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THE ASIAN ECONOMY AND ASIAN MONEY

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Chapter 1: The Economic Map of Asia

1. No More Doubt

Historically, Asia has been known for the continent's history of ancient civilizations, philosophies and religions, performing arts and exotic lifestyles, and of course, spicy culinary specialties. The rest of the world made tremendous efforts to discover this land of charm and mysticism. Asia, however, was not known for its economic scores. In general, the Asian economies were pre-industrialized and traditional. Agriculture dominated, and the share of gross domestic product ("GDP") from this sector was relatively large as the Industrial Revolution had yet to reach Asia. People farmed with primitive indigenous tools and the marginal productivity of a unit of labor was low. Hence, the income of the individual farmer, man or woman, remained insignificant and poverty was the overall end-product. As late as the 1970s, ranking economists questioned if Asia beyond Japan could ever industrialize (Krugman 1994, Lau & Kim 1994). The doubt is no more. The historic success of the import-export-led growth model in the context of Asia has been robustly explained (Klein 1990). The world now marvels at the success of Asia's Industrial Revolution.

China and India, each with a billion-plus people, are not only Asia's, but the world's two most populous economies. After the Communist Party came to power in 1949, the only Chinese government recognized by the free world, led by the United States of America ("USA" or "US"), was in exile on Taiwan Island. On February 28, 1972, as a condition to re-establish diplomatic relations, the United States formally acknowledged the One China Policy in the Shanghai Communiqué, and it was signed by the presidents of both nations. (http://usinfo.state.gov/cap/Archive_Index/jointcommunique_1972)

[.html](#)). Since that historic day, China's Industrial Revolution has proven to be an epochal event (Dutta 2006) that has launched China to the forefront of the global economy.

On August 15, 1947, the Republic of India hoisted her new national flag and sang what would become the national anthem to celebrating her independence. In addition to her two sector model of economic planning, India is still committed to the Non-Aligned Movement (<http://news.bbc.co.uk/2/hi/2798187.stm>), originally a response to the intrusive American policy of Containment. This has contributed to the suboptimal relationship between India and the free market, non-communist world led by the United States. The fact that India had adopted a constitutional government, a federal republic (World Factbook, May 31, 2007) based on the core principle of one person, one vote, has yet to normalize the situation. India's great leap forward to premier high-tech service provider has now been acknowledged and it is even fashionable to suggest that the world is flat (Friedman 2005). The truth is that the world is in fact now free of varied shapes and forms of the imperial hegemonies of the years past. India has earned her place on the economic map of the world.

For familiar reasons, both the Republic of Korea ("Korea") and Chinese Taipei came under the defense umbrella of the USA, and experienced a consequent economic integration with America. Both economies have made spectacular economic gains and their successes present a paradigm of the virtues of capitalist economic planning. With all economic activities under private ownership and management, the government is responsible for managing the economy's macroeconomic policy with stipulations of monetary and fiscal parameters towards fulfillment of the economic plans, developed by deliberative cooperative efforts amongst the political, corporate and academic sectors of the economy. This approach substantively differed from India's two sector model of economic planning, where, in general, selected industries were under one hundred percent private ownership and management, while key industries remained largely under total ownership and management

of the government. Of course, China's five-year economic plans, formulated by the ruling Communist Party, championed one hundred percent government ownership of the means of production and complete government management of all economic activities. These approaches to economic planning were all too different.

In 1967, five Southeast Asian countries, Thailand, Singapore, Malaysia, Indonesia and the Philippines, instituted the Association for South East Asian Nations ("ASEAN") to be the Zone of Peace, Freedom and Neutrality ("ZOPFAN"). Twenty years later, ASEAN had progressed to become a framework of regional economic cooperation. The emphasis on the word *neutrality* is very much in order, as they were friendly with the US-led free market economies. Aware of the domino theory and the free world's fear that the communist presence around them would also influence them to adopt communism, the members of ASEAN preferred to remain neutral and declined to come directly under the defense umbrella of the USA. However, this decision does not seem to have had any lasting negative impact on the region; the economic success of ASEAN has indeed been a part of Asia's economic miracle. Recently, the progressive expansion of the Southeast Asian geographic regionalization model has encouraged the admission of Myanmar, Laos, Cambodia, Vietnam and Brunei Darussalam, to ASEAN membership.

Japan continues to be Asia's only mature industrialized economy ("MIE"). Following their defeat in World War II (WWII), Japan provided a military base to the United States, accepting the terms of the unconditional surrender. A policy of economic support and integration with the USA followed. Japan made the best of the challenging situation by restructuring its economy. Her economic recovery was accomplished relatively quickly, and soon Japan became the second largest economy of the world, second only to the USA. Germany, France, the United Kingdom and Italy, the four largest economies of Europe, all followed Japan in economic rankings. In 1964, Japan became the first member of the Organization for Economic Cooperation and

Development (“OECD”) from Asia
(http://www.oecd.org/document/58/0,2340,en_2649_201185_1889402_1_1_1_1,00.html).

Today, the situation has changed. As of 2007, the European Union (“EU”) is comprised of twenty-seven member states, and together they have become the world’s largest economy. The EU is closely followed by the USA, and Japan, a remote third. The Japanese yen has been experiencing a declining role as an international reserve currency since the birth of the euro as of January 1, 1999. In this regard, the common currency of a select group of EU members (“Eurozone 15”) has successfully challenged the dominant position of the US dollar. However, within Asia, Japan has assumed a leadership role in the movement to integrate the continental Asian economy.

The economic map of Asia warrants a careful review. China, India, Korea and Japan, joined by the ten ASEAN economies (“4+10 model”) could be considered the core of a new economic framework of the proposed Asian Economy-22 model (“AE-22”). In the post-WWII eras, the economic interactions of most of these economies with the USA were imperative. By the late 1960s, the limitations of the traditional import-substitution model became all too obvious and an open economic policy became the new order. Internationalization and industrialization became the core of Asia’s new economic policy. The economies of Northeastern Asia led the movement and those in Southeastern Asia followed. Each of these countries needed to import capital goods, machines and equipments with competitive technology, from the mature industrialized economies in the Americas and Europe. Korea borrowed from the banks in the USA, and purchased the capital goods they needed. China eventually welcomed foreign direct investment (“FDI”) with one hundred percent foreign ownership. Others facilitated joint ventures between indigenous industrial leaders and foreign investors. Chinese Taipei enjoyed the privilege of its history and was able to generate the necessary funds from within. India adopted the Economic Reform Act only in 1991.

At successive phases of industrialization, each Asian economy came to face the problem of making payments of interest charges for loans from overseas financial institutions, and eventual repayment of the loans. Repatriation of profits resulting from massive inflows of foreign investments, wholly foreign owned or in joint ventures, became a critical issue and the non-convertibility of most Asian currencies became a constraint. Earning export revenues in internationally convertible currencies by way of exporting a portion of the new manufactures due to foreign investments to the world market became a necessary part of the innovative economic game plan.

These Asian economies thus grew by importing capital goods from the mature industrialized countries and paid for them by exporting some of their new manufactures. This import-export led growth model of Asia became a response to what many others have described as the export-led growth model of Asia. In the process, Asian economies had to incorporate the adaptive innovation model (Dutta & Tantom 1988). The old fashioned “turn key” model was forcefully rejected as the manufactures of these newly industrializing Asian economies had to be quality and cost competitive to gain acceptance by the consumers in the world market. Foreign investors, with their global network of marketing plus relatively large advertising budgets, helped augment the process; they recognized that this was the lawful mode of profit repatriation. For the Asian economies, this new access to the world market enabled them to earn foreign exchange reserves and bolster their international credit rating. Investment, employment, productivity, income and economic growth became part of the natural sequence of events. Remaining economically poor was no longer an option.

