

East Asian Integration: Opportunities for Fukuoka and Japan

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Regionalization in Trade: percentage of regional trading in respective regions' trade

	East Asia	NAFTA	EU
Export			
1 9 8 0	33.9	33.6	61.0
2 0 0 3	50.5	55.4	61.4
Import			
1 9 8 0	34.8	32.6	56.9
2 0 0 3	59.7	39.9	63.5

Two types of Regional Integration

- Market-driven Type

East Asia : after the 1980s

- Institution-driven Type

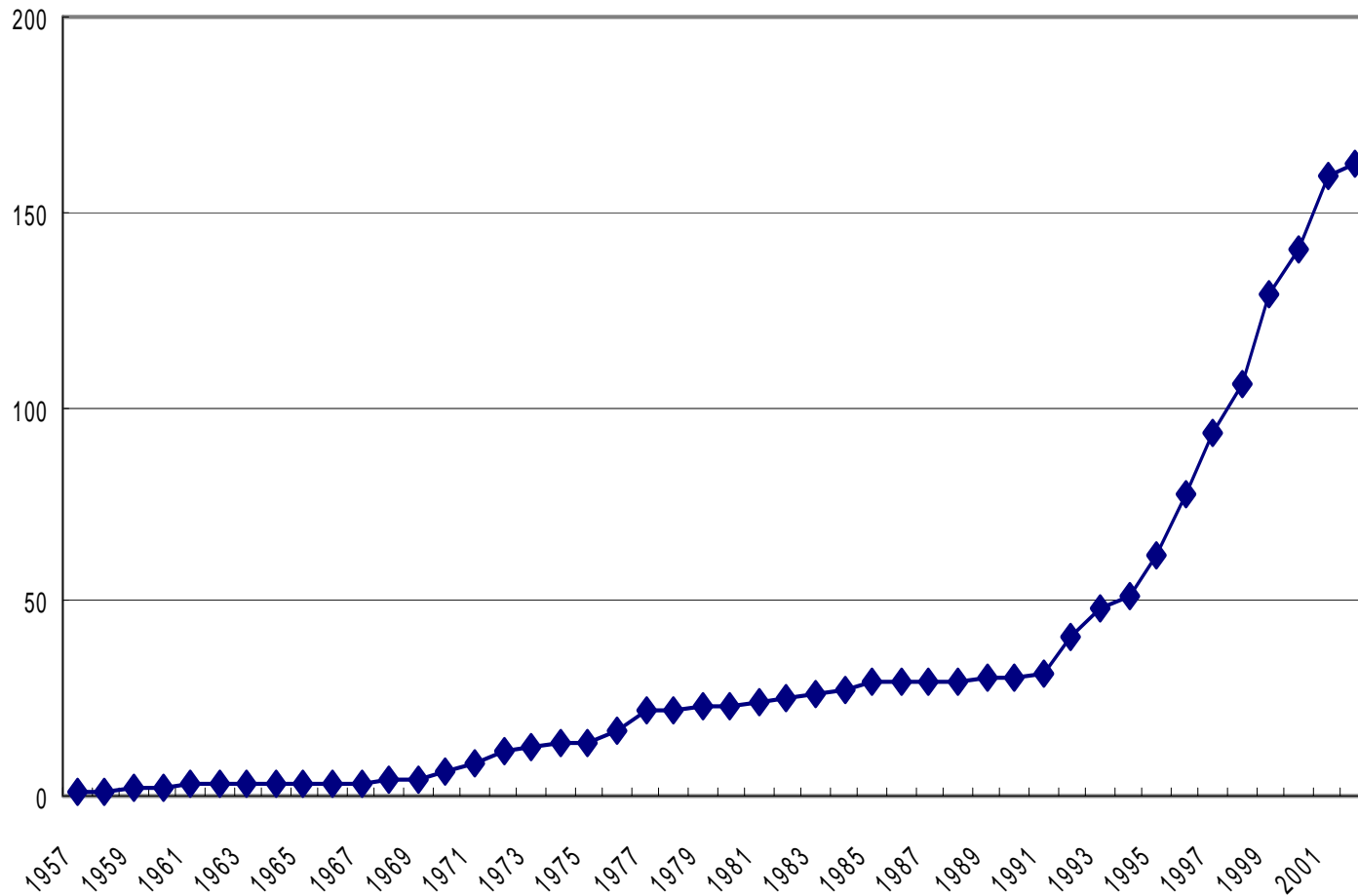
East Asia : after the 2000s

Europe : after the 1950s

North America: after the 1980s

Transition of Global RTA

Cumulative
Numbers



Shift in Global Principal Regional Trade Agreements

NAFTA:

