What Trade Data and EPA Development show in East Asia?

Are Regional Cooperation Mechanisms Sufficient To Handle Economic Crises?

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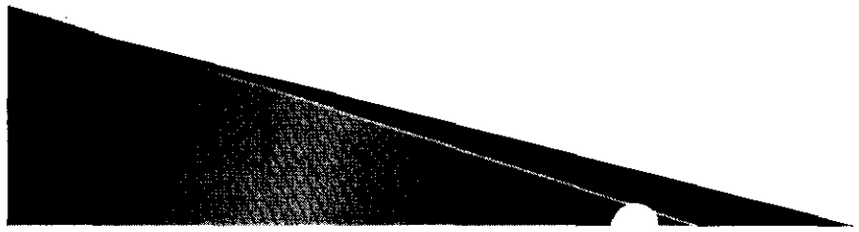
Why Japan's Nikkei fell 60% while Dow Jones 40%

Many explanations

- Expectations
- Financial Business Share in US = 40%
- Export Profit Ratio in Japan = more than 50%

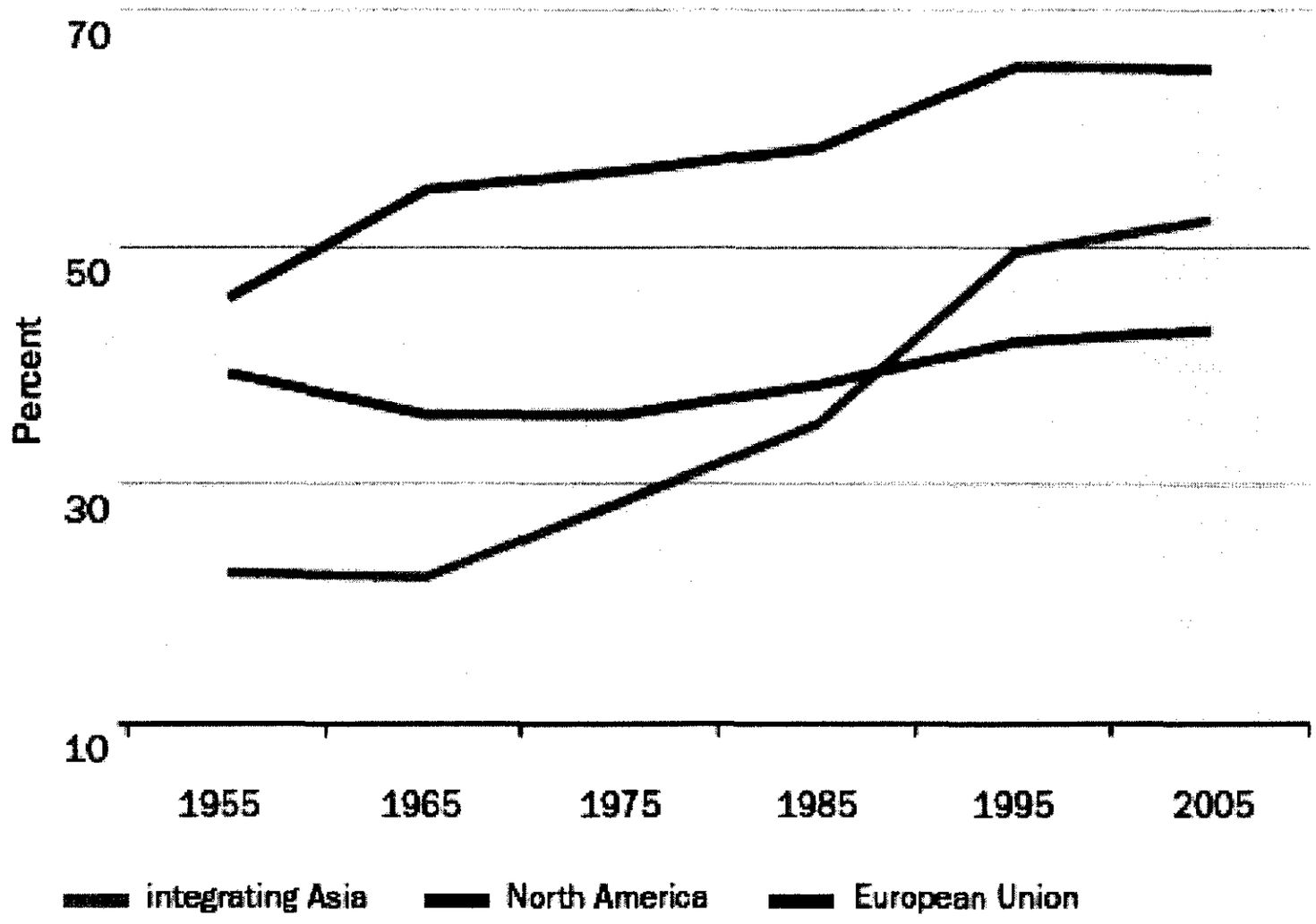


Like Japan East Asia depends upon exports and much more so

	2000	2006
CHINA,P.R.: MAINLAND	21%	35%
CHINA,P.R.:HONG KONG	120%	167%
INDONESIA	40%	28%
KOREA	34%	37%
MALAYSIA	105%	103%
PHILIPPINES	49%	40%
SINGAPORE	165%	200%
THAILAND	55%	62%
USA	8%	8%
Japan	10%	14%

Source: [illegible]ted based on IFS data.

