Hiemenz, Ulrich

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- A View from Europe -

by

Ulrich Hiemenz

Institut für Weltwirtschaft an der Universität Kiel
The Kiel Institute of World Economics

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Institut für Weltwirtschaft
an der Universität Kiel
Düsternbrooker Weg 120, D-2300 Kiel 1
Federal Republic of Germany

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THE FUTURE OF ASIA-PACIFIC ECONOMIES
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1. The Challenges of the 1990s

Major disturbances in their global environment such as the world-wide recession in the early 1980s, in increasing protectionism in the EC and the US, large exchange rate fluctuations, high and volatile real interest rates and commodity price shocks have not prevented developing Asian countries from accelerating economic and social progress in the 1980s. Real per capital income grew much faster than in the 1970s both in South and East Asia, and the income gap between the Asia Pacific region and industrialised countries narrowed substantially (Table 1). Projections of e.g. the World Bank [1990] and the Nomura Research Institute [Kwan, 1990] indicate that these favourable trends are likely to be sustainable throughout the 1990s. Estimates of per capita income growth range from 5 to 7 per cent for East and Southeast Asia and around 3 per cent for South Asia. The good prospects for the coming decade are, nonetheless, overshadowed by rising uncertainties and concerns about persistent and severe trade imbalances, the emergence of trading blocs and the future destiny of the former socialist economies. With respect to Europe, fears are that

- the EC may cause a failure of the Uruguay Round, thus paving the way towards more bilateralism and regionalism in world trade;
- the EC may be tempted to facilitate structural adjustment required for the Single European Market by reducing competition from non-member countries (fortress Europe);
- special EC trade preferences for Eastern Europe and a diversion of private as well as official capital flows from the South to the East may erode the competitive position of suppliers from Asia on European markets.

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Table 1: Growth of Real Per Capita Income, 1965-2000 (in per cent per year)

Region	Average annual rate of growth 1965-1980	1980-1989	1989-2000[a]
Industrialised countries	2.8	2.5	2.6
Eastern Europe[b]	4.5[c]	0.8[c]	1.5
Developing countries			
Sub-Sahara Africa	2.0	-2.2	0.5
Latin America[d]	3.4	-0.6	2.3
Middle East[e]	3.9	0.8	2.1
East and Southeast Asia	4.8	6.7	5.1
South Asia	1.2	3.2	3.2

[a]Projections. - [b]Hungary, Poland, Romania, and Yugoslavia. - [c]Estimates. - [d]Including the Caribbean. - [e]Including North Africa and European developing countries.

Source: World Bank, 1990, Table 1.3.

Such concerns can certainly not be dismissed easily. However, dynamic impulses for structural adjustment and economic growth in Europe embodied in the European integration and a market-orientation of Eastern Europe could easily offset the detrimental effects of old and new protectionism. The purpose of this paper is to develop a scenario of likely economic and economic policy changes in Europe in the 1990s and to assess the risks as well as the chances that may emerge for Asia-Pacific economies. The analysis focuses on the EC in the Uruguay Round (Section 2), the impact of the European integration envisaged for 1993 on market access for developing Asian countries (Section 3) and the consequences of economic reconstruction in Eastern Europe (Section 4). Some conclusions are provided in Section 5.

2. EC Trade Policies and the Uruguay Round

2.1 The EC as a trading partner of Asia-Pacific

The integration into the international division of labour in manufactures was a driving force behind the favourable economic performance of Asia-Pacific economies in the 1980s. This is reflected in the growing importance of manufactures and in particular capital goods in their export basket. In 1988, about 44 per cent of all developing countries' exports originated from the Asia-Pacific region [World Bank, 1990, Table 14], and Asian NIEs and Near NIEs participated overproportionately in the expansion of highly income elastic inter-industry trade with capital goods [GATT, 1989, Table 4].

In trade with OECD countries the Asia-Pacific region accounted for roughly 11 per cent of total imports and a bit over 9 per cent of total exports at the end of the 1980s (Tables A1 and A2) while these shares were only 5.6 and about 4 per cent in the case of the EC. Abstracting from intra-EC trade, EC imports from the region amounted to 13.7 per cent of all imports from non-member countries, still much lower than the 19.2 per cent achieved in the US or the 29.7 per cent in Japan. Nonetheless, the EC remained the second most important export market behind the US for Asia-Pacific in terms of volume and the most important market for South Asia (Table 2). The change of the geographical distribution of exports in the 1980s mirrors exchange rate realignments. Since 1985/86 the US market lost attractiveness in favour of exports to the EC and Japan. However, in 1989, EC markets had an average not regained the importance as an export destination they had in 1980. In light of the continued strength of the European currencies this may only be a matter of time, but the future trade policy stance of the EC could also have a significant impact on import absorption.

A brief review of EC trade policies towards developing countries (DCs) shows a mixed score [Hiemenz et al., 1991]. Concerning manufactures, EC markets have remained relatively open for DCs as increasing shares in imports and apparent consumption prove. Due to

Table 2: Regional Distribution of Developing Countries' Exports, 1980-1989 (in per cent of total exports)

Exports to	EC-12					USA					Japan				
from	1980	1985	1987	1988	1989	1980	1985	1987	1988	1989	1980	1985	1987	1988	1989
								Total Exports							
Developing countries	43.0	36.0	34.7	30.0	36.6	28.3	35.4	38.4	36.0	35.1	20.7	20.8	18.5	19.9	19.3
Asia	26.2	18.6	22.6	24.9	30.8	31.6	45.7	41.3	40.0	37.0	34.6	26.8	22.4	25.6	25.4
South Asia	51.2	38.9	42.4	52.1	46.9	21.5	35.4	31.9	28.2	27.2	17.7	18.2	17.1	19.5	18.2
ASEAN	18.4	17.4	22.6	23.3	39.2	26.5	33.4	33.8	33.7	28.8	49.0	41.3	36.7	34.5	33.3
China, PR	30.8	20.2	26.3	28.8	27.6	13.0	28.8	31.1	29.8	33.0	48.5	44.2	33.2	34.5	30.7
NIEs	30.3	16.1	19.6	21.9	24.9	44.7	60.4	47.7	47.1	44.3	15.5	13.2	14.4	19.3	19.9
								Exports of Manufactures							
Developing countries	39.1	24.9	29.2			43.8	58.2	52.0			8.9	7.2	9.0		
Asia	35.0	21.0	26.3			43.8	59.9	52.7			10.8	8.9	11.0		
South Asia	55.3	41.4	46.0			26.9	40.1	34.9			6.2	9.3	9.4		
ASEAN	33.3	25.2	29.0			48.2	60.0	54.1			8.8	6.8	8.9		
China, PR	40.1	25.3	29.2			20.9	41.2	41.1			24.7	22.5	17.9		
NIEs	32.1	17.3	23.3			47.4	64.0	55.8			10.5	7.7	10.7		

NOTE: Manufactures = SITC 5 + 6 + 7 + 8 without 67 + 68; EC-12 = Belgium-Luxembourg, Denmark, France, FRG, Greece, Ireland, Italy, Netherlands, Portugal, Spain, UK; EFTA = Austria, Finland, Iceland, Norway, Sweden, Switzerland; CMEA = USSR, GDR, Poland, CSFR, Hungary, Romania, Bulgaria.

