

East Asian Regionalism: Prospects to 2020

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Introduction

- China's accession to WTO and accelerated global emergence will dramatically change trade patterns with the Pacific region.
- Because of its size and stage of development, China will play two roles in the region with unusual prominence.
 1. It will stiffen regional export competition in a broad spectrum of products.
 2. The size of China's growing internal market will make it, by 2015, the largest trading nation in East Asia.
- Thus China interposes itself between East Asia and the western OECD market as an export competitor and magnet for imports.
- This paper examines how East Asian economies can best respond to the challenges and opportunities of China's accelerating growth.

Methodology

- To evaluate the long term implications of China's trade and domestic expansion, we used a multi-country dynamic forecasting model.
- The model is a standard CGE framework, calibrated to the GTAP V global database.
- All scenarios extend over the period 2000-2020.

Selected Macroeconomic Indicators: Baseline Scenario

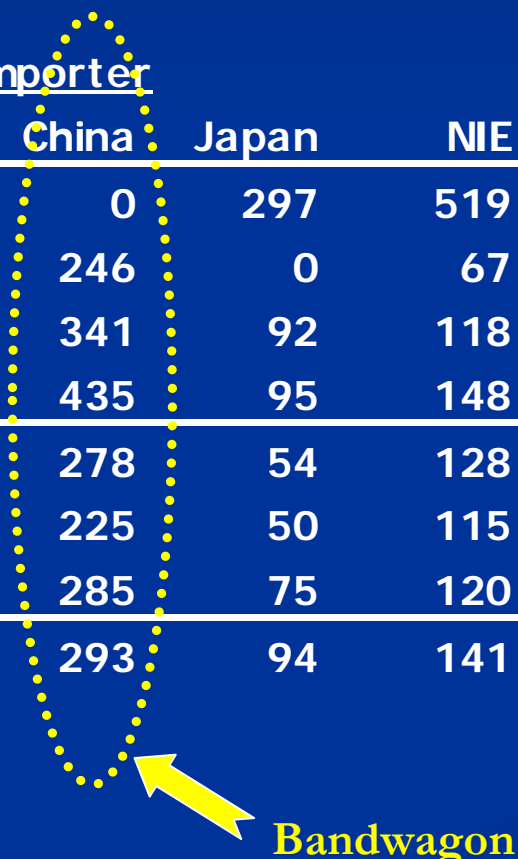
(percentage annualized growth, 2000-2020 unless otherwise indicated)

	Real GDP Absorption		Exports	Imports	Exp PI	Imp PI	Real ER
China	7.10	6.94	6.27	5.85	-.22	-.18	-.04
Japan	2.20	2.12	2.37	3.15	.22	-.13	.35
NIE	4.34	4.42	4.01	4.21	-.09	-.08	-.01
ASEAN	4.75	4.55	4.46	4.25	-.26	-.13	-.13
USA	2.62	2.61	3.07	2.94	.12	-.09	.21
EU	2.52	2.63	2.37	2.60	.13	.01	.13
ROW	3.65	3.65	3.69	3.40	-.19	-.09	-.11

Bilateral Trade Growth due to China's WTO Accession

(percentage change, 2000-2020)

<u>Exporter</u>	<u>Importer</u>							Total
	China	Japan	NIE	ASEAN	USA	EU	ROW	
China	0	297	519	439	336	358	360	360
Japan	246	0	67	57	24	27	40	64
NIE	341	92	118	106	39	50	76	126
ASEAN	435	95	148	169	68	97	156	144
USA	278	54	128	105	52	65	75	84
EU	225	50	115	100	52	47	65	59
ROW	285	75	120	152	69	98	108	99
Total	293	94	141	136	80	67	92	94

 **Bandwagon**

Bilateral Trade: Annualized Growth Rates

(percentage)

<u>Exporter</u>	<u>Importer</u>							Total
	China	Japan	NIE	ASEAN	USA	EU	ROW	
China	0	7	9	8	7	8	8	8
Japan	6	0	2	2	1	1	2	2
NIE	7	3	4	4	2	2	3	4
ASEAN	8	3	4	5	3	3	5	4
USA	7	2	4	3	2	2	3	3
EU	6	2	4	3	2	2	2	2
ROW	7	3	4	5	3	3	4	3
Total	7	3	4	4	3	2	3	3

Bilateral Trade: Changes Resulting from China's WTO Accession

(percentage change in 2020)

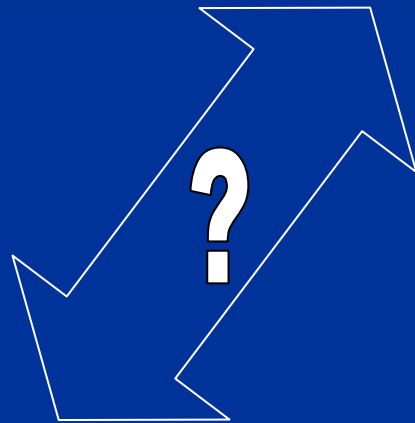
<u>Exporter</u>	<u>Importer</u>							Total
	China	Japan	NIE	ASEAN	USA	EU	ROW	
China	0	37	43	36	31	35	32	34
Japan	38	0	-4	-6	-7	-5	-5	3
NIE	32	-10	-7	-11	-13	-10	-10	3
ASEAN	28	-4	-1	-2	-5	-3	-4	1
USA	24	-1	1	-1	0	-1	-1	1
EU	22	-0	1	-1	-2	-1	-2	-0
ROW	13	-0	2	2	-2	-1	-1	-0
Total	26	5	6	2	2	0	1	3

China, WTO, and the East Asian Trade Triangle

- Our results indicate the emergence of a systematic pattern of triangular trade for East Asia.
- This Trade Triangle reveals that China's export expansion offers significant growth leverage to its neighbors.
- Strategic responses to China's emergence must take account of this, exploiting the Triangle to translate regionalism into globalism.

