

# **The Free Trade Agreement (FTA) Police for North –East Asia Countries and ASEAN: A View from China<sup>1</sup>**

**Angang Hu<sup>2</sup>**

## **Abstract**

**Author gives the good idea for setting up Free Trade Agreement (FTA) among the North-East Asia and ASEAN countries in the coming years and speeding up economic and trade integration for North-East Asia region. The total population of the North-East Asia and ASEAN Countries accounts for 1/3 of the world's total population; GDP (PPP) is 1/4 (27.46%) of the world's total; the import and export value respectively makes up 1/4(20.54%) and 1/4(24.05%) of the world's total amount; Foreign exchange reserves of the former is as much as 765.6 billion US dollars, that of the latter is 184.9 billion US dollars, the total is 950.5 billion US dollars. The energy consumption in North-East Asia region makes up 19.3% of the world's total amount; The emission of CO<sub>2</sub> is 21.9% of the world's total amount. But this region is one of the areas whose trade liberalization is the slowest, and whose domestic market barrier relative high, which limited their potential both economic and trade growth and regional integration.**

**For long-term development, the following objectives of FTA can be carried out simultaneously or step by step: to establish FTA between China, Japan, Korea, and Hong Kong; to actively take part in FTA of ASEAN; to establish FTA of North-East Asia**

---

<sup>1</sup> The paper was written for Chinese government on Feb. 12, 2001; The second draft is for the international conference in South Korea on November 27-28, 2001. The third draft is submitted to the 16<sup>th</sup> international symposium, which is organized and sponsored by the Economic Research Center (ERC) of Graduate School of Economics, Nagoya University, Nagaya, Japan, February 7 2002.

<sup>2</sup> Dr. Angang Hu is a professor of the School of Public Policy & Management, Tsinghua University, and the director of the Center for China Study, Chinese Academy of Sciences / Tsinghua University; Address: 5F Mingli Building, Tsinghua University, Beijing, China, 100084; E-mail: [Huangang@hotmail.com](mailto:Huangang@hotmail.com) ; Telephon and Fax: 86-10-6277-3826.  
Now he is a research fellow of the Center for Business and Government, John F. Kennedy School of Government at Harvard University, 124 Mt. Auburn Street, Cube 539, Cambridge, MA 02138, USA, E-mail address: [Angang\\_Hu@ksg.harvard.edu](mailto:Angang_Hu@ksg.harvard.edu), Telephone: 617-384-8156.

**based on the two FTA; to accept countries of South-Asia, and establish FTA of South-Asia; to establish and participate FTA of Asia-Pacific areas.**

**1. Regional Free Trade Agreement Has Become One of the Main Features of Economic Globalization.**

Sustainable development requires an open economy, and free trading is a basic condition for open economics. This is exceedingly true to all the countries and regions in the present world. Free trading has become one of the most significant trends of the world development. Currently, among 206 countries and regions in the world, 107 have signed Free Trade Agreements(FTA).

According to the world's trade development trend, regional free trade agreement has become one of the main features. FTA of the European Union will soon expand to economic transferring countries in Middle and East Europe. FTA of the North America will include Chile, Brazil and Argentina, and will establish FTA of 34 countries in the America in 2005. ASEAN is going to set up FTA in 2003. According to the estimate of WTO, during 1993-1997, the trade volume of FTA has made up 42% of the world's trade volume (WTO, 1998, Preferential and Non-preferential Trade Flows in the World, Sept., staff paper WTO). In FTA of the North America, the free trade volume has risen from 19% in 1988-1992 to 27% in 1993-1997. Mexico benefited the most. In the 1980s, the growth rate of Mexico's export value of goods and services was 7.0%, whereas the rate rose to 14.3% in the 1990s, and meanwhile the GDP growth rate rose from 1.1% to 2.7%. Trade liberalization greatly increases the ratio of EU and the North America in the world market. According to the report of *Economist* (Nov. 9, 2000), during 1993-1999, the total export value of EU to the world has risen from 34.7% to 38.0%, and that of the USA has risen from 15.7% to

17.7%. At the same time, the export value of other areas in the world has decreased by 5.3%.

## **2.To Set Up FTA between the North-East Asia Countries and ASEAN is a Big Step of the Open Strategy for China Economic Development**

Why dose China focus on establishing regional FTA with the North-East Asia Countries and ASEAN.

