

# East Asian Economic Regionalism

Feasibilities and Challenges

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# Contents

Preface	vii
Editors' Biographical Notes	ix
Contributors	x
List of Tables	xii
List of Figures	xiv
Introduction and Overview	xv
Part I: Northeast Asian Views on an EAFTA	
Chapter 1	
China's Approach to an Institutional Regional Arrangement	1
- Guoqiang Long and Liping Zhang	
Chapter 2	
East Asian Free Trade Agreement: Strategic Aspects for Japan	21
- Kazuhiro Igawa and Bonggil Kim	
Chapter 3	
Evaluation of Recent Progress of FTAs in East Asia – A Korean Perspective	37
- Inkyo Cheong	
Part II: Southeast Asian Views on an EAFTA	
Chapter 4	
An East Asian FTA: A New Frontier of Economic Cooperation in East Asia	57
- Termsak Chalermpananupap	
Chapter 5	
Indonesia's FTA Policy and Its Perspectives on an East Asian FTA	75
- Deddy Saleh	

Chapter 6	
An East Asia FTA: A Malaysian Perspective	95
- Mohd Hafilah Piei	
Chapter 7	
An East Asian FTA: A Philippine Perspective	121
- John Lawrence Avila	
Part III: Assessment of East Asian Regionalism	
Chapter 8	
Estimation of Economic Effects of FTAs in East Asia – CGE Approach	139
- Inkyo Cheong	
Chapter 9	
Asian Regionalism: Promises and Pitfalls	157
- Richard E. Baldwin	
Chapter 10	
EU's Strategy towards East Asian Integration and Regionalism	175
- Sung-Hoon Park	
Name Index	193

# Preface

CHOONG YONG AHN, RICHARD E. BALDWIN, AND INKYO CHEONG

East Asia largely ignored the proliferation of regional trade blocs and the subsequent regional integration phenomenon, despite the global wave of free trade agreements (FTAs) in the 1990s. Until recently, East Asian economies had not developed any meaningful economic cooperation schemes covering the whole region. However, in recent years, the growing interdependence in East Asia through trade and financial cooperation heightened the need for East Asian economies to engage in regional economic cooperation and integration. The Asian financial crisis triggered a rising sense of East Asian identity, and in November 1999, the ASEAN+3 (China, Japan, and Korea) Summit released the Joint Statement on East Asian Cooperation that outlined a wide range of possible areas for regional cooperation.<sup>1</sup>

In addition to the existing ASEAN Free Trade Agreement (AFTA), the three major Northeast Asian countries – China, Japan and Korea – recently joined the FTA bandwagon. Furthermore, the 1997 Asian Financial Crisis brought about consensus among East Asian countries for regional economic cooperation to avoid a recurrence of another regional financial crisis. The framework for financial cooperation was consolidated in May 2000 by the ASEAN+3 Chiang Mai Initiative (CMI), which involves a regional currency swap and support mechanisms.

The possibility of an East Asian FTA has been actively discussed at the ASEAN+3 Summits. The report by the East Asian Vision Group (EAVG)<sup>2</sup> presents a vision of an East Asia Community of Peace, Prosperity and Progress (3Ps). It also presents 22 matters of key recommendations under six divisions, which include economy, finance, politic/national security, environment/energy, and society/culture/education, and 57 matters of concrete measures. More specifically, it contains policy recommendations concerning the transformation of the ASEAN+3 Summit to an East Asian Summit, East Asian FTA (EAFTA), East Asian investment region, East Asian agreement to borrow or East Asian Monetary Fund, the organization of East Asian environmental co-operation, East Asian educational fund and so forth.

In view of East Asian economic cooperation and integration, the most attractive scheme might be the introduction of EAFTA and its institutional cooperation. Many East Asian countries are exploring the benefits in subregional or bilateral FTAs. Perhaps, EAFTA may be set as the goal of these countries regarding regional

<sup>1</sup> The areas for cooperation were diverse, including trade, investment, financial cooperation, technology transfers, e-commerce, agriculture, small and medium-sized businesses, tourism and the development of the Mekong river basin.

