EUROPEAN PARLIAMENT

Directorate General for Research

WORKING PAPER

THE DYNAMICS OF ECONOMIC CHANGE IN ASIA

IMPLICATIONS FOR TRADE AND EUROPEAN UNION PRESENCE

External Economic Relations Series

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PREFACE

The 'Asian Miracle' is astonishing the world. It is the reflection of the dynamics and strength of a rising continent. Its economic pace is not only changing rapidly its own societies but also triggering off a dramatic shift in the global balance of power.

By the end of the century, the Worldbank estimates that half of the entire growth in world economy will come from East and South-East Asia alone. As many as 400 million people will have average disposable incomes as high as or higher than their European or US contemporaries. Already the Asian share of world trade surpassed that of the European Union. Asia has now its own resources of capital, management and technological capacity, therefore its presumed dependence on the established world economic powers is increasingly diminishing.

Europe is being deeply engaged in building a Union and at the same time preparing for the integration of Central and Eastern European countries into its own economy. With the completion of the internal market and monetary union on its way, Europe is already addressing the urgent need for strengthening its international competitiveness in an increasingly interdependent world. However, the Asian economic success and intensified transpacific links have faced the European Union with the weaknesses of Eurasian relations, the neglected third element of the Triad.

In July 1994, the European Commission presented a policy paper designed to launch a radical rethink of the European Union's strategy towards Asia. Endorsed by the Council of Ministers, it gave a clear signal that Europe was putting Asia high on its agenda. The increased interest in the area has met with a very favourable response by Asian countries. As a result, the first Asia-Europe Meeting (ASEM) between the leaders of the 15 European Union Member States and 10 Asian countries was held in Bangkok on 1-2 March 1996. The successful event marked the beginning of a new partnership between Europe and Asia, reflecting the increased economic and political significance of the high-growing Asian economies.

Europe's call for a new Asia policy is having a strong echo in the European Parliament. Aware of the importance of the issues at stake, it is preparing to critically assess the current situation in order to formulate policy recommendations. The need was felt for MEPs to acquire a clear insight in the economic processes taking place in Asia and their implications for trade and Europe's presence in the region.

With the aim of providing MEPs with an economic reference framework when assessing policy measures proposed by the Commission, the Directorate General for Research of the Parliament decided to launch a research project which was entrusted to Ms K. BERGLÖF.

The present study reviews the main economic parameters defining Asian economic success, scans their implications for trade and market penetration and points out policy goals for the European Union. The study focuses on ten high-growing economies in Asia and attempts to reveal the economic profile of the region. It includes firm-level activities, thus making its conclusions more tangible. Since one of the aims of the study was to provide a reference tool for the Parliament, special attention was given to the statistical data included. All data in the tables have been recalculated from the original sources and presented in a user-friendly way.

THE DIRECTORATE GENERAL FOR RESEARCH

CONTENTS

SUMMARY

1. INTRODUCTION

■ The **strategic interest** of the European Union in Asia is primarily economic in nature. This superiority of economic interests over political is officially stated by the Commission in *Towards a New Asia Strategy.* The importance of Asia to the European Union has arisen out of the extraordinary economic performance achieved by a group of Asian countries. No other region has an equivalent record of performance in regards to a number of distinct economic developments. Each of these economic developments carry far-reaching implications for trading partners. As data presented in this study shows, it is clear that economic developments in Asia will profoundly shape the future of the European Union's external economic relations.

■ The **strategic objective** of the European Union in Asia is to increase its regional economic presence. *Towards a New Asia Strategy* states that to ensure the interests of the European Union in Asia are taken into account, the primary objective is to strengthen European Union presence in the region. As the figures in this study demonstrate, it is clear that European Union presence in Asia is relatively modest.

2. CHANGING ECONOMIC SITUATION IN ASIA

2.1. ECONOMIC DEVELOPMENTS IN ASIA AND IMPLICATIONS FOR TRADING PARTNERS

■ The **changing economic situation in Asia** is characterised by a set of economic developments not experienced in any other region. As drawn out in this study, each of these economic development have specific future implications for trading partners. First, rapid economic growth will inevitably result in the size of the Asian economies in this study overtaking that of the United States and soon the European Union. Second, high levels of savings and investments will make the Asian economies into the world's strongest mobilisers of capital. Third, rapid growth in exports from the Asian countries will fuel demand for imports of intermediate goods. Fourth, rapid productivity growth will increase demand for imports of efficiency-seeking capital goods. Fifth, dynamic shifts across sectors of the Asian economies towards services will result in mounting imports of commercial services. Sixth, increased income equality and an emerging Asian middle class will spur imports of consumer goods. Certainly, the enormous economic advances made by the Asian countries of this study present a whole range of opportunities for trading partners, such as the European Union.

2.1.1. Rapid Economic Growth towards Giants in Economic Size

■ No other region in the world has experienced higher and steadier **economic growth** than has a group of Asian countries. For the last thirty years, the average growth rate in the ten Asian countries of this study exceeds 7 per cent (compared to a growth for developing countries of 4.8 per cent and 3.3 per cent for developed countries).

■ Today, the Asian developing countries continue to perform the fastest **economic growth** in the world. In 1994, their 8.2 per cent growth rate outstrips not only the growth performance of the developed world but is ten times as high as in Africa and more than twice as high as that of Latin America. Forecasts for the Asian developing countries of this study, predict an average growth rate of 7.6 per cent in 1995 and 7.4 per cent in 1996. China is the country projected to grow fastest with rates of up to 9.8 per cent for 1995 and 9.0 per cent for 1996.

■ As a result of astounding economic growth, the **economic size** of these Asian countries is clearly to be reckoned with. If calculated on the basis of real purchasing power figures (PPP), the magnitude of the ten Asian economies has indeed already surpassed those of the European Union as well as NAFTA. Projections in this study based on standard GNP figures suggest that the magnitude of the ten Asian economies will overtake both the European Union and NAFTA by 2005.

2.1.2. High Saving and Investment towards Mobilisers of Resources

■ No other region has raised their levels of **savings and investments** as substantially as has the Asian high-growth countries. Savings were in 1965 actually lower in the Asian economies of this study than in Latin American but have now surpassed that region by 20 percentage points. Three of the countries, Korea, Malaysia and Thailand, have all seen their savings rates double over the last twenty years. Korea was one of the world's lowest-saving countries in the early 1960s and is now one of the highest-saving. Investment levels in Asia were about equal to those of Latin America in 1965 but the Asian countries have today reached an average of almost 15 percentage points higher than that region.

■ Today, **savings** in most of the Asian countries of this study are at levels above 30 per cent of GDP. Singapore is the country with the highest rate, an impressive 48 per cent. Forecasts of global savings predict that the world's overall supply of savings (to meet the world's investment demand) will emanate primarily from these Asian countries.

■ Extraordinary **investment levels** of over 30 per cent of GDP are enjoyed by all countries of this study except Taiwan (24.1%) and India (22.5%). Thailand is the country attaining the highest investments with a level of 43 per cent of GDP in 1994, one which is expected to move beyond 45 per cent in 1996. Forecasts for the two current regional lagers, Taiwan and India, indicate upward trends in investment over the next two years.

■ The Asian developing countries studied here compose the only group of developing economies in which savings exceeds investments. This makes them **exporters of capital**. All these Asian countries (except for India) are now substantial outward investors. Korea and Taiwan have joined Japan as net outward investors. China is today the largest source of foreign direct investment among developing countries. In 1992, outward investment from China was 4 billion US dollars, or 44 per cent of all outward investment from developing countries.

■ A tremendous capacity to attract foreign direct investment is displayed by the Asian countries. The most recent data on inflows of **foreign direct investment** suggest over 40 billion US dollars going to these Asian countries in 1993. This amount of foreign direct investment represent an increase of 45 per cent over the year before much due to the steep increase in foreign direct investment to China. China is by far the largest recipient with 26 billion US dollars in 1993, an increase from the previous year by 133 per cent.

2.1.3. High Export Growth towards Importers of Intermediate Goods

■ No other region has achieved as high **export growth** as has the high-growth countries of Asia. Already in the 1960s, three of the countries of this study (Hong Kong, Korea and Taiwan) experienced at least double the average export growth rate of developing countries for that decade. For Korea, exports experienced an annual average export growth of 40 per cent during the 1960. During the period 1980-93, six Asian countries experienced export growth double the world average.

■ Today, **exports** continue to rise in all these Asian countries. In 1994, China's exports grew by 30.5 per cent and both Singapore and Malaysia had export growth rates of 24 per cent. Together, the ten Asian countries account for 26.4 per cent of world exports.

■ As a direct result of the vigorous export growth in the Asian countries, there is a fuelled demand for **imports of intermediate goods**. The most recent data available on the end-use product categories of imports show that intermediate goods undoubtedly constitute the largest share of total imports in all the Asian countries. The rise of imports in intermediate goods is in consonance with years of improved export growth. In Thailand, imports of intermediate goods grew at an annual average of close to 30 per cent over the 1985-92 period. For all the high-growth Asian countries except Hong Kong, the growth in imports of intermediate goods has been stronger than that for total imports over the 1985-92 period.

■ **Imports** to these Asian countries are for the fourth consecutive year growing at an even faster pace than exports.

2.1.4. High Productivity Growth towards Importers of Capital Goods

■ No other region has experienced the rapid **productivity growth** of the Asian high-growth countries. The productivity growth in these Asian countries is higher than for both most developed and industrialised countries.

■ As a result of the strong emphasis on efficiency-seeking activities, there is an increased demand for **imports of capital goods**. In except for two of the countries in this study (Korea and India), growth of capital goods is higher than for imports in general such that the share of capital goods in total imports is steadily increasing. For four of the Asian countries, Indonesia, Malaysia, Thailand and China, capital goods is the group of imports growing absolutely fastest. In Thailand, the annual average growth in imports of capital goods is beyond 30 per cent over the period 1985-92.

2.1.5. Dynamic Sectoral Shifts towards Importers of Services

■ No other region presents such dynamic **sectoral shifts** as the group of high-growth economies in Asia. Agriculture's share of output and employment has declined at the same time as productivity for that sector has increased.

■ As a result of dynamic sectoral shifts, many of the Asian countries of this study have developed into modern-day service societies. In except for three of the ten countries (China, Indonesia and Malaysia), services today constitute the single largest sector of the economy. In Hong Kong, the services sector account for 80 per cent of GDP. Services have contributed significantly to economic growth. The annual average growth for the services sector over the last four years exceeds 5 per cent for all countries except Japan. Korea displays almost twice the growth in services relative to industry over the last ten years.

■ As a result of the increased orientation towards services, total **imports of services** in the Asian countries of this study has increased by three times since 1985. Thailand has reached the strongest growth in imports of services with an annual increase of close to 30 per cent since 19985. China has recently achieved flabbergasting increase in imports of services, up 134 per cent in 1992.

2.1.6. Increased Equality towards Importers of Consumer Goods

■ No region other than the Asian high-growth countries has achieved both rapid growth and increased **income equality**. Among these countries, it is apparent that it is in those with the most rapid growth that inequality has decreased the most.

■ As a result of increased income equality, there is an emerging Asian middle class. Rapidly increasing real incomes have led to changes in the consumption patterns and lifestyles of many Asians. In this study, Taiwan is showing the most significant pattern of change with consumer spending in GDP continuing to rise from 51 per cent in 1980 to 55.5 per cent in 1994 and an expected rate of over 60 per cent by the end of the century. Projections show considerable growth in consumer expenditure for three of the countries of this study over the period 1995-2000 (Korea 6.2%, China 5.2% and Taiwan 7.8%). In Japan, aggregate consumer spending has not failed to rise in any year since 1980 despite the recession.

■ **Imports of consumer goods** are growing at an astounding pace, and decidedly so in the most advanced of the countries studied. In Japan, Hong Kong, Korea and Singapore consumer goods is the group of imports growing absolutely fastest. In Singapore, the annual average growth in imports of consumer goods is a flabbergasting 39 per cent since 1985. Clearly, Asian consumers will contribute significantly to the future growth of world consumer markets.

2.2. ECONOMIC ACTIVITIES IN HIGH-GROWTH ASIA

2.2.1. Asian Business Systems

■ Economic activities in high-growth Asia are organised in a highly effective way which is unique for the region. **Asian business systems** are pervaded by a strong element of personal networks (though taking different forms in different countries). Firms in the Asian high-growth countries form more connections with other firms than is the case among Western firms and are interlinked and connected to one another in vast cooperative networks. This dominant characteristic occur across industrial sectors and are often reproduced in newer industries.

3. EUROPEAN UNION ECONOMIC PRESENCE IN ASIA

3.1. ECONOMIC DEVELOPMENTS IN ASIA AND EUROPEAN UNION OPPORTUNITIES

3.1.1. Asia's High-Growth Markets and the European Union

■ **European Union exports** to the ten countries of Asia focused on in this study amounted to 103 billion ECU last year, or 19.1 per cent of total exports. This share of exports has been steadily increasing, from 10.6 per cent back in 1985 and 15.9 per cent in 1991. In addition, EU exports to this group of Asian countries now surpass exports to the United States (for the first time in 1993). The markets where European Union exports have expanded most rapidly during the 1980s are the Asian countries of this study. Exports to the ten Asian countries has increased with more than 20 per cent annually since 1980.

■ But the share of **European Union exports** going to the ten Asian countries of this study is low compared with the other major traders. The share of the United States exports going to these ten countries is 27.1 per cent (compared to the EU share of 19.1 per cent). Japan sends 37.6 per cent of its exports to the other countries of the group. Clearly, the European Union is not fully taking advantage of the most dynamic international markets.

3.1.2. Asia's Goods Markets and the European Union

■ A comparison of **European Union exports of goods** with those of the other major traders, show that the European Union is the clearly the trader with the lowest share of its exports going to sectors with strong international demand. In 1994, the European Union exported 24.1 per cent of its export to strong-demand sectors. The equivalent share for both the US and Japan was 28.6. Undoubtedly, the European Union is the trader with the highest share of its exports going to sectors with weak demand. The EU share to these sectors is 29.7 compared to that of 20.5 per cent for the United States and 17.8 per cent for Japan.

■ The European Union dominance of exports to weak-demand sectors applies is even stronger for exports to the ten Asian countries of this study. This is in stark contrast to the other two major trader for whom the Asian high-growth countries is a region where they fare considerably better than average exports.

■ Of its exports to the Asian countries of this study, the European Union sell 28.5 per cent in sectors with weak demand. The United States has a 17.2 per cent share of its exports to these Asian counties destined for weak-demand sectors, a share considerable lower than for exports as a whole.

■ The European Union sells 24.4 per cent of its Asian export to sectors with strong demand which is about the same as for total exports. The United States' share of exports to Asia aimed at strong-demand sectors is higher the average for exports to all regions, 31.6 per cent (compared to the average of 28.6 per cent for total exports). The United States has had particular success in targeting strong-demand sectors in one Asian sub-region (consisting of seven countries) where it has 37.4 per cent of its exports going to sectors with strong demand.

3.1.3. Asia's Investment Markets and the European Union

■ **European Union direct investments** to the Asian countries of this study totalled 3.2 billion US dollars in 1992, or 11.7 per cent of EU direct investments abroad. A comparison with the United States show that 13.7 per cent of US direct investment abroad in 1992 went to these Asian countries. Japan invested 18.8 per cent of its total direct investment in the other Asian countries.

■ The accumulated position of **European Union direct investment** in these Asian countries is considerably lower than that of the United States and Japan. Only in two countries with which the European Union has strong historical ties, Indonesia and Malaysia, does the EU hold a stronger position than the US.

3.2. ECONOMIC ACTIVITIES IN HIGH-GROWTH ASIA AND EUROPEAN UNION SECTORS

■ **European Union firms** have only a modest presence in Asia. Although the Asian high-growth countries already absorb 25 per cent of world sales in certain sectors, their shares are not proportionate in the sales of European firms. Most European firms only achieve 10 per cent of sales in Asia. Of the fifty European firms surveyed in this study, only a handful of companies achieved sales equivalent to the region's absorption of world sales.

■ The large US and Japanese firms have set up networks through which they have signed co-operation agreements with firms in most of the Asian countries. The majority of these agreements involve transfers of research and development as well as technology. During the 1980s, there was a considerable development of these arrangements in such sectors as electronics, chemicals, automobiles and computers. As a consequence, European enterprises are relatively little represented in the crucial networks formed in Asian markets.

4. FUTURE PROSPECTS FOR THE EUROPEAN UNION IN ASIA[*)]

4.1. TOWARDS A NEW ASIA STRATEGY

■ **Future prospects for the European Union in Asia** appear dim under a current European Union policy on Asia seemingly not matching up to the importance of the region. The economic importance of Asia to the European Union cannot be understated. The Asian markets are growing, increasing imports of goods and services at extraordinary rates. Imports of goods are growing faster than exports for the fourth consecutive year in Asia. The European Union cannot afford to forfeit the revenues of increased market shares in the Asia region. Participation in these markets is also an absolute necessity for improving the global competitiveness of European firms.

4.1.1. Delicacy of Business Policy

■ The specific characteristics associated with firm operations in Asia seemingly call for a delicate approach to **business policy**. This is as opposed to more "bullying" efforts of other nations. The clash of such methods becomes obvious in a region where there is a need to progressively build up trust and a network of contacts before any success may be reaped. A more delicate approach would concentrate less on forcing mandatory increases in trade and investment from Asian governments and more on assisting European Union firms in their efforts to participate in Asian networks through joint ventures with local partners.

■ Perhaps the most important aspect of a policy promoting firm-based cooperation is that it is now (because of the economic developments which have taken place) of mutual benefit to all parties involved and consequently a policy which could be advocated by both the European Union and the Asian countries. A **common policy goal for the Asia-Europe Meeting** could be the facilitation of firm-based cooperation.

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*) Chapter 4 was created to separately allow for the incorporation of a few opinions of the author.

5. CONCLUSIONS

■ Among the **conclusions** of this study is the strong need for the European Union to adapt its means of production to growth sectors as well as to engage in joint ventures with Asian partners in order to increase EU exports to the region.

STUDY

1. INTRODUCTION

First steps have been taken to formulate a European policy on Asia. The broader policy framework is laid out in the Commission communication *Towards a New Asia Strategy* issued in July of 1994.[1] During 1995, two countries of the region -- Japan and China -- have been reviewed by the Commission in more detail.[2] Final policy measures towards the Asia region are promised by the Commission in the aftermath of the Asia-Europe Meeting of March 1996 in Bangkok.[3] The Asia-Europe Meeting is the first of its kind between the Heads of State and Government of 10 Asian countries and the 15 European Union Member States and is preceded by intense groundwork. This study is aimed as a tool for Members of the European Parliament in their preparations towards an active involvement in the new Asia policy.

As stated in *Towards a New Asia Strategy*, the primary interest of the European Union in the region of Asia is economic in nature.[4] The economic opportunities generated by a region which contains the world's fastest growing countries signify the importance of Asia to the European Union. According to the Commission, the rise of Asia is dramatically changing the world balance of economic power and calls for an active participation by European companies on Asian markets. For this reason, the Commission has declared as the key objective of the European Union in Asia to strengthen European presence in the region so as to ensure the interests of the European Union are fully taken into account.[5]

The purpose of this study is two-fold: First, to distinguish the economic developments which are unique to a group of Asian countries in order to analyze the implications of these exceptional achievements for trading partners.[6] This should serve as a framework for the changing economic situation in Asia and illustrate the economic opportunities which it has generated. Second, to examine European Union economic presence in Asia. This should provide a sense of the extent of European presence in this expanding region of the world. The underlying question asked throughout is: Why is Asia important to the European Union?

1 European Commission, *Towards a New Asia Strategy*, (COM/94/34), 13 July, 1994.

2 European Commission, *Europe and Japan: The Next Steps*, (COM/95/73), 8 March, 1995. European Commission, *A Long-Term Policy for China-Europe Relations*, (COM/95/0279), 5 July, 1995.

3 European Commission, *Commission's Work Programme for 1996*, (Draft), Brussels, 1995, p. 11.

4 European Commission, COM/94/34, p. 16.

5 *Ibid.*, p. 3.

6 An explicit effort has been made to avoid a discussion of explanations behind the changing economic situation. There continues to be a wide range of views on exactly what spurred the economic developments in certain Asian countries. Some argue cultural factor, others the role of the government and yet others the importance of free market forces. In any event, it appears relatively less pertinent for the European Union to presently focus on theories of economic development but rather to urgently respond to the results of a changing economic situation in a group of Asian countries. For this reason, the approach taken here is strictly result-oriented.

Policy discussions readily start with a brief line emphasizing Asia's economic importance to the European Union, such as "raw economic data quickly makes this case self-evident".[7] But the economic importance of Asia is multi-faceted. The economic developments which make a group of Asian countries stand out from other regions are numerous and independently defined.. This group of economies in Asia not only grew faster than any other region but also performed better in several additional respects as discussed in this study. Moreover, each of the economic developments in Asia is of such a magnitude and character that it carries an impact on countries outside the region. There are a wide range of implications for trading partners as they face a multitude of challenges and opportunities. Although each implication will be drawn out in detail using economic reasoning, permeating this study is the inevitable and overall implication that such enormous advances as made by the Asian economies has lead to mutually beneficial opportunities for intensified trade and cooperation.

Economic activities at the level of the firm are also highly unique to the Asian region. The organisation of firms take different forms in Asia than in Europe. Most important of features is the organisation of firms through networks in Asia. There is a strong reason to identify business systems which are characteristic to high-growth Asia when the key objective of the European Union in that region is to increase the presence of business. Asian business systems is briefly surveyed in this study and illustrate that a component which has proven crucial for foreigners in penetrating Asian markets is the firm-based cooperation through joint ventures and "strategic alliances".

European Union economic presence in Asia is known to be modest. This study discusses the geographic distribution of European Union exports in order to determine the extent to which the European Union is taking advantage of the growing markets in Asia. The commodity composition of European Union exports to Asia is also analyzed from the perspective of how the European Union could increase its position by adapting to growth sectors. The level of EU direct investment in Asia is also examined.

European firms operating in global markets are little represented in Asia. The presence of firms in foreign markets is usually determined by an analysis of statistical data on direct investment. This could at best point to the level but does not offer much insight into the form of investment.[8] If European firms have not been effective in their approach to Asia, one interesting issue is which form that has been chosen by European firms in their approach to Asian markets and to which extent they have entered into firm-based cooperation. This information is by no means self-evident from raw economic data but rather calls for a significantly different research method. An attempt is made in this study to step beyond aggregate data to look at firm-level activities, though this is admittedly an area of research layered with intricacies.

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7 Financial Times Conference Speakers' Papers, *Towards a New European Economic Strategy for Asia*, Brussels, 6 October, 1994, p. 4.1.

8 The reliability of statistics on foreign direct investment is questionable and discussed in some detail.

The Asian countries focused on in this study are the high-growth economies of the region.[9] This selection is in order to conform with the underlying interests put forth in the Commission strategy paper. There are eight countries which constitute the core group of this study: Japan, Hong Kong, Korea, Singapore, Taiwan, Malaysia, Indonesia and Thailand. These eight economies compose a coherent picture by adhering to all the economic developments discussed in this study over a long period of time and are accordingly the countries implied when specific reference is made to the high-growth countries in Asia. Other Asian countries have achieved rapid economic growth in recent years, but do neither display the persistence in this regard nor do they adhere to the many other economic developments shared by the core group.[10] Data for two such countries, China and India, were added to this study as they partially conform with the overall picture but also because the magnitude of these economies will undoubtedly have a major impact on the region's trade and investments. Among the total of ten countries in this study, a fundamental difference exists, of course, between developed Japan and the other economies as they are all still classified as developing.[11] It is important to note that when reference is made to all ten countries of this study, the term Asia (or sometimes Asia-10) is used.[12] In the exceptional instances where all of Asia is implied, this is specifically pointed out.

There are two main parts to this study. The first part deals exclusively with the Asian countries and the economic developments they share. In the second part, European Union presence in the Asia region is analyzed. Both parts contain two sections each, one principal section for economy-wide indicators and one notably shorter devoted to firm-level activities. The study ends with a synthesis to determine the prospects for the European Union in the region and some concluding remarks.[13]

9 In the broader policy definition of Asia, there are typically 26 countries included. (There are 31 countries if the five of Central Asia are included.) For a list of all countries, see p. 79, **Annex 1. Countries in Asia.**

10 See p. 87-88, **Table 1. Economic Growth in Asia between 1960-1992** and **Table 2. Economic Growth in Asia between 1981-94.**

11 Naturally, any clustering of countries into groups has its faults. The emphasis here is on the mechanisms involved and the impact on international trade and investment for trading partners. It is certainly acknowledged that while a few common denominators may be found there is possibly no other region which also differ in so many respects as does the region of Asia.

12 As a consequence, averages for Asia that the reader may come across elsewhere may not correspond with those presented here where all data has been specifically calculated for the selected ten countries.

13 This study presents only parts of statistics and material accumulated over a longer period of time.

2. CHANGING ECONOMIC SITUATION IN ASIA

The changing economic situation in Asia encompass a number of economic developments. These developments are unique to a group of Asian countries as they have not taken place in any other region in a similarly concerted fashion. First, no other region has experienced as rapid economic growth over three decades as has this group of Asian countries. Second, no other region has achieved the high levels of savings and investments of these Asian economies. Third, in no other region has the growth of exports been as vigorous. Fourth, productivity growth has been higher than in other regions. Fifth, no other region has displayed as dynamic shifts across sectors of the economies. Sixth, this group of countries is alone in having achieved both rapid growth and reduced income inequality. All these economic developments are presented in the first section and constitute the core of this study. In the second section, there is a brief survey of firm-level activities unique to the Asia region.

2.1. ECONOMIC DEVELOPMENTS IN ASIA AND IMPLICATIONS FOR TRADING PARTNERS

This core section of the study attempts to illustrate the economic developments of the Asian economies with the aid of statistics. Each feature of development is viewed independently in an attempt to focus on the results and where these economies stand today.[14] Due to severe data limitations, the process of determining which economic developments that are unique to this region and consequently set this group of Asian countries apart from other regions were eventually derived from secondary sources rather than identified through regression analysis.[15] Six economic developments qualified as defining features of the region's economic success and became the variables for indepth study.[16] Primary sources were used to collect statistical data on these variables for all the countries. These statistics constitute the basis of the study as they illustrate the economic developments in the Asian

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14 In emphasising the results, the existing inter-connection between several of the developments have explicitly been left out of the discussion. It may be that some of the economic features mentioned here are sources of growth, others are outcomes of growth. For example, whether high levels of savings are a result of rapid economic growth or whether that growth actually stems from the high savings remain a debated issue. The fact is, however, that a feature shared by the Asian countries in this study is high rates of savings which is what warrants it a place here.

15 Available for the purposes of this study were a number of official statistical publications from international organisations, such as the World Bank, IMF, OECD, United Nations, Asian Development Bank, etc. (see REFERENCES). It should be noted that these publications are highly selective in their presentation of data, containing mostly broad variables and do not offer continuous time series. Such sketchy data are not enough for neither multi-variable regressions nor time series analysis. More complete sets of data required for such purposes are available only on data tapes.

16 The World Bank (1993) recognises two additional economic developments unique to the Asia region which have been excluded here. They are rapid demographic transitions (decline in fertility rates) and high growth rates of human capital.

countries and are from where the text has been derived. All statistical tables are inserted at the end, beginning on page 77.[17]

A whole range of challenges and opportunities present themselves from the enormous economic advances of the Asian countries in this study. Using economic reasoning, it becomes clear that each of these economic developments also carries specific implications for trading partners as is drawn out in this section of the study. First, the rapid economic growth will inevitably result in the size of the Asian economies in this study overtaking that of the United States and soon the European Union. Second, the high levels of savings and investments will make the Asian economies into the world's strongest mobilisers of capital. Third, the rapid growth in exports from the Asian countries will fuel their demand for imports of intermediate goods. Fourth, the rapid productivity growth will increase demand for imports of efficiency-seeking capital goods. Fifth, the dynamic shifts among sectors of the Asian economies towards services will result in mounting imports of commercial services. Sixth, increased income equality and an emerging Asian middle class will spur imports of consumer goods. All implications have been illustrated using primary data.

2.1.1. Rapid Economic Growth towards Giants in Economic Size

The Asian countries of this study have for the last thirty years experienced faster economic growth than any other region. An inevitable implication of this astonishing economic growth is the increasing magnitude of the region's economies.

Economic Growth

The most striking feature of a group of Asian countries is its high economic growth. The Asian countries of this study have grown faster and steadier than any other group of economies in the world over the last three decades. The average annual growth rate for the ten Asian countries over the period 1960-92 exceeds 7 per cent.[18]

The exceptional growth performance of these Asian economies is clear when compared with other developing countries. Every economy in Latin America and Sub-Saharan Africa (Botswana excluded) is beaten by the growth rates in the high-growth Asian countries of this study. During the post-war period, developing countries have unfortunately not been closing in on those that are developed. Of all developing economies, more than 70 per cent experienced slower economic growth than the average for high-income economies.[19] It is even more distressing that in more than a dozen developing economies, per capita income actually fell. Clearly, growth in the Asian developing economies of this study is quite

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17 The author assumes responsibility for the production of all tables. Virtually all tables involved a multitude of calculations (averages, annual changes, percentages, etc.) on the basis of the data source(s) listed in connection with each table.