Firstly, the real degree of China's economic opening is relative low. According to the foreign trade calculated by exchange rate, China enjoys a highly open economy. However, if calculated by PPP, the open degree is rather low (see Figure 1), which is 9.5% of GDP in 2000. The US's and Japan's open degree are respectively 21.1% and 25.6% in 2000. The import and export value of merchandise trade of China respectively makes up 3.44% and 3.92% of the world's total amount in 2000, which are very lower than China's population and GDP(PPP) ratio to the world's total(respectively makes up 20.8% and 12.1% in 2000 )<sup>3</sup>

Secondly, China's long run goal of the economic development is to set up an open economy. Last two decade China's model of trade was the export-oriented model following North-East Asia Countries. I called as "half-open model", which is to open or to be free trade in the export side and is to protect or to be no-free trade in the import side. Now China need to shift from the export-oriented economy to the new model of open economy. Chinese government has explicitly put forward a plan for this goal in its new Tenth Five-Year (2001-2005) Plan. Open economy aims to fully open up the domestic market, and promotes the liberalization of both trade and investment.

---

<sup>3</sup> World Bank, 2001, World Development Report 2002: Building Institutions for Markets, Table 1 and Table 4, Oxford University Press.

Thirdly, the first step for China to set up open economy is to join in WTO. Participation in WTO provides a good opportunity for China to participate in the economic globalization, and also provides system frames (international game rules). As commented by *Economist* (Nov. 9, 2000), it is not surprising for China is to join in WTO. It shows that developing countries are seeking to be the new winners, and are trying to promote economic growth with new system arrangements.

Fourthly, the second step for China to set up openness economy is to set up Free Trade Agreement (FTA) between the North-East Asia Countries and ASEAN so as to accelerate the regional economic integrate, and for China to learn from the open and participate in both global and regional market.

Fifthly, Chinese government decided to carry out the new domestic strategy of “going to the West”, and need to speed up regional economic and infrastructure integration between the China’s Western regions and ASEAN, and encourage the North-East Asia Countries to invest in the western regions.

### **3. The North-East Asia Countries and ASEAN Need to Become One of the Biggest FTA in the World**

According to new trade theory, bilateral or multilateral trade growth follows the law of “gravity”, i.e. bilateral or multilateral trade volumes are in direct proportion to its respective market scale (e.g. GDP calculated by PPP), and in inverse proportion to their distance or transaction costs (e.g. tariffs or non-tariff walls).

Hong Kong, Japan and Korea are the biggest trading and investing partners of China all the time

being. In 1999, the total trade volume between mainland of China and the three areas reached 135 billion US dollars, accounting for 37.4% of the total foreign trade volume of China. The three areas are also the biggest investment partners of mainland of China. In 1999, the Foreign Direct Investment (FDI) from the three areas was 20.6 billion US dollars, accounting for 51.5% of the total FDI of China. In addition, the three countries are the largest source for tourists into China, accounting for 88.6% of the total entering tourism of China.

Whereas the volume between China and ASEAN (Association of South-North-East Asian Nations) was 27.2 billion US dollars, accounting for 7.5% of the China's total foreign trade volume and 4% of the ASEAN's total foreign trade volume. The volume between China and Singapore was 8.56 billion US dollars, accounting for 2.4% of the China's total foreign trade volume, Malaysia was 5.3 billion US dollars, and 1.5%, and Indonesia was 4.8 billion US dollars, and 1.3% in 1999.<sup>4</sup>

According to the data of World Bank's "World Development Report 2002" (see Table 1), the total population of the North-East Asia and ASEAN accounts for 1/3(32.3%) of the world's total population, and GDP (PPP) is 1/4(27.24%) of the world's total. The import and export value of merchandise trade respectively makes up 1/4(24.05%) and 1/5(20.54%) of the world's total amount, the US, Canada and Mexico in the North America Free Trade Agreement (NAFTA) respectively makes up 17.9% and 23.9% of the world's total.

Though North-East Asia and ASEAN have the largest population, enjoys the highest economic growth rate (Japan excluded) and the fastest trade volume growth, they are also one of the areas whose regional trade and investment liberalization is the slowest, and whose market barrier highest. This situation

---

<sup>4</sup> National Bureau of Statistics of People's Republic of China(NBSC), China Statistical Yearbook 2000, Beijing, China Statistics Press, pp.593

seriously confines its potential of economic and trade growth. On the other hand, the founding of FTA between the three countries and one region will stimulate the regional economic and trade growth, and thus will accelerate the regional economic integrate.

When FTA for North-East Asia Countries and ASEAN is established, it will be the one of largest FTA in the world. If we take the participation in the global economic integrate as the basic strategy of China, accelerating economic integrate of North-East Asia and ASEAN should be a prior opening strategy for China government.

#### **4. The North-East Asia and ASEAN Have Different Comparative Advantages and Disadvantages**

The North-East Asia and ASEAN are at different development stages and exert its comparative advantage and disadvantages, and furthermore to create both competing and cooperating relations.