As the Asian economies have become industrialized and rich, they have also implemented a policy of diversification of their markets. When they understood that their post-WWII economic dependence on the USA could not be indefinitely sustained, they began exploring the continental Asian market, home to more than

one half of the world's population. The huge population bases of the continental economies impact both driving forces of an economy like a pair of scissors. As the base of labor supply, population has a determinant impact on aggregate supply, while as consumers they will also add to aggregate demand. The continent has relatively large endowment of natural resources, much of which remains to be explored. Intra-Asian economic engagements in both trade and investment have steadily been in progress.

At the 2006 Asian Development Bank ("ADB")'s Annual Meeting of the Board of Governors at Hyderabad, India, leaders of Japan, Korea and China gave the call for a common Asian currency (New York Times, May 5, 2006). We will refer to it hereafter as the Asian Money ("AM"). Indeed, since the Asian financial crisis in 1998-99, the designated sub-cabinet level officials from Japan, Korea, China and the original five ASEAN member states ("3+5 model"), have been holding frequent conferences to explore fiscal and monetary cooperation amongst themselves.

One integrated economic unit is now being mapped onto one continental geographic unit, as observed on the map of the world. This 4+10 model is one view of the map of Asia. Of course, there is much more to the map of Asia. The nations stretching from Turkey to Afghanistan, inclusive of Israel, comprise the Middle East and Central Asia, but together, they are all still on the map of Western Asia. The countries in the Indian subcontinent, formerly integrated parts of British India, plus Mongolia and Chinese Taipei belong to East Asia, and their belonging to the AE-22 of the 4+10 model will expectedly follow. Based on the *principle of inclusion* as in the context of the EU, these economies should be welcome to join the AE-22 membership, as and when each will be willing and able to apply for the membership of the regional group. The EU introduced this guideline successfully and has now expanded to include 27 members.

Russia, with its large population base and huge resource endowment, straddles both Europe and Asia; for now, it may elect

to remain as an independent economy. As an alternative, Russia may elect to join the membership of one continental regional economic group, the EU or the AE-22, each with its micro and macroeconomic parameters, as stipulated. Concurrent memberships to both the European and Asian continental groups will not be viable. Turkey is also a bi-continental economy, and is currently a candidate country for EU membership. It may be worthwhile to evaluate the option to join a West Asian economic compact. Merger of the two regional groups of Asia, East Asia and West Asia, into one Asian continental economy shall remain open at this stage.

The AE-22, based on the 4+10 model, is very much in progress and the need for the AM has been recognized. Now that the Europeanization of Europe has become a historic accomplishment, the Asianization of Asia cannot be far behind. The EU is and must be a learning model for other continents: Asia, Africa and the Americas.

2. Lessons to Learn from the EU

The reconstruction of the war-ravaged countries in Western Europe is now a familiar story. The Organization for European Economic Council (“OEEC”) was established on April 16, 1948 with its secretariat in Paris, and its membership was limited to the select group of European countries. The OEEC was charged with overseeing US aid under the Marshall Plan via the European Recovery Program. Given the threat of communism from the Soviet Union, the North Atlantic Treaty Organization (NATO), under the command of the USA, provided Europe with a nuclear-power defense umbrella. In September 1961, the OEEC became the Organization for Economic Cooperation and Development, and the USA and Canada joined its membership. The OECD now has 30 members, two from Asia, Japan and Korea, three from North

America, the USA, Canada and Mexico, and the rest from Europe, inclusive of Turkey.

Following the recovery and reconstruction of the countries in the Western Europe, it became evident that none of these countries could individually become a competitive actor in the world market. Exceptions apart, an economy's share of world trade will expectedly be conditioned by its share of world output. Based on the shares of world output, each of these economies individually was far out-competed by the USA with its share of 27.3 percent of world GDP in 1950, when the shares of the UK, Germany, France, Italy, Spain and the Netherlands were 6.53, 4.98, 4.14, 3.1, 1.2 and 1.1 percent, respectively (Madison 2001). In 1950, Japan had a share of 3.02 percent of world output. The economies in Western Europe progressively moved through stages of regional economic integration, beginning in 1957 with the European Economic Community ("EEC"), becoming the European Community ("EC") in 1967, and finally assuming its present name, the European Union, in 1992.

The core of the new paradigm came to be the institution of integrated economic groups with membership limited to economies in the immediate geographic region. Jacob Viner's Treatise on Customs Union (Viner 1950) became an immediate model. Belgium, the Netherlands and Luxemburg formed the Benelux Customs Union in 1948 which provided for free trade amongst the three countries without any customs duties. In 1951, Germany, France and Italy signed an agreement with the three Benelux countries to form the European Coal and Steel Cooperation ("ECSC"). The participation in the Benelux Customs Union was too limited in scope, and the ECSC covered just the two specific commodities. The search for a more comprehensive regional economic grouping progressed. Monnet (1978) forcefully articulated the case for the family of one Europe, notwithstanding diversities of language, religion or lifestyle. The geographic fact of oneness of the continent of Europe must unite all the peoples of

Europe into one single European entity, economic as well as political.

Table 1.1 presents the GDP of EU and the USA in 2005. The USA, with 27.81 percent of world GDP, enjoys a commanding position over the individual EU nations. The four largest EU member economies, Germany (6.26 percent), the United Kingdom (4.93 percent), France (4.76 percent) and Italy (3.95 percent), came behind in that order, with Spain (2.52 percent) and the Netherlands (1.40 percent) following. Each of the other twenty-one member economies of the EU individually recorded less than one percent of world output. However, when aggregated, the EU has a 30.43 percent share of the world GDP, and outranks the USA by a comfortable margin.

Table 1.1: GDP of the EU and USA, in millions of US\$, 2005

In millions of US\$	GDP	(%) of World
Austria	306,073	0.69
Belgium	370,824	0.83
Bulgaria	26,648	0.06
Cyprus*	16,695	0.04
Czech Republic	124,365	0.28
Denmark	258,714	0.58
Estonia	13,101	0.03
Finland	193,160	0.43
France	2,126,630	4.76
Germany	2,794,926	6.26
Greece	225,206	0.50
Hungary	109,239	0.24
Ireland	201,817	0.45
Italy	1,762,519	3.95
Latvia	15,826	0.04
Lithuania	25,625	0.06
Luxembourg	36,469	0.08
Malta	5,570	0.01
Netherlands	624,202	1.40
Poland	303,229	0.68
Portugal	183,305	0.41
Romania	98,565	0.22
Slovakia	46,412	0.10
Slovenia	34,354	0.08
Spain	1,124,640	2.52
Sweden	357,683	0.80
United Kingdom	2,198,789	4.93
EU-27	13,584,586	30.43
US	12,416,505	27.81
World	44,645,437	

Source: World Development Indicators, 2006.

* Data for Cyprus from the IMF-IFS.

In 1957, the Treaty of Rome was signed by Germany, France, Italy and the three Benelux countries. The Treaty became effective as of January 1, 1958 and instituted the European Economic Community EEC, one integrated economic entity with free flow of trade, investment and labor, with one common economic policy towards the rest of the world. The microeconomic parameters covering each business, family and labor unit became operational.

The search for a zone of monetary stability soon followed. The issue of debate was a federation or a confederation of united European states. However, the microeconomic foundation of the

EEC could not be operationally successful without its corresponding macroeconomic parameters, with well-specified monetary and fiscal policy guidelines, transparent and open to judicial review. Thus, the One Europe Act of 1986 was adopted, redefining the traditional sovereign authority of the EU member states. The Maastricht Treaty of 1992 sought to define the specific monetary and fiscal guidelines of the EU and its members.

Based on the principle of inclusion, EEC membership progressed as other sovereign nation state economies on the map of Europe applied for membership. The United Kingdom, Denmark and Ireland became members in 1973, followed by Greece in 1981, Portugal and Spain in 1986, and Austria, Finland and Sweden in 1995. In 1992, the EEC was renamed the European Union and these 15 members were collectively known as the EU-15.