18 See p. 89, **Table 3. Economic Growth in Asian Countries between 1960-92.**

19 World Bank, *The East Asian Miracle* (Oxford: Oxford University Press), 1993, p. 28.

different. In addition, their growth rates are significantly above the high-income average of 3.3 per cent.[20]

The persistence of this high economic growth is the development which clearly distinguishes the Asian countries. Other developing economies have grown fast for several years, especially before the 1980s. But few countries have sustained high growth rates for three decades. If growth rates for over 140 economies are studied over three time periods (1960-70, 1970-80 and 1980-90), there are only nine countries which have achieved extraordinarily rapid growth (of over 5 per cent) in all periods. Of these countries, seven are Asian success stories: Hong Kong, Korea, Singapore, Taiwan, Malaysia, Thailand and China.[21]

The shifting growth pattern within the group over time see Japan going from extremely rapid growth in the 1960s to rates more typical of a high-income economy in the 1970s. In all of the four countries of Hong Kong, Korea, Singapore and Taiwan, growth has remained at impressive rates over the three time periods. Hong Kong averaged 13.7 per cent growth during the 1960s although decreasing since, yet maintaining above 7 per cent for the 1980s. Singapore and Taiwan have also seen their growth rates decrease slightly during the 1980s. Korea, on the other hand, show increasing growth over the three periods averaging 8.9 per cent for the 1960-92 period. Indonesia and Malaysia show a sharp increase in growth between the 1960s and 1970s, moving from the bottom of the distribution to the top. Indonesia is one of only tree economies in the world to move from the bottom of the distribution of growth to the top over the three time periods. Growth in Thailand has been extraordinarily stable maintaining between 7-8 per cent over the three decades.

The most recent data confirm a continued rapid pace of growth for the region's developing economies. The developing countries of Asia did in 1994 not only outstrip the growth performance of the developed world, but growth in Asia was almost ten times as high as in Africa and more than twice as high on average as Latin America.[22] For six of the countries in this study, Hong Kong, Korea, Singapore, Taiwan, Malaysia and Thailand, economic growth in 1994 has been considerably faster than the estimated long run trend since 1970.[23] The current economic phase is a continuation of a relatively long expansion of growth above 6 per cent which started in 1989.

As to individual countries of the region, practically all developing countries show improved growth in 1994.[24] In Korea, a marked upswing was experienced in the economy after two years of relatively slow growth. Korean GDP growth stood at 8.3 per cent in 1994 compared with a 5.5 per cent in the preceding year. Singapore, once again, achieved double-digit growth in 1994 of 10 per cent. In Taiwan, growth of GDP picked up slightly to 6.5 per cent in 1994 from 6.3 in the previous year. Growth improved also in Indonesia, up from 6.5 per cent in 1993 to 7.4 per cent for 1994. Thai growth was up a notch to 8.5 per cent for

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[20] See p. 90, **Table 4. Economic Growth in Asian Countries between 1960-1992.**

[21] See p. 91, **Table 5. Economic Growth in Asian Countries between 1960-92.**

[22] Asian Development Bank, *Asian Development Outlook* (Oxford: Oxford University Press), 1995, p. 12.

[23] OECD, *Economic Outlook*, No. 57, 1995, p. 124.

[24] See p. 92, **Table 6. Economic Growth in Asia between 1981-94.**

1994. Economic growth in Hong Kong at 5.5 per cent was largely in line with the average growth rate of the economy over the previous three years. Malaysia, on the other hand, experienced a slow-down in growth to 5.3 from 7.9 per cent in 1993. The flabbergasting growth performance in China of 13.4 per cent in 1994 slowed somewhat to stand at a still extraordinary 11.8 per cent for 1994. India is experiencing increasing growth, climbing to 5.3 per cent for 1994. Developed Japan, on the other hand, is currently exhibiting considerably more modest growth. But Japan experienced a positive growth in 1994 of 1.0 per cent, compared with a contraction the year before.

Forecasts of economic growth over the next couple of years are strong for the developing countries of the region. Levels of growth will remain strikingly high and Asia's developing countries will continue to perform the world's fastest economic growth according to forecasts for both 1995 and 1996. As a group, the developing countries of this study will make up an average annual growth rate of 7.5 per cent in the next couple of years.[25] China will continue to be the fastest growing economy in Asia, even if the growth is expected to slow down from 11.8 per cent in 1994 to 9.8 per cent for 1995 to just below 9 per cent for 1996. In Korea, GDP growth is foreseen to decrease to just above 7 per cent in 1995 and just below that in 1996. Singapore should expect a growth of 9 per cent for 1995 and 8.5 for 1996. In Taiwan, growth is expected to increase to nearly 7 per cent for both 1995 and 1996. The growth for Hong Kong is expected to remain around 5.6 per cent. Malaysia and Thailand are expected to be above average at around 8.5 per cent for 1995 and 8 per cent in 1996 for both countries. Indonesia has a minor slow-down to expect, with GDP growth just above 7 per cent for both 1995 and 1996. India is characterised by an increasing growth with GDP growing from the 5.3 per cent in 1994 to just above 6 per cent in 1995 and 6.5 per cent in 1996.

Economic Size

An inevitable implication of continuous rapid growth is the increasing magnitude of the Asian economies. The most accurate measurement of economic size when comparing different countries, especially developing countries, is one based on purchasing power.[26] The realistic magnitude of these ten Asian economies is therefore best presented if calculated on the basis of GDP figures converted in terms of purchasing power (PPP). Using such PPP statistics, the magnitude of the Asian economies of this study has indeed already surpassed that of the European Union and also that of NAFTA.[27]

The size of these Asian economies relative to the European Union and NAFTA if calculated on the basis of standard GNP is not far behind. An estimation of the future sizes of Asia, European Union and NAFTA may be to allow current GNPs to grow based on past growth performance for each region. If the respective economic sizes are placed on such growth paths, the Asian countries will start to equal the European Union and NAFTA in economic size

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[25] See p. 93, **Table 7. Forecasts of Economic Growth in Asian Countries for 1995-1996.**

[26] An assessment of the size of an economy based on purchasing power conversion basically measures comparable quantities of output.

[27] See p. 94-95, **Table 8. Economic Size of ASIA-10, European Union and NAFTA in 1993; Table 9. Economic Size of Asian Countries in 1993; Table 10. Economic Size of European Union in 1993; Table 11. Economic Size of NAFTA in 1993.**

within ten years.[28] Both the European Union and NAFTA will be surpassed in size by the Asian countries in 2005. No matter how one counts, the Asian economies are definitely to be reckoned with.

No other region in the world has experienced higher and steadier **economic growth** than has a group of Asian countries. For the last thirty years, the average growth rate in the ten Asian countries of this study exceeds 7 per cent (compared to a growth for developing countries of 4.8 per cent and 3.3 per cent for developed countries).

Today, the Asian developing countries continue to perform the **fastest economic growth** in the world. In 1994, their 8.2 per cent growth rate outstrips not only the growth performance of the developed world but is ten times as high as in Africa and more than twice as high as that of Latin America. Forecasts for the Asian developing countries of this study, predict an average growth rate of 7.6 per cent in 1995 and 7.4 per cent in 1996. China is the country projected to grow fastest with rates of up to 9.8 per cent for 1995 and 9.0 per cent for 1996.

As a result of astounding economic growth, the **economic size** of these Asian countries is clearly to be reckoned with. If calculated on the basis of real purchasing power figures (PPP), the magnitude of the ten Asian economies has indeed already surpassed those of the European Union as well as NAFTA. Projections in this study based on standard GNP figures suggest that the magnitude of the ten Asian economies will overtake both the European Union and NAFTA by 2005.

2.1.2. High Savings and Investments towards Mobilisers of Resources

A feature clearly grouping the high-growth Asian economies together is the high levels of savings and investment. In association with this increasingly high share of resources devoted to savings and investment, these Asian economies have achieved a phenomenal success in mobilising domestic resources for direct investment abroad as well as in drawing on external resources in the form of foreign direct investment.

Savings

Savings rates have increased substantially over the last two decades reaching strikingly high levels today. In 1965, savings rates in the developing Asian countries were actually lower than in Latin America. Today, savings rates in the high-growth Asian countries exceed those of Latin America by almost 20 percentage points.[29] In practically all of the Asian high-

[28] See p. 96, **Table 12. Future Economic Sizes of ASIA-10, European Union and NAFTA.**

[29] See p. 97, **Table 13. Savings in Asian Countries between 1960-1991.**

growth countries, average savings rates are now at levels well above 30 per cent of GDP with that in Singapore even significantly higher.

Although changing within the group, all the Asian countries of this study display impressive domestic savings records. For all countries, the trend savings rates increased from the 1970s to the 1980s. But as certain economies matured and consumption increased, savings rates in those countries declined during the 1980s. In Taiwan, for example, savings began declining after 1987 yet reaching a striking average for the period 1981-90 of 45.4 per cent.[30] In 1994, the Taiwanese savings rate was down to 26 per cent, now among the lowest in the group. Hong Kong savings declined after 1989 but still stood at an impressive 33 per cent in 1994. In Korea, a decline is seen after 1991 but savings held out at 35.1 per cent in 1994. Japan has also seen a slight decline in savings after 1991, standing at 32.7 per cent in 1993. Singapore, on the other hand, has continued on the pattern of the other countries by increasing its savings rate even further in the 1990s to as much as 48.0 per cent of GDP in 1994, now the highest in the group. China's rate of saving is also increasing steadily and reached 40.5 per cent last year. Indonesia climbed up to a 38.7 per cent savings rate in 1994. Thailand reached 37.2 per cent for 1994 increasing from 25 per cent in 1987. Malaysia reached a savings rate of 35.6 per cent in 1994. India has the lowest (although rising) savings rate among the countries focused on in this study, reaching 22.1 per cent in 1994. But it should be noted that India is the only country studied here which is part of the sub-region of South Asia and there stands in stark contrast to the otherwise considerably lower savings rates of that sub- region. Forecasts of global savings predict that the world's overall supply of savings (to meet the world's investment demand) will emanate primarily from the Asian countries of this study.[31]

Investments

Extraordinary high levels of domestic investments is a feature which pertains to all the high-growth economies of Asia. Domestic investment increased sharply between 1960 and 1990 and the performance of these countries in this respect clearly sets them apart from other developing regions. Investment levels were approximately the same in Latin America and the Asian countries back in 1965. By 1990, levels of investment in the Asian countries of this study were nearly double the average for Latin America and substantially exceeded the rates of Sub-Saharan Africa.[32]

All countries of this study show impressive patterns of investments, only some took off later and others have slowed in recent years. In 1970, Japan and Singapore had already reached levels of investment at close to 40 per cent of GDP. China also achieved inordinately high investment, especially considering its stage of development, reaching 32 per cent in 1970. For the same year, Korea, Thailand and Indonesia all measured investment around 25 per cent of GDP. Hong Kong investment was just above 20 per cent in 1970, while that of Malaysia and India stopped just below. To compare, Latin America had investment levels of around 25 per cent in 1970. By 1980, all but two of the high-growth Asian economies had reached

30 See p. 98, **Table 14. Savings in Asian Countries between 1991-94.**

31 IMF, "Saving in a Growing World Economy" in *World Economic Outlook,* May 1995, p. 78.

32 See p. 99, **Table 15. Investments in Asian Countries between 1970-91.**

investment levels of over 30 per cent. Singapore recorded investments equal to an astonishing 46 per cent of GDP in 1980, while Hong Kong and Taiwan both around 35 per cent. Japan, China and Korea all had investment levels above 30 per cent of GDP in 1980, while Indonesia and Thailand attained levels of around 25 per cent of GDP. India registered investment at 23 per cent of GDP by 1980.

The high share of private investment is the remarkable aspect in the investment pattern of the Asian countries in this study. On average, private investment has been around seven percentage points higher in the high-growth economies of Asia than in other middle-income economies over the last thirty years.[33] Private investment in the Asian high-growth countries rose from about 15 per cent of GDP in 1970 to nearly 22 per cent in 1974, then declined and held out at about 18 per cent between 1975 and 1984. Between 1984 and 1986, private investment contracted reflecting the global recession but then recovered again by 1988. In contrast, private investment in other low and middle-income economies has remained relatively stable at about 11 per cent of GDP.

Public investments also tell a unique Asian story. In the 1970s, overall levels of public investment did not differ markedly between the high-growth Asian countries and other developing economies. Public investment rates in most developing economies rose from about 7 to 10 per cent during the 1970s.[34]But during the 1980s, the high-growth Asian economies and other developing economies took different paths. In most other economies, the fiscal contraction of macroeconomic adjustment was reflected in lower public investment rates. In the high-growth Asian economies, public investment shares actually rose between 1979 and 1982. Public investment rates then kept at a level nearly 4 percentage points above their 1970s' average. It was only after 1986 that levels of public investments began to decline toward historical levels.[35] This demonstrates that, in striking contrast to other regions, public investment during 1980-87 in the Asian high-growth economies was counter-cyclical to the reduction in private investment.

The most recent statistical data on domestic investment for the Asian economies in this study indicate continued elevated levels.[36] All the high-growth countries, except for Taiwan, enjoy investment levels of over 30 per cent of GDP. In Thailand, the share of resources devoted to investment has grown rapidly in the past decade and is now the highest in Asia. Thai investment reached 42.9 per cent in 1994 after a rise from 26 per cent of GDP in 1987 and is expected to be well over 45 per cent in 1996. Singapore's very high investment is beginning to decline slightly, staying at 41.5 per cent in 1994 (compared to 43.8 per cent the year before). Chinese investment also dropped somewhat from 42.1 per cent of GDP in 1993 to 39.5 in 1994. Investment levels in Malaysia, on the other hand, have been increasing steadily over the last few years reaching 37.2 per cent in 1994. Korean investment is also increasing, now at 36.9 per cent of GDP up from 34 per cent in 1993. In Indonesia, gross domestic investment has held at around 35 per cent during the 1990s being 35.5 per cent of GDP in 1994. Hong Kong gross domestic investment was 31.1 per

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[33] World Bank, 1993, p. 42.

[34] *Ibid.*, p. 43.

[35] See p. 100, **Table 16. Public and Private Investment in Selected Asian Countries between 1975-90.**

[36] See p. 101, **Table 17. Domestic Investment in Asian Countries between 1981-1994.**

cent of GDP in 1994. Japanese investment has slowed down somewhat over the last couple of years, but was still around 30 per cent of GDP in 1994. The typically lower investment in Taiwan was for 1994 24.1 per cent of GDP. India is experiencing the lowest level of investment among the ten countries with 22.5 per cent in 1994 but this level is expected to increase over the next couple of years.

Direct Investment Abroad

The implication of the high-growth economies of Asia being the only group of developing economies in which savings exceeds investment is that they have become exporters of capital in their own right. In 1980, the developing countries of this study accounted for less than 40 per cent of all foreign investment by developing countries.[37] By 1985, these Asian economies had increased their share to 75 per cent and it is over 80 per cent today.

The most recent statistics on direct investment abroad by the Asian high-growth economies show outflows from the developing countries steadily increasing. 1992 witnessed the rise of China as a new sizeable outward investor. China is now the largest source of foreign direct investment among all developing countries (in addition to being the largest host developing country). In 1992, outward investment from China was 4 billion US dollars, equalling 44 per cent of all outward investment from developing countries.[38] Direct investment abroad is also increasing among the more advanced developing economies of this study. During 1988-92, annual direct investment outflows from Korea, Singapore and Taiwan were 5.7 billion US dollars compared to 0.4 billion US dollars during 1983-87. In fact, Korea and Taiwan are now net outward investors.[39] Taiwan has been exporting more capital than it imports since 1988 and Korea since 1990. Singapore has recently undertaken a number of investments in China, Malaysia and Indonesia to increase its regional presence.[40] Indeed, most of foreign direct investment from the Asian developing countries in this study is located in other developing countries of Asia.

The regional flows of foreign direct investment are growing in intensity. In Thailand, intra-regional investment constitute more than one-third of total foreign direct investment.[41] Taiwan is the first investor to Malaysia. Intra-regional links are also developing quite rapidly with the "Chinese Economic Area" formed between Taiwan, Hong Kong and certain provinces in southern China. Hong Kong accounted for 60 per cent of total direct investment to China at the end of 1990, including investment by foreign subsidiaries located in Hong Kong (mainly from Taiwan). Taiwan is the fourth largest investor in China behind Hong Kong, the US and Japan. Another notable development is the increasing importance of China as a source of foreign direct investment in Hong Kong. China now appears to be the primary investor in Hong Kong, ahead of both Japan and the United States. In fact, the most outstanding

[37] See p. 102, **Table 18. Foreign Direct Investment Outward Stock by Asian Countries between 1980-92.**

[38] See p. 103, **Table 19. Foreign Direct Investment Outflows from Asian Countries between 1982-92.**

[39] Net outward investment is also, of course, long the case for developed Japan.

[40] United Nations, *World Investment Report,* 1994, p. 76.

[41] OECD, *Foreign Direct Investment, OECD Countries and Dynamic Economies of Asia and Latin America* (Paris: OECD), 1995, p. 13.

feature of recent trends in worldwide foreign direct investment is the direct investment by Asian developing countries into other developing countries of the region.[42] These intra-regional investments now constitute the significant factor behind the increase in investment flows to developing countries.

The pattern of intra-regional foreign direct investment from the more advanced Asian economies to other regional developing countries is changing. Traditionally, preferred locations for these investments were the members of ASEAN, especially Thailand and Indonesia. In 1993, however, the level of outflows from the newly industrialising economies into ASEAN (excluding Singapore) was considerably less than in 1992, 2.2. billion US dollars in 1993 (January-September) compared with the 4.5 billion US dollars in 1992.[43] Increasingly, China and Vietnam are becoming attractive to cost-reducing foreign direct investment from Hong Kong, Taiwan and more recently Singapore and Korea. In turn, former recipients of these investments are themselves investing in neighbouring countries (for example, Thailand in Laos).

Foreign Direct Investment

A common characteristic for the Asian countries is their success in mobilising external resources. All of the high-growth economies in Asia has had a tremendous capacity to attract foreign direct investment. It was particularly during the second half of the 1980s that there was a steep increase in inflows to the Asian developing economies of this study.[44] In 1980, the foreign direct investment inward stock of the nine developing countries of this study equalled 28 per cent of all foreign direct investments to developing countries.[45] By 1992, that share had increased to over 44 per cent.

The pattern of growth in foreign direct investment across the countries has changed over time. During the late 1980s, Malaysia and Thailand experienced the strongest growth of inward foreign direct investment, which quadrupled relative to the first half of the 1980s and flows to Korea and Taiwan doubled. The growth for the early receivers, Hong Kong and Singapore, slowed during the late 1980s.

The most recent data on investment inflows to the Asian countries of this study suggest over 40 billion US dollars in 1993.[46] This amount represent an increase of 45 percent over the previous year. China emerges as the largest recipient among all developing countries in 1993 and completely dominated flows into Asia. Inflows to China exceeded 26 billion US dollar in 1993. It should be noted that if China were omitted from the numbers, investment inflows to the region would not show an increase of 45 per cent as proposed but rather a decrease of 17 per cent (equal to a total of 17 billion US dollar). As regards the newly industrialising

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[42] United Nations, 1994, p. 76.

[43] *Ibid.*, p. 77.

[44] OECD, *Foreign Direct Investment Relations between the OECD and the Dynamic Asian Countries* (Paris: OECD), 1993, p. 15.

[45] See p. 104, **Table 20. Foreign Direct Investment Inward Stock in Asian Countries between 1980-92.**

[46] See p. 105, **Table 21. Foreign Direct Investment Inflows to Asian Countries between 1988-1993.**

economies of the region, investment inflows into Korea and Taiwan fell by 51 percent and 31 percent, respectively in 1992.[47] Investment into Hong Kong increased by 257 per cent and Singapore by 28 per cent, approaching again the levels of the second half of the 1980s after a few years of decline. Despite the earlier slow-down of inflows, this level is high enough to permit these economies to continue to rank among the top ten recipients of foreign direct investment among developing countries. This changing pattern over time is thought to be related to a restructuring of foreign direct investment among developing countries owing to losses of certain locational advantages and the acquisitions of new ones.[48] India's investment inflows increased significantly in 1992, by more than 130 per cent. There is a renewed interest of foreign investors in India's sizeable domestic market as a consequence of the on-going liberalisation of its investment regime. Between August 1991 (when the new industrial policy liberalising India's investment regime was introduced) and February 1993 more than 2,300 foreign collaborations had been approved with foreign direct investment amounting to 2.6 billion US dollars which is more than five times the total foreign direct investment approved between 1981 and 1990.[49] This is in contrast to the other countries in the sub-region of South Asia where inflows remain relatively small.

The pattern of incentives for foreign direct investment in the Asian developing countries of this study has changed over time. For the more advanced economies within the group, the original locational advantages included low-cost and skilled labour and a generally higher profitability of foreign direct investment compared to the rest of the world.[50] But assembly manufacturers seeking cheap labour seem now to be considering the less developed countries of the region, such as China where labour costs are lower. For the newly industrialising economies, the loss of labour-intensive investments is beginning to be offset by technology-intensive investments.[51] Recent investments in these countries by Japanese firms in such sectors as semiconductors, chemicals and automobiles confirm their attractiveness for technology-intensive investment.

In the more advanced economies within the group, profitability of foreign direct investment has remained high. Despite the slowdown of new investments, the income from Japanese direct investment in these economies has registered a record increase.[52] Investment by United States multinationals has also showed a higher profitability of the affiliates located in these Asian countries compared with those in other regions. In Hong Kong, Korea, Taiwan and Singapore recent investment has primarily been targeted to high-tech manufacturing and services. Another reason for the newly industrialising countries maintaining their competitiveness is that foreign direct investment is shifting to the development of existing investment bases and is financed increasingly through reinvested earnings (as greenfield

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47 See p. 106, **Table 22. Foreign Direct Investment Inflows to Asian Countries between 1981-92.**

48 OECD, 1995, p. 30.

49 United Nations, 1994, p. 78.

50 The relatively progressive liberalisations of FDI regimes (Korea, Malaysia, Taiwan, Thailand) or even complete liberalisation (Hong Kong, Singapore) also constituted locational advantages.

51 OECD, 1995, p.32.

52 *Ibid.*, p. 30.

investment slowed downed upon the onset of the recession). In manufacturing, the boom of past years strengthened the industrial base now allowing foreign direct investment in Hong Kong, Korea, Taiwan and Singapore to be engaged in more technologically advanced industries. In Taiwan, for example, foreign direct investment concentrated to manufacturing has moved from the assembly of simple consumer electronics (transistor radios and TVs) to more complex electronics such as monitors, computers and semiconductors.

The loss of cost advantages of these economies has induced not only foreign, but also domestic companies to shift labour-intensive production abroad and thus expedite the process of industrial upgrading at home. In addition, these economies are increasingly pursuing policies that encourage quality foreign direct investment through attracting high value-adding activities. The establishment of research and development facilities fosters an upgrading in the activities of multinationals which is not necessarily accompanied by large investment flows.

The other economies of the region continue to also attract foreign direct investment in labour-intensive and export-oriented manufacturing. But in Malaysia and Thailand, foreign direct investment is moving away from low-value-added textiles and food production to concentrate in manufacturing areas like electrical appliances, machinery and electronics. There is also an increased share of foreign direct investment aimed towards car production (of which the majority is directed to booming markets in South East Asia).

The principal source country of foreign direct investment in the Asian countries is Japan. In particular, Japan has increased its investment in the newer destinations of FDI at the expense of the newly industrialising economies. The share of the newly industrialised countries in Japan's direct investment to South East Asia has declined steadily, from 60 percent in 1989 to 24 per cent in 1992.[53] Japanese multinationals which face financial difficulties and low profits at home and abroad, plus an appreciating exchange rate, have been seeking to reduce costs by shifting production to the second-tier industrialising countries and China. In these cost-cutting efforts, wage increases which outstrip productivity gains appear to be an important consideration in the decision of Japanese firms as to where to locate production in Asia. This development has placed the newly industrialising economies at a disadvantage.

53 United Nations, 1994, p. 71.

No other region has raised their levels of **savings** and **investments** as substantially as has the Asian high-growth countries. Savings were in 1965 actually lower in the Asian economies of this study than in Latin American but have now surpassed that region by 20 percentage points. Three of the countries, Korea, Malaysia and Thailand, have all seen their savings rates double over the last twenty years. Korea was one of the world's lowest-saving countries in the early 1960s and is now one of the highest-saving. Investment levels in Asia were about equal to those of Latin America in 1965 but the Asian countries have today reached an average of almost 15 percentage points higher than that region.

Today, **savings** in most of the Asian countries of this study are at levels above 30 per cent of GDP. Singapore is the country with the highest rate, an impressive 48 per cent. Forecasts of global savings predict that the world's overall supply of savings (to meet the world's investment demand) will emanate primarily from these Asian countries.

Extraordinary **investment** levels of over 30 per cent of GDP are enjoyed by all countries of this study except Taiwan (24.1%) and India (22.5%). Thailand is the country attaining the highest investments with a level of 43 per cent of GDP in 1994, one which is expected to move beyond 45 per cent in 1996. Forecasts for the two current regional lagers, Taiwan and India, indicate upward trends in investment over the next two years.

The Asian developing countries studied here compose the only group of developing economies in which savings exceeds investments. This makes them **exporters of capital**. All these Asian countries (except for India) are now substantial outward investors. Korea and Taiwan have joined Japan as net outward investors. China is today the largest source of foreign direct investment among developing countries. In 1992, outward investment from China was 4 billion US dollars, or 44 per cent of all outward investment from developing countries.

A tremendous capacity to attract **foreign direct investment** is displayed by the Asian countries. The most recent data on inflows of foreign direct investment suggest over 40 billion US dollars going to these Asian countries in 1993. This amount of foreign direct investment represent an increase of 45 per cent over the year before much due to the steep increase in foreign direct investment to China. China is by far the largest recipient with 26 billion US dollars in 1993, an increase from the previous year by 133 per cent.

2.1.3. High Export Growth towards Importers of Intermediate Goods

A striking feature of the high-growth economies in Asia is their superior export performance. A direct result of the vigorous export growth is the increased demand for intermediate goods as supplies in the export industry.

Export Growth

The share of the Asian high-growth economies in world exports is steadily increasing, from 7.9 per cent in 1965 to 18.2 per cent in 1990.[54] Six of the Asian countries experienced an export growth at least double the world average during the period 1980-93: Hong Kong, Korea, Malaysia, Singapore, Taiwan and Thailand.[55] During the last decade, export growth for all the Asian countries[56] averaged over 12 per cent per year while the volume of world trade expanded by less than 5 per cent per year.

The pattern of growth in manufactured exports has shifted its locus within the group over time. From 1965 to 1990, Japan emerged as the world's biggest exporter of manufactured goods, increasing its share of the world market from nearly 8 to almost 12 per cent.[57] Japan's share in world exports has since decreased somewhat to 9.5 per cent today.[58] In the 1970s and 1980s, the growth in exports shifted to Hong Kong, Korea, Singapore and Taiwan whose shares of manufactured exports grew nearly four times faster than that of Japan.[59] Today, these four countries hold more than a 10 per cent share in world exports. Beginning around 1980, the three Asian high-growth countries of Indonesia, Malaysia and Thailand recorded a similar surge in manufactured exports. Today, the ten Asian countries of this study together account for 26.4 per cent of world exports.

The most recent data on exports confirm these Asian countries historic growth performance.[60] China's exports grew by a phenomenal 30.5 per cent in 1994. In both Malaysia and Singapore, merchandise exports grew by 24 per cent in 1994. Thai exports grew by 17.5 per cent in 1994. In India, merchandise exports grew by 16 per cent last year (although down from a growth of over 20 per cent in 1993). In Hong Kong, total exports grew by 14.5 per cent in 1994 compared with a 13.1 per cent growth the year before.[61]

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54 World Bank, 1993, p. 38.

55 GATT, *International Trade,* 1994, p. 7.

56 All Asian countries as defined by GATT.

57 World Bank, 1993, p. 37.

58 See p. 107, **Table 23. Thirty Leading Exporters in 1994.**

59 See p. 108, **Table 24. Export Growth in Asian Countries between 1960-1991.**

60 See p. 109, **Table 25. Export Growth in Asian Countries between 1991-1996.**

61 It should be noted that this figure hides an important development in the picture of exports from Hong Kong. Re-exports increased by 16 per cent during the year and domestic exports actually declined by 2 per cent. As a result, domestic exports now only account for 21 per cent of total Hong Kong exports.

In Korea, the growth of exports jumped to more than 14 per cent in 1994 which is nearly double that of the previous year. Indonesian exports grew by 7.9 per cent. In Taiwan, exports grew by 5 per cent.

Forecasts of export growth over the next couple of years are strong for all the Asian countries of this study.[62] Chinese exports are projected to grow by 15 per cent in 1995 and 10 per cent in 1996. The growth of merchandise exports in Taiwan is expected to accelerate further to 6.8 per cent in 1995 and 7.5 per cent in 1996. Indonesian exports are projected to grow at 12.6 per cent in 1995 but then to slow down to 11 per cent growth in 1996. Thai merchandise exports are expected to grow by about 17 per cent in 1995 and by about 16 per cent in 1996. In India, exports are forecasted to accelerate by 17.6 per cent in 1995 and by 16 per cent the following year.