Firstly, the North-East Asia and ASEAN are at different income levels, like “One Asia Four Worlds” (see Table 2). In the term of GDP per capita US dollars(PPP) by World Bank’s data, Japan, Singapore, and Hong Kong are the high income (the First World), whose average level is US\$25690 in the world; Taiwan, South Korea and Malaysia are the upper middle income(The Second World), whose average level in the world is US\$8520; Thailand, Philippines, China and Indonesia are the lower middle income (the Third World), whose average level in the world is US\$4170 ; other ASEAN Countries are the low income (the Fourth World), whose average level in the world is US\$1870.<sup>5</sup>

Secondly, the North-East Asia Countries and ASEAN are at different human development levels, like “One Asia Three Levels”( see Table 2). In the term of human development index(HDI) by UNDP’s data, Japan, Singapore, Hong Kong and South Korea are the high HDI (the First Level), whose HDI level is

---

<sup>5</sup> World Bank,2001.

above 0.8 in the world; most countries are the middle HDI (the First Level), whose HDI level is between 0.5-0.799 in the world; Lao is the low HDI (the First Level), whose HDI level is less than 0.5 in the world. and have different comparative advantages and disadvantages (see Table 2).

Thirdly, the North-East Asia and ASEAN countries have different global competitiveness in the world. The global competitiveness of an economy is defined as the capacity to achieve high rates of economic growth on a sustainable basis in The Global Competitiveness Report by the World Economic Forum and Harvard University. The global competitiveness includes two index: the current competitiveness index, which aims to measure the conditions that determine a nation's sustainable level of productivity; the growth competitiveness index, which measures factors that contribute to a high rate of growth in GDP per capita. In the term of the growth competitiveness index by The Global Competitiveness Report 2000, Singapore is the second in 59 countries in 2000 and follows as USA; Hong Kong is the 8<sup>th</sup>; and Japan is 21<sup>th</sup>. Malaysia, South Korea and Thailand are the position at 29<sup>th</sup>, 31<sup>th</sup>, 37<sup>th</sup>. China is at 41<sup>th</sup>. In the term of the current competitiveness index, all North-East Asia Countries and ASEAN countries are lag position of the growth competitiveness index (see Table 3).

Fourthly, the North-East Asia and ASEAN countries have different comparative advantages and disadvantages. The vertical labor division or cooperation between China and North-East Asia Countries is notable. The economic and trading complementarities are strong (Table 4). Because they are at different developing levels, the labor cost of China's urban and coast line regions is very low with the North-East Asia Countries. This is an obvious comparative advantage in labor-intensive production. According to the statistics of World Bank (2000), during the period of 1995-1999, the annual cost of each manufacturing labor in China was 729 US dollars, whereas that in Hong Kong is 13,539 US dollars, 31,687 in Japan, and 10,743 in Korea. They are respectively 18.6, 43.5 and 14.7 times of China. China and ASEAN countries

(Singapore excluded) are at the similar developing level. Their relationship is horizontally competitive.

Fifthly, the North-East Asia and ASEAN countries have different the index of global economic freedom. Each countries commitment to free trade will be measured by its demonstrated ability and willingness to meet objective, measurable criteria such as those used in constructing the index of global economic freedom. The survey for 155 countries in the world by the Heritage Foundation and the Wall Street Journal in 2001 show that Hong Kong and Singapore are No.1 and No.2 rankings, and the world's "freest" economies, which the index of global economic freedom are between 1.00-1.95; Thailand, Japan, South Korea and Cambodia are "free" economies, which the index of global economic freedom are between 2.00-2.95; Philippines, Malaysia, China, Indonesia, and Vietnam are "mostly free" economies, which the index of global economic freedom are between 3.00-3.95 (see Table 5 ).

China will become the biggest production bases of labor-intensive manufacture in the world. China is the largest market among ten newly emerging markets of the world, accounts for 40 percent of the total population, 42 percent GDP(PPP), and 1/3 trade. Labor costs are a key factor influencing a country's competitive power. In the North-East Asia region, the manufacturing labor costs are too high, thus the center of manufacturing industry is inevitably shifting to China. In fact, China now is the largest manufacturing base for household electric appliances. According to the report of *Business Week of Japanese Economy* (Nov. 27, 2000, Economic News Agency of Japan), the output of household electric appliances in China has ranked the first in the world. For instance, the output of TV sets of China makes up 36.2% of the world's total amount, that of washing machines: 23.5%, air-conditioners: 50.1%, refrigerators: 21.1%, and motor cycles: 48.9%.

