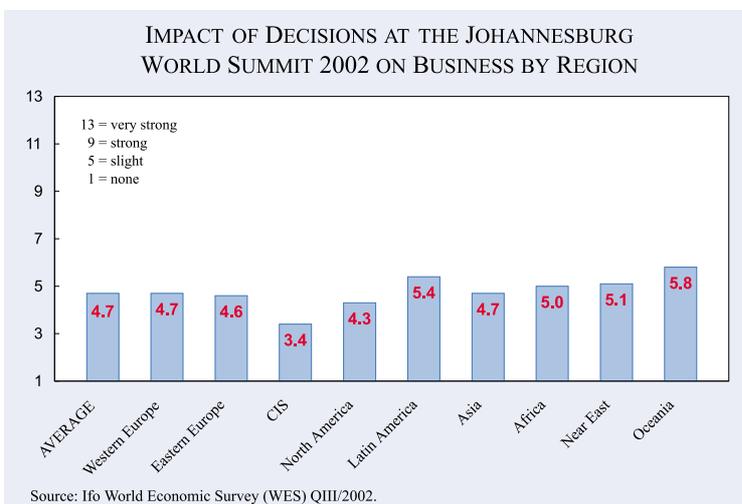
Concerning the assessment of the countries by income level, a general conclusion is that low-income countries give relatively more attention to environmentally responsible aspects than do high-income countries. The former see the importance of solving environmental problems but don't have enough resources of their own; therefore they urge going ahead on

this question on a global level like at the World Summit.

On the other hand, social problems are seen more as a national topic which therefore should be solved at a national level. Therefore, they attach less importance to this issue at the upcoming Summit.

Developing countries are generally not much interested in placing an agreement on socially responsible standards high on the agenda because they are afraid of losing international competitiveness. Due to the lack of tough social regulations, these countries are often able to export their goods at much more competitive prices than developed countries. In addition, the lack of such rules sometimes helps to attract foreign investment, like in the textile industry.

Figure 11



Only moderate impact on own business expected from the likely decisions made at the Johannesburg World Summit

Latin America and Africa are again the two regions which expect the relatively highest impact from the Johannesburg World Summit. Oceania and to a lesser extent the Near East also belong to this group. On the other hand, CIS countries don't see much effect of these decisions on their own economic performance (see Figure 11).

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