

Prospects for Free Trade Agreements in East Asia

January 2003

Japan External Trade Organization (JETRO)

Copyright © JETRO 2003

All rights reserved. This publication may not be reproduced in whole or in part, by mimeograph, photocopy, or any other means, nor stored in any information retrieval system, without the express written permission of the publishers.

(For Distribution in the U.S.) This material is distributed by the U.S. offices of JETRO (Atlanta, Chicago, Denver, Houston, Los Angeles, New York, and San Francisco) on behalf of the Japan External Trade Organization (JETRO), Tokyo, Japan. Additional information is available at the Department of Justice, Washington, D.C.

Introduction

Since the start of the 1990s moves toward economic integration have progressed rapidly around the world, particularly in the form of free trade agreements. Within Asia, the ASEAN Free Trade Area was initiated by the members of the Association of Southeast Asian Nations in 1993 and has since reached its final formative stage, and in January 2002 Japan entered into its first bilateral free trade agreement, the Japan-Singapore Economic Partnership Agreement, which went into effect in November 2002. In November 2002 ASEAN and China concluded an agreement concerning comprehensive economic cooperation, including a commitment to work toward establishing an FTA. In addition, Japan and ASEAN have agreed to aim for the creation of JACEP, a Japan-ASEAN Closer Economic Partnership, as soon as possible within the next 10 years; government-level negotiations toward this end are to start in 2003. Meanwhile, countries including Australia, Singapore, and Thailand are actively seeking to conclude new bilateral FTAs.

In this paper we start with a look at trends relating to FTAs in East Asia and at the current state of trade within the region. Next, drawing on local interviews and surveys, we examine concrete moves toward establishing FTAs and related issues, including the impact on existing industries, in a number of countries and regions, namely ASEAN as a whole, the so-called ASEAN 6 (Indonesia, Malaysia, the Philippines, Singapore, Thailand, and Vietnam), China, Hong Kong, South Korea, Taiwan, and India. We then introduce the approaches to FTAs being taken in other parts of the world, particularly the United States, the European Union, and Australia. And we conclude with a look at the impact of FTAs on domestic industries and the prospects for the period to come.

Amidst the rising tide of global interest in free trade agreements, JETRO has taken the lead in research on this topic within Japan, including joint feasibility studies concerning possible FTAs with South Korea (study launched in December 1998), Mexico (February 1999), and Chile (May 2000). We have also worked to publicize the utility of FTAs and promote interest in this subject among people in Japan and other countries with a number of initiatives, including the holding of an international symposium on the topic of "Prospects of Regional Economic Integration in Asia" in March 2001 and the publication of an FTA guidebook in November 2002. This paper represents a continuation of these efforts. We intend to keep up our active work in researching this topic with the aim of promoting FTAs and other forms of economic cooperation, which are expected to invigorate the economies of Japan and other East Asian countries.

January 2003
Overseas Research Department
JETRO

Contents

I.	Trends Involving FTAs in East Asia.....	1
II.	Trade Within the East Asian Region.....	5
III.	ASEAN's External Trade Policy and FTAs	10
IV.	Trade Policies and FTAs of China, South Korea, Taiwan, and India	13
V.	Asian FTA Policies of the US, the EU, and Australia	14
VI.	FTAs in East Asia: Influence and Prospects	16

Tables and Figure

Tables

Table 1.	Free Trade Agreements in East Asia.....	2
Table 2.	Intra-regional East Asian Trade, Excluding Japan, by Product, 2001.....	8
Table 3.	High Tariffs and Other Forms of Protective Measures.....	17
Table 4.	East Asian Trade, excluding Japan, with the world	23

Figure

East Asian Trade, excluding Japan, within the Region and with Major Partners	6
--	---

This same information can be viewed on JETRO's website at
www.jetro.go.jp/ec/e/stat/

I. Trends Involving FTAs in East Asia

East Asia, which was previously called an empty box of free trade agreements, has seen the rapid emergence of moves to establish FTAs since 1999. Singapore has been actively pursuing such agreements; its FTA with New Zealand went into effect in 2001, and in 2002 it signed FTAs with Japan and the European Free Trade Association (effective in January 2003). And China agreed with ASEAN in 2001 to work toward establishing an FTA.

The early 1990s was a period of loose-knit cooperation when people within East Asia were hoping that APEC, Asia-Pacific Economic Cooperation, would promote free trade through the open regionalism. But in the latter part of the decade the region saw moves to institutionalize free trade arrangements through bilateral FTAs and other initiatives. Also of note is that while the United States was actively involved in the region in the first part of the 1990s, the second half of the decade saw the expansion and strengthening of efforts aimed at regional cooperation through the “ASEAN Plus Three” grouping, which covers the 10 ASEAN members together with China, Japan, and South Korea and which does not include the United States.

Factors promoting this new trend included the rapid growth of FTAs around the world during the 1990s, particularly in the latter part of the decade. Developments within East Asia, such as the Asian currency and economic crises, the rise of China, and the prolonged stagnation of the Japanese economy, were also involved.

1. The acceleration of FTA moves since 1999

The number of free trade agreements in the world surged from 26 as of the end of 1989 to 143 as of the end of June 2002. In East Asia only 4 such agreements had been concluded as of December 2002, but since 1999 this region, previously noted for its lack of FTAs, has seen the rapid emergence of moves toward establishing them. At the end of 1998 South Korea proposed to Japan that the two countries study the possibility of a bilateral FTA. In September 1999 Singapore agreed with New Zealand to start FTA negotiations; it also proposed agreements with Chile, Mexico, and South Korea. In October of the same year Singapore proposed an agreement linking AFTA, the ASEAN Free Trade Area, with CER, the Closer Economic Relations trade agreement between Australia and New Zealand (also known as ANZCERTA). In November it started FTA talks with Chile, and in December it proposed an agreement with Japan.

This was not actually the beginning of the consideration of free trade arrangements in the Asia-Pacific region. During the 1980s the United States had actively pursued the possibility of FTAs with other Asia-Pacific countries. In the first part of the decade it unofficially proposed an FTA to Australia. In 1987, Mike Mansfield, US ambassador to Japan, made a personal proposal for a feasibility study on a Japan-US FTA. And in 1989 the final report of the “ASEAN-US Initiative” joint study called for an FTA between ASEAN and the United States. More recently, in 1997 the United States proposed the creation of a P5 (Pacific Five: Australia, Chile, New Zealand, Singapore, and the United States) FTA.

It was only in 1999 and 2000, though, that government-level negotiations and studies began to gather momentum, and the first to make the move was Singapore, which initiated talks and

studies on FTAs with a number of other countries. The concept of a broad East Asian free trade area was discussed at the December 2000 ASEAN Plus Three summit (bringing together the leaders of ASEAN, China, Japan, and South Korea), and an agreement was reached on setting up a study group to consider the idea. In 2001 an agreement went into effect between Singapore and New Zealand as East Asia's first FTA complying with the terms of Article 24 of the General Agreement on Tariffs and Trade. And in November of that year ASEAN and China agreed in principle to establish an FTA between them within 10 years.

The pace of developments accelerated in 2002: The Japan-Singapore Economic Partnership Agreement was signed, and Japan's Prime Minister Junichiro Koizumi issued the Initiative for Japan-ASEAN Closer Economic Partnership. In June Singapore signed an FTA with the European Free Trade Association. And in November ASEAN and China concluded a framework agreement for an FTA, while Japan and ASEAN agreed to work toward realizing JACEP, their comprehensive economic partnership, as soon as possible within the next 10 years.

Singapore is currently pursuing a lively FTA strategy, with negotiations underway between it and Australia, Canada, Mexico, and the United States; its goal seems to become an "FTA hub." Thailand is also taking a positive stance toward FTAs; it has proposed and started studies on a number of possible agreements with other countries both within East Asia, and in other regions. (See Table 1.)

Table 1. Free Trade Agreements in East Asia

	Year	Participants and status
1. FTAs in force		
Australia-New Zealand Closer Economic Relations Trade Agreement (CER or ANZCERTA)	1983	Australia, New Zealand
ASEAN Free Trade Area (AFTA)	1992	Ten ASEAN members (An FTA in accordance with the enabling clause)
Singapore-New Zealand Free Trade Agreement	2001	Effective in January
Japan-Singapore Economic Partnership Agreement (JSEPA)	2002	Effective in November
Singapore-EFTA (European Free Trade Association) Free Trade Agreement	2002	Signed in June and effective in January 2003
2. Agreements being negotiated, studied, or considered		
East Asia Free Trade Area (EAFTA)	2000	Proposed at a summit meeting of ASEAN plus Three (China, Japan, and South Korea)
ASEAN-China Free Trade Area (ACFTA)	2001	Realization within 10 years agreed to at an ASEAN-China summit meeting (Framework Agreement adopted in 2002)
Japan-ASEAN Closer Economic Partnership (JACEP)	2002	Realization within 10 years agreed to at an ASEAN-Japan summit meeting
ASEAN-India Regional Trade and	2002	Consideration of an agreement agreed to at

Investment Agreement		an ASEAN-India summit meeting
Pacific Five (P5) Free Trade Agreement	1997	To include Australia, Chile, New Zealand, Singapore, United States
Bilateral free trade agreements		Singapore: Australia, Canada, Mexico, Taiwan, United States Thailand: Australia, India, Japan China: Hong Kong, Macao Philippines: Japan, United States Taiwan: Japan, New Zealand, Panama, Singapore, United States Japan: Mexico, Philippines, South Korea, Thailand, Taiwan

2. Three changes: Endogenous developments, ASEAN+3, institutionalization

Regional integration moves in East Asia changed greatly during the course of the 1990s. Through the mid-1990s the situation had the following characteristics:

First, the moves were exogenous, being motivated by the formation of regional integrations in other parts of the world, notably in Europe and North America. The concept of regional cooperation in the Asia-Pacific around the middle of the 1960s was stimulated by the creation and subsequent development of the European Community, and the Asia-Pacific Economic Cooperation forum was established in response to moves in the EC, such as the “single market” program. During the first half of the 1990s both Europe and North America achieved significant strides toward regional economic integration, including the EC’s formation of its single market in 1992 and the launching of NAFTA, the North American Free Trade Agreement, in 1994. Needless to say, ASEAN’s move to create its own free trade area, AFTA, and the attempts to promote trade liberalization through the APEC were largely responses motivated by a sense of crisis provoked by these moves elsewhere.

Second, the influence of the United States was great. As initially conceived by Australian Prime Minister Robert Hawke, APEC did not include the United States, but Washington strongly opposed this initiative, with the result that the forum was launched with US participation. The Americans also strongly opposed the concept of an East Asia Economic Caucus advanced by Malaysia’s Prime Minister Mahathir bin Mohamad, and Japan, too, adopted a negative stance toward it. In addition, the “Asian Monetary Fund,” whose establishment Japan proposed in September 1997 following the outbreak of the Asian currency crisis, never saw the light of day because of opposition mainly from the United States.

Third, the style of trade liberalization in the region was loose-knit, as typified by the non-binding and gradual approach of APEC and by the consensus-oriented, mutually noninterventionist approach of ASEAN. Liberalization was not institutionalized in the form of binding treaties or agreements.

In the latter part of the 1990s, however, the situation changed considerably:

First, in the wake of the currency and economic crises, there was an emergence of moves toward regional integration that were endogenous in nature, being motivated by a recognition of the need for cooperation within the region rather than by the impetus of regional integration

initiatives elsewhere. Representative moves included cooperation aimed at preventing future currency crises. While the Asian Monetary Fund did not materialize, an ASEAN Plus Three currency swap agreement was adopted in May 2000 as the “Chiang Mai Initiative.”