## **5. Influence of Setting up FTA on Trade between China, Japan and Korea**



The objectives to set up FTA among countries are to eliminate trade barrier and investment obstacles, obtain resources in a broader field, effectively utilize resources, and increase profits of resource input. In general, countries benefiting most from free trade are those with the least trade barrier or largest trade volume, and countries with the largest profit increase from free trade are those with the largest scale of trade protection reduction. According to the estimate of specialists from World Bank and IMF (2001), if free trade is carried out all over the world, about 250-550 billion dollars profit will be generated, among which the developing countries will take 1/3 or 2/5. On the basis of the study of Inkyo Cheong, International Economic Policy Research Institute, Korea (1999), implementing free trade in the North-North-East Asia will largely increase trade volume in that area. The static profit, new volume of exports, will reach 107.3 billion dollars, averagely increasing 15.2%. In this case, Japan will benefit the most. Its new volume of exports will be 60.6 billion dollars, increasing 15.6%. China will rank the second, with new volume of exports reaching 24 billion dollars, increasing 13.1% in average. The new volume of exports of Korea will be 22.7 billion dollars, which is the largest increase scale--17.2% (see Table 6). From China's point of view, its new volume of exports to Korea is 4.7 billion dollars, and that to Japan is 19.3 billion dollars. The new volume of exports from Korea to China is 22.4 billion dollars, and that from Japan is 52.1 billion dollars. This indicates that Japan and Korea have stronger international competitive capacity than China does. For one thing, with free trade, China increases exports of labor-intensive agricultural products and manufactured goods to Japan and Korea. On the other hand, because of opening local markets, Japan and Korea export more capital-intensive and technology-intensive products to China. This will cause China's trade surplus to Japan and Korea under trade protection (about 16.7 billion dollars in 1997) to turn to substantive trade deficits (estimated as 50.5 billion dollars, see Table 7).

We must have objective understanding about this issue. First, the international competitiveness of

China is obviously lower than that of Japan, as well as Korea (see Table 3). This is the major factor to cause trade deficit. Due to the large increase of import volume, the competition of home market is also intensified. It is beneficial to enhance the competitiveness of domestic enterprises. Secondly, FTA is gradual opening progress, and can be carried out by stages, so as for the domestic enterprises to adjust and accommodate to the new circumstance. Third, China has the ability to assimilate the trade costs. During the Ninth Five-year Plan (in the period of 1996-2000), China's trade surplus was 149.5 billion dollars, averagely about 30 billion dollars per year. It can absolutely assimilate the trade costs in 5 years. Fourth, though China has trade deficit with Japan and Korea, it still has rather great trade surplus with other countries, which can compensate this deficit. Fifth, as a middle- or even lower-income country, China need not adopt trade surplus strategy to advanced countries. On the contrary, under the precondition of assuring basic balance of international trade (e.g. controlled under 3-5%), it should fully open up the market, and import more capital goods with high technology (whereas limit the import of consumer goods), so as to facilitate acquiring technological resources from the outside world. Sixth, after establishing FTA, FDI of Japan and Korea will largely increase investment to China, which will compensate the imbalance of international income an expenses to a large extent, e.g. increase of net income. Inflow of net capital plays an important role in compensating and balancing.

## **6.Objectives and Plan for FTA**

The FTA will advance the free trade agenda. The FTA will be founded on a genuine commitment to open markets. The country's openness related to its trade policy, capital flows and foreign investment, property rights, and level of regulation. The liberal trading order: freedom to trade; freed to invest; freedom to operate a business without excessive burdens;

and security of investment.<sup>6</sup>The plan is rule-based. This a new rout to free trade for both the global economy and the North-East Asia economy.

For long-term development, the following objectives of FTA can be carried out simultaneously or step by step:

1. to establish FTA between China, Japan, Korea, and Hong Kong;
2. to actively take part in FTA of ASEAN;
3. to establish FTA of North-East Asia based on the two FTA;
4. to accept countries of South-Asia, and establish FTA of South-Asia;
5. to establish and participate FTA of Asia-Pacific areas.

FTA for North-East Asia and ASEAN countries is based on frames of WTO. That is to establish a fair, predictable, and free trade market environment, which includes liberalization of goods and services trading, investment and capital, and also includes international cooperation of economy, technology, education and culture.

To realize the plan, first, it is necessary to adhere to codes of WTO, and handle bilateral or multilateral trade disputes according to WTO regulations. Secondly, it is necessary to take flexible measures. In some sensitive areas (such as agriculture etc.), it is acceptable to gradually carry out trading liberalization. Moreover, it is crucial to establish a multilateral trading strategic relationship, not only promote the regional trading liberalization, but also actively participate in a larger FTA and global trading liberalization.

---

<sup>6</sup> John C. Hulsman, Gerald P. O'Driscoll, Jr., and Denise H. Froning, 2001, The Free Trade Association: A Trade Agenda for the New Global Economy, [www.heritage.org](http://www.heritage.org)

FTA consists of the following contents:

Firstly, largely reduce import tariffs, and calculate by real tariffs. Make tariffs consistent for all sides. Design liberalization schedule for reducing and canceling tariffs, and try to realize it in 5-10 years. All sides do not establish new trade barrier. Issues concerning origin of goods can be classified according to relative rules of WTO, and take added value as standards to calculate tariffs.