Population
411 million (persons)
GDP
11,100 billion (US\$)

EU:

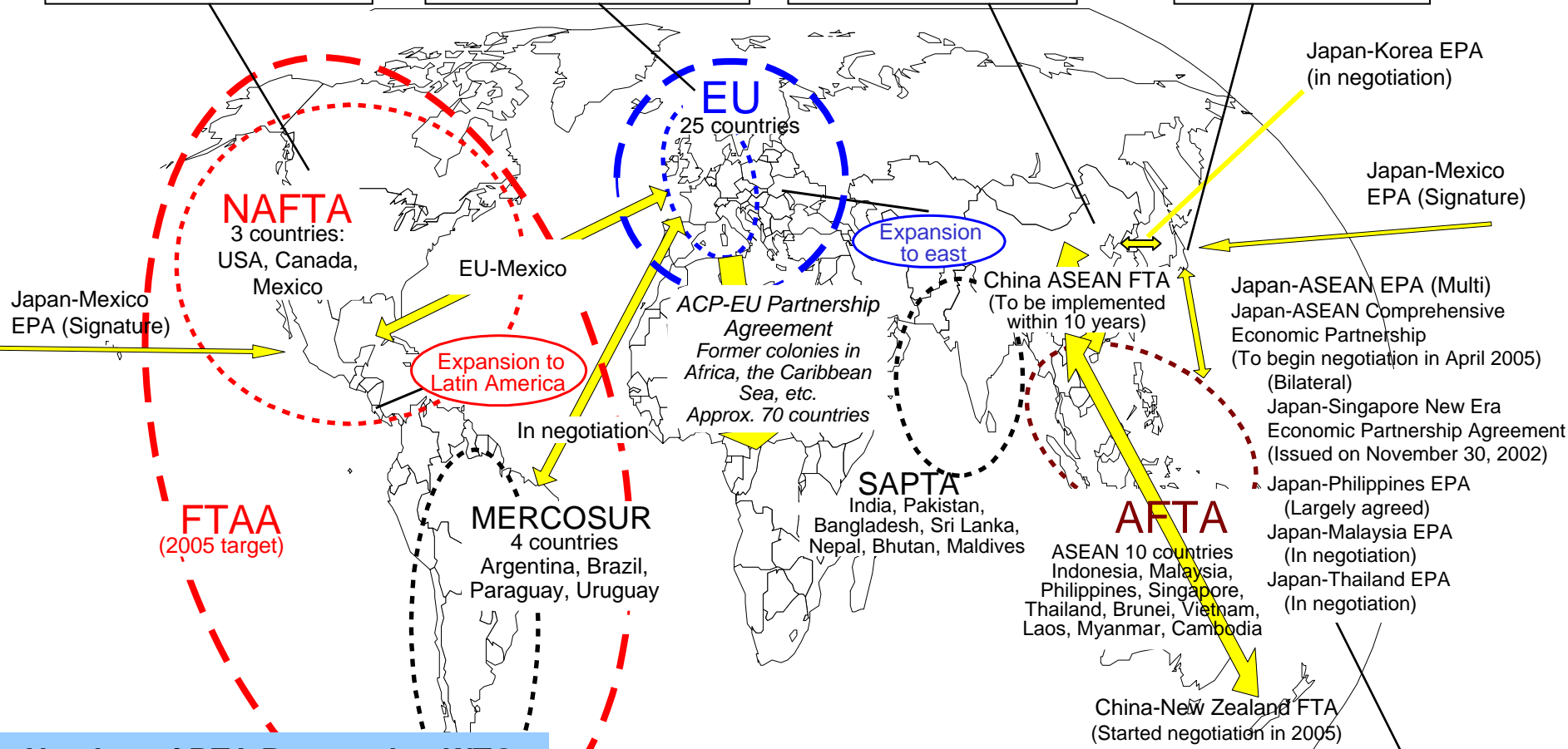
Population
453 million (persons)
GDP
9,600 billion (US\$)

