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CYCLICAL MOVEMENT IN EXPORT MARKET OF JAPAN

by

Takashi Shiraishi

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The present thesis deals with a subject which, by a study of the export markets of Japan in the past 10 years from 1950 to 1959, aims to clarify the effects of cyclical movement on the exports of our country, as well as the relations between them.

The important overseas markets of our country may roughly be classified into the following three types:

Type No. 1: Export Markets

The imports of our country from each of these markets are less than one half of our exports to each, and hence, the respective balance of trade is resulting in our favor, meaning surplus. These markets are, for instance, Republic of Korea, Hongkong, South Vietnam, Thailand, Singapore, Burma, Ceylon, Sweden, Liberia and Belgian Congo.

Type No. 2: Export and Import Markets

Both export and import trade are carried on between these markets and our country, and the respective balance of trade with each of them varies year by year, resulting sometimes in our favor, that is, surplus, and sometimes to their credit, that is, deficit. These markets are Taiwan, the Philippines, Indonesia, India, Pakistan, United Kingdom, France, Italy, Canada, the United States of America, Chile, Brazil, Argentina and Egypt.

Type No. 3: Import Markets

Contrary to Type No. 1, the exports to each of these markets are less than one half of the imports of our country, and the respective balance of trade with them is, needless to say, unfavorable, that is, deficit. These markets are, for instance, Malay, British Borneo, Saudi Arabia, Germany, Mexico, Cuba, Peru, Austria and New Zealand.

The exports of Japan to the countries belonging to the above-mentioned three types correspond to 71.3% of the total exports of our country in 1959. Since this percentage has not changed conspicuously since 1956, they may be

regarded as the major overseas markets of our country. However, a study of the case by each type reveals that the percentages during the five years from 1955 to 1959 have been changed.

This percentage of the exports markets under Type No. 1 was 18.6% in 1956, which changed to 14.7% in 1959. On the other hand, the percentage of the markets under Type No. 2 changed from 44.7% to 49.3%, showing an increase.

Especially, it is worthy of our notice that the increases in the percentage of the totale exports to the markets under Type No. 2 have affected very usefully in the improvement of the balance of trade of our country. In other words, it may be mentioned that the growth of exports to these markets served to reduce the deficit in the total balance of trade. For instance, the balance of trade with these markets showed an enormous deficit for 1957, with 1,232 million dollars standing to their credit. However, due to the growth of Japan's exports in 1959, the deficit was only 120 million dollars, which resulted in the fact that the deficit in the total balance of trade was reduced by so much. This represents one of the characteristics pertaining to the recent upward trend of our exports.

In the present investigation, cyclical movements in trade will be made clear by taking into consideration No. 1 and No. 2 of the above-mentioned three types—Export Markets and Export & Import Markets.

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The total exports of our country increased remarkably during the five years from 1955 to 1959, showing an increase of 17%, and as the rate of export increase to all the countries was 20% during the same period, the rate of our country may well be called a considerably high growth. The specific feature of this growth was that the exports to advanced industrial countries increased conspicuously, which was born out by the fact that the exports to the United States of America increased by 2.2 times; to Canada, by 2.5 times; to Italy, by times; and to the United Kingdom, 1.7 times.

Furthermore, the exports to almost all of the rest of countries became larger. Then, what was the percentage of market share of our exports?

The market share as shown in the percentage of the imports from Japan to the total imports of each country is shown in Table 1.

Now, suppose that countries where Japan's share is more than 20% are Group A; those with a percentage ranging from 10%–19%, Group B; and those with less than 9%, Group C. Then all the countries in Southeast Asia and the Far East, excepting Pakistan, Ceylon, India, and Singapore will come either under Group A or under Group B, from which it can be deduced that the exports of our country have a comparatively high percentage of market share in these areas. Moreover, it is interesting to note that the percentages in either Group A or Group B had all grown larger in 1959 than in 1956. In contrast to this, the percentages in Group C were not uniform, some showing an increase and others a decrease.

The changes in percentage of market share between 1955 and 1959 were as shown in Table 2.