Second, the ASEAN Plus Three group began to function as a framework for East Asian regional cooperation, and proposals for FTAs also emerged. The ASEAN Plus Three members started scheduling not just summits but also regular meetings of their foreign ministers, economic ministers, finance ministers, and labor ministers, among others, and the subjects on the agenda have become increasingly comprehensive, ranging from trade liberalization and monetary and financial affairs to e-commerce and the environment. Also, the group is becoming more institutionalized. The participants in ASEAN Plus Three are the same as those in the EAEC grouping proposed by Malaysia, but the United States has not opposed this forum.

Third we may cite the moves toward institutionalization, of which FTAs are typical. FTAs must conform to Article 24 of GATT, and they are strongly binding. Previously in East Asia there was a preference for loose, voluntary cooperation, and the moves toward regional integration tended to proceed on a de facto basis and not to involve treaties or other institutionalized arrangements. The fact that institutionalized frameworks like FTAs have come to be accepted in this region thus represents another significant change.

3. Factors promoting change: Currency and economic crises, China’s rise, Japan’s prolonged slump

The changes noted above emerged as the result of a combination of external developments and developments within East Asia.

On the external front, a notable factor was the rapid increase in free trade agreements around the world during the 1990s. This development appeared to be leaving East Asia behind, causing countries in the region to feel that they would be at a disadvantage unless they made similar arrangements themselves. And countries outside the region started inviting East Asian counterparts to join them in FTAs.

In the latter part of the 1990s numerous major changes occurred in East Asia. First came the onset of the currency and economic crises in 1997; by the following year all the East Asian economies with the exception of China had fallen into a critical state. The apparent powerlessness of ASEAN and APEC in the face of these crises initially caused both of these groupings to lose coherence. But in the case of ASEAN, the crises led to a decision to promote greater integration within the region as a countermeasure. At the same time, the ASEAN Plus Three cooperative framework was expanded and tightened as a means of preventing similar crises in the future, with moves including monetary cooperation among the participating countries. In this way the currency and economic crises acted as a major turning point in promoting recognition of the need for greater regional integration.

Another important development around the same time was the rapid rise of the Chinese economy. China was able to sustain an economic growth rate of 7%–8% even in the midst of the crises elsewhere in the region, and it continued to record rapid expansion in both trade and inward investment. Thanks to this favorable performance, it increased its clout both politically and economically. Since the end of the 1990s China itself has made East Asian economic integration a major plank of its external economic policy, aiming to develop new markets,

promote the overseas advance of Chinese enterprises, and quell “China is a threat” sentiment among its neighbors.

Japan, meanwhile, has followed a sharply contrasting course. Its economy has been stagnating ever since the early 1990s, and its international presence has been waning, as typified by the plunge in its position in some international competitiveness ranking from first place in 1992 to thirtieth place in 2002. The fact that East Asia was a vacuum in terms of FTAs up through the end of the twentieth century is attributable at least in part to the inaction of Japan, which was the only country with the economic wherewithal to take the initiative in this field. Japan was pursuing a trade strategy that focused on the multilateral GATT/WTO system. In addition, the memories of war and colonization by Japan in the past, combined with resistance among some other Asian countries to the idea of Japanese dominance in the economic sphere, acted to discourage leadership by Japan.

In recent years, however, the combination of economic development elsewhere in East Asia and the political and economic stagnation in Japan have caused such resistance to recede. The support that Japan offered to countries hit by the Asian currency and economic crises, such as the New Miyazawa Initiative (which served as the basis for the above-noted Chiang Mai Initiative on currency swaps), was appreciated, and this also contributed to the lessening of antipathy toward Japanese leadership. Meanwhile, the fact that Washington has stopped opposing regional cooperation and moves toward integration excluding the United States may be attributed to the Americans’ recognition of the need for structural reform (which can be promoted through cooperation and integration) in the countries of East Asia so as to put them back on a growth track in the context of Japan’s loss of strength and the overall decline of East Asia’s global presence.

A final development that we might note is the recognition among the countries of East Asia that the traditional approaches of de facto integration and non-binding cooperation are too limited to produce liberalization in sensitive sectors, as highlighted by the failure of APEC’s “early voluntary sectoral liberalization (EVSL)” approach.

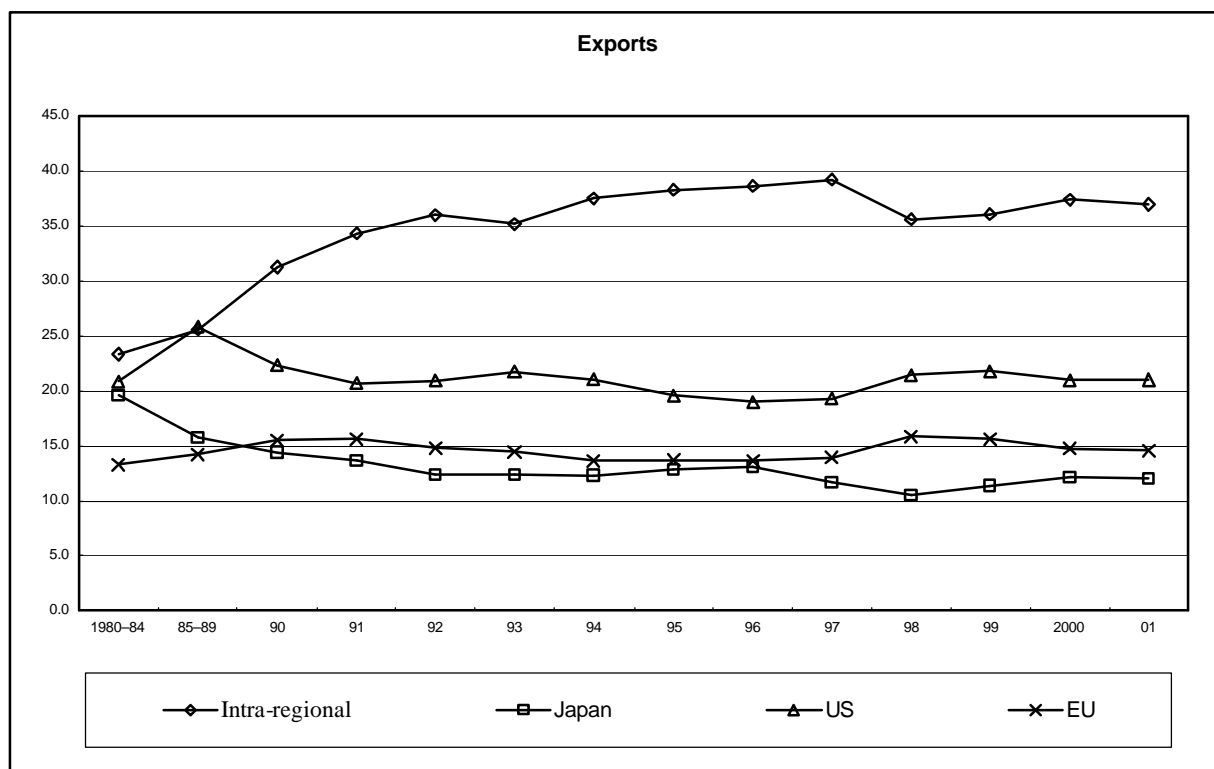
II. Trade Within the East Asian Region

The share of intra-regional trade in East Asia has been rising year by year. As of 2001, about 40% of both exports and imports by East Asian countries excluding Japan were within the region. The composition of intra-regional trade by product type is similar to that of the region’s global trade, but the share of trade within the region tends to be higher for goods of an intermediate nature, such as information-technology parts, synthetic fibers and products, and chemical industry products, while final products tend to be directed at markets outside the region. But when Japan’s trade is included in the intra-regional figures, the shares for both exports and imports become considerably higher, and the self-sufficiency of the region as an economic zone rises.

1. Increasing share of trade within the region, decreasing share for Japan

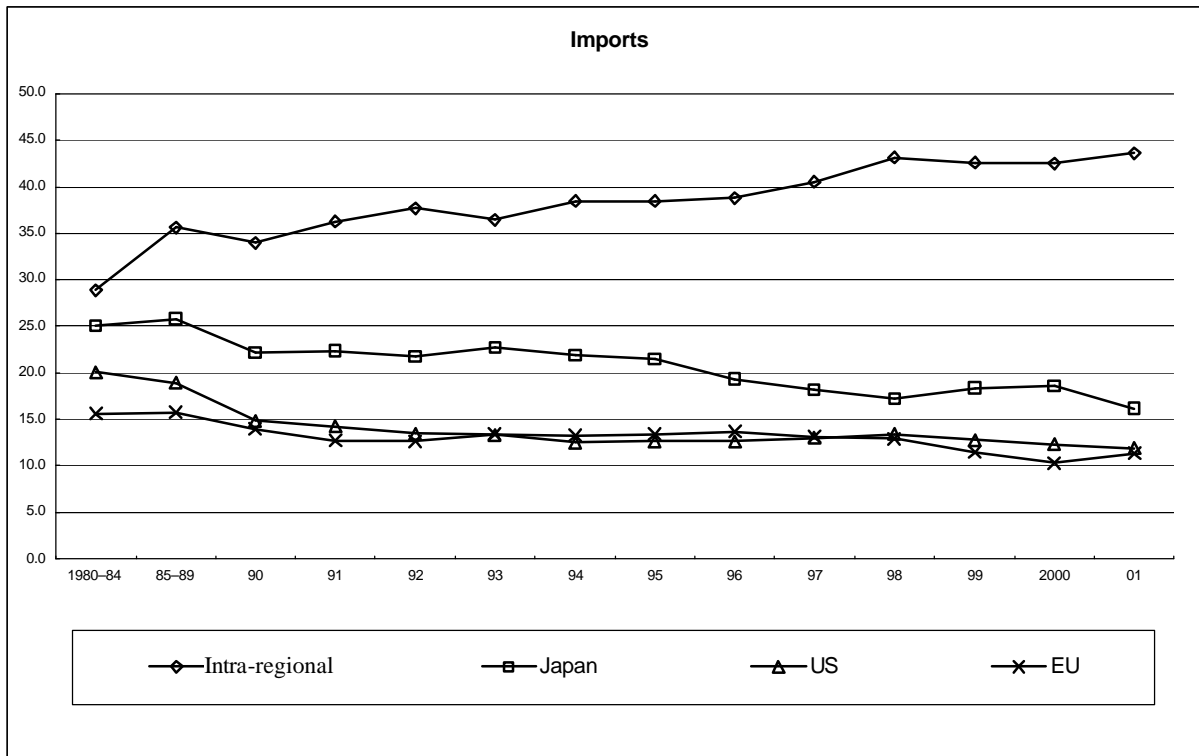
If we look at trade statistics for the East Asian region excluding Japan, we find that in the first half of the 1980s the leading export destinations were Japan, the United States, and the European Union, while the average share of exports to countries within region came to 23.3%. Starting in the latter part of the 1980s, corporations sought to find optimal production sites on a part-by-part basis, and they came to set up cross-border networks that included plants in this developing East Asian region. As a result, the share of intra-regional trade gradually increased, topping the 30% mark in 1990 and reaching a high of 39.3% in 1997. Since then the share has declined slightly but continues to be close to 40%. (See the figure.)

East Asian Trade, excluding Japan, within the Region and with Major Partners



Sources: International Monetary Fund, Direction of Trade Statistics CD-ROM, September 2002, and Taiwan Trade Statistics.

Note: The East Asian region here refers to 10 countries and regions, namely, three Asian newly industrialized economies (Hong Kong, South Korea, and Taiwan), six members of ASEAN (Indonesia, Malaysia, the Philippines, Singapore, Thailand, and Vietnam), and China.