The destination of these growing exports from the Asian countries has changed over time. For all the developing countries except Thailand and China, the share of exports going to other developing countries in Asia has risen over the last decade.[63] In some cases, this rise in exports to developing Asia has risen significantly. In 1985, Korea exported 12.9 per cent of its exports to other developing countries in Asia and by 1993 that share had grown to 28.6 per cent. Taiwan's share of exports to the other developing countries in the region rose from 15.6 per cent in 1985 to 31.7 per cent in 1993. Over the same period, the share of Indian exports going to Asian developing countries increased from 8.9 to 19.9 per cent. The equivalent share in Indonesian exports grew from 17.2 per cent in 1985 to 26.5 in 1993. Three of the countries, Hong Kong, Singapore and Malaysia, now have more than 40 per cent of their exports going to other developing countries of the region. This growth in intra-regional exports is particularly strong for sub-regions of developing Asia.[64]

Imports of Intermediate Goods

As a results of this vigorous export growth, there is a strong demand for imports of intermediate goods as supplies in the export industry.[65] For all these Asian economies, intermediate goods undoubtedly constitute the largest share in total imports.[66] In all but three of the countries, the share of intermediate goods in total imports is well over 50 per cent. Among the countries studied, the highest shares of around 60 per cent are held by China, Malaysia and Thailand while the lowest shares of intermediate goods in total imports

[62] See p. 109, **Table 25. Export Growth in Asian Countries between 1991-1996.**

[63] See p. 110, **Table 26. Direction of exports from Asian Countries between 1985-1993.**

[64] See p. 111, **Table 27. Intra-Asian Exports in 1993.**

[65] All products can be grouped into categories according to their end use. For the purposes of this study, trade data for each of the ten countries was sorted according to three main end-use product categories: intermediate goods, capital goods and consumer goods. (Foodstuffs and fuels were omitted from the sample).

[66] See p. 112-114, **Table 28. Intermediate Goods Imports in Asian Countries between 1985-92; Table 29. Total Imports in Asian Countries between 1985-92; Table 30. Intermediate Goods Share of Total Imports in Asian Countries between 1985-1992.**

are maintained by Hong Kong and Singapore (both around 45 per cent) along with Japan (37 per cent).

According to the most recent data, growth in imports of intermediate goods to the Asian countries is very strong.[67] Intermediate goods is not only the largest share in total imports but imports of these goods are growing at extraordinary rates. For all the high-growth economies except Hong Kong, growth in imports of intermediate goods has been stronger than that for total imports. The rise of imports in intermediate goods is in consonance with years of improved export growth. Over the period 1985-92[68], imports of intermediate goods were strongest in Thailand where they grew at an astonishing annual average rate of 28.1 per cent. In Malaysia and Hong Kong, intermediate goods imports grew at around 21 per cent per year during the same period. Singapore's imports of intermediate goods grew by over 18 per cent annually for the 1985-92 period and in Korea the corresponding figure was 17 per cent. In Indonesia, the growth of imports of intermediate goods was above 15 per cent and Japan's imports of intermediate goods grew by 10 per cent annually over this period. In India, the growth in imports of intermediate goods has traditionally been low due to the earlier policy of import substitution but this trend is now being reversed. In 1992, India's imports of intermediate goods grew by more than 25 per cent. Chinese imports of intermediate goods have recently risen, up 28 per cent in 1991 and 16 per cent in 1992.

A most notable development is that the growth in exports from these Asian countries has, in fact, led to an even faster growth of imports. 1994 was the fourth consecutive year during which total merchandise import growth for the Asian[69] countries exceeded the growth in exports.[70] Asia's merchandise import volume growth accelerated by 13.5 per cent in 1994. The most significant factor behind Asia's import expansion was the recovery in Japan's import demand. In addition, the sharp rises in Malaysia and Korea contributed to more than offset the temporary slowdown in Chinese import growth.

In all countries except two (Thailand and China), imports grew faster than exports in 1994.[71] Malaysian imports grew by 36 per cent in 1994. In both Singapore and India, imports grew by more than 20 per cent last year. Korea's import growth was up sharply in 1994 from the previous year, increasing by 18.7 per cent in 1994. In Hong Kong, imports grew by 16 per cent and are expected to keep growing at this level over the next couple years. Japanese imports were up 14 per cent in 1994. In Indonesia, imports increased by 11.6 per cent in 1994 which was nearly double the rate of growth in 1993. In Taiwan, imports grew by 9 per cent in 1994, a growth rate which is expected to keep into 1996. Chinese imports which in 1994 reached 95.4 billion US dollars grew slower than exports.

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[67] See p. 115, **Table 31. Growth in Intermediate Goods Imports in Asian Countries between 1986-1992.**

[68] Unfortunately, there is a considerable lag in the publishing of this type of trade data that include specification on end-use categories. The 1992 data used here was published in the second half of 1995.

[69] All Asian countries as defined by the WTO.

[70] WTO, *WTO Focus Newsletter,* No. 2, March-April, 1995, p. 8.

[71] See p. 116, **Table 32. Import Growth in Asian Countries between 1991-94**, and p. 109, **Table 25. Export Growth in Asian Countries between 1991-96.**

But this is a only a brief departure from a trend of substantially faster import than export growth over the last few years (imports grew by a staggering 34 per cent in 1993) and this is a trend which is forecasted to be restored in 1995. In Thailand, the only other country where imports did not grow faster than exports, imports grew by over 16 per cent in 1994 which was only slightly less than exports (growing by 17.5 per cent) and the two are expected to grow at about comparable paces over the next couple of years.

An important evolution emanating in the rapid export and import growth is the marked increase in the trade-orientation of these economies, the share of export plus imports in GDP.[72] In Hong Kong, exports and imports each amount to some 120 per cent of GDP. Malaysia has been heavily trade-oriented throughout its post-colonial history. Korea, Thailand and Taiwan had average trade-orientations until 1965 but have since moved well above average. The trade-orientation of Indonesia with its vast economy and only relatively recent export drive is slightly above the world average and growing.

No other region has achieved as high export growth as has the high-growth countries of Asia. Already in the 1960s, three of the countries of this study (Hong Kong, Korea and Taiwan) experienced at least double the average export growth rate of developing countries for that decade. For Korea, exports experienced an annual average export growth of 40 per cent during the 1960. During the period 1980-93, six Asian countries experienced export growth double the world average.

Today, exports continue to rise in all these Asian countries. In 1994, China's exports grew by 30.5 per cent and both Singapore and Malaysia had export growth rates of 24 per cent. Together, the ten Asian countries account for 26.4 per cent of world exports.

As a direct result of the vigorous export growth in the Asian countries, there is a fuelled demand for imports of intermediate goods. The most recent data available on the end-use product categories of imports show that intermediate goods undoubtedly constitute the largest share of total imports in all the Asian countries. The rise of imports in intermediate goods is in consonance with years of improved export growth. In Thailand, imports of intermediate goods grew at an annual average of close to 30 per cent over the 1985-92 period. For all the high-growth Asian countries except Hong Kong, the growth in imports of intermediate goods has been stronger than that for total imports over the 1985-92 period.

Imports to these Asian countries are for the fourth consecutive year growing at an even faster pace than exports.

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72 See p. 117, **Table 33. Trade-Orientation of Asian Countries between 1970-1988.**

2.1.4. High Productivity Growth towards Importers of Capital Goods

The Asian high-growth countries have experienced extraordinarily rapid productivity growth. An implication of the strong emphasis on efficiency-seeking activities is the increasing imports of capital goods.

Productivity Growth

An outstanding achievement of the Asian high-growth countries is the rapid growth in productivity. Their levels of productivity growth are highly unusual. In fact, productivity growth in the high-growth Asian countries exceed those of most other developing and industrial economies.[73]

Output per worker in several of the countries has risen by twice the rate of other developing regions.[74] Korea display an extraordinary productivity growth of 5.6 per cent annually between 1973-83 and 6.3 per cent for the period 1983-93. Hong Kong and Singapore experienced annual productivity growths around 4 per cent between 1973-83 which they both increased for the 1983-93 period, to 4.6 and 5.6 per cent respectively. China had a productivity growth of 3.7 per cent during 1973-83 which sky-rocketed to 8.2 per cent annually for the 1983-93 period. Thailand also display considerable improvement in productivity, from 3.7 during 1973-83 to 6.4 per cent for 1983-93. Indonesia was the only country where productivity growth was slightly lower in the second period than in the first, although staying at a prominent level of 3.6 per cent.

The majority of the increase in output per worker results from increases in physical capital per worker, such as more machines.[75]

Imports of Capital Goods

An implication of the heavy emphasis on productivity growth and efficiency-seeking activities in the high-growth Asian countries is a phenomenal increase in the imports of capital goods. In except for one of the high-growth countries, Singapore, growth in imports of capital goods is higher than for imports in general and the share of capital goods in total imports is steadily increasing. In Thailand, the annual average growth in imports of capital goods is over 30 per cent since 1985.[76] Hong Kong's growth in imports of capital goods was close behind, growing at 27 per cent annually over the 1985-92 period with a 54 per cent increase in

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73 World Bank, 1993, p. 8.

74 See p. 118, **Table 34. Output Per Worker in Asian Countries between 1973-94.**

75 The World Bank (1993, p. 58) estimates that between 60 to 90 per cent (depending on the country) of the productivity growth in East Asia is attributed to accumulation in physical and human capital. The rest cannot be explained merely by accumulation but may simply result from such factors as greater efficiency, changes in production practices, better technology, gains from specialisation and innovations on the shop floor (all these factors lead to greater output from the same physical and human capital stock).

76 See p. 119-120, **Table 35. Capital Goods Imports in Asian Countries between 1985-92** and **Table 36. Growth in Capital Goods Imports in Asian Countries between 1985-92.**

1992. Malaysia has experienced an annual growth rate in imports of capital goods around 25 per cent since 1985. Singapore, Indonesia and Japan, all averaged increases in imports of capital goods around 20 per cent annually. The figure for Japan would be considerably higher were it not for the decline in these imports since 1991, between 1985-90 the growth in Japanese imports of capital goods was 28.6 per cent. Korea has also experienced a recent decline, such that the average between 1895-92 is just above 10 per cent but if 1992 is not counted the growth is closer to 15 per cent. China's growth in imports of capital goods averages 15 per cent since 1988.

Capital goods is the group of imports growing absolutely fastest in the second-tier group of the high-growth economies, i.e., Indonesia, Malaysia and Thailand but also in China.[77] Buoyant investment demand, spurred by infrastructure expansion and upgrading, has fed through quickly to capital imports in these countries. In China, strong domestic demand for advanced technology to rebuild the massive state-owned enterprise sector is a stimulus for imports of capital goods.[78] In addition, the continued inflow of foreign capital in China will also lead to increased imports of equipment and technology.

The share of capital goods in total imports is showing an increasing trend in all the Asian countries except Korea. For Indonesia, Malaysia and China, capital goods make up around 25 per cent of total imports.[79] Korea, Singapore and Thailand all have shares of capital goods in total imports of beyond 20 per cent. Hong Kong has a share just below 15 per cent and Japan one around 10 per cent. Among the countries of this study, India is undoubtedly the country with the lowest share of capital goods in total imports. This share is only 6.7 per cent and, in fact, currently lower than in the 1980s. During the 1985-92 period, the annual average growth in imports of capital goods was only 1.4 per cent. But recent policy changes have stepped away from import substitution towards encouraging the import of efficiency-raising capital goods.[80]

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[77] See p. 140, **Table 56. Growth in Imports by Category in Asian Countries between 1985-1992.**

[78] Economist Intelligence Unit, *Country Profile: China,* 1995.

[79] See p. 121, **Table 37. Capital Goods Share of Total Imports in Asian Countries between 1985-1992.**

[80] Economist Intelligence Unit, *Country Profile: India,* 1995.

No other region has experienced the rapid productivity growth of the Asian high-growth countries. The productivity growth in these Asian countries is higher than for both most developed and industrialised countries.

As a result of the strong emphasis on efficiency-seeking activities, there is an increased demand for imports of capital goods. In except for two of the countries in this study (Korea and India), growth of capital goods is higher than for imports in general such that the share of capital goods in total imports is steadily increasing. For four of the Asian countries, Indonesia, Malaysia, Thailand and China, capital goods is the group of imports growing absolutely fastest. In Thailand, the annual average growth in imports of capital goods is beyond 30 per cent over the period 1985-92.

2.1.5. Dynamic Sectoral Shifts toward Importers of Services

An impressive feature of the development in the Asian high-growth countries is the dynamic shifts across economic sectors. As a result of this fast transition, many of the Asian countries are now modern-day service economies with rapidly increasing imports of services.

Shifts between Sectors

An impressive structural dynamism is displayed in the rapid shifts across sectors of the high-growth Asian economies. The share of the agricultural sector typically declines as an economy develops. But the transition from the agricultural sector to industry has been much faster in the Asian high-growth countries than in other regions. The high-growth Asian economies (excluding Hong Kong and Singapore which practically lack agricultural sectors) managed to reduce the share of agriculture in GDP much faster than did other developing countries. The subsequent and more recent shift towards services display an equally impressive dynamism.

The share of agriculture was in 1970 around 30 per cent in the Asian high-growth economies.[81] In 1994, this share was 3.2 per cent in Taiwan and 7.2 per cent in Korea. Thailand had a share of agriculture in GDP of 11.1 per cent last year. Indonesia and Malaysia both had agricultural shares of around 15 per cent. Much higher shares are still held by China and India, the two countries which were added on to this study. Both these economies had a share of agriculture above 40 per cent in 1970 and in China this share is today just above 20 per cent with that in India 29 per cent.

The significant characteristic of the dynamism between sectors in the high-growth Asian countries is that productivity has risen in declining sectors. It is not only the speed with which the transition away from agriculture has taken place which makes this group of countries stand out. Because as mentioned, the decline of the agricultural sector is normal

[81] See p. 122, **Table 38. Sectoral Shares of GDP in Asian Countries between 1970-1994.**

in the process of development. But in the Asian high-growth countries, the reason is not a lack of vigour in the declining sector.[82] Across developing regions in the high-growth economies of Asia, the agricultural share of output and employment has declined most and fastest precisely where agricultural output and productivity have grown the most.[83] From 1965 to 1988, growth in both agricultural output and agricultural productivity was higher in the Asian high-growth countries than in other regions.

Many of the Asian high-growth economies have developed into modern-day service societies. In except for two of the high-growth economies (Malaysia and Indonesia), services constitute the single largest sector of the respective economies. Hong Kong is now overwhelmingly a service economy with some 81 per cent of GDP arising from the services sector.[84] The share of manufacturing in the Hong Kong economy has been declining persistently and is now about half of what it was a decade earlier. In Korea, Singapore and Taiwan, services now account for around 60 per cent of GDP. For Singapore, the importance of services has been practically steady since 1970 while Korea and Taiwan has been going through a process of making the transition from labour-intensive and light industrial product manufacturing to heavy capital-intensive industries and services.[85] In Thailand, 46.8 per cent of GDP emanate in services. Japanese services also accounted for 46.8 per cent of GDP in 1994. Indonesia, Malaysia and India all have a services sector of around 40 per cent of GDP. But again, this is by no means a sign of a lack of growth in the industrial sector, for which several countries enjoyed double-digit growth during the 1980s and still do.[86] For the two high-growth economies where services do not make up the absolutely largest sector, Indonesia and Malaysia, services are only barely behind that of industry. It is only in China where services still play a moderate role, only accounting for 25.0 per cent of GDP but steadily increasing.[87]

The most recent data on growth of the services sector show a remarkable vigour for the sector across all these Asian countries with the exception of Japan.[88] China's services sector expanded by an extraordinary 10 per cent in 1994. Korea, Singapore and Malaysia all had services sectors which grew by more than 8 per cent. Taiwanese services expanded by 7.7 per cent and that of Thailand by 7 per cent in 1994. In Indonesia, services grew by 6.5 per cent last year. India's services expanded by 5.7 per cent and it was mainly the consistent growth of services at on average 5 per cent per year during 1991-1993 which

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82 See p. 123-124, **Table 39. Agricultural Production Growth in Asian Countries between 1961-1993** and **Table 40. Agriculture Growth in Asian Countries between 1981-1994.**

83 World Bank, 1993, p. 32.

84 See p. 122, **Table 38. Sectoral Shares of GDP in Asian Countries between 1970-94.**

85 Asian Development Bank, 1995, p. 67.

86 See p. 125, **Table 41. Industry Growth in Asian Countries between 1981-1994.**

87 The best measurement of the role of services in developing countries is from the point of view of consumption as distinguished from production. Using purchasing power parity to express the share of services in real terms, the share of services in developing economies increases considerably. Unfortunately, efforts to obtain such type of data were fruitless.

88 See p. 126, **Table 42. Services Growth in Asian Countries between 1981-1996.**

enabled the Indian economy to maintain a reasonable growth rate over that period despite a very modest growth in industry. The only exceptions to the steady growth in services is Japan, experiencing negative growth in the services sector for 1994.

Forecasts over the next couple of years suggest a strong expansion of the services sector for all countries except Japan.[89] China's services sector is expected to grow by 10 per cent both in 1995 and 1996. In Malaysia, the growth forecasts for services is 8.3 for 1995 and 9.2 for 1996. Both Singapore and Indonesia have services sectors which are expected to grow above 8 per cent over the next couple of years. The services sector in Taiwan and Korea is to grow at rates of more than 7 per cent. India's services sector is projected to grow at an improved rate of 7 per cent over the next couple of years. The Thai services sector is projected to expand by about 6.7 per cent on average in 1995 and 1996. Clearly, the services sector is expected to be a significant contributor behind the future economic growth of the Asian economies.

Future ambitions for several of the Asian countries include following a similar route to that of Hong Kong which is now a city devoted to service industries such as finance, marketing and design. Singapore is heavily promoting itself as a headquarters site for firms operating as far away as India and China.[90] Thailand is intensely increasing its efforts to become a major financial centre.[91] The Thais hope to turn Bangkok into the financial and transport hub of Indochina.

Imports of Services

As a result of the increased service-orientation, there is a strong increase in the demand for imports of services.[92] Total imports in services for the ten Asian countries of this study has increased by three times since 1985.[93] For this period, the strongest growth is in Thailand where imports of services increased every year by close to 30 per cent during the second half of the 1980s and above 20 per cent in the early 1990s.[94] Between 1985-90, three other countries achieved extraordinary import growth in services of levels beyond 20 per cent, namely those of Japan, Korea, Taiwan. Singapore and Hong Kong were not far behind with each 18 per cent services import growth for that period. China has recently reached flabbergasting increases in imports of services, up 134 per cent in 1992.

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89 See p. 126, **Table 42. Services Growth in Asian Countries between 1981-1996.**

90 *Economist*, "Asia's infant service industries are girding up for international competition", 11 February 1995.

91 Asian Development Bank, 1995, p. 121.

92 Unfortunately, data on the cross-border trade in commercial services is limited.

93 See p. 127, **Table 43. Imports of Services in Asian Countries between 1985-93.**

94 See p. 128, **Table 44. Import Growth of Services in Asian Countries between 1985-1993.**

No other region presents such dynamic **sectoral shifts** as the group of high-growth economies in Asia. Agriculture's share of output and employment has declined at the same time as productivity for that sector has increased.

As a result of dynamic **sectoral shifts**, many of the Asian countries of this study have developed into modern-day service societies. In except for three of the ten countries (China, Indonesia and Malaysia), services today constitute the single largest sector of the economy. In Hong Kong, the services sector account for 80 per cent of GDP. Services have contributed significantly to economic growth. The annual average growth for the services sector over the last four years exceeds 5 per cent for all countries except Japan. Korea displays almost twice the growth in services relative to industry over the last ten years.

As a result of the increased orientation towards services, total imports of services in the Asian countries of this study has increased by three times since 1985. Thailand has reached the strongest growth in imports of services with an annual increase of close to 30 per cent since 19985. China has recently achieved flabbergasting increase in imports of services, up 134 per cent in 1992.

2.1.6. Increased Equality towards Importers of Consumer Goods

A remarkable feature of Asian economic growth is that it has been accompanied by a reduction in income inequality. As a result of increased equality and an emerging Asian middle class, imports of consumer goods are increasing at phenomenal rates.

Income Equality

The high-growth countries of Asia are the only economies which over the last three decades have achieved both high growth and declining income inequality. In fact, it is these two outcomes -- rapid growth along with reduced inequality -- that together compose the very defining characteristic of what has come to be called the "East Asian miracle".[95] Moreover, it can be shown that among the high-growth countries in Asia it is those growing most quickly which are able to display the highest equality.

It is in stark contrast to other regions that the high-growth Asian countries have achieved low and decreasing levels of inequality. In a survey of over one hundred economies, there were only a total of seven which over the last thirty years have displayed both rapid growth and low inequality.[96] All seven of these high-growth, low-inequality countries are in Asia: Japan, Hong Kong, Korea, Singapore, Taiwan, Indonesia and Thailand. Of the Asian high-growth countries, it is only Malaysia which has a slightly higher index of inequality. The two

[95] World Bank, p. 2.

[96] *Ibid*, p. 30.

other Asian countries of this study, India and China, it should be noted display low indexes of inequality today.

The most recent data on income equality show all countries of this study except possibly Malaysia accomplishing low levels of inequality.[97] Income inequality is typically measured as the ratio between the income share of the richest 20 per cent of the population and that of the 20 per cent who are poorest. The lower the ratio, the less inequality with a ratio below 10 regarded as low inequality. Three of the Asian high-growth countries display unusually low levels of inequality below 5: Japan, Taiwan and Indonesia. Indonesia has reduced its inequality from 7.4 in the early 1970s to 4.7 today. Korea has an inequality index around 7.[98] The most recent inequality index in Thailand was 8.5 which is actually a slight increase from in the 1970s of 8.3. Thailand has not achieved the reduction of other high-growth countries in Asia, but its performance is still better than most other developing countries. Hong Kong and Singapore both have indexes which fall barely under the mark of 10. Malaysia currently stops just outside that mark with its index of 10.8, but this is a substantial reduction from the 14 in the 1970s. China is currently experiencing increasing inequality, now at 7 up from 5.6 in the early 1980s. Inequality in India is low at 4.6 and down from 8.2 in the early 1970s and 5.1. during the 1980s.

As a result of the combination of fast economic growth and reduced income equality, there is a growing number of affluent households. Per capita incomes in Hong Kong, Singapore, Korea and Taiwan are not far behind the OECD average.[99] Malaysia and Thailand took off later but are now catching up quickly. The countries of Indonesia, China and India -- three of the most populous nations in the world - are experiencing rapid economic growth which suggest that many more Asian households may soon join the ranks.

Middle class presence in the Asian countries of this study is manifested in several ways.[100] For example, the attainment of education in the Asian population is high and the share of administrative and professional occupations in total employment is steadily increasing.[101] In addition, household ownership rates of consumer durable goods are rising. All these developments reflect deep changes in the social and economic structures. The attention of trading partners is on the extent to which increasing incomes in the Asian countries have actually translated into changes in the attitude towards consumption.

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97 See p. 129, **Table 45. Income Inequality in Asian Countries between 1970-1992.**

98 Some reservations may be noted about Korea. In Korea, recent numbers on increasing inequality are due to rising values of assets rather than income.

99 See p. 130, **Table 46. Per Capita Income in Asian Countries in 1993.**

100 There are at least five dimensions in which middle class attributes might be measured: income, wealth, education, occupation and consumption patterns.

101 Asian Development Bank, *Asian Development Outlook* (Oxford: Oxford University Press), 1994, p. 43.

New patterns of consumptions can be seen in many of the Asian countries.[102] Among the economies surveyed, Taiwan has the highest average consumption growth over the past five years and with an average for the 1980-92 period of an astonishing 9.2 per cent.[103] Forecasts of growth in Taiwanese consumer expenditure is at a very strong 7.8 per cent for the period 1995-2000. In Korea, the average annual growth in consumer expenditure between 1980-92 was 9.2 per cent (reaching double-digit levels at the end of the 1980s). Forecasts predict a consumer expenditure growth in Korea of 6.2 per cent for 1995-2000. China has reached growth levels between 6 and 8 per cent for most of the 1990s and the forecast for the next five years is above 5 per cent. In the case of Japan, the rate of consumer spending grew at 3.6 per cent for the 1980s. This compares very favourably with that of other industrial economies. Japanese consumer spending has not failed to rise in any year since 1980. It is particularly interesting to note that despite the Japanese economy recently having suffered its worst growth performance in over 20 years, consumer spending has continued to rise. Forecasts for the second half of the 1990, predict growth in Japanese consumer expenditure above 3 per cent. This is strong in comparison with other industrialised nations and Japan is certain to become more of a consumer-oriented society.

Among components of the consumption patterns, there is in Japan a rising trend in the share of spending on household goods and services.[104] This trend is considerably stronger than in other industrialised economies. The only sectors with low consumer growth prospect (1.5 per cent over the next 10 years) is that of food and clothing which is normal for a developed country. The prospects of consumer spending after 1995 are above 3 per cent for all other major sectors.[105]

Koreans spend a large proportion of total spending on food, drink and tobacco, around 34 per cent in 1992.[106] This proportion was 38 per cent in 1988 and is expected to stay over 26 percent in 2005. The typical portion spent on food, drink and tobacco in the OECD countries is 20-25 per cent. This is a sign of Korea still being a low-income economy. But in many other respects Korea has the characteristics of an advanced economy. Health spending is today nearly all accounted for by individuals and is expected to grow rapidly.[107] About half of all families in Korea are occupiers of their own home. The growing participation of women in the labour force is forecasted keep demand for household goods and services high. There are also projections of a buoyant demand for both leisure, goods and education. The shorter working hours will increase the demand for leisure goods and services. Car ownership is still quite low, although rising rapidly. Expenditure on personal transport and communication is

102 Detailed and reliable data on patterns in consumption were attained for four of the countries in this study: Japan, China, Korea and Taiwan.

103 See p. 131, **Table 47. Consumer Expenditure Growth in Asian Countries between 1989-2005.**

104 See p. 132, **Table 48. Consumer Expenditure Breakdown in Japan between 1989-2005.**

105 See p. 133, **Table 49. Consumer Expenditure Growth in Japan between 1989-2005.**

106 See p. 134, **Table 50. Consumer Expenditure Breakdown in Korea between 1989-2005.**

107 Economist Intelligence Unit, *Research Report: Asia*, July, 1995.

forecasted to be very strong with a growth of 9.4 per cent annually between 1995-2000.[108]

Taiwan's pattern of consumption display a lower share of spending of food, drink and tobacco than in Korea, and closer to the OECD average.[109] The share of spending on this group in total consumer spending fell from 30 per cent in 1986 to 25 per cent in 1994. A further fall in this group's share to around 21 per cent of spending is expected by the turn of the century and 19 per cent by 2005. In contrast, clothing and footwear has increased its share in total spending over the past five years. A continued rise is expected as growth is projected at around 10 per cent per year until 2000 and 7.6 per cent thereafter.[110] Health spending accounts for a small part of income. The ownership of durables is already quite high in Taiwan. But growth in expenditure on durable goods is still expected to be quite strong because of rising real incomes and shorter working hours with an increased demand for household and leisure-related durables as a result. Leisure and other goods and services contribute some 35 per cent of total consumer spending. The level of car ownership is well above that in Korea but below that in Japan. There is plenty of room for car ownership to rise, especially over the next five years. Expenditure on personal transport and communication is expected to rise at double-digit levels annually between 1995-2000.

In China's pattern of consumption, food, drink and tobacco accounts for around 50 per cent of total consumer spending (the share of alcoholic drink in this sector total is rising).[111] Together with clothing and footwear and other goods and services, some 80 per cent of total spending is represented. The drift of the population to cities will cause the share of spending on food and drink to fall. Clearly, ownership of durables is currently low and spending in this area should is forecasted to rise during the next decade.[112]

Imports of Consumer Goods

The implication for trading partners of increased consumer spending is a booming demand for imports of consumer goods. It is interesting to not that the growth of imports in consumer goods is strongest in the most advanced countries of this study.[113] In Japan, Hong Kong, Korea and Singapore, consumer goods is the group of imports growing absolutely the fastest.[114] In Singapore, the annual growth in imports of consumer goods over the period

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[108] See p. 135, **Table 51. Consumer Expenditure Growth in Korea between 1989-2005.**

[109] See p. 136, **Table 52. Consumer Expenditure Breakdown in Taiwan between 1988-2005.**

[110] See p. 137, **Table 53. Consumer Expenditure Growth in Taiwan between 1989-2005.**

[111] See p. 138, **Table 54. Consumer Expenditure Breakdown in China between 1989-2005.**

[112] See p. 139, **Table 55. Consumer Expenditure Growth in China between 1989-2005.**

[113] See p. 140, **Table 56. Growth in Imports by Category in Asian Countries between 1985-1992.**

[114] This type of trade data was not available for Taiwan where, as discussed, consumption is rising particularly fast.

1985-92 is an astonishing 39 per cent.[115] Hong Kong imports of consumer goods increased by some 29 per cent per year for the same period. Both Japan and Korea had annual growths in imports of consumer goods of over 25 per cent over the seven year period. India had an annual growth in imports of consumer goods of around 18 per cent for the 1985-1992 period. Malaysia had an import growth of consumer goods at 17 per cent per year for the same period. Indonesia and Thailand experienced a 14 per cent annual growth in imports of consumer goods.