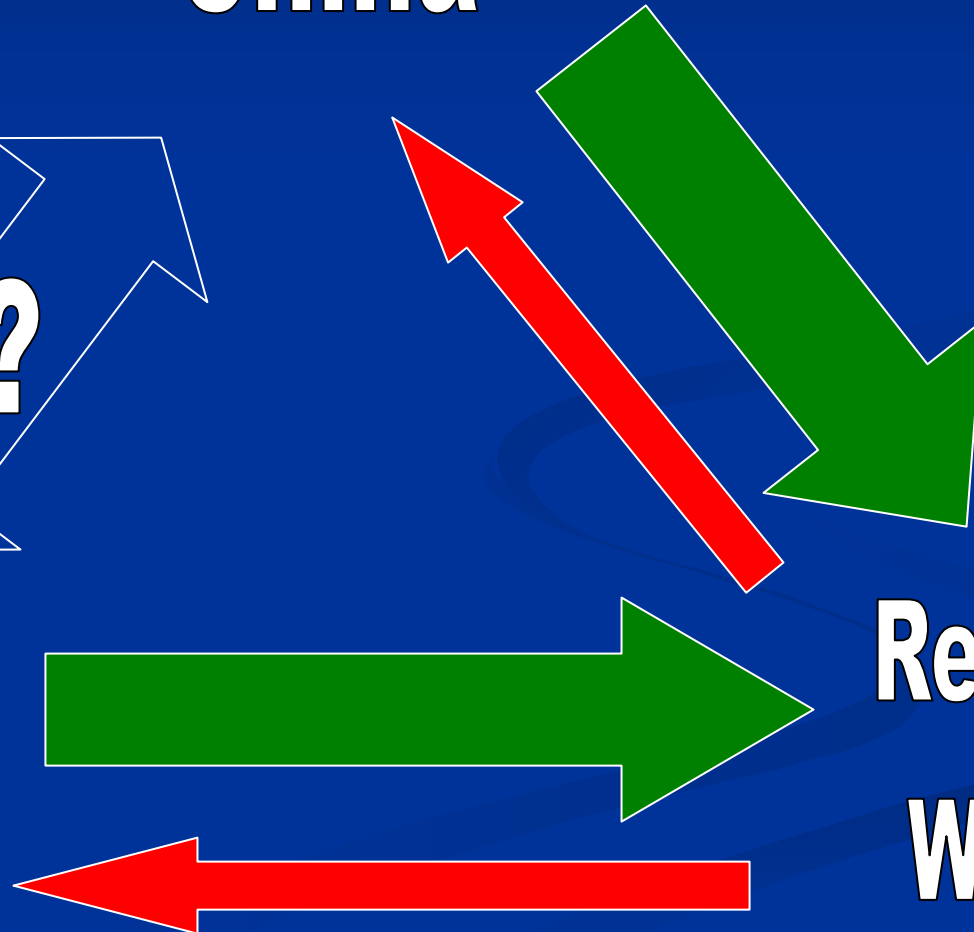
Trade Triangle 2000

China

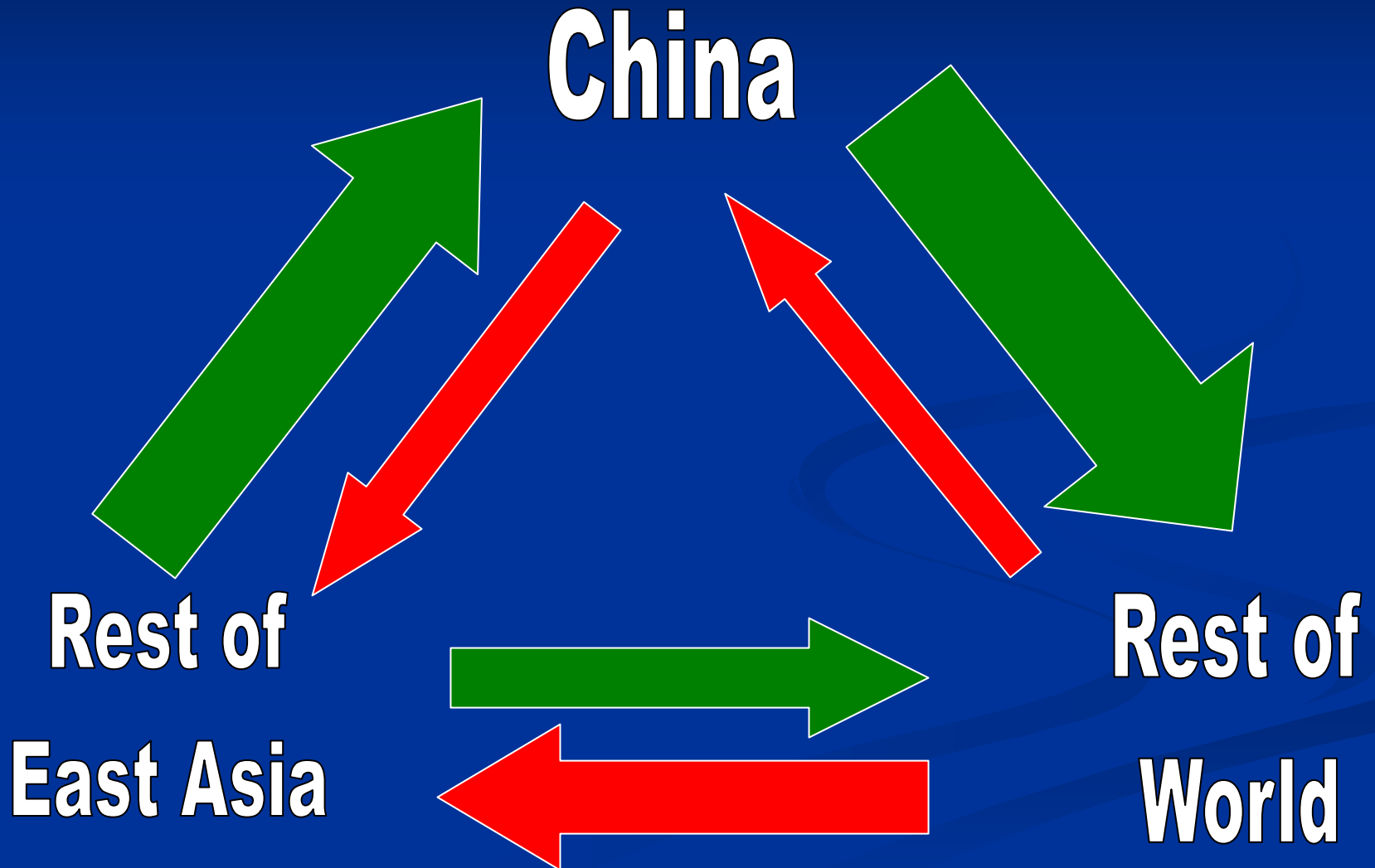


**Rest of
East Asia**

**Rest of
World**



Trade Triangle 2020



Bilateral Trade Balances

Baseline in 2020

(2000 billions of USD)

Exporter	Importer							Total
	China	Japan	NIE	ASEAN	USA	EU	ROW	
China	0	-5	-135	-41	166	66	71	122
Japan	5	0	39	20	23	-15	-50	21
NIE	135	-39	0	19	-32	-32	-12	40
ASEAN	41	-20	-19	0	18	8	12	41
USA	-166	-23	32	-18	0	48	-40	-168
EU	-66	15	32	-8	-48	0	34	-41
ROW	-71	50	12	-12	40	-34	0	-16
Total	-122	-21	-40	-41	168	41	16	0

Bilateral Trade Balances:

China WTO Scenario

(year 2020 in Billions of 2000 USD)

<u>Exporter</u>	<u>Importer</u>							Total
	China	Japan	NIE	ASEAN	USA	EU	ROW	
China	0	-9	-169	-44	228	112	122	240
Japan	9	0	41	17	13	-21	-56	2
NIE	169	-41	0	10	-47	-43	-25	23
ASEAN	44	-17	-10	0	11	4	3	35
USA	-228	-13	47	-11	0	51	-32	-187
EU	-112	21	43	-4	-51	0	24	-78
ROW	-122	56	25	-3	32	-24	0	-35
Total	-240	-2	-23	-35	187	78	35	0

Bilateral Trade Balances: Change due to China's WTO Accession

(percentage change in 2020)

<u>Exporter</u>	<u>Importer</u>							Total
	China	Japan	NIE	ASEAN	USA	EU	ROW	
China	0	71	25	7	37	69	71	96
Japan	71	0	7	-16	-43	41	12	-90
NIE	25	7	0	-48	47	33	118	-42
ASEAN	7	-16	-48	0	-37	-58	-78	-14
USA	37	-43	47	-37	0	6	-19	11
EU	69	41	33	-58	6	0	-29	91
ROW	71	12	118	-78	-19	-29	0	120
Total	96	-90	-42	-14	11	91	120	0

