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Plunge in Exports Reverberates Across Asia

Japan Reports Record Drop as Regional Trade Slows; Toyota Warns of First Loss in 70 Years

By Glenn Kessler
Washington Post Staff Writer
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Japan reported yesterday that its exports plunged a record 27 percent in November, signaling a dramatic deterioration in the world's second-largest economy and the collapse of the export-led boom that had lifted many Asian nations.

Indeed, even mighty Toyota said yesterday that it would post its first operating loss in seven decades, providing a vivid example of how some of the world's most profitable companies have been quickly humbled by the global recession.

Japan's stunning decline in exports is being echoed across Asia, where country after country is reporting data that have exceeded even the grimmest forecasts. Thailand said yesterday that its exports in November fell by nearly 19 percent, the most in 17 years. Similarly, Taiwan's exports fell 23 percent in November, and a government report on future export orders set to be released today is expected to show another steep drop.

"Everyone is tanking together. A fall of 27 percent is really striking and portends substantially greater weakness," said Easwar Presad, a senior professor of trade policy at Cornell University. "The bottom line is that many of these countries that relied on export-led growth will have to rely on domestic demand to get out of this thing."

China had reported that its November exports took their biggest dive in seven years -- a drop that has reverberated across Asia because China has become the largest export market for many of its neighbors. Japanese shipments to China fell 25 percent, the steepest decline in 13 years, the Japanese Finance Ministry said.

As much as 50 percent of China's trade is related to processing -- buying semiconductors and other parts from Japan, South Korea and other neighbors and then assembling them at low cost into finished products for companies such as Sony, Panasonic and Samsung. China, in effect, is the final assembly station for vast global production networks, which are now sputtering to a halt.

Japan has already officially entered a recession, propelled by its close ties to the U.S. economy, and the government has cut interest rates and boosted domestic spending in an effort to mitigate the recession's impact. But Toyota's woes are the latest sign of what the World Bank predicts will be the first decline in global trade since 1982.

Last year, Toyota's operating profit was more than $25 billion, which can be largely attributed to the success of fuel-efficient models like the hybrid Prius. Until recently Toyota had projected an operating profit of nearly $7 billion for the fiscal year ending in March. But yesterday, Toyota President Katsuaki Watanabe announced that the company expects to post a $1.7 billion loss because of what he called a once-a-century event of collapsing consumer demand and the rapidly rising value of the

Japanese yen.

"The tough times are hitting us far faster, wider and deeper than expected," he said at a gloomy news conference at the company's Nagoya headquarters. "This is an unprecedented crisis requiring urgent action."

In the United States, Toyota postponed opening a new factory planned for Prius production and slowed output of its Tundra pickup truck at a factory in Texas. Toyota has made similar announcements at factories in Europe, Africa and China.

Because the November figures reflect pre-Christmas sales, even larger declines may loom in the coming months. Even so, many countries already are reporting sharp declines in exports.

Saudi Arabia, for instance, projected that its non-oil exports of metal products, electrical goods and industrial equipment could fall as much as 30 percent in the coming year, after rising 21 percent the year before.

In India, where auto parts exports had been estimated to grow 20 percent this fiscal year, the auto parts association is now projecting the first decline in such exports in more than two decades. Indian parts makers had been buoyed by demand from U.S. automakers eager to cut costs, boosting exports to $3.6 billion in the most recent fiscal year, but now Detroit is sharply curtailing production.

In Switzerland, the luxury watch industry also took a hit, with exports falling 19 percent in November, the all-important pre-Christmas month for the industry. The decline hit both premium models selling for thousands of dollars and the most basic plastic Swatch watches, the industry association said.

Japan's export woes have been exacerbated by a startling rise in the value of the yen to 13-year highs of about 90 yen to a dollar. The yen has appreciated about 24 percent against the dollar this year as the United States plunged into a recession, but the surging currency has made Japanese goods significantly more expensive, weakening demand and reducing profits for global manufacturers such as Toyota. The yen slumped yesterday against the dollar and euro after the grim export report was released.

Staff writer Sholnn Freeman contributed to this report.

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