Increasing Regional Trade (ADB)



Complicated Trade Stories

iPhone is now produced in Vietnam?

- Japanese FDI to produce parts of iPhone. Assembled somewhere to sell to the world.
- Is this recorded as US exports? No.

Philippines is banana exporter?

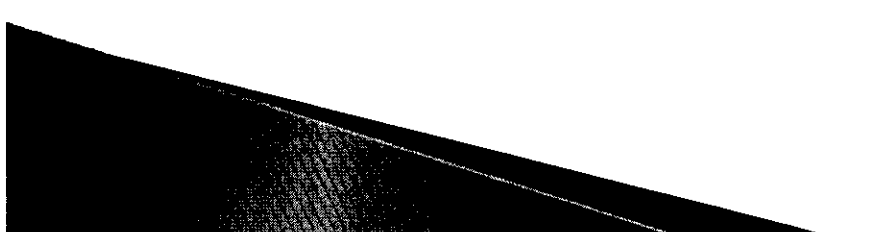
- No. They live on electronics.

Trade relations are now very much complicated.

Some Stylized Facts

- Economic Integration (EI) in Asia is market driven.
- No formal secretariat for EI
- Many players but no leader
- Pressures from the US and Europe
- Never friendly relations between China, Korea, and Japan
- BoP Surplus against US for most countries.
- EA depends on US consumption
- Intra-regional trade is deepened but mostly by production fragmentation
- Asian Monetary Fund proposal in 1997 was a failure
- Japan Savers; Excess Savings went to US
- Asia not consuming enough