Source: Table A1.

the diversity of institutional arrangements they were not as easily accessible as US markets, though, and the share of DCs in total domestic supply has on average remained small (below 3 per cent in 1985/86). The generally favourable picture of EC trade relations with DCs is, however, clouded by a large number of trade impediments applied by the EC and its member countries against imports of specific products and from specific countries causing considerable welfare losses to EC consumers and suppliers from DCs. EC trade policies are characterised by a dichotomy between the commitment to liberal (GATT) trade rules and the desire to shield domestic producers against "too much" foreign competition (already embodied in the 1957 Treaty of Rome).

The result was an increasingly complex trade policy regime which is very selective on a product-by-product basis, extremely discriminatory among countries, and has become more and more sophisticated and, therefore, less transparent over time. Several trends were observed. In response to multilateral trade negotiations EC trade protectionism has shifted from tariff to non-tariff barriers under the jurisdiction of individual member governments, and within the range of NTBs from quantitative restrictions to measures partly outside of GATT rules such as VERs, surveillance and anti-dumping procedures. Most of these trade policy instruments have predominantly been implemented against imports from other industrialised countries, but their use against competitive suppliers from both more and less advanced DCs particularly in Asia has been increasing in recent years.

Compared to these trade restrictions, trade preferences granted to DCs were limited, discriminatingly applied, and of questionable value for eligible countries [Blokker, Faber and Hellingman, 1990]. Separate preference schemes have been implemented for ACP, Mediterranean and other DCs, with preference margins declining in that order. In a nutshell, all preference agreements have provided low or even zero margins for important export products of DCs such as agricultural products or have limited the eligibility to narrow tariff quotas in the case of competitive suppliers such as the Asian NIEs and near-NIEs. Preferences were plentiful for countries such as those from the ACP region which cannot supply manufactured exports at a significant scale because of domestic policy distortions. For these reasons, trade effects of the GSP and the other related agreements have remained negligible as unused preferences and/or imports in excess of tariff quotas amply demonstrate [Hiemenz et al., 1991, Chapter IV].

In sum, there seems to have been an increase in the overall level of protectionism applied against DCs in the 1980s. This new wave of protectionism did, however, not hurt all DCs alike. Import barriers focused on NIEs in general and specifically on Asian NIEs, but also on some second-generation exporters from the Asia-Pacific region when they emerged as competitive suppliers of certain products on EC markets. Rising EC import market shares (Table A1) are proves, though, that product-specific protectionism has not been able to slow export expansion of Asia-Pacific economies to the EC in a significant manner. They indicate the continued openness of EC markets for most manufactures for suppliers from non-member countries, including those from the Asia-Pacific region.

2.2 The EC and the Uruguay Round

Prospects for future access to the EC hinge on the outcome of the Uruguay Round and on the shape of trade policies implemented after 1992. Concerning the Uruguay Round, all available information seems to suggest that the EC will neither deviate much from its protectionist stance in agriculture nor give up the principle of special treatment and selectivity. Until now, negotiating parties were not able to reach agreement in any of the more important disputes. The EC would like to postpone the elimination of subsidies to agriculture as long as possible while developing countries oppose a liberalisation of trade in services to protect their own infant service industries. Since the US have maintained the political pressure in favour of trade liberalisation and no party involved can - in my judgement - risk a complete failure of the negotiations, last minute compromises are the likely outcome. Agreement may be reached with respect to a stepwise, medium-term reduction of trade barriers and subsidies for agriculture, a partial liberalisation of trade in services at least among industrialised countries - in line with creation of a Single European Market - and a gradual return of trade in textiles under the folds of the GATT Treaty. Special treatment of DCs will be continued but NIEs are likely to be graduated from preferential treatment.

Such a scenario of the emerging world trading order for the 1990s would comprise risks for DCs in the short term and new chances in the medium term. More liberal trade in agricultural products would lead to higher world market prices for almost all important food items since these prices are artificially depressed because of the agricultural protectionism of all industrialised countries and export dumping by the EC. Higher world market prices will benefit large agricultural exporters like Argentina, Australia or Brazil, but inflict a new burden on the balance of payment of food importing countries, e.g. in South Asia.

Concerning trade in textiles and services, those countries stand to gain in principle from a gradual liberalisation which already are established suppliers of these goods such as the East Asian NIEs and the Near NIEs of the ASEAN group as well as India which held the second rank as an exporter of textiles to the EC and the seventh rank concerning MFA clothing (1987). These countries have been hit hardest by the protectionism built into the MFA. They were also able to successfully compete in world markets for transport as well as marketing and engineering services. It must be expected, though, that access to EC markets (and markets of industrialised countries in general) will only improve marginally for the more successful countries which have fully used their quotas. Their MFA quotas are likely to remain close to what they were before, and access to services' markets are likely to be made subject to reciprocity agreements. This should - in turn - improve the locational advantages of newcomers which have not yet exhausted their quotas. They stand to benefit overproportionately from further liberalisation and should be able to attract new investors both domestically and from abroad. Concerning MFA products, the prospects of these countries could be further improved by the dismantling of market disruption clauses in the context of the European integration. The arbitrary invocation of these clauses has all too often discouraged newcomers in the past and created a substantial degree of uncertainty for potential investors. This subject will be elaborated further in Section 3.2 below.

Summarising it seems safe to conclude that the Uruguay Round will hardly produce breathtaking improvements of market access to the EC for Asia-Pacific economies. From the viewpoint of December 1990, the best the Uruguay Round could produce is to secure the stability of an open international trading environment and to prevent trade wars.

3. The 1992-Project of the EC

3.1 Chances and risks

Concerning 1992, the bright prospects offered by a prosperous single EC market are dimmed by the fear that economic integration among the core members together with the accession of the new members Spain and Portugal may only be accomplished at the expense of restricting access for non-members, i.e. by erecting a "Fortress Europe". In addition, there are concerns that the Single Market may change the investment behaviour of EC and non-EC firms to the detriment of Asian economies.

Despite substantial differences in protection levels among EC member countries [Hiemenz et al., 1991, Chapter II], all major decision with regard to trade policy matters are still pending. Having accomplished a free trade area and a customs union, the 1992 project means the establishment a common market without internal borders and border controls. To achieve this, EC member countries have to liberalise factor movement and trade in services within the EC. Concerning manufactures, trade has already been liberalised except for a relatively small member of products (including those covered by the MFA) for which national quotas are still existing. Such quotas will have to be removed. Furthermore, market access will be based on the country-of-origin principle but certain technical norms and standards as well as VAT treatment are going to be harmonised within the EC. It is not clear, though, how and when these policy changes will be implemented and how suppliers from third countries may fit into the new framework [for details, see Dicke/Langhammer, 1990].

