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Ifo World Economic Survey June 2003

Ifo World Economic Survey

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IFO WORLD ECONOMIC SURVEY

World Economic Climate

THE CURRENT SITUATION OF THE WORLD
ECONOMY STILL LESS THAN SATISFACTORY

Economic Expectations

ECONOMIC EXPECTATIONS FOR THE NEXT SIX
MONTHS SLIGHTLY DETERIORATED,
BUT REMAINED POSITIVE

Inflation

INFLATION UNDER CONTROL IN MOST
COUNTRIES

Interest Rates

ONLY SMALL SCOPE SEEN FOR FURTHER
RATE CUTS

Currencies

EURO IS SEEN AS SOMEWHAT OVERVALUED

Special Topic

WES EXPERTS SEE SOME PROBLEMS IN NEW
TRADE RULES TO FORESTALL TERRORIST
THREATS

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Ifo World Economic Survey

Highlights

- The current economic situation of the world economy still less than satisfactory
- Economic expectations for the next six months slightly deteriorated, but remained positive
- Increased chances for recovery of world economy due to reduced geopolitical uncertainties
- Inflation under control in most countries
- Only small scope seen for further rate cuts
- Euro is seen as somewhat overvalued
- WES experts see some problems in new trade rules to forestall terrorist threats

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

Notes

The World Economic Survey (WES) assesses worldwide economic trends by polling transnational as well as national organizations worldwide about current economic developments in the respective country. This allows for a rapid up-to-date assessment of the economic situation prevailing around the world. In April 2003 some 1,040 economic experts in 88 countries were polled.

WES is conducted in co-operation with the International Chamber of Commerce (ICC) in Paris and receives financial support from the European Commission.

Methodology and Evaluation Technique

The questionnaire focuses on qualitative information: on assessment of a country's general economic situation and expectations regarding important economic indicators. It has proved to be a useful tool since economic changes are revealed earlier than by traditional business statistics.

The individual replies are combined for each country without weighting. The "grading" procedure consists in giving a grade of 9 to positive replies (+), a grade of 5 to indifferent replies (=) and a grade of 1 to negative (-) replies. Grades within the range of 5 to 9 indicate that positive answers prevail or that a majority expects trends to increase, whereas grades within the range of 1 to 5 reveal predominantly negative replies or expectations of decreasing trends.

The survey results are published as aggregated data. The aggregation procedure is based on country classifications. Within each country group or region, the country results are weighted according to the share of the specific country's exports and imports in total world trade.

Center for Economic Studies is an institute within the department of economics of Ludwig-Maximilians-University. Its research concentrates on public finance aspects of the economy, but also includes many diverging fields of economics.

Ifo Institute for Economic Research is one of the largest economic research institutes in Germany with a three-fold orientation: to conduct economic research, to offer advice to economic policy-makers and to provide services for the research and business communities. The Ifo Institute is internationally renowned for its business surveys.

CESifo is the name under which the international service products and research results of both organizations are published.

WORLD ECONOMY: ECONOMIC CLIMATE REMAINS SLUGGISH

In April 2003 the world economic climate deteriorated slightly (see Figure 1). At 83.2 (1995=100) it is somewhat lower than in the previous survey (85.9) and significantly below its long-term average (1982–2002: 94.1). Both the assessment of the current economic situation and the expectations for the next six months worsened compared to the January survey, indicating that uncertainty concerning future economic development of the world economy persists.

World economy: New chances for economic recovery after the end of the Iraq war?

Since October 2002 the economic climate indicator is drifting at a more or less unchanged low level. The current economic situation in April is judged below satisfactory, although the economic expectations for the next six months point to an improvement (see Figure 2). However, the interpretation of the recent results must take into consideration that the April survey took place in rapidly altering geopolitical environment. The April survey spans the outbreak of the US invasion in Iraq and the rapid collapses of Iraq regime. More than half of our panel's responses (around 620) came in before April 15, that is during the main war activities in Iraq or shortly thereafter when geopolitical uncertainty was still high. A separate analysis of these early replies with the ones that

came in after April 15 show some striking differences. In the first group, world economic climate was significantly lower than in the January survey (79.6 compared to 85.9) In the second group, i.e. ca. 420 responses submitted after April 15, the overall climate indicator stood at 86.8 resulting in the total average of 83.2 for the whole panel of 1,043 WES participants (see Box 1). However, to provide a better overview about the economic situation and expectations during the period of April, the following analysis bases on responses of the whole panel of 1,043 WES experts.

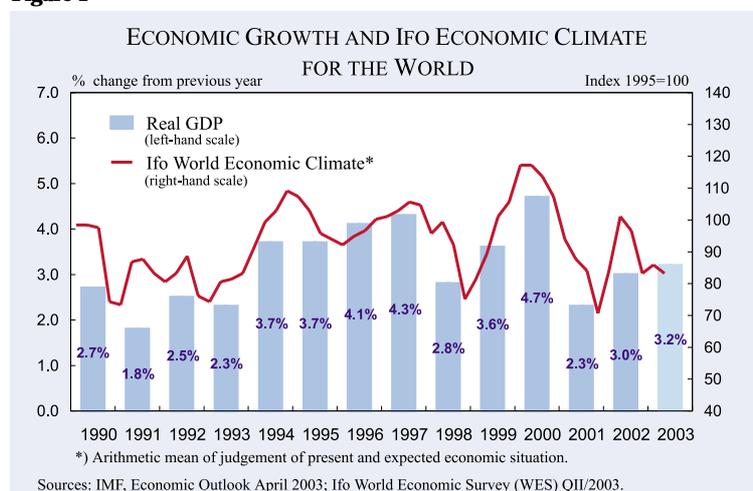
Current threats to the future development of the world economy derive this time not entirely from the Near East. SARS (Severe Acute Respiratory Syndrome) created waves of anxiety, especially in the Asian region. Some industries are particularly affected (tourism, air transportation, trade etc.) by the SARS epidemic.

The economic climate in the second half of the year will greatly depend on the progress of peaceful conflict resolution in the Near East and whether spread of SARS can be stopped.

Asia: The economic climate deteriorated

In the April survey, the Asian region experienced the strongest deterioration of the economic climate indicator, compared with other regions of the world. The present economic situation remained almost unchanged, judged slightly below satisfactory. The economic expectations for the next six months deteriorated, pointing to no or rather negative changes in the course of the next six months (see Figures 3 and 4). While the rest of the world mostly concentrated its attention on the conflict in Iraq, the security in the Asian

Figure 1



Box 1: Improvement of economic climate after the war end in Iraq

A separate evaluation of 425 responses returned after the 15 April show a definitely higher value of the economic climate index (86.8) than those 618 assessments submitted before this date (79.6). In particular the economic expectations became clearly more favourable in comparison to the period of the uncertain geopolitical situation in the first half of April. The assessment of the present economic situation, the second component of economic climate, remained for the world, on average mostly unchanged during the April.

The country breakdown shows that the positive impact on economic expectations from the end of hostilities in Iraq was particularly pronounced in Western Europe, North America, Oceania, CIS and the Near East. In contrast, in Africa the assessments returned in the second half of April were more optimistic concerning the current situation but less so concerning the prospects. In Asia, the economic expectations before and after the collapse of the Iraq regime showed almost no change, reflecting that the threat on the economy from the SARS epidemic is perceived to be almost as high as the hostilities in Iraq.

Thus, according to WES experts the chances for a slight recovery of the world economy have improved after the main war activities in Iraq have been settled.

COUNTRY GROUPS	Present economic situation		Economic expectations for the next 6 months	
	A	B	A	B
AVERAGE OF 88 COUNTRIES	3,7	3,6	6,0	5,3
WESTERN EUROPE	3,0	3,0	6,4	5,3
CIS	6,9	5,4	7,1	5,7
NORTH AMERICA	4,0	3,6	6,7	6,1
OCEANIA	7,3	7,1	4,3	3,2
CENTRAL & LATIN AMERICA	4,3	3,5	6,6	6,1
ASIA	3,9	3,9	4,8	4,5
NEAR EAST	5,2	5,7	6,2	5,2
AFRICA	5,0	3,6	5,3	5,9

WES scale: 1 - bad / deterioration; 5 - satisfactory / no change; 9 - good / improvement.

A: 425 assessments submitted after the end of the main war activities in Iraq (later than 15.04.03).

B: 618 assessments submitted before the 15.04.03.

Asia regarding the assessments of the present economic situation, and even improved in April. The expectations for the next six months are somewhat clouded, though no major changes are seen ahead. The export sector in *China* is expected to foster further growth. In *Hong Kong*, also severely affected by SARS, the service oriented economy suffered more obviously from the disease outbreak. The negative impact was felt in the private consumption sector worst, but also spread to corporate investment activities. WES experts rated the present economic situation as poor and saw no sign for a fast recovery. Also the current economic trends in Singapore did not follow the optimistic expectations of the previous survey and remained unsatisfactory.

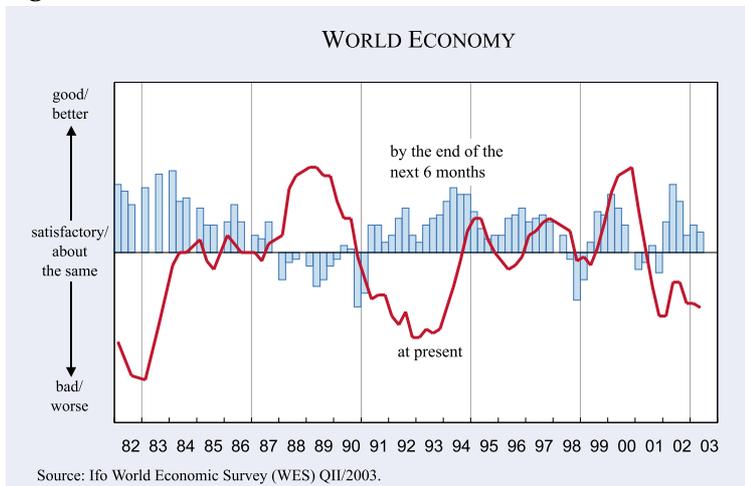
In contrast, in *Vietnam* the present economic situation as well as economic expectations remained at a high level, with capital expenditures, private consumption and the export sector set to grow in the course of the next six months. Also in *India* and *Pakistan*, WES experts were satisfied with the present overall economic performance. The expectations for the next six months point to further improvement of the overall economy in these countries, in particular in capital investment, private consumption and exports. The economic situation of *South Korea* was rated as more than satisfactory in January, but deteriorated significantly in April to a level below satisfactory. Both private and corporate investment decreased compared to the same time last year. No reversal of this negative trend is expected to occur in the next six months.

region was already undermined by the outbreak of SARS epidemic (see Box 2).

Although the most severely affected area by SARS, *China* maintained the leading position in

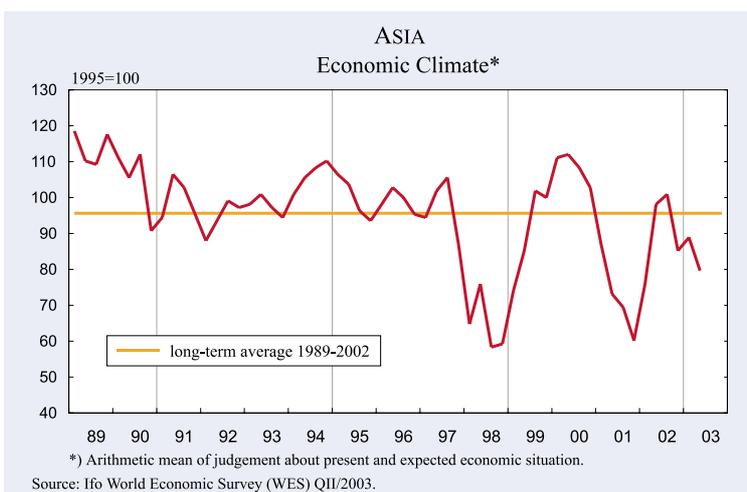
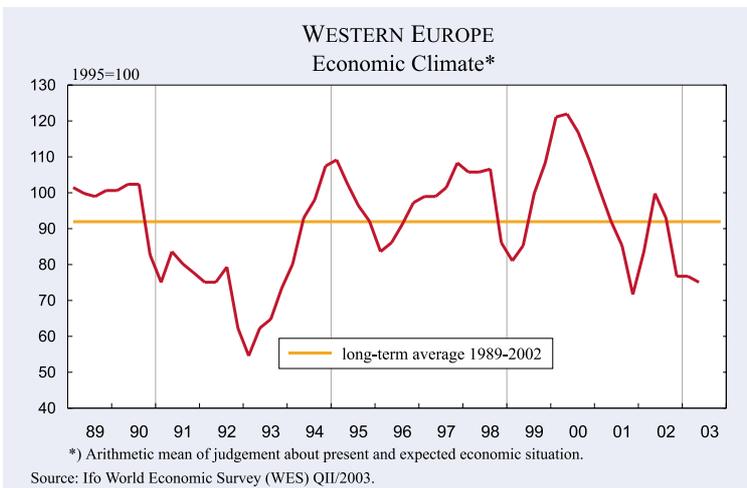
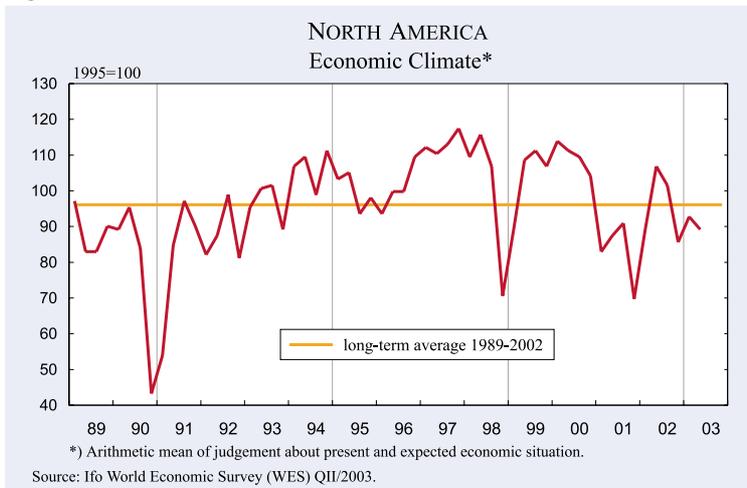
consumption and the export sector set to grow in the course of the next six months. Also in *India* and *Pakistan*, WES experts were satisfied with the present overall economic performance. The expectations

Figure 2



Source: Ifo World Economic Survey (WES) QII/2003.