China:

Population
1,266 million (persons)
GDP
1,080 billion (US\$)

Japan:

Population
126 million (persons)
GDP
4,760 billion (US\$)



Number of RTA Reported to WTO (As of 01/04/05)

1970	1990	2005
6	27	162

ASEAN:

Population
548 million (persons)
GDP
646 billion (US\$)

Factors in Promoting Institution-driven type Regional Integration

- Market Access Expansion to partner country's market
- Promoting domestic reform
- Increasing bargaining power in international market
- Delay in negotiation at WTO
- Liberalization in the fields such as investment and labor mobility (WTO + α)

FTA in East Asia

In action

- Bangkok Agreement (1976)
- AFTA (1993)
- Singapore-New Zealand (2001)
- Japan-Singapore (2002)
- Singapore-Australia (2003)
- Singapore-USA (2004)
- Republic of Korea (ROK)-Chile (2004)
- China-ASEAN
- Japan-Mexico (2005)

In negotiation

- Japan-ROK
- Japan-Malaysia
- Japan-Thailand
- Japan-Philippines
- Japan-ASEAN
- Japan-Indonesia
- ROK-ASEAN
- Singapore-Canada
- Singapore-Mexico
- Singapore-EFTA
- Hong Kong-New Zealand

Regional Integration in East Asia

Shift in Center of Gravity

- Market-driven type to institution-driven type

Cause

- Asian crisis
- Increased FTAs in other regions
- Rise of People's Republic of China (China)

Characteristics of FTAs in East Asia

- Comprehensive (FTA+, WTO+)