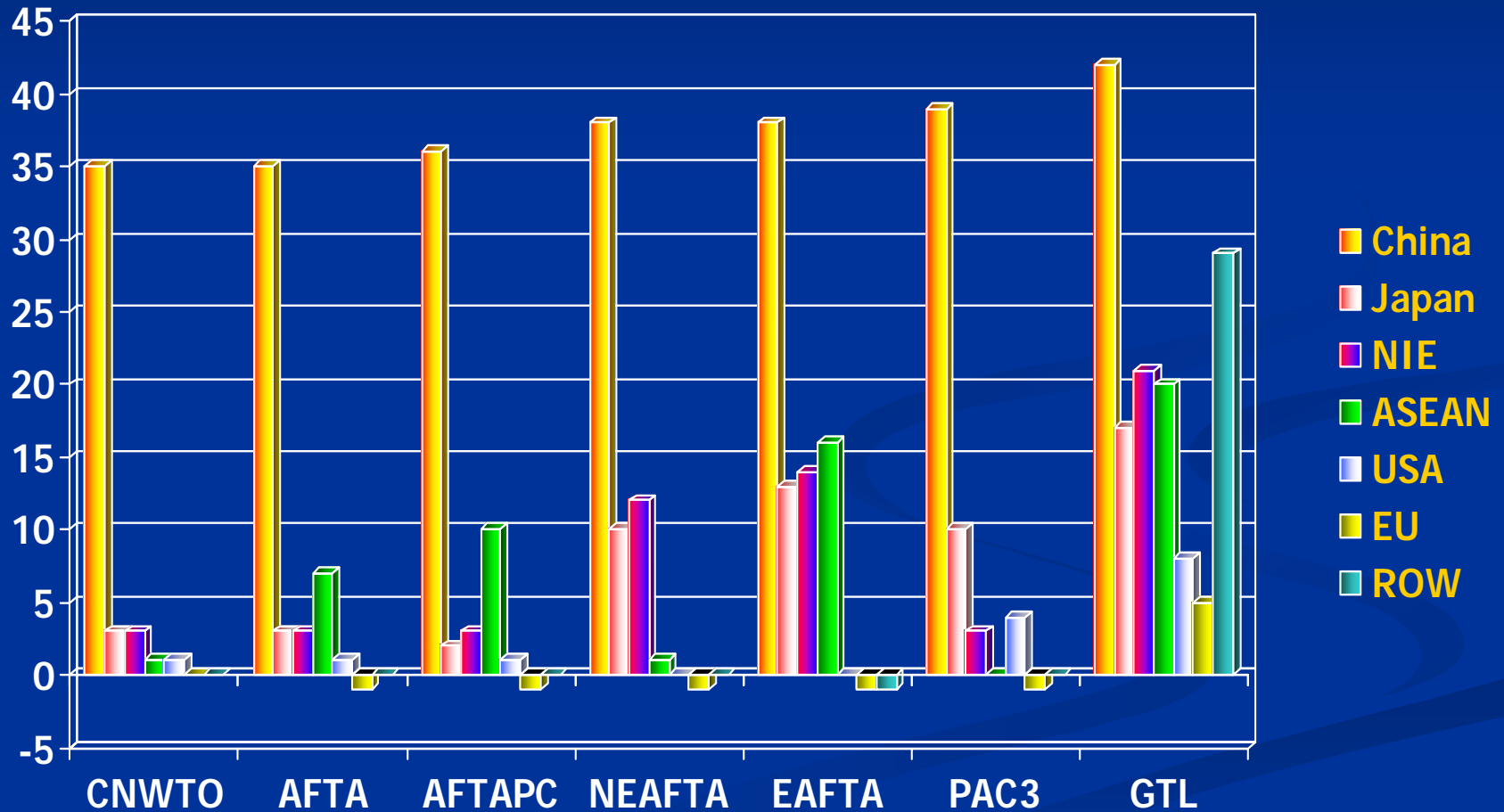
Strategic Scenarios

A variety of alternative regional arrangements have been examined empirically. All are based on the China WTO scenario.

1. **AFTA:** ASEAN Free Trade Area
2. **AFTAPC:** AFTA plus China
3. **NEAFTA:** Northeast Asian Free Trade Area
- China, Japan, Korea and Taipei, China
4. **EAFTA:** East Asia Free Trade Area
5. **PAC3:** Pacific Trilateralism - China, Japan, USA
6. **GTL:** Global Trade Liberalization

Exports

(percentage change from Baseline in 2020)



Bilateral Trade: AFTA

(percentage changes relative to China WTO)

<u>Exporter</u>	<u>Importer</u>							Total
	China	Japan	NIE	ASEAN	USA	EU	ROW	
China	0	-0	-0	-3	0	0	0	-0
Japan	0	0	0	-4	0	0	0	-0
NIE	0	0	0	-4	0	0	0	-0
ASEAN	-2	-1	-1	38	-3	-3	-3	6
USA	0	-0	-0	-1	0	0	0	-0
EU	-0	-0	-0	-1	-0	-0	-0	-0
ROW	-0	-0	-0	-2	0	0	0	-0
Total	-0	-0	-0	7	-0	-0	-0	0

Bilateral Trade: AFTAPC

(percentage changes relative to China WTO)

<u>Exporter</u>	<u>Importer</u>							Total
	China	Japan	NIE	ASEAN	USA	EU	ROW	
China	0	-4	-4	47	-3	-4	-3	1
Japan	2	0	1	-10	1	1	1	-0
NIE	2	0	0	-12	1	1	1	-0
ASEAN	2	4	3	33	3	3	1	9
USA	1	0	0	-6	0	0	0	-0
EU	1	-0	-0	-5	0	0	0	-0
ROW	2	0	0	-7	0	0	0	-0
Total	2	-0	-0	9	-0	-0	-0	1