The share of consumer goods in total imports is highest in Hong Kong where the share is 34 per cent, up from 24 per cent in 1985.[116] Japan and Singapore both have high shares of imports consisting of consumer goods, namely 18 per cent which is up from 7 and 5 per cent respectively in 1985. (India also has a high share of consumer goods imports although this more due to low growth in the other categories originating in the previous import-substitution policy). In the rest of the countries, the shares of consumer goods in total imports are below 10 per cent.

No region other than the Asian high-growth countries has achieved both rapid growth and increased income equality. Among these countries, it is apparent that it is in those with the most rapid growth that inequality has decreased the most.

As a result of increased income equality, there is an emerging Asian middle class. Rapidly increasing real incomes have led to changes in the consumption patterns and lifestyles of many Asians. In this study, Taiwan is showing the most significant pattern of change with consumer spending in GDP continuing to rise from 51 per cent in 1980 to 55.5 per cent in 1994 and an expected rate of over 60 per cent by the end of the century. Projections show considerable growth in consumer expenditure for three of the countries of this study over the period 1995-2000 (Korea 6.2%, China 5.2% and Taiwan 7.8%). In Japan, aggregate consumer spending has not failed to rise in any year since 1980 despite the recession.

Imports of consumer goods are growing at an astounding pace, and decidedly so in the most advanced of the countries studied. In Japan, Hong Kong, Korea and Singapore consumer goods is the group of imports growing absolutely fastest. In Singapore, the annual average growth in imports of consumer goods is a flabbergasting 39 per cent since 1985. Clearly, Asian consumers will contribute significantly to the future growth of world consumer markets.

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[115] See p. 141-142, **Table 57. Consumer Goods Imports in Asian Countries between 1985-1992** and **Table 58. Growth in Consumer Goods Imports in Asian Countries between 1986-1992.**

[116] See p. 143, **Table 59. Share of Consumer Goods in Total Imports in Asian Countries between 1985-1992.**

2.2. ECONOMIC ACTIVITIES IN HIGH-GROWTH ASIA

Economic activities of firms in Asia are unique to the region. The organisation of firms take different forms in different markets with inevitable implications for firms operating in world markets. The purpose here is to identify particular business systems which are characteristic to high-growth Asia and therefore have implications for European firms in their attempts to enter these markets. This is only a brief survey of how economic activities are organised and conducted at the micro level in high-growth Asia to complement the main analysis at the macro level, particularly as the underlying policy objective is to increase firms' presence in these markets.[117]

2.2.1. Asian Business Systems[118]

The most important organisational feature of Asian economies is that they are organised through networks of firms.[119] This is in contrast to many western economies where companies are more or less autonomous from and competitive with other companies. Firms in the Asian countries are interlinked and connected to one another creating vast cooperative networks of independent firms. In general, Asian firms form more connections with other firms than is the case among firm from Europe or the US.

A second strong element in most of high-growth Asia's business systems is personalism. There is a pattern of specialised businesses interconnected through elaborate personal networks. The form of personalism in the networks differ across the Asian countries but exist in one manner or another.[120]

Another characteristic of Asian business systems is that they are more homogenous within each society than those apparent in Europe where variations are more significant between industries. The dominant characteristics occur across industrial sectors and are often reproduced in newer industries implying the society-wide importance of key institutions. The industry differences seem much less crucial than the national institutional contexts.

The broad framework for these national institutions of the eight high-growth countries essentially involves Japanese firms, Chinese family businesses (which dominate activities in

[117] To continue on the result-oriented approach, the description of economic activities characteristic to the Asia region should be seen as features which inevitably face Europeans entering these markets. Hence, the purpose is not to explain their possible role in the economic development of the region.

[118] This section draws heavily on four prominent works in this field: Aoki, M. and R. Dore (eds.), *The Japanese Firm,* 1994. Chen, M., *Asian Management Systems,* 1995. Gary Hamilton (ed.), *Business Networks and Economic Development in East and Southeast Asia,* 1991. Richard Whitley, *Business Systems in East Asia,* 1992.

[119] The focus here is on the forms of business organizations that compete effectively on the world market. Not included, therefore, are state-subsidised or state-protected businesses.

[120] For example, patterns of long-term employment in Japan display trust and personalism within the firm. The lack of these mechanism within the firms in other high-growth countries of Asia, such as Hong Kong and Taiwan, has led to an extensive reliance on personal networks between firms.

Hong Kong, Taiwan, Indonesia, Malaysia, Singapore and Thailand) and Korean conglomerates.

Japanese Firms

The most striking features of market relations in Japan when contrasted with those in Europe is the pervasiveness of networks based on mutual obligations. Because of these mutual obligations, there persists an extraordinary high level of inter-dependence between large firms, subcontractors, banks and other financial institutions. Markets are more organised than in Europe and networks and alliances are crucial to the management of risk and uncertainty.[121] A related feature is the continued importance of small firms in the manufacturing sector and extensive subcontracting.

A major economic actor in Japan is the large and specialised corporation called Kaisha. This corporation is enmeshed in extensive networks of mutual obligation and trust. The Kaisha is specialised in the sense that it does not incorporate all production processes required to manufacture a product (as is often the case in European firms) and that it also tends to be restricted to a single industrial sector. This means that transactions which would be coordinated internally in most European firms occur across firms' boundaries in Japan. In this connection, it is sometimes suggested that while production in Europe is a matter of organising people within companies, it is in Japan a matter of organising companies and their inter-connections.[122]

A consequence of the specialisation is substantial subcontracting and the continued importance of small and medium-sized firms. Transactions are typically organised around relatively long-term commitments between particular firms and range over a variety of exchanges. These commitments link firms in networks within and across industrial sectors to a much greater extent than is common in Europe (or the United States). These networks may be based joint financing of new ventures, joint production agreements and the development of common distribution channels.

Another crucial component of Japanese business networks is the general trading company (Sogo Shosha) which acts a general intermediary between suppliers and customers. These large service companies have high costs in learning about clients' business and therefore an incentive to maintain long-term relationships with particular firms. An important feature which has sprung from these various networks is the emergence of groups of businesses remaining intact. The two types of business groups, Keiretsu and Kigyo Shudan, both play pivotal roles in the Japanese markets. Keiretsus are typically vertically organised and coordinates flows within a sector, while Kigyo Shudan are horizontal by linking activities of different sectors together.

[121] It is often mentioned that the mutual dependence between firms is linked to the limited variety of economic activities.

[122] Whitley, R., *East Asian Business Systems* (London: Sage Publication), 1992, p. 28.

Chinese Family Businesses

In China, Hong Kong and Taiwan, as well as in most of the Southeast[123] Asian countries, the dominant feature is the small size of most firms. There is also strong family control of firms and extensive subcontracting. The small size and highly specialised nature of most businesses result in high levels of interdependence between firms. Not only are many manufacturing companies dependent on orders from trading firms, large buyers and other manufacturers but they often subcontract. Each firm is connected to a large number of other ones through a complex web of obligations and personal ties. Market relations are therefore highly distinct and to a large extent based on personal knowledge or the reputation of partners.

Trust generated through personal connections is a crucial feature of inter-firm exchanges in the Chinese-influenced business system. These connections, however, are more fluid than those between members of vertically linked keiretsu in Japan. Personal reputation for reliability, speed and low costs are essential for gaining contracts but do not necessarily lead to repeat orders or long-term associations involving risk sharing and reciprocal shareholdings. Since firms are essentially family possessions and most subcontractors are outsiders, commitments between them will always be limited to a relatively short term. Networks of interdependent firms are based on personal contacts and reputations and these are crucial to business survival.

Korean Conglomerates

The most distinctive feature of economic activities in the Korean markets is the dominance of large conglomerates controlled by the founder and his family.[124] These large Korean actors, Chaebols, coordinate a much broader range of economic activities than do large actors in Japan. There is less use of subcontractors and the small firm sector is not as significant as in Japan. As a consequence, business networks between firms are less significant. But because inter-firm connections in Korea are less particularistic, not so reciprocal and on shorter terms than in Japan, markets are not as rigid and with room for newcomers.

> Economic activities in high-growth Asia are organised in a highly effective way which is unique for the region. **Asian business systems are pervaded by a strong element of personal networks (though taking different forms in different countries).** Firms in the Asian high-growth countries form more connections with other firms than is the case among Western firms and are interlinked and connected to one another in vast cooperative networks. This dominant characteristic occur across industrial sectors and is often reproduced in newer industries.

[123] For a list of countries in Southeast Asia, see p. 79, **Annex 1. Countries of Asia.**

[124] It should be noted that the Chaebols have often received substantial backing from the state.

3. *EUROPEAN UNION ECONOMIC PRESENCE IN ASIA*

The European Union is seeking to enhance its economic presence in Asia. As stated by the Commission and as developed in the first part of this study, the primary *interest* of the European Union in Asia is economic. To ensure that this interest is taken fully into account, the primary *objective* formulated by the Commission is "to strengthen the Union's economic presence in Asia".[125] An analysis of European Union economic presence in the region of Asia is the purpose of the second part of this study. The sequence of events is the same as in the previous part, with a main section analysing statistical data on trade and investment followed by a brief survey economic activities at the level of the European firm. To the extent possible, comparisons are made with both the United States and Japan in order to give a relative picture of how the European Union is faring.

3.1. ECONOMIC DEVELOPMENTS IN ASIA AND EUROPEAN UNION OPPORTUNITIES

The economic developments in Asia open up a range of opportunities for the European Union. The importance of the region's market cannot be understated. There are two criteria for measuring the presence of foreign firms in a specific region. First, the flow of goods exported to the region. This is an estimate of the competitive position at a given point in time, or in other words, in the short term. Second, the level of accumulated direct capital invested. This is a rough estimate of the long-term commitment of the foreign firms in the region.

In more detail, it is the geographic distribution of European Union exports which first analyzed in this section to determine the extent to which the EU is taking advantage of the growing markets in Asia. The commodity composition of European Union exports to Asia is also examined in order to assess if the European Union could improve its position by adapting to growth sectors. European Union foreign direct investment in Asia is seen as a vital aspect of economic presence as such investments are often considered a first step in generating export income.

3.1.1. Asia's High-Growth Markets and the European Union

European Union exports to third countries reached 538.7 billion ECU in 1994.[126] Exports to the ten high-growth countries of Asia which are the focus of this study amounted to 103 billion ECU last year, or 19.1 per cent of total exports.[127] This share of exports has been steadily increasing, from 10.6 per cent back in 1985 and 15.9 per cent in 1991. In addition, EU exports to this group of Asian countries now surpasses exports to the United States (for the first time in 1993). Exports to the ten Asian countries has increased with 20 per cent

[125] European Commission, (COM/94/34), p. 3.

[126] See p. 144, **Table 60. Geographic Distribution of European Union Exports between 1980-94.**

[127] As a comparison, some other posts of total extra-EU exports in 1994 were: EFTA (22.2%), USA (17.6%), Central and Eastern European Countries (9.1%), Middle East (7.3%), Latin America (5.3%), ACP countries (2.8%).

annually since 1980 while exports to the United States has increased by 14 per cent. It clear that the markets where European Union exports have expanded most rapidly during the 1980s are the high-growth countries of Asia in this study.

A relative export pattern comparing the European Union with the other major traders would give a more accurate picture of how the European Union is faring. For when such a relative geographic specialisation of exports by European Union industry is analyzed, the situation is not as favourable. In the case of the United States, the ten Asian countries of this study accounted for 27.1 per cent of exports which is considerably higher than the European Union's 19.1 per cent.[128] Furthermore, the discovery of the Asian high-growth markets by the European Union is long overdue. The US share was as high as 26.7 per cent already in 1988, at a time when it was only 14.8 per cent for the European Union. In 1988, the Japanese export pattern in this regard was comparable to that of the US with a share of 27.5 per cent going to the other Asian countries. The Japanese share has since increased significantly, to 31.7 in 1991 and as high as 37.6 per cent of exports in 1994 to the other nine countries in the region. The geographic specialisation of the EU manufacturing industry is apparently not optimal in the sense of taking enough advantage of the most dynamic international markets.

Among EU Member States, there are significant differences in exports patterns.[129] The Member States with the highest share of its extra-EU exports going to the ten Asian countries of this study are Belgium and Luxembourg, with 23.3 per cent of their export going to this region (compared to the EU average of 19.1 per cent).[130] The United Kingdom (21.8 per cent) and Denmark (19.2) per cent also show shares higher than the EU average. However, Greece and Portugal display very low shares of their exports going to the Asian countries of this study (6.4 and 7.6 per cent respectively).

Towards sub-regions of Asia, there are also a few deviations among Member States. Irish exports to Japan amount to 10.4 per cent of that Member State's exports. The relative importance of Irish exports of manufactures to Japan may result from the high levels of Japanese FDI into Ireland.[131] Denmark also has a relatively high share of exports going to Japan (8.2 per cent). For the purpose of this kind of analysis, a sub-group of Asian countries was created to exclude the somewhat special cases of Japan as well as those of China and India. Towards this subregion of countries, here called Asia-7, the United Kingdom has consistently had higher share that the EU average. In 1994, the UK share to Asia-7 was 13.3 per cent in 1994 compared to the EU average of 10.6 per cent. The Netherlands (12.1 per cent) and Belgium/Luxembourg (11.2 per cent) also have higher than average shares to

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[128] See p. 145, **Table 61. Geographic Distribution of Exports from the European Union, USA and Japan between 1988-1994.**

[129] In the more broader sense, Member States deviate in their intra-EU and extra-EU export shares. For all EU-12 exports, the share of extra-EU exports in 1993 was 57.3 while 42.7 per cent were directed to the internal market. Belgium, Luxembourg, Ireland, Portugal and the Netherlands are Member states which clearly specialise in intra-EU exports, all having intra-EU shares of around 70 per cent or more. Germany is the only country which sell more to extra-EU markets than within the Union.

[130] See p. 146, **Table 62. Geographic Distribution of European Union Exports by Member States in 1994.**

[131] OECD, *International Direct Investment Statistics Yearbook,* 1994, p. 154.

the Asia-7 region. As for EU exports to China, the average share is 2.3 per cent with the highest shares of 2.9 displayed by both Germany and perhaps surprisingly Spain (which has considerably lower than average share to all other sub-regions). Exports to India is on average 1.3 per cent of the Union's total in 1994. Here, Belgium/Luxembourg has a considerably higher share than the EU average with 4.8 per cent. A relatively high share of exports to India is also displayed by the United Kingdom, 2.2 per cent in 1994.

European Union exports to the ten countries of Asia focused on in this study amounted to 103 billion ECU last year, or 19.1 per cent of total exports. This share of exports has been steadily increasing, from 10.6 per cent back in 1985 and 15.9 per cent in 1991. In addition, EU exports to this group of Asian countries now surpass exports to the United States (for the first time in 1993). The markets where European Union exports have expanded most rapidly during the 1980s are the Asian countries of this study. Exports to the ten Asian countries has increased with more than 20 per cent annually since 1980.

But the share of **European Union exports** going to the ten Asian countries of this study is low compared with the other major traders. The share of the United States exports going to these ten countries is 27.1 per cent (compared to the EU share of 19.1 per cent). Japan sends 37.6 per cent of its exports to the other countries of the group. Clearly, the European Union is not fully taking advantage of the most dynamic international markets.

3.1.2. Asia's Goods Markets and the European Union

An analysis of the optimal product composition to achieve growth of European Union exports must take into consideration international demand. It becomes important to adapt to international demand both in the case of rapid economic growth and when growth is sluggish. Rapid growth does not necessarily translate into vigorous demand for all goods. When economic growth is slow, demand for a limited number of industrial products could remain very buoyant. Among the countries of this study, Japan is currently going through a period of slow growth but still the country experienced an extraordinary growth in imports during 1994 which was due strong demand in a few sectors. For the European Union to acquire a stronger presence in these growing markets, it must look to redirect its means of production in line with demand changes towards sectors with strong growth. Adapting to changing patterns of demand is a crucial element in achieving success in European Union export growth.

The prospects of demand for different sub-sectors of the global economy[132] is known and has been established on an international basis.[133] According to these estimates, sub-sectors can be grouped into categories of either strong, moderate or weak demand. Strong demand means that demand is growing faster than general economic activity while weak demand implies growth lower than such activity and moderate suggest a demand growth of around the average. These findings will here be used in the context of investigating if exports of the European Union have adapted to changing demand patterns. This analysis will relate European Union adaptation to international demand with that of the other major traders, i.e., the United States and Japan. Furthermore, an analysis over time should present an idea of the adaptation process and point to future prospects in this regard for the European Union.

The comparison of European Union exports with those of the United States and Japan display great variance among these major traders. The European Union is the clearly the trader with the lowest share of its exports going to sectors with strong growth in demand. In 1994, the European Union exported 24.1 per cent of its export to strong-demand sectors.[134] The equivalent share for the US was 28.6 per cent and for Japan also 28.6 per cent.[135] To sectors with moderate-demand, the share of European Union exports was 46.2 per cent (against 50.9 per cent in the USA and 53.5 per cent in Japan). The European Union is undoubtedly the trader with the highest share of its exports going to sectors with weak demand. The EU share to these sectors is 29.7 compared to that of 20.5 per cent for the United States and 17.8 per cent for Japan.

For exports to the ten Asian countries of this study, the European Union dominance of weak-demand sectors applies even stronger than for total exports. This is in stark contrast to the other two major traders who fare better than their average specifically in these Asian high-growth countries. To the Asian countries of this study, the European Union exports 28.5 per cent in sectors with weak demand. The United States has a considerably lower share, 17.2 per cent, of its exports to these Asian countries in weak-demand sectors and this is also lower than their average of exports going to these sectors. In addition, if US exports to Japan are excluded the share of weak-demand becomes even lower. For Japan, the share is 25.3 for weak-demand sectors. In all the geographic subregions studied here, the European Union has a larger share than does the United States of exports going to weak-demand sectors.

To strong-demand sectors of the Asian countries of this study, the European Union exports 24.4 per cent of its Asian export (about the same as the 24.1 average for total exports). The United States has a higher than its average share, 31.6 per cent of Asian exports going to sectors with strong demand compared to 28.6 per cent for exports in general. The reason for this is the particular success of the United States in the sub-region of Asia-7. To Asia-7, the United States has a share of 37.4 of its exports going to sectors with strong demand.

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[132] It is here referred only to the manufacturing sector. Manufactured products dominate exports of goods by industrialised countries. In 1994, manufactures represented (91.4%) of total EU exports.

[133] See p. 80, **Annex 2. Economic Sectors and Growth in International Demand.**

[134] See p. 149, **Table 65. Geographic and Sectoral Distribution of European Union Exports in 1994.**

[135] See p. 150-151, **Table 66. Geographic and Sectoral Distribution of US Exports in 1993** and **Table 67. Geographic and Sectoral Distribution of Japan Exports in 1993.**

Japan also has a share higher than its average, 33.5 of its exports to the other countries of the region are in strong-demand sector compared with the 28.6 for total exports.

It is clear that the European Union is relatively specialised in weak-demand sectors. Japan, on the other hand, is relatively structurally specialised in strong-demand sectors. The United States seems slightly specialised in moderate-demand goods. The situation is exasperated by the fact that in these most dynamic geographic markets, the EU is specialised in weak-demand sectors.

An analysis over time that for total European Union exports, there are slight improvements in favour of strong-demand sectors over weak-demand sectors.[136] The reason is primarily an increase of the share of strong-demand of EU exports to Japan, this share has increased from 22.9 in 1991 to 27.5 in 1994 (and it is in exports to Japan that EU is at all faring equal to the United States, in the other markets the discrepancy is much greater).

A comparison of European Union exports of goods with those of the other major traders, show that the European Union is the clearly the trader with the lowest share of its exports going to sectors with strong international demand. In 1994, the European Union exported 24.1 per cent of its export to strong-demand sectors. The equivalent share for both the US and Japan was 28.6. Undoubtedly, the European Union is the trader with the highest share of its exports going to sectors with weak demand. The EU share to these sectors is 29.7 compared to that of 20.5 per cent for the United States and 17.8 per cent for Japan.

The European Union dominance of exports to weak-demand sectors applies is even stronger for exports to the ten Asian countries of this study. This is in stark contrast to the other two major trader for whom the Asian high-growth countries is a region where they fare considerably better than average exports.

Of its exports to the Asian countries of this study, the European Union sell 28.5 per cent in sectors with weak demand. The United States has a 17.2 per cent share of its exports to these Asian counties destined for weak-demand sectors, a share considerable lower than for exports as a whole.

The European Union sells 24.4 per cent of its Asian export to sectors with strong demand which is about the same as for total exports. The United States' share of exports to Asia aimed at strong-demand sectors is higher the average for exports to all regions, 31.6 per cent (compared to the average of 28.6 per cent for total exports). The United States has had particular success in targeting strong-demand sectors in one Asian sub-region (consisting of seven countries) where it has 37.4 per cent of its exports going to sectors with strong demand.

[136] See p. 152-153, **Table 68. Geographic and Sectoral Distribution of European Union Exports in 1991** and **Table 69. Geographic and Sectoral Distribution of European Union Exports in 1988.**

3.1.3. Asia's Investment Markets and the European Union[137]

European Union direct investments abroad totalled 72.9 billion US dollars in 1993.[138] In 1992, the latest year for which data is available on the geographic destination of EU direct investments abroad, the total was 87.1 billion US dollars of which 59.4 billion US dollar (68.2 per cent) was destined inside the European Union while 27.2 billion US dollars or 31.8 per cent was extra-EU investment.[139]

Direct investments to the ten Asian countries of this study totalled 3.2 billion US dollars, or 11.7 per cent of all extra-EU investment.[140] A comparison with the United States show that 13.7 per cent of US direct investments abroad in 1992 (5.1 billion US dollars) went to the ten Asian countries of this study. In 1992, Japan invested 18.8 per cent of its total direct investments in these Asian countries.

Among EU Member States, there is significant differences in the patterns of investments.[141] The Member States with the highest share of its extra-EU investment going to the ten Asian countries of this study is Belgium and Luxembourg, with 66 per cent of their extra-EU investments destined for the Asia region (compared to the EU average of 11.7 per cent). The United Kingdom also has a high share with 19.5 per cent of its investments aimed at the Asian countries.

European countries have invested much less in Asia than has the United States.[142] Despite some strong historical ties which shine through in the data, Europe holds a much lower share of cumulative investments than does the United States in the Asian countries of this study.[143] Indonesia and Malaysia are the only countries where, in 1993, the European Union had a stronger presence than the US. The EU share of foreign direct investment was 14.8 per cent in Indonesia compared to 5.5 per cent for the United States. In Malaysia, EU

[137] See p. 60, **Box 1. Problems with Aggregate Data on Foreign Direct Investments.**

[138] See p. 154, **Table 70. Direct Investment Abroad by the European Union, United States and Japan between 1992-93.**

[139] See p. 155-156, **Table 71. Geographic Distribution of Direct Investment Abroad by the European Union, United States and Japan in 1992 (in local currency)** and **Table 72. Share of European Union Direct Investment Abroad by Destination in 1992.**

[140] See p. 157-158, **Table 73. Geographic Distribution of Direct Investment Abroad by the European Union, United States and Japan in 1992 (in percentage)** and **Table 74. European Union Direct Investment to Asian Countries in 1992.**

[141] In terms of intra- and extra-EU direct investment, a few Member States display a low share of direct investment in non-EU countries: Belgium, Luxembourg, France and Portugal. United Kingdom is the only Member States which has a higher share of direct investment abroad going outside the Union than inside.

[142] See p. 159, **Table 75. Cumulative Foreign Direct Investment by the European Union, United States and Japan in Asian Countries between 1990-93.**

[143] To Indonesia for the Netherlands and to Malaysia for the United Kingdom.

foreign direct investment accounted for 12.3 per cent of cumulative total while the United States only 7.7 per cent.

The United States was for a long time the leading investor in the high-growth economies of Asia. But US flows diminished considerably in the second half of the 1980s.[144] The early build-up in United States FDI flows still means that the US stock in the region is still very large. From moderate levels in the early 1980s, FDI flows from member states of the European Union are growing steadily since the second half of that decade.

The most striking evolution of foreign direct investment in the high-growth economies of Asia is the appearance of Japan as the major investor. Over the past five years, Japan has been the leading investor in the high-growth economies of Asia. Its investment within the region has significantly exceeded its investment in other developing countries. Japanese firms have chosen Asia as the priority zone for their investment in manufacturing and services. This has been accompanied by a relative decrease of the United States and the European Union as source of foreign direct investment to the Asia region.

The sectors targeted by investments from the United States and Europe are largely oil and gas exploitation, manufacturing, transport and services.[145] Japanese investment in the other Asian countries are mainly the electrical and electronics industry, chemicals and more recently the automotive industry. These technology-intensive investments have been chiefly by Japanese firms in such sectors as semiconductors, chemicals and automobiles confirm Japan's long-term involvement in the region with a focus on technology-intensive investment.

European Union direct investments to the ten Asian countries of this study totalled 3.2 billion US dollars in 1992, or 11.7 per cent of EU direct investment abroad. A comparison with the United States show that 13.7 per cent of US direct investments abroad in 1992 went to the these Asian countries. Japan invested 18.8 per cent of its total direct investment in the other Asian countries of this study.

The accumulated position of European Union direct investment in these Asian countries is considerably lower than that of the United States and Japan. Only in two countries with which the European Union has strong historical ties, Indonesia and Malaysia, does the EU hold a stronger position than the US.

[144] OECD, 1993, p. 12.

[145] OECD, 1995, p. 29.

Box 1. Problems with Aggregate Data on Foreign Direct Investments.

There are several reasons for why statistics on foreign direct investment should be interpreted with a considerable dose of scepticism. The basic problem in using FDI statistics is their comparability. This is mainly due to the method used for collecting data and to the source from which the data are collected.

The broad definition of foreign direct investment is that it is a long-term investment (as opposed to portfolio investment), such as equity capital, reinvested earnings or intercompany loans. The threshold value of what is considered a long-term investment differs across countries: in the United States a 10 per cent equity share is required, Japan has no threshold value and in the UK it is 20 per cent.

Two main methods exist for collecting data on foreign direct investment. One is through foreign exchange records and the other is based on company surveys. If a country relies exclusively on foreign exchange records of the Central Bank, it only accounts for capital crossing borders and not reinvested earnings. Company surveys are more complete in that they also capture retained earnings. Across the US, EU and Japan, methods deviate considerably. In the United States, company surveys are the only source of information for data on foreign direct investment. Japan does not perform company surveys and practices within the European Union vary. Developing countries almost exclusively rely on foreign exchange records. For both the US and the UK, it is estimated that as much as half of their foreign direct investments are reinvested earnings.[1] Another advantage from company surveys is that stock data may be obtained which include changes in valuation due to depreciation. If flows were obtained on the same basis as stocks, the cumulative flows would equal stocks.

The second main problem with data on foreign direct investment is the authority responsible for collecting the data. In some countries, data are collected by the Central Bank while in others the responsible authority is an investment board. Data provided by other institutions than the Central Bank (often responsible for promotion of FDI) refer to the amount of investment which has been approved. Actual investments frequently end up being substantially lower than the amount originally approved. Across the US, EU and Japan, references to actual or approved investment differ. Japan reports investment which has been approved, whereas the US records what is actually invested. For example, the US lists having invested 867 million US dollars in Japan for 1992 while Japan reports investment coming from the US to equal 1337 million US dollars.[2] Practices within the European Union vary.

Another more general problem is that statistical data of foreign direct investment are likely to be organised on the basis of the immediate host country and the immediate investing country. In other words, not according to ultimate host country and ultimate investing country. In the case funds are channelled through holding companies, geographical or industrial distribution of FDI becomes inaccurate. This often leads to an overstatement of investments (particularly in the financial sector) in or from financial centres. The ultimate investment origins or intentions of the parent companies are lost as a consequence. This certainly applies to investment intended for China, but going through Hong Kong.

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[1] Bank for International Settlement, *65th Annual Report*, June, 1995, p. 66.

[2] OECD, *International Direct Investment Statistics Yearbook*, 1994.

3.2. ECONOMIC ACTIVITIES IN HIGH-GROWTH ASIA BY EUROPEAN UNION SECTORS

Economic activities by individual EU actors present in high-growth Asia are seemingly modest. These activities are here measured by the same two criteria as used to assess the presence of the European Union in aggregate, but merely at the level of the firm. First, the flow of goods exported to Asia from a given European Union firm. This is an estimate of the competitive position and representation of Asia in the portfolio of a European firm at a given point in time. Second, the form of investment by a European firm in Asia, for example, whether through a wholly-owned subsidiary or a joint venture. This is evidence of a long-term commitment and the mode of entry chosen by a European firm going into Asia.

3.2.1. Sales of European Firms in Asia

The short-term competitive position of European firms in Asia is measured by their achievements of sales to the region. This information may be obtained from the annual reports of European firms. Although European firms are not required to specify sales by geographic region, they normally do.[146] The focus here is on the leading European firms which have already established a presence in Asia. An Asia which represents an absorption of significantly more than 25 per cent of world sales in numerous sectors.[147] The purpose is to examine the share of sales going to Asia out of the total sales of individual European firms in light of the Asia region's absorption of world sales.