Alternative integration scenarios [e.g. Langhammer, 1990] suggest a number of risks for non-member countries but also considerable chances for enhanced trade expansion:

- The dismantling of all barriers against the free movement of goods and factors of production within the EC will accelerate structural change and economic growth. Estimates are that an additional GDP growth of 1 percentage point per annum is feasible well into the 1990s. Assuming roughly constant income elasticities of import demand the resulting additional import demand would by far exceed trade diversion due to a once and for all shift between domestic and import prices.
- Increased import demand will primarily benefit competitive suppliers of manufactures and services from developing countries. Raw material saving technical progress and environmental conservation technologies are likely to de-link import demand for commodities further from economic growth to the detriment of commodity exporting countries.
- Concerning trade policy, the dismantling of often redundant national import quotas is in progress and will continue. However, there is a core of national quotas, e.g. for cars, iron and steel, textiles and clothing, and agricultural products, that are effective under the safeguard provision of Art. 115, EEC Treaty. In all theses cases, national quotas are likely to be replaced by a common EC quota roughly equivalent to the sum of national quotas.
- Preferences for imports from developing countries will be maintained after 1992 although they have proven to be ineffective as a means of trade creation [Langhammer, Sapir, 1987]. East Asian NIEs may, however, be graduated from the GSP as was mentioned above (p. 8).

- The new EC member countries, Spain and Portugal, possess a factor endowment similar to many DCs. In a single market, these factor endowments could create incentives for trade diversion and a shift of EC investment to the EC periphery. This tendency is reinforced through the subsidisation of capital provided by the 'Regional Fund' of the EC Commission.
- Investors from non-member countries have found the EC increasingly attractive (Table 3 below). The single market may further stimulate capital inflows, and the opening up of Eastern Europe is likely to provide additional incentives for foreign investors in the EC. Massive capital inflows will, however, result in an appreciation of the European currencies, thus improving the relative competitive position of DCs.

3.2 Impact on Asia-Pacific economies

The general implications of the 1992 project on the Asian region can be sketched in a clear-cut way. The envisaged trade policy changes do not discriminate among non-member countries, and hence, the supply potential of exporting countries will determine the benefits they can reap from a prosperous EC market. The income effects of accelerated structural change favour suppliers of manufactures and services over commodity exporters. Since the Asian economies are potent suppliers of manufactures and certain services they will face expanding markets for their exports. Under the assumption of 1 per cent additional growth in the EC after 1992, real manufactured imports would rise by additional 5.5 per cent annually [Hiemenz et al., 1991, p. 419] while trade diversion would account for no more than one fifth of increased import demand.

The competition from countries of the EC periphery such as Spain and Portugal can hardly change this generally favourable prospect. Competition for risk capital within the EC between the core regions and the periphery will be enhanced, and the initial inflow of capital into the periphery will lead to rising prices for nontradeables relative to tradeables (real appreciation) in these coun-

Table 3: ASEAN Exports to EC Under the Generalised System of Preferences, 1978 and 1988

Exports to	1978		1988	
	A (Mill. ECU)	B p.c.	A (Mill. ECU)	B p.c.
Germany	657	38.1	2289	44.6
France	234	22.2	1160	33.7
Italy	217	17.5	813	37.7
Benelux	442	31.4	1259	39.6
United Kingdom	506	45.1	2041	36.9
Ireland	13	29.4	58	25.8
Denmark	56	54.5	175	58.0
Greece	-	-	42	97.5
Spain	-	-	261	30.2
Portugal	-	-	41	46.3
EC	2125	34.8	8139	39.6

NOTE: A = Total exports of goods for which preferences can be claimed.
B = Share of goods actually receiving preferences.

Source: EUROSTAT, Microfiche Statistics, Microfiche Set No. SPG-2441 (1978), Luxembourg. - EUROSTAT, Außenhandel, Allgemeines Präferenzsystem (APS), Serie C (1988), Luxembourg.

tries. Labour costs would rise and the participation of the periphery countries in the European Monetary System (EMS) would deny them the option to fight rising labour costs by exchange rate adjustments. This process could be enhanced by political pressure towards "social harmonisation" within the EC-12 so that differences in labour costs between the centre and the periphery would be leveled further. Under this scenario, relatively labour-intensive production in the periphery would lose competitiveness and would be shifted to countries outside the EC, i.e. Asian developing countries and Eastern Europe.

The globalisation of both GSP and MFA quotas in a single market will have much less of an effect on trading opportunities than some observers seem to expect [e.g. Report of the Ambassador's Committee, 1989, p. 12]. The argument was that a common quota would allow Asian exporters to optimise quota utilisation. Concerning the GSP tariff quotas, utilisation indeed differs substantially between EC member countries as Table 3 shows for ASEAN countries. The same observation applies to India. In 1987, the share of preference-receiving imports in total EC imports of sensitive textiles from India ranged from 52 per cent in Germany to 26 per cent in the UK [EC microfiche statistics SPG-2441, 30 November 1988, p. 835]. These data as well as Table 3 show also, however, that quota utilisation was generally low, below 40 per cent on average in the case of ASEAN countries, while total imports were much larger than quota utilisation. This indicates that ASEAN countries (and India) were competitive on EC markets without receiving preferences. Obviously, the small size of tariff quotas and the administrative costs of applying for quota allocations have eroded the value of the GSP for both South and East Asian exporters. The single market is not going to change this picture in any major way.

Concerning MFA quotas, a common EC quota resembling the sum of present national quota would only increase import volumes if suppliers do not or cannot exhaust the national quotas (e.g. because of a restrictive national quota administration). This is not the case, though. The important East Asian suppliers, in particular Hong Kong, have perfected their systems of quota utilisation, e.g. by trading unused quota among suppliers. A similar picture emerges for Indian MFA exports to the EC. Data collected by the Indian Apparel Export Promotion Council (AEPC) suggest that there was a steady increase of utilisation rates since 1983 and all member state quotas - except for the small Greek market - were fully exhausted by 1987 (Table 4). Under these circumstances, the introduction of a common quotas would not have any quantitative effect, and a future expansion of trade in textiles and clothing entirely depends on progress in the Uruguay Round (see above). There could, however, be an impact on prices. Since domestic and import prices tend to be higher in more restrictive countries, a common quota would lower prices in these markets but increase prices in less restrictive countries such as e.g. Ger-

Table 4: Quota Utilisation Rates in India's MFA Exports, 1980-1987, by Major Import Markets

