

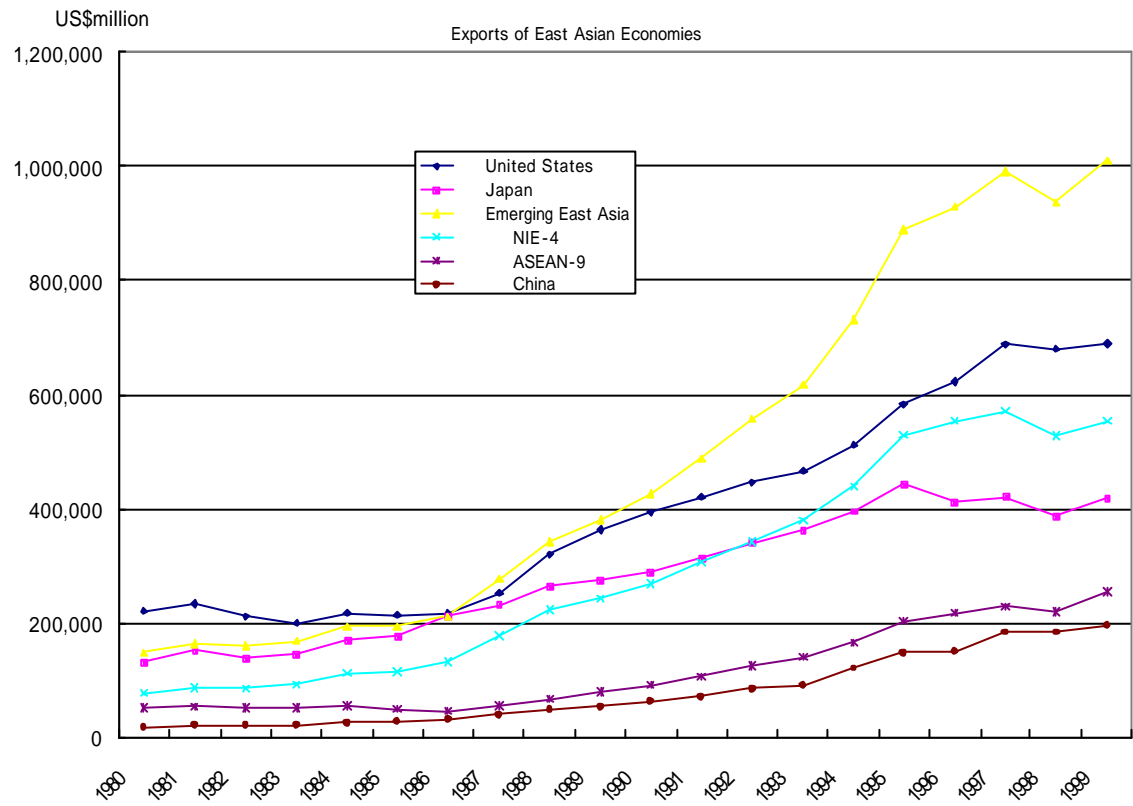
A Shift from Market-led to
Institution-led Regional
Economic Integration in
East Asia