Bilateral Trade: NEAFTA

(percentage changes relative to China WTO)

<u>Exporter</u>	<u>Importer</u>							Total
	China	Japan	NIE	ASEAN	USA	EU	ROW	
China	0	30	38	-7	-6	-6	-6	2
Japan	4	0	44	1	1	1	1	7
NIE	4	63	37	1	3	2	1	8
ASEAN	3	-8	-9	0	1	1	0	-0
USA	3	-5	-11	0	0	1	1	-0
EU	2	-3	-10	-0	0	0	0	-0
ROW	4	-9	-10	1	1	0	0	-0
Total	4	8	8	-1	-1	-0	-0	1

Bilateral Trade: EAFTA

(percentage changes relative to China WTO)

<u>Exporter</u>	<u>Importer</u>							Total
	China	Japan	NIE	ASEAN	USA	EU	ROW	
China	0	21	33	27	-8	-9	-8	3
Japan	2	0	39	40	-2	-2	-2	10
NIE	3	50	31	43	0	-1	-2	11
ASEAN	4	49	35	26	5	4	0	14
USA	5	-4	-11	-9	1	1	1	-1
EU	4	-2	-10	-11	1	0	0	-0
ROW	5	-9	-10	-8	1	0	1	-1
Total	4	12	10	13	-1	-0	-1	2

Bilateral Trade: PAC3

(percentage changes relative to China WTO)

<u>Exporter</u>	<u>Importer</u>							Total
	China	Japan	NIE	ASEAN	USA	EU	ROW	
China	0	21	-8	-8	15	-8	-4	3
Japan	6	0	3	2	19	2	7	7
NIE	3	-5	-0	-1	-5	-0	-1	-0
ASEAN	4	-9	1	1	-6	1	-0	-0
USA	5	28	1	1	0	1	0	3
EU	3	-3	0	-0	-3	0	-0	-0
ROW	6	-5	2	1	-2	1	0	-0
Total	4	7	-0	-1	2	-0	-0	1

Bilateral Trade: GTL

(percentage changes relative to China WTO)

<u>Exporter</u>	<u>Importer</u>							Total
	China	Japan	NIE	ASEAN	USA	EU	ROW	
China	0	-1	5	12	-4	4	25	6
Japan	4	0	19	23	5	15	29	13
NIE	7	28	16	37	10	17	36	18
ASEAN	8	25	18	21	16	23	26	19
USA	7	11	17	8	-0	9	3	7
EU	13	14	32	17	15	-7	30	6
ROW	14	31	18	15	6	42	49	30
Total	9	15	18	18	7	7	27	14

Sectoral Export Patterns

- Since trade policy is often developed from the bottom up, sectoral adjustments are very important.
- It is therefore instructive to examine trade patterns in a little more detail.

Exports for ASEAN: AFTA plus China

(changes relative to China WTO, USD billions)

Sector	China	Japan	NIE	ASEAN	USA	EU	ROW	Total
Rice	.106	.000	.000	1.437	-.003	-.004	-.012	1.524
Other Grains	.000	.000	.000	.000	.000	.000	-.001	-.001
Oil Seeds	.000	.000	.000	-.008	.000	.000	.000	-.008
Sugar	.020	.003	.000	.310	-.007	.000	.004	.330
Other Crops	-.035	-.057	-.034	3.938	-.081	-.189	-.114	3.429
Livestock	.004	.000	-.004	.010	.003	-.002	.000	.011
Energy	-.093	.705	.615	20.679	.031	-.030	-.388	21.519
Processed Food	2.093	.604	.191	9.168	.283	.531	1.283	14.152
Textiles	1.043	.511	.474	.883	.212	.557	.514	4.194
Clothing	.005	1.387	.521	.134	1.758	2.698	.871	7.374
Leather Goods	.234	.482	.193	.507	2.000	4.250	.786	8.452
Basic Manufacturing	.843	.351	.317	14.669	.265	.411	.001	16.857
Motor Vehicles	-.004	.041	-.007	8.352	.019	.017	.002	8.421
Other Transport Equip.	-.016	-.002	-.020	1.123	-.011	.007	-.031	1.050
Electronic Goods	.044	.487	.073	5.445	.789	.433	-.021	7.251
Other Manufactures	-.502	-.227	-.288	7.972	-.220	-.250	-.577	5.909
Construction	.000	.003	.000	.000	.002	.005	.000	.010
Services	-.179	-.290	-.261	-.211	-.733	-2.371	-1.340	-5.385
Total	3.562	3.998	1.769	74.410	4.308	6.065	.977	95.089

Exports for China: AFTAPC

(changes relative to China WTO, USD billions)