Table 1			Table 2	
Market Share of Japan in 1955 and 1959 (Percentage of imports from Japan to total imports)			Percentage of changes of Japan's market share between 1955 and 1959	
	1955	1959		%
Group A (over 20%)			Belgian Congo	957.1
Taiwan	31.8	37.9	Canada	875.0
Burma	20.9	24.9	Philippines	113.5
Thailand	18.8	24.5	Korea	86.9
Korea	11.5	21.5	U.S.A.	72.5
Group B (10% ~19%)			U.K.	60.0
Philippines	8.1	17.3	Indonesia	54.3
Indonesia	10.3	15.9	Sweden	50.0
Hongkong	13.5	14.9	Italy	33.3
Group C (under 9%)			Thailand	30.0
Canada	0.8	7.8	Singapore	26.0
Belgian Congo	0.7	7.4	Taiwan	19.1
Pakistan	15.1	7.2	Burma	19.1
U.S.A.	3.6	6.2	Hongkong	10.3
Ceylon	6.5	6.1	Brazil	4.0
Singapore	4.6	5.8	France	0
India	6.0	4.1	Argentina	-70.1
Brazil	2.5	2.6	Ceylon	-52.3
U.K.	1.5	2.4*	India	-31.6
Argentina	6.7	2.0	Egypt	-26.9
Egypt	2.6	1.9	Chile	-10.0
Sweden	0.6	0.9		
Chile	1.0	0.9*		
Italy	0.3	0.4		
France	0.2	0.2		

(* 1958)

This table represents the markets where the exports from our country had increased during these five years. The countries where the position of imports from our country had been elevated, excepting those under special circumstances like Belgian Congo, were Canada, the Philippines, Republic of Korea, the United States of America and the United Kingdom. In Sweden and Italy, the percentages were raised to 50% and 33% respectively.

It is seen here that the export of our country had begun to March into North America and Western Europe during these five years. In contrast to this, the percentage of our exports to South America had registered a decrease in the relative position.

However, more significant than the above was the exports of our country to India. As is plain from Table 1 and Table 2, the percentage of market share had decreased, which gives us a strong impression that the competition of Western Europe was very keen.

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Now, let us study the cyclical movements in relation to the changes in exports during the period from 1955 to 1959.

It goes without saying that the international trade experienced a cyclical movement during these five years. Trade generally receded in 1957 and 1958, and as the total world volume it showed a decrease of about 6% in 1958. Most of the 21 countries with which Japan was trading had their total imports reduced as compared with the previous year.

Table 3 shows the percentages of the movement in the total imports of each country between 1957 and 1958. According to this table, it is notable that, of the 21 countries excepting Taiwan and Egypt, almost all the countries had their imports reduced, and that, the decreases in imports of the countries in Southeast Asia and the Far East were conspicuous, with Burma registering 31.2%, Indonesia 36.2%, Korea 14.7% and India 13.2%.

Table 3
Percentages of the movement in the total imports, 1958 to 1957.

Group A	
Taiwan	+ 6.6
Burma	-31.2
Thailand	- 4.0
Korea	-14.7
Group B	
Philippines	- 9.6
Indonesia	-36.2
Hongkong	-10.9
Group C	
Canada	- 2.6
Belgian Congo	-17.3
Pakistan	- 9.9
U.S.A.	- 1.7
Singapore	- 8.7
India	-13.2
Brazil	- 8.8
U.K.	- 7.0
Argentina	- 5.4
Egypt	+20.5
Sweden	- 6.6
Chile	- 5.9
Italy	-14.0
France	- 9.2

The decreases in imports of Canada and the United States of America were slight, and only between 5-8% in the various countries in South America. Most of these countries recovered their imports in 1959. Of the 21 countries, those which showed a further decrease in that year were the seven countries; Argentina, Republic of Korea, the Philippines, Pakistan, Belgian Congo, Indonesia and Egypt.

Here, by a calculation of the percentages of yearly movement in total imports and imports from Japan of these countries from 1956 to 1959, and by a comparison of the annual increase and decrease of the two, the cyclical movement during the five years may be extracted.

In this case, the relations between those percentages of movement according to the direction of increase or decrease may be classified into the following four types:

- (1) Co-movement of plus when both total import and import from Japan increase.
- (2) Co-movement of minus when both total import and import from Japan decrease.
- (3) Counter-movement of plus when total import decreases but import from Japan increases.
- (4) Counter-movement of minus when total import increases but import from Japan decreases.

(All illustration of the above is shown in Fig. 1.)