The decline in the intra-regional share of exports since 1998 has been offset by an increase in exports absorbed by the United States. The US-bound share of exports from the emerging East Asian economies rose from 20.9% in the first half of the 1980s to 25.8% in the latter part of the decade; after that, however, the figure fell, dipping below the 20% mark in 1995. But in 1998, in the wake of the currency and economic crises, the US share expanded again, remaining somewhat above 20% through 2001. The growth of demand in the United States, particularly in the IT sector, continued from the late 1990s through 2001, and it powered an increase in East Asia's exports of IT and other products to the US market. This allowed East Asian economies to weather the decline in demand within the region. Exports to Japan, on the other hand, accounted for 19.6% of the total in the first half of the 1980s but subsequently declined steadily, and—in sharp contrast to US-bound exports—dropped even further in 1998 following the currency and economic crises.

On the import side, the intra-regional share of East Asia's trade has been following an upward trend since the first half of the 1980s, uninterrupted by the currency and economic crises. For the region in question the share was less than 30% in the first half of the 1980s, but as of 2001 it was more than 40%. The United States, which has been a key export destination, has not fared so well as an import source; its share of the region's imports has continued to fall since the early 1980s. Japan supplied a full 25.0% of the region's imports in the first half of the 1980s. This strong presence reflected the structure of international specialization that Japanese manufacturers, particularly in the electrical and electronic equipment industry, had established, with key parts produced in Japan and shipped to assembly plants overseas. But since the 1990s these corporations have been moving the production of even their key parts to overseas plants in

East Asia, causing the role of supplies from Japan to decline, and this has contributed to the ongoing decline in Japan's share of the region's imports.

2. IT products at 40% of intra-regional trade

Now let us take a look at the product-by-product composition of the intra-regional trade, whose share of the East Asian total has been rising. Based on trade statistics, trade within the East Asian region (excluding Japan and measured on an export basis) totaled US\$420.7 billion in 2001, of which 53.0% consisted of machinery. (See Table 2.) The leading category was information-technology products, which accounted for 39.6% of the total. Next came chemicals, with a share of 11.0%, and fabrics and products, at 10.3%. In terms of these broad categories, the products the region's countries are selling to the world are also products they are selling to each other in considerable quantities. Miscellaneous products are an exceptional case with a large difference in world exports; whereas they constitute 6.6% of the exports to the world, their share of intra-regional trade is only 2.1%.

Table 2. Intra-regional East Asian Trade, excluding Japan, by Product, 2001

	Total intra-regional trade value (US\$ million)	Ratio (%)	Ratio of intra-regional exports (%)	Ratio of extra-regional exports (%)
Intra-regional trade	420,732	100.0	38.0	62.0
Machinery	222,820	53.0	39.8	60.2
General machinery	67,026	15.9	36.0	64.0
Electric & electronic equipment	133,126	31.6	46.1	53.9
Transport equipment	9,362	2.2	19.3	80.7
Motor vehicles	2,005	0.5	11.8	88.2
Motor vehicle parts	1,693	0.4	23.7	76.3
Precision machinery	13,302	3.2	36.6	63.4
Chemicals	46,098	11.0	49.4	50.6
Petrochemical products	23,138	5.5	52.0	48.0
Plastics, synthetic rubber	22,958	5.5	47.1	52.9
Foods	14,786	3.5	33.7	66.3
Fat, other	2,261	0.5	30.3	69.7
Miscellaneous products	9,020	2.1	12.4	87.6
Other raw materials, products	123,213	29.3	38.5	61.5
Mineral fuels, etc.	28,860	6.9	51.5	48.5
Fabrics, products	43,523	10.3	32.4	67.6
Synthetic fibers, products	11,079	2.6	52.0	48.0
Clothing	12,606	3.0	16.9	83.1

Steel	12,656	3.0	42.7	57.3
Other	2,534	0.6	29.1	70.9
(Reference)				
IT products	166,735	39.6	43.5	56.5
Parts	130,669	31.1	54.1	45.9
Finished products	36,066	8.6	25.5	74.5

Sources: Official customs statistics for exports, except for Vietnam, whose data are compiled from the statistics of 41 major countries and regions on their imports from Vietnam.

Note: The East Asian region here is the same as in the figure. Product classifications are based on two-digit HS codes. Shares of extra-regional exports exceeding 70% are shown in bold.

The character of the intra-regional trade becomes clearer when we narrow the focus to product subcategories. In the leading category of IT products, for instance, 43.5% of the total exports are within the region, while 56.5% are bound for destinations outside the region. But in the subcategory of finished products, 74.5 % of the exports go to markets outside the region and only 25.5% to regional markets. The balance moves the other way in the subcategory of IT parts, with a majority of the exports (54.1%) going to countries within the region. This reflects the shuttling of parts within the region's production networks; once the products are completed, they are shipped mainly to destinations outside the region. Herein we find evidence of how East Asia has become a global factory for the products of information technology.

If we further break down the IT parts figures by type of part, we find that the intra-regional export share is highest for electronic tubes and semiconductors (68.1%), followed by integrated circuits (58.7%) and other electronic parts (51.2%); only in the category of parts for computers and peripherals is the intra-regional share less than half (46.3%). Similarly, a breakdown of finished products reveals some items with an extra-regional share in the vicinity of 80%. The type of product with the largest extra-regional share is audio equipment (85.8%), followed by video equipment (80.5%) and computers and peripherals (78.2%).

In subcategories other than information technology, the highest shares of intra-regional exports are seen mainly among goods of an intermediate nature, such as synthetic fibers and products (52.0%), petrochemical products (52.0%), plastics and synthetic rubber (47.1%), and steel (42.7%). And within the category of fabrics and products, while the intra-regional share for synthetics is high, the extra-regional share for clothing is much higher (83.1%). This shows a pattern similar to that seen in the case of IT products, namely, that fibers and fabrics are produced on a specialized basis in different countries and moved about within the region before being exported outside the region as finished products (clothes). The other categories for which the extra-regional share is above 80% are miscellaneous products (87.6%) and transport equipment (80.7%). "Miscellaneous products" consist largely of light manufacturing output, such as shoes, hats, furniture, and toys, and they were formerly typical of the developing East Asian region's exports. The share of transport equipment in the region's total trade is also small, at 4.4%. More than half of these exports are from South Korea, which has established a position as an exporter of passenger cars to the US and EU markets.

In other product categories, extra-regional exports account for around 70% for both foods and fat. For mineral fuels, which are exported mainly from resource-rich Indonesia and Malaysia, the split is roughly even between intra-regional and extra-regional exports.

3. Seeking greater intra-regional trade in final products

As we have seen, East Asia has seen the conclusion or conception of various FTAs since the late 1990s. But it is still not clear how effective these arrangements will be in achieving such strategic objectives as the enhancement of free trade. East Asian economies enjoy a strong comparative advantage in IT products, and they have built close ties within the region in the area of intermediate goods, but they are still forced to rely largely on external markets for their exports of final products. In order for FTAs to have a greater effect in this region, it will not be sufficient just to further increase their comparative advantage against the rest of the world by achieving greater efficiency in the production networks for intermediate goods and parts. Also of critical importance will be expanding intra-regional demand for final products.

Japan, whose economy is the second largest in the world, is a major presence in the market for final products. When Japanese trade is included in the statistics on East Asian trade, the share of the trade going to other countries within the region rises considerably, reaching 47.4% for exports and 56.7% for imports (as of 2001). In specific product categories, the intra-regional export share of IT products rises to 52.3%, and the shares are even larger for plastics and synthetic rubber (54.8%), steel (57.9%), and foods (60.7%). Thus the East Asian region including Japan demonstrates an increased level of self-sufficiency as an economic zone.

Since 2000 a number of FTA initiatives have come under consideration in East Asia, including the ones ASEAN is considering with China on the one hand and Japan on the other as well as the idea of an overall East Asian FTA. When we view these proposals in terms of the current state of trade, we find that the existing bilateral ties between ASEAN's members and China are not that close. The level of complement is higher between ASEAN and Japan, and it is higher yet in the overall ASEAN Plus Three group, which would make FTAs for these groupings more effective.

III. ASEAN's External Trade Policy and FTAs

Government Initiatives and Tasks and the Impact on Industry

1. ASEAN

The free trade agreements ASEAN as a whole is working on are AFTA, its own FTA, and those with China, Japan, and India. ASEAN is also pursuing stronger trade and investment cooperation with Australia and New Zealand, which have a Closer Economic Relations trade agreement.

The ASEAN-China Free Trade Area, which was proposed by Chinese Prime Minister Zhu Rongji, aims to blunt arguments about how China poses a threat and to open the Chinese market widely to ASEAN. The view that China can be considered to be a business partner is now spreading in Southeast Asia. Fast progress is expected on the economic cooperation framework agreement and on early reduction of tariffs (under an "early harvest" program).

In the case of the proposed Japan-ASEAN Closer Economic Partnership, the outlook is that government-level negotiations will begin during 2003. The coverage of JACEP is to extend to the agricultural sector. Many people share that the best arrangement would be an EAFTA, or East Asia Free Trade Area, which might take the form of an FTA for the ASEAN Plus Three group. The realization of such a pact, though, seems likely to lag behind separate ASEAN agreements with China and Japan.

In AFTA, intra-regional tariffs are already at or under 5% for most items. But while AFTA is nearing completion, actual utilization of the scheme remains on a low level. This is partly because Southeast Asian countries have low levels of intra-regional trade. In addition, ASEAN's tariffs in general are already fairly low; its members impose rules of origin that require local procurement ratios of 40% or more; and troublesome procedures are involved. Nonetheless, the Japanese companies that have moved into the region are responding to AFTA with their own efforts to reorganize their bases and boost product shipments among them. If the nations of Southeast Asia are to rival China in wooing foreign capital, they have no choice but to couple the lowering of tariffs with separate moves to dismantle non-tariff barriers and bolster distribution networks, setting their sights on the realization of market integration in the true sense.

2. Singapore

Singapore is promoting its FTA policy especially aggressively. Since it has almost no trade barriers in terms of tariffs, it is working to attain the strategic objective of promoting free trade throughout the Asia-Pacific region. Liberalization of the service sector is, for Singapore, a sensitive issue in FTA negotiations. The country is steadily decontrolling financial services, but it wants to hold the pace of the changes to a moderate speed while it keeps an eye on domestic conditions. In the manufacturing sector, the chemical and petrochemical industries are rapidly developing, and exports are booming to meet rising demand in China and other parts of Asia. Since 2000 Singapore has been promoting a policy of strengthening the foundations of the genetic engineering and biomedical fields, and Western and Japanese manufacturers of pharmaceuticals are busily engaged in R&D activities. The country hopes thereby to enhance its competitiveness in medicines and medical services.

3. Thailand

The Thai government is deploying FTA diplomacy actively, taking the view that bilateral agreements can set the stage for multilateral arrangements. It hopes that an FTA can be created in the future for all of East Asia. The Thai business community in general endorses this stance. In preparation for an FTA with China, the government is seeking to boost the value-added content of Thai output to a higher level, reasoning that China can serve as a supply source for raw materials and as a key export market. Problems in the area of non-tariff barriers include delays caused by customs procedures and a shortage of distribution infrastructure. It is hoped that the concerned organizations will work more closely together on utilizing electronic data interchange and that greater use can be made of overland transport routes between Thailand and Malaysia.

4. Malaysia

Malaysia, which in 1991 advanced the idea of an economic caucus for East Asia (EAEC), favors strengthening cooperative ties across the wider region and was inclined to view bilateral FTAs in a negative light. However, Malaysia proposed Japan to start a discussion of the bilateral FTA. One of the major factors behind this stance is the existence of the country's two makers of national cars. They are taking contrasting approaches, with Proton sticking to a "homemade" course even as Perodua seeks to lift the ratio of foreign capital participation. The densely concentrated electrical and electronics industry should be able to maintain its edge within Southeast Asia even after FTAs are realized. The major Japanese firms active in this industry wish to maintain bases in both China and Southeast Asia, and they continue to see Malaysia as occupying a pivotal regional position.