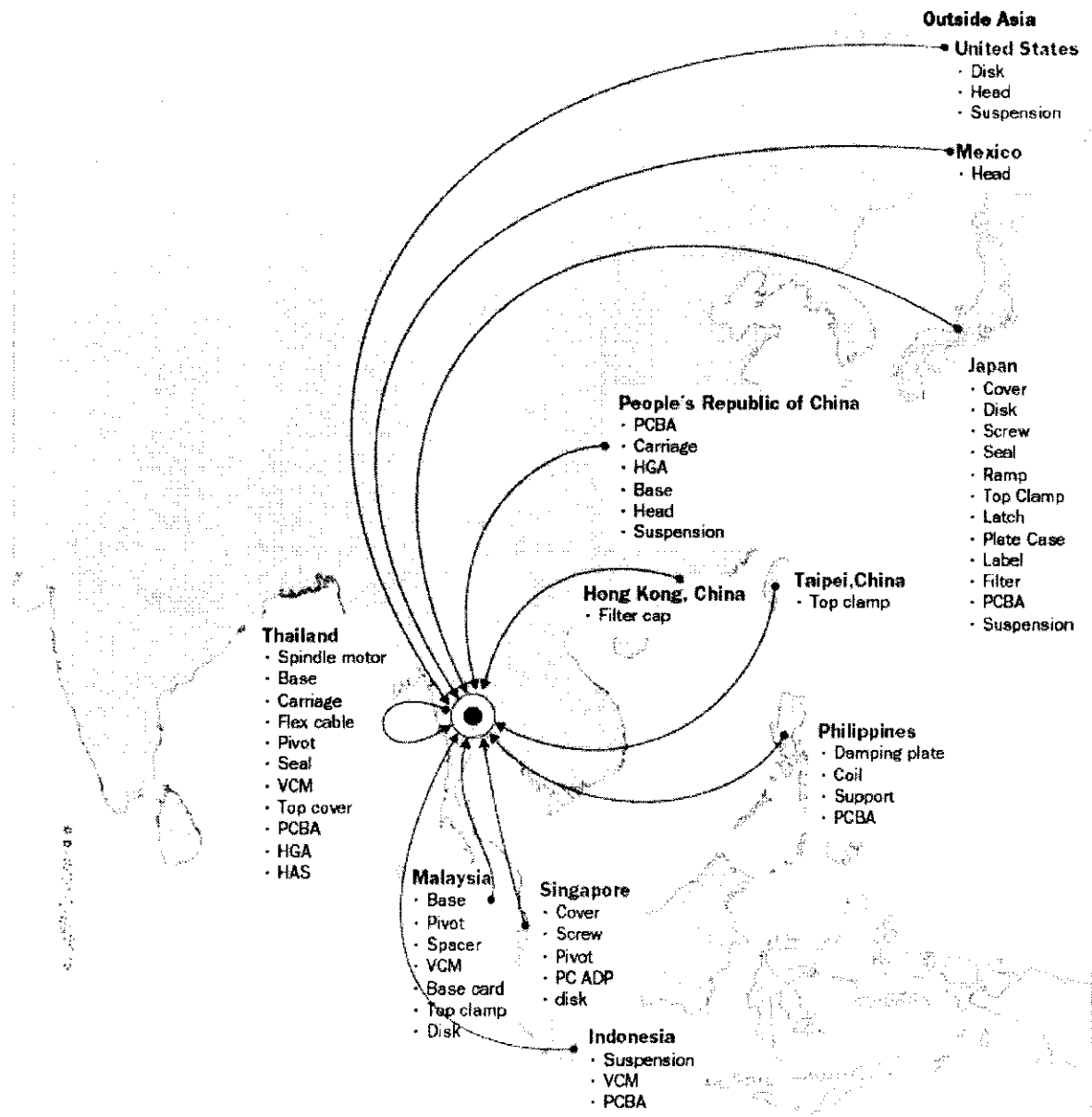
Unique Trade Relations



Fact about Trade in East Asia: Share of 7 and 8 in Total Exports

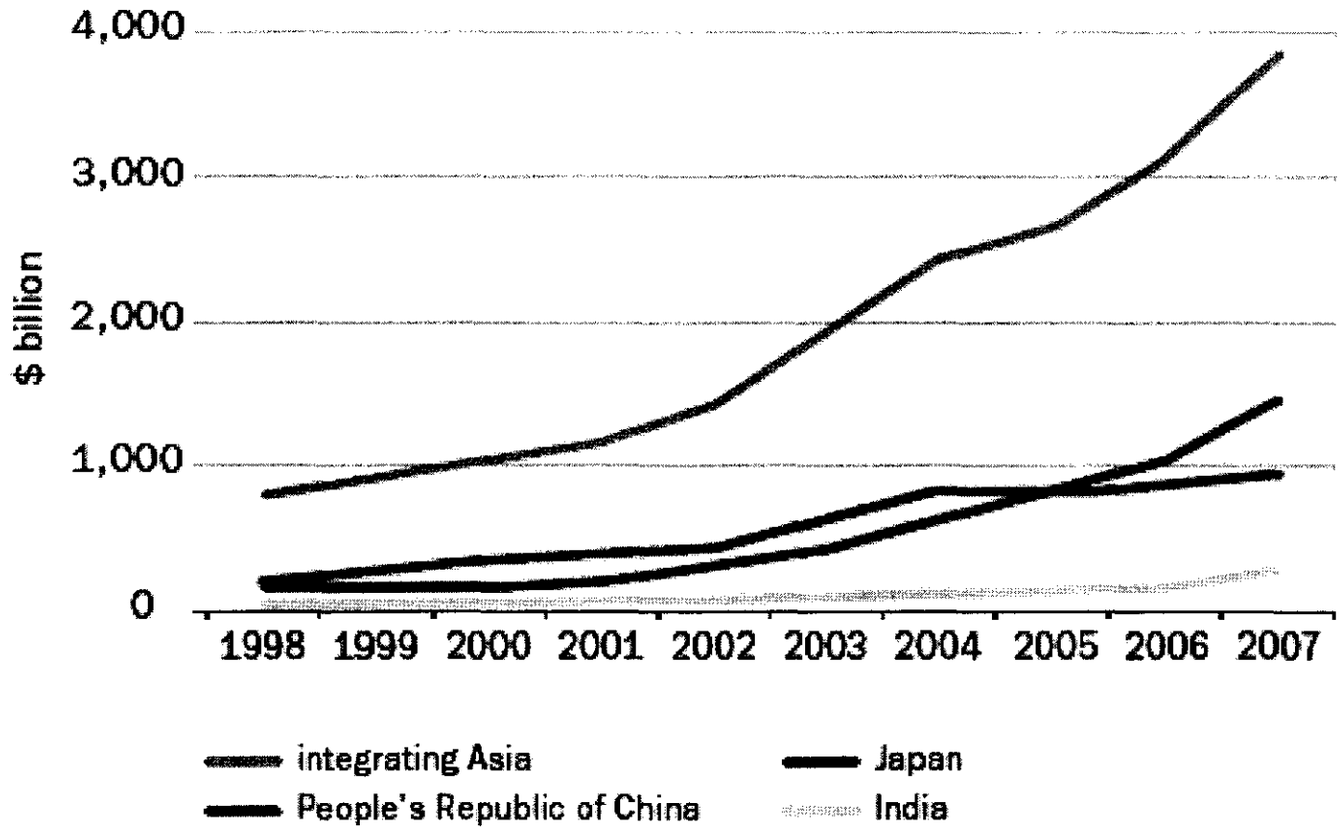
	1995	2000	2005
China	58%	68%	72%
China, Hong Kong SAR	59%	76%	71%
Indonesia	31%	33%	28%
Japan	54%	78%	73%
Rep. of Korea	25%	65%	68%
Malaysia	37%	71%	62%
Philippines	25%	88%	85%
Singapore	49%	76%	71%
Thailand	33%	58%	57%
USA	79%	65%	59%

Production fragmentation: hard disk drive in Thailand (ADB)



Note: The production of hard disk drives requires several parts and components. The example shows the actual sourcing of parts and components of a hard disk drive assembly firm in Thailand. The largest majority of parts and components are sourced from other integrating Asian economies. Hard disk drives are used in several electronic products. The hard disk drive assembler in Thailand exports a large share of its production to electronic firms mostly in other integrating Asian economies.
Source: Adapted from Hiratsuka 2006.

Increasing foreign exchanges



Notes: Most recent data as of March 2008.
For Brunei Darussalam, the most recent data are for December 2006.
Sources: Data from the International Monetary Fund and individual economies.