Secondly, largely eliminate various non-tariff trade barriers, and reduce import permits to the lowest point. Encourage paperless trading and e-commerce, and take the leading in eliminate trade barrier in the new trade method. Simplify various customs procedures, and strengthen customs cooperation. Establish the uniform process based on the International Customs Clearance. Encourage governments to adopt e-purchase and public bidding in purchase and public investment projects. Establish standardized clearance procedure, goods supplying and after services systems, information and data sharing system. Jointly investigate and prosecute bribes and corruptions.

Thirdly, actively promote liberalization in service industry. At present, 1/5 of the world's trade belongs to service industry. The North-East Asia and ASEAN countries are areas with low service trading rate and high market potential. From the aspect of future development, when service trade exceeds the growth of manufacturing business, service industry itself will create demands for manufacturing trade. Employment rate of service industry in China is less than 1/3, whereas that of the other industries is all above 60%. Therefore, open service market is the key approach to promote development of service industry and increase employment opportunity. Except government services and few special services, it is necessary to fully open service market. The government should not hold shares, directly interfere, or manage social services. Apply new modes in public services. That means it is the government to invest or

fund, but not directly produce, manage or operate. Meanwhile, the government should encourage competition between public institutions and private enterprises, foreign companies and domestic organizations. Reduce governmental interferences to service industry, and complicated regulations. Investors should be treated equally without discrimination. Regulations must be transparent, stable and fair.

Fourthly, follow regulations of WTO and take specific measures to protect intellectual property rights. This is a significant condition for establishing new knowledge-based economy, and is also important guarantee for obtaining outside knowledge and strengthening economic competitiveness. Unconditionally carrying out protective measures for intellectual property rights is not only beneficial to the rivals' interests, but also beneficial to China's own knowledge innovation, and will stimulate creation and application of new knowledge and technology in China.

Fifthly, carry out policy to encourage competition. Monopoly or anti-competition policy not only distorts economic environment, but also sets serious barrier to the liberalization of trade and investment, which are complementary to competition-encouraging policy, and are helpful in effectively exerting the fundamental function of the market to allocate resources. Based on the frames of competition-encouraging policy, the government should promote free and fair competition, reduce and even reverse the distorted and monopolized competition in trade and investment. It should encourage broad cooperation based on fair competition.

## **7.Prior Cooperating Fields of FTA in the Near Future**

Human resources development and international cooperation of science and technology. Governments provide financial aids to encourage knowledge sectors and departments, such as universities and research

institutes, to cooperate in human resources development, and set up regional networks of education, scientific research, information, and environmental monitoring, so as to provide knowledge infrastructure investment and human resources for establishing new knowledge-based economy. Governments should also encourage scientists, professors and technicians to give lectures, do exchange studies, and take short-term positions in correlated institutions. Fund and increase chances for exchange students and other professionals. Strengthen the exchange among cultures and other fields. Encourage non-governmental academic exchange, informational exchange (e.g. public database), and intellectual property rights exchange (e.g. patent license, training courses for trade mark protection, international exhibition of technical products, and software copyright transferring). Give convenience to patent application. Establish Asia Invention and Patent System, if necessary. Provide platforms for training and exchange, such as remote education networks, remote medical networks, and remote conference networks. Encourage and help technological and professional exchanges between small- and medium-sized enterprises. In significant scientific research fields, e.g. information, biological technology, medical treatment, new materials, new energy and resources, and environment protection technology, improve international cooperation, including setting up international labs, and encouraging publications of co-authored academic papers.

International cooperation of energy and environment protection. The energy consumption of North-East Asia region makes up 19.3% of the world's total amount. The emission of CO<sub>2</sub> is 21.9%, among which China accounts for 2/3 in this area. Therefore, it is necessary to establish energy-saving and environment protection policy. By CO<sub>2</sub> emission trade, it is possible to economically reduce CO<sub>2</sub> emission of this area (especially China). Meanwhile, actively promote cooperation of energy and environment protection, and push it towards industrialization.

Open up market of information and service industries. IT industry of China now enjoys an explosive

growth, showing a leaping frog effect trend. China has become one of the biggest IT countries in the world. China should preferentially open up IT product manufacturing industry to North-East Asia and ASEAN, and actively develop production base and material flow delivery base of international IT products, such as telecommunication and household IT products and service, cable, Internet service and Ecommercial business. Actively promote international cooperation in telecommunication service. Largely reduce international telecommunication fees. Permit rivals to hold share, trust management, and train professionals. Encourage e-business and paperless trading. Establish information public security and authentication system. Encourage rivals to participate construction of information and telecommunication infrastructure in China. Advocate jointly founding of e-society, e-bank, e-customs, e-education and e-library etc.

