

**A New NEAT Working Group on**  
**Trade- FDI-Technology Linkages in East Asia**

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**Theme:** Deeper understanding of the characteristics of international trade structure in East Asia and policies measures to promote further East Asian economic integration

**Motivation:** To promote Asian integration through establishing more appropriate linkages among the trade-FDI-technology structure, financial and capital flows, and exchange rate policy coordination in East Asia

**Main Issues:**

1. Characteristics of production networks in light of comparative advantage of fragmented production blocks in networks, intermediate goods, processed exports, technology transfer, and outsourcing
2. The extent of development of intra-industry vertical trade as compared with intra-industry vertical trade (e.g., traditional North-South trade) and intra-industry horizontal trade (e.g., automobiles among advanced countries)
3. More exactly identifying international division of labor among China, ASEAN, NIEs and Japan: the extent of complementary and substitution among East Asian economies
4. The extent of the importance of trade-FDI linkages in the aforementioned different types of international division of labor in East Asia
5. The consistency between FTAs and EPAs on the one hand and the promotion of East Asian economic integration on the other: how to promote high quality FTAs and high quality investment treaties in the context of trade-FDI linkages in East Asia
6. Identifying policy issues for developing institutional, human, and physical infrastructure to promote trade-FDI linkages in East Asia
7. How have the deepening trade-FDI linkages affected financial and capital

flows in East Asia and vice versa?

8. What exchange rate regime can best facilitate efficient trade-FDI linkages and production networks in East Asia? What theoretical and empirical evidence are available?
9. Would it be desirable to establish mutually more stable exchange rate relationships among East Asian economies? Why? How could such mutually stable exchange rate regime be established in East Asia?