Phillipines' Trade: RCA and IIT

Top 10 Philippine Exports 2006

S3-77	ELEC MCH APPAR,PARTS,NES	21,227,498,096	44.77%
S3-75	OFFICE MACHINES,ADP MACH	8,177,541,904	17.25%
S3-84	CLOTHING AND ACCESSORIES	2,624,302,309	5.54%
S3-78	ROAD VEHICLES	1,560,593,841	3.29%
S3-68	NON-FERROUS METALS	1,389,739,498	2.93%
S3-33	PETROLEUM,PETROL.PRODUCT	1,047,952,285	2.21%
S3-05	VEGETABLES AND FRUIT	962,817,429	2.03%
S3-76	TELECOMM.SOUND EQUIP ETC	941,627,078	1.99%
S3-88	PHOTO.APPARAT.NES;CLOCKS	798,781,757	1.68%
S3-28	METALLIFEROUS ORE,SCRAP	695,576,985	1.47%

RCA Comparison: Philippines vs Korea

Philippines				Korea			
S3-56	FERTILIZER,EXCEPT GRP272	83,508,290	3.36	S3-57	PLASTICS IN PRIMARY FORM	11,610,920,148	2.06
[illegible]	[illegible]	[illegible]	[illegible]	S3-79	OTHR.TRANSPORT EQUIPMENT	22,290,703,149	1.99
S3-42	FIXED VEG. FATS AND OILS	579,845,899	3.27	S3-67	IRON AND STEEL	15,823,594,780	1.81
S3-63	CORK, WOOD MANUFACTURES	666,588,029	3.08	S3-87	SCIENTIFIC EQUIPMENT NES	16,222,852,895	1.70
S3-06	SUGAR,SUGR.PREPTNS,HONEY	135,893,857	2.98	S3-33	PETROLEUM,PETROL.PRODUCT	20,788,769,554	1.69
S3-05	VEGETABLES AND FRUIT	962,817,429	2.84	S3-61	LEATHER, LEATHER GOODS	845,550,151	1.61
S3-02	DAIRY PRODUCTS,BIRD EGGS	93,870,624	2.78	S3-76	TELECOMM,SOUND EQUIP ETC	37,300,384,796	1.57
S3-12	TOBACCO,TOBACCO MANUFACT	138,489,507	2.19	S3-78	ROAD VEHICLES	42,418,414,146	1.53
S3-75	OFFICE MACHINES,ADP MACH	8,177,541,904	2.06	S3-51	ORGANIC CHEMICALS	12,549,418,594	1.52
S3-68	NON-FERROUS METALS	1,389,739,498	1.73	S3-56	FERTILIZER,EXCEPT GRP272	236,912,765	1.39
S3-28	METALLIFEROUS ORE,SCRAP	695,576,985	1.73	S3-65	TEXTILE YARN,FABRIC,ETC.	10,109,505,237	1.31
S3-84	CLOTHING AND ACCESSORIES	2,624,302,309	1.64	S3-68	NON-FERROUS METALS	7,104,682,379	1.29
S3-88	PHOTO.APPARAT.NES;CLOCKS	798,781,757	1.53	S3-62	RUBBER MANUFACTURES, NES	2,971,250,346	1.13
S3-97	GOLD,NONMONTRY EXCL ORES	300,377,058	1.45	S3-26	TEXTILE FIBRES	1,044,049,668	1.11
S3-81	PREFAB BUILDGS,FTTNG ETC	194,359,899	1.40	S3-58	PLASTIC,NON-PRIMARY FORM	2,375,083,533	1.11
S3-29	CRUDE ANIMAL,VEG.MATERL.	80,562,374	1.21	S3-77	ELEC MCH APPAR,PARTS,NES	48,545,900,145	1.10
S3-03	FISH,CRUSTACEANS,MOLLUSC	387,399,114	1.11	S3-72	SPECIAL.INDUST.MACHINERY	9,778,781,680	1.03
S3-96	COIN NONGOLD NONCURRENT	278,274	1.03	S3-53	DYES,COLOURING MATERIALS	1,144,260,275	0.89

Exports Matrix for SITC77, 2006

Export 77 million dollars

	Australia	China	China, Hong	Japan	Rep. of Kor	Malaysia	Philippines	Singapore	Viet Nam	Thailand	USA
World	1,250	101,722	71,385	87,408	48,546	34,300	21,227	82,071	1,463	16,845	106,756
Australia	0	925	337	333	234	131	53	408	25	150	844
China	58	0	45,986	18,265	12,314	3,284	2,866	11,877	52	1,403	8,117
China, Hong Ko	48	26,846	0	10,672	6,771	4,661	2,697	12,083	64	1,761	4,407
Japan	16	9,593	2,817	0	4,262	2,243	2,676	5,542	910	3,369	4,820
Rep. of Korea	34	5,559	2,190	7,714	0	714	589	4,695	31	545	6,407
Malaysia	20	2,156	989	3,584	1,336	0	1,536	14,251	13	960	6,647
Philippines	5	1,358	623	2,866	1,614	638	0	1,320	16	628	4,695
Singapore	73	4,577	1,880	4,905	4,164	7,384	2,153	0	30	1,222	5,137
Viet Nam	6	286	81	620	112	64	28	335	0	224	57
Thailand	16	839	734	4,025	551	1,301	192	3,150	38	0	1,750
USA	145	15,151	5,214	10,631	4,660	5,770	1,821	8,711	87	1,874	0