The introduction of the euro on January 1, 1999, as one common currency managed by one common central bank, the European Central Bank (“ECB”), in Frankfurt, Germany, has been an act of economic revolution. Based on the market quote on that date, one euro was valued at US\$ 1.17. On July 15, 2008, the baby currency of some nine years has greatly appreciated, reaching an all time high of one euro for US\$ 1.60, and continued to be competitively strong through the summer of 2008. Earlier when the euro surpassed its previous high of \$1.3667 in December 2004, some economists wondered if the euro-dollar exchange rate would settle at US\$ 1.40 to one euro. The United Kingdom (“UK”), Denmark and Sweden have continued to decline a membership to the euro regime. The 12 others of the EU-15 adopted the euro; Slovenia became the 13th member of the eurozone on January 1, 2007 and Malta and Cyprus adopted the euro one year later to become the Eurozone 15. With the exceptions noted above, the other EU countries are all scheduled to join the euro regime as soon as they qualify. The coordination of fiscal policies has been assured by the Compact of Growth (Hesse 1993, Vanthoor 1998, 1999, 2002, Dutta 2007), signed by the finance ministers of the member governments. The Council of Economics and Finance

Ministers of the participating governments (“ECO-FIN”) is the forum of the European Union facilitating the process.

In 2004, ten new members from Eastern Europe, Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia, were admitted to EU membership. Rumania and Bulgaria joined the group as of January 1, 2007. Croatia, Macedonia and Turkey are the current candidate countries.

The political integration of the EU remains to be accomplished. The Constitution for Europe, drafted and signed by the principals of all EU member states in Rome in 2004, remains to be approved. As of March 2007, a majority of the member states with a majority of the population of the EU have approved of the draft. However, EU protocol requires a unanimous decision, and thus the constitution is now “on ice” in seven countries after being rejected by France and the Netherlands (<http://news.bbc.co.uk/2/hi/europe/3954327.stm>). Will the dissenting member states will approve it by 2009 (Dutta 2006, <http://news.bbc.co.uk/2/hi/europe/6400525.stm>)? The EU has initiated a new, simplified proposal for its political integration with an executive head which is in the process of ratification by all member states.

The fact remains that the evolution of the EU has become a revolutionary economic event. Never before had twenty seven sovereign nation state economies voluntarily surrendered their economic sovereignty, with more waiting to do so. The EU, with both its share of world output and trade larger than that of the USA, has clearly emerged as the world’s largest economic entity. The euro has become a competitive international reserve currency, enabling the EU to step forward as the leading competitive actor in the world market.

At the founding of the World Bank and the International Monetary Fund (“IMF”) at the 1944 Breton Woods conference, the USA, with the largest share of world output at the time, contributed the largest share capital and enjoyed the consequent privilege of the greatest voting rights within both institutions.

Today, because of its larger cumulative shares of capital contribution and consequent larger cumulative voting shares, the EU is ready to contest the leadership of the USA in these two post-WWII international financial organizations. In the World Trade Organization (“WTO”), the EU is one member with one vote that also rivals the influence of the US.

The EU is also now willing and able to independently manage its own defense and foreign policy. Thus, the role of NATO warrants a critical review. The economic map of the EU is manifest, and the EU needs no aid from the USA. The role of the OECD also merits a redefinition and should be open to those relatively poorer countries from Africa and South America.

The lessons of the EU for the Asian economies to learn are obvious. It is clearly feasible for the economies belonging to the map of Asia to form one integrated economic unit, the Asian Economy with Asian Money. The share of world output and trade for the group will be competitively large and the AE-22 will become a viable competitive actor in the world market vis-à-vis the USA and the EU. The Asian Economy with Asian Money will add to the level of effective competition and contribute to the economic gains of all microeconomic actors in all continents of the world, households as well as business units. Any suggestion that in the long run China or India will individually catch up with the USA and the EU has little merit. We have been forcefully reminded that in the long run we are all dead. In the short or medium term, any such suggestion will merely be an exercise in intellectual idealism.

The concept of supra-national macroeconomics merits exposition. John Maynard Keynes invited us to learn the concept of macroeconomics in the context of a sovereign nation state. The Keynesian Revolution taught us how to integrate money and real sectors of an economy, by way of specifying a simultaneous system of behavioral equations, bridging the money market and the real market with the production map (Klein 1947). The EU paradigm invites us to learn the post-Keynesian concept of supra-national macroeconomics. It also invites us to revisit the concept

of the optimum currency area (Mundell 1961) and it warrants a careful review. We now observe the two currency areas, one of the US dollar and another of the euro, with the AM to follow. The currency areas may be defined by a currency's competitive shares of the world output and trade.

At present, there are 192 sovereign nation states on the membership roster of the United Nations ("UN") (<http://www.un.org/News/Press/docs/2006/org1469.doc.htm>).

Some two-thirds of the world output and trade belong to the credit of a small number of them: the USA, the EU, plus Canada, Japan and a few others. An overwhelmingly large number of members, however, each individually with marginal shares of world output and trade, are left out. Individually, they are too poor to compete with the select few. Competition in the world market remains unreal. The rich in the North and the poor in the South have what at best may be called a duopoly-duopsony framework of the global economy. The rich ones win and the poor countries suffer. The EU paradigm may be a learning model for other continents. Let us note that Africa has formed the African Union ("AU") and has granted it a legal existence. The proposals for the American Hemispheric Economic Cooperation with the Free Trade Area of the Americas ("FTAA"), and also for the North American Free Trade Area ("NAFTA") remain familiar.

3. APEC Failed to Deliver On Its Promises

The concept of Asia-Pacific economic regionalization came from two sets of factors, the pull factor from across the Pacific and the push factor from across the Atlantic (Dutta 1999). The successful repatriation of profits from investments by MIEs in Asia's newly industrializing economies constituted the pull factor of coming together as Asia's economic potential became quantifiable (see Section Chapter 1:1). The challenge of European economic integration merited appreciation and created a push factor as the

EU grew and evolved (see Section Chapter 1:2). The initial apprehension of European isolation was wrongly pronounced.

The historic economic ties between the United Kingdom in Europe and Australia and New Zealand, the two island economies in the South Pacific, who did not belong to the map of Europe, ceased abruptly as the United Kingdom joined the membership of the European Community in 1973. Given their small population bases and huge resource bases, these two economies were critically dependent on the rest of the world. Japan naturally became their immediate economic contact. Australia, New Zealand, Japan, Canada and the USA soon joined to initiate a trans-Pacific economic cooperation movement. Debates and discussions amongst academic groups, business leaders and public officials followed. In 1989, Asia-Pacific Economic Cooperation (“APEC”) was formally instituted. In 1991, China, Chinese Taipei and Hong Kong were admitted to APEC membership. Currently, the APEC roster includes twenty-one countries inclusive of Russia. Membership is limited to only those nations touched by the Pacific Ocean. As such, India and other South Asian countries cannot qualify to be APEC members, nor the Latin American countries exclusively on the Atlantic shore.

Table 1.2 presents a profile of the APEC countries in terms population, land area and GDP for selected years from 1989 through 2005. As of 2005, APEC covers 40.7 percent of the world population, 41.8 percent of the land area and as much as 55.3 percent of the world GDP.