Market	1980	1981	1982	1983	1984	1985	1986	1987
United States	78.1	75.5	69.7	109.8	102.1	100.2	109.7	116.7
Germany, FR	82.8	78.6	73.2	53.0	54.8	74.8	102.1	109.9
France	94.9	88.5	72.0	57.7	59.9	70.6	92.7	106.7
Italy	79.9	63.1	44.9	51.2	40.0	51.4	88.3	105.6
Benelux	68.3	62.4	57.1	42.9	55.3	66.3	86.0	104.9
Denmark	87.4	86.6	83.8	76.4	87.9	89.1	108.1	99.2
United Kingdom	52.2	55.0	64.5	56.6	75.5	68.3	74.8	107.8
Ireland	40.0	64.9	56.5	51.8	58.1	68.0	73.5	105.7
Greece	OBA	66.7	41.4	37.2	63.2	76.3	61.8	35.5
EEC	70.5	61.4	65.3	53.9	61.2	69.1	88.8	106.7
Sweden	99.8	105.1	87.7	74.8	101.8	100.9	105.7	116.9
Finland	72.0	53.2	76.7	63.6	54.4	56.4	78.5	77.8
Austria	70.3	55.2	67.6	95.1	89.3	88.6	99.6	108.4
Canada	68.6	75.3	63.3	73.6	98.9	108.0	78.7	91.3
Norway	27.8	34.5	OBA	OBA	OBA	91.6	92.3	101.0
All	-	-	-	73.2	76.4	79.8	-	-

NOTE: OBA = Outside Bilateral Agreement

Source: Kumar and Khanna, 1990, p. 195.

many. Depending on the size of the different markets, the common quota may ultimately contribute to increasing export revenues. All in all, this effect will, however, remain rather modest.

Concerning the liberalisation of services trade after 1992, there is only skimpy information on the competitive strength of Asian (and other) DCs as suppliers of services [Langhammer, 1989]. Tourism, passenger transport (aviation), as well as merchandise transport emerge as those broad categories of services in which a large number of Asian countries has improved their international competitiveness.

Concerning tourism, relative prices of tourist services inside and outside the Community are expected to be influenced by two countervailing aspects of the EC single market. Internal prices will fall because of intensified competition in the aviation market and trans-border mergers of tourist agencies. On the other hand, internal prices may rise once and for all if a VAT of 6.5 per cent is levied on intra-European travel and if a fuel tax is imposed on intra-EC shipping. Finally, airport companies may try to raise their fees in order to compensate for the loss in earnings from duty-free shops which become redundant in the single market. The net effect of both price movements is uncertain as changes in the real exchange rates of the European tourist resort areas have to be taken into account. With rising unit labour costs in the Mediterranean member countries there is room for the (ceteris paribus) assumption that the ratio between internal and extra-EC prices for tourist services will increase thus providing chances for Asian countries to attract tourists.

The aviation market is the one of considerable export interest for low-cost carriers in Asia. The market is characterised by an extremely high degree of bilateralism, and though the Commission has subjected aviation to the competition rules of the Rome Treaty, there will be no common policy until 1992. Capacities have been expanded because of lowered barriers to entry, but price competition is still very much restricted because of the so-called group exemption in the competition articles through which pool arrangements are sanctioned. As long as other member countries still have the right to protect their national flag carriers (e.g. in France and in Germany), price competition will be confined to few routes within the EC. The recent nationalisation of private carriers in France does not support the optimistic view of enhanced competition between newcomers and national flag carriers in the context of 1992 [Mathew, 1989].

Unlike the aviation market, the Commission has gained a mandate in maritime transport to act against third country suppliers if they are alleged of unfair pricing. In a case decided in early 1989 the

Commission imposed for the first time a countervailing duty on an external supplier of services, a South Korean shipping company operating a liner service between EC ports and Australia (Abl, 15/89, L 4 January 4, 1989). The company allegedly received subsidies and thus underbid European companies which requested the "unfair pricing" regulation to be imposed by the Commission. This regulation can be regarded as the nucleus of a common policy in maritime transport against third countries. A common policy is facilitated by the fact that most EC shipping agencies already jointly act in liner conferences and have established common institutions which lobby in Brussels.

In banking and insurance, third countries are confronted with the reciprocity clause in the so-called Second Banking Draft Directive. Banking licences which are necessary to provide services in the single market are issued if EC banks and insurances do not notify discriminatory actions against their own business in the third country. For the majority of Asian developing countries the reciprocity clause will be ineffective since their banks have only established funding offices or financing agencies for merchandise trade in EC countries rather than branches offering full scale banking services.

Aside from trade, the 1992 project raises concern about a diversion of investment flows. In this context, it must be noted that FDI withdrew from developing countries in the 1980s and focussed on industrialised countries. In 1989, only 10 out of US$ 147.5 billion FDI flows went to developing countries [Alworth, Turner, 1990, Table 6]. Asia NIEs and Near NIEs proved to remain attractive for foreign investors. Their share in FDI flows to developing countries increased throughout the 1980s and amounted to roughly 50 per cent in 1988. As a share of total flows this was equivalent only to 5.5 per cent (down from 6.6 per cent in 1980-1984) indicating the rather limited interest of foreign investors even in the fast growing countries of this region.

A detailed break-down of FDI stocks by major home countries of investors and host countries/regions (Table 5) shows that all

Table 5: FDI-Stocks by Home and Host Countries/Regions, 1980 and 1988 (in per cent of total stocks)

	USA		Japan		Germany, FR		UK	
	1980	1988	1980	1988	1980	1988	1981[a]	1987
Developed countries	73.6	75.1	45.7	61.4	82.8	89.1	57.2	84.0
EC-12	37.4	38.7	11.1	15.0	36.8	39.6	20.7	27.9
CMEA			0.5	0.1	(0.1)	0.0		
Developing countries	24.7	23.5	53.8	38.5	17.1	10.7	21.8	16.0
Asia[b]	3.8	5.5	27.0	17.3	2.1	2.2	8.3	5.6
South Asia	0.2	0.1	0.1	0.1	0.3	0.3	1.5	0.6
ASEAN	2.2	3.0	19.6	10.0	1.2	1.0	3.9	2.8
China, PR			0.1	1.1		0.1		
NIEs	1.4	2.4	7.3	6.1	0.6	0.8	2.9	2.2

[a]Excluding oil companies, banks and insurance companies. - [b]Sum of South Asia, ASEAN, PR China, NIEs.

Source: Die Kapitalverflechtung der Unternehmen mit dem Ausland nach Ländern und Wirtschaftszweigen, Beilage zu "Statistische Beihefte zu den Monatsberichten der Deutschen Bundesbank", Reihe 3, Zahlungsbilanzstatistik, various issues. - Business Monitor, Census of overseas assets, Central Statistical Office, a publication of the Government Statistical Service, various issues. - US, Department of Commerce, Survey of Current Business, various issues. - Japan, Ministry of Finance, Zaisei Kingu Tokei Geppo (Monetary and Financial Statistics Monthly), various issues.

investors from within and from outside of the EC have enlarged their EC engagement in the 1980s. Country data (not given in the Table) suggest that Spain and Portugal were preferred locations for most investors. The picture of Asia is mixed. The respective shares of US and German FDI stocks increased while those of Japan and the UK declined substantially. Within Asia, ASEAN countries were preferred by all investors over the NIEs; South Asia remained a marginal location.