Figure 3



According to WES experts the present economic situation in *Taiwan and Indonesia* improved since January, although remaining slightly below the satisfactory level, with cautious expectations concerning the economic development in the next months. The economic climate in *Japan* was still chilly in April, according to WES expert, which is reflected

in the low level of the assessment of the present economic situation and no significant change for the better in the six-months expectations.

WES experts in *Sri Lanka and Bangladesh* rated the present economic situation slightly below satisfactory but see chances for an improvement in the coming six months, with the corporate and the private sector becoming stronger.

The overall economy in *Malaysia* is performing satisfactorily, with potential for further improvement according to WES experts. In contrast, WES correspondents in *Thailand* expect the overall economy, especially the consumer sector rather to weaken. However, capital expenditures will remain buoyant in the coming months. No major changes were reported from the *Philippines*, where since the same period last year the economic situation has stabilized close to the satisfactory level (see Figure 9).

Western Europe: Almost unchanged economic climate

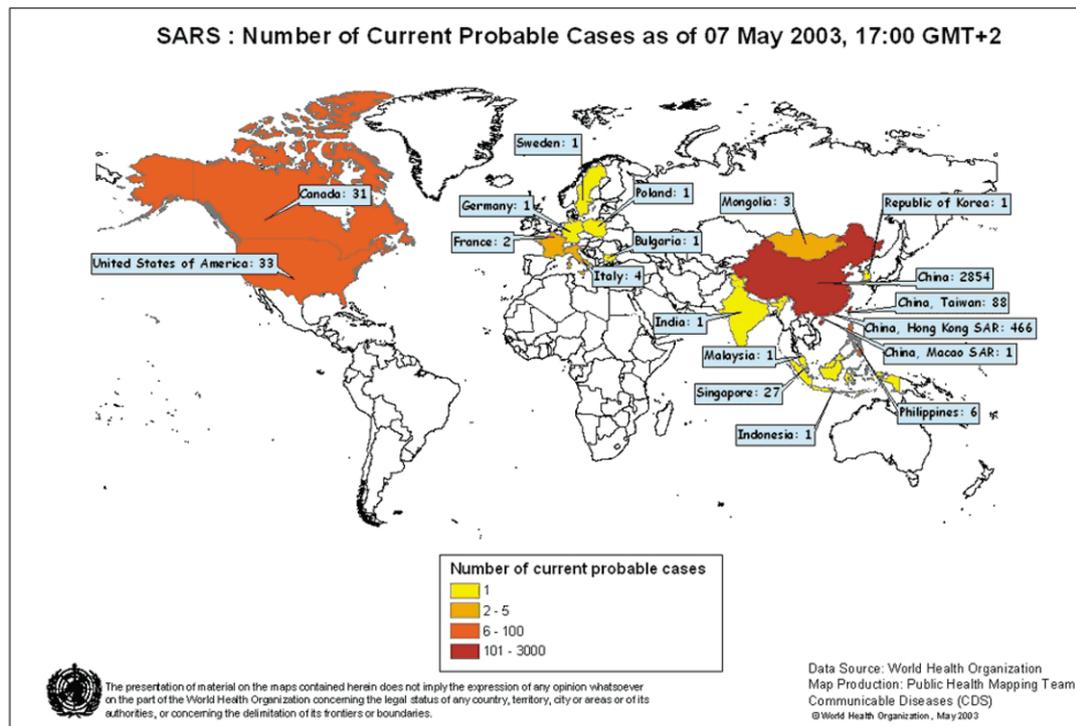
Whereas the looming Iraq conflict had a negative impact on the economic climate in Western Europe, slight positive impact from the short war could be detected in the answers. However, the economic performance in April has even weakened somewhat since the

January survey. The economic expectations remained positive, pointing to a moderate improvement (see Figure 3 and 4). Recent data suggest that present economic performance in the majority of countries in the euro area remains feeble, with *Ireland* and *Finland* being positive exceptions. *Germany* continued to demonstrate

Box 2: Countries affected by the SARS epidemic

As of 30 April, a total of 5,663 probable cases and 372 deaths were reported from 26 countries. *China* is the most severely affected area with over 60% (3,460 cases) of all SARS cases worldwide. About 28% (1,589 cases) of all SARS infections were reported alone from *Hong Kong*. Although by the end of April the number of new cases declined, officials were unable to conclude that the SARS was under control since many factors that influence the outbreak's development remain unknown.

While particularly in *China*, the losses from the SARS in certain business sectors can be easily absorbed by other fast growing industries, particularly in areas not affected by SARS, the negative impact in *Hong Kong* is more visible because of the much smaller area involved and the services orientation of the economy. But also effects deriving from psychological factors can cause lasting harm to economies affected by SARS, as they add uncertainty and could undermine further investment in these regions that have recently attracted numerous multinational companies.



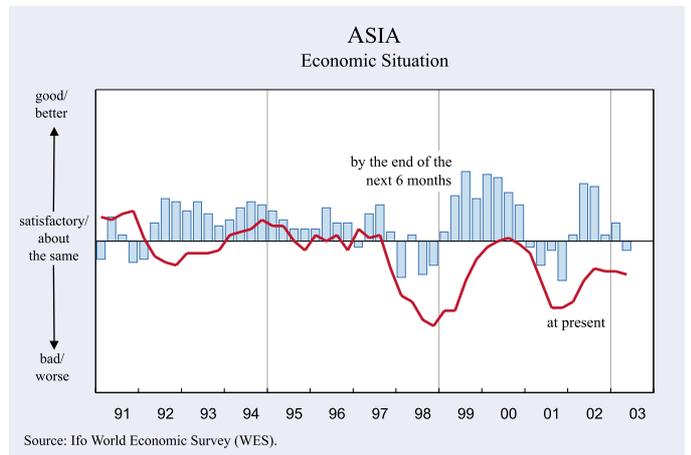
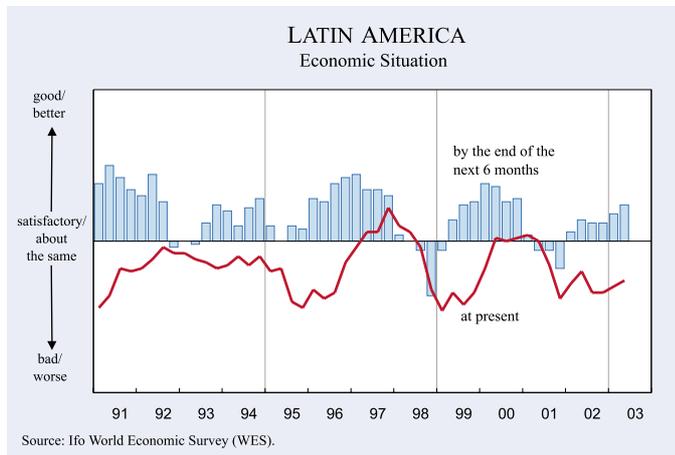
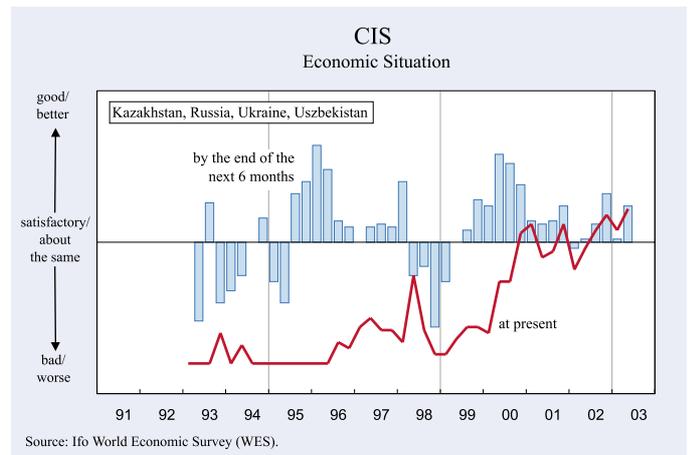
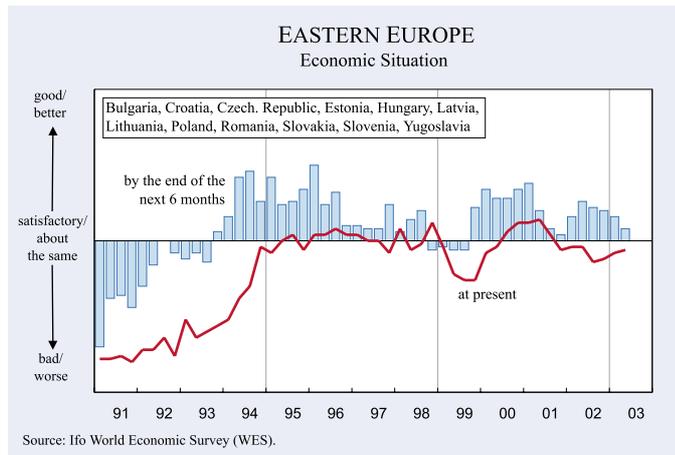
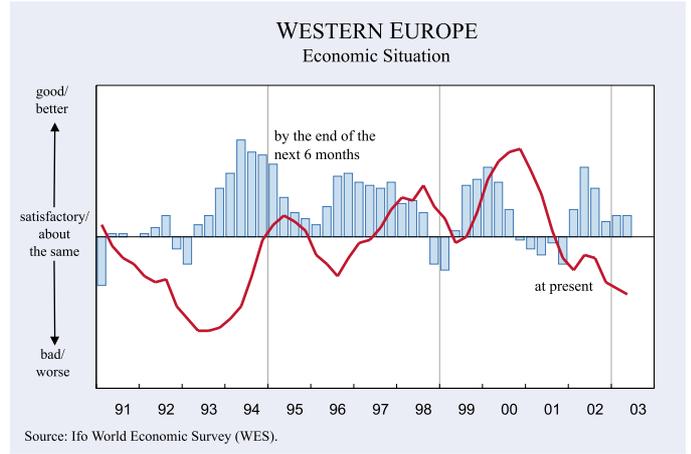
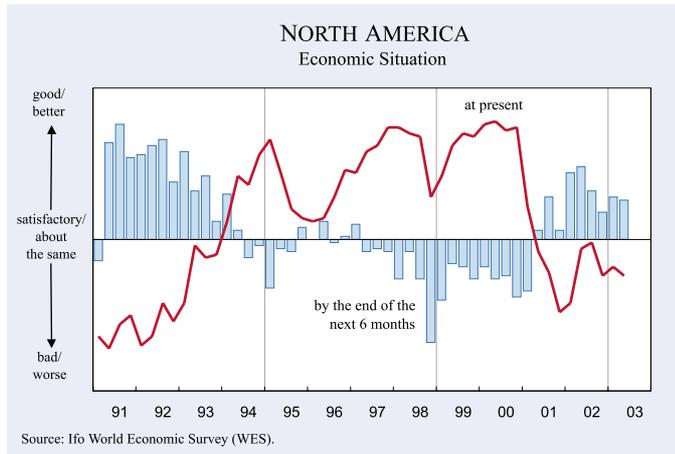
weakness in the euro area. Given the close trade ties the immediate neighbors *France*, *Netherlands* and *Italy*, followed by *Austria* and *Belgium* also show low levels of economic activity at the moment. The near term prospects generally remained stable in almost all these countries, pointing to an improvement in the second half of 2003. In *Portugal* and *France* WES experts reported a deterioration of the present economic situation, but a reversal of the negative trend is expected in the course of the next six months. Among other countries with the single currency only WES experts in *Finland* and *Ireland* assess the present economic performance as satisfactory. The economic short-term expectations in *Finland* remained optimistic, while they became cautious in Ireland. According to panel members the economy in Spain will continue to perform satisfactorily. The assessments of the Greek economy are close to satisfacto-

ry, but the prospects for the coming months are below the euro area's average. Particularly exports and private consumption in Greece are not expected to add much to overall growth (see Figure 7a/b and Box 3).

Among the non-euro countries *Denmark* appears to be faring significantly better economically than all the other European countries, with a bright outlook for the next six months. In the *United Kingdom* the current economic situation deteriorated slightly, though remaining close to the satisfactory level. The economic outlook for the second half of 2003 clouded somewhat, which might be attributable to the continued deterioration of the business and consumer sector. In *Norway* the assessment of the current economic situation dipped from "good" in January to below "satisfac-

Figure 4

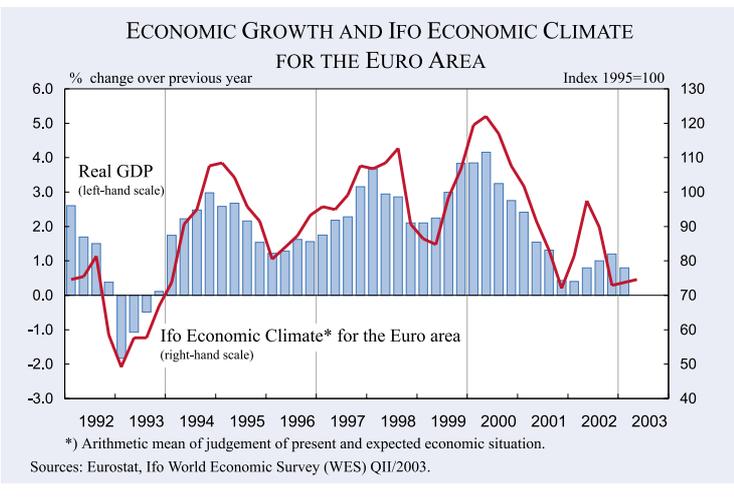
SELECTED REGIONS



Box 3: Ifo World Economic Survey (WES) and GDP Growth in the Euro Area

The Ifo World Economic Climate 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 April results are based on the responses of 274 experts. As a rule, 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).