IIT for SITC77

IIT FOR 77	
[illegible]	[illegible]
3 digit	0.92
4 digit	0.33
[illegible]	[illegible]

High IIT

SITC		IIT	Exports	Imports	Price(M/X)
S3-77255	Other switches for a voltage not exceeding 1,000 V	0.99	23,418,962	23,944,186	0.67
S3-77883	Parts of the equipment of heading 778.82	0.94	975,951	862,488	6.17
S3-77835	Parts of the equipment of heading 778.34	0.87	1,256,010	959,013	0.04
S3-77833	Parts of the equipment of heading 778.31	0.86	1,823,013	1,388,709	0.47
S3-77821	Filament lamps (other than flash bulbs, infrared and ultraviolet lamps an	0.82	20,213,354	13,987,567	0.40
S3-77243	Other automatic circuit-breakers	0.81	1,204,825	1,781,634	0.26
S3-77868	Variable or adjustable (pre-set) capacitors	0.79	760,974	1,163,113	0.32
S3-77315	Other electric conductors, for a voltage exceeding 80 V but not exceeding	0.79	31,287,840	20,353,996	0.13
S3-77812	Electric accumulators (storage batteries)	0.76	37,800,905	61,608,483	0.62
S3-77862	Tantalum fixed capacitors	0.75	7,753,432	4,670,537	1.26
S3-77631	Diodes, other than photosensitive or light-emitting diodes	0.74	78,188,044	133,849,665	1.97
S3-77125	Other inductors	0.73	84,674,318	49,072,946	0.18
[illegible]-77235	Other variable resistors (including rheostats and potentiometers)	0.61	7,238,639	16,540,631	0.41

Low IIT (mostly exports)

SITC		IIT	Exports	Imports	Price(M/X)
S3-77649	Other electronic integrated circuits and microassemblies	0.01	3,529,849,274	9,048,668	1.09
S3-77884	Electric sound or visual signalling apparatus (e.g., bells, sirens, indic	0.01	1,289,963,248	4,991,958	0.02
S3-77632	Transistors (excluding photosensitive transistors) with a dissipation rat	0.01	1,347,201,920	6,137,340	0.72
S3-77633	Transistors (excluding photosensitive transistors) with a dissipation rat	0.04	5,093,460,879	101,997,913	0.24
S3-77645	Hybrid integrated circuits	0.14	93,765,443	6,911,603	2.41
S3-77639	Other semiconductor devices	0.15	1,350,065,989	111,521,967	0.88
S3-77121	Static converters (e.g., rectifiers)	0.22	472,138,789	57,557,252	1.03
S3-77312	Co-axial cable and other co-axial conductors	0.22	83,995,988	10,476,454	0.66
S3-77313	Ignition wiring sets and other wiring sets of a kind used in vehicles, ai	0.24	788,342,516	107,183,182	1.66
S3-77123	Ballasts for discharge lamps or tubes	0.30	17,638,008	3,068,517	0.10
S3-77831	Electrical ignition or starting equipment of a kind used for spark-igniti	0.34	37,352,529	7,756,195	0.09
S3-77251	Fuses for a voltage not exceeding 1,000 V	0.40	35,069,678	8,654,815	0.25
[illegible]	Parts of the equipment of heading 778.84	0.49	6,511,763	2,085,613	0.31

Correlation Analysis

2digit Export Data (66 categories for all, 10 categories SITC7)
For 10 Countries
2006

RCA Correlation Analysis
For all industries (SITC 2 digit)

	CHN	INDO	JPN	KOR	MAL	PHL	SIN	THA	USA	VIET
CHINA	1.00	-0.19	-0.25	0.00	-0.19	0.14	-0.30	-0.06	-0.56	0.20
INDONESIA	-0.19	1.00	-0.29	-0.29	0.58	0.14	-0.16	0.03	-0.30	0.26
JAPAN	-0.25	-0.29	1.00	0.43	-0.26	-0.20	0.19	-0.16	-0.12	-0.31
KOREA	0.00	-0.29	0.43	1.00	-0.20	-0.08	0.27	0.01	-0.28	-0.20
MALAYSIA	-0.19	0.58	-0.26	-0.20	1.00	0.26	-0.01	-0.02	-0.33	-0.02
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SINGAPORE	-0.30	-0.16	0.19	0.27	-0.01	0.06	1.00	-0.09	-0.02	-0.02
THAILAND	-0.06	0.03	-0.16	0.01	-0.02	0.16	-0.09	1.00	-0.13	0.28
USA	-0.56	-0.30	-0.12	-0.28	-0.33	-0.28	-0.02	-0.13	1.00	-0.28
VIETNAM	0.20	0.26	-0.31	-0.20	-0.02	-0.04	-0.02	0.28	-0.28	1.00

RCA Correlation Analysis For SITC6-8 (2 digit)