With respect to 1992, countervailing forces are at work. The large common market together with the fear of new protectionist measures will provide an incentive for FDI aiming at securing or gaining shares in the EC market as was mentioned above. This incentive will be strengthened by EC subsidies for investment in the periphery. Rising labour costs and exchange rate appreciation may, however, limit the attractiveness of the EC to investment in human capital- und technology-intensive industries in which EC suppliers primarily compete with those from other industrialised countries and from Asian NIEs. For this reason, the NIEs will be well advised to intensify their FDI engagement in the EC to secure their competitive edge in the single market. Southeast and South Asia's attractiveness must not suffer in this process if the countries can maintain or improve (South Asia) their competitiveness in the division of labour with the EC. The EC may, however, also became a preferred entry point to the newly emerging markets in Eastern Europe including the USSR. In addition to geographical proximity, some EC member countries, in particular Germany, have accumulated substantial knowledge on how to operate in Eastern Europe which foreign investors may want to exploit for their own purposes. For this reason, hypotheses about the future direction of investment flows require an assessment of the economic potential that is developing in Eastern European countries.

4. Eastern Europe and Asia-Pacific Economies

4.1. Policy reform and foreseeable change of the economic landscape in Europe

The transition of Middle and Eastern European countries from central planning and CMEA integration to market determined economic management systems and an integration into the international division of labour are in full swing, but a lack of reliable data and even a lack of trustworthy information on the future course of reform programmes make it extremely hazardous to assess the consequences of these policy reforms for third countries. Facts are that

- CMEA economies (including the USSR) are dependant on foreign trade in a similar way as Western market economies. They have, however, continuously lost market shares in world trade because of their distorted and aging structure of production (Tables A1, A2).
- foreign indebtedness of CMEA countries in convertible currencies has already reached critical limits when measured by the debt service ratio [OECD, 1990, pp. 47-52].
- CMEA partners have imported primary commodities and energy from the USSR at prices below world market levels. The OECD [1990, p. 49] estimates the implicit subsidy to have amounted to at least US$ 5 billion annually.

This is the background against which the change of economic systems in Middle and Eastern Europe has to be evaluated. The task is enormous. Macroeconomic stabilisation including substantial exchange rate adjustments has to go hand in hand with the introduction of flexible prices, the definition and legal formulation of property rights, a dismantling of obsolete production structures, and the creation of a costly social net to ease the burden of the transition period on the population. Furthermore, CMEA trade will be valued in convertible currencies from 1 January 1991. The EC has agreed to grant preferential market access to her Eastern neighbours, and Western donors [IMF, World Bank, the G-24 countries and the newly established "European Bank for Reconstruction and Development"] seem to be prepared to support the reform process with substantial amounts of public funds.

What could all this mean for developing countries in general? In my assessment, structural adjustment in CMEA countries cannot be viewed as a menace for future development in the Third World for several good reasons:

- Even if policy reforms are actually implemented according to schedule, these are severe bottlenecks on the supply side of these economies which will prevent a rapid expansion of internationally competitive exports for many years to come.

- Slow export growth will impede the financing of necessary imports of primarily investment goods. Given the high indebtedness of CMEA countries in hard currencies, financing from the private capital market will hardly be available and, hence, the countries have to hope for public funds and foreign direct investment.
- Even if public funds are generously granted and foreign investors are attracted by the market potential of Eastern Europe, there are narrow limits to the absorptive capacity of CMEA countries. Physical infrastructure is in a disastrous condition; necessary institutions do not yet exist or have just been established; politicians and administrators have no experience in handling large-scale investment projects or adjustment programs; the environmental destruction is in an advanced stage; valuation of old debt and present assets presents almost unsurmountable problems; markets for private property shares and securities do not yet function; property rights still need to be cast in appropriate laws; and so on and on.

This rather cautious appraisal of the development potential in Middle and Eastern Europe suggest that developing countries need not be afraid of an erosion of their trading opportunities, substantial reductions of aid budgets or a seizable redirection of investment flows. The main conclusion for the 1990s is, however, that locational competition for mobile factors of production such as physical and human capital as well as competition on product markets will intensify.

4.2. How Asia-Pacific economies may be effected

The above general conclusions have to be refined somewhat for individual groups of Asia-Pacific economies. The most immediate impact of the transition of Eastern Europe towards market economies will be on South Asia. This region has been trading with the socialist countries of Europe rather intensively (Table 6) while this trade was marginal for both NIEs and ASEAN countries. A significant

Table 6: The Composition of Trade in Asia Pacific Economies, 1978-1987 in per cent

Export of to	NIEs 1978	NIEs 1985	NIEs 1986	NIEs 1987	Other ASEAN 1978	Other ASEAN 1985	Other ASEAN 1986	Other ASEAN 1987	South Asia 1978	South Asia 1985	South Asia 1986	South Asia 1987
Total exports												
World	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Developed Countries	68.4	68.1	71.8	72.7	69.5	65.7	66.1	63.8	50.4	50.9	58.2	62.2
EC-12 + EFTA	18.5	13.2	14.8	16.6	15.9	12.7	15.5	15.3	26.5	20.9	29.6	33.1
Socialist Europe	0.5	0.2	0.1	0.1	1.5	1.2	0.9	0.8	10.0	15.9	3.6	4.1
Developing Countries	29.8	29.1	26.3	25.7	28.1	32.8	32.5	35.0	37.2	27.8	35.5	32.2
Developing Asia	17.0	20.1	18.5	19.1	22.0	27.8	27.0	29.5	12.7	10.4	14.0	14.7
Other ASEAN	7.3	7.0	5.8	5.7	3.2	4.2	3.6	3.8	2.2	1.4	1.8	2.2
NIEs	7.7	8.6	8.3	8.9	16.2	20.0	19.3	21.1	4.9	5.1	7.6	7.9
China	0.2	2.2	2.4	2.7	0.9	1.3	1.7	2.2	1.6	0.8	1.0	0.8
South Asia	1.8	2.3	2.0	1.7	1.7	2.2	2.4	2.5	3.9	3.2	3.7	3.8
Export of manufactures												
World	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Developed Countries	72.0	71.4	74.6	74.5	65.0	64.7	62.9	62.5	55.4	60.2	70.1	69.3
EC-12 + EFTA	20.1	14.6	16.1	18.0	21.6	17.4	19.4	19.4	31.8	26.4	34.7	36.6
Socialist Europe	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.0	8.5	15.8	3.8	4.4
Developing Countries	27.3	26.5	24.1	24.2	34.4	34.9	36.9	37.2	34.2	23.0	25.0	24.7
Developing Asia	14.4	17.6	16.4	17.4	28.7	29.2	30.4	30.3	12.2	9.4	9.2	9.9
Other ASEAN	6.3	5.5	4.6	4.8	4.4	3.9	3.9	3.6	1.8	0.8	0.5	0.9
NIEs	6.7	8.0	7.8	8.5	22.5	22.8	23.0	23.4	6.1	4.8	6.2	7.0
China	0.1	2.3	2.3	2.6	0.3	1.0	1.6	2.0	0.6	0.8	0.5	0.6
South Asia	1.4	1.7	1.7	1.5	1.5	1.5	1.9	1.3	3.6	2.9	2.0	1.3