Most European firms barely achieve more than 10 per cent of their export sales in the Asia region.[148] Figure 1. show the relative importance of Asia for European firms measured in terms of sales for leading European firms in the region. Of the close to 50 companies concentrated on, only a handful of companies approach sales equivalent to the region's absorption of world sales. It is clear that from a global perspective, Asia is under-represented in the portfolio of most of the European firms. Among the 15 European firms which reached sales to Asia of more than 15 per cent of their total sales, five were from the United Kingdom.[149] This upper hand of the United Kingdom could reflect this country's relatively (compared to other Member States) strong position in direct investments to the Asia region.

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[146] The research presented here on sales of European firms in Asia was carried out at the INSEAD Euro-Asia Center under Professor Helmut Schütte who generously shared it for the purposes of this study. A considerable amount of work is involved in this type of research as it involves analysing the annual reports of each firm.

[147] Lasserre P. and H. Schütte, *Strategies for Asia Pacific,* Draft Manuscript (forthcoming by McMillan Books), 1995, p. 4.

[148] See p.160, **Table 76. Sales to Asia of European Firms in 1993.**

[149] 3 of these firms were from a non-member state, Switzerland.

More than a third of the European companies (15 firms) disclose sales to Asia representing only 6 per cent or less of total sales. In this group of firms achieving low sales to Asia, a clear majority (as many as 10 out of the 15) comprised of companies emanating in France. This may be a reflection of the relatively low emphasis among French firms to invest in Asia. (Yet single French firms have scored extremely well in sales to Asia, such as the French firm in the line of luxury goods which was outstanding among the firms surveyed here.)

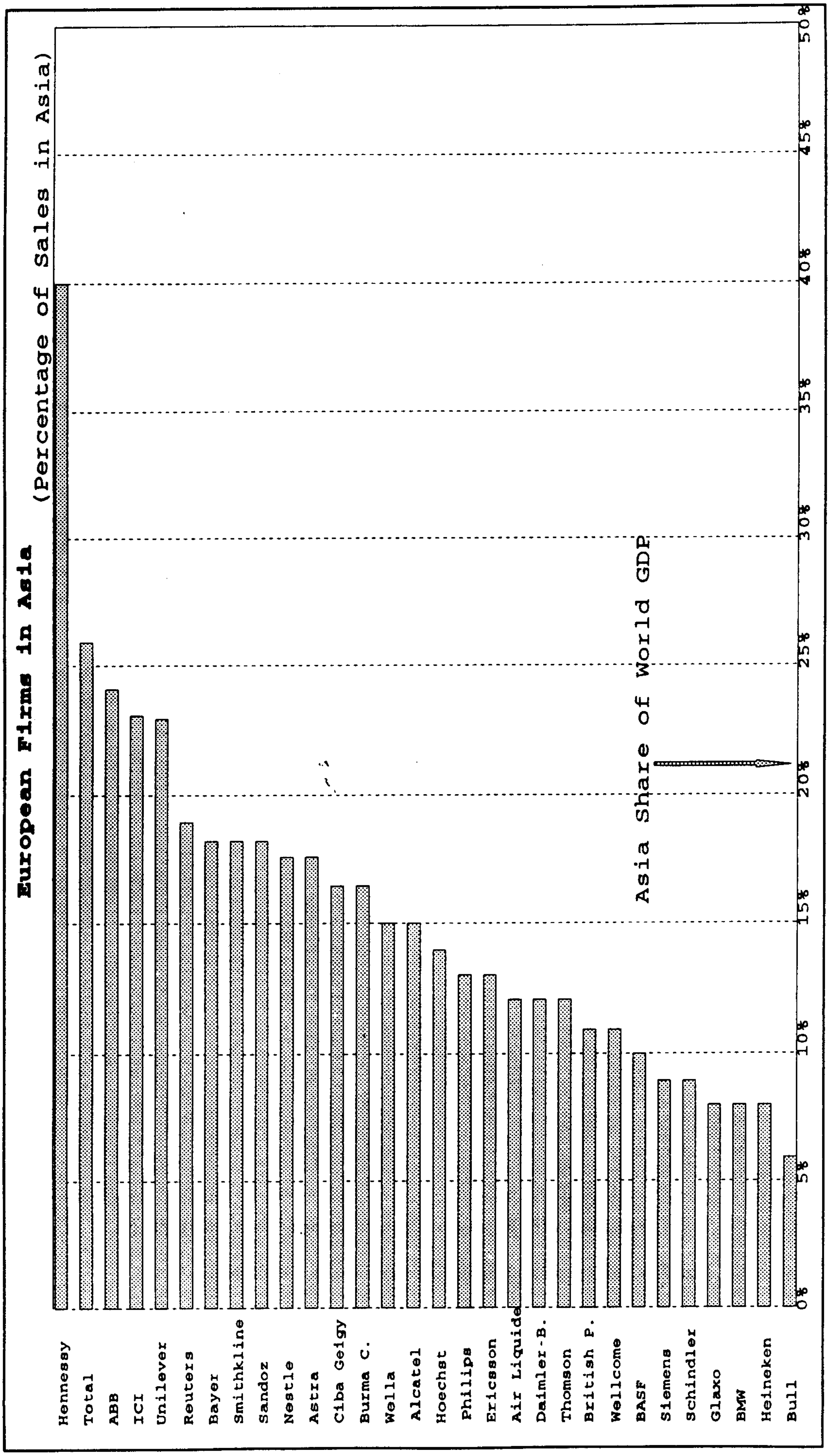

Figure 1. European Firms in Asia.

3.2.2. Investments by European Firms in Asia

The long-term commitment of European firms in Asia is reflected in their investment activities. The starting point for analysing different investment activities of foreign firms in Asia is naturally an analysis of direct investment flows (as the one performed above). This data is limited and of very poor quality and caution should be taken in interpretation.[150] When it comes to analysing specific forms of investment activities by European firms, such as investments through wholly-owned subsidiaries or in the form of joint ventures, data problems are only exasperated.[151] The mere lack of statistical data on detailed activities of foreign firms in most of the Asian countries render it impossible to establish a precise quantitative level for each form of activity.

Detailed data on form of investment are not included in international sources.[152] In turning to national sources, a questionnaire was designed and sent to the appropriate authorities in each of the Asian countries. The questions sought information on the form of foreign direct investment by country of origin. In the responses, a few countries were able to provide one type of breakdown, such foreign direct investment by form or foreign direct investment by country of origin but not collectively. Indonesia was the only country which disclosed data on joint ventures by foreign partner. But in a closer look at those figures, several reasons emerged for considering them less valuable. Unfortunately, it was necessary to conclude that none of the Asian countries were able to provide the data desired.

Instead, it is apparent that an analysis of the investment activities of European firms operating in the Asian countries necessarily have to rely on an essentially qualitative dimension. It becomes necessary to arrive at an assessment on the basis of anecdotal evidence for a few of the countries and some sectors.[153]

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[150] See p. 60, **Box 1. Problems with Aggregate Data on Foreign Direct Investments.**

[151] See p. 65, **Box 2. Problems with Detailed Data on Foreign Direct Investments.**

[152] IMF, *Balance of Payments Statistical Yearbook,* 1994. OECD, *International Direct Investment Statistics Yearbook,* 1994. United Nations, *World Investment Report,* 1994.

[153] Evidence of this sort has been collected by the author over a longer period of time.

Box 2. Problems with Detailed Data on Foreign Direct Investments.

The use of detailed data on foreign direct investment only adds to the problems raised earlier in interpreting the data. Detailed data is sometimes desired on country of origin, sector, form of investment (wholly-owned subsidiaries, mergers, acquisitions, joint ventures), etc. In the same country, equivalent standards may not apply for detailed and aggregate data.[1] However, for many countries the very existence of detailed data is quite limited.

In the case of detailed data on cross-border joint ventures, it is most often the lack of such data which causes the problem. Data on cross-border joint ventures are not published in statistical yearbooks of international organisations.[2] In turning to national sources, it is sometimes possible to find data broken down as to the form of investment. But a further breakdown as to the country of origin of that form of investment is usually not available. Inquiries with the appropriate agencies in individual countries could provide additional data on joint ventures, such as the number of joint ventures. A mere number on of joint ventures appears unreliable as it would include anything from a letter-box-venture to the largest multinationals. There are several probable underlying reasons for why data on the form of investment is not disclosed, such as confidentiality, notification non-mandatory. Any conceivable values are necessarily infested with the same shortcomings as mentioned earlier.[3]

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1 In Sweden, for example, reinvested earnings are reported in aggregate foreign direct investments but excluded in the data on geographical breakdown.

2 IMF, *Balance of Payments Statistical Yearbook*, 1994. OECD, *International Direct Investment Statistics Yearbook*, 1994. United Nations, *World Investment Report*, 1994.

3 see p. 60, Box 1. **Problems with Aggregate Data on Foreign Direct Investments.**

In entering the Japanese market, European firms have had a tendency to invest through their wholly-owned subsidiaries. The mode of entry chosen by firms as they enter foreign markets is a topic studied by business school academics. The method used by these academics is the design of a survey which is sent out to relevant companies. (There is in Japan no obligation to notify authorities of the founding of a joint venture.) In such a recent and comprehensive survey of foreign companies in Japan, one conclusion drawn was that European companies on the Japanese market have given greater importance to establishing wholly-owned subsidiaries and less to establishing joint ventures when compared with firms from the United States.[154]

Another illustration from the Japanese market relates to the information technology industry. This is a sector where it was found that joint ventures between European and Japanese companies have been quite limited in size and scope relative to the extent of such cooperation between US and Japanese firms. There are many more cooperative agreements between American and Japanese firms. Between 1982-86, there were 128 Japanese/American agreements and 81 agreements between European and Japanese firms.[155]

The penetration of the Hong Kong market presents a similar leaning by European firms towards wholly-owned subsidiaries. Hong Kong reports the breakdown on form of investments for its four largest foreign investors.[156] A European, the Netherlands, comes in fourth and display a considerably lower share of joint ventures than investors from other nations. Japan is the largest foreign direct investor in Hong Kong and of its foreign direct investment to Hong Kong in 1993, 57 per cent (83 investments) were in the form of wholly-owned subsidiaries and 40 per cent (59 investments) were joint ventures with Hong Kong partners. The United States was the second largest investor. US firms invested 70 per cent in the form of wholly-owned subsidiaries (62 investments) and 27 per cent (24 investments) in the form of joint ventures with local partners. The Netherlands (which overtook the UK as the fourth largest foreign investor in Hong Kong in 1993) invested 83 per cent (10 investments) in the form of wholly-owned subsidiaries and only 17 per cent (2 investments) were joint ventures with local partners.

In six countries of the region (Hong Kong, Korea, Malaysia, Singapore, Taiwan and Thailand) studied by the OECD, it was found that to be the big firms from the United States and Japan which had set up networks with local partners.[157] During the 1980s, there was a considerable development of these arrangements in such sectors as electronics, chemicals, automobiles and computers. In these Asian countries, foreign firms have signed co-operation agreements mostly involving transfers of research and development as well as technology.[158] Especially Japan have begun to form powerful business networks in these

[154] Sikander, K. and H. Yoshihara, *Strategy and Performance of Foreign Companies in Japan,* 1994, p. 88.

[155] Schütte, H., *Euro-Japanese Cooperation in Information Technology,* 1992, p. 31.

[156] Hong Kong Government Industry Department, *1994 Survey of External Investment in Hong Kong's Manufacturing Industries,* December, 1994, p. 19.

[157] OECD, 1993, p. 18.

[158] OECD, 1995, p. 16.

countries.[159] Several of the joint ventures concern telecommunications companies, such as AT&T, NEC, Motorola and Fujitsu which have resulted in research and development laboratories or design centres staffed with local engineers. (But joint ventures in production are now becoming more common and no longer do they constitute mere assembly plants as foreigners today work more closely with local partners.)

As a consequence of these developments, European firms are little represented in the networks being formed in these Asian countries compared to Japan and the United States.[160] European presence in these countries includes a large number of trading companies and representative offices of the most famous multinationals in industry (in particular, chemicals and textiles) and banking. "Major investments are made on the occasion of an exceptional business opportunity, and these account for the largest share of the total volumes."[161] The only exception is the United Kingdom. In particular, a strong presence is maintained by UK multinationals in Hong Kong, Singapore and Malaysia.

European Union firms have only a modest presence in Asia. Although the Asian high-growth countries already absorb 25 per cent of world sales in certain sectors, their shares are not proportionate in the sales of European firms. Most European firms only achieve 10 per cent of sales in Asia. Of the fifty European firms surveyed in this study, only a handful of companies achieved sales equivalent to the region's absorption of world sales.

The large US and Japanese firms have set up networks through which they have signed co-operation agreements with firms in most of the Asian countries. The majority of these agreements involve transfers of research and development as well as technology. During the 1980s, there was a considerable development of these arrangements in such sectors as electronics, chemicals, automobiles and computers. As a consequence, European enterprises are relatively little represented in the crucial networks formed in Asian markets.

159 OECD, 1993, p. 16.

160 *Ibid.*, p. 37.

161 *Ibid.*

4. *FUTURE PROSPECTS FOR THE EUROPEAN UNION IN ASIA*[162]

4.1. TOWARDS A NEW ASIA STRATEGY

Future prospects for the European Union in Asia appear dim under a current European Union policy on Asia seemingly not matching up to the importance of the region. The economic importance of Asia to the European Union cannot be understated. The Asian markets are growing, increasing imports of goods and services at extraordinary rates. Imports of goods are growing faster than exports for the fourth consecutive year in Asia. The European Union cannot afford to forfeit the revenues of increased market shares in the Asia region. Participation in these markets is also an absolute necessity for improving the global competitiveness of European firms. The essence of a policy to the Asia region would have to be geared towards aiding European business in their approach to the region. Business policy is always a delicate matter, but appear particularly so in Asia.

4.1.1. Delicacy of Business Policy

The specific characteristics associated with firm operations in Asia seemingly call for a delicate approach to policy. This is as opposed to more "bullying" efforts of other nations. The clash of such methods becomes obvious in a region where there is a need to progressively build up trust and a network of contacts before any success may be reaped. A more delicate approach would concentrate less on forcing mandatory increases in trade and investment from Asian governments and more on assisting European Union firms in their efforts to participate in Asian networks through joint ventures with local partners.

Perhaps the most important aspect of a policy promoting firm-based cooperation is that it is now (because of the economic developments which have taken place) of mutual benefit to all parties involved and consequently a policy which could be advocated by both the European Union and the Asian countries. A common policy goal for the Asia-Europe Meeting could be the facilitation of firm-based cooperation.

Inter-enterprise arrangements have recently registered a sharp increase under several forms and in a wide range of industrial sectors.[163] New investment strategies and new industrial and technological approaches are emerging in the Asian countries. After the astonishing economic developments, the Asian economies are now upgrading their domestic industries. For this reason, they particularly welcome the support of foreign firms through various forms of inter-enterprise co-operation. As Europeans, on our part, we also have a lot to gain. There are now considerable learning interests for Europeans in Asia. To expose European firms to the competitiveness which prevails in the Asia region is not only necessary if European firms are to gain markets in the region itself. There is also advantages for the global competitiveness of European firms by challenging their business logic.

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[162] This brief section was created to separately allow for a few opinions of the author.

[163] OECD, 1995, p. 15.

Policy goals should correspond to the fact that circumstances have changed such that joint ventures and mergers are now of benefit to both local and European-based firms. Both stakeholders, i.e., providers of capital technology and expertise as well as providers of secure production bases, labour and local markets now face advantages of pooling strengths as well as sharing risks. In response to this new situation, policy makers in many of the Asian countries are seeking to implement policies which facilitate the development of inter-enterprise agreements.[164] This is an opportunity the European Union ought to grab and on which its prospect of gaining markets in Asia stand or fall. The European Union could increase its exports to Asia by increasing its direct investment to the region. To succeed in increasing such investments, the European Union could concentrate its efforts on seeking participation in networks and strategic alliances which prevail on Asian markets through engaging in joint ventures.

Futures prospects for the European Union in Asia appear dim under a current European Union policy on Asia seemingly not matching up to the importance of the region. The economic importance of Asia to the European Union cannot be understated. The Asian markets are growing, increasing imports of goods and services at extraordinary rates. Imports of goods are growing faster than exports for the fourth consecutive year in Asia. The European Union cannot afford to forfeit the revenues of increased market shares in the Asia region. Participation in these markets is also an absolute necessity for improving the global competitiveness of European firms.

The specific characteristics associated with firm operations in Asia seemingly call for a delicate approach to **business policy**. This is as opposed to more "bullying" efforts of other nations. The clash of such methods becomes obvious in a region where there is a need to progressively build up trust and a network of contacts before any success may be reaped. A more delicate approach would concentrate less on forcing mandatory increases in trade and investment from Asian governments and more on assisting European Union firms in their efforts to participate in Asian networks through joint ventures with local partners.

Perhaps the most important aspect of a policy promoting firm-based cooperation is that it is now (because of the economic developments which have taken place) of mutual benefit to all parties involved and consequently a policy which could be advocated by both the European Union and the Asian countries. A common **policy goal for the Asia-Europe Meeting** could be the facilitation of firm-based cooperation.

[164] OECD, 1995, p. 16.

5. *CONCLUSIONS*

A number of economic developments set a group of Asian countries apart from all other regions. No other region has achieved as astonishing high growth in GDP, savings, investments, exports, productivity and income equality along with the sectoral dynamism as has this group of Asian countries. These developments have far-reaching implications for trading partners which can be seen in the Asian countries recording sharp increases in imports of intermediate goods, capital goods, and consumer goods as well as in imports of services and capital. The growth in imports is consistently faster than that for exports from the region. It is an inevitable fact that these Asian countries are absorbing an ever-increasing share of world sales, opening up enormous opportunities for traders.

But the European Union is not taking advantage of these growing markets. In comparison with the other major traders, the European Union has relatively modest flows of exports and investments to the region. The European Union could increase its exports to the region by primarily two means. First, because demand is particularly strong in certain sectors, the European Union could increase its exports to Asia if efforts were concentrated on adapting European Union means of production to growth sectors. Second, because direct investment constitute a precursor to generating export income, the European Union could increase its exports if efforts were geared towards expanding direct investment to the region by engaging in joint ventures. These should constitute the broad policy goals for the European Union in Asia

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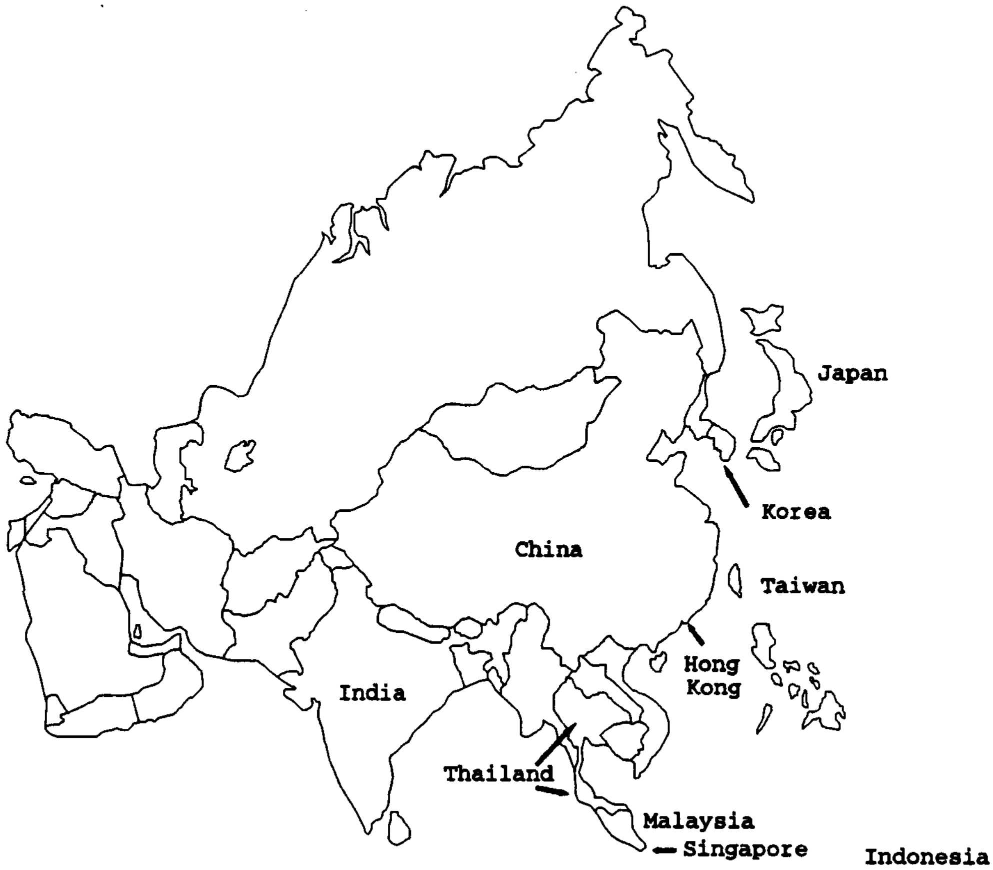
ANNEXES

ANNEX 1 - COUNTRIES OF ASIA

There are typically 26 countries referred to as Asia (excluded are the 5 countries of Central Asia):



<u>EAST ASIA</u>
- **China**
- **Japan**[a]
- North Korea
- **South Korea**[a]
- Mongolia
- **Taiwan**[a]
- **Hong Kong**[a]
- Macao

<u>SOUTHEAST ASIA</u>
- Brunei
- **Indonesia**[a]
- **Malaysia**[a]
- Philippines
- **Singapore**[a]
- **Thailand**[a]
- Cambodia
- Laos
- Vietnam
- Burma

<u>SOUTH ASIA</u>
- **India**
- Pakistan
- Bangladesh
- Sri Lanka
- Nepal
- Bhutan
- Maldives
- Afghanistan

Countries in bold were selected for this study.

[a] Asian high-growth economy.

ANNEX 2 - ECONOMIC SECTORS AND INTERNATIONAL DEMAND

Manufacturing sub-sectors can be aggregated into three categories based on a criterion of demand growth: strong demand sectors, moderate-demand sectors and weak-demand sectors.

1. Strong-Demand Sectors

International demand in these sectors grows faster than general economic activity. For example, chemicals, pharmaceuticals, office and data processing products, precision and optical instruments and electrical goods.

2. Moderate-Demand Sectors

Demand growth in these sectors is around the average rate of global activity. For example, machinery, transport equipment, food, beverages and tobacco, paper and printing products and rubber and plastic products.

3. Weak-Demand Sectors

These sectors cover activities experiencing low growth rates in international demand. For example, ferrous and non-ferrous metals, non-metallic minerals, metal products, textiles, clothing, leather and footwear and other manufactured products.

Characteristically, most strong-demand sectors have a high technological content and are specialized suppliers or science-based and pay high wages. Conversely, weak-demand sectors are characterised by a low technological content, resource or labour intensity and medium/low wages.

The average annual growth rate (1980-91) of gross value-added (at 1985 prices) has been widely different for these three categories in Europe. For strong demand sectors, more than 3.5 per year. Between 1.0 and 3.5 per cent per year for moderate-demand sectors and less than 1 per cent per year for weak-demand sectors.

Source: European Commission, "An Industrial Competitiveness Policy for the European Union", *Bulletin of the European Union*, Supplement 3/94, p. 57.

TABLES

TABLES

TABLE 1. ECONOMIC GROWTH IN ASIA BETWEEN 1960-1992

Countries		Growth[a] (Average Annual Percentage)			
		1960-1992	1960-1970	1970-1980	1980-91
EAST ASIA	China	7.5	6.1	5.5	9.8
	Hong Kong	9.2	13.7	9.2	7.1
	Japan	5.7	10.3	4.3	4.1
	Macao	n.a.	n.a.	n.a.	n.a.
	Mongolia	n.a.	n.a.	n.a.	n.a.
	North Korea	n.a.	n.a.	n.a.	n.a.
	South Korea	8.9	8.9	9.0	9.7
	Taiwan	9.0	9.9	9.4	8.2
SOUTHEAST ASIA	Brunei	n.a.	n.a.	n.a.	n.a.
	Cambodia	n.a.	n.a.	n.a.	n.a.
	Indonesia	6.3	3.4	7.8	5.2
	Laos	3.0	4.3	-0.1	4.5
	Malaysia	6.8	5.9	7.9	5.3
	Philippines	4.2	5.2	6.3	0.9
	Singapore	8.4	9.4	8.4	6.4
	Thailand	7.3	8.3	7.1	7.5
	Vietnam	n.a.	n.a.	n.a.	n.a.
SOUTH ASIA	Afghanistan	1.0	2.4	2.6	-1.9
	Bangladesh	3.0	3.8	2.3	4.3
	Bhutan	n.a.	n.a.	n.a.	7.6
	India	4.1	3.6	3.6	5.8
	Maldives	n.a.	n.a.	n.a.	11.8
	Myanmar	3.4	2.4	4.6	0.6
	Nepal	3.1	2.3	2.7	5.0
	Pakistan	5.5	6.1	4.9	6.3
	Sri Lanka	3.7	5.0	4.4	2.2

a) Defined as: Annual average growth rates of total and per capita real gross domestic product at market prices.

Source: UNCTAD, *Handbook of International Trade and Development Statistics*, 1994.

TABLE 2. ECONOMIC GROWTH IN ASIA BETWEEN 1981-94

Countries		GDP Growth (Annual Percentages)				
		Average 1981-90	1991	1992	1993	1994
EAST ASIA	China	10.4	8.0	13.2	13.4	11.8
	Hong Kong	6.9	5.1	6.3	5.8	5.5
	Japan		4.3	1.1	-0.2	0.6
	Macao	n.a.	n.a.	n.a.	n.a.	n.a.
	Mongolia	5.8	-9.9	-7.6	-1.3	2.1
	North Korea	n.a.	n.a.	n.a.	n.a.	n.a.
	South Korea	10.7	9.1	5.1	5.5	8.3
	Taiwan	7.8	7.6	6.7	6.3	6.5
SOUTHEAST ASIA	Brunei	n.a.	n.a.	n.a.	n.a.	n.a.
	Cambodia	n.a.	7.6	7.0	4.3	4.9
	Indonesia	5.5	7.0	6.5	6.5	7.4
	Laos	n.a.	4.0	7.0	5.9	8.0
	Malaysia	5.2	8.7	7.8	8.3	8.5
	Philippines	1.0	-0.6	0.3	2.1	4.3
	Singapore	6.3	6.7	6.0	10.1	10.1
	Thailand	7.9	8.4	7.9	8.2	8.5
	Vietnam	7.1	6.0	8.6	8.1	8.8
SOUTH ASIA	Afghanistan	n.a.	n.a.	n.a.	n.a.	n.a.
	Bangladesh	4.1	3.4	4.2	4.5	4.6
	Bhutan	7.5	3.5	3.7	5.2	5.1
	India	5.7	0.9	4.3	4.3	5.3
	Maldives	11.7	7.6	6.3	6.2	5.5
	Myanmar	-0.1	-0.6	9.3	6.0	6.4
	Nepal	4.9	6.4	4.6	2.9	7.0
	Pakistan	6.2	5.6	7.7	2.3	4.0
	Sri Lanka	4.2	4.6	4.3	6.9	5.7

Sources: Asian Development Bank, *Asian Development Outlook*, 1995. OECD, *Economic Outlook*, 1995. World Bank, *World Atlas*, 1995. World Bank, *World Tables*, 1995.

TABLE 3. ECONOMIC GROWTH IN ASIAN COUNTRIES BETWEEN 1960-1992

Countries	Growth[a)] (Annual Percentage) 1960-1992
Japan	5.7
Hong Kong	9.2
Korea	8.9
Singapore	8.4
Taiwan	9.0
Indonesia	6.3
Malaysia	6.8
Thailand	7.3
China	7.5
India	4.1
LATIN AMERICA	4.5
DEVELOPING COUNTRIES	4.8
DEVELOPED COUNTRIES	3.3
EC	3.1

[a)] Defined as: Annual average growth rates of total and per capita real gross domestic product at market prices.

Source: UNCTAD, *Handbook of International Trade and Development Statistics*, 1994.

TABLE 4. ECONOMIC GROWTH IN ASIAN COUNTRIES BETWEEN 1960-1992

Countries	Growth[a)] (Annual Percentage)			
	1960-1992	1960-1970	1970-1980	1980-91
Japan	5.7	10.3	4.3	4.1
Hong Kong	9.2	13.7	9.2	7.1
Korea	8.9	8.9	9.0	9.7
Singapore	8.4	9.4	8.4	6.4
Taiwan	9.0	9.9	9.4	8.2
Indonesia	6.3	3.4	7.8	5.2
Malaysia	6.8	5.9	7.9	5.3
Thailand	7.3	8.3	7.1	7.5
China	7.5	6.1	5.5	9.8
India	4.1	3.6	3.6	5.8
LATIN AMERICA	4.5	5.5	6.0	1.7
DEVELOPING COUNTRIES	4.8	6.0	5.6	3.0
DEVELOPED COUNTRIES	3.3	5.1	3.1	3.0
EEC	3.1	4.7	2.9	2.5

a) Defined as: Annual average growth rates of total and per capita real gross domestic product at market prices.