Table 1.2: Population, Area and GDP of APEC, 1989 -2005

	1989	1991	1992	1993	1994	1998	2005
Population (mil.)	769.1	1,946.6	1,971.5	2,087.8	2,127.4	2,473.8	2,618.0
Population (% of world)	14.9	36.4	36.4	37.9	38.1	41.9	40.7
World Population (mils.)	5,167.4	5,341.5	5,423.1	5,502.9	5,584.4	5,905.2	6,437.7
Area (thou.sq.km)	30,830.0	40,428.0	40,428.0	42,849.0	43,606.0	62,298.0	62,298.0
Area (% of world)	20.7	27.1	27.1	28.8	29.3	41.8	41.8
World Area (thou.sq.km)	148,939.1	148,939.1	148,939.1	148,939.1	148,939.1	148,939.1	148,939.1
GDP (bil. of US\$)	9,805.2	11,495.8	12,254.9	13,637.1	14,876.8	16,403.0	24,706.2
GDP (% of world)	50.1	50.3	50.2	55.0	55.8	55.1	55.3
World GDP (bil. of US\$)	19,561.4	22,870.8	24,434.0	24,799.5	26,674.7	29,753.0	44,645.4

Source: World Development Indicators, 2006

Notes:

In 1989, APEC was Australia, Brunei, Canada, Indonesia, Japan, Korea, Malaysia, New Zealand, Phillipines, Singapore, Thailand, and the US.

In 1991, China, Hong Kong and Chinese Taipei joined APEC.

In 1993, Mexico and Papua New Guinea joined APEC.

In 1994, Chile joined APEC.

In 1998, Peru, Russia and Vietnam joined APEC.

Data for GDP and Population for Chinese Taipei is not included.

A review of the economic profiles of individual APEC member economies follows covering trade as measured by exports and imports as a percentage of their respective GDPs for 2004 and 2005 is presented in Table 1.3 and their respective shares of world trade for the same period is provided in Table 1.4. Table 1.5 records their respective geographic areas in thousands of square kilometers and their population in millions. Further, Table 1.6 compiles their GDP for 2004 through 2006.

Table 1.3: Trade in APEC Countries, Exports and Imports, 2004 and 2005

As percentage of GDP	2004		2005	
	Exports	Imports	Exports	Imports
Australia	17.0	20.0	18.0	21.0
Brunei				
Canada	39.0	34.0		
Chile	41.0	32.0	42.0	34.0
China			37.0	32.0
Hong Kong	190.0	181.0	198.0	185.0
Indonesia			34.0	29.0
Japan			13.0	11.0
Korea			42.0	40.0
Malaysia			123.0	100.0
Mexico	30.0	32.0	30.0	32.0
New Zealand	29.0	30.0		
Papua New Guinea				
Peru	21.0	18.0	25.0	19.0
Philippines			47.0	52.0
Russia	35.0	22.0	35.0	22.0
Singapore			243.0	213.0
Chinese Taipei*	56.6	52.4	57.3	52.7
Thailand			74.0	75.0
United States	10.0	15.0		
Vietnam			70.0	75.0

Source: World Development Indicators, 2006.

* Data from Taiwan Statistical Yearbook 2005.

Table 1.4: APEC Countries Share of World Trade, 2004 and 2005

As percentage of World GDP	2004		2005	
	Exports	Imports	Exports	Imports
Australia	1.1	1.1		
Brunei				
Canada	3.3	2.6		
Chile	0.3	0.2	0.4	0.3
China			6.4	5.5
Hong Kong	2.8	2.3	3.1	2.5
Indonesia			0.7	0.6
Japan			5.4	4.6
Korea			2.6	2.4
Malaysia			1.2	1.0
Mexico	1.8	1.7	2.0	1.9
New Zealand	0.3	0.2		
Papua New Guinea				
Peru	0.1	0.1	0.2	0.1
Philippines			0.4	0.4
Russia	1.8	1.0	2.4	1.3
Singapore			2.2	1.9
Chinese Taipei*	1.6	1.5	1.5	1.4
Thailand			1.0	1.0
United States	10.3	13.8		
Vietnam			0.3	0.3

Source: World Development Indicators, 2006

* Data from Taipei Statistical Yearbook 2005.

Table 1.5: Area and Population of APEC Countries, 2006

	Area (Thou. sq. km.)	Population (mil.)
Australia	7,692.0	20.5
Brunei	6.0	0.4
Canada	9,971.0	32.2
Chile	757.0	16.2
China	9,561.0	1,307.6
Hong Kong	1.0	7.0
Indonesia	1,905.0	219.2
Japan	378.0	127.7
Korea	99.0	48.3
Malaysia	330.0	26.0
Mexico	1,958.0	105.3
New Zealand	271.0	4.1
Papua New Guinea	463.0	5.9
Peru	1,285.0	27.9
Philippines	300.0	84.2
Russia	17,075.0	142.7
Singapore	1.0	4.4
Chinese Taipei	36.0	22.8
Thailand	513.0	65.1
United States	9,364.0	296.6
Vietnam	332.0	83.2

Source: Fact Sheets 2006, Australian Government's website.

Table 1.6: GDP of APEC Countries, 2004-2006

In US\$ billions	2004	2005	2006
Australia	639.1	713.1	743.7
Brunei	7.9	9.5	11.5
Canada	993.9	1,132.4	1,273.1
Chile	95.0	115.3	140.4
China	1,931.6	2,234.1	2,554.2
Hong Kong	165.8	177.7	188.7
Indonesia	254.5	281.3	351.0
Japan	4,608.1	4,557.1	4,463.6
Korea	680.0	787.6	877.2
Malaysia	118.5	130.8	147.0
Mexico	683.5	767.7	811.3
New Zealand	97.8	108.5	101.8
Papua New Guinea	3.8	3.9	4.1
Peru	69.7	79.4	89.3
Philippines	86.7	98.4	116.9
Russia	591.9	763.9	975.3
Singapore	107.5	116.8	133.5
Chinese Taipei	322.3	346.2	355.5
Thailand	161.7	173.1	194.6
United States	11,712.5	12,455.8	13,262.1
Vietnam	45.3	51.4	55.3
Total	23,377.1	25,104.0	26,850.1

Source: Fact Sheets 2006, Australian Government's website.

In terms of shares of world output and trade, APEC could match the EU. The annual APEC summit, with the participation of the heads of all twenty-one member countries, has become a media event of the first order. Be it noted that APEC has failed to deliver on its promises and its economic impact has remained marginal for three specific reasons.

First, the establishment of the APEC Free Trade Area (“APEC-FTA”), the core of intra-APEC economic cooperation, has proved to be too complex an issue. The normalization of the customs rules of all twenty-one member countries has been a challenging task for the APEC secretariat in Singapore. Given the extensive variations of the level of industrialization amongst its member countries, a system of standardization and mutual accreditation of goods in trade that was successfully adopted by the EU Free Trade Area (“EU-FTA”) became a baffling task for APEC experts. A piece of candy manufactured in Thailand or Malaysia

could hardly be accredited as candy in Canada or the USA. One immediate solution for addressing the APEC-FTA was simply to shelve the issue by adopting the 10-20 formula. The leading industrialized APEC member countries, the USA, Canada, Japan, Australia and New Zealand, would be expected to have free trade within ten years, and the remaining countries would have it in twenty years, counting the year from 2000. Thus, APEC enthusiasts must wait until 2010 to judge any definitive outcome.

Second, be it further noted that an FTA as APEC has proposed, is far different from the FTA the EU has successfully institutionalized. The EU-FTA has set up three guidelines whereby all sovereign nation-state member countries will become one integrated economic entity, and as such, the EU will be one member of the World Trade Organization with one vote. The EU members will all have the same economic relationship with the rest of the world. No individual EU member country will be allowed to have or maintain special individual economic relationships with any country in the rest of the world. The APEC-FTA has not offered any such plan, and rather, the framework of the APEC-FTA is traditional, anchored to extra-economic considerations. For the EU, the core factor is the oneness of the integrated continental European economy. Indeed, at the East Asia Economic Summit held in Kuala Lumpur, Malaysia on October 6-8, 2002, the Asian leadership has spoken out for an Asian Free Trade Area modeled after the EU-FTA.

