

# PART 1: Chapter 4 Industrialization of Asian NIEs and Their Economic Interdependency with Asia-Pacific Region: 5 Comment

journal or publication title	International Industrial Linkages and Economic Interdependency in Asia-Pacific Region -International Input-Output Analysis-
page range	319-320
year	1993
URL	<a href="http://hdl.handle.net/2344/00010097">http://hdl.handle.net/2344/00010097</a>

## Comment

*Hiroshi Osada*

The three country papers on Singapore, Taiwan and Korea are without exception well organized and successfully illustrate the structural change of these economies through 1970s and 1980s in relation with the economic policies taken at each stage.

The Singapore paper presented by Prof. Chow gives an interesting analysis in the Section 4 on the interdependence between Singapore and the Asia Pacific countries. Using the backward linkage index, it has shown that the interdependence between Singapore and Asia Pacific countries are high except for the case of Thailand and that the magnitude of interdependence with other countries are higher than the case of other ASEAN countries because of the high export dependency of Singapore. Also, it points out that improvement of data on service trade is needed in consideration of accelerating transformation of the Singapore economy toward service sector like overseas head quarters. This is a very important issue to be paid attention in the next compilation of the international I-O table.

The Taiwan paper written by Dr. Wu and presented by Mr. Tsai is focused on the analyses of the economic linkages among Taiwan, Hong Kong and China, and also of the deepening economic interdependence of Taiwan with the ASEAN countries through the increasing foreign direct investment. Relating to the interesting data presented, it would be helpful if there are further clarification on the following two points. In Table 4-1, what is the reason behind the big trade imbalance with China? Also in Table 4-2, why the official foreign direct investment figures are so small compared with the data of the recipient countries? Finally, though this is a minor point, it is desirable to put reference year for each commodity in Table 3-2.

The Korean paper presented by Mr. Kim gives a consistent and clear-cut structural analysis, using the Link I-O tables for Korea, 75-80-85. Transformation of the industrial structure is discussed based only on output figures in the Table III-2. Though it might be a popular approach in the I/O analysis, value added figure should also be referred to in order to avoid the influence of double accounting when analyzing the industrial structure at a very aggregated sector classification. It is very interesting that the "trade specialization index" in Table IV-4 clearly shows the dual structure of the Korean trade. Korea is specialized in the export of labor-intensive goods and in the import of capital and

technology intensive goods in case of the trade with Japan, while she is specialized in the export of capital and technology intensive goods in ASEAN trade. Finally, some clarification is needed for the large input coefficient from USA to the Korean electricity, gas and water supply sector in the Table IV-5.

The paper presented by Prof. Fujita covered all the three countries and is unique in the point that it made full use of the Asian I-O tables of 1975 and 1985. It successfully analyses the three important issues related to the growth process of these NIEs. The first is the empirical study on the change of the export oriented growth pattern. Here, export oriented industry is defined as the one which has higher output induced by export than output induced by the domestic final demand. Such definition, however, might be too simple. If the theme is to see whether or not the growth of an economy is lead by export, it might be desirable to take not only the size but also growth of the sectors into consideration. It is worthwhile to pay attention to the finding of the second analysis. On the contrary to general belief, it concludes that the technology coefficients of Taiwan industries, rather than Korea, are much closer to those of Japan. However, since the similarity index used here is not immune from the difference in the value added ratio between countries, some clarification is needed to exclude such impacts. The third analysis measured output of ASEAN countries induced by each of the three countries. It is important that in 1985 the total induced output by the three NIEs surpassed that by Japan.

The east and south-east Asian economies went through a drastic structural change after 1985. And, I believe the Asian International I-O table will become a very useful tool to study such changes after 1985 if some small and proper amendments are made to take care of the changes in the input structure and trade coefficients in particular. It is also hoped that the four papers will be extended into the analyses at the more detailed sector level in order to make full use of the I-O information.