Open up tourism market, and improve cooperation of tourist attraction areas, so as to spur the development of correlated industries. China has taken tourism as the future pillar industry. According to the statistics of the World Tourism Organization, the tourism income made up more than 10% of the world's total income, and its employment accounts for over 12% of the total. In 1999, the tourism income of China was less than 5% of GDP, and employment population less than 2%. In the same year, tourists from Hong Kong, Japan and Korea entering China amounted to 64.52 million people, accounting for 88.6% of the total tourists entering China. These countries and region are the largest tourist source of China. Opening up tourism market is a great measure to accelerate the development of tourism, and regulate the tourism market. China should open the tourism market firstly to North-East Asia and ASEAN, so as to drive correlated industries to open and develop. For example, open up markets of civil aviation, civil air express, civil airlines; support cooperative production of small- and medium-sized airliners and sky trucks; develop tourist resources of small- and medium-sized cities, especially the Middle and West to

develop a variety of characteristic tourism; promote the development of aviation in common use, such as air rescue, air exploration, air tourism, plane exhibition etc.

Actively organize Asia Monetary Fund, jointly establish effective mechanism to deal with financial crisis, and promote financial reform. The three countries and one region have the largest foreign exchange reserve in the world, but they are in lack of a system to prevent financial risks. Therefore, it is crucial to establish Asia Monetary Fund and its organization, cooperate with International Monetary Fund, World Bank, and Asian Development Bank, prevent and monitor financial risks, promote regional cooperation, and establish regional stock market. In 1999, the market value of the three countries and one region was 3480 billion UD dollars, accounting for 12.7% of the world's total, far less than that of the North America, especially below the stock market of the USA, which makes up about 51.5% of the world. Except Japan, stock markets of the other three areas are too small, thus are under direct influence of the American market. To reduce the fluctuation risks, it is necessary to establish a regional stock market, encourage all sides into different market, or directly participate the investment in other markets in this area. Once the regional stock market if formed, it is possible to gradually expand its influence, absorbing Singapore and Malaysia.

**Table 1 Key Indicators of Economic Development for North-East Asia Countries and ASEAN**

Population	GDP	(PPP)	Merchandise	Merchandise
millions 2000	billions	dollars	exports	imports
	2000		of dollars	Millions
			2000	of dollars
				2000



---

Cambodia	12	17	590	700
China	1261	4965.7	249212	225097
Hong Kong, China	7	174.5	202440	214200
Indonesia	210	597.6	62016	33547
Japan	127	3354.5	479328	379514
Korea,Rep.	47	820	172620	160493
Lao PDR	5	8	300	560
Malaysia	23	194.5	98237	82210
Myanmar	46		1310	2450
Philippines	76	319.2	40000	34600
Singapore	4	121	137953	134675
Thailand	61	384.6	68920	62040
Vietnam	79	159.1	14306	15200
Total	1958	11274.8	1527232	1345286
World	6054	41053	6350105	6550720
% of world's total	32.3	27.46	24.05	20.54

---

Sources: World Bank, 2001, World Development Report 2002: Building Institutions for Markets, Table 1 and Table 4, Oxford University Press.

**Table 2 Key Indicators of GDP per capita and Human Development Index for North-East Asia**

**Countries and ASEAN**

	GDP per capita(PPP) dollars 2000	GDP per capita dollars 2000a	Avg. annual growth of GDP 1990-2000a	Life expectancy % of at birth 1999a	Under 5 mortality rate Per 1000 1999a	Adult illiteracy % of people 15 and above 1999A	Average educational school years of people 15 and above 1999B	Human Development Index 1999C
Cambodia	1410	260	4.6	54	143	61		
China	3940	840	10.3	70	37	17	7.11	0.719(87 <sup>th</sup> )
Hong Kong, China	25660	25950	4.0	80	5	7	9.41	0.880(24 <sup>th</sup> )
Indonesia	2840	570	4.2	66	52	14	4.99	0.677(102 <sup>th</sup> )
Japan	26460	34210	1.3	81	4		9.47	0.928(9 <sup>th</sup> )
Korea,Rep.	17340	8910	5.7	73	9	2	10.84	0.875(27 <sup>th</sup> )
Lao PDR	1530	290	6.5	54	143	53		0.476(130 <sup>th</sup> )
Malaysia	8360	3380	7.0	72	10	13	6.80	0.774(56 <sup>th</sup> )
Myanmar	1027			43	203	57		0.551(118 <sup>th</sup> )
Philippines	4220	1040	3.2	69	41	5	8.21	0.749(70 <sup>th</sup> )
Singapore	30100	24740	7.8	78	4	8	7.05	0.876(26 <sup>th</sup> )
Thailand	6330	2010	4.2	69	33	5	6.50	0.757(66 <sup>th</sup> )
Vietnam	2030	390	7.9	69	42	7		0.682(101 <sup>th</sup> )

Sources: A: World Bank, 2001, World Development Report 2002: Building Institutions for Markets, Table 1, Table 2 and Table 3, Oxford University Press.