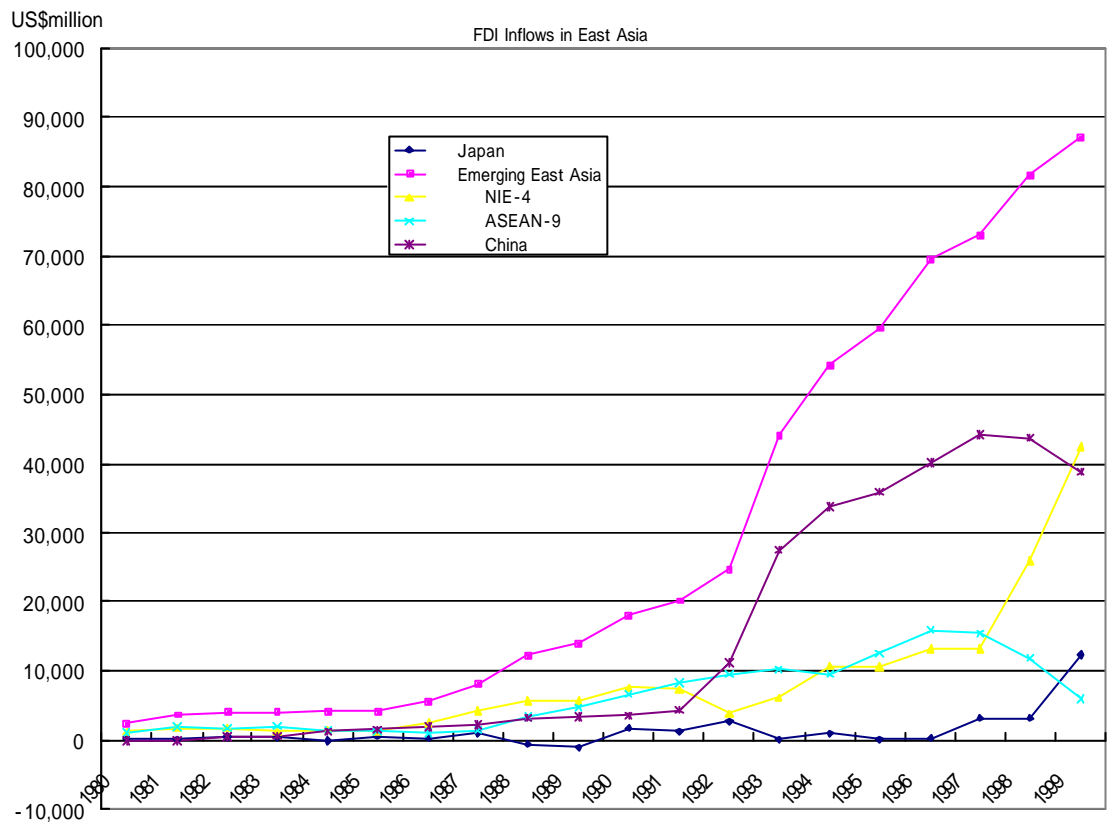
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- II. Rapid Expansion of Trade and FDI
- III. Increasing Intra-regional Dependence in Trade and FDI
- IV. Creation of Intra-regional Production System
- V. Recent Surge of RTAs in East Asia

- Rapid Expansion of Foreign Trade and FDI
in East Asia





II. Increasing Intra-regional Dependence in Trade and FDI

- Measurement of Intra-regional Dependence
- Foreign Trade
- FDI

Measurement of Intra-regional Dependence

Absolute measure (A): $A = X_{ij} / X_{..}$

Relative measure (B): $B = A / (X_{i.} / X_{..}) = X_{ij} / X_{i.}$

Double-relative measure (C): $C = A / [(X_{i.} / X_{..}) (X_{.j} / X_{..})] = X_{ij} * X_{..} / X_{i.} * X_{.j},$

where X_{ij} = exports (or outward FDI) from region i to region j ,

“.” = the summation across all i or j .

$X_{i.}$ = total exports (or outward FDI flows) of region i

$X_{.j}$ = total imports (or inward FDI flows) of region j ,

$X_{..}$ = world trade (or world total FDI flows).

Intra-Regional Interdependence for Trade and FDI

(a) Absolute Measure (%)							
	Trade					FDI	
	1980	1985	1990	1995	1999	1980	1994
East Asia, incl. Japan	5.4	6.7	8.3	12.7	11.3	3.5	8.4
Emerging East Asia-14	1.7	2.5	3.9	6.6	6.4	1.5	5.5
NIE-4	0.4	0.5	0.9	1.5	1.2	0.1	0.1
ASEAN-10	0.7	0.7	0.8	1.5	1.4	0.5	0.8
ASEAN-9, excl. Singapore	0.1	0.1	0.1	0.3	0.4	-	-
NAFTA	5.7	7.9	6.6	7.8	10.3	13.6	5.3
MERCOSUR	0.2	0.1	0.1	0.3	0.3	-	-
European Union-15	24.3	21.7	28.3	23.8	23.1	12.9	19.3

(b) Relative Measure (%)

	Trade (Exports+Imports)					FDI (Outward + Inward)	
	1980	1985	1990	1995	1999	1980	1994
East Asia, incl. Japan	35.6	37.3	41.8	50.2	49.2	40.0	42.5
Emerging East Asia -14	22.2	25.3	31.5	37.1	38.7	32.1	53.1
NIE-4	8.3	8.6	11.3	13.9	13.2	5.6	3.5
ASEAN-10	18.4	19.7	18.0	22.2	22.9	17.9	18.8
ASEAN-9, excl. Singapore	4.3	5.9	4.9	7.3	9.2	-	-
NAFTA	33.2	38.3	37.2	42.0	46.8	33.0	19.9
MERCOSUR	9.7	7.0	11.0	19.2	19.8	-	-
European Union-15	57.2	58.3	64.5	61.9	61.2	37.3	51.2