<sup>2</sup> The Vision Report was reported to the ASEAN+3 Summit held in Brunei Darussalam in November 2001.



economic cooperation. Also, EAFTA will be the first step in East Asian economic integration. Even though it is difficult to promote EAFTA in the near future due to differences in economic environment, political structures and conflicts over regional hegemony, it is worth investigating in the mid-to-long term basis.

This book attempts to discuss emerging economic integration efforts in East Asia with special reference to an East Asian FTA. Although economic integration is desirable economically, positions and approaches of each regional economy toward East Asian economic integration may be different depending on the circumstances of the countries concerned. This book consists of three parts; Part I contains positions of ASEAN countries towards East Asian economic integration. Part II those of China, Japan and Korea. Finally Part III provides economic assessment of EAFTA and evaluates East Asian economic integration.

## Editors' Biographical Notes

Dr. Choong Yong AHN is currently the president of the Korea Institute for International Economic Policy (KIEP). At present, he also serves as the Chair of the APEC Economic Committee and is a member of the Presidential Economic Advisory Council. From 1974 until taking up his post at KIEP in January 2002, Dr. Ahn was a professor in the Department of Economics at Chung-Ang University in Seoul. Since receiving his Ph.D. from Ohio State University in 1972, Dr. Ahn has published empirical and theoretical articles on open development economics, including industrial, financial and trade aspects. He has also served as a consultant to the World Bank and as UNIDO Chief Technical Advisor to the Economic Planning Unit of Malaysia and Chairman of the Board at Chohung Bank in Korea. Dr. Ahn's received the Okita Research Award from the National Institute for Research Advancement in Japan for the book "Gendai Higashi Asia Geizairon (Modern East Asia Economy)," published by Iwanami Shoten in 2000.

Dr. Richard Edward BALDWIN is Professor of International Economics at the Graduate Institute of International Studies, Geneva as well as Co-Managing Editor of the journal *Economic Policy*. He has published in the areas of international trade, regionalism, European integration, economic geography, political economy and growth. He is a Research Associate at the NBER and CEPR. In 1990-1991 he was Senior Staff Economist for the President's Council of Economic Advisors in the Bush Administration, and has consulted for the EU, OECD, World Bank, EFTA, USAID and UNCTAD. Before coming to Geneva in May 1991, he was a professor at Columbia University Business School, having done his PhD in economics at MIT with Paul Krugman, an MSc at LSE with Alasdair Smith, and an first degree at the University of Wisconsin-Madison with Andre Sapir.

Dr. Inkyo CHEONG is Professor of Economics at Inha University, Incheon, Korea. He also serves as Director of Center for FTA Studies at the university. Before joining Inha University, he has been Research Fellow for eight years in Korean Institute for International Economic Policy (KIEP), Seoul, Korea. He has been instrumental in establishing the groundwork for and has been actively involved in negotiating of Korea's first FTA with Chile. He participated at all the official negotiations for the FTA with Chile. He has lead FTA studies on behalf of the government of Korea, in forms of internal evaluations as well as joint studies for the bilateral FTAs with Japan, Singapore, ASEAN, Mexico, the US, India etc. He advises governmental agencies and private sectors on FTA policies, as well as is working on several researches on FTA policies and regional economic cooperation in East Asia.