Import of from	NIEs 1978	NIEs 1985	NIEs 1986	NIEs 1987	Other ASEAN 1978	Other ASEAN 1985	Other ASEAN 1986	Other ASEAN 1987	South Asia 1978	South Asia 1985	South Asia 1986	South Asia 1987
Total imports												
World	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Developed Countries	63.8	57.4	61.2	60.8	67.0	61.5	63.9	63.7	55.5	52.4	55.8	53.8
EC-12 + EFTA	13.6	13.0	13.5	13.9	18.6	17.1	17.6	18.2	29.1	25.6	24.9	25.6
Socialist Europe	0.3	0.2	0.2	0.2	0.7	0.5	0.6	0.9	4.8	7.4	2.3	2.0
Developing Countries	35.6	39.9	36.6	36.9	30.7	37.7	34.9	34.8	32.2	39.4	41.4	43.7
Developing Asia	19.9	26.6	27.1	28.3	19.4	26.3	26.1	27.1	10.2	13.3	23.6	22.1
Other ASEAN	7.6	8.2	7.2	7.3	3.9	6.1	5.0	4.9	3.7	4.0	4.9	5.1
NIEs	6.5	8.3	8.8	9.5	11.8	16.6	17.3	17.8	3.0	6.2	10.9	9.3
China	5.0	9.2	10.3	10.6	2.4	2.8	2.9	3.5	1.2	1.6	3.7	3.9
South Asia	0.8	0.9	0.9	0.9	1.3	0.7	0.9	1.0	2.4	1.5	4.1	3.7
Imports of manufactures												
World	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Developed Countries	82.7	72.1	71.0	68.9	85.1	78.4	76.0	74.6	77.1	75.8	71.8	69.8
EC-12 + EFTA	20.3	18.7	17.4	17.3	25.5	23.1	22.2	22.3	47.3	41.3	35.1	36.7
Socialist Europe	0.3	0.2	0.2	0.2	0.7	0.6	0.7	1.1	7.2	5.7	2.3	2.4
Developing Countries	17.0	26.9	28.2	30.1	14.0	20.6	22.8	23.9	14.2	17.3	25.4	27.1
Developing Asia	15.3	23.4	25.7	27.8	13.1	18.7	20.7	21.5	9.7	10.9	22.2	21.6
Other ASEAN	2.7	3.8	3.9	4.4	0.9	2.3	2.4	2.5	0.8	1.1	2.5	2.4
NIEs	7.6	10.3	10.4	11.2	10.1	14.8	16.1	16.3	4.3	6.8	12.4	11.6
China	4.0	8.6	10.7	11.5	1.3	1.1	1.7	2.1	2.1	1.7	4.1	4.5
South Asia	0.9	0.7	0.7	0.7	0.8	0.4	0.5	0.7	2.5	1.2	3.2	3.0

Source: UN, COM-TRADE Data Bank, special calculations.

share of trade between South Asia and Eastern Europe was barter trade. Therefore, South Asia will have to face a twofold challenge. First, import demand of former European socialist countries and the USSR is breaking down as a result of economic transition and mismanagement. And secondly, the introduction of world market prices as accounting unit for trade with former CMEA countries will erode possibilities for barter trade and may shift competitive advantages away from South Asian suppliers. These developments are likely to force these suppliers to look for new markets in Western economies and South Asian governments to remove policy induced obstacles to exports in order to avoid a balance of payments crunch.

Payment problems could also become tougher for South Asia as a result of enhanced competition for public funds. Limited access to private capital markets and a mounting foreign indebtedness have made the availability of foreign aid a crucial element for continued poverty alleviation in many South Asian economies. Given the desastrous economic situation in Eastern Europe including the USSR, demand for public funds will be increasing tremendously. Even if one takes various political statements of EC and European government officials for granted that the needs of Eastern Europe will not be met at the expense of developing countries, there seems to be hardly room for major increments of develoment aid budgets in Western Europe which have accounted for roughly 45 per cent of total ODA from DAC countries in 1987/88 [OECD, 1989, Table 3]. South Asia has been among the major recipients of ODA from Germany, a country, which is additionally burdened by the costs associated with the reunification. And finally, there is a strong commitment of all DAC countries to support development in Sub-Sahara Africa that has negatively effected aid flows to South Asia already in the 1980s (Table 7). All in all, it seems to be reasonable for policy makers in South Asia to envisage declining aid flows in real terms from Western Europe. A matching increase of aid from other DAC donors does not appear to be likely since the US and Japan will also become engaged in economic reconstruction of Eastern Europe and, in particular, the USSR. In addition, progress towards peace in Indochina and the opening up of Vietnam will also cause the redirection of some aid flows within the Asia-Pacific region.

Table 7: Share of Developing Regions in Total ODA Flows, 1980/81 and 1987/88 (in per cent)

	1980/81	1987/88
Sub-Sahara Africa	25.8	34.5
Latinamerica[a]	11.3	13.0
Middle East, etc.[a]	27.9	15.7
Asia	31.8	33.4
South Asia[b]	15.0	14.0

[a]Defined as in Table 1. - [b]Includes Bangladesh, India, Pakistan and Sri Lanka.

Source: OECD, 1989, Table 34.

For the other Asian economies Eastern Europe rather offers new trading opportunities than a threat. The enormous demand for capital goods required for economic reconstruction and for consumer electronics cannot be met by European suppliers alone, Asian NIEs and Near NIEs can successfully compete for a share in this emerging market. Likewise, they will face new export chances to the EC when output growth accelerates import demand for intermediate products and consumer goods.

Concerning privated capital flows, South Asia was not a preferred location for foreign investors in the 1980s (Table 5) and, hence, the changes in Eastern Europe will hardly effect the attractiveness of the region for FDI. Obstaclesd to FDI continue to stem from overregulation; e.g. they are rather internal than external in nature. The key question is whether the other developing Asian economies which used to absorb increasing amounts of FDI will be able to defend their position in the 1990s. Eastern Europe could be attractive for foreign investors both to gain shares in the growing local markets and to benefit from cost advantages, e.g. due to low labour costs. In both respects, East and Southeast Asian economies appear to enter well prepared into the international competition for risk capital. Multinational enterprises will hardly adopt a strategy of shifting investment away from this region because such a strategy would endanger their chances in the rapidly growing Asian markets. Indications are quite to the contrary; especially European firms will have to strengthen their engagement in Asia-Pacific economies to get a better foothold in this growth pole of the world economy where they have traditionally been underrepresented [Hiemenz, Langhammer, et al., 1987]. Investment flow data of the 19080s for Germany confirm this emerging trend towards Asia; total German FDI in East and Southeast Asia increased by 11.2 per cent compared to 5.7 per cent in Latinamerica, the traditional target of German FDI [Agarwal/Gubitz/Nunnenkamp, 1991].