(c) Double-Relative Measure (Trade Intensity Index, %)							
	Trade					FDI	
	1980	1985	1990	1995	1999	1980	1994
East Asia, incl. Japan	2.56	2.28	2.27	2.14	2.25	4.59	2.25
Emerging East Asia-14	2.97	2.93	2.84	2.32	2.49	11.36	6.08
NIE-4	2.09	1.75	1.70	1.64	1.75	4.20	0.98
ASEAN-10	5.12	6.06	4.60	3.80	4.15	14.09	7.59
ASEAN-9, excl. Singapore	1.70	2.65	1.87	1.64	2.34	-	-
NAFTA	2.05	1.96	2.15	2.39	2.27	0.84	0.74
MERCOSUR	6.55	4.93	9.70	13.27	14.68	-	-
European Union-15	1.48	1.60	1.51	1.66	1.66	1.08	1.37

IV Creation of Intra-regional Production System

- Increasing Intra-regional Dependence in Production
- Multinational Firms: Promoters of Regional Economic Integration

Procurements of Asian Affiliates of Japanese Firms: 1992 and 1998

(Percentage of Total Procurements)

		1992					1998				
	Local	Imports from				Local	Imports from				
	Procure- ments	Japan	North America	Asia	Europe	Procure- ments	Japan	North America	Asia	Europe	
Manufacturing Total	48.5	37.9	1.8	8.9	0.5	43.9	34.8	1.6	18.2	0.6	
General Machinery	49.0	47.8	1.7	1.1	0.4	57.7	32.2	0.8	8.8	0.4	
Electric Machinery	36.6	46.7	1.2	15.4	0.1	35.7	37.0	0.4	26.4	0.2	
Transport Machinery	52.9	43.8	1.8	1.1	0.4	53.7	37.0	2.5	6.0	0.7	
Precision Instruments	34.2	60.2	1.9	3.7	0.0	40.2	41.2	2.6	14.5	1.5	

Sales of Asian Affiliates of Japanese Firms: 1992 and 1998

(Percentage of Total Sales)

	1992					1998				
	Local	Exports to				Local	Exports to			
	Sales	Japan	North America	Asia	Europe	Sales	Japan	North America	Asia	Europe
Manufacturing Total	66.1	15.8	3.7	11.2	2.0	49.8	25.1	4.5	16.6	2.6
General Machinery	53.0	23.6	2.1	11.3	9.8	32.4	40.6	5.5	14.8	4.6
Electric Machinery	45.7	27.2	5.3	19.0	2.2	32.3	33.0	5.3	24.8	2.9
Transport Machinery	92.6	1.7	3.9	1.0	0.5	81.1	11.0	3.5	2.2	1.5
Precision Instruments	36.9	51.8	5.2	1.9	3.8	27.2	46.0	1.5	23.0	2.0

Intra-firm Transactions in Procurements and Sales of Asian Affiliates of Japanese Firms: 1992 and 1998										
(Percentage Share in Each Procurement or Sale)										
	Procurement					Sales				
	Local	Imports from				Local	Exports to			
	Procure- ments	Japan	North America	Asia	Europe	Sales	Japan	North America	Asia	Europe
Manufacturing Total	11.3	83.2	72.5	58.5	45.3	16.1	95.7	66.4	58.9	66.1
General Machinery	3.9	93.5	21.2	89.7	0.0	10.8	98.5	95.0	94.4	99.2
Electric Machinery	8.6	80.8	32.8	58.8	10.8	20.5	96.3	55.3	66.4	66.1
Transport Machinery	13.4	86.7	100.0	66.2	62.5	11.5	96.9	98.6	56.7	94.7
Precision Instruments	39.1	95.5	0.0	28.3	99.5	58.3	98.4	24.2	19.1	49.6

IV. Recent Surge of Regional Trade Agreements in East Asia

- Market-led regional economic integration
- Institution-led regional economic integration
- AFTA
- Japan-Singapore FTA
- China-ASEAN FTA
- etc.