Source: UNCTAD, *Handbook of International Trade and Development Statistics*, 1994.

TABLE 5. ECONOMIC GROWTH IN ASIAN COUNTRIES BETWEEN 1960-1992

Countries[b]	Growth[a] (Annual Percentage)			
	1960-1992	1960-1970	1970-1980	1980-91
Hong Kong	9.2	13.7	9.2	7.1
Korea	8.9	8.9	9.0	9.7
Singapore	8.4	9.4	8.4	6.4
Taiwan	9.0	9.9	9.4	8.2
Malaysia	6.8	5.9	7.9	5.3
Thailand	7.3	8.3	7.1	7.5
China	7.5	6.1	5.5	9.8
Botswana	11.1	5.6	13.9	10.4
Turkey	5.3	6.0	5.6	5.4

[a] Defined as: Annual average growth rates of total and per capita real gross domestic product at market prices.

[b] Of 142 economies, only these nine achieved growth rates of more than 5 per cent in all time period.

Source: UNCTAD, *Handbook of International Trade and Development Statistics*, 1994.

TABLE 6. ECONOMIC GROWTH IN ASIAN COUNTRIES BETWEEN 1981-1994

Countries	GDP Growth (Annual Percentage)				
	Average 1981-90	1991	1992	1993	1994
Japan		4.3	1.1	-0.2	0.6
Hong Kong	6.9	5.1	6.3	5.8	5.5
Korea	10.7	9.1	5.1	5.5	8.3
Singapore	6.3	6.7	6.0	10.1	10.1
Taiwan	7.8	7.6	6.7	6.3	6.5
Indonesia	5.5	7.0	6.5	6.5	7.4
Malaysia	5.2	8.7	7.8	8.3	8.5
Thailand	7.9	8.4	7.9	8.2	8.5
China	10.4	8.0	13.2	13.4	11.8
India	5.7	0.9	4.3	4.3	5.3

Source: Asian Development Bank, *Asian Development Outlook*, 1995. OECD, *Economic Outlook*, 1995.

TABLE 7. FORECASTS OF ECONOMIC GROWTH IN ASIAN COUNTRIES FOR 1995-1996

Countries	GDP Growth (Annual Percentage)	
	1995	1996
Japan	1.3	2.3
Hong Kong	5.6	5.6
Korea	7.3	6.8
Singapore	9.0	8.5
Taiwan	6.7	6.8
Indonesia	7.1	7.1
Malaysia	8.5	8.0
Thailand	8.6	8.0
China	9.8	8.9
India	6.1	6.5

Sources: Asian Development Bank, *Asian Development Outlook*, 1995. OECD, *Economic Outlook*, 1995.

TABLE 8. ECONOMIC SIZE OF ASIA-10, EUROPEAN UNION AND NAFTA IN 1993

Countries	GNP PPP (Purchasing Power Parity) (Million US Dollars)
	1993
ASIA-10	8 341,027
EUROPEAN UNION	6 209,626
NAFTA	7 571,045

Sources: World Bank, *World Atlas*, 1995.

TABLE 9. ECONOMIC SIZE OF ASIAN COUNTRIES IN 1993

Countries	GNP in 1993 (Million US Dollars)	
	GNP	GNP PPP
Japan	3 926,668	2 632,981
Hong Kong	104,731	127,094
Korea	338,062	432,189
Singapore	55,372	58,688
Taiwan[a)]	220,077	344,850
Indonesia	136,991	587,654
Malaysia	60,061	164,246
Thailand	120,235	375,885
China	581,109	2 491,761
India	262,810	1 125,679
TOTAL	5 806,116	8 341,027

a) Estimate.

Sources: World Bank, *World Atlas*, 1995.

TABLE 10. ECONOMIC SIZE OF EUROPEAN UNION IN 1993

Countries	GNP in 1993 (Million US Dollars)	
	GNP	GNP PPP
Belgium	213,435	186,028
Denmark	137,610	98,318
France	1 289,235	1 120,716
Germany	1 902,995	1 694,533
Greece	76,698	86,743
Ireland	44,906	42,293
Italy	1 134,980	1 045,169
Netherlands	316,404	275,750
Portugal	77,749	97,397
Spain	533,986	520,754
United Kingdom	1 042,700	1 030,210
Luxembourg	14,233	11,715
EUROPEAN UNION	6 784,931	6 209,626

Sources: World Bank, *World Atlas*, 1995.

TABLE 11. ECONOMIC SIZE OF NAFTA IN 1993

Countries	GNP in 1993 (Million US Dollars)	
	GNP	GNP PPP
United States	6 387,686	6 387, 686
Canada	574,884	567,704
Mexico	324,951	615,655
NAFTA	7 287,521	7 571,045

Sources: World Bank, *World Atlas*, 1995.

TABLE 12. FUTURE ECONOMIC SIZES OF ASIA-10, EUROPEAN UNION AND NAFTA

Countries	GNP[a)] (Million US Dollars)				
	1993	1997	2000	2003	2005
ASIA-10	5 806,116	6 792,335	7 640,453	8 594,470	9 295,779
EUROPEAN UNION (EU-15)	7 280,975	7 881,160	8 363,550	8 875,466	9 234,035
NAFTA	7 287,521	7 888,247	8 371,071	8 883,447	9 242,338

a) Growth assumptions: ASIA-10 -- 4 %, European Union -- 2 %, NAFTA -- 2 %.

Sources: World Bank, *World Atlas*, 1995.

TABLE 13. SAVINGS IN ASIAN COUNTRIES BETWEEN 1975-93

	Gross Domestic Savings (Percentage of GDP)		
Countries and Regions:	1975	1985	1993
Japan	32.8	31.5	32.7
Hong Kong	25.1	28.1	31.2
Korea	18.1	31.4	35.1
Singapore	29.0	40.6	47.9
Taiwan	27.1	32.5	26.8
Indonesia	21.0	29.8	36.9
Malaysia	23.8	32.7	38.3
Thailand	20.6	24.8	37.1
China	n.a.	n.a.	40.0
India	19.0	18.9	23.6
LATIN AMERICA	23.1	23.6	18.6
LOW-INCOME COUNTRIES	20.1	22.3	26.1
HIGH-INCOME COUNTRIES	22.6	21.2	21.4

Sources: Asian Development Bank, *Asian Development Outlook*, 1995. Asian Development Bank, *Key Indicators of Developing Asian and Pacific Countries*, 1994. World Bank, *World Tables*, 1995.

TABLE 14. SAVINGS IN ASIAN COUNTRIES BETWEEN 1991-1994

Countries	Gross Domestic Savings (Percent of GDP)						
	Average 1981-1990	1991	1992	1993	1994	1995	1996
Japan	31.8	34.3	33.6	32.7			
Hong Kong	33.5	33.8	33.8	34.5	33.0	33.1	32.7
Korea	32.4	36.4	35.2	35.1	35.1	35.1	34.8
Singapore	42.6	46.7	47.6	47.9	48.0	45.0	45.0
Taiwan	45.4	27.8	27.0	27.0	26.0	26.4	26.1
Indonesia	31.8	35.9	38.2	37.7	38.7	38.4	38.2
Malaysia	33.2	32.1	35.5	35.9	35.6	36.7	35.1
Thailand	27.2	35.8	35.7	35.5	37.2	38.0	38.4
China	34.6	39.1	40.0	40.0	40.5	40.0	39.5
India	20.8	23.1	20.0	20.2	22.1	23.3	23.8

Source: Asian Development Bank, *Asian Development Outlook*, 1995. IMF, *World Economic Outlook*, 1995. World Bank, *World Tables*, 1995.

TABLE 15. INVESTMENTS IN ASIAN COUNTRIES BETWEEN 1970-91

Countries	Gross Domestic Investments (Percent of GDP)		
	1970	1980	1991
Japan	39	32	32
Hong Kong	21	36	28
Korea	25	31	39
Singapore	39	46	39
Taiwan	26	34	22
Indonesia	25	24	35
Malaysia	19	30	36
Thailand	26	26	42
China	32	32	34
India	17	23	24
LATIN AMERICA	25	23	19
DEVELOPING COUNTRIES	21	24	27
ASIAN DEVELOPING COUNTRIES	20	24	29
DEVELOPED COUNTRIES	23	23	21

Sources: Asian Development Bank, *Asian Development Outlook*, 1995. UNCTAD, *Handbook of International Trade and Development Statistics 1993*, 1994. World Bank, *World Tables*, 1995.

TABLE 16. **PUBLIC AND PRIVATE INVESTMENT IN ASIA COUNTRIES BETWEEN 1975-90**

Countries	Investment (Average Percentage Share of Total Investment)					
	1975-80		1981-85		1986-90	
	Public	Private	Public	Private	Public	Private
Hong Kong	17	83	19	81	13	87
Taiwan	50	50	47	53	42	58
Malaysia	38	62	49	51	41	59
Thailand	29	71	35	65	24	76
China	84	16	67	33	63	37

Source: Asian Development Bank, *Asian Development Outlook*, 1991.

TABLE 17. INVESTMENTS IN ASIAN COUNTRIES BETWEEN 1981-94

Countries	Gross Domestic Investments (Percent of GDP)						
	Average 1981-1990	1991	1992	1993	1994	1995	1996
Japan	29.7	32.5	31.2	30.3			
Hong Kong	27.2	27.2	28.5	27.7	31.1	27.6	27.4
Korea	30.6	38.9	36.6	34.3	36.9	36.9	36.5
Singapore	42.2	38.0	40.4	43.8	41.5	40.6	39.9
Taiwan	22.6	23.3	24.9	25.2	24.1	24.9	25.2
Indonesia	30.4	35.5	35.9	35.3	35.5	36.0	36.3
Malaysia	30.6	35.9	33.5	35.0	37.2	37.6	36.0
Thailand	30.6	42.2	39.6	40.0	42.9	44.9	45.4
China	33.6	35.3	38.2	42.1	39.5	39.6	39.3
India	22.6	23.6	22.0	20.4	22.5	23.5	24.0

Sources: Asian Development Bank, *Asian Development Outlook*, 1995. UNCTAD, *Handbook of International Trade and Development Statistics 1993*, 1994. World Bank, *World Tables*, 1995.

TABLE 18. FOREIGN DIRECT INVESTMENT OUTWARD STOCK BY ASIAN COUNTRIES

Countries	Foreign Direct Investment Outward Stock (Millions of Dollars)			
	1980	1985	1990	1992
Japan	16,570	42,030	202,450	250,430
Hong Kong	n.a.	9,441	14,015	14,015
Korea	142	487	2,172	4,576
Singapore	652	1,320	4,058	6,565
Taiwan	97	204	12,888	16,443
Indonesia	n.a.	n.a.	n.a.	n.a.
Malaysia	414	749	1,469	1,469
Thailand	13	14	398	701
China	n.a.	131	2,489	7,401
India	n.a.	95	76	76
LATIN AMERICA	855	1,916	4,263	6,281
DEVELOPING COUNTRIES	3,438	16,413	45,893	62,418
DEVELOPED COUNTRIES	503,087	657,857	1 603,140	1 869,616
EU	206,003	271,056	707,316	843,894
USA	220,178	251,034	431,689	488,767

Source: UN, *World Investment Report*, 1994.

TABLE 19. FOREIGN DIRECT INVESTMENT OUTFLOWS FROM ASIAN COUNTRIES BETWEEN 1982-92

Countries	Foreign Direct Investment Outflows (Millions of Dollars)			
	Annual average 1982-87	1990	1991	1992
Japan	9,093	48,050	30,740	17,240
Hong Kong	n.a.	n.a.	n.a.	n.a.
Korea	106	820	1,357	1,047
Singapore	178	1,352	1,160	1,347
Taiwan	162	5,243	1,854	1,701
Indonesia	n.a.	n.a.	n.a.	n.a.
Malaysia	n.a.	n.a.	n.a.	n.a.
Thailand	29	140	167	136
China	333	830	913	4,000
India	n.a.	n.a.	n.a.	n.a.
LATIN AMERICA	294	1042	1196	286
DEVELOPING COUNTRIES	1321	9,592	6,862	9,151

Source: UN, *World Investment Report*, 1994.

TABLE 20. FOREIGN DIRECT INVESTMENT INWARD STOCK IN ASIAN COUNTRIES BETWEEN 1980-1992

Countries	Foreign Direct Investment Inward Stock (Millions of Dollars)			
	1980	1985	1990	1992
Japan	31,380	33,050	34,630	38,720
Hong Kong	1,729	3,520	13,413	15,869
Korea	1,140	1,806	5,429	7,095
Singapore	6,203	13,016	32,043	42,073
Taiwan	2,405	2,930	9,735	11,885
Indonesia	10,274	24,971	38,883	42,139
Malaysia	6,078	8,510	14,117	22,584
Thailand	981	1,999	7,980	12,110
China	n.a.	3,444	14,135	29,657
India	1,177	1,075	1,667	1,951
LATIN AMERICA	48,030	71,934	116,415	149,003
DEVELOPING COUNTRIES	108,455	190,077	329,877	420,194
DEVELOPED COUNTRIES	394,146	555,503	1 373,975	1 520,144
ALL COUNTRIES	502,688	745,760	1 704,642	1 948,104

Source: UN, *World Investment Report*, 1994.

TABLE 21. FOREIGN DIRECT INVESTMENT INFLOWS TO ASIAN COUNTRIES BETWEEN 1988-93

Countries	Foreign Direct Investment Inflows				(Millions of Dollars)
	1988-93	1990	1991	1992	1993
Japan	4,437	1,753	1,368	2,728	127
Hong Kong	1,578[a]	1,728	538	1,918	n.a.
Korea	4,526	715	1,116	550	516
Singapore	30,564	5,575	4,888	6,730	6,829
Taiwan	6,960	1,330	1,271	879	917
Indonesia	7,614	1,093	1,482	1,777	2,004
Malaysia	17,537	2,332	3,998	4,469	4,351
Thailand	11,075	2,444	2,014	2,116	1,621
China	51,569	3,487	4,366	11,156	26,000
India	1,894	165	148	344	600

a) Annual average 1988-92.

Source: Asian Development Bank, *Asian Development Outlook*, 1995. United Nations, *World Investment Report*, 1994. OECD, *International Direct Investment Statistics Yearbook*, 1994.

TABLE 22. FOREIGN DIRECT INVESTMENT INFLOWS TO ASIAN COUNTRIES BETWEEN 1981-92

Countries	Foreign Direct Investment Inflows (Millions of Dollars)			
	1981-85	1986-90	1991	1992
Japan	1,478[a]	1,605	1,368	2,728
Hong Kong	576	1,945	538	1,918
Korea	117	676	1,116	550
Singapore	1,349	3,247	4,395	5,635
Taiwan	189	987	1,271	879
Indonesia	236	599	1,482	1,774
Malaysia	1,083	1,126	3,998	4,469
Thailand	279	1,188	2,014	2,116
China	850	2,853	4,366	11,156
India	59	182	145	140

a) 1982-85.

Source: United Nations, *World Investment Report*, 1994. OECD, *International Direct Investment Statistics Yearbook*, 1994.

TABLE 23. THIRTY LEADING EXPORTERS IN 1994

Rank	Exporter	Share
1	United States	12.3
2	Germany	10.1
3	Japan	9.5
4	France	5.7
5	United Kingdom	4.9
6	Italy	4.5
7	Canada	4.0
8	Hong Kong	3.7
9	Netherlands	3.6
10	Belgium-Luxembourg	3.1
11	China	2.9
12	Singapore	2.3
13	Korea	2.3
14	Taiwan	2.2
15	Spain	1.7
16	Switzerland	1.7
17	Mexico	1.5
18	Sweden	1.4
19	Malaysia	1.4
20	Russian Federation	a)
21	Australia	1.1
22	Austria	1.1
23	Thailand	1.1
24	Brazil	1.0
25	Indonesia	1.0
26	Denmark	1.0
27	Saudi Arabia	0.9
28	Norway	0.8
29	Ireland	0.8
30	Finland	0.7
	WORLD	100

a) The national *estimate* (48 billion US dollars) is not counted in world total.

Source: WTO, *WTO Focus Newsletter*, No. 2, July, 1995.

TABLE 24. EXPORT GROWTH IN ASIAN COUNTRIES BETWEEN 1960-1991

Countries	Merchandise Exports Growth (Annual Percentage)				
	1960-70	1970-75	1975-80	1980-85	1985-90
Japan	13.6	21.2	23.5	2.4	14.9
Hong Kong	14.5	21.9	25.1	8.8	23.7
Korea	39.6	49.2	27.2	11.5	18.1
Singapore	3.3	34.3	29.1	3.7	20.6
Taiwan	23.2	33.4	29.0	9.6	17.2
Indonesia	2.7	75.2	31.7	-8.0	-3.9
Malaysia	4.3	24.0	27.5	6.1	16.0
Thailand	5.9	31.8	21.8	1.5	28.0
China	1.3	30.4	20.8	7.5	18.3
India	3.7	18.7	13.3	2.0	16.3
LATIN AMERICA	5.1	24.3	21.6	1.0	8.1
DEVELOPING COUNTRIES	7.2	36.0	20.3	-4.7	11.7
DEVELOPED COUNTRIES	10.0	23.3	17.4	0.3	13.7
EC	10.2	23.9	18.2	-1.0	15.1

Source: UNCTAD, *Handbook of International Trade and Development Statistics*, 1994.

TABLE 25. EXPORT GROWTH IN ASIAN COUNTRIES BETWEEN 1991-1996

Countries	Merchandise Exports Growth (Annual Percentage)						Exports (M. US Dollars, f.o.b.)
	1991	1992	1993	1994	1995	1996	1993
Japan	9.6	8.3					362,244
Hong Kong	20.0	21.2	13.1	14.5	15.3	15.6	135,155
Korea	10.2	8.0	7.7	14.3	12.0	10.9	80,950
Singapore	12.1	8.6	15.9	24.0	20.0	15.0	71,959
Taiwan	13.0	6.9	4.5	5.0	6.8	7.5	84,329
Indonesia	10.5	14.0	8.3	7.9	12.6	11.0	36,607
Malaysia	17.1	18.1	15.9	24.2	20.8	20.0	45,912
Thailand	23.8	13.7	13.4	17.5	16.8	15.8	36,410
China	14.4	18.1	8.8	30.5	15.0	10.0	75,659
India	-1.1	3.2	20.4	15.9	17.6	16.0	22,700

Source: Asian Development Bank, *Asian Development Outlook*, 1995. UNCTAD, *Handbook of International Trade and Development Statistics 1993*, 1994. World Bank, *World Tables*, 1995.

TABLE 26. DIRECTION OF EXPORTS FROM ASIAN COUNTRIES BETWEEN 1985-1993

Countries	Direction of Exports (Percent Share)											
	Developing Asia[a]		Japan		USA		EU		Australia New Zealand		Rest of the World	
	1985	1993	1985	1993	1985	1993	1985	1993	1985	1993	1985	1993
Japan	27.4[a]	37.7	--	--	32.0[a,b]	31.2[b]	13.2[a]	15.8	3.6[a]	2.5	23.8[a]	12.8
Hong Kong	35.6	41.2	4.2	5.2	30.8	23.1	11.8	14.2	2.3	1.5	15.3	14.9
Korea	12.9	28.6	15.0	13.8	35.6	21.7	10.4	10.2	1.3	1.6	24.7	24.1
Singapore	36.6	41.1	9.4	7.5	21.2	20.4	10.1	13.5	4.5	2.6	18.2	15.1
Taiwan	15.6	31.7	11.3	10.6	15.5	27.7	5.5	7.9	2.4	1.7	49.7	20.4
Indonesia	17.2	26.5	46.2	30.3	21.7	14.2	6.0	13.4	1.2	2.3	7.6	13.3
Malaysia	38.1	40.1	24.6	13.0	12.8	20.3	13.6	13.3	1.9	1.8	9.1	11.5
Thailand	27.1	25.9	13.4	17.0	19.7	21.5	17.8	15.0	1.9	1.5	20.2	19.0
China	38.2	34.6	22.3	17.2	8.5	18.5	7.8	12.1	0.8	1.3	22.5	16.2
India	8.9	19.9	11.1	8.4	18.9	19.1	16.7	23.4	1.4	1.4	43.0	27.8

a) 1983.

b) North America.

Source: Asian Development Bank, *Asian Development Outlook*, 1995. GATT, *International Trade*, 1994.

TABLE 27. INTRA-ASIAN EXPORTS IN 1993

Intra-Asian Exports

(Million US Dollar, Percentage)

TO:	Japan		NIEs		SOUTHEAST ASIA		SOUTH ASIA		China		DMCs		World	
FROM:	1993	%[a]	1993	%	1993	%	1993	%	1993	%	1993	%	1993	%
Japan	--	--	81,878	11.68	33,618	18.70	3,803	7.08	17,353	45.01	137,057	16.68	362,593	6.68
NIEs	33,013	4.54	46,564	17.77	35,167	26.17	5,876	24.35	50,740	29.51	138,630	24.17	377,528	10.95
SOUTHEAST ASIA	26,461	8.24	35,625	29.06	7,153	21.16	2,083	19.37	3,165	14.40	48,159	26.32	135,782	13.56
SOUTH ASIA	2,441	1.29	3,027	15.71	1,217	2.90	1,340	1.89	520	81.43	6,123	13.16	34,645	6.84
China	15,782	34.90	27,172	-35.27	2,763	16.70	1,693	27.96	--	--	31,890	-30.63	91,611	7.16
DMCs[b]	78,671	11.14	112,668	0.42	46,571	24.08	11,018	20.64	54,834	29.10	225,844	11.73	644,680	10.75

a) Percent change over 1992.

b) DMCs: Asian Developing Countries

Source: Asian Development Bank, *Asian Development Outlook*, 1995.

TABLE 28. INTERMEDIATE GOODS IMPORTS IN ASIAN COUNTRIES BETWEEN 1985-1992

Countries	Imports							
	Intermediate Goods							(Thousands US Dollars)
	1985	1986	1987	1988	1989	1990	1991	1992
Japan	43 663,595	51 687,383	61 462,013	81 690,913	90 551,123	91 165,512	93 005,675	86 307,714
Hong Kong	15 011,701	18 492,418	25 592,667	33 449,435	36 088,802	41 500,876	51 016,468	57 139,749
Korea	14 337,471	18 023,115	24 592,533	32 025,185	36 504,298	38 812,488	43 926,058	43 317,393
Singapore	10 105,874	11 381,010	n.a.	21 886,224	23 095,479	27 132,693	29 524,067	33 062,268
Taiwan	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Indonesia	18 481,380[a]	6 396,278	7 467,216	8 146,087	9 636,696	11 942,673	13 741,403	15 180,441
Malaysia	6 525,435	6 192,139	7 823,705	10 095,089	13 422,637	17 117,427	21 407,533	n.a.
Thailand	4 192,358	4 870,263	7 893,433	12 087,590	15 703,664	20 052,659	22 396,378	23 698,508
China	n.a	n.a	n.a.	35 866,847	36 829,608	32 790,097	41 923,349	48 409,010
India	8 761,334	9 517,247	9 353,419	11 737,534	13 225,516	12 613,223	10 228,774	12 798,863

a) Data for this observation appears incorrect in original source.

Sources: United Nations, *Foreign Trade Statistics of Asia and the Pacific 1985-1989*, 1992. United Nations, *Foreign Trade Statistics of Asia and the Pacific*, 1995.

TABLE 29. TOTAL IMPORTS IN ASIAN COUNTRIES BETWEEN 1985-1992

Countries	Imports							(Thousands US Dollars)
	Total Goods							
	1985	1986	1987	1988	1989	1990	1991	1992
Japan	129 538,747	126 407,786	149 515,113	187 353,686	210 846,628	234 798,639	236 736,729	233 021,535
Hong Kong	29 592,555	35 389,253	48 503,341	63 937,288	72 191,448	84 724,919	103 883,081	127 340,143
Korea	31 135,655	31 583,900	41 017,155	51 810,632	61 464,772	69 843,678	81 524,858	81 775,257
Singapore	26 286,226	25 511,664	n.a.	43 861,824	49 687,409	60 790,151	66 093,732	72 173,675
Taiwan	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Indonesia	10 259,090	10 718,408	12 370,304	13 248,491	16 359,578	21 837,055	25 868,848	27 279 623
Malaysia	12 602,386	10 816,372	12 679,280	16 542,435	22 541,477	29 247,450	36 552,018	n.a.
Thailand	9 243,279	9 139,011	12 972,263	20 284,922	25 762,699	33 371,376	37 588,335	40 686,804
China	n.a.	n.a.	n.a.	55 268,296	59 140,128	53 345,133	63 790,634	80 585,333
India	16 223,685	15 721,740	17 153,829	19 350,911	21 718,210	23 799,165	19 509,430	24 452,423

a) Data for this observation appears incorrect in original source.

Sources: United Nations, *Foreign Trade Statistics of Asia and the Pacific 1985-1989*, 1992. United Nations, *Foreign Trade Statistics of Asia and the Pacific*, 1995.

TABLE 30. INTERMEDIATE GOODS SHARE OF TOTAL IMPORTS IN ASIAN COUNTRIES BETWEEN 1985-1992

Countries	Imports							
	Share of Intermediate Goods in Total Goods (Percentage)							
	1985	1986	1987	1988	1989	1990	1991	1992
Japan	33.7	40.9	41.1	43.6	42.9	38.8	39.3	37.0
Hong Kong	50.7	52.2	52.8	52.3	50.0	49.0	49.1	44.8
Korea	46.0	57.0	60.0	61.8	59.4	55.6	53.9	53.0
Singapore	38.4	44.6	n.a.	49.9	46.5	44.6	44.7	45.8
Taiwan	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Indonesia	--[a]	59.7	60.4	61.5	58.9	54.7	53.1	55.6
Malaysia	51.8	57.2	61.7	61.0	59.5	58.5	58.6	n.a.
Thailand	45.4	53.3	60.8	59.6	61.0	60.1	59.6	58.2
China	n.a.	n.a.	n.a.	64.9	62.3	61.5	65.7	60.1
India	54.0	60.5	54.5	60.6	60.9	53.0	52.4	52.3

a) Data for this observation appears incorrect in original source.

Sources: United Nations, *Foreign Trade Statistics of Asia and the Pacific 1985-1989*, 1992. United Nations, *Foreign Trade Statistics of Asia and the Pacific*, 1995.

TABLE 31. GROWTH IN INTERMEDIATE GOODS IMPORTS IN ASIAN COUNTRIES BETWEEN 1986-1992

Countries	Imports (Percentage)							
	Growth in Intermediate Goods							
	1986	1987	1988	1989	1990	1991	1992	Annual Average 1985-92
Japan	18.4	18.9	32.9	10.8	0.7	2.0	-7.2	10.2
Hong Kong	23.2	38.4	30.7	7.9	15.0	22.9	12.0	21.0
Korea	25.7	36.4	30.2	14.0	6.3	13.2	-1.4	17.1
Singapore	12.6	n.a	n.a.	5.5	17.5	8.8	12.0	18.45
Taiwan	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Indonesia	--[a]	16.7	9.1	18.3	23.9	15.1	10.5	15.49
Malaysia	-5.1	26.3	29.0	33.0	27.5	25.1	n.a.	21.9
Thailand	16.2	62.1	53.1	29.9	27.7	11.7	5.8	28.1
China	n.a.	n.a.	n.a	2.7	-11.0	27.8	15.5	7.8[b]
India	8.6	-1.7	25.5	12.7	-4.6	-18.9	25.1	5.6

a) Data for this observation appears incorrect in original source.

b) 1988-1992.

Sources: United Nations, *Foreign Trade Statistics of Asia and the Pacific 1985-1989*, 1992. United Nations, *Foreign Trade Statistics of Asia and the Pacific*, 1995.

TABLE 32. IMPORT GROWTH IN ASIA BETWEEN 1991-1994

Countries and Regions:	Merchandise Imports Growth				(Annual Percentage)		Imports (M US Dollars, f.o.b.)
	1991	1992	1993	1994	1995	1996	1993
Japan	-1.3						241,624
Hong Kong	21.5	23.1	12.2	16.0	16.3	16.0	138,455
Korea	17.6	1.0	2.3	18.7	14.6	10.2	79,090
Singapore	9.2	11.3	17.9	24.0	18.0	15.0	80,025
Taiwan	15.2	13.7	7.0	9.0	9.3	9.3	72,742
Indonesia	15.7	7.8	6.0	11.6	12.3	12.1	28,376
Malaysia	26.9	9.8	17.3	36.0	13.5	19.0	42,503
Thailand	15.8	6.0	11.8	16.4	16.0	15.0	40,556
China	18.5	28.3	34.1	10.5	17.0	10.0	86,313
India	-24.5	10.3	3.2	20.9	17.1	15.0	21,473

Source: Asian Development Bank, *Asian Development Outlook*, 1995. UNCTAD, *Handbook of International Trade and Development Statistics 1993*, 1994.

TABLE 33. TRADE-ORIENTATION OF ASIAN COUNTRIES BETWEEN 1970-1988

Countries	Trade/GDP		
	1970	1985	1988
Japan	0.19	0.23	0.11
Hong Kong	1.5	1.78	2.82
Korea	0.32	0.66	0.66
Singapore	2.12	2.77	3.47
Taiwan	0.53	0.82	0.90
Indonesia	0.25	0.38	0.42
Malaysia	0.89	0.85	1.09
Thailand	0.28	0.44	0.35
China	0.08[a)]	0.25	0.37
India	0.09[a)]	0.15	0.16

a) 1973.