5. Indonesia

Almost no moves toward bilateral FTAs are to be seen in Indonesia, which needs first to address the task of domestic economic reform. As a member of ASEAN, though, Indonesia is actively implementing the AFTA tariff-reduction program. With respect to FTAs between ASEAN and other partners—the proposed JACEP with Japan, ACFTA with China, and EAFTA for the ASEAN Plus Three group—Indonesia plans to keep in step with ASEAN's other members. The country is struggling with various domestic problems including labor disputes and rising costs for electric power. It needs to work quickly on consolidating its economic and industrial infrastructure to lift its international competitive position before it can make progress on the FTA front.

6. Philippines

The Philippines is interested in developing export markets by concluding FTAs with developed countries as well as participating in ACFTA, and it is studying the possibility of FTAs with such partners as Japan and the United States. Philippine tariffs are on the low side among the ASEAN, but high rates still apply to some agricultural and fishing products, textiles, and petrochemical products. Meanwhile, the country in recent years has been actively inviting overseas investment in the IT service field, where it hopes to establish an advantageous position. The Philippines is interested in concluding comprehensive FTAs that encompass the service sector. Toward that end, it must urgently address the task of improving the investment environment, seeking to sustain the competitiveness of the labor market.

7. Vietnam

The Vietnamese government is taking a constructive approach toward trade liberalization, whether on a multilateral, regional, or bilateral basis. Its policy is to move forward on economic integration on each of these levels. It is negotiating to join the World Trade Organization by 2005; it is steadily pursuing AFTA tariff reduction with a 2006 deadline; and in December 2001 the US-Vietnam Trade Agreement went into force. Vietnam enjoys a comparative advantage in such primary industries as agricultural and fishing and also in such labor-intensive industries as textiles and apparels, where its low labor costs make a difference. But because its industrial base is still fragile, machinery and equipment, chemicals, electrical and electronic products, and other

such capital-intensive industries are sensitive areas. The government has made it clear that it will act to protect some domestic industries, as by placing two-wheel and four-wheel motor vehicles on the General Exception List of AFTA and restricting imports of parts for motorcycles.

Vietnam can only realize limited merits of export expansion from free trade, since its exports center on agricultural and other primary products. Given that the country's industrial base remains weak, moreover, it is highly likely that domestic industries led by state enterprises will suffer damage from inflows of competitive industrial products made by other countries in the region. While there is hope that liberalization will spur reform in the inefficient state sector, a safety net must be in place to curtail liberalization's demerits, such as a rise of social unrest sparked by swelling unemployment.

IV. Trade Policies and FTAs of China, South Korea, Taiwan, and India

Government Initiatives and Tasks and the Impact on Industry

1. China and Hong Kong

Free trade agreements emerged as a part of China's trade policy toward the end of 2000, when the country's entry into the WTO was drawing near. Government-level negotiations are now in progress on FTAs with ASEAN and Hong Kong. China's FTA policy is a strategic one based on the long-range perspective, and it is also a flexible one in terms of specific contents. Ideally China would like to see regional integration in East Asia take the form of the ASEAN Plus Three grouping, with Japan and South Korea included. Since obstacles stand in the way of such an arrangement at present, though, China has decided that proceeding first with the ACFTA, its proposed pact with ASEAN, presents a more realistic option.

Problems of structural adjustment among industries arise upon the conclusion of FTAs. As China may also see the emergence of demerits deriving from WTO membership, business circles may protest against FTAs. The Chinese government is fairly firmly committed to the ACFTA, however, making it likely that the negotiations will go forward even if they encounter twists and turns.

Hong Kong's trade policy formerly focused on promoting the free trade system established on the multilateral basis of the WTO. Hong Kong amended this policy, though, on witnessing the rise of FTAs against the backdrop of the bungled WTO Ministerial Conference in Seattle in 1999, and today it is taking part in government-level talks on FTAs with New Zealand as well as China. Still, these talks are likely to face hard going on account of two thorny issues: (1) how to frame rules of origin to identify products made in Hong Kong, which serves as an entrepôt, and (2) how far to extend the definition of a *Hong Kong company* for the coverage of businesses set up locally with the help of investments from foreign companies.

2. South Korea

Ever since 1998, South Korea has been actively seeking bilateral and regional FTAs, even as it continues to endorse multilateral trade negotiations centered on the WTO. Studies and talks are now in progress on agreements with Chile, Japan, Mexico, and New Zealand. A study group was established in November 2001 to consider an FTA with ASEAN. Seoul is also calling on the 10 ASEAN members, China, and Japan for the formation of a 13-member EAFTA.

Korea was the first of the Northeast Asian countries to enunciate an FTA policy, but at this point in 2002 it is trailing behind Japan and China. One reason for the lag is a domestic split in opinion. While the Korean government is in favor of greater external opening, Korean businesses are not equally warm to the idea of FTAs.

3. Taiwan

Taiwan shifted to a positive stance on FTAs with the rise to power of President Chen Shui-bian. Taking into account the importance of its economic ties with different countries and the overtures made by them, Taiwan has decided to include the United States, Japan, Singapore, New Zealand, and Panama among the key prospective FTA partners. Since Taiwanese manufacturing is underpinned by a powerful IT sector, many industrial organizations are favorably inclined toward free trade pacts. From their point of view, such agreements would help to secure export markets. But cautionary views are prevalent in business circles whose firms depend on small-scale domestic demand and are not in a good position to realize economies of scale.

In Western eyes Taiwan is a useful hub linking their centers of research and consumption with Asian bases of production. Japan as well is expanding the procurement of parts through networks of Taiwanese firms. FTAs with Taiwan deserve consideration because of this hub function and also because economic merits can be realized through comprehensive collaborative arrangements covering cooperation in areas other than tariff removal.

4. India

India has begun to take an active approach toward economic cooperation with ASEAN. The policy it has unveiled for Southeast Asia has the long-range objective of concluding a regional trade and investment treaty or an FTA. Because of the confrontation between India and Pakistan, moves toward the formation of a regional free trade area in South Asia are not making progress, and this has prompted India to think about giving priority to bilateral FTAs. The country still has high tariff barriers, though, and dismantling them can be expected to provoke vociferous protests from domestic business groups. This means that measures of the trade facilitation and promotion type may need to be implemented first.

V. Asian FTA Policies of the US, the EU, and Australia

1. United States

The basic principle of the trade policy of the Bush administration is to recover leadership in the trade field. The United States is trying to accomplish this through the conclusion of FTAs. Having regained its so-called fast-track trade promotion authority, which had lapsed for eight years, the administration has shifted emphasis to bilateral FTAs because compared with multilateral negotiations under the WTO or for the Free Trade Area of the Americas, they can produce results in a shorter period.

Negotiations on bilateral FTAs with Chile and Singapore have entered the final stage and are nearing an agreement. When the FTA with Singapore is realized, it will be the first the

United States has with an Asian country. This arrangement will not just reduce tariffs and improve market access; it is to be a comprehensive pact extending to labor, the environment, textiles and apparel, competition policy, and investment. And it will incorporate an “integrated tariff initiative” providing preferential tariff treatment for IT products from the Indonesian islands of Batam and Bintan nearby Singapore.

As candidates to follow Singapore in bilateral FTA negotiations in the Asia-Pacific, the United States has in mind Australia, New Zealand, South Korea, and Taiwan. As yet the idea of an FTA between the United States and ASEAN has not taken concrete shape. Presuming that China will become a competitive rival in the future, Washington wishes to pursue a balanced trade strategy toward ASEAN and China.

2. European Union (EU)

The EU’s external relations strategy including FTAs has regional stability as an underlying motivation. Consideration of maintaining a balance with the United States is involved only with respect to trade with the Latin American region. The EU does not have a special FTA strategy for the Asian region at present. Its current policy is to give precedence to the multilateral approach under the WTO, and it does not intend to start up FTA talks with any specific Asian country. The bilateral and regional negotiations now in progress are those that have been proceeding for some time.

European industry has adopted a stance basically matching that of the European Commission in giving priority to the multilateral approach, but it has shown interest in an FTA proposal presented by Singapore. It places greater weight on the role Singapore plays as a hub in Southeast Asia, and it is attracted by the benefits for service industries.

3. Australia

Australia, which seeks to promote free trade in the agricultural sector, used to be focused mainly on multilateral trade negotiations. Now, in order to expand trade and investment with Asian countries and the United States, it is stepping up FTA talks extending to the service sector. Concrete proposals have been advanced for FTAs with Singapore, Thailand, and ASEAN as a whole, but they entail difficult problems. One is how to handle agricultural trade, and another is how to maintain conformity with the principles set down in CER, its Closer Economic Relations arrangement with and New Zealand.

Australia is interested in the service market in the Asian region, and it has placed weight on facilitating Asian business activities for its knowledge-intensive industries, in which researchers, lawyers, accountants, and medical specialists work. The country is not just seeking market access and deregulation; hoping to make the most of its advanced information and communications technologies, it is also in search of complementary relationships with Asian countries in areas including technology transfer and human resource development. Australia does not have high tariff barriers, but Thailand and other Asian countries have pointed out that it does have non-tariff barriers in such forms as food sanitation regulations.

VI. FTAs in East Asia: Influence and Prospects

The economic effects of free trade agreements are widely recognized, but the perceptions of them vary from country to country and also between the public sector and the business world. Governments must deal with the important policy issue of finding a proper balance between protection of domestic industries and liberalization by means of FTAs. The realization of an FTA can be expected to accelerate industrial realignment, but it needs also to enhance industrial competitiveness. ASEAN and other organizations are now conducting surveys and studies to elucidate how competitiveness can be improved.

1. Widely recognized FTA effects

As we have seen, East Asian countries are already implementing FTA policies of one sort or another. Numerous such bilateral and multilateral agreements are being studied or negotiated, and a few have already been concluded. Most people no doubt share the view that while multilateral arrangements under the WTO are to be desired, they can be usefully supplemented with FTAs, which do not take so long to work out. ASEAN's own AFTA and the arrangements it is working on separately with China and Japan are expected to require up to 10 years for realization. Singapore and Thailand are both eager to move even faster in the FTA direction by making use of bilateral agreements.

There is wide agreement that FTAs can help to expand trade, attract investment, and speed up domestic structural reform, among other economic effects, but differences in assessments have been pointed out from one country to the next and also between the public and private sectors. Trial calculations of the economic effects of FTAs have produced the following sorts of findings:

(1) Report on the Japan-ASEAN Closer Economic Partnership by a group of specialists: Between the base year of 1997 and 2020, the realization of JACEP would augment exports by 27.5% in Japan to ASEAN and 44.2% in ASEAN to Japan, while it would boost gross domestic product by 1.99% in ASEAN and 0.07% in Japan.

(2) Report on the ASEAN-China Free Trade Area by a group of specialists: If tariffs were reduced to zero on both sides, ACFTA would expand exports by US\$13 billion per year (48.0%) from the ASEAN 6 to China and US\$10.6 billion (55.1%) from China to the ASEAN 6, while GDP would grow by 0.86% in the ASEAN 6 and 0.27% in China.

(3) Comparative economic effects survey by Chulalongkorn University researchers commissioned by the Thai government: Among the FTA proposals under negotiation, social welfare would be best served by a bilateral Thai-Japan FTA accompanying JACEP. It would boost Thai exports to Japan by 19.7% and Japanese exports to Thailand by 33.3% while increasing Thai GDP by 6.4%, realizing greater benefits than could be expected from ACFTA.