The Ifo indicator for the economic climate in the euro area improved slightly in April 2003 compared with the WES results of January 2003. The moderate increase of the WES euro area indicator resulted exclusively from slightly better expectations for the next six months, as in the January survey. The assessments of the present economic situation, the second component of the climate indicator, deteriorated further, reaching the lowest level since the second quarter of 1994. Since the expectations tend to lead the assessments of the present situation, there is some hope that the European economic climate will brighten again in six months. However, the latest development of the euro climate indicator points only to a modest economic recovery in the euro area in the coming six months.



tory” in April accompanied by the lower forecasts for private consumption and the hard hit equipment investments. The lowest level of assessments of the present economic situation among the European countries not in the euro area was reported from Switzerland, although the situation should improve in the coming six months as capital expenditures, private consumption and exports are expected to strengthen.

Eastern Europe: Satisfactory economic climate

The economic climate in Eastern Europe has not changed much since the beginning of 2002, remaining satisfactory concerning the assessment of the present economic situation and moderately positive concerning expectations for the next six months (see Figure 8).

The most positive assessments concerning the present economic situation were reported by WES

experts from the Baltic States (especially *Estonia* and *Lithuania*, and to a lesser degree *Latvia*). The outlook for the second half of 2002 suggests stabilisation of these economies at the current “good” level.

Also in *Slovenia*, *Slovakia*, *Romania* and *Yugoslavia* the present economic situation was assessed as “satisfactory” with prospects for future development becoming highly positive. To a lesser degree this holds true for *Bulgaria*, where the overall economic climate improved slightly. In particular the export sector is expected to pick up in coming months. In contrast, the economic outlook for the Czech economy appears to be clouded; growth of capital expenditures, private consumption and exports is expected to slow down in the course of the next six months. However, the present economic performance is still judged to be above the “satisfactory” level. Not so in Poland, where the assessment

of the current economic situation remained significantly below “satisfactory”; also the short term forecast is cautious. While no major changes are expected in capital expenditures and private consumption, the export sector could strengthen in the coming months.

CIS: Improvement of economic climate

Most positive signals concerning economic development in April come from CIS countries. Since the beginning of 2002 predictions for growth were accompanied by continuous improvement of the current economic situation in CIS countries covered by WES (see Figure 4).

In *Russia* economic activity continued to improve. Forecasts for the private sector have further risen, and the export sector is now projected to remain stable on its current level. WES experts are optimistic concerning further growth of the economy in the second half of 2003.

Also for the *Ukraine* modest economic recovery was reported by WES experts. The expectations concerning future development point to further improvement with higher forecasts for private consumption, capital expenditure and exports.

In *Kazakhstan* the economic performance remains highly satisfactory with expectations for a further stabilization in the course of the next six months.

North America: Slight deterioration of economic climate

In North America, both, the assessments of the current economic situation as well as the projections for the next six months deteriorated slightly. However, WES experts from the *USA* and *Canada* reported somewhat different economic trends. Panel members from the *USA* assessed the present economic performance as weak but remained optimistic on further developments, in particular regarding capital expenditures and private consumption. In *Canada* the overall economy remained at a highly satisfactory level and is generally expected to stay there for the near future (see Figure 3 and 4).

Oceania: Economic climate unchanged

For the past year the panel's responses for *Australia* and *New Zealand* suggest a slow down of economic performance, starting from a relatively high level. However, the assessments of the current economic situation are among the most positive in the WES April survey. Much of the skepticism surrounding the outlook for Oceania probably reflects the expected negative impact of the war in Iraq on global demand and therefore exports and the capital expenditure sector of these countries.

Latin America: Temperate economic climate

According to the recent survey, both the assessment of the current economic situation and the expectations for economic development in the next six months improved slightly in South America compared to the January poll. However, the vast majority of WES experts polled in this region judged the present economic situation of their

country to be below a "satisfactory" level (see Figure 4).

Positive assessments concerning present economic performance came from *Peru*, *Chile* and *Brazil*. The panel's forecast for the coming six months is very optimistic. Growth of domestic demand in all three countries is expected to become more dynamic. Fixed investment and exports are also expected to strengthen in the second half of the year.

In other countries of the region, in particular in *Colombia*, *Mexico*, *Panama*, *Paraguay* and *Uruguay*, the assessment of the current economic fell below "satisfactory". But stronger economic growth is forecast in the coming months. Similarly in *Argentina*, an acceleration in economic activity will stimulate the recovery process. Especially the capital expenditure, private consumption and also the export sector are expected to pick up in the next six months (see Figure 10).

Less encouraging is the present economic situation in *Bolivia*, *Costa Rica* and *Ecuador*. Also the short-term expectations point to further deterioration. The less optimistic forecast for the next six months in *Bolivia* and *Costa Rica* is probably related to the weakened state of the private consumption sector. But the export sector in these countries could provide some impetus. *Venezuela*, again showed considerable weakness in economic performance, as reflected in the low level of the assessments of the present economic situation. No significant change to the better is expected in the next six months. The economic crisis will probably last until the political turmoil settles and all industrial sectors can proceed as normal.

Africa: Deterioration of economic climate indicator

On average for the African countries polled in the April survey, the economic performance has slightly deteriorated during recent months (see Figure 11). By far the best economic performance was reported by *South Africa*, followed by *Tunisia* where the outlook for the coming six months points to stabilization at the current level. The prospects for South Africa, according to WES experts, are positive, with capital expenditures and private investment picking up somewhat, whereas

the export sector is not expected to recover in 2003.

The economic situation in *Nigeria*, *Morocco* and *Kenya* is regarded by WES experts as below “satisfactory” but there appears to be a good chance for an improvement in coming months. In contrast, in *Egypt* and *Algeria* the prospects for the coming months do not point to an improvement of the weakened economic performance in these countries in the second half of 2003. The panel’s responses for *Zimbabwe* suggest that much of the gloom surrounding the outlook for economic recovery will remain in 2003.

Near East: Economic climate improved

According to WES experts the current economic situation in the Near East improved slightly since the January 2003 poll. On average, the outlook remained mostly unchanged, reflecting the satisfactory economic climate in the region.

The current economic situation continues to be good particularly in *Saudi Arabia* and *United Arab Emirates*. Also the expectations for the next six months remained bright in these countries. The export sector is expected to strengthen further in the coming six months (see Figure 11).

The economic development in *Turkey* continues to be unsatisfactory. But the prospects for future development remain positive. In *Israel* the assessment of the present situation deteriorated considerably. The majority of WES experts polled in *Israel* assessed the current economic situation as “bad”. However, the outlook for the next six months is optimistic – both private consumption and capital expenditures are expected to strengthen. Also the export sector is expected to pick up somewhat.

The economic situation in *Iran* is now regarded as satisfactory. However, according to WES experts the economic outlook for the coming months appears to be clouded. In *Bahrain* the current economic situation was assessed clearly below the “satisfactory” level. The short term forecast is cautious; growth of capital expenditures, private consumption and exports is expected to slow down in the course of the next six months. No major

changes concerning corporate investment and private consumption sector are expected in *Jordan*.

“Unemployment” and “Insufficient demand” are the most urgent problems around the world

Unemployment remained the most important economic problem around the world. Closely related to unemployment is the problem of *insufficient demand*, which ranks second on average of 88 countries.

In Asia *insufficient demand* became the most important problem of the region. It is particularly pronounced in Hong Kong, aggravated by the SARS outbreak. In Japan and Singapore *insufficient demand* is probably more related to the general weakness of economy. Among Asian countries the problem of *unemployment* has most notably strained the economies of China, Japan, Indonesia, Pakistan, Sri Lanka and Taiwan. Ranking third in Asia is “*Lack of confidence in government’s economic policy*”. That was assessed by the panel to be the problem number one in Indonesia, Japan, South Korea, Taiwan and ranks second in Hong Kong, Pakistan and Philippines. In Vietnam and Malaysia *lack of international competitiveness* is seen to be the most important problem the economy is facing.

On average in Latin America capital shortage is close to ranking second to *unemployment*, while *lack of confidence in government economic policy*, which was one of the top economic problems in the October poll 2002, now ranks lower. In almost all Latin American countries *unemployment* is seen to be the most important problem the economies are facing today. Only in Costa Rica, Ecuador and to a lesser degree in El Salvador and Paraguay did WES experts assess other economical problems as more important: especially *public deficit and foreign debts* (in Costa Rica), *lack of international competitiveness* and *capital shortage* (in Ecuador), *trade barriers to exports* and *public deficits* (in Paraguay). *Lack of confidence in government’s economic policy* is no topic in Brazil, reflecting that in contrast to the previous government the new Lula government enjoys public confidence. But *capital shortage*, *unemployment* and *inflation* remain the most important problems, according to WES experts, except for Venezuela, where priority was placed on the *lack of confidence in government’s economic policy*.

Unemployment still ranks as the most important problem in all African countries polled by WES, except Zimbabwe, where *inflation* is seen to be the most important economic impediment. In South Africa *lack of skilled labour* became second important problem noted by WES experts. In Kenya and Nigeria the problems of *public deficits*, *foreign debts* and *capital shortage* are also seen to be very important.

In the Near East economic problems differ very much from country to country. In Turkey and in Israel *lack of confidence in government's economic policy* and *unemployment* were assessed to be most important problems of economy. In Saudi Arabia and Bahrain *lack of skilled labour* is the most relevant problem seen by WES experts. In the United Arab Emirates, none of those problems seem to exist.

In Western Europe as in the USA, *insufficient demand* is regarded as the crucial economic impediment facing the present. It ranked first in Austria, Belgium, the Netherlands, Switzerland and the USA, and it rank second in Germany, Italy and Spain. The second most frequently noted problem was *unemployment*, particularly, in Finland, France, Germany, Greece and Spain. Of all European countries only Denmark reported a *lack of skilled labour*; and also regarded this as the most important problem.

Lack of *international competitiveness*, *capital shortage* and *unemployment* are the fundamental problems in countries of Eastern Europe. Only in Estonia did *lack of skilled labour* rank first. *Government's economic policy* seems to be trustworthy in all Eastern European countries, except in Latvia and to a lesser degree Yugoslavia.

WES experts in Russia emphasized the *lack of international competitiveness* of the domestic industry. Certain priority was also attached to *capital shortage*, whereas no other economic problems seem to affect Russian economy seriously at present. In Ukraine, *lack of confidence in governments economic policy* and the problem of high *public deficit* remained the most important economic problems. In Kazakhstan *lack of international competitiveness*, *skilled labour* and *capital* restrain the country's economic performance.

None of all those economical problems threaten economic performance in Sweden, Canada and Australia.

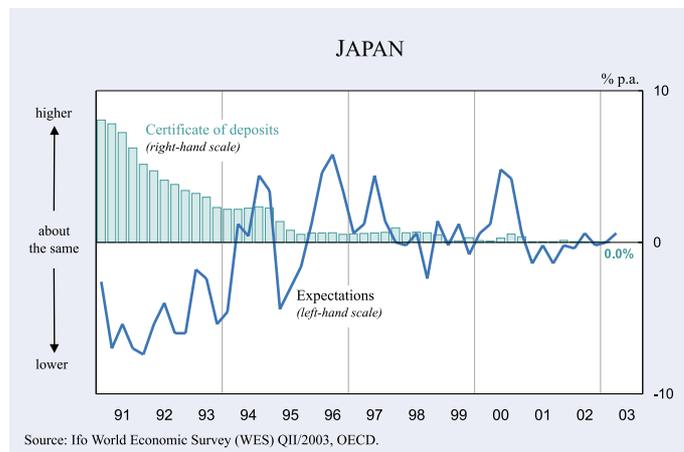
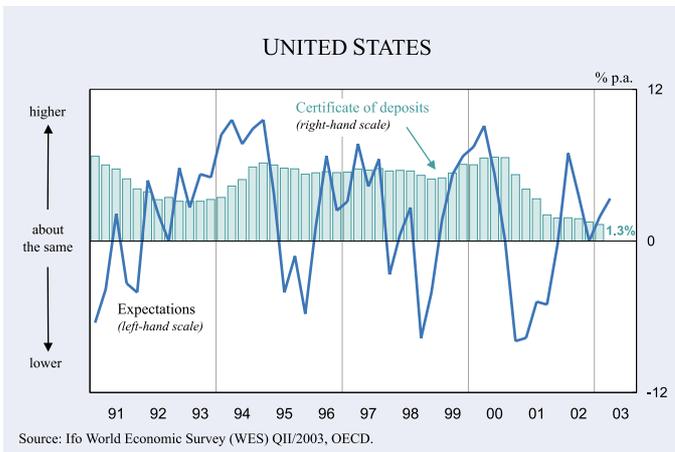
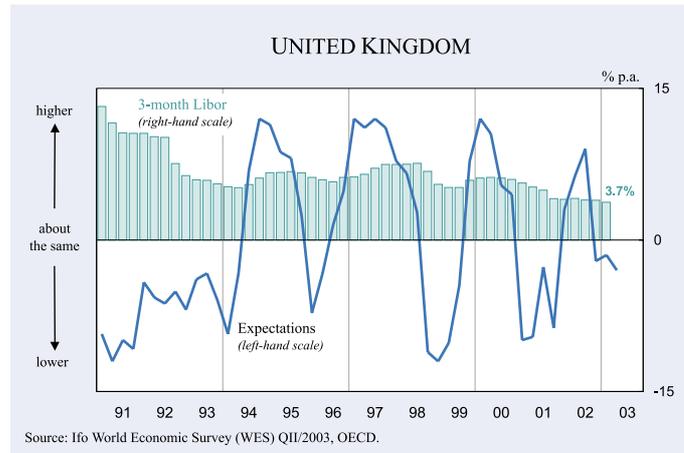
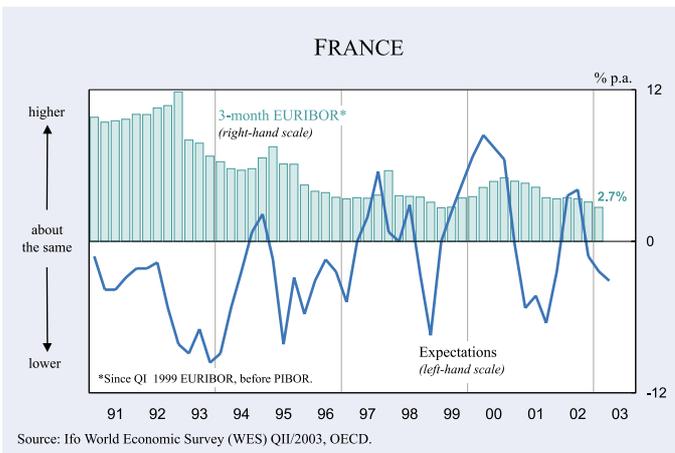
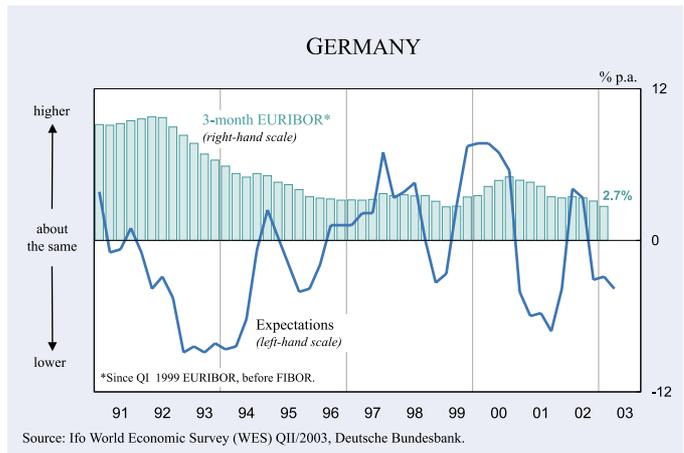
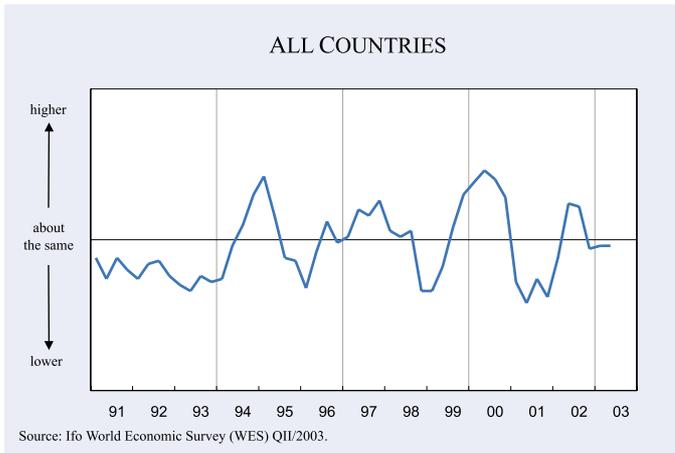
Interest rates: Only small scope seen for further rate cuts