B: Robert J. Barro and Jang- Wha Lee, 2000, “ International Data on Educational Attainment: Updates and Implications”, CID Working Paper No.42, April 2000. China’s data from National Bureau of Statistics of People’s Republic of China (NBSC), China Statistical Abstract 2001, Beijing, China Statistics Press, pp.36.

C: UNDP, 2001, Human Development Report 2001, Human Development Indicators Table 1, Oxford University Press. The data from the parentheses is the ranking in the 162 countries.

**Table 3. Competitiveness Ranking for North-East Asia Countries and ASEAN**

(Ranking 2000)

	Growth Ranking	Competitiveness	Current Ranking	Competitiveness
Singapore	2	Singapore	9	
Hong Kong, China	8	Japan	14	
Taiwan, China	11	Hong Kong, China	16	
Japan	21	Taiwan, China	21	
Malaysia	25	South Korea	27	
South Korea	29	Malaysia	30	
Thailand	31	Thailand	40	
Philippines	37	China	44	
China	41	Philippines	46	

Indonesia	44	Indonesia	47
Vietnam	53	Vietnam	53

Source: World Economic Forum and Center for International Development of Harvard University, The Competitiveness Report 2000, Oxford University Press.

**Table 4 Comparative Advantages and Disadvantages, International Competitive Power of China,**

**Hong Kong, Korea and Japan**

	Comparative Advantages	Comparative Disadvantages
China	Abundant resources to provide agricultural products; Labor-intensive products; Technological products; Architectural materials and energy; Abundant labor force; Expanding human resources.	Comparative lack of capitals, advanced equipment, high technology and management experience; Lack of several major resources;
Hong Kong	Favorable capital market and financing power; Channels to international market and management experience; Fine infrastructure and traffic conditions.	Lack of land, energy and industrial materials; Lack of skilled labor force; Comparatively high labor costs.
Korea	Capital, relatively advanced	Lack of energy and industrial resources;

---

	technology and equipment; IT industry.	Comparatively high labor costs.
Japan	Large amount of surplus capital; Advanced technology and inventions; Ability to manufacture equipment; Approved business management experience; Advanced IT industry.	Serious lack of energy and industrial resources; Overly high labor costs; Exorbitant costs for production and operation.

---

**Table 5 The Index of Economic Freedom Ranking for North-East Asia Countries and ASEAN  
(2001)**

---

	Ranking	Overall score	Trade	Foreign investment
Cambodia	42	2.60	2.0	3.0
China	121	3.55	5.0	4.0
Hong Kong, China	1	1.35	1.0	1.0
Indonesia	105	3.35	3.0	3.0
Japan	35	2.45	2.0	3.0
Korea,Rep.	38	2.50	3.0	3.0
Lao PDR	151	4.55	5.0	5.0
Malaysia	79	3.10	4.0	4.0
Philippines	70	2.95	3.0	3.0

---

Singapore	2	1.55	1.0	1.0
Thailand	32	2.40	2.0	3.0
Vietnam	137	3.85	5.0	5.0

Sources: The Heritage Foundation, [www.heritage.org/views/2001/ed041901.html](http://www.heritage.org/views/2001/ed041901.html)

**Table 6 Customs Tariffs of China, Hong Kong, Japan and Korea**

Unit%

		All goods			Primary products		Manufactured goods	
		Arithmetic average	S.D.	Weighted average	Arithmetic average	Weighted average	Arithmetic average	Weighted average
China	1992	41.3	30.8	32.6	36.7	14.3	42.4	36.5
	1998	16.8	11.1	15.7	16.5	21.1	16.9	14.7
China	1988	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Hong Kong	1998	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Japan	1988	5.9	8.0	3.3	10.4	3.7	4.7	2.9
	1999	4.8	7.3	2.3	8.6	4.0	3.4	1.4
Korea	1988	18.8	8.1	13.8	19.8	8.1	18.7	16.9
	1999	8.7	5.9	5.9	12.8	5.5	7.8	6.1

Source: World Bank, 2001, World Development Indicator, Table6.6, Oxford University Press.

**Table 7 Influence of eliminating tariffs on export increase of China, Korea, Japan**

Unit: million dollars

Source/Destiny	Korea	Japan	China	Total
----------------	-------	-------	-------	-------

Korea		332.00	22385.67	22717.67
Japan	8506.73		52122.21	60628.94
China	4664.93	19310.44		23975.37
Total increase				107321.98

Source: Inkyo Cheong, 1999, Economic Integration in NorthNorth-East Asia: Searching for a Feasible Approach, Korea Institute for

International Economic Policy, Working Paper 99-25.