There is also interest in the political and diplomatic effects FTAs could have in addition to their economic benefits. It is generally recognized that when China proposed an FTA with ASEAN, Beijing's hope was to deflect the spreading view in Southeast Asia that China presents a threat and also to reinforce stability in East Asia. Washington, meanwhile, frowned on the

Malaysian proposal for an East Asia Economic Caucus, but it has not come out against the more recent moves to conclude FTAs in East Asia. Probably this is because to do so would contradict its own FTA policy and also because Washington does not perceive these FTAs as a realistic threat. They will, after all, take time to conclude, especially in the case of an EAFTA for the ASEAN Plus Three group. What Washington is concerned about is China's rapid rise, and though it has put off arranging its own FTAs with East Asian countries for the time being, it is seeking to strengthen economic ties with ASEAN and thereby drive a wedge into the region.

Local interviews have confirmed the presence in some quarters of opposition to FTAs and other liberalization measures. One example of the cautionary views was expressed by a spokesperson of ERA Consumer, the Education and Research Association for Consumers, Malaysia, who notes that because of the country's internal security law it is not always easy to get access to government information, and the public was not fully informed of the content of the Uruguay round agreements. She further observes that though rice is a vital staple in Malaysia, liberalization has caused as many as 600,000 farmers to stop farming and reduced the land under cultivation. Recently, she adds, Chinese toys have been entering the country, and though they are inexpensive, safety standards for them have not been established, which presents problems for consumers.

2. Promoting FTAs while continuing to protect industries

Tariffs are mutually eliminated by the signatories of FTAs. Imports increase as a result, producing a considerable impact on local businesses. This makes it important for the governments concerned to determine how to balance the liberalization that FTAs bring against protection of domestic industries.

Table 3 provides a summary of the protective measures including high tariffs that have been adopted by the region's countries. Its sources include the 2002 Report on the WTO Consistency of Trade Policies by Major Trading Partners released by Japan's Ministry of Economy, Industry, and Trade; the current status of the Common Effective Preferential Tariff mechanism of AFTA; and the results of field surveys. With the exception of Singapore, which has almost no protective measures, all the countries studied are acting to defend one industry or another in a similar manner. First of all, rice and other agricultural products are being protected for the sake of securing food supplies and safeguarding agriculture. Next, other industries deemed to be strategically important are also being protected, examples being automobiles, electrical and electronic products, chemical products, textiles, cement, and glass.

Table 3. High Tariffs and Other Forms of Protective Measures

	2002 Report on the WTO Consistency of Trade Policies	CEPT mechanism (ASEAN) and other measures
Singapore	<ul style="list-style-type: none"> No special mention 	<ul style="list-style-type: none"> Tariffs of 0%–5% applied to all 5,859 CEPT items Effective 0% tariff applied except for 4 items (including beer and Chinese medicinal

		<p>liquor, "samsoo")</p> <ul style="list-style-type: none"> • Cautious stance on liberalization taken for services including banking and legal profession
Thailand	<ul style="list-style-type: none"> • Import licenses required by Ministry of Commerce for 39 items (20 agricultural products, 19 industrial products), in some cases to protect domestic industries • High tariffs applied to transportation equipment (average 47.6%), electrical equipment (average 31.6%), and copper products and polyethylene (maximum 30%) 	<ul style="list-style-type: none"> • All 7 items (including cut flowers, potatoes, coffee, and copra) on CEPT Sensitive List to be switched to Inclusion List by 2003 and to have tariffs of 0%–5% by 2010 • High tariffs applied to transportation equipment (73% for passenger cars, 80% for passenger car bodies, and 72% for motorcycles), textiles, and agricultural products
Malaysia	<ul style="list-style-type: none"> • Conditional import prohibition except under an import license (40 items, including complete vehicles and magnetic videocassette tapes) • Temporary import restrictions for protecting domestic industry imposed on 15 items, including cement and plastic raw materials • High tariffs applied to textile products (average 17.6%), transportation equipment (average 25.4%), and electrical equipment and glass (maximum 30%) • In April 1999, tariffs on hot-rolled and cold-rolled steel plates hiked from zero to 25% 	<ul style="list-style-type: none"> • Starting in 2005, tariffs to be lowered on 218 auto items on CEPT Temporary Exclusion List • CEPT Highly Sensitive List has 8 items (including unhusked, husked, milled and broken rice) • CEPT Sensitive List has 75 items (including pigs, chickens, pork, chicken meat, eggs, bananas, pineapples, coffee, and tobacco)
Indonesia	<ul style="list-style-type: none"> • Ban imposed on import of 9 items; restrictions imposed on import of 186 items • High tariffs applied to textiles and textile products (average 27.8%), transportation equipment (average 30.6%), and electrical equipment (average 26.1%) • Imports of finished cars approved under June 1993 Motor Cars Policy, but very high import tariffs applied 	<ul style="list-style-type: none"> • CEPT Highly Sensitive List has 4 items (unhusked, husked, milled and broken rice) • High tariffs applied to beverages and alcoholic beverages, auto accessories, prepared foods, carpets, and down products • Sensitive industries said to include sugar and rice (according to Mr. Budi Darmadi, director of regional cooperation, Ministry of Industry and Trade)
Philippines	<ul style="list-style-type: none"> • Safeguard measure invoked to restrict cement imports from Japan, Taiwan, and other countries • High tariffs applied to textile products, watches and clocks, and electrical equipment (all maximum 50%). 	<ul style="list-style-type: none"> • CEPT Highly Sensitive List has 4 items (unhusked, husked, milled and broken rice); no final tariff rate announced • CEPT Sensitive List has 62 items (including pigs, chickens, pork, chicken meat, corn, and sugar) • Industries deserving protection said to

		include newsprint, metal products, glass products, tires, petrochemical products, cement, and tiles (according to Mr. Thomas Aquino, Undersecretary, Department of Trade and Industry)
Vietnam	<ul style="list-style-type: none"> • No special mention 	<ul style="list-style-type: none"> • CEPT Sensitive List has 51 items (including chickens, turkeys, chicken meat, oranges, husked rice, sausages, and sugar) • Protection considered necessary for household electrical appliances, cement, rubber, food processing, tea; competitiveness considered weak in iron and steel, dairy products, and refined sugar (according to the Ministry of Planning and Investment) • In June 2002, tariffs on motorcycle parts linked to local content ratio and hiked • In September 2002, imports of parts limited to 1.5 million motorcycles; at end of October 2002, extra imports for 185,000 motorcycles approved • In October 2002, motorcycles placed on CEPT Temporary Exclusion List with no tariff cuts until 2005
China	<ul style="list-style-type: none"> • Import restrictions inconsistent with WTO Agreements to be eliminated by 2005 (for autos, motorcycles, air conditioners, video recording apparatus, cameras, and wristwatches) • High final tariff offers made for items including photographic film (maximum 47%) and motorcycles (maximum 45%) • Tariffs cut in January 2002 on 5,332 offer items to a simple average of 12% 	<ul style="list-style-type: none"> • Agricultural sector expected to be hurt by market opening
South Korea	<ul style="list-style-type: none"> • High tariffs applied to textiles and textile products (average 16.3%, maximum 35%), glass fibers (maximum 25%), and copper and aluminum products (maximum 13%). 	<ul style="list-style-type: none"> • Concern expressed about increased imports of agricultural and marine products (including grapes, apples and other fruits) from FTAs
Taiwan	<ul style="list-style-type: none"> • In 2001, simple average of tariffs for all products set at 8.2%; offers made to lower tariffs on some 8,200 items to 5.5% on average (most by 2004, autos and auto parts by 2011) 	<ul style="list-style-type: none"> • Quota system applied to rice, mackerel, horse mackerel, sardines, meat of swine (bellies), chicken, milk, azuki beans, dried shiitake mushrooms, coconuts, bananas, pineapples, mangoes, persimmons, lily

	<ul style="list-style-type: none"> • Auto market to be completely liberalized by 2011 • Import ban to be replaced by quotas for items including peaches, lemons, grapes, oranges, apples, and coconuts 	<ul style="list-style-type: none"> bulbs, and sugar • Even after WTO accession, imports of 2,884 Chinese products (931 agricultural products, 1,953 industrial products) banned
India	<ul style="list-style-type: none"> • Many antidumping measures invoked in chemical products and other areas • High tariffs applied to textiles (generally 35%) 	<ul style="list-style-type: none"> • Petrochemical products, electronics, and autos considered to be sensitive industries • Maximum tariffs applied to most electronics
Australia	<ul style="list-style-type: none"> • High tariffs applied to certain clothing (maximum 55%), autos (maximum 40%), and electrical machinery and glass (maximum 23%) 	<ul style="list-style-type: none"> • Relatively high tariffs applied to textiles, clothing, footwear, and autos and auto parts • Strict food sanitation standards said to be applied to meat, fruit, and other items

Sources: "2002 Report on the WTO Consistency of Trade Policies by Major Trading Partners," Ministry of Economy, Industry, and Trade, Japan ; Common Effective Preferential Tariff mechanism, ASEAN; local interviews and reports.

One example of how protective industrial policies bring national interests into conflict is provided by automobile tariffs in AFTA. Malaysia has sought a delay of tariff cuts for autos and auto parts, and approval was given at an ASEAN meeting of economic ministers. Thus 218 auto-related items will become subject to the CEPT mechanism only in 2005, giving all countries a two-year delay in tariff reductions. Thailand has applied for compensation for this Malaysian measure, but no decision on this has been reached.

In the background is Malaysia's national car policy. Presumably one of the two automakers, Proton, would like to see tariff cuts put off until after 2004, when it plans to introduce a new model. But there is optimism within the company about Proton's future after tariffs are removed. Corporate Planning Division head Haris Fadzilah Hassan thinks that exports of the car have a chance to succeed and that this could offset the decline in domestic market share. Studies are underway, he reports, for making cars with the steering wheel on the left-hand side in China and exporting them to third countries. One Japanese-affiliated automaker reports that it is interested in working out a complementary tie-up for finished cars if the planned tariff cuts are made, and it is awaiting the Malaysian government's final decision on the matter.

Similar clashes of interests are arising over petrochemical products. The Philippine government has a plan for an ethylene plant, and in a September 2002 AFTA Council it requested that petrochemical products be added to the items that are temporarily excluded from tariff cuts. It was unable to secure an agreement on this, however. Also in September 2002, the Indonesian government decided to hike the CEPT rate from 5% to 10% for polypropylene and polyisobutylene based on a request from the domestic chemical industry. This is a temporary and very exceptional measure, though, to be left in place only until the end of the year, with the 5% rate again becoming applicable in 2003.

Special attention is being devoted not just to industrial protection but also to differences in the development stage of FTA members. AFTA has a delayed schedule of tariff cuts for ASEAN's four newest members: Cambodia, Laos, Myanmar, and Vietnam. In the ACFTA

scheme too, these four countries are to be given more time than ASEAN's six other members to implement early tariff cuts. And in JACEP as well, the summit declaration issued by Japan and ASEAN in November 2002 states explicitly that ASEAN's new members are to be treated flexibly, while giving consideration to consistency with WTO agreements.

3. An industrial realignment in East Asia?

The prevalent opinion in Southeast Asia is that when it comes to labor-intensive production based on low labor costs and an abundance of labor power, their countries are no match for China. Malaysian Minister of International Trade and Industry Rafidah Aziz once enunciated a policy prescription based on the notion that nothing can be done about a shift of labor-intensive industries to China, and this was not received happily by the local affiliates of Japanese companies, which employ great numbers of workers. Yusof Sulong, a consultant to the country's National Economic Action Council, has speculated that the future will see a division of labor in which ASEAN engages in research and development and China handles labor-intensive production.