The phase of falling **short-term interest rates** is not yet over but is nearing its end (see Figure 5). In *North America* – in Canada even more pronounced than in the USA – more WES experts than in the January survey expect short-term rates to pick up slowly in the course of the next six months. In Australia where short-term interest rates are significantly higher than in the USA (4.75% compared to 1.25%) the trend of rising rates is slowing down and is expected to level off in the course of the next six months. In *Western and Eastern Europe* the downward trend of short-term interest rates is still intact and expected to continue in coming months. In Western Europe even more experts than in the January survey expect short term rates to decline further. Amongst the participants from the euro area a further monetary easing by the European Central Bank appears to be likely. This opinion is particularly shared by WES experts in Portugal, Belgium and Germany. In *Africa*, particularly in *South Africa*, there is still a high likelihood for rate cuts in coming months. In *Latin America* the trend of rising short-term interest rates is leveling off. Only in some Latin American countries like Mexico, Colombia, Costa Rica and Paraguay a further rise of rates expected. In Brazil and Argentina interest rates will remain stable or even decline somewhat.

Long-term interest rates are seen as increasing marginally in the course of the next six months. This worldwide trend characterizes also *Western Europe*. A stronger upward trend of long-term interest rates is expected again particularly in *North America* and *Australia* as well as in some *Latin American* countries like Venezuela and Uruguay as well as in some Asian countries like the Philippines, Hong Kong and Vietnam. On the other hand, a continued downward trend of long term interest rates will prevail, according to WES experts, in most *Eastern European* as well as CIS countries and some *Asian* countries like India, Pakistan Thailand and Sri Lanka. Less pronounced than in the previous survey a declining trend of long-term interest rates is expected in most *African* countries with the exception of South Africa where a clear downward trend appears to be still intact. A downward bias of capital market rates prevails also in the *Near East*, most pronounced in Israel, Jordan, Bahrain and Turkey.

Figure 5

ACTUAL SHORT-TERM INTEREST RATES AND EXPECTED TREND FOR THE NEXT 6 MONTHS (QUARTERLY DATA)



Euro seen overvalued

Somewhat more than in the previous survey the euro is regarded as overvalued. As the euro increased further in value since the survey was taken in April, the perceived overvaluation has probably even grown in past weeks. British pound sterling is also judged to be overvalued though somewhat less than in the previous survey. The US dollar appears to be only slightly higher than fundamentally justified. The current level of the Japanese yen is assessed as more or less appropriate with a small bias toward an undervaluation (see Figure 6).

The perceived overvaluation of the euro is a widespread phenomenon, particularly pronounced in CIS countries and in the Near East. The US dollar is still seen as overvalued against own currencies, particularly in Canada, Australia, and New Zealand as well as in Russia, Hong Kong, Singapore, Costa Rica, Cyprus and Estonia. In Argentina and Venezuela the own currency appears to be generally overvalued. This feeling is even more pronounced in Zimbabwe where the economic performance is considered worst of all 88 countries included in the survey. On the other hand WES experts from CIS and some Eastern European countries like Estonia as well as from some Latin American countries like Brazil, Chile, Colombia and Costa Rica consider the currencies of their own countries as generally undervalued. Also in South Africa the domestic currency appears to be undervalued vis-à-vis the major world currencies, similar in Morocco and Nigeria.

In addition to the general assessment WES experts have again been asked about the likely trend of the

US dollar exchange rate in the next six months. On the average for all 88 countries included, the US dollar is still predicted to remain unchanged. However, there are strongly differing trends by regions or countries: In Canada and Australia the US dollar is expected to devalue further. On the other hand, in Western Europe the devaluation trend of the dollar is seen as leveling off in coming month. In the majority of Latin American countries, the Near East and Africa as well as CIS and Eastern European countries, the dollar is expected to gain in strength, even though the dollar in some of these countries is regarded as overvalued.

Inflation outlook 2003 unchanged at 3.2%

On a world-wide scale consumer price inflation in 2003 is expected to be 3.2%, identical with the estimate of the January survey. In the euro area the 2003 inflation rate is now seen as slightly lower than at the beginning of the year (2.1% compared with 2.2% in the January survey). There appears to be a tendency that inflation in countries well above the euro area average is slowing down somewhat, so for example in Ireland from 4.9% (January survey) to 4.7%, in Spain from 3.4% to 3.3% and in the Netherlands from 2.7% to 2.5%. The country with the presumably lowest inflation in the euro area will probably be Germany again with an unchanged 1.3% expected. A lower 2003 inflation figure in an Western European country is only expected in Switzerland (0.9% after 1.0% in the January survey).

According to the new WES results, 2003 inflation figures in the United States at 2.3% are marginally higher than in the January survey (2.2%) but remain well within the range regarded as normal by the US Fed (around 2.5%)

Asia continues to show by far the highest degree of price stability (1.4% compared to 1.5% in January 2003). Deflationary trends still prevail in Japan (-0.5% in 2003 compared with -0.8% in 2002) and Hong Kong (-1.1% in 2003 compared with -2.1% in 2002) though to a somewhat lesser degree than last year. Whereas in China

Figure 6

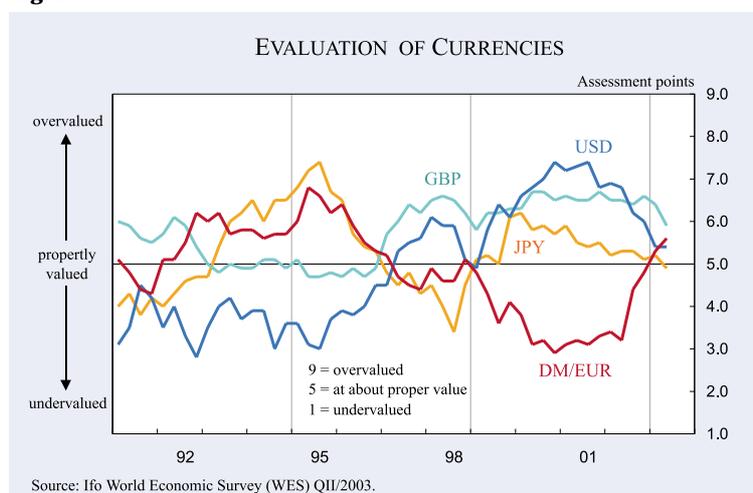


Figure 7a

EUROPEAN UNION

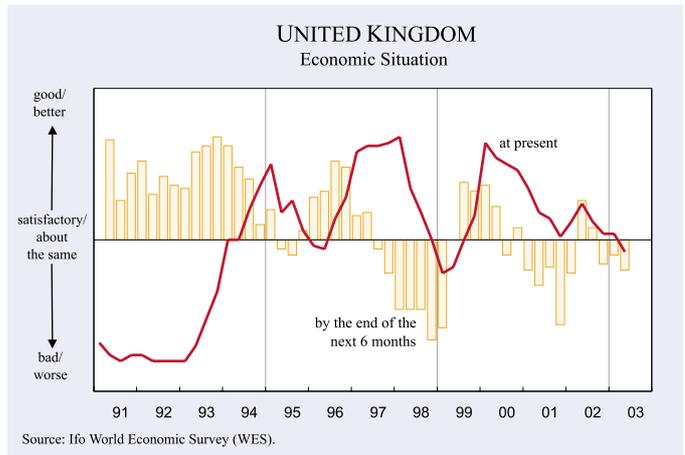
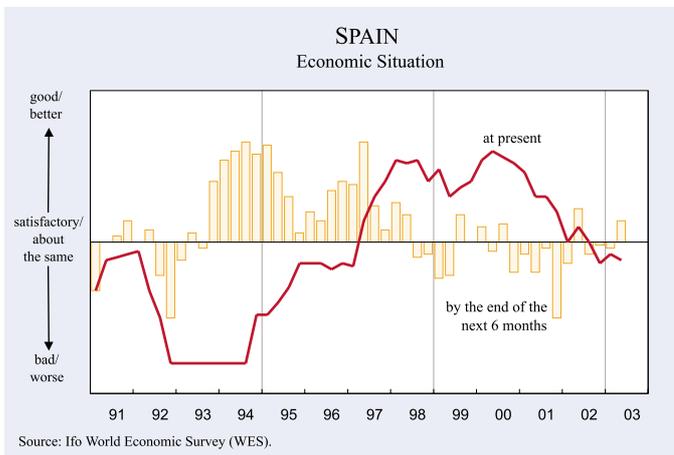
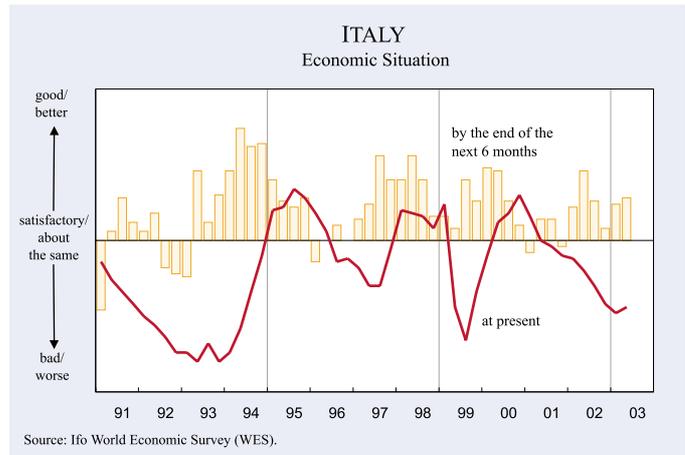
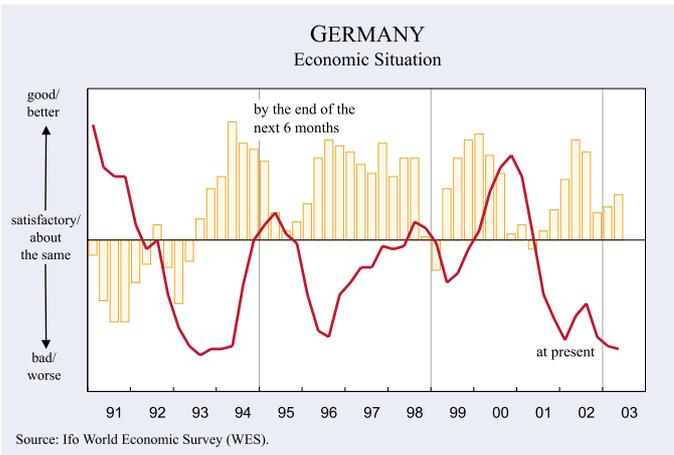
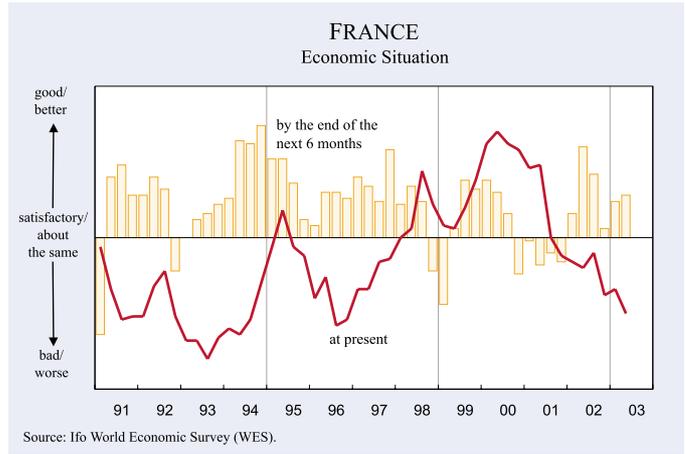
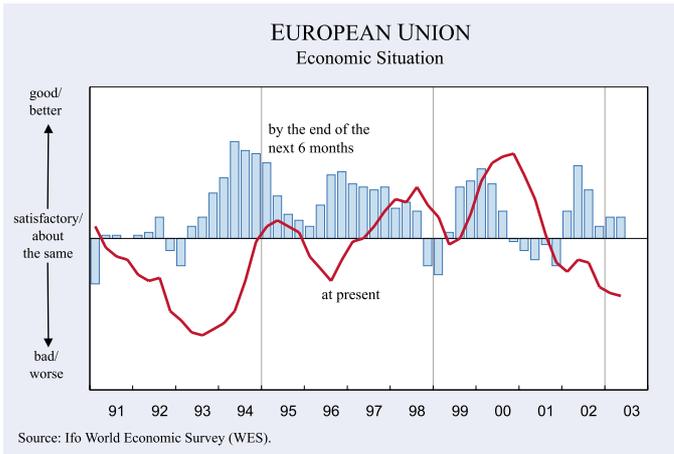