The Asian financial crisis of 1997-98 was the original spark that opened up the debate over effective economic integration in Asia. The post-WWII international financial institutions, the World Bank and the International Monetary Fund, failed to forecast the crisis and were perceived to have done too little too late. True, these institutions have done voluminous post-crisis research and their extensive publications must be read for the world to prepare for the next crisis. Even the APEC summits had no words of wisdom. As such, Asian leaders accepted the challenge and were pushed to independent action buoy the Asian

economies. The result was the 3+5 model, whereby the three, Japan, Korea and China, and the five original ASEAN countries, Singapore, Malaysia, Thailand, the Philippines and Indonesia, began exploring feasible solutions to achieve intra-regional monetary and fiscal policy cooperation.

Third and finally, in recent years, APEC summit meetings, led by the USA, have placed their focus on terrorism and security, wholly and fully. While it is true that international economic cooperation can be successful if and only if necessary security conditions prevail, this topic of discussion certainly involved a departure from the core agenda of the APEC summit meetings. The global political issues came to overwhelm the issues of intra-APEC economic cooperation. As a result, Asian leaders moved on to Asian economic cooperation based on what is now known as the 4+10 model of Asian economic cooperation. India joined Japan, Korea and China to become the fourth member, while Myanmar, Laos, Cambodia, Viet Nam and Brunei joined the five original ASEAN members.

Let us conclude that just as the Atlantic is a divide between Europe and the Americas, so must the Pacific be a divide between Asia and the Americas. The fact of geographic integration on the map of Europe is real while a trans-Pacific geographic unit is impractical. Belonging to the continental map of Asia will be the core of a single Asian Economy with Asian Money.

4. Asian Economy in the New Millennium

The industrialization of the Asian economies beyond Japan has been an accomplishment. In pre-industrialized Asian economies, an economy's GDP came mostly from its agricultural sector. With the rise of industrialization, the GDP basket becomes much larger and the share of GDP from the agricultural sector declines. Growing employment in the industrial sector, with much higher incomes, stimulates demand for an expanding array of services,

particularly in education, healthcare, environmental quality, transportation, media, telecommunication, banking, insurance and related financial services. The typical pattern of the MIE has been noted in Table 1.7. An analysis of sectoral shares of GDP points to the structural changes of these economies.

Table 1.7: Sectoral Shares of GDP of MIEs, 2000

	Agriculture	Industry	Service
Japan	1.8	36.4	61.9
USA	1.6	27.3	71.1
EU-12	2.8	28.5	68.7

Source: Ising (2001). See also Dutta (2007), p. 195.

Note: EU-12: Austria, Belgium, Finland, France, Germany, Greece, Ireland, Italy, Luxemburg, the Netherlands, Portugal and Spain, the 12 EU member countries who adopted euro as their common currency.

Table 1.8 is a presentation of the structural changes of the select 4 plus 10 group of Asian economies, based on the sectoral shares of GDP of each country. For Japan, the only MIE in Asia, changes over the past three decades must be noted. Its share of GDP from the agricultural sector has declined from 5 percent in 1970 to 2 percent in 2005. The share from the industrial sector has also declined from 45 percent in 1970 to 30 percent in 2005, while the movement of GDP in the service sector from 49 percent in 1970 to 68 percent in 2005 is spectacular.

Table 1.8: Production by Sector in Selected Asian Economies, 1970 and 2005

As a percentage of GDP	1970			2005		
	Agriculture	Industry	Service	Agriculture	Industry	Service
Japan*	5	45	49	2	30	68
China	35	40	24	13	48	40
India	46	21	33	18	27	54
Korea	29	26	45	3	40	56
Myanmar**	38	14	48	57	10	33
Laos				45	29	26
Cambodia				34	27	39
Vietnam				21	41	38
Brunei^	1	91	8	3	48	49
Singapore				0	34	66
Malaysia	29	27	43	9	52	40
Thailand	26	25	49	10	44	46
Philippines	30	32	39	14	32	53
Indonesia	45	19	36	13	46	41

Source: World Development Indicators, 2006

* Data for 1971 and 2004

** Data for 1970 and 2000.

^ Data for 1974 and 2000.

The structural changes for Korea, China and India are far more pronounced. Korea's agriculture share of GDP has come down from 29 percent in 1970 to 3 percent in 2005. The sectoral shares of GDP from both industrial and service sectors have naturally moved up. Korea has indeed graduated to a mature industrialized economy, becoming a member of the OECD in 1996. For both China and India, the changes are far more robust. The sectoral share of GDP from the agricultural sector has declined: for China, from 35 percent in 1970 to 13 percent in 2005, while for India, from 46 percent in 1970 to 18 percent in 2005. For the industrial sector, China has grown from 40 percent in 1970 to 48 percent in 2005, while India has inched up from 21 percent in 1970 to 27 percent in 2005. Both China and India remain limited in terms of their GDP shares from their respective service sectors. The process of industrialization is, however, observed to be in progress.

Based on the available data, the five ASEAN member economies, Singapore, Malaysia, Thailand, the Philippines and Indonesia, record a promising profile of industrialization, where the usual shares from the agricultural sector decline and shares from the industrial and service sectors indicate upturns. Brunei is an exceptional petroleum-rich economy, while Myanmar, Laos, Cambodia and Vietnam still struggle to move up from their respective pre-industrialized economic structures.

It is instructive to refer to the situation in Europe when the ten new members from the East were admitted to EU membership in 2004, soon followed by two more members in 2007. Without question, the level of industrialization of the new member economies definitely lagged behind that of the original EU-15. The strong, integrated economy of the EU-15 has a level of industrialization sufficient to pull up their new members to the optimal level of industrialization. An AE-22 based on the 4+10 member countries, eventually including Mongolia and Chinese Taipei in East Asia and the six in South Asia, Bangladesh, Bhutan, Nepal, Maldives, Pakistan and Sri Lanka, will correspondingly be a strong, viable continental economic entity. The level of industrialization of this economic entity will cease of to be a point of debate.

Mongolia, a small economy located strategically between Russia and China, is enormously resource-rich and has invited much notable attention from global investors. Chinese Taipei, an island economy off mainland China, has successfully adopted its policy of integrated industrialization by working in economic cooperation with China and the USA, both of whom do not officially recognize it as a sovereign state economy. The fact remains that Chinese Taipei has graduated to mature industrialized economy (Dutta 2007).

In South Asia, the liquidation of the British Empire witnessed the creation of seven sovereign nation state economies, India, Bangladesh, Bhutan, Nepal, the Maldives, Pakistan and Sri Lanka. The fact that these seven economies in the Indian subcontinent had

been structurally integrated under 200-some years of the British imperial regime came to be arbitrarily ignored. The economic fortunes of these economies remain very interdependent, and their choice is simply either to be rich together or to remain poor together. India is a huge economy, about 80 percent of South Asia, while Pakistan is about 10 percent, and the remaining five make up the final 10 percent. By 1985, the Heads of the South Asian economies, who had not previously shared much mutual friendship, voluntarily moved to constitute the South Asian Association for Economic Cooperation (“SAARC”) at a regional summit meeting in Dhaka, the capital city of Bangladesh. Their exclusion as non-Pacific, non-European countries became a lesson for these economies. With India’s joining the 4+10 model of the AE-22, there must be a natural consideration to include the six other South Asian economies for the Asian regional group’s membership, as their belonging to the map of Asia is clear.

Table 1.9 demonstrates the trade pattern of the 4+10 countries for 1970 and 2005. Comparative figures of exports and imports, as percentages of their respective GDPs show that each is an open economy with much trade with the rest of the world, with shares of both exports and imports moving up. Japan, Asia’s only industrialized economy, is also the only country to stabilize its shares of trade from 1970 and 2005. In 1970, China and India were relatively closed economies. Over the years, Korea has emerged as a major trading economy.