Source: World Bank, *World Tables*, 1995.

TABLE 34. OUTPUT PER WORKER IN ASIAN COUNTRIES BETWEEN 1973-1994

Countries	Growth in Output Per Worker (Percentage)	
	1973-83	1983-93
Japan	2.7	2.9
Hong Kong	4.0	4.6
Korea	5.6	6.3
Singapore	4.0	5.6
Taiwan	n.a.	n.a.
Indonesia	4.3	3.6
Malaysia	3.4	3.7
Thailand	3.7	6.4
China	3.7	8.2
India	2.5	2.8

Source: World Bank, *World Tables*, 1995.

TABLE 35. CAPITAL GOODS IMPORTS IN ASIAN COUNTRIES BETWEEN 1985–1992

Countries	Imports							
	Capital Goods							(Thousands US Dollars)
	1985	1986	1987	1988	1989	1990	1991	1992
Japan	6 978,427	8 582,054	10 963,285	15 625,240	18 550,819	24 583,864	24 588,890	23 783,601
Hong Kong	3 490,519	3 756,110	5 507,731	8 053,110	8 297,862	9 332,223	12 142,342	18 710,080
Korea	7 415,869	6 189,556	7 585,891	9 893,150	12 314,766	14 242,291	16 592,786	16 319,513
Singapore	3 883,996	3 824,596	n.a.	7 521,700	9 431,950	11 654,628	13 504,445	15 048,537
Taiwan	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Indonesia	6 634,624	2 261,924	2 880,817	3 028,823	3 977,497	6 371,877	7 969,004	7 696,271
Malaysia	2 456,885	1 868,386	1 893,381	2 815,814	4 809,015	7 058,596	9 309,562	n.a.
Thailand	1 286,046	974,911	1 779,672	4 010,306	4 361,613	6 534,756	7 501,990	8 810,792
China	n.a.	n.a.	n.a.	11 601,550	12 619,032	11 793,609	13 004,295	19 924,569
India	1 497,745	2 331,127	1 447,832	1 287,330	1 942,943	2 015,708	1 084,341	1 646,070

a) Data for this observation appears incorrect in original source.

Sources: United Nations, *Foreign Trade Statistics of Asia and the Pacific 1985-1989*, 1992. United Nations, *Foreign Trade Statistics of Asia and the Pacific*, 1995.

TABLE 36. GROWTH IN CAPITAL GOODS IMPORTS IN ASIAN COUNTRIES BETWEEN 1986-1992

Countries	Imports (Percentage)							
	Growth in Capital Goods							
	1986	1987	1988	1989	1990	1991	1992	Annual Average 1986-92
Japan	23.0	27.7	42.5	18.7	32.5	0.0	-3.3	19.14
Hong Kong	7.6	46.6	46.2	3.0	12.5	30.1	54.1	27.10
Korea	-16.5	22.5	30.4	12.4	15.6	16.5	-1.6	11.93
Singapore	-1.5	n.a.	n.a.	25.4	15.9	15.9	11.4	21.35
Taiwan	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Indonesia	--[a]	27.4	5.1	31.3	60.2	25.1	-3.4	22.64
Malaysia	-24.0	1.3	48.7	70.8	46.8	31.9	n.a	24.86
Thailand	-24.2	82.5	125.3	8.8	49.8	14.8	17.4	31.64
China	n.a.	n.a.	n.a.	8.8	-6.5	10.3	53.2	14.48
India	55.6	-37.9	-11.1	50.9	3.7	-46.2	51.8	1.35

[a] Data for this observation appears incorrect in original source.

Sources: United Nations, *Foreign Trade Statistics of Asia and the Pacific 1985-1989*, 1992. United Nations, *Foreign Trade Statistics of Asia and the Pacific*, 1995.

TABLE 37. CAPITAL GOODS SHARE OF TOTAL IMPORTS IN ASIAN COUNTRIES BETWEEN 1985-1992

Countries	Imports							(Thousands US Dollars)
	Share of Capital Goods in Total Imports							
	1985	1986	1987	1988	1989	1990	1991	1992
Japan	5.4	6.8	7.3	8.3	8.8	10.5	10.4	10.2
Hong Kong	11.8	10.6	11.4	12.6	11.5	11.0	11.7	14.7
Korea	23.8	19.6	18.5	19.1	20.0	20.4	20.4	20.0
Singapore	14.8	15.0	n.a.	17.1	19.0	19.2	20.4	20.8
Taiwan	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Indonesia	--[a]	21.1	23.3	22.9	24.3	29.2	30.8	28.2
Malaysia	19.5	17.3	14.9	17.0	21.3	24.1	25.5	n.a.
Thailand	13.9	10.7	13.7	19.8	16.9	19.6	20.0	21.7
China				21.0	21.3	22.1	20.4	24.7
India	9.2	14.8	8.4	6.6	8.9	8.5	5.6	6.7

[a] Data for this observation appears incorrect in original source.

Sources: United Nations, *Foreign Trade Statistics of Asia and the Pacific 1985-1989*, 1992. United Nations, *Foreign Trade Statistics of Asia and the Pacific*, 1995.

TABLE 38. SECTORAL SHARES OF GDP IN TEN ASIAN COUNTRIES BETWEEN 1970–1994

Countries	Sectoral Shares of GDP (Percent)								
	Agriculture			Industry			Services		
	1970	1980	1994	1970	1980	1994	1970	1980	1994
Japan									
Hong Kong	n.a.	0.9	0.2	n.a.	32.0	19.2	n.a.	67.2	80.6
Korea	29.8	14.2	7.2	23.8	37.8	29.9	46.4	48.1	63.0
Singapore	2.2	1.1	0.2	36.4	38.4	37.4	61.4	60.0	62.4
Taiwan	n.a.	7.9	3.2	n.a.	46.0	38.6	n.a.	46.1	58.2
Indonesia	35.0	24.4	16.6	28.0	41.3	43.6	37.0	34.3	39.8
Malaysia	n.a.	22.9	14.8	n.a.	35.8	45.4	n.a.	41.3	39.8
Thailand	30.2	20.2	11.1	25.7	30.1	42.1	44.1	49.7	46.8
China	42.2	25.6	21.0	44.6	51.7	54.0	13.2	22.7	25.0
India	44.5	38.1	29.0	23.9	25.9	29.6	31.6	36.0	41.5
LATIN AMERICA	11.9	9.7	11.0	30.5	32.8	34.2	52.5	50.6	49.6
DEVELOPING COUNTRIES	27.9	17.5	17.0	24.4	35.8	27.5	42.5	40.0	48.1
DEVELOPED COUNTRIES	4.0	3.3	2.4	31.6	29.8	26.2	58.2	60.3	65.3
EC	5.0	3.5	2.7	34.1	30.7	27.2	53.6	59.1	64.0

Sources: Asian Development Bank, *Asian Development Outlook*, 1995. UNCTAD, *Handbook of International Trade and Development Statistics 1993*, 1994. World Bank, *World Tables*, 1995

TABLE 39. AGRICULTURAL PRODUCTION GROWTH IN ASIAN COUNTRIES BETWEEN 1961-1993

Countries	Agricultural Production Growth[a) (Average Annual Percentages)		
	1961-1970	1970-1980	1980-1993
Japan	0.5	-0.8	-0.7
Hong Kong	4.2	-3.7	2.3
Korea	4.1	4.2	1.9
Singapore	5.8	-1.5	-4.0
Taiwan	3.1	2.4	0.8
Indonesia	2.3	3.4	4.8
Malaysia	6.2	5.4	6.8
Thailand	4.1	4.4	2.2
China	6.5	3.1	4.0
India	1.9	2.6	3.7
LATIN AMERICA	2.7	3.2	2.3
DEVELOPING COUNTRIES	2.7	2.7	2.7
DEVELOPED COUNTRIES	2.0	2.2	0.9
EC	1.9	1.8	1.1

Sources: UNCTAD, *Handbook of International Trade and Development Statistics 1993*, 1994.

TABLE 40. AGRICULTURE GROWTH IN ASIAN COUNTRIES

Countries	Agriculture Value-Added Growth (Annual Percentage)				
	1981-1990	1991	1992	1993	1994
Japan				-0.8	-0.7
Hong Kong	n.a.	n.a.	n.a.	n.a.	n.a.
Korea	8.1	0.4	6.0	-2.4	3.9
Singapore	-6.8	-9.4	1.1	-2.3	0.2
Taiwan	0.2	1.8	-2.9	5.4	-4.1
Indonesia	3.1	1.6	6.6	1.4	1.6
Malaysia	3.9	0.0	4.3	3.9	0.5
Thailand	3.9	5.9	4.2	-1.7	2.9
China	5.5	2.4	4.1	4.0	3.5
India	3.6	-2.3	5.1	2.9	2.4

Sources: Asian Development Bank, *Asian Development Outlook*, 1995. Economist Intelligence Unit.

TABLE 41. INDUSTRY GROWTH IN ASIAN COUNTRIES BETWEEN 1981-1994

Countries	Industry Value-Added Growth (Annual Percentage)				
	1981-1990	1991	1992	1993	1994
Japan					
Hong Kong	n.a.	n.a.	n.a.	n.a.	n.a.
Korea	10.7	8.9	4.8	4.9	10.0
Singapore	5.2	7.8	5.4	9.4	13.1
Taiwan	7.1	6.8	4.3	4.1	5.7
Indonesia	5.9	10.4	5.6	7.3	10.7
Malaysia	7.4	11.2	8.9	10.0	11.4
Thailand	10.4	12.5	10.0	10.8	12.0
China	11.7	13.3	20.8	20.4	16.3
India	7.2	-0.8	2.9	3.5	7.6

Source: Asian Development Bank, *Asian Development Outlook*, 1995.

TABLE 42. SERVICES VALUE-ADDED GROWTH IN TEN ASIAN COUNTRIES

Countries	Services Value-Added Growth (Annual Percentage)						
	1981-1990	1991	1992	1993	1994	1995	1996
Japan				-0.8	-0.7		
Hong Kong	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Korea	19.4	10.5	5.1	6.9	8.0	7.6	7.3
Singapore	7.2	6.1	6.4	10.4	8.4	8.5	8.5
Taiwan	9.3	8.6	9.3	7.9	7.7	7.7	7.8
Indonesia	6.5	6.0	7.3	8.0	6.5	8.1	8.3
Malaysia	3.9	10.1	8.1	8.3	8.4	8.3	9.2
Thailand	7.7	6.0	7.3	8.7	7.0	6.8	6.5
China	12.4	5.5	9.3	9.3	10.0	10.0	10.0
India	6.5	4.7	4.8	5.9	5.7	6.5	7.0

Sources: Asian Development Bank, *Asian Development Outlook*, 1995. Economist Intelligence Unit.

TABLE 43. IMPORTS OF SERVICES IN ASIA BETWEEN 1985-93

Countries	Imports of Services (Million US Dollars)				
	1985	1990	1991	1992	1993
Japan	35,020	88,570	91,730	97,620	100,730
Hong Kong	4,305	9,739	11,113	12,462	n.a.
Korea	4,002	11,093	13,261	14,584	16,521
Singapore	3,934	9,224	9,781	10,101	11,509
Taiwan	5,142	14,443	16,544	19,159	21,349
Indonesia	5,010	5,898	6,316	6,824	n.a.
Malaysia	3,935	5,842	6,921	7,732	8,336
Thailand	1,811	6,358	7,907	9,514	n.a.
China	2,261	4,113	3,937	9,207	n.a.
India	3,846	6,048	n.a.	n.a.	n.a.
ASIA-10	69,266	161,328	173,558[a)]	193,251[a)]	n.a.
WORLD	408,000	847,000	875,000	990,000	990,000

[a)] calculated on the basis of India's imports not increasing.

Sources: GATT, *International Trade Trends and Statistics*, 1994.
WTO, *WTO Focus Newsletter*, No.2 (March-April), 1995.

TABLE 44. IMPORT GROWTH IN SERVICES IN ASIA BETWEEN 1982-94

Countries	Import Growth in Services						(Annual Percentage)
	Average 1985-1990	1990	1991	1992	1993	Average 1990-93	Average 1985-93
Japan	20.3	9.9	3.6	6.4	3.2	4.4	14.1
Hong Kong	17.7	19.9	14.1	12.1	n.a.	13.1[a]	16.4[a]
Korea	22.6	20.3	19.5	10.0	13.3	14.2	19.4
Singapore	18.6	27.2	6.0	3.3	13.9	7.6	14.4
Taiwan	22.9	9.1	14.5	15.8	11.4	13.9	19.5
Indonesia	3.3	11.5	7.1	8.0	n.a.	7.6[a]	4.5[a]
Malaysia	8.2	17.4	18.5	11.7	7.8	12.6	9.8
Thailand	28.5	41.1	24.4	20.3	n.a.	22.3[a]	26.7[a]
China	12.7	15.1	-4.3	133.8	n.a.	50.0[a]	22.2[a]
India	9.5	3.6	n.a.	n.a.	n.a.	n.a.	n.a.
ASIA-10	18.4	n.a.	7.5[b]	11.3[b]	n.a.		
WORLD	15.7	22.0	3.3	13.1	0.0		11.7

a) -1992.

b) calculated on the basis of India's imports not increasing.

Sources: GATT, *International Trade Trends and Statistics*, 1994. WTO, *WTO Focus Newsletter*, No.2 (March-April), 1995.

TABLE 45. INCOME INEQUALITY IN ASIAN COUNTRIES BETWEEN 1970-1992

	1970-75	1980-85	1987-92
	Inequality*)	Inequality	Inequality
Japan	n.a.	n.a.	n.a.
Hong Kong	49/6=8.2	47/5=9.4	n.a.
Korea	45/7=6.4	n.a.	n.a.
Singapore	n.a.	49/5=9.8	n.a.
Taiwan	n.a.	n.a.	n.a.
Indonesia	52/7=7.4	n.a.	42/9=4.7
Malaysia	56/4=14	n.a.	54/5=10.8
Thailand	50/6=8.3	n.a.	51/6=8.5
China	n.a.	39/7=5.6	42/6=7
India	49/6=8.2	41/8=5.1	41/9=4.6

*) Defined as the ratio of income shares of the richest 20% and the poorest 20% of the population.

Source: World Bank, *Social Indicators of Development*, 1995.

TABLE 46. PER CAPITA INCOME IN ASIAN COUNTRIES IN 1993

Countries		Per Capita GNP (US Dollars)
EAST ASIA	China	490
	Hong Kong	17,860
	Japan	31,450
	Macao	n.a.
	Mongolia	400
	North Korea	n.a.
	South Korea	7,670
	Taiwan	10,530
SOUTHEAST ASIA	Brunei	n.a.
	Cambodia	n.a.
	Indonesia	730
	Laos	290
	Malaysia	3,160
	Philippines	830
	Singapore	19,310
	Thailand	2,040
	Vietnam	170
SOUTH ASIA	Afghanistan	n.a.
	Bangladesh	220
	Bhutan	170
	India	290
	Maldives	820
	Myanmar	220
	Nepal	160
	Pakistan	430
	Sri Lanka	600

Sources: World Bank, *World Atlas*, 1995. Asian Development Bank, *Asian Development Outlook*, 1995.

TABLE 47. CONSUMER EXPENDITURE IN ASIAN COUNTRIES BETWEEN 1989-2005

	Growth in Consumers' Expenditure									(Percentage)
	1989	1990	1991	1992	1993	1994	1995	1980-1992	1995-2000	2000-2005
Japan	4.3	4.0	2.1	1.7	1.1	1.6	0.9	3.6	3.1	3.5
Korea	10.9	10.3	9.3	6.4	5.6	5.6	5.5	9.2	6.2	3.5
Taiwan	10.9	10.3	6.8	9.0	7.8	8.5	8.2	9.2	7.8	6.5
China	1.7	6.7	6.6	6.7	8.0	7.0	3.0	3.9	5.2	5.4

Source: Economist Intelligence Unit, *Consumer Spending Forecasts for thw World's Largest Economies 1995-: Chapter 15: Asia*, 1 July, 1995.

TABLE 48. CONSUMER EXPENDITURE BREAKDOWN IN JAPAN BETWEEN 1989-2005

JAPAN	Consumers Expenditure Breakdown (Percentage)									
	1988	1989	1990	1991	1992	1993	1994	1995	2000	2005
Food, Drink and Tobacco	20.8	20.6	20.3	20.0	19.8	19.8	19.7	19.5	18.0	16.3
Clothing and Footwear	6.2	6.0	5.9	5.8	5.5	5.5	5.3	5.3	4.9	4.5
Housing and Energy	18.2	18.2	18.3	18.7	19.0	19.0	19.3	19.6	19.6	19.5
Household Goods and Services	6.2	6.2	6.5	6.7	6.6	6.6	6.4	6.5	6.7	6.9
Health	10.4	10.3	10.3	10.6	10.6	10.6	10.6	10.8	11.3	12.5
Personal transport and communications	10.1	10.5	10.8	10.7	10.6	10.6	10.3	10.6	10.6	10.6
Leisure and Education	10.2	10.2	10.2	10.5	10.5	10.5	10.6	10.5	11.0	11.7
Other goods and services	16.1	16.1	15.9	15.4	15.7	15.7	15.8	15.7	16.2	16.8
Statistical adjustments	1.8	1.9	1.9	1.7	1.8	1.8	2.0	1.6	1.6	1.2
TOTAL	100	100	100	100	100	100	100	100	100	100

Source: Economist Intelligence Unit, *Consumer Spending Forecasts for the World's Largest Economies 1995-: Chapter 15: Asia,* 1 July 1995.

TABLE 49. CONSUMER EXPENDITURE GROWTH IN JAPAN BETWEEN 1989-2005

JAPAN	Consumer Expenditure Growth (Percentage)									
	1989	1990	1991	1992	1993	1994	1995	1980-1992	1995-2000	2000-2005
Food, Drink and Tobacco	3.3	2.6	0.3	0.7	0.4	1.5	1.1	1.5	1.5	1.4
Clothing and Footwear	1.5	2.1	0.6	-4.3	-2.8	-0.7	2.2	1.0	1.4	1.6
Housing and Energy	4.4	4.6	3.9	3.6	2.9	3.4	3.6	3.6	3.1	3.4
Household Goods and Services	4.2	8.7	5.9	-0.5	-1.4	-0.6	2.9	5.1	3.8	4.2
Health	2.9	4.4	4.5	1.9	2.1	2.7	3.3	3.8	4.1	5.6
Personal transport and communications	7.9	7.2	1.3	0.4	-3.6	-0.4	4.8	3.9	3.2	3.5
Leisure and Education	4.2	3.5	5.8	1.6	1.2	2.3	1.1	5.0	4.2	4.7
Other goods and services	4.3	2.4	-0.8	3.8	2.1	2.7	1.4	3.8	3.7	4.3
TOTAL	4.3	4.0	2.1	1.7	1.1	1.6	0.9	3.6	3.1	3.5

Source: Economist Intelligence Unit, *Consumer Spending Forecasts for the World's Largest Economies 1995-: Chapter 15: Asia,* 1 July 1995.

TABLE 50. CONSUMER EXPENDITURE BREAKDOWN IN KOREA BETWEEN 1989-2005

	Consumers Expenditure Breakdown (Percentage)									
KOREA	1988	1989	1990	1991	1992	1993	1994	1995	2000	2005
Food, Drink and Tobacco	38.3	37.1	36.0	34.1	33.3	32.9	32.6	32.1	28.8	26.4
Clothing and Footwear	5.1	4.8	4.6	4.4	4.3	4.2	4.1	4.0	3.5	3.2
Housing and Energy	10.5	10.0	10.0	10.3	10.3	10.3	10.3	10.4	11.3	11.9
Household Goods and Services	6.3	6.2	6.3	6.3	6.2	6.0	5.9	5.9	6.0	6.1
Health	7.0	7.3	7.6	8.0	8.3	8.6	8.9	9.0	9.9	11.2
Personal transport and communications	11.1	11.5	11.9	12.2	12.6	13.0	13.2	13.7	15.9	16.7
Leisure and Education	12.0	12.1	13.2	12.9	12.9	12.8	12.9	12.8	13.0	13.3
Other goods and services	9.7	11.2	10.6	11.6	12.0	12.0	11.9	11.8	11.5	11.4
Statistical adjustments	0.0	-0.2	-0.2	-0.2	-0.1	0.2	0.2	0.3	0.1	-0.2
TOTAL	100	100	100	100	100	100	100	100	100	100

Source: Economist Intelligence Unit, *Consumer Spending Forecasts for the World's Largest Economies 1995-: Chapter 15: Asia,* 1 July 1995.

TABLE 51. CONSUMER EXPENDITURE GROWTH IN KOREA BETWEEN 1989-2005

KOREA	Consumer Expenditure Growth (Percentage)									
	1989	1990	1991	1992	1993	1994	1995	1980-1992	1995-2000	2000-2005
Food, Drink and Tobacco	7.5	6.9	3.5	4.0	4.5	4.4	4.0	5.5	3.9	3.3
Clothing and Footwear	4.2	5.9	5.9	3.5	3.1	2.8	3.7	4.9	3.4	3.2
Housing and Energy	5.5	9.8	12.5	6.5	5.8	6.1	6.3	8.5	7.9	6.2
Household Goods and Services	9.2	12.8	8.8	4.1	2.9	3.6	5.1	8.7	6.5	5.5
Health	14.9	14.9	15.6	10.1	9.4	8.7	7.7	13.8	8.1	7.8
Personal transport and communications	14.3	14.7	12.2	9.3	8.9	7.2	9.6	12.6	9.4	6.2
Leisure and Education	11.3	21.0	6.6	6.8	4.5	6.1	5.1	11.2	6.5	5.6
Other goods and services	28.1	4.4	20.3	9.6	5.5	4.8	4.4	15.2	5.8	4.8
TOTAL	10.9	10.3	9.3	6.4	5.6	5.6	5.5	9.2	6.2	5.1

Source: Economist Intelligence Unit, *Consumer Spending Forecasts for the World's Largest Economies 1995-: Chapter 15: Asia*, 1 July 1995.

TABLE 52. CONSUMER EXPENDITURE BREAKDOWN IN TAIWAN BETWEEN 1995-2005

	Consumers Expenditure Breakdown (Percentage)									
TAIWAN	1988	1989	1990	1991	1992	1993	1994	1995	2000	2005
Food, Drink and Tobacco	28.9	28.9	27.0	26.6	26.1	25.5	24.7	24.1	21.0	19.2
Clothing and Footwear	4.4	4.5	4.6	4.7	4.7	4.7	4.8	4.9	5.4	5.7
Housing and Energy	12.9	12.9	12.9	13.1	13.9	14.0	14.0	14.4	13.7	13.5
Household Goods and Services	3.2	3.0	4.1	4.0	4.2	4.2	4.4	4.5	4.7	5.0
Health	4.4	4.2	4.1	4.4	4.6	4.5	4.5	4.6	4.8	5.2
Personal transport and communications	11.9	13.6	13.1	12.8	12.7	12.7	13.5	14.4	16.7	18.0
Leisure and Education	13.1	13.2	13.1	12.9	12.8	12.8	12.8	13.0	13.6	14.5
Other goods and services	21.3	19.8	21.1	21.8	21.5	21.2	21.0	20.7	18.8	17.7
Statistical adjustments	-0.1	-0.1	0.0	-0.3	-0.5	0.4	0.3	-0.6	1.3	1.22
TOTAL	100	100	100	100	100	100	100	100	100	100

Source: Economist Intelligence Unit, *Consumer Spending Forecasts for the World's Largest Economies 1995-: Chapter 15: Asia*, 1 July 1995.

TABLE 53. CONSUMER EXPENDITURE GROWTH IN TAIWAN BETWEEN 1989-2005

	Consumer Expenditure Growth									(Percentage)
TAIWAN	1989	1990	1991	1992	1993	1994	1995	1980-1992	1995-2000	2000-2005
Food, Drink and Tobacco	11.1	3.1	7.4	4.4	5.8	6.0	5.0	6.6	4.9	4.6
Clothing and Footwear	15.3	12.0	11.7	6.6	5.4	8.8	10.1	12.0	9.7	7.6
Housing and Energy	11.4	10.2	11.3	12.4	11.4	9.1	8.4	12.3	6.8	6.1
Household Goods and Services	2.9	53.0	4.8	12.9	7.1	9.1	12.6	11.2	9.1	7.6
Health	6.0	9.0	15.2	11.4	8.5	7.7	8.1	10.0	8.8	8.4
Personal transport and communications	26.5	6.6	6.9	5.5	4.8	8.2	15.5	15.9	11.1	8.1
Leisure and Education	12.1	9.3	7.4	6.1	9.2	7.8	8.8	10.3	8.9	7.8
Other goods and services	2.9	17.5	13.3	4.6	6.6	7.2	7.0	7.6	5.8	5.2
TOTAL	10.9	10.3	6.8	9.0	7.8	8.5	8.2	9.2	7.8	6.5

Source: Economist Intelligence Unit, *Consumer Spending Forecasts for the World's Largest Economies 1995-: Chapter 15: Asia,* 1 July 1995.

TABLE 54. **CONSUMER EXPENDITURE BREAKDOWN IN CHINA BETWEEN 1989-2005**

	Consumers Expenditure Breakdown									(Percentage)
CHINA	1988	1989	1990	1991	1992	1993	1994	1995	2000	2005
Food, Drink and Tobacco	51.4	54.5	54.3	52.1	50.8	50.1	49.9	49.5	48.9	47.3
Clothing and Footwear	13.9	13.5	13.4	13.1	12.8	12.4	12.3	12.2	11.9	11.1
Housing and Energy	2.6	2.0	2.2	2.3	2.3	2.4	2.4	2.4	2.4	2.3
Household Goods and Services	12.0	11.1	10.1	9.9	10.2	10.1	10.2	10.5	10.8	12.8
Health	1.1	1.3	1.5	1.5	1.7	1.9	1.9	1.8	1.8	1.7
Personal transport and communications	1.0	1.0	1.2	1.1	1.0	1.2	1.3	1.3	1.5	1.5
Leisure and Education	6.3	6.1	5.6	5.5	5.6	5.8	5.9	6.2	6.2	6.5
Other goods and services	10.3	11.6	11.7	14.5	15.6	16.1	16.1	16.1	16.4	16.8
Statistical adjustments	1.4	-1.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	100	100	100	100	100	100	100	100	100	100

Source: Economist Intelligence Unit, *Consumer Spending Forecasts for the World's Largest Economies 1995-: Chapter 15: Asia,* 1 July 1995.

TABLE 55. CONSUMER EXPENDITURE GROWTH IN CHINA BETWEEN 1989-2005

CHINA	Consumer Expenditure Growth									(Percentage)
	1989	1990	1991	1992	1993	1994	1995	1980-1992	1995-2000	2000-2005
Food, Drink and Tobacco	6.0	-0.4	-4.1	17.8	6.5	2.6	3.0	2.8	4.9	4.7
Clothing and Footwear	-6.7	-2.1	7.7	15.5	5.0	1.8	2.6	1.2	4.8	3.9
Housing and Energy	18.2	2.7	9.5	10.0	11.7	3.9	4.3	8.4	4.4	4.7
Household Goods and Services	-5.9	-2.9	4.5	9.9	7.3	3.7	6.9	1.6	5.9	8.9
Health	20.2	23.1	6.6	20.9	17.9	3.0	3.0	15.5	4.7	4.6
Personal transport and communications	8.6	16.2	4.6	-2.2	28.6	7.3	5.5	2.1	8.5	5.8
Leisure and Education	-1.5	-2.0	4.7	8.6	11.9	2.8	2.8	2.8	6.9	6.4
Other goods and services	14.6	7.6	32.1	14.8	11.5	3.0	4.0	13.2	5.6	5.9
TOTAL	1.7	6.7	6.6	6.7	8.0	7.0	3.0	3.9	5.2	5.4

Source: Economist Intelligence Unit, *Consumer Spending Forecasts for the World's Largest Economies 1995-: Chapter 15: Asia,* 1 July 1995.

TABLE 56. GROWTH IN IMPORTS BY CATEGORY IN ASIAN COUNTRIES BETWEEN 1985-1992

Countries	Growth in Imports			(Percentage)
	Intermediate Goods	Capital Goods	Consumer Goods	Total
	Average 1985-1992	Average 1985-1992	Average 1985-1992	Average 1985-1992
Japan	10.2	19.1	25.3	8.74
Hong Kong	21.0	27.1	29.4	23.2
Korea	17.11	11.9	25.8	14.8
Singapore	18.45	21.35	38.7	15.5
Taiwan	n.a.	n.a.	n.a.	n.a.
Indonesia	15.49	22.64	13.7	15.0
Malaysia	21.90	24.86	17.4	19.4
Thailand	28.07	31.64	13.7	23.6
China	7.78	14.48	0.9	9.9
India	5.56[a)]	1.35	18.1	6.0

a) 1988-92.

Sources: United Nations, *Foreign Trade Statistics of Asia and the Pacific 1985-1989*, 1992. United Nations, *Foreign Trade Statistics of Asia and the Pacific*, 1995.