Figure 7b

EUROPEAN UNION

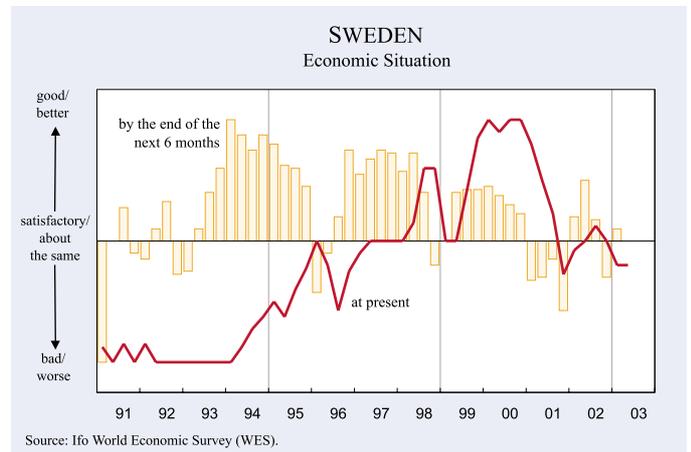
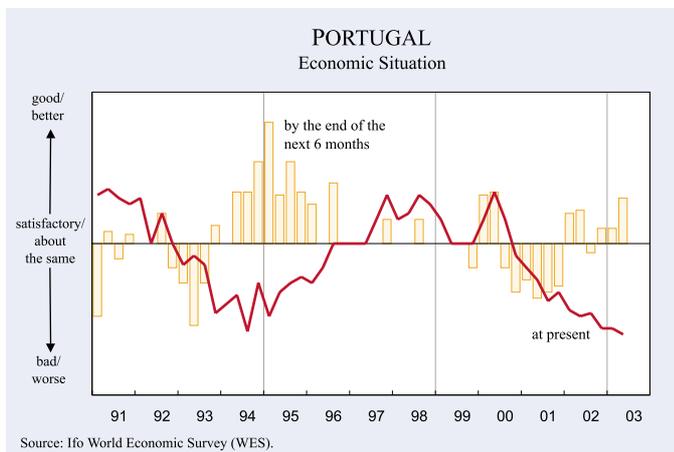
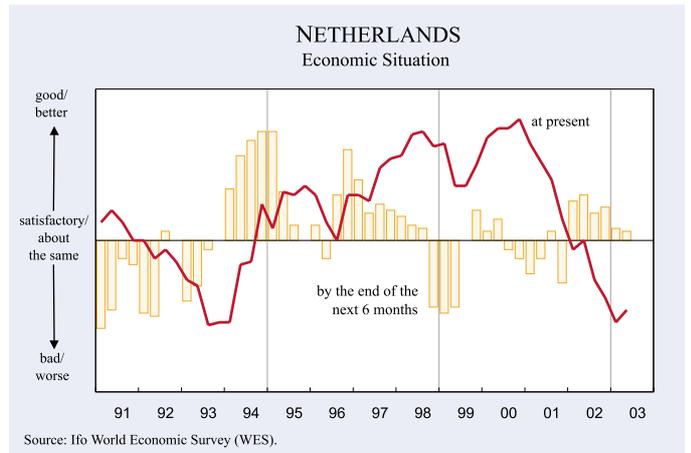
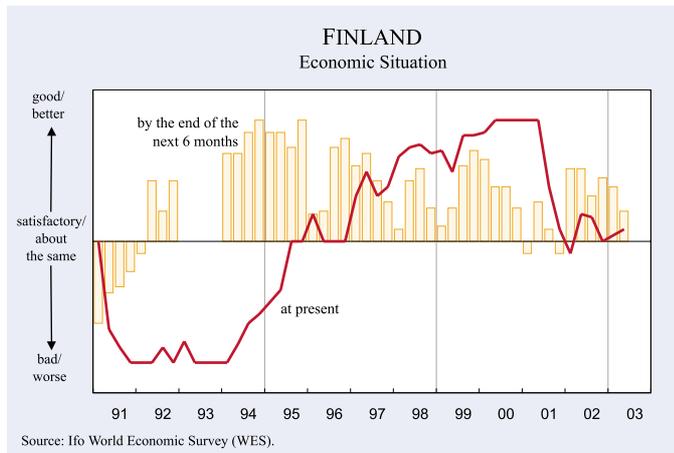
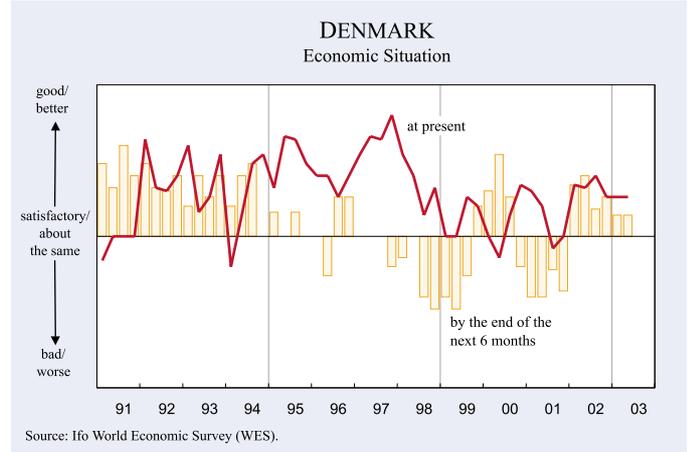
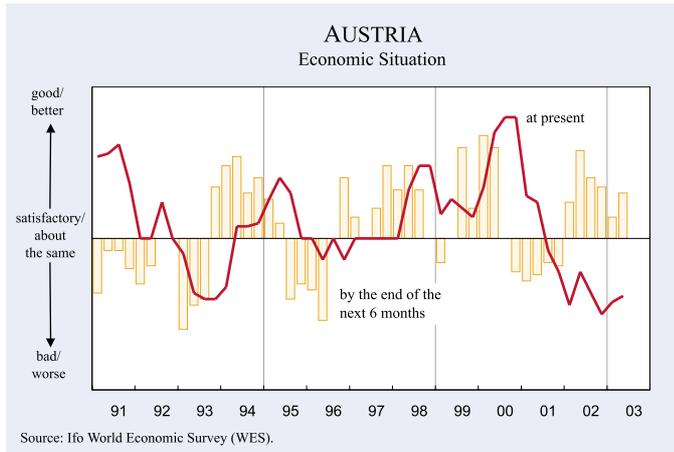


Figure 8

EASTERN EUROPE

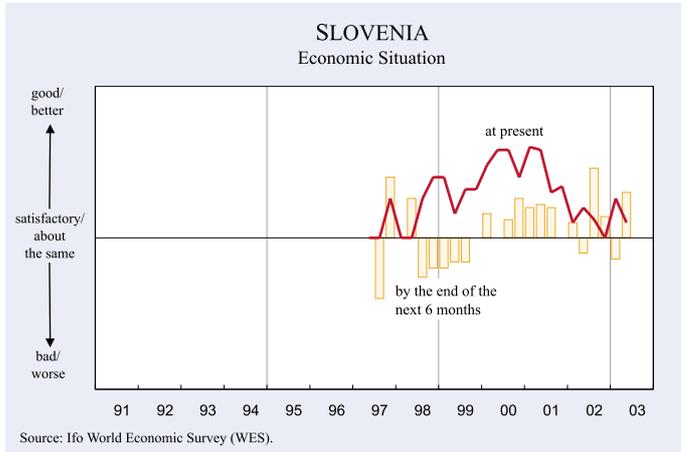
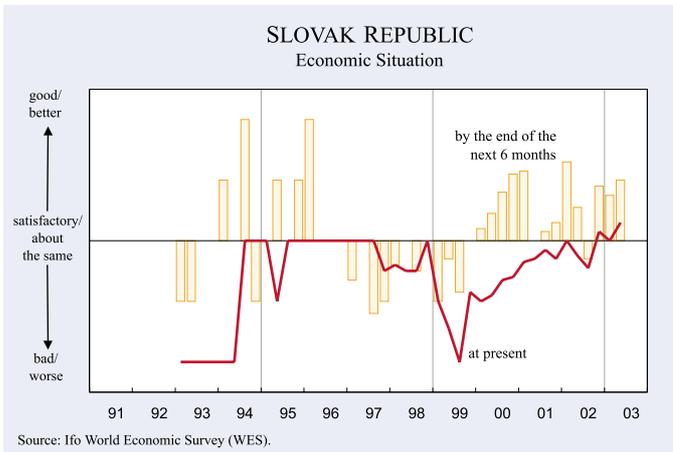
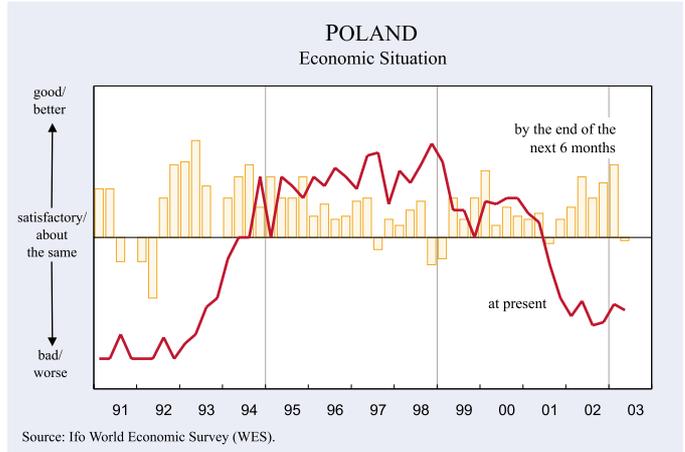
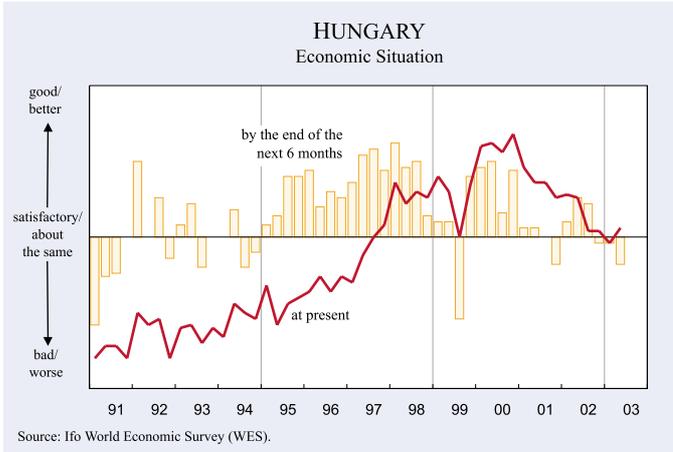
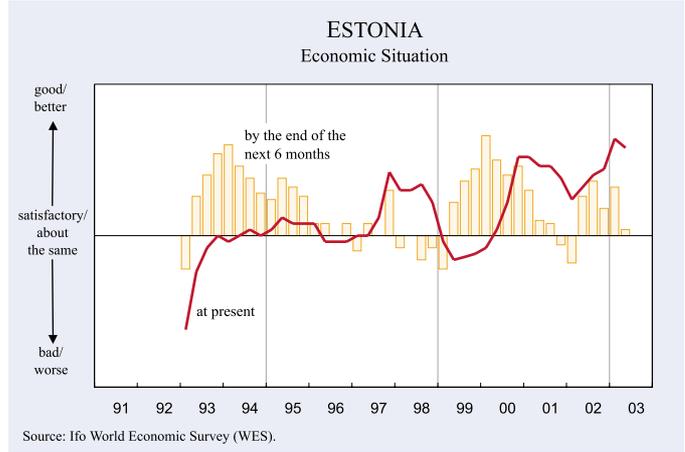
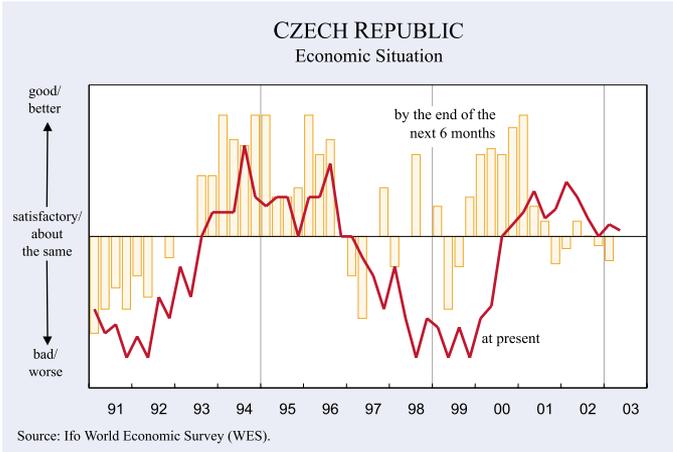