Liberalization in trade/investment

Facilitation in trade/investment

Simplification of customs procedures

Mutual recognition of specifications and standard

Economic and technical cooperation

Human resources development

Promotion of small and medium industries

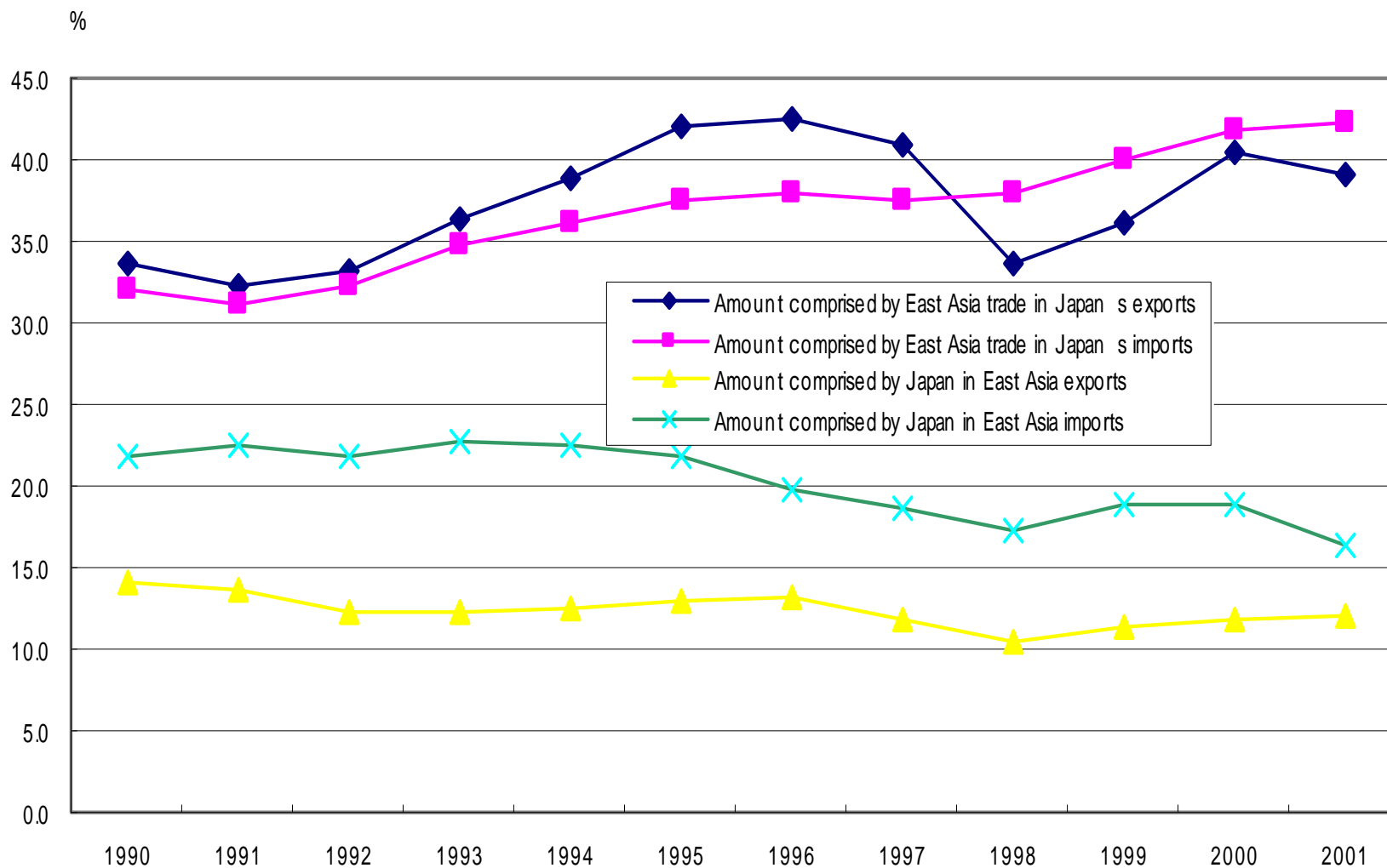
Expected Results of FTAs in Asia

- Economic growth
- Political stability
- Social stability

The Significance of FTA for Japan

- i) Opening of markets by partner market means expansion of business opportunities for Japanese industries; especially FTAs with East Asian countries, which are expected to have high economic growth rates
- ii) Promoting structural reform / economic revitalization through Japan's market liberalization: consumer profit expansion, improved efficiency by manufacturers
- iii) Economic growth, social and political stability of partner countries (Asian countries)
- iv) Making rules at WTO (in new fields such as competitive policy), contribution to trade/investment liberalization

Interdependence of Japan and East Asia in trade



Future Scope for Economy of Japan and East Asia

Transition of actual GDP growth rate
in the world and East Asia (%)

Calendar year	Annual average growth rate			
	1980-90	90-2000	2000-10	2010-20
World	2.8	3.0	2.9	2.8
U.S.A.	2.6	2.1	1.7	1.4
Western Europe	2.3	2.6	2.1	1.5
Japan	4.1	2.6	1.9	0.5
East Asia	7.7	7.6	6.8	5.5
Asia NIES	8.2	7.5	6.6	5.2
ASEAN4	5.4	6.8	7.6	5.9
China	8.9	8.3	6.5	5.6

(Note) ASEAN4: Indonesia, Malaysia, Philippines, Thailand

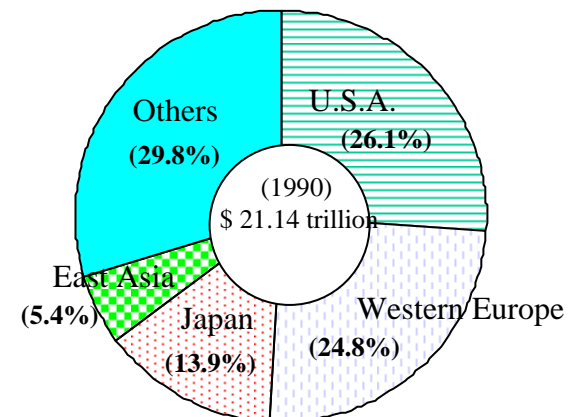
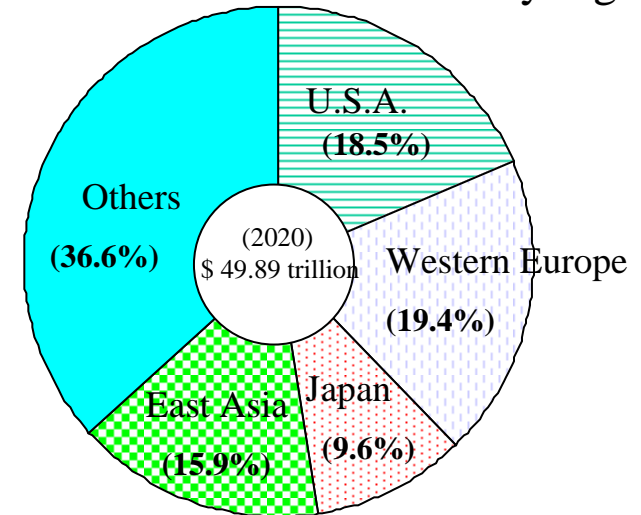
Sources: IMF, *International Financial Statistics*