	CHN	INDO	JPN	KOR	MAL	PHL	SIN	THA	USA	VIET
CHINA	1.00	0.64	-0.83	-0.67	0.06	0.18	-0.36	0.29	-0.80	0.65
INDONESIA	0.64	1.00	-0.57	-0.51	0.11	0.01	-0.41	0.33	-0.57	0.87
JAPAN	-0.83	-0.57	1.00	0.40	-0.26	-0.19	0.18	-0.21	0.46	-0.52
KOREA	-0.67	-0.51	0.40	1.00	0.05	-0.19	0.23	-0.48	0.55	-0.50
MALAYSIA	0.06	0.11	-0.26	0.05	1.00	0.57	0.64	0.47	-0.24	-0.13
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SINGAPORE	-0.36	-0.41	0.18	0.23	0.64	0.64	1.00	0.20	0.07	-0.42
THAILAND	0.29	0.33	-0.21	-0.48	0.47	0.52	0.20	1.00	-0.44	0.20
USA	-0.80	-0.57	0.46	0.55	-0.24	-0.39	0.07	-0.44	1.00	-0.59
VIETNAM	0.65	0.87	-0.52	-0.50	-0.13	-0.11	-0.42	0.20	-0.59	1.00

RCA Correlation Analysis For SITC 7 (2 digit)

	CHN	INDO	JPN	KOR	MAL	PHL	SIN	THA	USA	VIET
CHINA	1.00	0.66	-0.68	-0.11	0.81	0.34	0.44	0.56	-0.75	0.32
INDONESIA	0.66	1.00	-0.73	0.01	0.54	0.33	0.38	0.49	-0.32	0.52
JAPAN	-0.68	-0.73	1.00	-0.11	-0.71	-0.44	-0.48	-0.40	0.17	-0.34
KOREA	-0.11	0.01	-0.11	1.00	-0.16	-0.13	-0.27	-0.39	0.08	-0.69
MALAYSIA	0.81	0.54	-0.71	-0.16	1.00	0.79	0.82	0.60	-0.72	0.52
[illegible]										
SINGAPORE	0.44	0.38	-0.48	-0.27	0.82	0.90	1.00	0.38	-0.53	0.53
THAILAND	0.56	0.49	-0.40	-0.39	0.60	0.55	0.38	1.00	-0.48	0.69
USA	-0.75	-0.32	0.17	0.08	-0.72	-0.50	-0.53	-0.48	1.00	-0.20
VIETNAM	0.32	0.52	-0.34	-0.69	0.52	0.54	0.53	0.69	-0.20	1.00

Japanese FDI to Phillipines (MOF)

	1989-1997		1998-2002		2003-01		1989-2001	
	Cases	Value	Cases	Value	Cases	Value	Cases	Value
Food	17	24	1	723	0	0	18	747
Textile	56	41	0	0	0	0	56	41
Lumber & Pulp	10	28	1	6	0	0	11	34
Chemical	70	172	6	151	2	36	78	359
Metal	81	349	11	110	2	19	94	477
Machinery	31	217	12	129	3	16	46	361
Electrical	238	1,144	56	680	13	243	307	2,067
Transport	110	503	15	265	1	5	126	774
Others	85	315	6	63	8	135	99	514
Manufacturing Total	699	2,793	108	2,126	29	454	836	5,373
Farming & Forestry	7	22	0	3	1	7	8	32
Fishery	26	23	0	0	2	3	28	26
Mining	13	108	0	0	0	0	13	108
Construction	20	48	2	16	2	3	24	68
Trade	20	59	6	42	2	6	28	106
Finance/Insurance	201	353	4	46	1	7	206	406
Servies	82	285	14	86	1	73	97	444
Transportation	131	188	4	279	1	166	136	632
Real Estates	75	199	10	60	2	4	87	263
Others	0	0	0	9	0	0	0	9
Non Manufacturing Total	575	1,285	40	541	12	268	627	2,094
Branches	11	44	1	34	0	0	12	78
Total	1,285	4,122	149	2,702	53	1,063	1,487	7,887