Actually, though, the situation is not that simple. The Thai government, which views China as a source of raw material supplies and a huge market for exports, has unveiled a strategy for lifting the value-added content of domestic production. But one representative of the Japanese businesses in the country expresses a skeptical view, saying that "China's technological prowess is improving quite rapidly, while the Thai drive to upgrade the technological level is lacking in sharpness." And a representative of the Matsushita Group in Malaysia made this observation about the opening in April 2000 of a local R&D center for electrical products: "While engineers are available, there are not enough of them, so recruitment from other countries is necessary."

The realization of FTAs should lead to specialization of production in each country's strong fields, which will improve the division of labor and result in trade expansion. With respect to the proposed FTA between Australia and Thailand, a representative of a Japanese affiliate in the Australian auto industry comments, "This country's auto parts industry is isolated from Asia. It has become oligopolistic because of the small number of domestic automakers, but FTAs should help to remedy this condition." And a representative of a Japanese affiliate in the Thai food industry also foresees benefits, since Australian wheat is so inexpensive.

In the case of the auto industry, though, lower tariffs will probably not lead to the concentration of production in a single country. A representative of a Japanese affiliate in the Thai auto industry talked about this, saying, "What people look for in passenger cars differs from one country to another, and this will make it hard to concentrate production. Even if you brought Indonesia's Kijang commercial vehicles here, they wouldn't sell." Much the same applies to household appliances. This is not just a matter of prohibitive shipping costs when, say, large-screen TV sets are sent to distant markets. Production needs to be based nearby consumption markets to respond promptly to changing consumer needs. The makers of household appliances also prefer to have multiple production bases so that they can disperse risks.

There are various ideas about how Southeast Asia can differentiate its production from China's. Executive Director Stuart Forbes of the Malaysian International Chamber of Commerce and Industry, which has an unusually long history of 165 years, has made the suggestion that

Malaysians could make money by selling the halal foods that Muslims can eat to the Islamic population in China. Since there are an estimated 18 million to 20 million Muslims in China, the country obviously has potential as an export market for halal foods, and Indonesian producers of these foods might also take advantage of it. There are also business chances in other areas. In Malaysia's Institute of Strategic and International Studies, Director Stephen Leong of the Centre for Japan Studies thinks that Malaysia offers a promising place for studies abroad for those Chinese students unable to go to the United States or Europe. And he further reports that the US chipmaker Motorola, which has a base in Malaysia, is making use of Chinese-Malaysians as managers of its operations in China.

Now that moves to conclude FTAs are accelerating, how will countries strive to hone their competitive power as industrial realignment progresses and competition becomes yet fiercer? This is bound to become a crucial concern. Because of the increasing rivalry with China in particular, many governments are taking steps to reconsider competitiveness and reshape policies for it. ASEAN has commissioned the US consulting firm McKinsey & Co. to investigate the subject, and the initial phase of the project is exploring the latent strengths of ASEAN industries, the roadblocks to their exploitation, and new directions for ASEAN integration. An interim report was submitted to the November 2002 ASEAN summit, and the final report is scheduled for completion in April 2003. The Economic Review Committee Singapore launched in December 2001 is delivering a series of reports to the government with a number of proposals, such as for cuts in corporate taxes. Elsewhere, the Malaysian Industrial Development Authority and the Semiconductor and Electronics Industries in the Philippines, Inc., are also pursuing research on strengthening of competitiveness.

Table 4. East Asian Trade, excluding Japan, with the World, 2001 (1) Total value

(Unit: US\$ million; %)

Importer \ Exporter	East Asia	China	HK	Korea	Taiwan	ASEAN	Indonesia	Malaysia	Philippines	Singapore	Thailand	Vietnam	Japan	U.S.	EU	World
East Asia (%)	420,732 38.0	109,230 9.9	104,078 9.4	33,267 3.0	31,607 2.9	142,550 12.9	14,482 1.3	37,551 3.4	14,839 1.3	46,379 4.2	19,743 1.8	9,557 0.9	137,018 12.4	222,695 20.1	162,622 14.7	1,106,158 100.0
China (%)	81,849 30.7		46,503 17.4	12,544 4.7	5,006 1.9	17,796 6.7	2,847 1.1	3,223 1.2	1,622 0.6	5,795 2.2	2,504 0.9	1,805 0.7	45,078 16.9	54,319 20.4	40,965 15.4	266,661 100.0
Hong Kong (%)	89,175 46.6	70,407 36.8		3,430 1.8	4,642 2.4	10,697 5.6	843 0.4	1,635 0.9	1,925 1.0	3,852 2.0	1,899 1.0	543 0.3	11,261 5.9	42,327 22.1	27,547 14.4	191,244 100.0
South Korea (%)	49,580 33.0	18,190 12.1	9,452 6.3		5,835 3.9	16,103 10.7	3,280 2.2	2,628 1.7	2,535 1.7	4,080 2.7	1,848 1.2	1,732 1.2	16,506 11.0	31,211 20.7	19,627 13.0	150,439 100.0
Taiwan (%)	49,383 40.3	4,727 3.9	26,858 21.9	3,264 2.7		14,535 11.9	1,469 1.2	3,050 2.5	2,141 1.7	4,037 3.3	2,118 1.7	1,720 1.4	12,714 10.4	27,552 22.5	18,302 15.0	122,410 100.0
ASEAN (%)	150,745 40.2	15,906 4.2	21,266 5.7	14,029 3.7	16,125 4.3	83,420 22.2	6,042 1.6	27,016 7.2	6,616 1.8	28,615 7.6	11,374 3.0	3,757 1.0	51,458 13.7	67,287 17.9	56,182 15.0	375,403 100.0
Indonesia (%)	18,794 33.4	2,201 3.9	1,290 2.3	3,772 6.7	2,188 3.9	9,343 16.6		1,779 3.2	815 1.4	5,364 9.5	1,064 1.9	322 0.6	13,010 23.1	7,749 13.8	7,745 13.8	56,321 100.0
Malaysia (%)	35,707 40.5	3,821 4.3	4,063 4.6	2,963 3.4	3,263 3.7	21,597 24.5	1,563 1.8		1,287 1.5	14,913 16.9	3,360 3.8	474 0.5	11,770 13.3	17,808 20.2	11,964 13.6	88,202 100.0
Philippines (%)	10,517 32.7	793 2.5	1,580 4.9	1,044 3.2	2,127 6.6	4,972 15.5	133 0.4	1,112 3.5		2,308 7.2	1,358 4.2	62 0.2	5,057 15.7	8,843 27.5	6,195 19.3	32,151 100.0
Singapore (%)	61,546 50.5	5,332 4.4	10,822 8.9	4,687 3.8	6,262 5.1	34,443 28.3	2,832 2.3	21,126 17.3	3,081 2.5		5,299 4.4	2,105 1.7	9,335 7.7	18,746 15.4	16,280 13.4	121,786 100.0
Thailand (%)	20,551 31.7	2,850 4.4	3,284 5.1	1,226 1.9	1,908 2.9	11,282 17.4	1,360 2.1	2,713 4.2	1,152 1.8	5,263 8.1		794 1.2	9,942 15.3	13,193 20.3	10,476 16.1	64,909 100.0
Vietnam (%)	3,630 30.2	909 7.6	227 1.9	336 2.8	377 3.1	1,782 14.8	154 1.3	286 2.4	280 2.3	768 6.4	294 2.4		2,344 19.5	948 7.9	3,523 29.3	12,035 100.0
Japan	157,659	30,941	23,249	25,286	24,214	53,969	6,403	11,013	8,190	14,714	11,873	1,776		121,153	64,351	403,247
U.S.	117,152	19,182	14,028	22,181	18,122	43,640	2,521	9,358	7,660	17,652	5,989	460	57,452		158,767	729,100
EU	108,242	26,378	19,965	13,765	11,354	36,781	3,906	8,212	3,883	12,889	6,327	1,564	39,190	210,706	1,403,800	2,312,553
World	945,775	220,987	173,796	131,019	94,362	325,611	34,470	72,276	39,728	109,480	55,496	14,162	316,139	1,092,607	2,230,962	5,980,846

Sources: Compiled from above-mentioned countries' statistics for exports.

- Notes: 1. Export basis. Data for Vietnam are based on the statistics of 41 major countries and regions on their imports from it. Vietnamese exports to them are their imports (CIF prices) multiplied by 0.9. Vietnamese world exports are their imports in FOB prices. Singapore exports to Indonesia are calculated on the basis of Indonesian import statistics in the same way. The East Asian region here refers to 10 countries and regions, namely, three Asian newly industrialized economies (Hong Kong, South Korea, and Taiwan), six members of ASEAN (Indonesia, Malaysia, the Philippines, Singapore, Thailand, and Vietnam), and China.
2. World exports to each country and region are the sum of two values: (1) exports of the 41 countries and regions to each destination; (2) imports of each country and region from countries (mainly developing countries) other than the 41 countries and regions, converted into FOB prices. Percentages are shares of each country's or region's world exports.
3. ASEAN includes Indonesia, Malaysia, the Philippines, Thailand and Vietnam. East Asia includes China, Hong Kong, Korea, Taiwan and aforementioned "ASEAN".
4. Percentage indicates export share to the each country or region's total export.
5. Product classifications are based on two-digit HS codes.

Table 4. East Asian Trade, excluding Japan, with the World, 2001 (2) Machinery

(Unit: US\$ million; %)

Importer \ Exporter	East Asia	China	HK	Korea	Taiwan	ASEAN	Indonesia	Malaysia	Philippines	Singapore	Thailand	Vietnam	Japan	U.S.	EU	World
East Asia	222,820	52,932	51,514	14,909	19,716	83,750	4,723	25,045	8,020	31,413	11,624	2,925	57,381	120,483	93,836	560,030
(%)	39.8	9.5	9.2	2.7	3.5	15.0	0.8	4.5	1.4	5.6	2.1	0.5	10.2	21.5	16.8	100.0
China	36,323		20,951	3,761	2,339	9,271	1,115	1,965	584	3,314	1,482	811	13,216	21,743	18,433	102,515
(%)	35.4		20.4	3.7	2.3	9.0	1.1	1.9	0.6	3.2	1.4	0.8	12.9	21.2	18.0	100.0
Hong Kong	50,030	37,760		2,487	3,194	6,589	283	1,207	1,074	2,819	1,049	157	5,362	15,130	12,451	90,534
(%)	55.3	41.7		2.7	3.5	7.3	0.3	1.3	1.2	3.1	1.2	0.2	5.9	16.7	13.8	100.0
South Korea	23,778	5,960	4,596		4,120	9,102	1,063	1,850	1,507	3,143	977	562	6,673	22,286	15,438	89,044
(%)	26.7	6.7	5.2		4.6	10.2	1.2	2.1	1.7	3.5	1.1	0.6	7.5	25.0	17.3	100.0
Taiwan	26,429	2,085	13,633	2,354		8,357	438	2,063	1,149	3,269	1,023	415	8,387	18,347	14,363	74,113
(%)	35.7	2.8	18.4	3.2		11.3	0.6	2.8	1.6	4.4	1.4	0.6	11.3	24.8	19.4	100.0
ASEAN	86,260	7,127	12,333	6,306	10,062		50,432	1,825	17,960	3,706	18,868	7,094	23,743	42,977	33,150	203,824
(%)	42.3	3.5	6.1	3.1	4.9		24.7	0.9	8.8	1.8	9.3	3.5	11.6	21.1	16.3	100.0
Indonesia	4,206	107	241	135	146			436	159	2,700	250	32	1,479	1,539	1,317	9,529
(%)	44.1	1.1	2.5	1.4	1.5			4.6	1.7	28.3	2.6	0.3	15.5	16.1	13.8	100.0
Malaysia	21,981	2,123	2,788	1,234	2,057		13,780	534		763	10,620	1,761	102	6,314	14,378	55,595
(%)	39.5	3.8	5.0	2.2	3.7		24.8	1.0		1.4	19.1	3.2	0.2	11.4	25.9	100.0
Philippines	8,867	521	1,321	760	1,882		4,384	53	948		2,107	14	3,891	5,623	5,205	24,451
(%)	36.3	2.1	5.4	3.1	7.7		17.9	0.2	3.9		8.6	0.1	15.9	23.0	21.3	100.0
Singapore	40,787	3,297	6,640	3,585	4,869		22,396	872	15,198	2,035		3,664	7,056	16,113	12,328	84,297
(%)	48.4	3.9	7.9	4.3	5.8		26.6	1.0	18.0	2.4		4.3	8.4	19.1	14.6	100.0
Thailand	9,864	1,061	1,308	547	1,072		5,877	362	1,324	593	3,396		203	4,622	5,321	28,688
(%)	34.4	3.7	4.6	1.9	3.7		20.5	1.3	4.6	2.1	11.8		0.7	16.1	18.5	100.0
Vietnam	554	19	35	46	37		418	4	54	157	46	157	382	3	272	1,264
(%)	43.8	1.5	2.7	3.6	2.9		33.1	0.3	4.2	12.4	3.6	12.5	30.2	0.2	21.5	100.0
Japan	99,204	17,020	15,541	14,115	14,963		37,565	4,213	7,775	6,187	10,634	7,795	962			295,149
U.S.	77,141	11,457	8,346	13,339	11,750		32,249	832	7,615	5,884	13,831	3,882	205	29,120		419,241
EU	67,954	18,954	10,043	7,489	7,234		24,233	2,061	6,290	2,713	8,586	3,664	919	18,719	117,000	665,502
World	476,986	103,920	87,556	51,659	49,958		183,893	12,467	47,731	23,280	67,534	27,739	5,141	108,786	543,840	959,665