Figure 9

ASIA

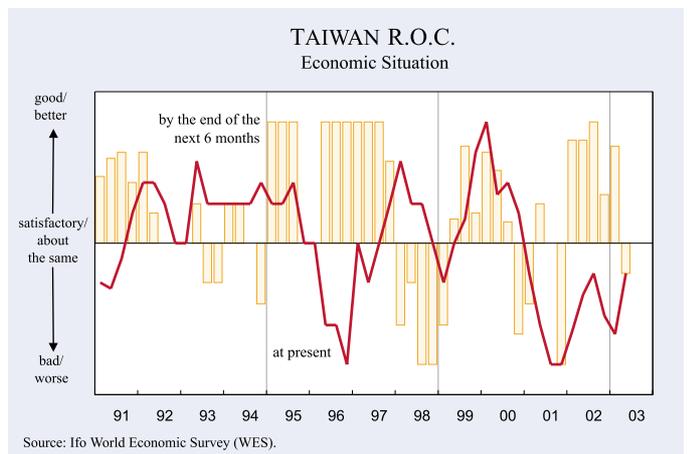
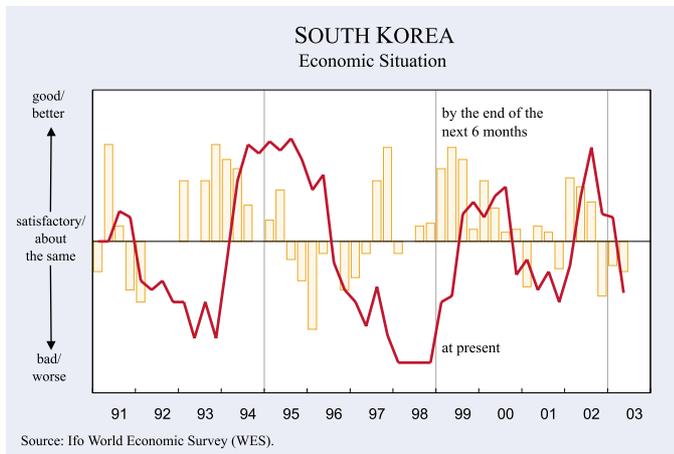
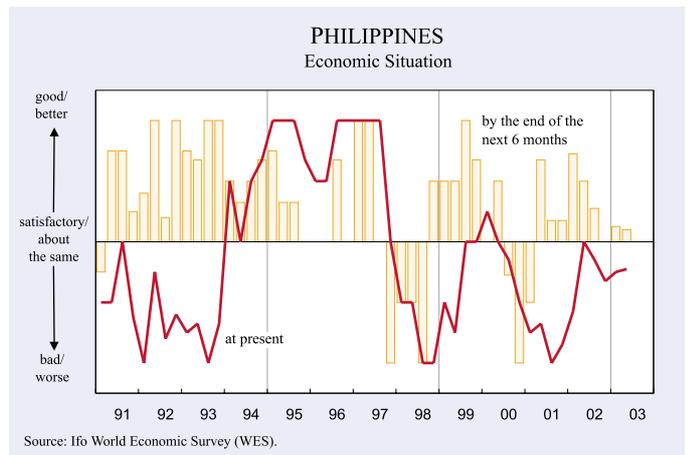
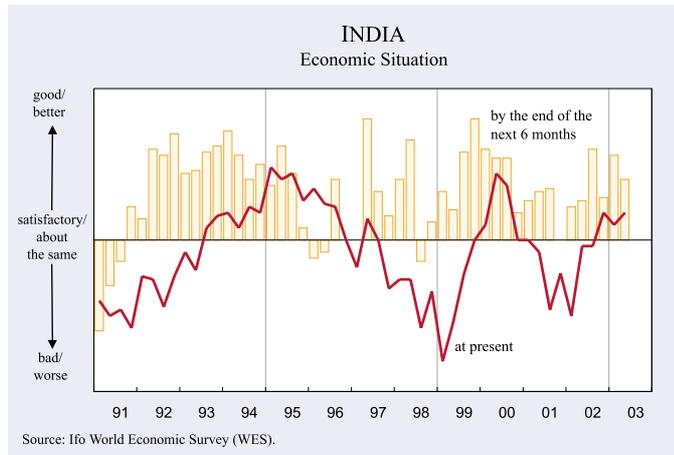
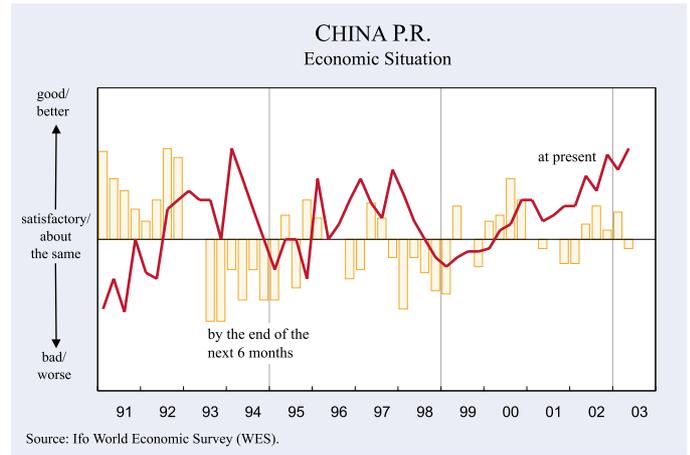
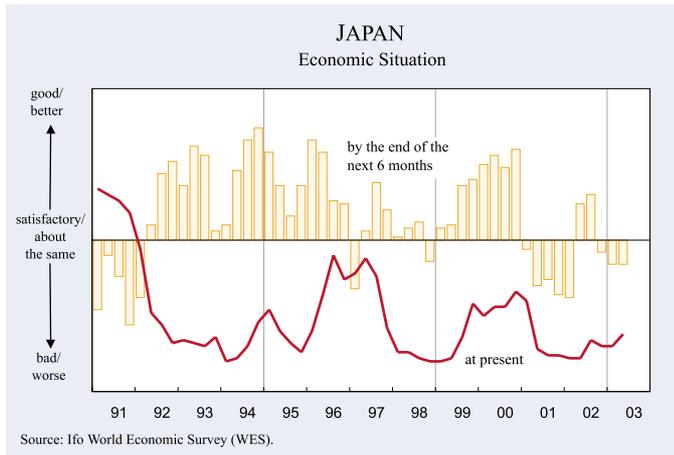


Figure 10

LATIN AMERICA

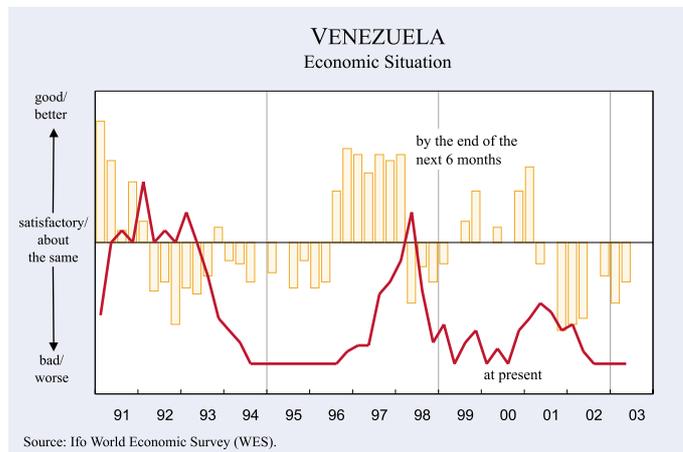
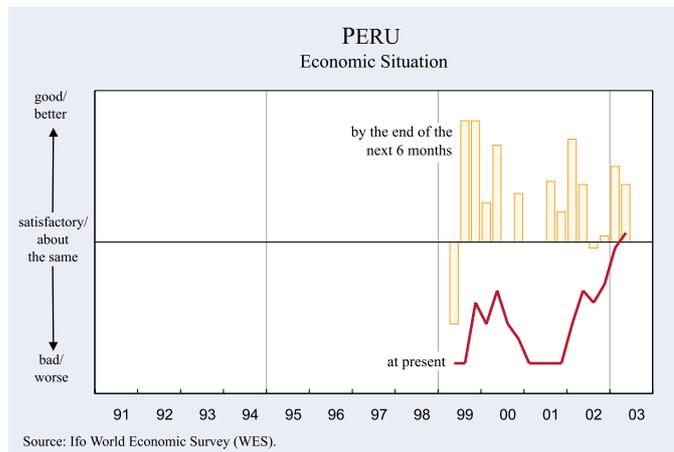
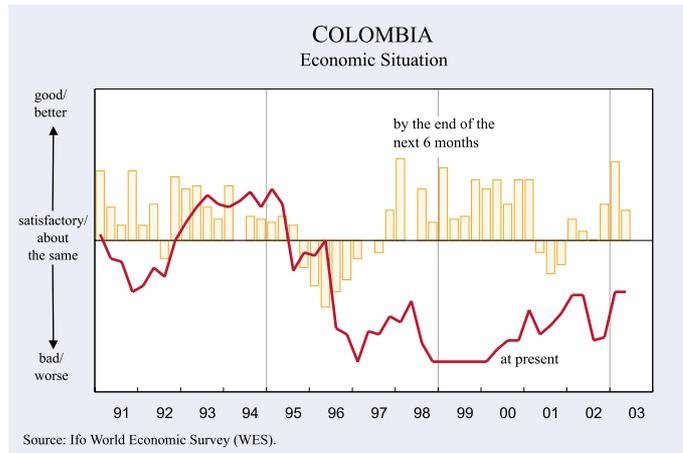
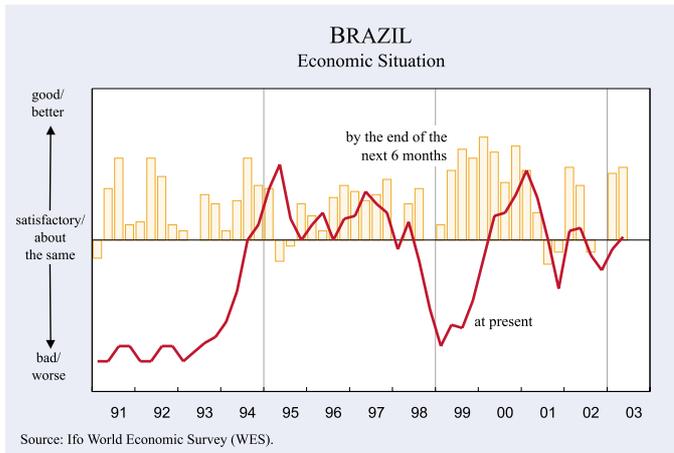
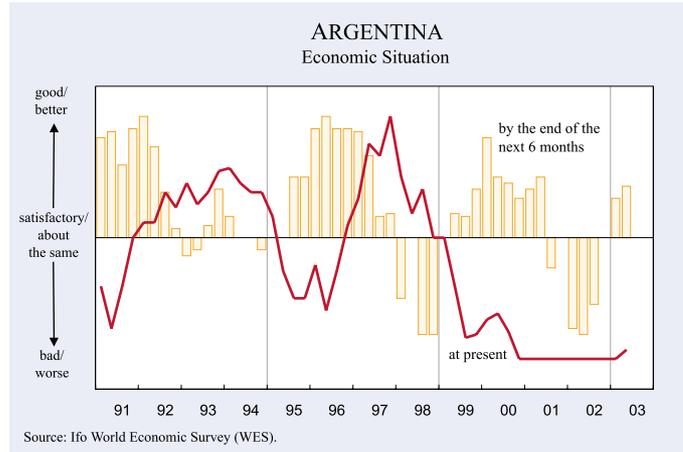
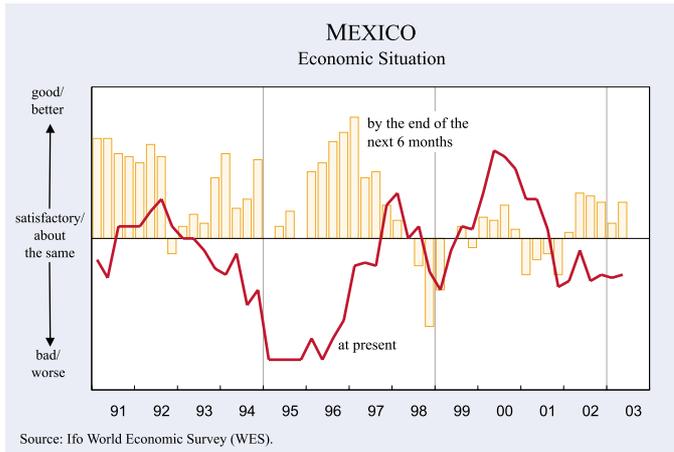
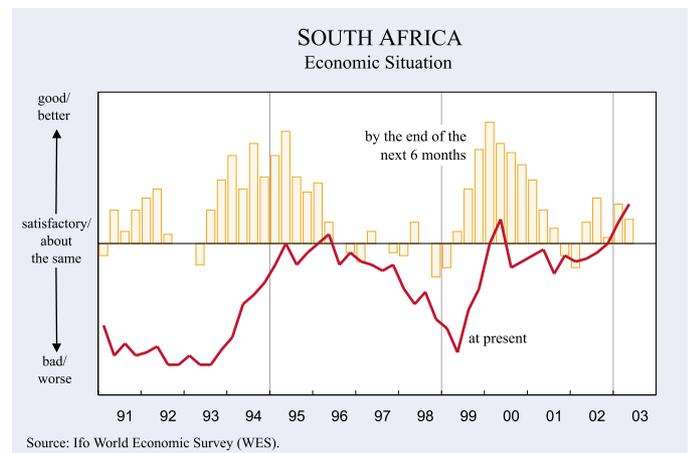
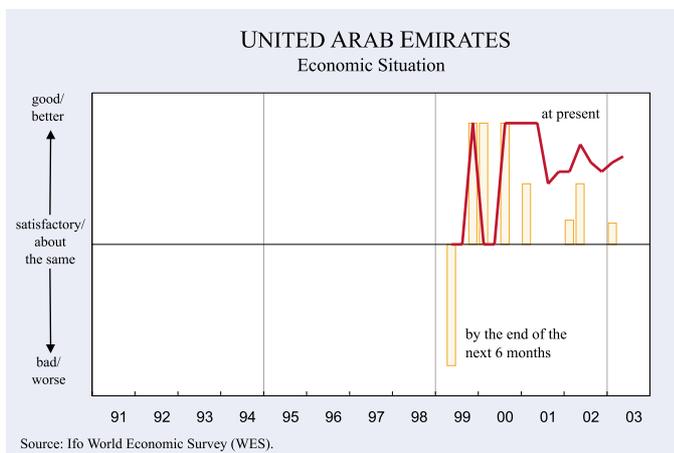
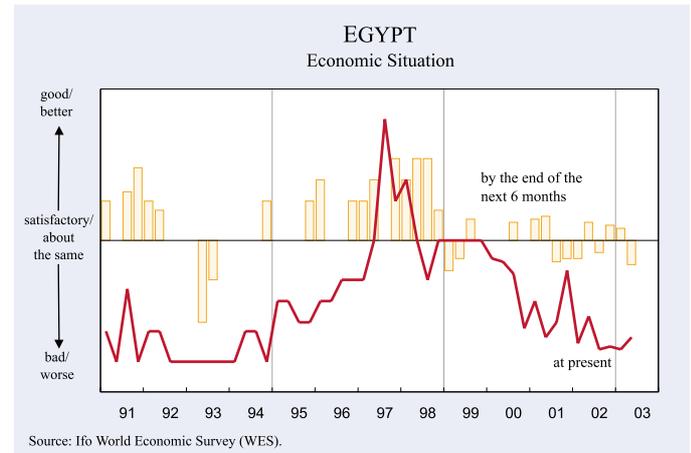
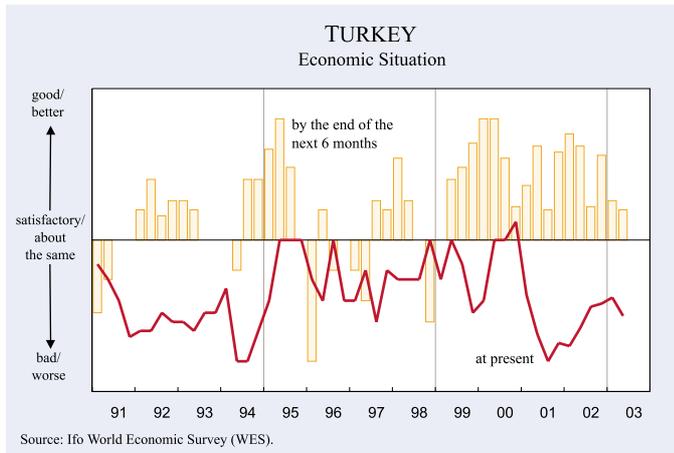
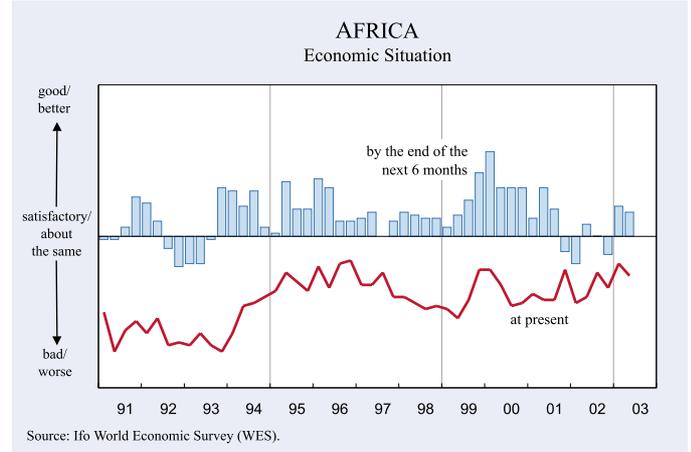
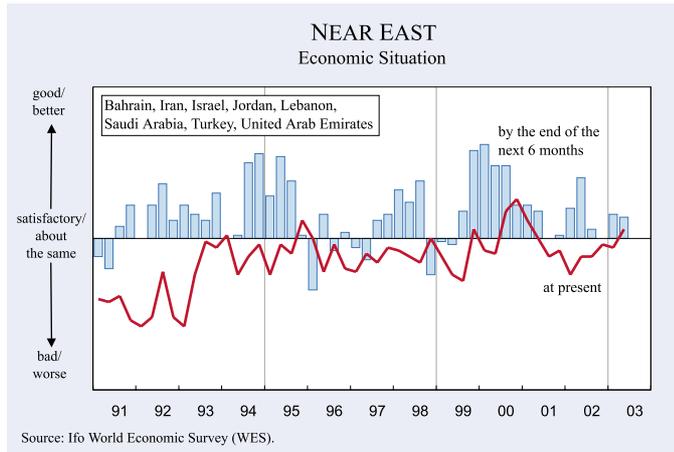