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## List of Tables

Chapter 1	
Table 1. Structure of China's GDP	2
Table 2. Changes in China's Export Mix	5
Table 3. Changes in China's Import Mix	6
Table 4. Changes in the Modes of China's Foreign Trade	7
Table 5. Proportion of Investment from East Asian Countries/Regions in Total Foreign Investment attracted by China	9
Table 6. Proportion of Import and Export between China and East Asian Countries/Regions in China's Foreign Trade	10
Table 7. China's tariff cuts in APEC (1991 – 2001)	11
Table 8. Proportions of Trade Inside Different Regions	15
Table 9. World Bank's view on East Asia economic cooperation	17
Chapter 2	
Table 1. Intra-regional, Extra-regional trade in East Asian countries	25
Table 2. Asian Shares of FDI Inflow in Asian Countries	26
Table 3. FDI inflow in East Asian Countries	28
Table 4. FDI into China	29
Table 5. Cross-border M&As (Sale by countries)	34
Table 6. Cross-border M&As (Purchase by countries)	34
Chapter 3	
Table 1. Progress of Regionalism in East Asia	39
Table 2. Status of East Asia's Economy (2001)	45
Chapter 4	
Table 1. East Asian Nations and Growing Regionalism	73
Chapter 6	
Table 1. ASEAN Trade with Japan, China and Korea	98
Table 2a. Major ASEAN Export to China	99
Table 2b. Major ASEAN Import from China	99
Table 3a. Major ASEAN Export to Japan	100
Table 3b. Major ASEAN Import from Japan	100
Table 4a. Major ASEAN Export to Korea	101
Table 4b. Major ASEAN Import from Korea	101
Table 5. Post-Accession Reduction in Weighted Tariff Rates for China's Main Imports	102
Table 6. Average MFN Tariffs	103
Table 7. CEPT Product List for the Year 2002	107
Table 8. Average Tariff Rates for Years 1999-2003	108
Table 9. ASEAN Net FDI on a Balance of Payment basis	109
Table 10. Inward Foreign Direct Investment Stock in ASEAN	110
Table 11. Net FDI Inflow to ASEAN by country of origin	110

Chapter 7	
Table 1. Preferential Trading Arrangements in Asia	125
Table 2. Specialization Index 2002	129
Chapter 8	
Table 1. Existing Studies on East Asian Economic Integration	141
Table 2. Classification of Production Sectors and Major Parameters	143
Table 3. The Impact of FTAs in East Asia on Regional GDP	146
Table 4. The Impact of FTAs in East Asia on Regional Capital Stock	148
Table 5. The Impact of FTAs in East Asia on Regional Welfare	149
Table 6. The Impact of FTAs in East Asia on Regional Exports	151
Table 7. The Impact of FTAs in East Asia on Regional Imports	151
Table 8. The Impact of an East Asian FTA on East Asian Intra-Regional Trade	153
Chapter 9	
Table 1. Intra-ASEAN Trade Growth in context, 1995 to 2000	158
Table 2. Exclusion Indices for Various Trade Blocs, Focus on ASEAN	165
Table 3. Exclusion Indices for Various Trade Blocs, Focus on Japan, Korea and China	165
Chapter 10	
Table 1. Main Contents of NAS and Country Strategy Papers adopted by the EU during 1993 – 1996	179
Table 2. Regional Distribution of EU's Exports (1995/2000)	181
Table 3. Regional Distribution of EU's Foreign Direct Investment (1996/1999)	182
Table 4. Inventory of Regional Trading Agreements under Negotiation and/or Discussion Involving East Asian Countries (as of December 2002)	185

## List of Figures

Chapter 1	
Figure 1. Structure of China's GDP	2
Figure 2. 1979-2000 Changes of Internal Structure of the Secondary	3
Figure 3. Development of Foreign Trade by China (1979-2001)	4
Chapter 5	
Figure 1. Indonesia-China Trade Relations	77
Figure 2. Indonesia-Japan Trade Relations	78
Figure 3. Indonesia-Korea Trade Relations	79
Figure 4. Indonesia-AFTA Trade Relations	82
Figure 5. ASEAN Foreign Trade Performance with Korea, China, and Japan	87
Chapter 7	
Figure 1. ASEAN Exports to NE Asia	127
Figure 2. ASEAN Imports from NE Asia	128
Chapter 9	
Figure 1. Size of Markets	162
Figure 2. Direction of Exports	163
Figure 3. Hub-and-spoke bilateralism: a numerical example	170
Chapter 10	
Figure 1. Preferential Trading Arrangements of the EU: A Pyramid Analysis	177