The second strategic aspect, i.e. cost reduction through globalisation or international networking, can also not erode the attractiveness of the Far Eastern economies for FDI. A globalisation of production requires good transportation facilities and easy access to international communication networks. Both conditions will not be met by Eastern European economies for years to come. My conclusion on FDI flows in the 1990s is, therefore, twofold. First, the EC will continue to be a preferred location for FDI due to the 1992 project and as an export platform to Eastern Europe. The recent rapid increase of FDI in Germany seems to provide an early indication of this trend. FDI in Germany amounted to DM 6.1 billion in 1989 while it had ranged between 2 and DM 4 billion in the two preceding decades [Happ, 1990]. Additional investment in the EC will rather go at the expense of the US and other industrialised countries as well as Latinamerica than at the expense of the Asia-Pacific region. And secondly, new investment in Eastern Europe will primarily go at the expense of the EC periphery since Eastern Europe offers similar cost advantages in terms of low labour costs in addition to the presence on the newly merging markets. This shift will be reinforced by rising labour costs in the EC periphery as a result of 'social harmonisation' as was mentioned above (pp. 11-12).

5. Summary and Conclusions

The preceding analysis suggest that intensified economic co-operation with Europe and in particular the EC can make an important contribution to continued economic prosperity of Asia Pacific economies if emerging opportunities for trade and investment are vigorously exploited. A still relatively open market for imports of manufactures, the appreciation of European currencies and relatively high income growth will make the EC a promising export destination for Asia-Pacific economies in the 1990s. The still low shares of these economies in EC imports and apparent consumption of manufactures may partly be explained by distance and selective protectionism, but they are also resulting from a lack of export push towards Europe. The overvaluation of the US currency and the investment of Japanese trade surpluses in near-by Asia have promoted Pacific Rim trade expansion at the expense of trade with other regions of the world, in particular Europe. To change this pattern and to exploit trading opportunities in Europe, East Asian NIEs and Near NIEs will have to diversify their export composition further in the direction of inter-industry trade with capital goods that is less vulnerable to protectionistic intervention; and South Asia will also have to remove domestic policy-obstacles to exports and FDI. Furthermore, analysis clearly indicates that FDI is an engine of trade [e.g. Hiemenz, Langhammer et al., 1987, Chapter IV]. Asia-Pacific economies would, thus, be well advised to complement their export activities by FDI in Europe, a proposition which gains in importance in light of the envisaged European Single Market.

Protectionist pressures will of course not be dissipated in the 1990s; they may even increase in some areas considered as important for future growth (aircraft, chips). Yet, the focus of protectionism in Europe (and the US) is on specific sectors where adjustment was delayed (agriculture, some steel products, textiles and clothing, cars, and some electronic products) and against specific suppliers, i.e. mainly Japan and the NIEs as far as manufactures are concerned. For all other products and countries market access was not significantly impeded, and even for the victims protectionist barriers were not high enough to prevent them from making considerable inroads into EC markets. Furthermore, product upgrading, product differentiation and foreign direct investment provide convenient avenues to circumvent trade restrictions which all have successfully been applied in the past.

The step towards a common market in Europe essentially entails an internal liberalisation of trade in services and the free movement of factors of production which will accelerate structural change and enhance economic growth in member countries. An additional growth of 1 percentage point per year appears to be feasible. Given the already accomplished internal and external liberalisation of trade in most manufactures, non-member countries including developing Asian countries stand to gain more from this process through induced higher import demand than they are likely to lose in the short term because of trade diversion.

The degree to which individual countries can benefit from an improved macro-economic environment in Europe depends on their supply potential. Asian NIEs and Near NIEs are established suppliers of up-stream manufactures and services. They are well posed to exploit emerging opportunities. Likewise, the opening up of Eastern Europe rather provides new chances than a threat. The enormous backlog of demand for capital goods cannot be satisfied by other European countries alone; it will rather create chances for even more intra-industry division of labour in production and trade of capital goods.

South Asia has a narrow export basket containing primarily raw materials and MFA products. The impact of the Single European Market on this region will remain negligible, in particular since MFA quotas were fully exhausted in the 1980s and export expansion in these product categories entirely depends on the uncertain outcome of the Uruguay Round. Concerning Eastern Europe, the likely break down of CMEA trade poses serious difficulties for South Asia. Therefore, a diversification of exports and an improved competitiveness of South Asian suppliers are important tasks for the governments in the region if the recent economic progress is to be maintained in the 1990s. In this respect, it would also be helpful to improve the investment climate for foreign investors, especially from Europe, which view South Asia as a potentially attractive location because of the large internal markets. More FDI may also be needed because foreign aid will be less easily available in the 1990s as a result of the large capital requirements for economic reconstruction in Eastern Europe.

Eastern Europe can, however, not be expected to erode the international competitiveness of Asia-Pacific economies for risk capital. Entirely inadequate infrastructural facilities, institutional bottlenecks and severe economic policy distortions reduce the absorptive capacity of Eastern European economies substantially while they increase the attractiveness of the EC as an export platform to the East. Yet, new FDI in the EC or in Eastern Europe will hardly diminish the supply of investment to the Asia-Pacific region. Fast growing markets and cost advantages will support a continued globalisation of production and make the region a prime for foreign investors, including European firms which finally seem to realise that their lacking engagement in Asia is threatning their own international competitiveness in the long run.

Concerning East Asian NIEs, they could further improve their stance in international capital markets if they would decide to graduate themselves from the developing country status rather than to wait to be graduated by others. Self-imposed economic disciplin in adherence with GATT, IMF and, possibly, OECD rules of conduct would make the NIEs an even more reliable partner of industrialised countries. Such a step would also provide a further demonstration of the remarkable progress the NIEs have achieved over a relatively short period of time.

Table A1: Inter Regional Trade Flows - Imports, 1980-1989 in per cent of Total OECD Trade

