

South Korea's recovery was far more robust, with GDP estimated to have increased by 9 percent in real terms in 1999, more than making up the 5 percent decline in 1998. However, the domestic unemployment rate remained well above pre-recession levels, and the exchange rate remained comparatively low. In this context, Canada's exports to South Korea rebounded in 1999, growing 8.3 percent; this only partially made up for the 39.9 percent decline in 1998.

The other epicentre of the Asian Crisis was the group of previously rapidly growing Southeast Asian developing economies. Economic activity in these economies improved from 1998; however, only in the case of the Philippines was there a return to positive growth of Canadian exports. In the other cases, export growth did become significantly less negative:

- Singapore (-11.9 percent in 1999 after -23.6 percent in 1998);
- The Philippines (+11.5 percent in 1999 after -39.5 percent in 1998);
- Malaysia (-14.5 percent in 1999 after -31.4 percent in 1998); and
- Indonesia (-1.8 percent in 1999 after -31.3 percent in 1998).

As in Korea, factors contributing to lower import demand included domestic unemployment remaining substantially above pre-recession levels and the currencies remaining low.

Exports to China held up during this period, while exports to Hong Kong and Taiwan continued to fall. Conditions in these three economies varied considerably. In China, growth slowed in 1999 (to 7.1 percent from 7.8 percent in 1998) notwithstanding the turnaround in much of the region. In part, this reflected the fact that China's economy, having been largely insulated from the direct impacts of the regional crisis, was not in a position to bounce back in 1999. It was also due to moderate growth in consumer spending, as savings rose in response to comparatively high real interest rates. Further, consumer confidence was dampened by uncertainties arising from the major ongoing socio-economic reforms. Other factors relevant to restrained import demand included good harvests, which reduced demand for grain imports, and the fact that the fiscal stimulus implemented to support growth came in the form of support for production by state-owned enterprises and infrastructure development in the interior regions. In all, conditions did not favour rapid export growth to the Chinese market.

Notwithstanding the fact that Hong Kong was not destabilized during the financial turbulence, and despite its close economic links to the still-growing Chinese economy, it experienced one of the deepest declines in output in the region in 1998, steep declines in equity and property market values, and a deep deflation that bottomed out in the -6 percent range. Hong Kong was also among the last of the major East Asian economies to return to positive growth during 1999. These developments shed some light on the steep decline in Canada's exports to Hong Kong in 1998 and the continued slide in 1999.

General economic conditions, however, are less capable of explaining the decline in Canada's exports to Taiwan, which, unlike Hong Kong, maintained growth in 1998 and saw growth accelerate in 1999. Given regional developments over the past decade or so in both in Asia and other parts of the world favouring intensified intra-regional trade, it is of interest to consider the evolution of Canada's market share in Asia. Table 8 provides an overview of the share of imports of Asian economies obtained from each other (intra-Asia) and from the rest of the world.