Sector	China	Japan	NIE	ASEAN	USA	EU	ROW	Total
Rice	.000	-.001	-.001	.100	-.001	-.002	-.007	.088
Other Grains	.000	-.001	-.016	.141	.000	-.002	-.005	.118
Oil Seeds	.000	-.002	-.001	.000	.000	-.002	-.001	-.007
Sugar	.000	.000	.000	.000	.000	.000	-.005	-.006
Other Crops	.000	-.018	-.010	.689	-.003	-.010	-.016	.633
Livestock	.000	-.008	-.007	.050	-.006	-.024	-.008	-.004
Energy	.000	-.589	-.509	1.631	-.178	-.130	-.278	-.053
Processed Food	.000	-.395	-.120	5.432	-.089	-.127	-.170	4.531
Textiles	.000	-.518	-.442	11.532	-.284	-.391	-.889	9.008
Clothing	.000	-1.097	-.301	1.695	-.843	-1.177	-.837	-2.560
Leather Goods	.000	-.488	-.208	3.051	-1.996	-2.094	-.912	-2.647
Basic Manufacturing	.000	-1.500	-1.524	15.406	-2.521	-2.172	-2.086	5.603
Motor Vehicles	.000	-.098	-.192	2.766	-.183	-.069	-.103	2.122
Other Transport Equip.	.000	-.070	-.033	.841	-.151	-.180	-.246	.161
Electronic Goods	.000	-.875	-.436	6.574	-1.883	-1.299	-.683	1.397
Other Manufactures	.000	-1.565	-1.000	15.898	-3.860	-3.359	-2.449	3.665
Construction	.000	-.009	-.001	.000	-.002	-.018	-.004	-.035
Services	.000	-.173	-.114	.079	-.470	-.968	-.819	-2.464
Total	.000	-7.408	-4.913	65.883	-12.471	-12.024	-9.519	19.549

Exports for ASEAN: EAFTA

(changes relative to China WTO, USD billions)

Sector	China	Japan	NIE	ASEAN	USA	EU	ROW	Grand Total
Rice	.073	2.788	.000	1.320	-.039	-.039	-.066	4.038
Other Grains	.000	.000	.000	.000	.000	.000	-.001	-.001
Oil Seeds	.000	.000	.000	-.011	.000	.000	.000	-.011
Sugar	.010	1.483	.164	.324	-.025	-.001	-.010	1.946
Other Crops	-.112	2.032	2.342	3.804	-.261	-.537	-.327	6.941
Livestock	-.028	-.019	-.016	.016	-.003	-.015	.000	-.064
Energy	1.808	1.825	4.869	20.948	-.128	-.187	-1.160	27.975
Processed Food	2.090	23.872	3.656	8.509	-.058	-.019	.867	38.917
Textiles	1.345	.937	.534	.560	.237	.674	.605	4.893
Clothing	.007	3.549	1.171	.195	2.292	4.136	1.209	12.559
Leather Goods	.239	.881	.108	.471	2.238	4.803	.899	9.638
Basic Manufacturing	1.708	5.284	4.184	9.612	.148	.053	-.274	20.716
Motor Vehicles	.012	.515	1.391	.866	.268	.562	.279	3.893
Other Transport Equip.	-.011	.010	.094	.448	.007	.039	-.020	.565
Electronic Goods	.592	1.914	5.740	5.383	3.459	1.885	.629	19.601
Other Manufactures	-.192	.090	.823	6.098	-.071	-.291	-.572	5.886
Construction	.000	.002	.000	.000	.000	.004	.001	.007
Services	-.176	-.436	-.155	-.165	-1.204	-3.294	-1.946	-7.376
Grand Total	7.366	44.727	24.905	58.379	6.859	7.774	.113	150.123

Exports for NIE: EAFTA

(changes relative to China WTO, USD billions)

Sector	China	Japan	NIE	ASEAN	USA	EU	ROW	Grand Total
Rice	.000	.000	.000	.000	.000	.000	.000	.000
Other Grains	.000	.000	.000	.000	.000	.000	.000	.000
Oil Seeds	.000	.000	.000	.000	.000	.000	.000	.000
Sugar	.013	.000	.000	.000	.000	.000	.000	.013
Other Crops	.000	.172	.061	.025	-.001	-.001	-.001	.254
Livestock	.025	.004	.001	.003	.001	.001	.000	.035
Energy	-.016	4.614	-.065	2.672	-.196	-.272	-.548	6.189
Processed Food	1.188	20.387	.619	1.685	.353	.517	.685	25.435
Textiles	2.803	.186	.291	4.862	.073	.041	.261	8.517
Clothing	.067	.136	.032	-.018	.004	-.003	.014	.233
Leather Goods	.815	.275	-.009	.447	.074	-.001	.025	1.625
Basic Manufacturing	2.306	1.583	1.502	10.529	-.317	-.265	-.634	14.703
Motor Vehicles	.097	.066	.599	8.288	-.104	-.212	-.547	8.186
Other Transport Equip.	.131	.003	.128	.451	-.014	-.168	-.278	.254
Electronic Goods	1.654	.496	1.419	2.129	1.046	.706	.406	7.856
Other Manufactures	1.106	.435	.941	3.221	-.062	-.180	-.512	4.950
Construction	.001	-.001	.000	.000	-.002	-.003	-.003	-.008
Services	-.046	-.132	-.017	-.057	-.437	-.832	-.547	-2.068
Grand Total	10.144	28.224	5.500	34.238	.418	-.673	-1.679	76.173

Exports for Japan: EAFTA

(changes relative to China WTO, USD billions)