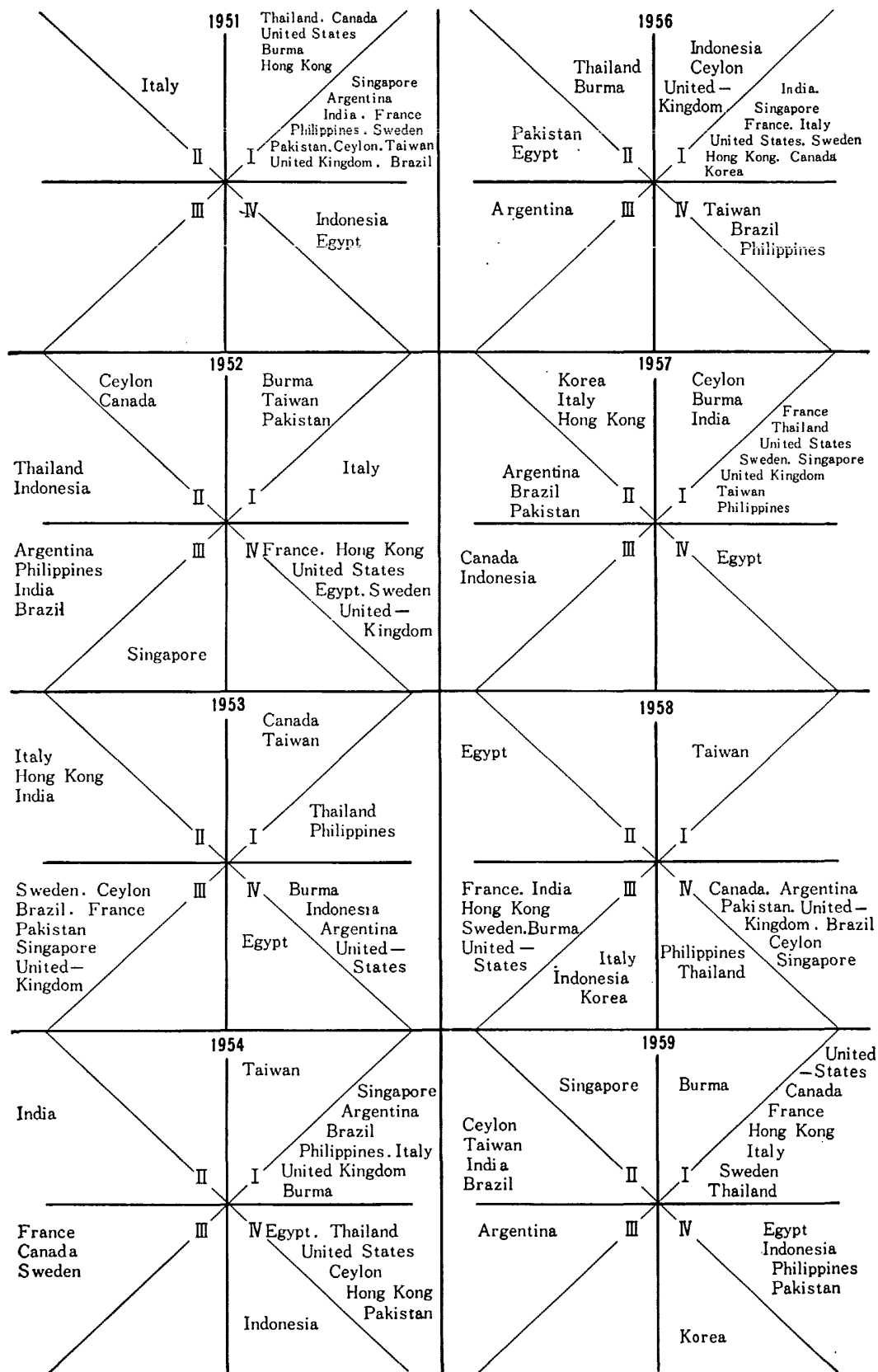
The illustration is classified by order of year, as 1956, 1957, 1958 and 1959, with the vertical axis representing percentage of movement against the previous year in total imports of each country for respective years and the horizontal axis representing that in the imports from Japan against the previous year.

The first section indicate co-movement of plus; the second section, counter-movement of minus; the third, co-movement of minus; and the fourth, counter-movement of plus. In other words, when it is in the first section, it means that total imports increased against the previous year and the imports from Japan also increased. When it is in the third section, it means that total imports decreased and the imports from Japan also decreased. Conversely, when it is in the second or the fourth section, it means that total imports and imports from Japan of those countries moved, with increase and decrease running counter to each other. In the second section, only imports from Japan decreased against the previous year, while in the fourth section, although total import decreased, imports from Japan did not decrease, but increased.

A glance at the figure reveals that the majority of the markets were in the first section in 1956, but some markets gradually appeared in the second section in 1957. However, in 1958, most markets were seen registered in the third or the fourth section, and in 1959, a large proportion of the markets were shifted to the first section due to the recovery of trade as stated before.