Over the time period, Singapore, Malaysia, Thailand, the Philippines, Cambodia and Indonesia have broadened their respective trading horizons. Based on 2005 data, Laos and Vietnam have become open economies with much trade. Brunei exports petroleum and imports all that the economy needs. Data on Myanmar is limited, and its military government has its own trading policy.

Table 1.10 gives the trade figures as percentages of world trade, exports and imports. Exposed to negative fluctuations, Japan had to struggle hard to maintain its leadership position

during this time. China has emerged as a strong competitor, with her share of world exports increasing from 0.6 percent in 1970 to 6.4 percent in 2005, and her shares of world imports moving up from 0.6 percent in 1970 to 5.5 percent in 2005. Korea has made notable progress while India's gain has only been marginal. Based on limited data, Singapore, Malaysia and Thailand certainly demonstrate progress.

Table 1.9: Trade of Selected Asian Economies, 1970 and 2005

As percentages of their respective GDP	1970		2005	
	Exports	Imports	Exports	Imports
Japan*	11	10	13	11
China	3	3	37	32
India	4	4	21	24
Korea	14	24	42	40
Myanmar	4	9		
Laos			27	31
Cambodia	6	8	65	74
Vietnam			70	75
Brunei**	90	17		
Singapore			243	213
Malaysia	41	37	123	100
Thailand	15	19	74	75
Philippines	22	21	47	52
Indonesia	13	15	34	29

Source: World Development Indicators, 2006

* Data for 1970 and 2004

** Data for 1974

Table 1.10: Share of World Trade of Selected Asian Economies, 1970 and 2005

As a percentage of World Exports	1970		2005	
	Exports	Imports	Exports	Imports
Japan*	5.6	5.0	5.4	4.6
China	0.6	0.6	6.4	5.5
India	0.6	0.7	1.3	1.5
Korea	0.3	0.5	2.6	2.4
Myanmar				
Laos			0.0	0.0
Cambodia	0.0	0.0	0.0	0.0
Vietnam			0.3	0.3
Brunei**	0.1	0.0		
Singapore			2.2	1.9
Malaysia	0.5	0.4	1.2	1.0
Thailand	0.3	0.4	1.0	1.0
Philippines	0.4	0.4	0.4	0.4
Indonesia	0.3	0.4	0.7	0.6

Source: World Development Indicators, 2006

* Data for 1970 and 2004

** Data for 1974

Table 1.11: Share of World GDP of Selected Asian Economies, 1970 and 2005

	1970	2005
Japan	7.0	10.2
China	3.2	5.0
India	2.1	1.8
Korea	0.3	1.8
Myanmar		
Laos		0.0
Cambodia	0.0	0.0
Vietnam		0.1
Brunei	0.0	0.0
Singapore	0.1	0.3
Malaysia	0.1	0.3
Thailand	0.2	0.4
Philippines	0.2	0.2
Indonesia	0.3	0.6
Total	13.5	20.7

Source: World Development Indicators, 2006

Based on limited data, Table 1.11 records that the 4+10 economy had some 13.5 percent share of world GDP in 1970 and 20.7 percent in 2005. The comparative shares of the USA and the EU in 2005 are 30.43 percent and 27.81 percent, respectively. The share of the AE-22 will be larger as the several countries that are currently missing data, and will also include the income shares of Mongolia, Chinese Taipei, Bangladesh, Bhutan, the Maldives, Nepal, Pakistan and Sri Lanka.

Table 1.12 provides the data for investment in the AE-22 by the select group of Asian economies, as percentages of their respective GDPs. Shares of China, India, Korea, Myanmar, Cambodia, Thailand and Indonesia have moved upward from 1970 to 2005. Japan, Singapore, the Philippines reported declining shares. Malaysia's share remains unchanged, while Laos, Vietnam and Brunei have incomplete data. Table 1.13 presents the data on shares of world investment for the select group of countries.

Table 1.12: Investment of Selected Asian Economies as a Percentage of GDP, 1970 and 2005

	1970	2005
Japan*	40	23
China	29	43
India	16	33
Korea	25	30
Myanmar**	14	15
Laos		32
Cambodia	13	20
Vietnam		35
Brunei		
Singapore	39	19
Malaysia	20	20
Thailand	26	32
Philippines	21	15
Indonesia	16	22

Source: World Development Indicators, 2006

* Data for 1970 and 2004.

** Data for 1970 and 2001.

Table 1.13: Investment of Selected Asian Economies as a Percentage of World Investment, 1970 and 2004

	1970	2004
Japan	11.7	11.4
China	3.9	9.2
India	1.4	2.4
Korea	0.3	2.3
Myanmar		
Laos		0.0
Cambodia	0.0	0.0
Vietnam		0.2
Brunei		
Singapore	0.1	0.2
Malaysia	0.1	0.3
Thailand	0.3	0.5
Philippines	0.2	0.2
Indonesia	0.2	0.6

Source: World Development Indicators, 2006

Table 1.14 record intra-Asian trade data, exports and imports as percentages of total exports and imports, for the 4+10 model. The trend over the time is in general progressive, though China records exceptions.

Table 1.14: Intra-Exports and Intra-Imports of Selected Asian Economies, 1970 and 2005

As percentages of their respective total exports/total imports	Intra-Exports		Intra-Imports	
	1970	2005	1970	2005
Japan	13.5	34.7	9.9	40.5
China	24.9	24.1	35.6	39.7
India	17.8	20.6	5.7	20.0
Korea	31.5	41.5	44.7	43.3
Myanmar		74.3		165.9
Laos				
Cambodia		6.9		55.8
Vietnam	12.8	41.5	22.5	64.2
Brunei	0.1	78.1	13.0	80.2
Singapore	41.8	51.5	42.4	52.3
Malaysia	45.8	48.7	31.0	53.8
Thailand	43.5	47.3	40.7	54.1
Philippines	43.7	47.9	33.6	48.0
Indonesia	65.9	59.7	38.5	48.6

Source: IMF, Direction of Trade Statistics, 1970-1974

Note: See also Tables 1.15-1.18

Table 1.15: Intra-Exports in Selected Asian Economies, 1970 (in millions of US\$)

From/To	Japan	China	India	Korea	Myanmar	Laos	Cambodia	Vietnam	Brunei	Singapore	Malaysia	Thailand	Philippines	Indonesia	Subtotal	(%)	Total Exports
Japan			103	818	39	7		146		423	167	449	454		2,605	13.5	19,318
China	231				4	0				114	68				417	24.9	1,674
India	281			3	27	0		3		21	15	8	2		361	17.8	2,026
Korea	234							13		11		5			263	31.5	835
Myanmar																	
Laos																	
Cambodia																	
Vietnam	1									0		0			1	12.8	11
Brunei	1									1	83				84	0.1	92,190
Singapore	118		10	11	4	2		110			340				650	41.8	1,554
Malaysia	309		6	44	4			3		364		15	29		773	45.8	1,686
Thailand	181		5	2	0	21		11		49	40		1		309	43.5	710
Philippines	418		1	31				3		7	0	3			464	43.7	1,062
Indonesia	452		0							172	89	0	25		738	65.9	1,121

Source: IMF, Direction of Trade Statistics, 1970-1974

Note: Country of origin in columns. Country of destiny in rows.