Sources & Notes: same as Table 4-(1)

Table 4. East Asian Trade, excluding Japan, with the World, 2001 (3) IT products

(Unit: US\$ million; %)

Importer \ Exporter	East Asia	China	HK	Korea	Taiwan	ASEAN	Indonesia	Malaysia	Philippines	Singapore	Thailand	Vietnam	Japan	U.S.	EU	World
East Asia	166,735	37,627	38,233	11,950	16,450	62,474	1,675	20,114	5,703	26,026	8,280	676	40,423	83,859	63,814	383,276
(%)	43.5	9.8	10.0	3.1	4.3	16.3	0.4	5.2	1.5	6.8	2.2	0.2	10.5	21.9	16.6	100.0
China	24,393		14,783	2,425	1,446	5,738	400	1,588	309	2,500	902	39	8,020	12,223	10,184	59,515
(%)	41.0		24.8	4.1	2.4	9.6	0.7	2.7	0.5	4.2	1.5	0.1	13.5	20.5	17.1	100.0
Hong Kong	36,738	27,004		1,985	2,605	5,144	192	972	805	2,362	730	84	3,324	8,857	7,571	60,298
(%)	60.9	44.8		3.3	4.3	8.5	0.3	1.6	1.3	3.9	1.2	0.1	5.5	14.7	12.6	100.0
South Korea	17,308	3,745	3,639		3,403	6,522	493	1,469	1,271	2,514	684	91	4,965	11,982	7,217	46,869
(%)	36.9	8.0	7.8		7.3	13.9	1.1	3.1	2.7	5.4	1.5	0.2	10.6	25.6	15.4	100.0
Taiwan	18,552	1,240	9,410	1,947		5,954	96	1,556	808	2,891	539	64	6,550	13,746	11,613	54,005
(%)	34.4	2.3	17.4	3.6		11.0	0.2	2.9	1.5	5.4	1.0	0.1	12.1	25.5	21.5	100.0
ASEAN	69,744	5,639	10,401	5,593	8,996	39,116	494	14,531	2,509	15,758	5,425	398	17,564	37,051	27,230	162,588
(%)	42.9	3.5	6.4	3.4	5.5	24.1	0.3	8.9	1.5	9.7	3.3	0.2	10.8	22.8	16.7	100.0
Indonesia	2,796	86	187	110	66	2,347		279	36	1,928	100	5	1,036	1,043	907	6,184
(%)	45.2	1.4	3.0	1.8	1.1	38.0		4.5	0.6	31.2	1.6	0.1	16.7	16.9	14.7	100.0
Malaysia	18,892	1,862	2,467	1,102	1,842	11,619	253		658	9,217	1,438	53	5,375	12,586	7,210	47,380
(%)	39.9	3.9	5.2	2.3	3.9	24.5	0.5		1.4	19.5	3.0	0.1	11.3	26.6	15.2	100.0
Philippines	8,385	493	1,273	731	1,839	4,050	15	894		2,029	1,103	8	3,269	4,956	4,753	22,057
(%)	38.0	2.2	5.8	3.3	8.3	18.4	0.1	4.1		9.2	5.0	0.0	14.8	22.5	21.5	100.0
Singapore	32,284	2,393	5,522	3,186	4,310	16,873	109	12,384	1,286		2,778	316	4,880	14,382	10,981	67,957
(%)	47.5	3.5	8.1	4.7	6.3	24.8	0.2	18.2	1.9		4.1	0.5	7.2	21.2	16.2	100.0
Thailand	7,084	798	932	432	931	3,992	115	929	376	2,556		17	2,916	4,083	3,343	18,568
(%)	38.2	4.3	5.0	2.3	5.0	21.5	0.6	5.0	2.0	13.8		0.1	15.7	22.0	18.0	100.0
Vietnam	305	8	21	32	8	236	2	45	155	28	6		88	0	36	442
(%)	68.9	1.9	4.7	7.1	1.9	53.3	0.4	10.2	35.0	6.3	1.4		19.9	0.1	8.1	100.0
Japan	49,080	7,446	8,919	6,836	6,179	19,700	1,165	4,253	3,954	6,738	3,254	335		30,172	21,290	107,115
U.S.	44,479	5,184	5,762	6,673	6,827	20,033	217	5,788	5,187	6,364	2,426	52	13,908		36,359	163,315
EU	27,854	6,025	4,129	2,409	2,852	12,439	612	3,828	1,944	4,336	1,518	202	5,458	23,546	191,173	313,234
World	290,223	57,493	57,843	28,586	28,582	117,719	3,712	34,502	17,086	45,326	15,811	1,283	60,917	197,821	328,343	1,069,071

Sources & Notes: same as Table 4-(1)

Table 4. East Asian Trade, excluding Japan, with the World, 2001 (4) Electric & Electronic Equipment

(Unit: US\$ million; %)

Importer \ Exporter	East Asia	China	HK	Korea	Taiwan	ASEAN	Indonesia	Malaysia	Philippines	Singapore	Thailand	Vietnam	Japan	U.S.	EU	World
East Asia	133,126	29,244	30,474	10,155	12,347	50,907	1,838	17,448	5,038	19,717	6,246	621	31,391	57,790	40,805	288,984
(%)	46.1	10.1	10.5	3.5	4.3	17.6	0.6	6.0	1.7	6.8	2.2	0.2	10.9	20.0	14.1	100.0
China	19,108		10,845	2,487	1,152	4,625	524	1,244	323	1,899	580	55	7,462	10,646	8,385	51,322
(%)	37.2		21.1	4.8	2.2	9.0	1.0	2.4	0.6	3.7	1.1	0.1	14.5	20.7	16.3	100.0
Hong Kong	29,506	21,462		1,683	2,382	3,979	201	832	647	1,580	651	68	2,895	8,963	6,711	51,959
(%)	56.8	41.3		3.2	4.6	7.7	0.4	1.6	1.2	3.0	1.3	0.1	5.6	17.2	12.9	100.0
South Korea	14,656	3,413	3,264		1,972	6,007	440	1,325	1,192	2,252	685	113	3,604	9,200	4,880	37,826
(%)	38.7	9.0	8.6		5.2	15.9	1.2	3.5	3.2	6.0	1.8	0.3	9.5	24.3	12.9	100.0
Taiwan	16,179	1,157	8,262	1,603		5,156	97	1,110	781	2,567	511	90	3,699	7,181	4,384	33,712
(%)	48.0	3.4	24.5	4.8		15.3	0.3	3.3	2.3	7.6	1.5	0.3	11.0	21.3	13.0	100.0
ASEAN	53,677	3,211	8,102	4,382	6,840	31,141	575	12,937	2,096	11,419	3,819	295	13,731	21,801	16,445	114,164
(%)	47.0	2.8	7.1	3.8	6.0	27.3	0.5	11.3	1.8	10.0	3.3	0.3	12.0	19.1	14.4	100.0
Indonesia	2,250	79	156	106	48	1,861		195	61	1,446	149	10	1,016	1,164	821	5,914
(%)	38.0	1.3	2.6	1.8	0.8	31.5		3.3	1.0	24.5	2.5	0.2	17.2	19.7	13.9	100.0
Malaysia	14,277	1,087	1,920	912	1,575	8,783	283		571	6,930	964	35	3,749	8,103	5,235	33,633
(%)	42.4	3.2	5.7	2.7	4.7	26.1	0.8		1.7	20.6	2.9	0.1	11.1	24.1	15.6	100.0
Philippines	6,075	401	1,006	581	1,272	2,815	18	752		1,693	348	4	2,073	3,785	3,119	15,558
(%)	39.0	2.6	6.5	3.7	8.2	18.1	0.1	4.8		10.9	2.2	0.0	13.3	24.3	20.0	100.0
Singapore	25,935	1,225	4,211	2,406	3,357	14,736	124	11,149	1,047		2,205	211	4,128	5,786	5,133	44,984
(%)	57.7	2.7	9.4	5.3	7.5	32.8	0.3	24.8	2.3		4.9	0.5	9.2	12.9	11.4	100.0
Thailand	4,684	410	788	334	563	2,589	149	794	292	1,319		35	2,518	2,963	2,067	13,278
(%)	35.3	3.1	5.9	2.5	4.2	19.5	1.1	6.0	2.2	9.9		0.3	19.0	22.3	15.6	100.0
Vietnam	456	10	21	44	24	357	2	46	124	31	153		246	1	70	798
(%)	57.2	1.3	2.7	5.5	3.0	44.7	0.3	5.8	15.6	3.8	19.2		30.8	0.1	8.8	100.0
Japan	46,674	7,544	8,560	6,861	5,579	18,129	1,270	4,297	3,331	5,653	3,178	402		21,528	14,875	90,434
U.S.	34,283	3,432	3,904	5,222	5,377	16,347	189	4,806	4,946	4,407	1,958	42	8,376		20,542	122,541
EU	27,075	6,281	3,903	2,252	2,853	11,786	632	3,716	1,800	3,849	1,541	249	3,829	18,670	161,762	276,409
World	242,075	47,338	47,484	25,060	23,152	99,041	3,987	30,528	15,412	34,631	13,155	1,328	44,273	158,251	258,784	884,181

Sources & Notes: same as Table 4-(1)

Table 4. East Asian Trade, excluding Japan, with the World, 2001 (5) Motor Vehicle Parts

(Unit: US\$ million; %)