Therefore, it is quite plain that there were cyclical movements in the entire important markets of our country during these five years. However, the

Fig. 1.



total export to these 21 countries kept on increasing in spite of the cyclical movements of the markets. That is, the total exports to these 21 countries registered 1,564 million dollars in 1956; 1,750 million dollars in 1957; 1,805 million dollars in 1958; and 2,167 million dollars in 1959. This, as is evident from the figure, was partly because Japan had markets most of which showed counter-movement of plus even during the recession period in 1958, and partly because the effected decreases in imports from Japan were insignificant, or rather it may be in place here to say that the influence on the increased imports from Japan was greater notwithstanding that the total imports of all the overseas markets were reduced due to the recession of trade. The above particularities may be made clearer by a study of the components in Table 4 which add up, and classify into the four types of movement the exports of Japan to these countries by the years.

A study of the relations of co-movement or counter-movement with Table 4 (b) shows that the co-movement of plus held 77.6% of the total exports to these 21 countries in 1956 and 78.3% in 1957 notwithstanding that counter-movement of minus increased to 15.7% from 7.9%, and that the counter-movement of plus was 69.9% in 1958 in spite of the recession of trade.

In other words, it may be said that the cyclical movements abroad were offset by the counter-movements of plus which was responsible for the increase in the exports of our country although the total imports of the markets decreased. However, it is noteworthy that the U.S. market is included in this counter-movement of plus. Because, the exports of our country to the United States of America were 680 million dollars in 1958, holding 23.9% of the total exports, being responsible for the increase in the amount of counter-movement of plus.

In case the U.S. imports from Japan decrease when her total imports decrease, it may represent the cyclical movement of our country.

Table 4

	(a)				\$ million
	1956	1957	1958	1959	
+Co-movement	1,214.7	1,322.3	90.0	1,480.1	
-Counter movement	124.9	275.5	6.6	301.0	
-Co-movement	38.9	130.4	445.4	19.8	
+Counter movement	185.8	22.4	1,263.4	357.1	
Total	1,564.3	1,750.9	1,805.4	2,167.0	

	(b)				
	1956	1957	1958	1959	
+Co-movement	77.6	78.3	4.9	68.2	
-Counter movement	7.9	15.7	0.3	13.4	
-Co-movement	2.4	7.7	24.6	0.9	
+Counter movement	11.8	1.2	69.9	16.4	
Total	100	100	100	100	

The recession of trade in the export markets of our country was seen also in 1953 in addition to the recession seen in 1957-58, as mentioned above, during the period of 1950-1959.

The following table shows the percentages of movement against previous year in the volume of exports:

51/50	+59.8
52	- 2.1
53	- 6.4
54	+62.5
55	+16.8
56	+15.3
57	+ 8.0
58	+ 1.1
59	+30.8

From the above table, it may be said that exports of our country had been affected on two occasions by the recession during the period of 1950-1959. Exports showed a decrease of 6.4% in 1953 against the previous year, and although they did not show any decrease in 1958, yet the increase for the year was as slight as 1.1 percent.

As a result, naturally, the incomings and outgoings in our foreign trade have shown a great movement. The annual excess of imports over exports during these 10 years is indicated in the following diagram. That is, the excess of imports over exports in 1953 was 754 million dollars, but afterwards the excess went down to about 378 million dollars and in 1957 it resulted in a deficit of 889 million dollars. When compared with the recession period as viewed from export, this is in accord with the increase in the red figures in the balance of trade in 1953, but the deficit was only 42 million dollars in 1958 although the balance of trade of the previous year showed a deficit of 889 million dollars, which reveals that the red figures had been improved. From the above it is understood that there are years when the influence of recession causes a decrease in the exports and red figures in balance of trade, or when the influence causes a decrease only in exports but no increase in the red figures in the balance of trade, and here lies the characteristic difference of cyclical movements between 1953 and 1958. Although the countries with which Japan trades had their imports decreased in 1958, yet as already mentioned before, there were quite a number of counter-movement markets in regard to imports from our country, and as a result of a general decrease in imports of our country, the balance of trade had been improved. The influence of the recession was yet slight in the markets in 1957, and few countries had their total imports reduced. Accordingly, it is believed that although exports of our country were ever on the increase, yet, on the other

hand, imports grew also larger to the occurrence of red figures in the balance of trade. If the cyclical movement is viewed from the standpoint mainly of the balance of trade, then it may be given in contrast that the main cause of the deficit in the balance for 1953 is the movement in exports, and the main cause of the deficit for 1957, the movement in imports.

Movement in Balance of Trade with 20 Countries during 1950—1959