Republic of China, Taiwan Statistical Data Book 1994

World Bank, World Table 1994

Economic Planning Agency "Annual Report on National Accounts"

Shares of the world GDP by region



FTA's influence on GDP

	FTA member countries		
	Japan ROK ASEAN	Japan China ROK ASEAN	China ROK ASEAN
Japan	0.038	0.061	-0.006
ROK	0.274	0.366	0.226
China	-0.019	0.497	0.213
Taiwan	-0.031	-0.094	-0.049
Indonesia	1.294	1.319	0.857
Malaysia	1.731	1.813	1.063
Philippines	1.119	1.152	0.701
Singapore	0.985	1.176	1.098
Thailand	3.409	3.576	1.800
USA	0.003	0.001	-0.000
EU	0.006	0.006	0.002
Entire world	0.070	0.096	0.035

Japan's Challenges in Promoting FTAs

- Consistency with WTO (Essentially trade liberalization for all items)
 - Deregulation of agricultural products
- Transfer of human resources
- Promotion of liberalization at APEC
- Promotion of multilateral trade liberalization at WTO

Toward realizing FTAs (1)

- Strong political leadership which keeps Japan's future firmly in mind
- Strong support from public
- Sharing sense of crisis regarding Japan's future
- Awareness of importance of Asia for Japan
- Education and advocacy

Toward realizing FTAs (2)