Importer \ Exporter	East Asia	China	HK	Korea	Taiwan	ASEAN	Indonesia	Malaysia	Philippines	Singapore	Thailand	Vietnam	Japan	U.S.	EU	World
East Asia	1,693	235	160	34	189	1,075	164	280	180	89	255	106	932	1,800	871	7,153
(%)	23.7	3.3	2.2	0.5	2.6	15.0	2.3	3.9	2.5	1.3	3.6	1.5	13.0	25.2	12.2	100.0
China	182		21	14	18	129	33	15	11	11	7	52	284	562	178	1,465
(%)	12.5		1.4	1.0	1.2	8.8	2.2	1.1	0.8	0.8	0.5	3.5	19.4	38.3	12.1	100.0
Hong Kong	93	79		0	2	11	0	1	1	8	1	0	2	7	2	111
(%)	83.4	71.4		0.3	1.4	10.3	0.4	1.0	0.5	7.1	1.3	0.1	2.2	6.2	2.0	100.0
South Korea	217	61	9		60	88	14	17	14	14	9	20	144	477	217	1,953
(%)	11.1	3.1	0.4		3.1	4.5	0.7	0.9	0.7	0.7	0.5	1.0	7.4	24.4	11.1	100.0
Taiwan	339	65	68	5		202	32	31	61	27	31	20	138	579	149	1,626
(%)	20.9	4.0	4.2	0.3		12.4	2.0	1.9	3.7	1.6	1.9	1.2	8.5	35.6	9.2	100.0
ASEAN	862	31	62	14	109	646	85	216	93	30	207	15	363	176	325	1,997
(%)	43.2	1.5	3.1	0.7	5.5	32.3	4.3	10.8	4.6	1.5	10.4	0.7	18.2	8.8	16.3	100.0
Indonesia	166	2	1	1	34	128		52	45	7	18	7	57	39	17	302
(%)	55.0	0.7	0.2	0.5	11.3	42.3		17.2	14.9	2.2	5.9	2.2	18.9	13.0	5.7	100.0
Malaysia	78	1	5	0	15	57	14		7	15	21	0	10	7	11	135
(%)	58.0	0.5	3.8	0.4	11.0	42.4	10.5		5.1	11.1	15.5	0.2	7.4	4.9	8.1	100.0
Philippines	185	2	5	1	14	163	24	18		1	117	2	135	58	221	626
(%)	29.5	0.3	0.8	0.2	2.3	26.0	3.9	2.9		0.2	18.8	0.3	21.5	9.3	35.3	100.0
Singapore	295	20	49	9	39	178	19	89	15		51	4	17	13	9	431
(%)	68.3	4.6	11.4	2.1	9.0	41.2	4.3	20.6	3.5		11.8	0.9	3.9	3.0	2.1	100.0
Thailand	138	6	2	2	7	120	28	57	26	7		2	142	59	67	500
(%)	27.6	1.3	0.4	0.4	1.4	24.0	5.6	11.4	5.2	1.4		0.4	28.4	11.7	13.4	100.0
Vietnam	0	0	0	0	0	0	0	0	0	0	0		3	0	0	3
(%)	9.3	0.0	0.7	2.9	1.6	4.1	2.3	0.5	1.2	0.0	0.0		79.9	3.2	1.0	100.0
Japan	3,921	847	121	546	483	1,923	497	387	200	94	722	22		8,650	2,526	18,279
U.S.	635	156	28	287	39	126	11	11	8	31	64	2	1,397		3,622	34,653
EU	1,556	766	113	195	92	390	38	81	12	139	115	5	595	5,505	46,416	67,285
World	8,351	2,216	427	1,311	768	3,629	741	770	402	385	1,179	153	2,994	35,335	58,057	158,405

Sources & Notes: same as Table 4-(1)

Table 4. East Asian Trade, excluding Japan, with the World, 2001 (6) Chemicals

(Unit: US\$ million; %)

Importer Exporter	East Asia	China	HK	Korea	Taiwan	ASEAN	Indonesia	Malaysia	Philippines	Singapore	Thailand	Vietnam	Japan	U.S.	EU	World
East Asia	46,098	17,719	9,182	2,467	2,887	13,842	2,764	3,298	1,676	1,926	2,579	1,599	8,111	12,249	11,537	93,257
(%)	49.4	19.0	9.8	2.6	3.1	14.8	3.0	3.5	1.8	2.1	2.8	1.7	8.7	13.1	12.4	100.0
China	5,584		2,416	935	491	1,743	400	233	213	288	344	264	2,356	4,421	4,029	21,225
(%)	26.3		11.4	4.4	2.3	8.2	1.9	1.1	1.0	1.4	1.6	1.2	11.1	20.8	19.0	100.0
Hong Kong	9,916	8,875		159	311	570	83	84	110	135	121	37	377	1,777	950	14,140
(%)	70.1	62.8		1.1	2.2	4.0	0.6	0.6	0.8	1.0	0.9	0.3	2.7	12.6	6.7	100.0
South Korea	7,926	4,339	941		710	1,936	636	279	264	152	314	291	1,403	1,473	1,308	15,376
(%)	51.6	28.2	6.1		4.6	12.6	4.1	1.8	1.7	1.0	2.0	1.9	9.1	9.6	8.5	100.0
Taiwan	7,338	1,668	3,838	237		1,594	273	305	233	177	303	303	1,020	1,470	785	12,084
(%)	60.7	13.8	31.8	2.0		13.2	2.3	2.5	1.9	1.5	2.5	2.5	8.4	12.2	6.5	100.0
ASEAN	15,333	2,836	1,986	1,136	1,376	7,999	1,373	2,396	857	1,173	1,498	703	2,955	3,109	4,464	30,431
(%)	50.4	9.3	6.5	3.7	4.5	26.3	4.5	7.9	2.8	3.9	4.9	2.3	9.7	10.2	14.7	100.0
Indonesia	1,848	415	175	138	176	944		237	128	266	189	123	472	632	524	4,428
(%)	41.7	9.4	4.0	3.1	4.0	21.3		5.4	2.9	6.0	4.3	2.8	10.7	14.3	11.8	100.0
Malaysia	2,865	500	390	199	215	1,562	292		131	664	359	117	625	907	1,070	6,508
(%)	44.0	7.7	6.0	3.1	3.3	24.0	4.5		2.0	10.2	5.5	1.8	9.6	13.9	16.4	100.0
Philippines	239	31	30	23	37	118	16	24		21	32	24	107	69	48	540
(%)	44.2	5.7	5.6	4.2	6.8	21.8	3.0	4.4		4.0	6.0	4.5	19.8	12.8	9.0	100.0
Singapore	7,045	1,160	751	578	697	3,860	726	1,604	390		908	232	709	740	2,131	11,892
(%)	59.2	9.8	6.3	4.9	5.9	32.5	6.1	13.5	3.3		7.6	2.0	6.0	6.2	17.9	100.0
Thailand	3,146	662	630	183	217	1,455	335	508	196	208		207	972	756	632	6,699
(%)	47.0	9.9	9.4	2.7	3.2	21.7	5.0	7.6	2.9	3.1		3.1	14.5	11.3	9.4	100.0
Vietnam	189	69	11	15	34	60	3	24	12	14	9		70	4	59	364
(%)	52.1	18.8	3.0	4.2	9.5	16.6	0.8	6.5	3.2	3.7	2.4		19.3	1.2	16.1	100.0
Japan	20,958	4,564	2,397	4,533	4,362	5,103	850	969	621	1,117	1,350	197		8,067	6,881	41,026
U.S.	12,903	2,430	1,532	2,742	2,292	3,907	407	608	417	1,695	706	74	7,218		26,153	99,153
EU	15,734	3,109	2,687	2,651	1,955	5,332	880	799	482	1,789	1,124	258	8,733	39,032	259,900	416,171
World	104,557	31,271	16,461	13,591	11,841	31,392	5,547	6,140	3,507	7,497	6,488	2,212	26,358	91,619	308,236	769,369

Sources & Notes: same as Table 4-(1)

Table 4. East Asian Trade, excluding Japan, with the World, 2001 (7) Clothing

(Unit: US\$ million; %)

Importer \ Exporter	East Asia	China	HK	Korea	Taiwan	ASEAN	Indonesia	Malaysia	Philippines	Singapore	Thailand	Vietnam	Japan	U.S.	EU	World
East Asia	12,606	2,842	5,757	1,733	720	1,554	113	270	138	858	116	59	15,102	21,568	12,776	74,443
(%)	16.9	3.8	7.7	2.3	1.0	2.1	0.2	0.4	0.2	1.2	0.2	0.1	20.3	29.0	17.2	100.0
China	7,945		5,541	1,554	243	607	25	99	50	403	20	10	11,468	3,377	2,857	32,433
(%)	24.5		17.1	4.8	0.7	1.9	0.1	0.3	0.2	1.2	0.1	0.0	35.4	10.4	8.8	100.0
Hong Kong	3,652	2,658		123	334	538	46	67	56	268	80	21	1,891	7,615	5,609	21,992
(%)	16.6	12.1		0.6	1.5	2.4	0.2	0.3	0.3	1.2	0.4	0.1	8.6	34.6	25.5	100.0
South Korea	242	140	22		28	51	21	3	5	7	1	14	688	2,055	529	3,910
(%)	6.2	3.6	0.6		0.7	1.3	0.5	0.1	0.1	0.2	0.0	0.4	17.6	52.6	13.5	100.0
Taiwan	195	32	114	3		46	12	4	10	7	4	8	30	1,487	247	2,147
(%)	9.1	1.5	5.3	0.1		2.1	0.5	0.2	0.5	0.3	0.2	0.4	1.4	69.3	11.5	100.0
ASEAN	571	12	80	54	114	312	9	97	17	172	11	5	1,025	7,034	3,534	13,963
(%)	4.1	0.1	0.6	0.4	0.8	2.2	0.1	0.7	0.1	1.2	0.1	0.0	7.3	50.4	25.3	100.0
Indonesia	137	5	22	5	9	95		24	4	64	3	1	170	1,838	1,273	4,345
(%)	3.1	0.1	0.5	0.1	0.2	2.2		0.5	0.1	1.5	0.1	0.0	3.9	42.3	29.3	100.0
Malaysia	80	1	7	3	4	66	2		1	60	3	0	55	712	276	1,194
(%)	6.7	0.1	0.6	0.2	0.3	5.5	0.2		0.1	5.0	0.2	0.0	4.6	59.6	23.2	100.0
Philippines	46	3	17	1	6	19	5	7		6	0	0	81	1,793	245	2,331
(%)	2.0	0.1	0.7	0.0	0.2	0.8	0.2	0.3		0.3	0.0	0.0	3.5	76.9	10.5	100.0
Singapore	79	1	9	4	7	58	0	48	3		5	2	28	922	476	1,596
(%)	5.0	0.1	0.6	0.3	0.4	3.7	0.0	3.0	0.2		0.3	0.1	1.8	57.8	29.8	100.0
Thailand	89	2	18	6	14	49	2	7	8	31		1	219	1,725	674	3,160
(%)	2.8	0.0	0.6	0.2	0.4	1.5	0.1	0.2	0.3	1.0		0.0	6.9	54.6	21.3	100.0
Vietnam	140	1	5	35	74	25	0	10	0	13	1		472	43	590	1,337
(%)	10.5	0.1	0.4	2.6	5.6	1.8	0.0	0.8	0.0	0.9	0.1		35.3	3.2	44.1	100.0
Japan	268	37	87	48	79	18	1	1	3	7	2	4		50	32	361
U.S.	125	32	36	17	13	28	2	2	4	12	2	6	289		243	6,464
EU	1,225	63	550	294	185	132	11	13	12	83	12	2	1,422	2,429	33,663	48,651
World	14,938	3,064	6,669	2,132	1,029	2,044	128	297	160	1,254	134	71	17,150	55,306	70,485	193,262

Sources & Notes: same as Table 4-(1)

Japan External Trade Organization
Overseas Research Department
2-2-5 Toranomom, Minato-ku, Tokyo, Japan, 105-8466

©JETRO 2003
Printed in Japan