Figure 11

NEAR EAST AND AFRICA



inflation in 2003 is expected to pick up marginally (from 0.7% in 2002 to presumably 1.3% in 2003). The inflation outlook in Taiwan for 2003 is as low

as inflation in 2002 (0.7%), though the danger of falling into a deflationary cycle is still not completely averted.

Table 1

Expected Inflation Rate 2003 (based on WES Q1/2003 and Q1/2003) *

	QII/2003	QI/2003		QII/2003	QI/2003
AVERAGE OF 88 COUNTRIES	3.2	3.2	CENTRAL & LATIN AMERICA	10.7	9.6
30 HIGH-INCOME COUNTRIES	1.9	1.9	ARGENTINA	23.1	25.8
45 MIDDLE-INCOME COUNTRIES	7.5	7.0	BOLIVIA	4.3	4.3
21 UPPER-MIDDLE	7.4	6.8	BRAZIL	11.6	10.1
24 LOWER-MIDDLE	8.0	7.6	CHILE	3.3	2.9
13 LOW-INCOME COUNTRIES	5.1	6.3	COLOMBIA	6.7	6.4
HIGH-INCOME OECD COUNTRIES	2.0	2.0	COSTA RICA	11.5	9.5
MIDDLE-INC. OECD COUNTRIES	5.6	5.6	ECUADOR	8.2	9.0
MIDDLE-INC. OIL EXPORTERS ¹	15.7	11.4	EL SALVADOR	3.0	2.7
EU COUNTRIES	2.2	2.2	GUATEMALA	-	12.0
EURO-LAND ²	2.1	2.2	MEXICO	4.9	4.9
MEDITER. (NON-EU) COUNTR. ³	11.3	10.6	PANAMA	1.1	1.6
ASEAN AND EAST ASIAN NICs ⁴	2.1	2.4	PARAGUAY	18.7	17.0
ASIAN PACIFIC RIM ⁵	2.0	2.1	PERU	2.6	2.2
ARABIAN OPEC COUNTRIES ⁶	5.2	3.4	URUGUAY	26.0	29.7
			VENEZUELA	51.1	45.0
WESTERN EUROPE	2.2	2.2	ASIA	1.4	1.5
AUSTRIA	2.0	1.8	BANGLADESH	4.6	3.5
BELGIUM	1.8	1.7	CHINA P.R.	1.3	1.1
CYPRUS	4.5	4.0	HONG KONG	-1.1	-0.7
DENMARK	2.5	2.5	INDIA	4.8	4.5
FINLAND	1.7	1.9	INDONESIA	8.9	11.0
FRANCE	2.0	1.9	JAPAN	-0.5	-0.6
GERMANY	1.3	1.3	KOREA	3.5	3.0
GREECE	3.8	3.4	MALAYSIA	2.1	2.3
ICELAND	2.0	2.3	MONGOLIA	-	6.5
IRELAND	4.7	4.9	NEPAL	4.0	-
ITALY	2.4	2.6	PAKISTAN	5.3	5.0
LUXEMBOURG	2.2	2.0	PHILIPPINES	4.2	4.6
NETHERLANDS	2.5	2.7	SINGAPORE	1.4	1.8
NORWAY	2.5	1.2	SRI LANKA	9.2	10.9
PORTUGAL	3.4	3.0	TAIWAN R.O.C.	0.7	1.1
SPAIN	3.3	3.4	THAILAND	2.6	2.1
SWEDEN	2.5	2.4	VIETNAM	4.3	4.3
SWITZERLAND	0.9	1.0	OCEANIA	2.9	2.9
UNITED KINGDOM	2.7	2.6	AUSTRALIA	3.0	3.0
CENTRAL & EASTERN EUROPE	4.3	4.7	NEW ZEALAND	2.4	2.3
BOSNIA HERCEGOVINA	3.0	3.5	NEAR EAST	9.2	7.7
BULGARIA	4.8	4.4	BAHRAIN	1.0	5.0
CROATIA	3.2	3.2	IRAN	18.7	14.5
CZECH REPUBLIC	1.9	2.6	ISRAEL	3.0	4.5
ESTONIA	3.6	3.9	JORDAN	2.3	2.4
HUNGARY	5.2	5.1	LEBANON	5.0	3.5
LATVIA	2.7	2.2	SAUDI ARABIA	1.6	1.1
LITHUANIA	1.5	1.7	TURKEY	28.4	25.7
POLAND	1.6	2.0	UNITED ARAB EMIRATES	2.7	2.3
ROMANIA	13.6	14.3	AFRICA	14.6	17.3
SLOVENIA	5.6	5.8	ALGERIA	4.0	6.0
SLOWAKIA	7.9	7.8	EGYPT	6.6	4.0
YUGOSLAVIA	9.2	9.3	GHANA	-	10.0
CIS	12.4	13.3	KENYA	3.2	4.9
GEORGIA	5.0	5.0	MAURITIUS	-	7.0
KAZAKHSTAN	6.0	5.8	MOROCCO	2.3	2.7
RUSSIA	14.3	13.8	NIGERIA	13.0	18.8
UKRAINE	6.3	5.0	SOUTH AFRICA	8.3	8.2
UZBEKISTAN	-	50.0	TANZANIA	5.0	-
NORTH AMERICA	2.4	2.3	TUNISIA	-	3.0
CANADA	2.9	2.7	ZIMBABWE	378.0	351.1
UNITED STATES	2.3	2.2			

* Compared to average of previous year.

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, Saudi Arabia, United Arab Emirates.

Source: Ifo World Economic Survey (WES), QII/2003.

The inflation outlook for Central and Eastern Europe has decreased further (4.3% according to the April 2003 survey compared with 4.7% in the January survey and 5.3% in 2002). The only coun-

tries in this bloc still having very high inflation rates are Yugoslavia (9.2% expected this year compared with 17.3% last year) and Romania (13.6% compared with 21.2% last year) but also here a

Table 2

Expected Growth of Real Gross Domestic Product in 2003

	GDP		GDP
AVERAGE OF 90 COUNTRIES	2,1	CENTRAL & LATIN AMERICA	1,5
30 HIGH-INCOME COUNTRIES	1,6	ARGENTINA	4,1
45 MIDDLE-INCOME COUNTRIES	3,1	BOLIVIA	2,4
21 UPPER-MIDDLE	2,6	BRAZIL	2,5
24 LOWER-MIDDLE	4,3	CHILE	2,9
13 LOW-INCOME COUNTRIES	6,1	COLOMBIA	2,2
HIGH-INCOME OECD COUNTRIES	1,5	COSTA RICA	2,2
MIDDLE-INC. OECD COUNTRIES	3,1	ECUADOR	3,0
MIDDLE-INC. OIL EXPORTERS ¹	0,2	EL SALVADOR	2,0
EU COUNTRIES	1,3	MEXICO	2,2
EURO-LAND ²	1,2	PANAMA	1,3
MEDITER. (NON-EU) COUNTR. ³	3,2	PARAGUAY	2,5
ASEAN AND EAST ASIAN NICs ⁴	3,0	PERU	4,2
ASIAN PACIFIC RIM ⁵	3,9	URUGUAY	-1,3
ARABIAN OPEC COUNTRIES ⁶	3,1	VENEZUELA	-13,1
WESTERN EUROPE	1,3	ASIA	3,1
AUSTRIA	1,4	BANGLADESH	4,7
BELGIUM	1,2	CHINA P.R.	7,2
CYPRUS	1,9	HONG KONG	1,4
DENMARK	1,9	INDIA	5,4
FINLAND	1,9	INDONESIA	3,3
FRANCE	1,4	JAPAN	0,4
GERMANY	0,5	KOREA	4,0
GREECE	3,5	MALAYSIA	3,6
ICELAND	3,0	MONGOLIA	0,5
IRELAND	3,0	NEPAL	3,0
ITALY	1,2	PAKISTAN	4,1
LUXEMBOURG	1,2	PHILIPPINES	3,9
NETHERLANDS	0,8	SINGAPORE	2,3
NORWAY	1,4	SRI LANKA	5,7
PORTUGAL	0,9	TAIWAN R.O.C.	3,0
SPAIN	2,1	THAILAND	4,3
SWEDEN	1,3	VIETNAM	6,8
SWITZERLAND	0,7	OCEANIA	3,1
UNITED KINGDOM	1,9	AUSTRALIA	3,1
CENTRAL & EASTERN EUROPE	3,2	NEW ZEALAND	3,0
BOSNIA HERCEGOVINA	3,5	NEAR EAST	2,9
BULGARIA	3,9	BAHRAIN	4,0
CROATIA	3,2	IRAN	5,5
CZECH REPUBLIC	2,4	ISRAEL	0,8
ESTONIA	4,5	JORDAN	5,0
HUNGARY	3,4	LEBANON	
LATVIA	5,2	SAUDI ARABIA	2,4
LITHUANIA	5,0	TURKEY	4,0
POLAND	2,6	UNITED ARAB EMIRATES	2,8
ROMANIA	4,4	AFRICA	3,0
SLOVENIA	3,2	ALGERIA	4,0
SLOVAKIA	3,5	EGYPT	1,4
YUGOSLAVIA	4,3	KENYA	1,8
CIS	4,7	MOROCCO	7,6
GEORGIA	6,5	NIGERIA	1,0
KAZAKHSTAN	8,0	SOUTH AFRICA	2,8
RUSSIA	4,6	TANZANIA	6,0
UKRAINE	4,3	TUNISIA	3,0
NORTH AMERICA	2,2	ZIMBABWE	-9,0
CANADA	2,7		
UNITED STATES	2,1		

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, Saudi Arabia, United Arab Emirates.