TABLE 57. CONSUMER GOODS IMPORTS IN ASIAN COUNTRIES BETWEEN 1985-1992

Countries	Imports							(Thousands US Dollars)
	Consumer Goods							
	1985	1986	1987	1988	1989	1990	1991	1992
Japan	8 540,592	11 360,653	17 215,786	31 997,915	38 999,951	43 776,157	41 373,512	41 512,186
Hong Kong	7 039,716	8 964,673	12 673,179	16 959,204	21 515,067	26 865,891	32 959,167	42 789,341
Korea	806,759	1 042,771	1 398,397	1 966,689	2 654,025	3 223,871	4 786,333	4 019,484
Singapore	1 306,054	1 514,114	n.a.	5 696,832	8 806,720	11 118,331	12 137,074	12 920,808
Taiwan	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Indonesia	21 583,598[a]	427,808	300,262	330,814	585,562	788,751	833,183	923,521
Malaysia	909,359	824,484	915,517	1 293,852	1 608,499	1 943,728	2 382,405	n.a.
Thailand	1 311,704	1 574,688	1 037,664	1 678,919	2 260,770	2 414,775	2 666,478	3 230,070
China	n.a.	n.a.	n.a.	5 276,782	5 959,117	5 594,613	5 170,876	5 472,086
India	1 401,667	887,001	1 669,985	2 599,768	3 034,286	4 566,684	4 092,490	4 497,401

a) Data for this observation appears incorrect in original source.

Sources: United Nations, *Foreign Trade Statistics of Asia and the Pacific 1985-1989*, 1992. United Nations, *Foreign Trade Statistics of Asia and the Pacific*, 1995.

TABLE 58. GROWTH IN CONSUMER GOODS IMPORTS IN ASIAN COUNTRIES BETWEEN 1986–1992

Countries	Imports (Thousands US Dollars)							
	Growth in Imports of Consumer Goods							
	1986	1987	1988	1989	1990	1991	1992	Average 1985–92
Japan	33.0	51.5	85.9	21.9	12.2	-5.5	0.3	25.3
Hong Kong	27.3	41.4	33.8	26.9	24.9	22.7	29.8	29.4
Korea	29.2	34.1	40.6	34.9	21.5	48.5	-16.0	25.8
Singapore	15.9	n.a.	n.a.	54.6	26.2	9.2	6.4	38.7
Taiwan	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Indonesia	--[a]	-29.8	10.2	77.0	34.7	5.6	10.8	13.7
Malaysia	-9.3	11.0	41.3	24.3	20.8	22.6	n.a.	17.4
Thailand	20.0	-34.1	61.8	34.6	6.8	10.4	21.1	13.7
China	n.a.	n.a.	n.a.	12.9	-6.1	-7.5	5.8	0.9
India	-36.7	88.3	55.7	16.7	50.5	-10.4	9.9	18.1

a) Data for this observation appears incorrect in original source.

Sources: United Nations, *Foreign Trade Statistics of Asia and the Pacific 1985–1989*, 1992. United Nations, *Foreign Trade Statistics of Asia and the Pacific*, 1995.

TABLE 59. SHARE OF CONSUMER GOODS IN TOTAL IMPORTS IN ASIAN COUNTRIES BETWEEN 1985-1992

Countries	Imports (Thousands US Dollars)							
	Share of Consumer Goods in Total Imports							
	1985	1986	1987	1988	1989	1990	1991	1992
Japan	6.6	9.0	11.5	17.1	18.5	18.6	17.5	17.8
Hong Kong	23.8	25.3	26.1	26.5	29.8	31.7	31.7	33.6
Korea	2.6	3.3	3.4	3.8	4.3	4.6	5.9	4.9
Singapore	5.0	5.9	n.a.	13.0	17.7	18.3	18.4	17.9
Taiwan	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a
Indonesia	--[a]	4.0	2.4	2.5	3.6	3.6	3.2	3.4
Malaysia	7.2	7.6	7.2	7.8	7.1	6.6	6.5	n.a.
Thailand	14.2	17.2	8.0	8.3	8.8	7.2	7.1	7.9
China	n.a.	n.a.	n.a.	9.5	10.1	10.5	8.1	6.8
India	8.6	5.6	9.7	13.4	14.0	19.2	21.0	18.4

[a] Data for this observation appears incorrect in original source.

Sources: United Nations, *Foreign Trade Statistics of Asia and the Pacific 1985-1989*, 1992. United Nations, *Foreign Trade Statistics of Asia and the Pacific*, 1995.

TABLE 60. GEOGRAPHIC DISTRIBUTION OF EUROPEAN UNION EXPORTS BETWEEN 1980-1994

European Union Exports, fob (Million ECU, Percentage)

TO:	1980 MECU	1980 %	1985 MECU	1985 %	1990 MECU	1990 %	1991 MECU	1991 %	1992 MECU	1992 %	1993 MECU	1993 %	1994 MECU	1994 %
USA	25,564	11.6	85,532	21.4	76,554	18.4	71,201	16.8	73,781	16.9	85,089	17.5	95,046	17.6
JAPAN	4,569	2.1	10,472	2.6	22,715	5.5	22,155	5.2	20,565	4.7	22,751	4.7	26,572	4.9
ASIA-7[a]	8,672	3.9	18,884	4.7	31,990	7.7	35,633	8.4	38,680	8.9	47,472	9.8	58,894	10.9
Hong Kong	2,133	1.0	4,550	1.1	6,597	1.6	7,395	1.7	8,782	2.0	11,377	2.3	13,133	2.4
Korea	941	0.4	2,763	0.7	6,054	1.4	7,086	1.7	6,231	1.4	7,671	1.6	10,023	1.9
Singapore	1,713	0.8	3,812	1.0	5,682	1.4	5,684	1.3	6,349	1.4	7,677	1.6	8,840	1.6
Taiwan	872	0.4	2,290	0.6	4,916	1.2	5,511	1.3	6,249	1.4	7,579	1.6	8,725	1.6
Indonesia	1,252	0.5	2,269	0.6	2,837	0.7	3,201	0.8	4,053	0.9	4,137	0.8	4,311	0.8
Malaysia	1,035	0.5	1,563	0.4	2,495	0.6	2,940	0.7	3,103	0.7	3,984	0.8	5,764	1.1
Thailand	726	0.3	1,637	0.4	3,409	0.8	3,816	0.9	3,913	0.9	5,047	1.0	6,098	1.1
CHINA	1,725	0.8	7,177	1.8	5,263	1.3	5,603	1.3	6,852	1.6	11,339	2.3	12,475	2.3
INDIA	2,298	1.0	5,766	1.4	5,995	1.4	5,220	1.2	5,246	1.2	6,295	1.3	7,053	1.3
ASIA-10[b]	17,264	7.8	42,299	10.6	65,963	15.9	68,611	16.2	71,343	16.4	87,857	18.0	102,994	19.1
ROW	178,256	80.6	270,936	67.9	272,924	65.7	283,654	67.0	290,964	66.7	313,904	64.5	340,660	63.2
TOTAL EXTRA-EU	221,084	100	398,767	100	415,441	100	423,466	100	436,088	100	486,850	100	538,700	100

a) Defined as: Hong Kong, Korea, Singapore, Taiwan, Indonesia, Malaysia and Thailand.
b) Defined as: Japan, Hong Kong, Korea, Singapore, Taiwan, Indonesia, Malaysia, Thailand, China and India.
Source: EUROSTAT

TABLE 61. GEOGRAPHIC DISTRIBUTION OF EXPORTS FROM THE EUROPEAN UNION, USA AND JAPAN BETWEEN 1988–1994

European Union Exports, fob

(Percentage)

TO:	USA			Japan			Asia-7[a)]			China			India			Asia-10[b)]		
FROM:	1988	1991	1994	1988	1991	1994	1988	1991	1994	1988	1991	1994	1988	1991	1994	1988	1991	1994
USA	--	--	--	11.8	11.4	10.4	12.5	13.1	14.5	1.6	1.5	1.8	0.8	0.5	0.4	26.7	26.5	27.1
JAPAN	34.1	29.3	30.0	--	--	--	23.1	28.5	32.4	3.6	2.7	4.7	0.8	0.5	0.5	27.5	31.7	37.6
EU-12	19.8	16.8	17.6	4.7	5.2	4.9	6.9	8.4	10.6	1.6	1.3	2.3	1.6	1.2	1.3	14.8	16.1	19.1

a) Defined as: Hong Kong, Korea, Singapore, Taiwan, Indonesia, Malaysia and Thailand.

b) Defined as: Japan, Hong Kong, Korea, Singapore, Taiwan, Indonesia, Malaysia, Thailand, China and India.

Source: EUROSTAT. OECD, *Monthly Statistics on Foreign Trade*, July, 1995.

TABLE 62. GEOGRAPHIC DISTRIBUTION OF EUROPEAN UNION EXPORTS IN 1994

Exports, fob 1994

(Percentage)

TO: / FROM: EU-12	France	Belgium/ Luxembourg	Netherlands	Germany	Italy	United Kingdom	Ireland	Denmark	Greece	Portugal	Spain	USA	Japan	
EXTRA-EU	22.5	23.4	19.6	32.1	22.9	14.3	26.3	53.2	17.3	9.1	10.1	17.0		
USA	17.6	17.8	17.7	15.7	15.5	16.6	26.2	27.2	11.2	10.3	21.2	12.9	--	30.1
Japan	4.9	4.8	4.6	4.1	5.1	4.6	4.9	10.4	8.2	2.1	3.1	3.2	10.4	--
Asia-7[a)]	10.6	10.0	11.2	12.1	10.2	10.9	13.3	7.9	6.8	3.4	4.0	7.6	14.5	32.4
China	2.3	2.2	2.7	1.7	2.9	2.6	1.4	0.3	0.9	0.4	0.4	2.9	1.8	4.7
India	1.3	0.9	4.8	0.9	1.0	0.8	2.2	0.2	0.8	0.5	0.1	0.7	0.4	0.5
Asia-10[b)]	19.1	17.9	23.3	18.8	19.2	18.9	19.2	18.9	21.8	18.8	16.7	6.4	7.6	14.4

a) Asia-7: Hong Kong, Korea, Singapore, Taiwan, Indonesia, Malaysia and Thailand.

b) Asia-10: Japan, Asia-7, China and India.

Source: COMEXT. EUROSTAT. OECD, *Monthly Statistics of Foreign Trade*, July, 1995.

TABLE 63. GEOGRAPHIC DISTRIBUTION OF EUROPEAN UNION EXPORTS BY MEMBER STATES IN 1991

TO: FROM: EU-12	Exports, fob 1991											(Percentage)
	France	Belgium/ Luxembourg	Netherlands	Germany	Italy	United Kingdom	Ireland	Denmark	Greece	Portugal	Spain	
USA	16.8	16.5	15.7	16.7	13.6	17.0	25.6	35.1	10.5	16.0	16.0	14.2
Japan	5.2	5.4	4.9	4.0	5.4	5.4	5.2	9.2	7.8	2.8	3.7	2.4
Asia-7[a)]	8.4	8.0	9.7	10.0	8.0	8.2	11.1	5.5	5.7	2.4	3.0	5.5
China	1.3	1.7	1.8	1.0	1.3	1.8	0.7	0.1	0.6	0.8	0.8	1.6
India	1.2	1.0	4.9	1.1	0.8	0.6	2.3	0.2	0.4	0.2	0.1	0.5
Asia-10[b)]	16.1	16.1	21.3	16.1	15.5	16.0	19.3	15.0	14.5	6.2	7.6	10.0

a) Asia-7: Hong Kong, Korea, Singapore, Taiwan, Indonesia, Malaysia and Thailand.

b) Asia-10: Japan, Asia-7, China and India.

Source: COMEXT. EUROSTAT. OECD, *Monthly Statistics of Foreign Trade*, July, 1995.

TABLE 64. GEOGRAPHIC DISTRIBUTION OF EUROPEAN UNION EXPORTS BY MEMBER STATE IN 1988

TO: / FROM: EU-12	Exports, fob 1988											(Percentage)
	France	Belgium/ Luxembourg	Netherlands	Germany	Italy	United Kingdom	Ireland	Denmark	Greece	Portugal	Spain	
USA	19.8	18.9	19.8	17.1	17.6	20.9	26.1	30.8	11.9	17.8	22.1	18.9
Japan	4.7	4.3	4.7	3.7	5.1	4.5	4.5	7.8	8.4	4.1	2.8	2.3
Asia-7[a)]	6.9	6.3	8.0	10.1	6.0	6.0	9.9	5.5	4.8	2.6	2.8	4.1
China	1.6	1.5	1.5	1.1	1.9	2.4	1.0	0.4	0.9	1.1	1.1	1.3
India	1.6	1.0	6.0	1.5	1.1	0.7	2.8	0.2	0.4	0.4	0.6	0.5
Asia-10[b)]	14.8	13.1	20.2	16.4	14.1	13.6	18.2	13.9	14.5	8.2	7.3	8.2

a) Asia-7: Hong Kong, Korea, Singapore, Taiwan, Indonesia, Malaysia and Thailand.

b) Asia-10: Japan, Asia-7, China and India.

Source: COMEXT. EUROSTAT. OECD, *Monthly Statistics of Foreign Trade*, July, 1995.

TABLE 65. GEOGRAPHIC AND SECTORAL DISTRIBUTION OF EUROPEAN UNION EXPORTS IN 1994

TO:	European Union Exports, fob 1994 (Million ECU, Percentage)							
	ALL SECTORS[a]		Strong-Demand Sectors		Moderate-Demand Sectors		Weak-Demand Sectors	
EXTRA-EU	503,484	100	121,419	24.1[b]	232,407	46.2	149,658	29.7
USA	88,051	100	20,740	23.6	40,996	46.6	26,315	29.9
Japan	24,955	100	6,868	27.5	10,336	41.4	7,751	31.0
Asia-7[c]	52,681	100	14,060	26.7	23,679	44.9	14,942	28.4
China	11,499	100	1,445	12.6	8,584	74.6	1,470	12.8
India	6,533	100	1,031	15.8	2,398	36.7	3,104	47.5
Asia-10[d]	95,668	100	23,404	24.4	44,997	47.0	27,267	2.1

a) Only exports of manufacturers.

b) Percentages denote of exports to this country or region so much is in this demand sector.

c) Asia-7: Hong Kong, Indonesia, Malaysia, Singapore, South Korea, Taiwan and Thailand.

d) Asia-10: Japan, Asia-7, China and India.

Strong-Demand Sectors: SITC 5+75+77
Moderate-Demand Sectors: SITC 7-75-77+0+1+62+64
Weak-Demand Sectors: SITC 6-62-64+8
(SITC 2+3+4 are excluded, consequently percentages do not add up to 100).

Source: COMEXT. EUROSTAT. OECD, *Foreign Trade by Commodities*, 1994. OECD, *Monthly Statistics on Foreign Trade*, July, 1995.

TABLE 66. GEOGRAPHIC AND SECTORAL DISTRIBUTION OF UNITED STATES EXPORTS IN 1993

TO:	United States Exports, fob 1993 (Thousand US Dollars, Percentage)							
	ALL SECTORS[a]		Strong-Demand Sectors		Moderate-Demand Sectors		Weak-Demand Sectors	
WORLD	380 635,855	100	108 819,407	28.6 [b]	193 727,385	50.9	78 089,063	20.5
EU	76 446,292	100	27 434,291	35.9	32 546,699	42.6	16 465,302	21.5
Japan	37 709,305	100	10 307,603	27.3	19 707,459	52.1	7 775,243	20.6
Asia-7[c]	52 605,130	100	19 660,947	37.4	24 506,327	46.8	8 437,856	16.0
China	7 854,908	100	1 296,024	16.5	5 732,993	73.0	825,891	10.5
India	2 393,261	100	571,894	23.9	1 556,991	65.0	264,376	11.0
Asia-10[d]	100 643,604	100	31 836,468	31.6	51 503,770	51.2	17 303,366	17.2

a) Only exports of manufacturers.

b) Percentages denote of exports to this country or region so much is in this demand sector.

c) Asia-7: Hong Kong, Indonesia, Malaysia, Singapore, South Korea, Taiwan and Thailand.

d) Asia-10: Japan, Asia-7, China and India.

Strong-Demand Sectors: SITC 5+75+77
Moderate-Demand Sectors: SITC 7-75-77+0+1+62+64
Weak-Demand Sectors: SITC 6-62-64+8
(SITC 2+3+4 are excluded, consequently percentages do not add up to 100).

Source: OECD, *Foreign Trade by Commodities*, 1994. OECD, *Monthly Statistics on Foreign Trade*, July, 1995.

TABLE 67. GEOGRAPHIC AND SECTORAL DISTRIBUTION OF JAPAN EXPORTS IN 1993

TO:	Japan Exports, fob 1993 (Thousand US Dollars, Percentage)							
	ALL SECTORS[a]		Strong-Demand Sectors		Moderate-Demand Sectors		Weak-Demand Sectors	
WORLD	350 529,908	100	100 430,680	28.6 [b]	187 653,182	53.5	62 446,046	17.8
EU	50 119,095	100	13 380,741	26.7	28 689,790	57.2	8 048,564	16.0
USA	103 800,466	100	22 675,249	21.8	67 523,123	65.0	13 602,094	13.1
Asia-7[c]	103 951,317	100	34 803,177	33.5	44 322,456	42.6	24 825,684	23.9
China	16 284,398	100	2 358,357	14.5	8 392,175	51.5	5 533,866	34.0
India	1 413,465	100	346,711	24.5	689,846	48.8	376,908	26.7
Asia-10[d]	121 649,180	100	37 508,245	30.8	53 404,477	43.9	30 736,458	25.3

a) Only exports of manufacturers.

b) Percentages denote of exports to this country or region so much is in this demand sector.

c) Asia-7: Hong Kong, Indonesia, Malaysia, Singapore, South Korea, Taiwan and Thailand.

d) Asia-10: Japan, Asia-7, China and India.

Strong-Demand Sectors: SITC 5+75+77
Moderate-Demand Sectors: SITC 7-75-77+0+1+62+64
Weak-Demand Sectors: SITC 6-62-64+8
(SITC 2+3+4 are excluded, consequently percentages do not add up to 100).

Source: OECD, *Foreign Trade by Commodities*, 1994. OECD, *Monthly Statistics on Foreign Trade*, July, 1995.

TABLE 68. *GEOGRAPHIC AND SECTORAL DISTRIBUTION OF EUROPEAN UNION EXPORTS IN 1991*

TO:	European Union Exports, fob 1991 (Million ECU, Percentage)							
	ALL SECTORS[a]		Strong-Demand Sectors		Moderate-Demand Sectors		Weak-Demand Sectors	
EXTRA-EU	383,136	100	84,961	22.2[b]	178,176	46.4	119,999	31.3
USA	64,276	100	14,379	22.4	29,487	45.9	20,410	31.8
Japan	20,728	100	4,745	22.9	9,107	43.9	6,876	33.2
Asia-7[c]	32,530	100	8,629	26.5	15,044	46.2	8,857	27.2
China	4,888	100	1,149	23.5	2,994	61.2	745	15.2
India	4,606	100	712	15.4	1,554	33.7	2,340	50.8
Asia-10[d]	62,752	100	15,235	24.3	28,699	45.7	18,818	30.0

a) Only exports of manufacturers.

b) Percentages denote of exports to this country or region so much is in this demand sector.

c) Asia-7: Hong Kong, Indonesia, Malaysia, Singapore, South Korea, Taiwan and Thailand.

d) Asia-10: Japan, Asia-7, China and India.

Strong-Demand Sectors: SITC 5+75+77
Moderate-Demand Sectors: SITC 7-75-77+0+1+62+64
Weak-Demand Sectors: SITC 6-62-64+8
(SITC 2+3+4 are excluded, consequently percentages do not add up to 100).

Source: COMEXT. EUROSTAT.

TABLE 69. GEOGRAPHIC AND SECTORAL DISTRIBUTION OF EUROPEAN UNION EXPORTS IN 1988

TO:	European Union Exports, fob 1988 (Million ECU, Percentage)							
	ALL SECTORS[a]		Strong-Demand Sectors		Moderate-Demand Sectors		Weak-Demand Sectors	
EXTRA-EU	325,549	100	71,622	22.0[b]	147,417	45.2	106,510	32.7
USA	64,203	100	12,139	18.9	30,688	47.8	21,376	33.3
Japan	15,639	100	3,978	25.4	6,209	39.7	5,452	34.9
Asia-7[c]	21,258	100	6,031	28.4	9,248	43.5	5,979	28.1
China	5,033	100	1,144	22.7	2,999	59.3	890	17.7
India	4,988	100	747	15.0	1,540	30.8	2,701	54.1
Asia-10[d]	46,918	100	11,900	25.4	19,996	42.6	15,022	32.0

a) Only exports of manufacturers.

b) Percentages denote of exports to this country or region so much is in this demand sector.

c) Asia-7: Hong Kong, Indonesia, Malaysia, Singapore, South Korea, Taiwan and Thailand.

d) Asia-10: Japan, Asia-7, China and India.

Strong-Demand Sectors: SITC 5+75+77
Moderate-Demand Sectors: SITC 7-75-77+0+1+62+64
Weak-Demand Sectors: SITC 6-62-64+8
(SITC 2+3+4 are excluded, consequently percentages do not add up to 100).

Source: COMEXT. EUROSTAT.

TABLE 70. DIRECT INVESTMENT ABROAD BY THE EUROPEAN UNION, UNITED STATES AND JAPAN IN 1992–1993

Countries and Regions:	Direct Investment Abroad 1993 ($ million)	Direct Investment Abroad 1992 ($ million)	Direct Investment Position Abroad 1992 ($ million)
EU-12	72,893	87,113	n.a.
Belgium-Luxembourg	2,940	10,891	n.a.
Denmark	1,379	2,225	n.a.
France	12,166	19,097	137,837
Germany	11,673	17,715	135,496
Greece	n.a.	n.a.	n.a.
Ireland	n.a.	n.a.	n.a.
Italy	6,681	5,956	65,783
Netherlands	10,404	12,669	123,033
Portugal	-152	716	n.a.
Spain	2,470	1,273	n.a.
United Kingdom	25,332	16,571	254,999
United States	50,244	37,122	486,670
Japan	13,600	17,222	248,058

Source: OECD, *International Direct Investment Statistics Yearbook 1994*, Paris, 1994.

TABLE 71. GEOGRAPHIC DISTRIBUTION OF DIRECT INVESTMENT ABROAD BY THE EUROPEAN UNION, UNITED STATES AND JAPAN IN 1992

Countries and Regions:	European Union Direct Investment Abroad 1992 (in Local Currency)				
	Total	To EC-12	To Non EC-12	To Japan	To South and East Asia
EU-12					
Belgium-Luxembourg	352,192	335,390	16,802	7,864	3,219
Denmark	13,502	7,960	5,596	248	210
France	99,432	79,584	19,848	581	1,034
Germany	29,631	19,867	9,764	326	499
Greece	n.a.	n.a.	n.a.	n.a.	n.a.
Ireland	n.a.	n.a.	n.a.	n.a.	n.a.
Italy	7,340	4,434	2,906	45	67
Netherlands	19,808	13,490	6,318	-38	92
Portugal	684	576	108	n.a.	38
Spain	546,958	305,787	241,171	38	n.a.
United Kingdom	10,139	4,292	5,847	14	1,128
United States	37,122	9,711	27,411	867	4,220
Japan	34,138	6,644	27,494		6,425

Source: OECD, *International Direct Investment Statistics Yearbook 1994*, Paris, 1994.

TABLE 72. SHARE OF EUROPEAN UNION DIRECT INVESTMENT ABROAD BY DESTINATION IN 1992

Countries and Regions:	European Union Direct Investment Abroad 1992 (Percentage)		
	Total	To EU-12	To Non EU-12
EU-12	100	68.2	31.8
Belgium-Luxembourg	100	95.2	4.8
Denmark	100	59.0	41.0
France	100	80.0	20.0
Germany	100	67.0	33.0
Greece	100	n.a.	n.a.
Ireland	100	n.a.	n.a.
Italy	100	60.4	39.6
Netherlands	100	68.1	31.9
Portugal	100	84.2	15.8
Spain	100	55.9	44.1
United Kingdom	100	42.3	57.7

Source: OECD, *International Direct Investment Statistics Yearbook 1994*, Paris, 1994.

TABLE 73. GEOGRAPHIC DISTRIBUTION OF DIRECT INVESTMENT ABROAD BY THE EUROPEAN UNION, UNITED STATES AND JAPAN IN 1992

Countries and Regions:	European Union Direct Investment Abroad 1992			(Percentage)
	To Non EU-12	To Japan	To South and East Asia	ASIA-10
EU-12	100			11.7
Belgium-Luxembourg	100	46.8	19.2	66.0
Denmark	100	4.5	3.8	8.3
France	100	2.9	5.2	8.1
Germany	100	3.3	5.1	8.4
Greece	100	n.a.	n.a.	n.a.
Ireland	100	n.a.	n.a.	n.a.
Italy	100	1.5	2.3	3.8
Netherlands	100	-0.6	1.4	0.8
Portugal	100	n.a.	35.2	n.a.
Spain	100	0.02	n.a.	n.a.
United Kingdom	100	0.2	19.3	19.5
United States	--	2.3	11.4	13.7
Japan	--	--	18.8	18.8

Source: OECD, *International Direct Investment Statistics Yearbook 1994*, Paris, 1994.

TABLE 74. EUROPEAN UNION DIRECT INVESTMENT TO ASIAN COUNTRIES IN 1992

Countries and Regions:	European Union Direct Investment Abroad 1992 (Million US Dollars)[a]	
	To Non EU-12	ASIA-10
EU-12	27,736	3,247
Belgium-Luxembourg	522.8	345.0
Denmark	912.2	75.7
France	3819.4	309.4
Germany	5846.0	491.1
Greece	n.a.	n.a.
Ireland	n.a.	n.a.
Italy	2358.6	89.6
Netherlands	4041.4	32.3
Portugal	113.1	39.8
Spain	561.4	0.1
United Kingdom	9561.5	1864.5

a) These values in US dollars are not listed in original source but have been calculated using percentage shares of total value.

Source: OECD, *International Direct Investment Statistics Yearbook 1994*, Paris, 1994.

TABLE 75. CUMULATIVE FOREIGN DIRECT INVESTMENT BY THE EUROPEAN UNION, UNITED STATES AND JAPAN IN ASIAN COUNTRIES BETWEEN 1990-1993

	TOTAL (Billion US Dollar)				Share (Percentage) Europe				US				Japan			
TO:	1990	1991	1992	1993	1990	1991	1992	1993	1990	1991	1992	1993	1990	1991	1992	1993
Japan	18.40	22.8	26.80	29.93	27.1	27.9	29.1	29.5	48.3	43.5	41.9	40.7	--	--	--	--
Hong Kong	3.96	4.42	4.82	n.a.	15.3	14.0	14.5	n.a.	30.6	28.1	27.0	n.a.	31.5	31.9	33.4	n.a.
Korea	8.10	9.27	10.17	11.21	14.7	22.1	22.9	23.5	28.7	29.1	30.8	29.2	48.2	43.5	41.1	39.9
Singapore	12.97	14.5	16.14	18.12	26.6	26.7	26.3	26.4	35.9	36.3	37.1	38.0	28.8	28.5	29.1	28.6
Taiwan	11.30	12.9	14.01	15.10	17.8	13.6	13.7	14.1	29.1	30.2	29.0	28.3	32.6	32.7	33.0	32.5
Indonesia	n.a	25.2	30.38	32.2	17.6	15.1	14.8	14.8	5.7	4.3	4.3	5.5	24.9	21.2	20.7	20.6
Malaysia	6.50	8.71	11.01	11.96	17.6	14.8	21.1	12.3	4.9	5.6	6.4	7.7	35.3	32.4	28.4	28.4
Thailand	8.13	9.88	12.02	13.52	9.6	11.1	11.6	12.1	16.7	15.7	16.8	17.2	41.1	38.9	34.9	33.7
China	38.95	56.20	110.46	216.91	6.3	6.2	4.0	2.8	10.2	9.0	7.4	6.6	8.4	8.1	6.1	4.1

Source: Calculated from host country data

TABLE 76. SALES TO ASIA BY EUROPEAN FIRMS IN 1993

Company	Sales to Asia 1993
LVMH Moet Hennessy	40%
Total	26%
ABB	24%
ICI	23%
Unilever	23%
Reuters	19%
Bayer	18%
Smithkline Beecham	18%
Sandoz	18%
Nestle	17%
Astra	17%
Ciba Geigy	16%
Burma Castrol	16%
Wella	15%
Alcatel	15%
Hoecht	14%
Philips	13%
Ericsson	13%
Air Liquide	12%
Daimler-Benz	12%
Thomson	12%
British Petroleum	11%
Wellcome	11%
BASF	10%
Siemens	9%
Schindler	9%
Glaxo	8%
BMW	8%
Heineken	8%
Bull	6%
Schneider	6%
Benetton	6%
L'Oréal	6%
Peugeot	5%
Renault	5%
Henkel	5%
British Aerospace	5%
Rhone Poulenc	5%
Lafarge Coppee	5%
Electrolux	4%
Volkswagen	3%
Accor	2%
Carrefour	2%
Elf Aquitaine	1%

Source: INSEAD Euro-Asia Centre, Professor Helmut Schütte.

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