- Overcoming concrete obstacles

Liberalization in agriculture: phasing out, partial liberalization

- Temporary income compensation for unemployed, providing education/training

- Realizing competitive agriculture

- Establishing agricultural strategy

Mobility of labor: awareness of Japan's population decrease

- Securing sufficient service provision

- Deregulation under qualification system

Reinforcement and expansion of special economic zones

Road to East Asia FTA

Member countries and routeways

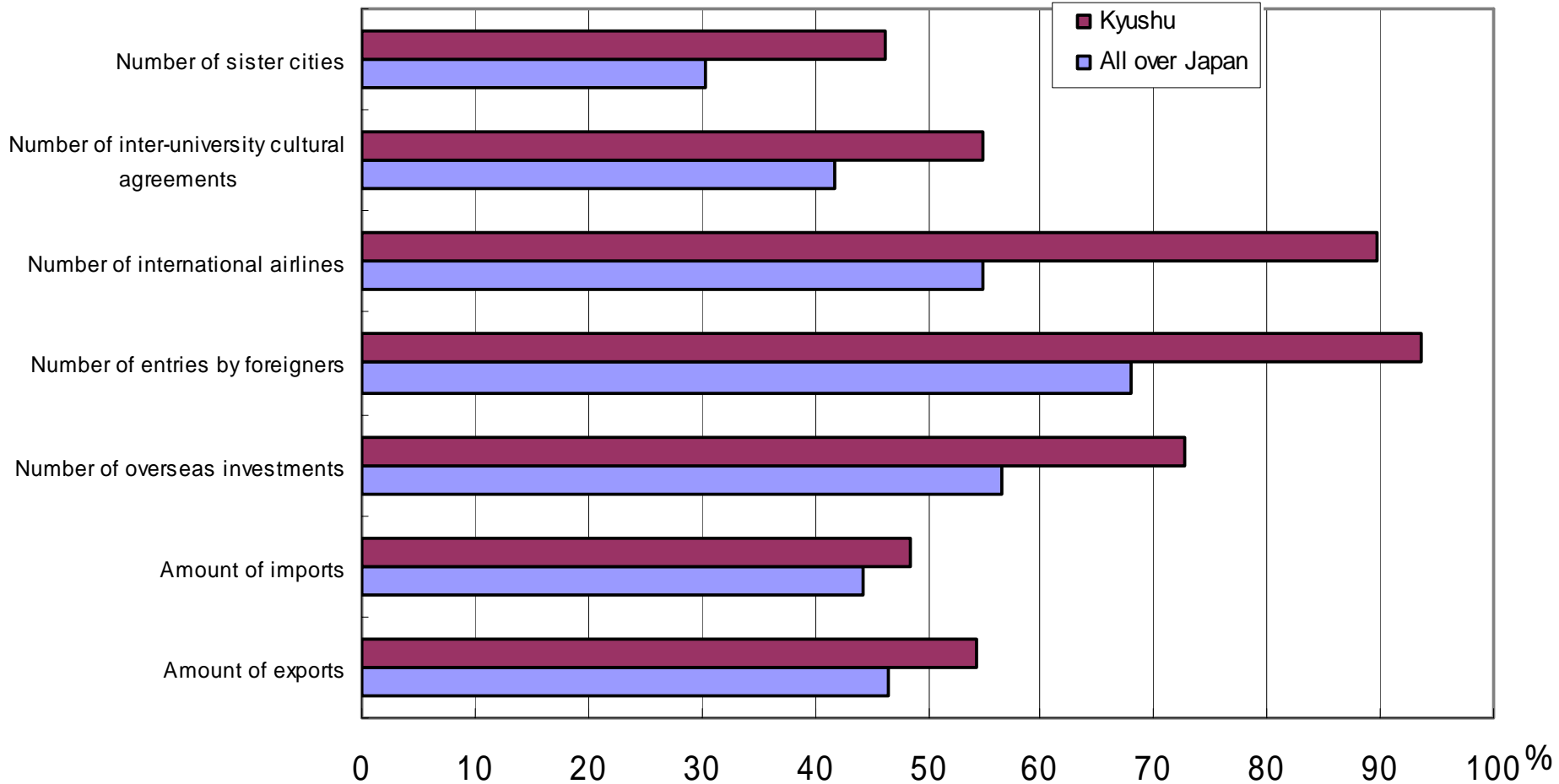
- ASEAN + 3(Japan, China, ROK) FTA
- Three ASEAN + 1 (China, ROK, Japan)
- FTA among Japan, China, and ROK + ASEAN
- ASEAN + 3 + 2 (Hong Kong, Taiwan)
- ASEAN + 3 + 3 (India, Australia, New Zealand)

East Asian Community

- Objectives:
Peace, prosperity, advancement
- Principles:
Openness, transparency, comprehensiveness
- Policy for formation:
Promotion of functional cooperation
- Functional cooperation:
Economy (trade, investment cooperation, financial cooperation, human resource development, infrastructure development, energy cooperation etc.)/
Politics/Society/Cultural cooperation (Measures against pirates, cultural missions, promotion of education and exchange)
- Gradual formation of East Asian Identity

High degree of Asian involvement in Kyushu

Proportion of Asian presence in the world



Rapid Expansion in Economic Relations between Kyushu and East Asia

- Regarding trade and investment, relations with China are rapidly growing
- Among trading items, there is big growth in imports/exports of electricity/electronic machinery
- Export items are mainly semiconductors and electronic/electric items
- Import items are mainly electronic/electric items and textile items
- Progress in inter-process division of labor in electronics/electric industries

Fukuoka/Kyushu's strategies for East Asia (1): Competitiveness

- Geographical accessibility
- Highly developed economic infrastructure
- High standard of education/research environment
- Rich and varied nature

Fukuoka/Kyushu's strategies for East Asia (2): Application of specific structural reform district

- East Asia FTA/Promoting liberalization and facilitation of trade/investment as a vanguard of East Asian Economic Community formation. For example, establishment of free trade zones and mutual recognition in economic systems (such as mutual entry of transportation trucks between Kyushu and ROK)
- Activation of human mobility: mutual promotion of school trips between Kyushu and ROK/China, promotion of acceptance of Korean and Chinese patients by accepting Korean and Chinese nurses
- Teaching Chinese/Korean in elementary and junior high schools