Table 1.16: Intra-Exports in Selected Asian Economies, 2005 (in millions of US\$)

From/To	Japan	China	India	Korea	Myanmar	Laos	Cambodia	Vietnam	Brunei	Singapore	Malaysia	Thailand	Philippines	Indonesia	Subtotal	(%)	Total Exports
Japan		80,005	3,524	46,678	92	19	79	3,590	105	18,529	12,624	22,563	9,154	9,332	206,294	34.7	594,905
China	84,097		8,937	35,117	935	105	536	5,639	53	16,716	10,618	7,819	4,689	8,369	183,630	24.1	761,953
India	2,376	6,445		1,625	111	5	22	654	33	5,178	1,135	1,022	471	1,362	20,439	20.6	99,454
Korea	24,027	61,915	4,598		120	14	144	3,432	61	7,407	4,608	3,381	3,220	5,046	117,973	41.5	284,419
Myanmar	185	249	449	51			0	42	0	99	122	1,623	1	13	2,834	74.3	3,814
Laos																	
Cambodia	48	8	0	1	0			18	0	7	4	8	1	1	94	6.9	1,369
Vietnam	4,411	2,916	98	631	12	67	536			1,809	949	780	829	98	13,136	41.5	31,625
Brunei	2,074	189	1	715	0		0			135	12	184	1	1,089	4,401	78.1	5,633
Singapore	12,536	19,752	5,897	8,053	596	40	303	4,421	496		30,405	9,431	4,185	22,109	118,224	51.5	229,649
Malaysia	13,181	9,303	3,955	4,737	246	6	109	1,160	353	22,010		7,585	1,974	3,955	68,574	48.7	140,870
Thailand	14,986	9,105	1,520	2,244	707	769	913	2,348	68	7,643	5,781		2,047	3,953	52,084	47.3	110,178
Philippines	7,023	4,077	86	1,391	9	1	8	312	9	2,076	2,457	1,169		476	19,094	47.9	39,879
Indonesia	18,049	6,662	2,878	7,086	78	2	94	678	39	7,837	3,431	2,246	1,419		50,499	59.7	84,622

Source: IMF, Direction of Trade Statistics, 2005

Note: Country of origin in columns. Country of destiny in rows.

Table 1.17: Intra-Imports in Selected Asian Economies, 1970 (in millions of US\$)

From/To	Japan	China	India	Korea	Myanmar	Laos	Cambodia	Vietnam	Brunei	Singapore	Malaysia	Thailand	Philippines	Indonesia	Subtotal	(%)	Total Imports
Japan			390	229	13			5		87	419	190	534		1,865	9.9	18,881
China	626				0					25	24				675	35.6	1,896
India	97			1	10					2	7	4	1		121	5.7	2,125
Korea	809		6							14	58		1		887	44.7	1,984
Myanmar																	
Laos																	
Cambodia																	
Vietnam			1	8						21	2	1	1		124	22.5	550
Brunei	10,800									28	11				10,839	13.0	83,660
Singapore	476		23	13	13	1		2			459	49	9		1,044	42.4	2,461
Malaysia	245		21	4	10	2		1		105		50	2		438	31.0	1,413
Thailand	486		10	6	0	2		0		13	7		3		527	40.7	1,293
Philippines	369		3	1		1		0		5	28	0			407	33.6	1,210
Indonesia	295		6		10					57	6	11	2		385	38.5	1,002

Source: IMF, Direction of Trade Statistics, 1970-1974

Note: Country of origin in columns. Country of destiny in rows.

Table 1.18: Intra-Imports in Selected Asian Economies, 2005 (in millions of US\$)

From/To	Japan	China	India	Korea	Myanmar	Laos	Cambodia	Vietnam	Brunei	Singapore	Malaysia	Thailand	Philippines	Indonesia	Subtotal	(%)	Total Imports
Japan		108,439	3,194	24,398	203	8	106	4,534	2,282	6,697	14,686	15,574	7,717	20,768	208,606	40.5	514,922
China	100,468		9,780	76,874	274	26	27	2,549	208	16,531	20,108	13,994	12,870	8,430	262,139	39.7	659,953
India	3,473	9,829		4,135	494		1	119	1	3,086	2,366	1,118	198	2,855	27,675	20.0	138,102
Korea	48,403	36,648	2,112		56	2	6	694	787	5,318	6,012	2,689	2,316	8,184	113,227	43.3	261,238
Myanmar	101	1,028	122	132			0	13	0	656	270	777	10	86	3,196	165.9	1,926.9
Laos																	
Cambodia	53	172	8	95	0			90	0	62	42	141	3	41	708	55.8	1,268.3
Vietnam	4,093	5,779	599	3,601	46	95	157		4,598	1,259	2,393	210	599		23,429	64.2	36,476.0
Brunei	115	59	37	68	0		0			543	389	75	10	43	1,339	80.2	1,668.3
Singapore	19,244	20,526	4,079	8,599	108	1	100	1,814	149		27,347	7,518	4,650	10,452	104,587	52.3	200,047.0
Malaysia	16,634	13,177	1,100	5,706	134	13	8	1,022	13	13,425		6,045	3,219	1,100	61,596	53.8	114,411.0
Thailand	26,029	11,155	1,276	3,884	1,785	225	31	891	203	5,377	8,093		1,881	3,134	63,964	54.1	118,158.0
Philippines	8,071	2,973	344	2,294	1		2	778	1	3,727	1,779	1,583		1,003	22,556	48.0	46,964.0
Indonesia	6,906	5,843	1,052	2,869	14		1	439	1,197	9,471	2,149	3,447	322		33,710	48.6	69,428.0

Source: IMF, Direction of Trade Statistics, 2005

Note: Country of origin in columns. Country of destiny in rows.

Table 1.19: Net Inflows of FDI in Selected Asian Economies, 2002 (in millions of US\$)

To/From	Japan	Korea	China	India	Myanmar	Lao	Cambodia	Viet Nam	Brunei	Singapore	Malaysia	Thailand	Philippines	Indonesia	Total	
Japan		485.0	4,190.1	66.0	4.6	0.3	1.9	95.5	295.1	204.4	1,091.1	635.4	741.8	-450.7	7,360.6	
Korea	63.0		2,720.7	15.0	4.3	1.7	19.6	55.5	7.8		3.8	41.5	1.8	-147.2	2,787.4	
China	1.6				3.4	1.3	2.1	9.4	0.2		3.6	19.4		-1.0	40.0	
India						0.1			1.5		1.9	3.2		-0.5	6.2	
Myanmar						0.0					0.3	1.2			1.5	
Lao															0.0	
Cambodia															1.4	
Vietnam							0.8		0.2		8.6	2.2			11.7	
Brunei											2.3	0.1			2.4	
Singapore	124.4		2,337.2	39.0	17.6	4.5	2.8	120.0	9.8		1,393.2	1,236.7	35.9	362.8	5,683.9	
Malaysia	-1.6		367.9		1.0	1.0	6.9	37.0	5.8			-16.4	-0.3	46.3	447.5	
Thailand	-134.0		187.7		0.8	2.4	3.1	40.1	1.9		12.3		2.4	5.8	122.5	
Philippines	0.8		186.0					2.7	0.8		29.9	-0.3		13.5	233.3	
Indonesia	-5.6		121.6		0.8			0.6	2.7		21.4	3.2	0.0		144.8	
Total	48.6	485.0	10,111.2	120.0	0.0	32.5	11.3	37.2	360.8	325.8	204.4	2,568.2	1,927.6	781.5	-171.1	16,843.2

Source: Asian Development Bank website.

Note: Source of net inflows in columns. Destiny of net inflows in rows.

Table 1.15, Source: IMF, Direction of Trade Statistics, 1970-1974
 Note: Country of origin in columns. Country of destiny in rows.