**Table 8 Influence of eliminating tariffs on trade balance of China, Korea, Japan**

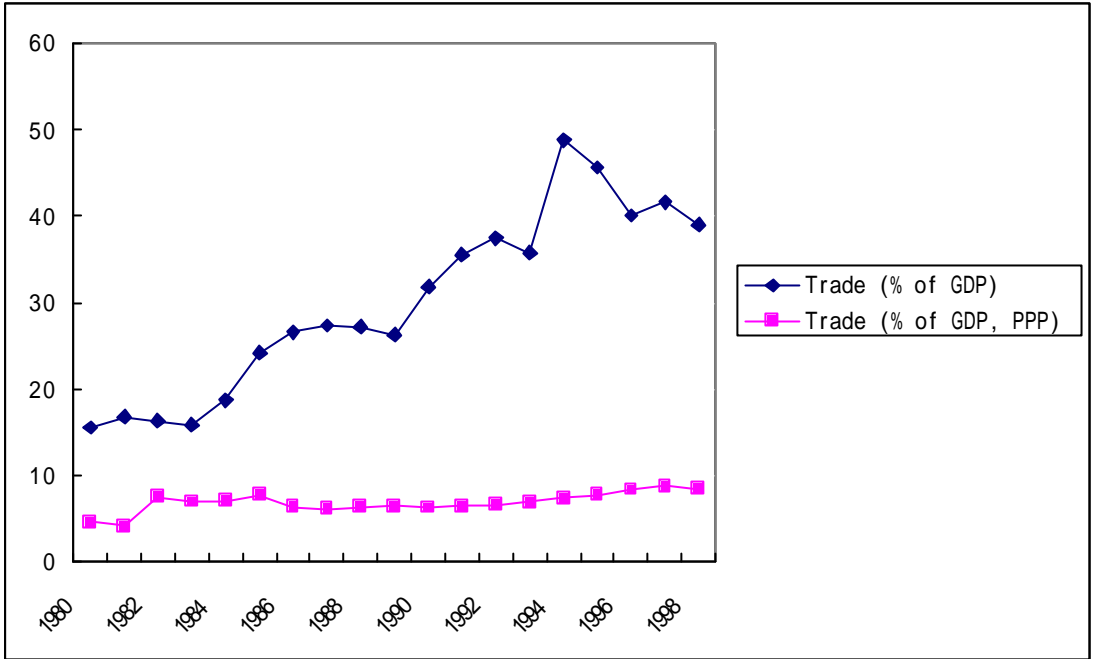
Unit: million dollars

	Korea	Japan	China	Expected regional trade balance	Trade balance (1997)
Korea		-8173.73	17720.74	9546.01	-9680
Japan	8174.73		32811.77	40986.47	-6999
China	-17720.74	-32811.77		-50532.51	16679

Note: Regional trade balance only refers to trade between China, Japan and Korea.

Source: ibid

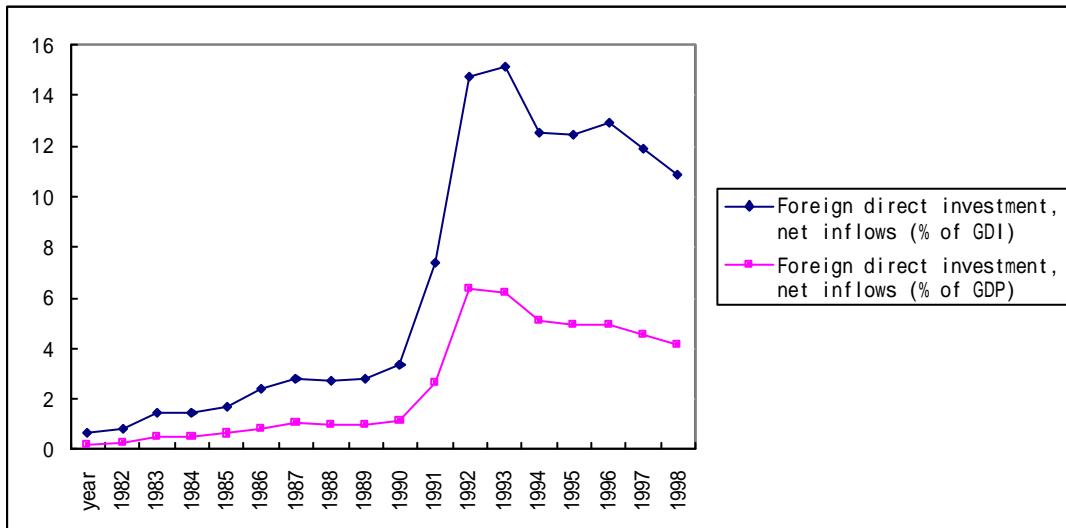
**Figure 1 Foreign Trade Dependency of China**



Source: World Bank, 2000: World Development Indicator Database.

World Bank, 2000: World Development Indicator Database.

Figure 2 Foreign Trade Dependency of China



Source: World Bank, 2000: World Development Indicator Database.

World Bank, 2000: World Development Indicator Database.