Sector	China	Japan	NIE	ASEAN	USA	EU	ROW	Grand Total
Rice	.000	.000	.000	.000	.000	.001	.001	.002
Other Grains	.000	.000	.000	.000	.000	.000	.000	.000
Oil Seeds	.000	.000	.000	.000	.000	.000	.000	.000
Sugar	.000	.000	.000	.000	.000	.000	.000	.000
Other Crops	.001	.000	.048	.000	.000	-.001	-.001	.047
Livestock	.007	.000	.007	.000	.000	.001	.000	.015
Energy	.009	-.001	.192	.118	-.005	-.017	-.022	.274
Processed Food	.165	.000	3.189	.816	.034	.032	.025	4.261
Textiles	1.258	.000	.384	.730	.033	.035	.062	2.503
Clothing	.174	.000	.014	-.004	.002	.004	.006	.195
Leather Goods	.059	.000	-.003	-.011	.002	.003	.003	.053
Basic Manufacturing	1.171	.000	12.462	11.830	-.375	-.279	-.349	24.459
Motor Vehicles	.480	.000	4.591	18.342	-1.544	-.582	-.760	20.527
Other Transport Equip.	.033	.000	.157	3.101	-.061	-.082	-.168	2.980
Electronic Goods	-.779	.000	3.334	1.116	-1.108	-.546	-.258	1.760
Other Manufactures	1.544	.000	13.557	6.848	-.045	-.320	-.445	21.139
Construction	.016	.000	.000	-.002	-.002	-.070	-.012	-.070
Services	-.071	.000	-.062	.122	-.200	-.476	-.327	-1.014
Grand Total	4.068	-.001	37.870	43.005	-3.268	-2.296	-2.246	77.132

An Intra-industry Perspective on Competitiveness

Even at very detailed customs lines, countries often register trade in both directions. To get a more nuanced view of East Asian competitiveness, we examine detailed intra-industry trade characteristics. Formally, define the index of intra-industry competitiveness as

$$IIC = (E-M)/(E+M)$$

where IIC_i ranges between -1 (100% import oriented) and 1 (100% export oriented) for any given sector i . This index is estimated for sample scenarios, countries, and trading partners in the following tables. Balassa developed a similar index, equal to $|IIC|$, but the sign indicates direction of trade dependence, so we preserve it here.

Intra-industry Competitiveness for China: EAFTA, 2020

Sector	China	Japan	NIE	ASEAN	USA	EU	ROW	Total
Rice	-	1.00	1.00	-.94	1.00	1.00	.84	-.47
Other Grains	-	1.00	1.00	1.00	-.99	-.25	-.99	-.48
Oil Seeds	-	1.00	1.00	1.00	-1.00	1.00	-.98	-.78
Sugar	-	1.00	-1.00	-1.00	-	.87	-.98	-.86
Other Crops	-	.96	.92	-.54	-.94	.90	-.91	-.48
Livestock	-	.72	.44	-.64	-.68	-.43	-.64	-.51
Energy	-	.96	-.28	-.74	.90	.93	-.09	-.36
Processed Food	-	.94	.63	-.45	-.75	-.64	-.85	-.15
Textiles	-	.04	-.69	.41	.55	.72	.03	-.12
Clothing	-	.89	.73	.99	.97	.93	.95	.92
Leather Goods	-	.94	-.26	.80	.90	.79	.78	.72
Basic Manufacturing	-	-.06	-.38	.09	.29	.10	.05	-.02
Motor Vehicles	-	-.81	.52	.76	.41	-.64	.01	-.32
Other Transport Equip.	-	-.06	-.54	.85	-.26	-.07	.58	.00
Electronic Goods	-	-.32	-.42	.02	.36	.02	.82	.06
Other Manufactures	-	-.11	-.05	.44	.47	-.08	.66	.22
Construction	-	-.32	.31	1.00	-.56	-.84	.03	-.48
Services	-	.26	.32	.34	.24	.10	.38	.24
Total	-	.06	-.29	-.04	.36	.10	.25	.08

Intra-industry Competitiveness for ASEAN: EAFTA, 2020

Sector	China	Japan	NIE	ASEAN	USA	EU	ROW	Total
Rice	.94	1.00	-	.00	1.00	1.00	.65	.62
Other Grains	-1.00	-	-	-	-1.00	1.00	-1.00	-.99
Oil Seeds	-1.00	-	-	.00	-1.00	-	-1.00	-.96
Sugar	1.00	1.00	.99	.00	1.00	.90	-.87	.55
Other Crops	.54	1.00	.97	.00	.43	.97	.07	.39
Livestock	.64	1.00	.71	.00	-.19	-.63	-.44	.10
Energy	.74	.92	.20	.00	.09	.80	-.78	.18
Processed Food	.45	.93	.49	.00	.65	.84	.08	.49
Textiles	-.41	.13	-.69	.00	.69	.79	.68	-.16
Clothing	-.99	1.00	.94	.00	.99	.91	.96	.68
Leather Goods	-.80	.98	-.59	.00	.94	.75	.93	.48
Basic Manufacturing	-.09	-.23	-.25	.00	-.01	-.03	-.21	-.11
Motor Vehicles	-.76	-.93	-.68	.00	.13	-.45	.67	-.69
Other Transport Equip.	-.85	-.94	-.68	.00	-.93	-.80	-.53	-.78
Electronic Goods	-.02	-.11	.06	.00	.33	.05	.80	.14
Other Manufactures	-.44	-.53	-.35	.00	-.31	-.48	.15	-.30
Construction	-1.00	-.48	-	-	-.57	-.88	-.14	-.61
Services	-.34	.37	.33	.00	-.11	-.27	.32	.00
Total	.04	-.05	-.09	.00	.11	-.01	.15	.02