Source: Ifo World Economic Survey (WES), QII/2003.

moderate slowing down of inflation rates is to be expected.

In Central and Latin America overall inflation is now expected to be somewhat higher than in the January survey (10.7% compared with expected 9.6% in the January survey). But even if this slightly stronger inflation trend materializes the price increase will be lower than in 2002 (12.5%). Only a few countries, particularly Venezuela, are moving against this trend. In Venezuela inflation in 2003 is now expected to be 51.1% after an expected 45.0% at the beginning of the year and 34.5% in 2002. The inflation outlook for Africa is less worrying than at the beginning of the year (14.6% after expected 17.3% in the January survey) but still worse than in 2002 (11.9%). However, this is mainly due to the catastrophic situation in Zimbabwe where a hyperinflation of about 380% is expected in 2003 following a hike of about 135% last year. In Nigeria inflation is likely to slow down to 13.0% in 2003; this figure is significantly better than the outlook at the beginning of the year (18.8%). In South Africa 2003 inflation is expected to settle at 8.3%, down from 9.5% in 2002 (see Table 1).

Overall economic growth in 2003 about 2.1%

On average of all 88 countries included in the survey, real gross domestic product (GDP in constant prices) in 2003 is expected to be 2.1% higher than in 2002. Well above average will remain growth in CIS countries (4.7%) as well as in Central and Eastern Europe (3.2%), in Asia (3.1%) and in Oceania (3.1%). Somewhat stronger than the overall average economic growth is the expected growth in the Near East (2.9%) and Africa (3.0%). Western Europe (1.3%) and Central and Latin America (1.5%) lag behind the world average in economic terms. In particular in Venezuela WES experts expect negative growth rate of - 13.1%.

Within Western Europe in Germany (0.5%), Switzerland (0.7%) as well as the Netherlands (0.8%) and Portugal (0.9%) prospective growth in 2003 amounts to less than 1%. Above Western European average growth are particularly the figures in Greece, Ireland and Iceland (see Table 2).

Special Topic: Assessment of new trade rules to forestall terrorist threats

In recent years terrorism has become a multi-national threat. The terrorist attacks in the USA, Bali, Africa and lately in Saudi Arabia demonstrate that combating terrorism and protecting the global trade system has become a multi-national issue. On the other hand, increased security standards may raise transaction costs due to costly delays and higher expenses.

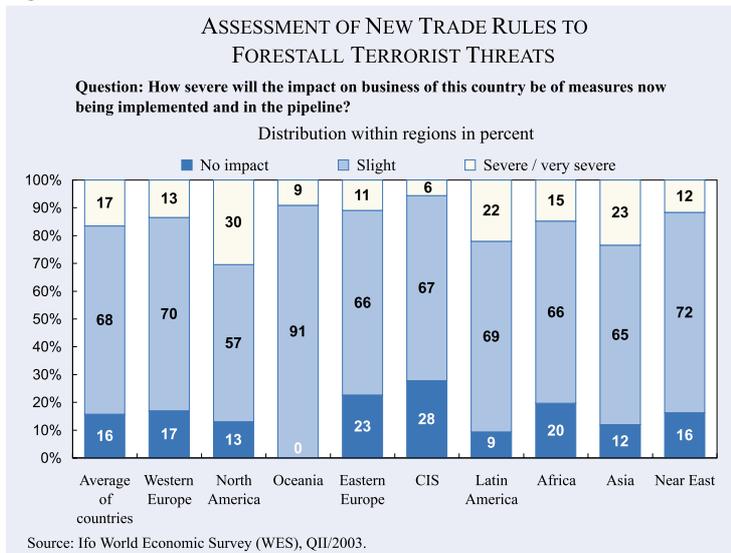
The special question asked in the April poll focused on the impact of new regulations concerning goods entering the country. Among them is so called "24-hour rule", which requires shippers and ocean carriers to provide U.S. Customs with manifest information for oceangoing containerized cargo 24 hours in advance of loading on board a vessel for shipment to the U.S. With this rule the boarder of the country (in this case USA) are "moved" into the countries of origin to facilitate the elimination of potential terrorist threats before the vessel sails and not after it arrives in the haven of destination. This and similar rules are aimed at preventing the system of global trade from being exploited by terrorists.

The question was divided into three parts: The first dealt with the *impact of measures already being implemented and in the pipeline on business in the particular country* polled in the survey. The second part assessed, *whether companies and economic experts are satisfied with the scope and success of co-operation between governments and business in order to increase the security of transborder shipments of goods*. The third part focused on the *international coordination of security measures undertaken by governments so that companies are not faced with conflicting requirements*.

How severe will the impact of measures now being implemented and in the pipeline be on business of this country?

The majority (68%) of 942 WES experts polled in over 85 countries see slight impact on business from the new customs requirements for importers. 17% of all participants worldwide see a severe or very severe impact on global business transaction. This opinion was particularly pronounced in North America (30%), but also economists in Latin America (22%) and Asia (23%) are afraid of

Figure 12

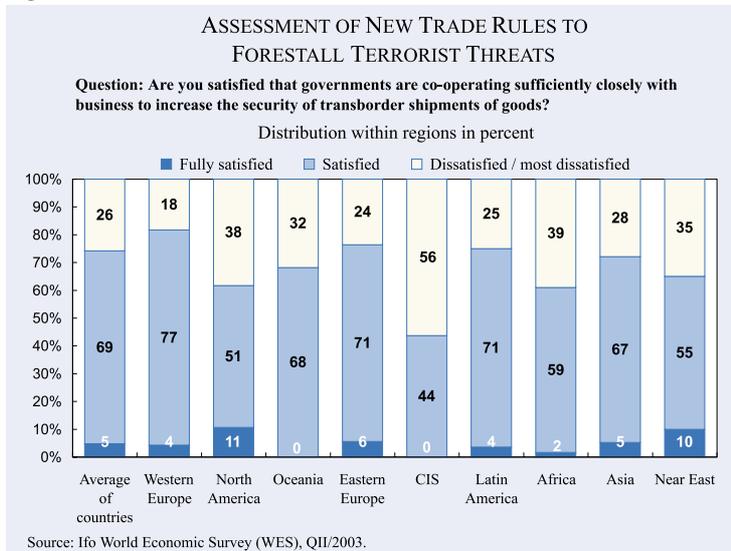


severe negative impact on business from stronger import rules (see Figure 12).

Are you satisfied that governments are cooperating sufficiently closely with business to increase the security of trans-border shipments?

In almost all countries, except CIS, the majority of experts polled by WES (between 81% in Western Europe and 62% in North America) is satisfied with the cooperation between governments and business concerning the implementation of new rules enforcing the security of transborder shipments (see Figure 13). However, the share of experts dissatisfied and most dissatisfied with the form of cooperation between governments and business is considerable, in particular in CIS (56%), in North America (38%), in Africa (39%) and in the Near East (35%). These results suggest that more should be done on the part of governments to guarantee that legitimate trade and travel continues without undue or costly delays.

Figure 13



How satisfied are you that governments are placing sufficient emphasis on international co-ordination of security measures so that companies are not faced with conflicting requirements?

More concerns were expressed by the panel concerning international coordination of security measures. In North America more than the half (51%) of all responses demonstrated dissatisfaction with the scope of international coordination. Also in Africa (53%), CIS (44%), Oceania (41%) and the Near East (40%) WES experts think that governments doing not enough to prevent compa-

Figure 14

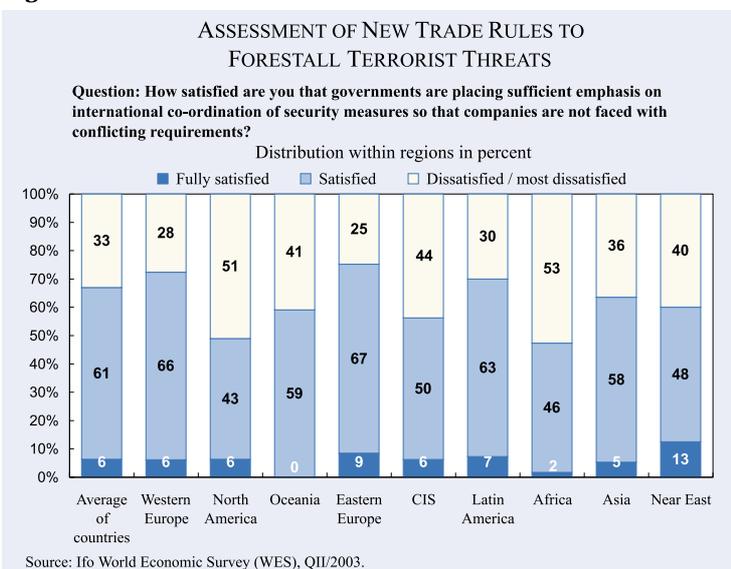


Table 3

Assessment of the New Trade Rules to Forestall Terrorist Threats *

COUNTRY GROUPS	A	B	C	COUNTRY GROUPS	A	B	C
AVERAGE OF 88 COUNTRIES	8,8	8,2	7,8	CENTRAL & LATIN AMERICA	8,4	7,7	7,7
WESTERN EUROPE	9,0	8,4	8,0	ARGENTINA	9,0	7,5	8,0
AUSTRIA	9,2	8,6	8,1	BOLIVIA	9,8	8,2	9,0
BELGIUM	8,5	9,3	8,5	BRAZIL	8,4	8,5	8,4
CYPRUS	11,0	9,0	9,0	CHILE	9,4	8,6	8,6
DENMARK	9,3	9,3	9,7	COLOMBIA	9,0	8,3	8,2
FINLAND	9,4	8,8	8,3	COSTA RICA	6,3	6,3	6,3
FRANCE	9,3	8,7	7,8	ECUADOR	6,6	8,2	6,6
GERMANY	9,1	8,3	7,9	MEXICO	8,1	7,5	7,5
GREECE	9,6	8,3	8,3	PANAMA	9,0	7,7	7,7
IRELAND	8,6	7,8	7,4	PARAGUAY	9,0	7,0	7,0
ITALY	8,4	8,7	8,5	PERU	7,2	8,1	8,7
NETHERLANDS	9,0	8,6	8,0	URUGUAY	7,7	10,3	10,3
NORWAY	9,0	8,2	8,3	VENEZUELA	10,3	7,2	6,3
PORTUGAL	8,8	8,3	7,8	ASIA	8,6	8,2	7,9
SPAIN	9,1	7,4	6,9	BANGLADESH	5,0	8,0	6,0
SWEDEN	9,7	8,8	9,2	CHINA	9,0	7,9	7,2
SWITZERLAND	9,5	8,8	8,5	HONG KONG	8,0	8,5	8,0
UNITED KINGDOM	8,8	7,9	7,3	INDIA	8,1	7,8	7,5
CENTRAL & EASTERN EUROPE	9,6	8,3	8,5	INDONESIA	7,8	6,0	5,6
BULGARIA	9,8	8,1	8,2	JAPAN	9,0	7,5	7,4
CROATIA	8,6	8,6	7,7	KOREA REP.	9,7	9,0	9,0
CZECH REPUBLIC	9,9	8,4	8,0	MALAYSIA	8,8	9,3	8,5
ESTONIA	11,0	9,0	9,0	PAKISTAN	9,0	8,0	7,0
HUNGARY	10,2	8,4	9,3	PHILIPPINES	8,0	8,0	8,0
LATVIA	9,0	7,4	8,2	SINGAPORE	9,0	9,0	9,0
LITHUANIA	8,5	8,4	8,4	SRI LANKA	9,8	9,0	9,0
POLAND	9,3	7,8	7,9	TAIWAN	8,0	9,0	9,0
ROMANIA	9,0	8,6	9,0	THAILAND	6,8	7,8	7,8
SLOVENIA	10,3	9,7	9,7	VIETNAM	7,8	8,2	8,6
SLOWAKIA	10,2	9,3	9,0	NEAR EAST	9,6	8,4	8,3
YUGOSLAVIA	7,0	7,7	7,0	BAHRAIN	9,0	9,0	7,0
NORTH AMERICA	8,5	8,0	7,1	IRAN	11,7	7,7	6,3
CANADA	6,9	7,4	6,6	ISRAEL	9,5	7,3	8,0
UNITED STATES	9,0	8,2	7,3	SAUDI ARABIA	9,7	9,7	10,3
OCEANIA	8,9	8,3	7,9	TURKEY	7,9	7,0	6,8
AUSTRALIA	9,0	8,6	8,2	UNITED ARAB EMIRATES	10,1	9,0	8,3
NEW ZEALAND	8,3	7,0	6,7	AFRICA	9,3	7,9	7,8
CIS	10,1	6,5	7,3	EGYPT	8,6	7,0	7,2
KAZAKHSTAN	9,0	7,0	9,0	KENYA	8,4	6,3	7,0
RUSSIA	10,5	5,9	6,8	MOROCCO	9,0	9,0	9,0
UKRAINE	9,0	9,0	9,0	NIGERIA	10,3	5,0	5,0
				SOUTH AFRICA	8,1	7,4	6,7
				ZIMBABWE	10,8	6,3	5,0

A: How severe will the impact on business of this country be of measures now being implemented and in the pipeline? (WES scale: 13 - No impact; 9 - Slight; 5 - Severe; 1 - Very severe)

B: Are you satisfied that governments are co-operating sufficiently closely with business to increase the security of transborder shipments of goods? (WES scale: 13 - Fully satisfied; 9 - Satisfied; 5 - Dissatisfied; 1 - Most dissatisfied)

C: How satisfied are you that governments are placing sufficient emphasis on international co-ordination of security measures so that companies are not faced with conflicting requirements? (WES scale: 13 - Fully satisfied; 9 - Satisfied; 5 - Dissatisfied; 1 - Most dissatisfied)

* Only countries were included in the evaluation that had two or more participants in the WES QII/2003

Source: Ifo World Economic Survey (WES), QII/2003.

nies from being faced with conflicting requirements (see Figure 14).

However, countries are differently affected worldwide by requirements deriving from the new import regulations (see Table 3 for the country breakdown).

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