Philippines' Position in Japanese FDI (MOF) 100 mil yen

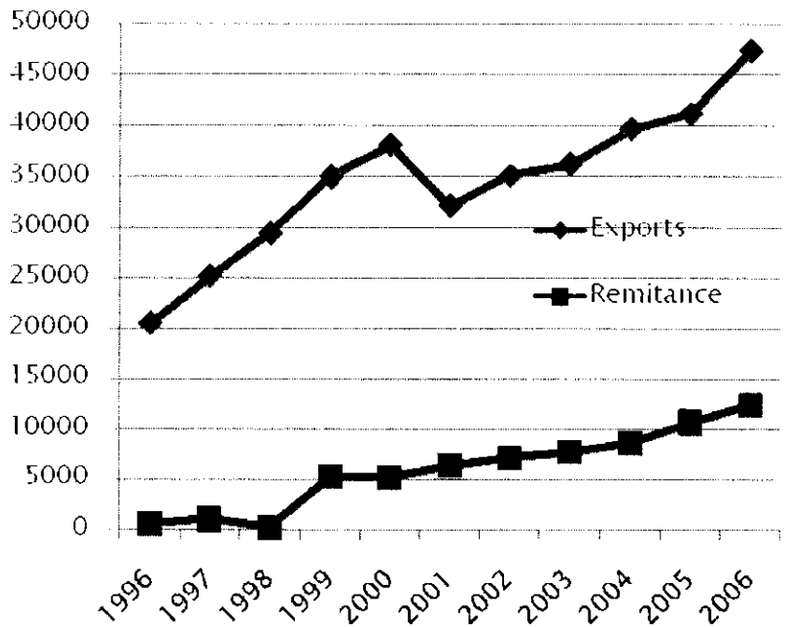
FY	-2000		2001		2002		2003		2004	
	Cases	Value	Cases	Value	Cases	Value	Cases	Value	Cases	Value
North America	12,511	296,567	209	8,196	233	10,299	206	12,072	197	5,198
Latin America	3,556	69,065	158	9,654	187	7,005	179	5,948	223	6,849
Indonesia	1,361	17,767	-	-	-	-	-	-	-	-
Korea	431	4,407	-	-	-	-	-	-	-	-
Malaysia	960	8,590	-	-	-	-	2	11	-	-
Philippines	725	6,172	31	1,435	34	917	23	364	31	768
Singapore	1,155	14,825	47	704	44	763	39	321	60	908
Taiwan	802	6,709	51	1,106	52	614	65	711	52	1,273
Thailand	2,067	14,875	26	989	20	500	21	222	12	341
Viet Nam	307	2,775	61	785	44	644	47	732	40	334
China	3,937	19,709	18	321	11	98	6	523	10	135
Asia	14,106	118,873	511	8,307	538	6,910	607	7,233	662	10,091
Mid & NearEast	90	3,025	3	25	3	45	2	20	3	5
Europe	6,384	182,926	861	13,263	1,167	18,807	1,370	14,268	1,605	13,934
Africa	513	6,498	16	273	13	237	7	119	13	124
Oceania	2,520	34,570	28	694	23	1,628	40	1,137	30	2,009
TOTAL	39,680	711,525	1,786	40,413	2,164	44,930	2,411	40,795	2,733	38,210

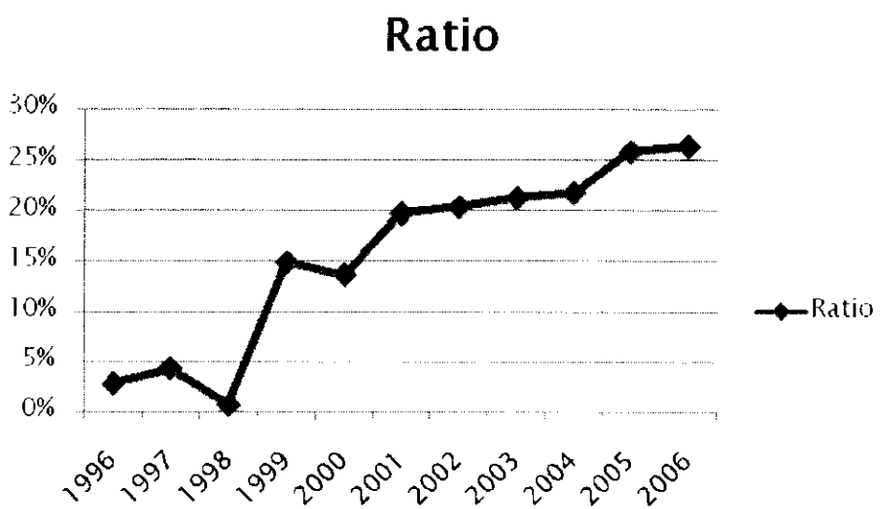
FDI Objectives

	All		Industry		electronics/automobile	
securing resources	3	5%	3	7%	0	0%
labor	14	25%	13	31%	5	33%
host government policy	4	7%	3	7%	2	13%
distribution network	10	18%	4	10%	1	7%
local market	31	55%	23	55%	9	60%
export to third countries	6	11%	5	12%	2	13%
export back to Japan	7	13%	7	17%	5	33%
following partners	7	13%	6	14%	3	20%
fund raising, management, exchange risk hedge	0	0%	0	0%	0	0%
royality and information	4	7%	2	5%	0	0%
product development na dplanning	2	4%	1	2%	1	7%
new business	2	4%	1	2%	0	0%
strengthening regional headquarter function	1	2%	1	2%	1	7%
trade friction	0	0%	0	0%	0	0%
others	3	5%	0	0%	0	0%
responses/total number of FDI firms	56/446		42/284		15/127	