Intra-industry Competitiveness for NIE: EAFTA, 2020

Sector	China	Japan	NIE	ASEAN	USA	EU	ROW	Total
Rice	-1.00	-	-	-	-1.00	-	1.00	-.87
Other Grains	-1.00	-	-	-	-1.00	-	-1.00	-1.00
Oil Seeds	-1.00	-	-	-	-1.00	-	-1.00	-1.00
Sugar	1.00	-	-	-.99	1.00	1.00	-1.00	-.66
Other Crops	-.92	.62	.00	-.97	-.97	-.20	-.97	-.86
Livestock	-.44	.21	.00	-.71	-.96	-1.00	-.93	-.82
Energy	.28	.96	.00	-.20	.29	.67	-.75	.09
Processed Food	-.63	.71	.00	-.49	-.14	.25	-.46	.11
Textiles	.69	-.05	.00	.69	.71	.80	.06	.65
Clothing	-.73	.69	.00	-.94	.90	-.02	.67	-.31
Leather Goods	.26	.87	.00	.59	.24	-.47	.02	.26
Basic Manufacturing	.38	-.50	.00	.25	-.22	-.15	-.58	.01
Motor Vehicles	-.52	-.86	.00	.68	.50	.56	.54	.19
Other Transport Equip.	.54	-.39	.00	.68	-.86	.55	.36	-.02
Electronic Goods	.42	-.31	.00	-.06	.36	.23	.88	.24
Other Manufactures	.05	-.77	.00	.35	-.48	-.32	-.06	-.25
Construction	-.31	-.20	.00	-	-.40	-.59	-.39	-.42
Services	-.32	-.32	.00	-.33	-.45	-.57	-.20	-.39
Total	.29	-.23	.00	.09	-.14	-.08	-.17	.02

Intra-industry Competitiveness for Japan: EAFTA, 2020

Sector	China	Japan	NIE	ASEAN	USA	EU	ROW	Total
Rice	-1.00	-	-	-1.00	-.96	1.00	-.90	-1.00
Other Grains	-1.00	-	-	-	-1.00	-1.00	-1.00	-1.00
Oil Seeds	-1.00	-	-	-	-1.00	-	-1.00	-1.00
Sugar	-1.00	-	-	-1.00	-	-1.00	-1.00	-1.00
Other Crops	-.96	-	-.62	-1.00	-.98	-.52	-.98	-.97
Livestock	-.72	-	-.21	-1.00	-.96	-1.00	-.95	-.83
Energy	-.96	.00	-.96	-.92	-.71	.10	-.97	-.94
Processed Food	-.94	-	-.71	-.93	-.77	-.50	-.89	-.87
Textiles	-.04	-	.05	-.13	.12	.07	-.31	-.04
Clothing	-.89	-	-.69	-1.00	-.59	-.79	-.41	-.89
Leather Goods	-.94	-	-.87	-.98	-.82	-.93	-.74	-.94
Basic Manufacturing	.06	-	.50	.23	-.08	-.22	-.45	.05
Motor Vehicles	.81	-	.86	.93	.71	.12	.88	.66
Other Transport Equip.	.06	-	.39	.94	-.60	.79	.88	.28
Electronic Goods	.32	-	.31	.11	.33	.16	.84	.31
Other Manufactures	.11	-	.77	.53	.05	.19	.07	.27
Construction	.32	-	.20	.48	-.83	-.81	.35	-.27
Services	-.26	-	.32	-.37	-.45	-.49	-.06	-.30
Total	-.06	.00	.23	.05	.06	-.15	-.10	-.01

Conclusions 1

- The East Asian Trade Triangle enables China to “deliver globalization” to the region by joining the WTO.
- In this sense, East Asia can capture most of the benefits of full globalization by just forming EAFTA. The other EA countries should negotiate collectively with China, with an eye toward broader objectives.
- These results indicate that, in the wake of China’s WTO accession, the best strategy for East Asia is to pursue globalism through more comprehensive regionalism.

Conclusions 2

- China has a special position, but its strategic leverage appears to be limited.
- Preferential access to individual EA exporters is not sustainable under its WTO commitments.
 - The carrot is real, but its strategic value is limited.
- Furthermore, EA imports are essential to China's export capacity.
 - The stick is not credible against most EA partners.

Extensions

- Factor content and, in particular, value-added content of trade need detailed study for a better understanding of regional comparative advantage and competitiveness.
- China's labor markets need closer examination on both the supply and demand sides:
 - Supply – overview of education, training, and migration
 - Demand – what exactly is the composition of growth-induced, and particularly FDI-induced, labor demand?
 - Unskilled labor and capital appear to be substitutes
 - Skilled labor and capital appear to be complements