Imports of from	OECD Total 1980	1985	1987	1988	1989	EC-12 1980	1985	1987	1988	1989	USA 1980	1985	1987	1988	1989	Japan 1980	1985	1987	1988	1989
Total imports																				
EC-12	37.0	37.0	42.8	42.6	43.7	48.6	52.5	58.0	58.1	58.5	15.8	19.9	20.0	19.3	18.0	5.8	6.9	11.9	12.9	13.4
EFTA	6.5	6.5	7.5	7.6	7.1	8.0	9.0	9.8	9.8	8.9	3.2	3.1	3.1	3.1	3.0	1.2	1.6	2.3	3.2	3.2
CMEA	3.0	2.7	2.2	2.2	2.1	3.6	3.7	2.8	2.6	2.5	0.6	0.6	0.5	0.5	0.4	1.5	1.2	1.6	1.8	1.8
DCs	31.8	26.6	22.6	22.2	21.7	24.5	19.9	15.1	12.5	14.0	49.5	36.0	37.5	37.2	38.8	64.9	59.6	52.3	48.3	47.9
Asia	7.6	9.7	11.3	10.7	10.2	3.5	3.8	4.9	5.0	5.6	13.2	17.0	20.0	20.0	19.2	25.7	28.1	31.4	30.0	29.7
South Asia	0.5	0.7	0.7	0.6	0.6	0.5	0.6	0.6	0.6	0.5	0.6	0.9	1.0	0.8	0.8	0.9	1.4	1.5	1.3	1.2
ASEAN	3.6	3.4	2.9	3.0	3.1	1.2	1.2	1.3	1.3	2.1	5.3	4.4	4.3	4.7	4.5	17.5	15.1	13.4	11.4	11.7
China, PR	0.6	1.1	1.2	1.4	1.5	0.4	0.4	0.6	0.8	0.7	0.5	1.2	1.6	1.9	2.5	3.1	5.1	5.1	5.3	5.3
NIEs	2.7	4.6	6.4	5.7	5.0	1.5	1.5	2.4	2.4	2.2	6.8	10.5	13.2	12.6	11.4	4.2	6.5	11.5	12.1	11.5
Imports of manufactures																				
EC-12	51.1	43.5	47.4			63.0	62.3	63.2	62.2		25.0	21.9	21.6	20.6		76.7	22.3	27.4		
EFTA	8.4	7.4	8.0			9.4	10.0	10.4	9.6		3.7	3.6	3.3	3.2		5.6	5.0	5.2		
CMEA	1.7	5.8	1.1			1.9	1.6	1.6	1.3		0.8	0.4	0.3	0.3		1.0	0.7	0.5		
DCs	10.9	14.7	15.7			7.4	8.1	9.0	7.6		27.2	28.1	32.3	33.3		26.5	27.5	33.3		
Asia	7.5	10.4	11.7			4.5	4.8	6.0	6.1		18.8	20.5	24.3	23.9		22.4	24.0	30.2		
South Asia	0.7	0.7	0.7			0.6	0.6	0.7	0.7		1.0	0.9	1.0	0.8		1.1	1.7	1.7		
ASEAN	1.3	1.8	1.9			0.8	1.0	1.1	1.2		3.6	3.6	4.1	4.8		3.2	3.2	4.0		
China, PR	0.5	0.8	1.1			0.4	0.5	0.7	0.8		0.6	1.1	1.9	2.2		3.6	4.9	4.8		
NIEs	5.0	7.1	7.8			2.8	2.7	3.6	3.4		13.6	14.9	17.3	16.1		14.5	14.2	19.7		

NOTE: Manufactures = SITC 5 + 6 + 7 + 8 without 67 + 68; EC-12 = Belgium, Luxembourg, Denmark, France, FRG, Greece, Ireland, Italy, Netherlands, Portugal, Spain, UK; EFTA = Austria, Finland, Iceland, Norway, Sweden, Switzerland; CMEA = USSR, GDR, Poland, CSFR, Hungary, Romania, Bulgaria.

Source: OECD, Foreign Trade by Commodities, Series C, Paris, various issues. - EUROSTAT, SITC Außenhandelsstatistik, Länder Waren, Microfiche SCE-2311. - OECD, Monthly Statistics of Foreign Trade, October 1990, Department of Economics and Statistics.

Table A2: Inter Regional Trade Flows - Exports, 1980-1989 in per cent of Total OECD Trade

Exports of	OECD-Total					EC-12					USA					Japan				
to	1980	1985	1987	1988	1989	1980	1985	1987	1988	1989	1980	1985	1987	1988	1989	1980	1985	1987	1988	1989
Total exports																				
EC-12	42.7	39.0	44.1	44.2	47.3	55.4	54.7	58.7	59.5	62.5	26.2	22.7	23.4	23.4	23.8	13.9	11.9	16.6	17.8	17.5
EFTA	8.2	7.1	8.3	8.0	7.6	10.9	10.0	10.9	10.7	9.7	3.1	2.5	2.5	2.6	3.1	2.5	2.2	3.1	3.2	2.9
CMEA	3.4	2.7	2.2	2.2	2.2	3.4	2.8	2.3	2.3	2.2	1.8	1.6	0.9	1.2	1.5	2.8	1.9	1.4	1.5	1.4
DCs	26.0	23.0	19.8	20.8	19.4	20.0	17.5	14.3	12.5	13.0	39.6	35.1	33.2	34.7	34.6	50.9	39.6	36.5	37.8	38.1
Asia	7.5	8.9	8.7	9.8	9.1	3.0	4.1	4.1	4.5	3.9	12.4	13.1	13.6	14.8	11.1	27.5	25.9	26.6	28.5	29.4
South Asia	0.9	1.1	1.0	0.9	0.8	0.8	1.0	1.0	0.9	0.7	1.2	1.3	1.0	1.1	1.0	1.7	1.8	1.6	1.2	1.1
ASEAN	2.7	2.4	2.3	2.6	2.8	1.1	1.2	1.1	1.2	1.2	4.1	3.7	3.9	4.0		10.1	6.4	6.8	8.1	9.4
China, PR	1.1	2.0	1.2	1.3	1.0	0.4	0.8	0.7	0.6	0.5	1.8	1.8	1.4	1.6	1.6	3.9	7.1	3.6	3.6	3.1
NIEs	2.8	3.4	4.2	5.0	4.5	0.8	1.1	1.4	1.7	1.5	5.2	6.1	7.3	8.0	8.6	11.8	10.6	14.6	15.7	15.8
Exports of manufactures																				
EC-12	40.7	36.4	43.0			52.1	51.0	56.3	56.2		25.4	23.1	24.9	25.7		15.4	13.0	17.7		
EFTA	9.0	7.7	9.0			11.6	10.8	11.8	11.3		3.4	2.9	2.9	3.1		2.8	2.4	3.3		
CMEA	2.9	2.3	2.0			3.2	2.6	2.2	2.1		0.6	0.5	0.4	0.4		2.0	1.3	1.0		
DCs	28.7	24.3	19.2			22.7	19.6	15.4	12.5		42.2	35.1	34.0	35.6		48.2	36.7	34.0		
Asia	7.9	9.3	9.0			3.7	4.8	4.6	4.5		18.1	13.4	13.9	15.0		15.6	23.1	24.0		
South Asia	0.9	1.1	1.1			0.8	1.1	1.0	0.9		1.1	1.4	1.0	1.0		1.5	1.6	1.5		
ASEAN	3.1	2.7	2.5			1.4	1.5	1.2	1.2		7.6	4.7	4.8	4.8		6.3	6.0	6.3		
China, PR	0.9	1.9	1.2			0.4	0.9	0.7	0.7		2.1	2.1	1.6	1.6		1.4	5.6	2.8		
NIEs	3.0	3.6	4.2			1.0	1.4	1.6	1.7		7.3	5.3	6.5	7.5		6.5	10.0	13.5		

NOTE: See Table A1.

Source: See Table A1.

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