Asia's Abundant Human Capital: Philippine Case

Philippines' Competitive Edge



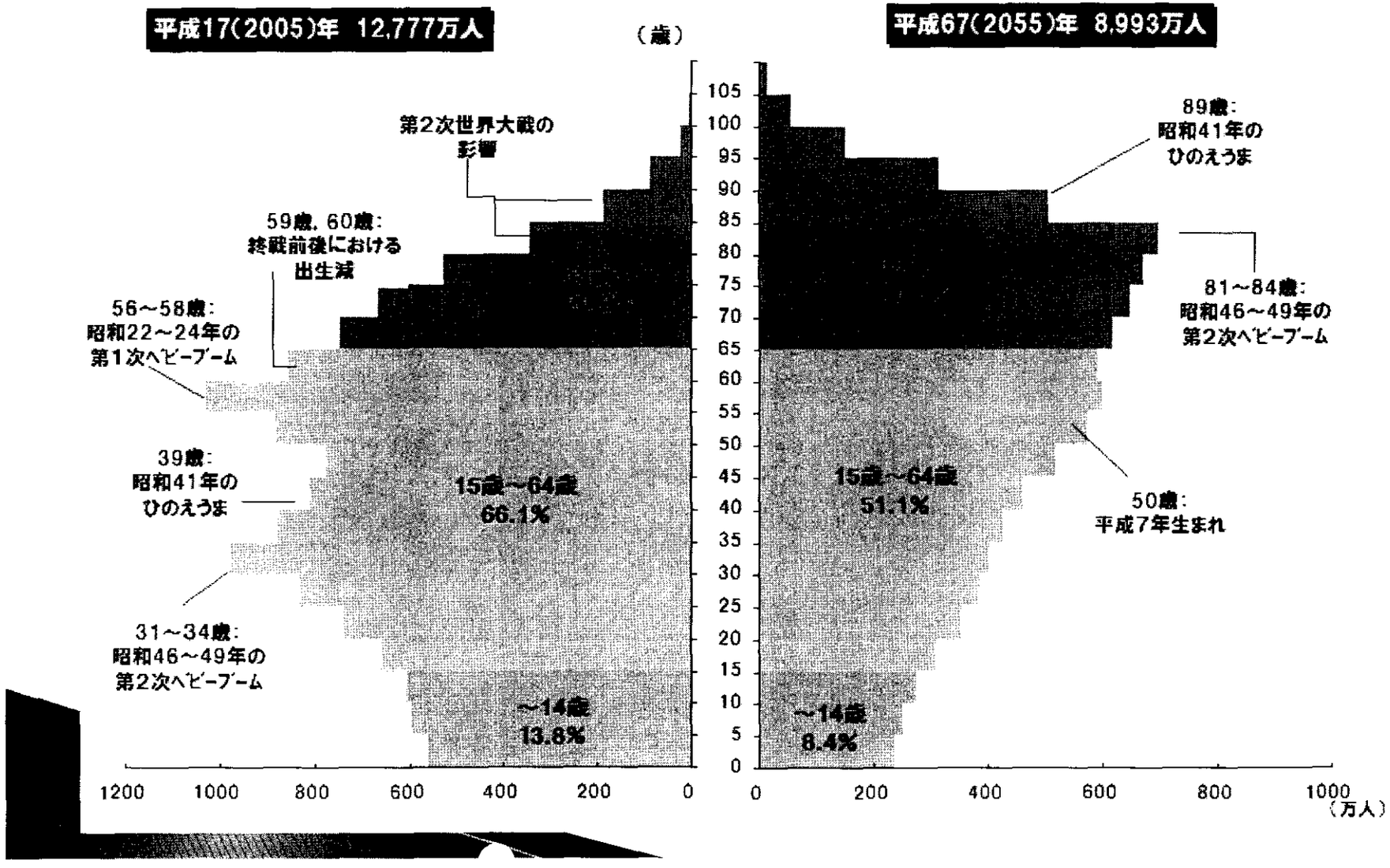


Japan-Philippine EPA

- Nurse and Care Taker
- Japan: Strict Requirements Imposed, fluency in Japanese, National Exam in 3 years
- Philippines: Experiences in the U.S. and other countries

- Gaps are HUGE!
- Salary as high (low) as Japanese care workers

Population Pyramid: Japan



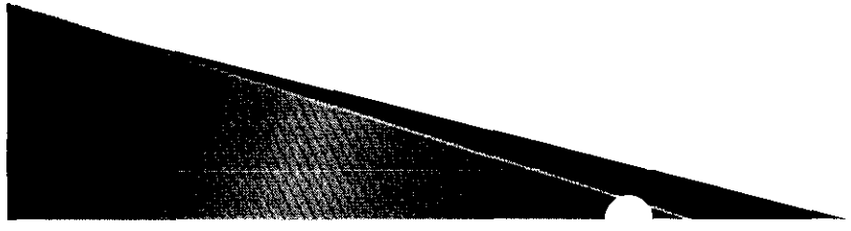
Demand for Care Workers

- 2014 400 th. To 600 th. Short
- EPA 400 nurses and 600 care takers from Indonesia and the Philippines each
- 2008 Feb. the rate of job availability was 1.87 whereas the average is 1.0

- Private Sector tried to get hold of nursing care workers. (Staffing agencies)

Demand for Ship Workers

- Nihon Yusen, Mercantile Marine University was established to develop human capital, captain and mechanics in Manila.
- Foreigners now share 80 percent of Nihon Yusen workers. Majority is Filippinos. 120 students were admitted to this University last year.



Concluding Remark

Architecture of Cooperation: ADB

- A flexible, multitrack, multispeed architecture will best respond to this challenge. It will emphasize the gradual intensification of cooperation—engagement in limited areas first, followed by the deepening and widening of the scope of cooperation
- ASEAN+3 frequently emerges as an especially useful coordinating forum.
- Asian regionalism will need sophisticated official leadership as well as individual champions.
- Needs of vital institutions, adequately and highly professionally staffed, to provide first-rate analytical and logistical support for these efforts.

Way out

- Expand consumption in Asia
- Use foreign exchange reserves for practical purpose: AMF
- Use Asia's abundant resources within Asia more
- Understand the nature of production fragmentation