Table 1.16,

From/To	Japan	China	India	Korea	Myanmar	Laos	Cambodia	Vietnam	Brunei	Singapore	Malaysia	Thailand	Philippines	Indonesia
Japan		80,005	3,524	46,678	92	19	79	3,590	105	18,529	12,624	22,563	9,154	
China	84,097		8,937	35,117	935	105	536	5,639	53	16,716	10,618	7,819	4,689	
India	2,376	6,445		1,625	111	5	22	654	33	5,178	1,135	1,022	471	
Korea	24,027	61,915	4,598		120	14	144	3,432	61	7,407	4,608	3,381	3,220	
Myanmar	185	249	449	51			0	42	0	99	122	1,623	1	
Laos														
Cambodia	48	8	0	1	0			18	0	7	4	8	1	
Vietnam	4,411	2,916	98	631	12	67	536			1,809	949	780	829	
Brunei	2,074	189	1	715	0		0			135	12	184	1	
Singapore	12,536	19,752	5,897	8,053	596	40	303	4,421	496		30,405	9,431	4,185	2
Malaysia	13,181	9,303	3,955	4,737	246	6	109	1,160	353	22,010		7,585	1,974	
Thailand	14,986	9,105	1,520	2,244	707	769	913	2,348	68	7,643	5,781		2,047	
Philippines	7,023	4,077	86	1,391	9	1	8	312	9	2,076	2,457	1,169		
Indonesia	18,049	6,662	2,878	7,086	78	2	94	678	39	7,837	3,431	2,246	1,419	

Source: IMF, Direction of Trade Statistics, 2005
 Note: Country of origin in columns. Country of destiny in rows.

Table 1.17, and

From/To	Japan	China	India	Korea	Myanmar	Laos	Cambodia	Vietnam	Brunei	Singapore	Malaysia	Thailand	Philippines	Indonesia
Japan			390	229	13			5		87	419	190	534	
China	626				0					25	24			
India	97			1	10					2	7	4	1	
Korea	809		6							14	58		1	
Myanmar														
Laos														
Cambodia														
Vietnam	88		1	8						21	2	1	1	
Brunei	10,800									28	11			
Singapore	476		23	13	13	1		2			459	49	9	
Malaysia	245		21	4	10	2		1		105		50	2	
Thailand	486		10	6	0	2		0		13	7		3	
Philippines	369		3	1		1		0		5	28	0		
Indonesia	295		6		10					57	6	11	2	

Source: IMF, Direction of Trade Statistics, 1970-1974
 Note: Country of origin in columns. Country of destiny in rows.

Table 1.18 offer trade matrices for intra-Asian trade for 1970 and 2005.

From/To	Japan	China	India	Korea	Myanmar	Laos	Cambodia	Vietnam	Brunei	Singapore	Malaysia	Thailand	Philippines	Indonesia
Japan		108,439	3,194	24,398	203	8	106	4,534	2,282	6,697	14,686	15,574	7,717	
China	100,468		9,780	76,874	274	26	27	2,549	208	16,531	20,108	13,994	12,870	
India	3,473	9,829		4,135	494	1	119	1	3,086	2,366	1,118	1,118	198	
Korea	48,403	36,648	2,112		56	2	6	694	787	5,318	6,012	2,689	2,316	
Myanmar	101	1,028	122	132			0	13	0	656	270	777	10	
Laos														
Cambodia	53	172	8	95	0			90	0	62	42	141	3	
Vietnam	4,093	5,779	599	3,601	46	95	157			4,598	1,259	2,393	210	
Brunei	115	59	37	68	0		0			543	389	75	10	
Singapore	19,244	20,526	4,079	8,599	108	1	100	1,814	149		27,347	7,518	4,650	1
Malaysia	16,634	13,177	1,100	5,706	134	13	8	1,022	13	13,425		6,045	3,219	
Thailand	26,029	11,155	1,276	3,884	1,785	225	31	891	203	5,377	8,093		1,881	
Philippines	8,071	2,973	344	2,294	1		2	778	1	3,727	1,779	1,583		
Indonesia	6,906	5,843	1,052	2,869	14		1	439	1,197	9,471	2,149	3,447	322	

Source: IMF, Direction of Trade Statistics, 2005
 Note: Country of origin in columns. Country of destiny in rows.

Table 1.19 is a matrix of intra-group foreign direct investment. Table 1.20 and Table 1.21 sum up the increases of the 4+10 intra-group exports and imports in 1970 and 2005. For intra-group exports, both in terms of volume and percentages of the individual country's total exports, Japan, India, Korea, Vietnam,

Brunei, Singapore and Malaysia record upturns. China has increased its intra-group total, but her intra-group share has declined by as much as 10 percentage points. Thailand has maintained its share while Indonesia's intra-group export share has notably declined.

For intra-group imports, Japan, India, Korea, Vietnam, Singapore, Malaysia, Thailand, Philippines and Indonesia record percentage increases while China's intra-group import share has declined over the period. Overall, the dynamics of intra-group economic interdependence warrants attention.

It is instructive to review the intra-group net inflows of FDI in 2002. Chapter 8 presents net inflows of FDI in the selected Asian countries. Indonesia became exposed to too many odds, natural calamities and political instability leading to a net outflow of FDI. Japan and Korea lead the situation. Of course, Singapore has very much been a hub of inter-regional investment flows. China has emerged as a major player, while India has yet to become a significant competitor. Malaysia, Thailand and Vietnam have become promising markets. Brunei is a very special economy and its intra-regional investment flow is very much limited to Japan.

Table 1.20: Intra-AE-22 Exports, 1970 and 2005

	1970		2005	
	US\$ Millions	(%)	US\$ Millions	(%)
Japan	2,605	13.5	206,294	34.7
China	417	24.9	183,630	24.1
India	361	17.8	20,439	20.6
Korea	263	31.5	117,973	41.5
Myanmar			2,834	74.3
Laos				
Cambodia			94	6.9
Vietnam	1	12.8	13,136	41.5
Brunei	84	0.1	4,401	78.1
Singapore	650	41.8	118,224	51.5
Malaysia	773	45.8	68,574	48.7
Thailand	309	43.5	52,084	47.3
Philippines	464	43.7	19,094	47.9
Indonesia	738	65.9	50,499	59.7

Source: IMF, Direction of Trade Statistics, 1970-1974, and 2005.

Note: Percentages are of the total exports of the individual country in the two years

Table 1.21: Intra-AE-22 Imports, 1970 and 2005

	1970		2005	
	US\$ Millions	(%)	US\$ Millions	(%)
Japan	1,865	9.9	208,606	40.5
China	675	35.6	262,139	39.7
India	121	5.7	27,675	20.0
Korea	887	44.7	113,227	43.3
Myanmar			3,196	165.9
Laos				
Cambodia			708	55.8
Vietnam	124	22.5	23,429	64.2
Brunei	10,839	13.0	1,339	80.2
Singapore	1,044	42.4	104,587	52.3
Malaysia	438	31.0	61,596	53.8
Thailand	527	40.7	63,964	54.1
Philippines	407	33.6	22,556	48.0
Indonesia	385	38.5	33,710	48.6

Source: IMF, Direction of Trade Statistics, 1970-1974, and 2005.

Note: Percentages are of the total imports of the individual country in the two years

5. Conclusion

The progressive industrialization of the Asian economies beyond Japan has been an accomplishment. Japan and the select group of Asia's newly industrialized economies ("NIE") now constitute a viable economic entity, competitively large in terms shares of world output and trade vis-à-vis the EU and the USA.

Others have called it the Asian miracle. The industrialization of Asia, of course, has a rational economic explanation. In the 1970s, the pre-industrialized Asian economies beyond Japan elected to adopt an open economic policy, inviting inflows of savings from wealthier mature industrialized countries. The relative advantage of these pre-industrialized economies in low-wage labor, skilled as well as unskilled, some having rich endowments of unexplored natural resources, became a draw for investments from high-wage rich countries. The investments of the MIEs in Asia became profitable and unsurprisingly, provisions were made for the repatriation of profits home. It became a win-win situation (see also Chapter 4).

The Asian Economy with Asian Money is a presentation to welcome the emergence of Asian continental economic regionalization. An intra-Asian economy based on the 4+10 model as analyzed above, with its intra-group economic activities, trade and investment flows, warrants a thorough scholastic exposition. Over the past three decades, the intra-group trade has generally recorded a robust upturn. Indeed, the AE-22 has become all too real. The proposal for an Asian Free Trade Area modeled after the EU-FTA, with its intra-regional monetary and fiscal policy cooperation, is very much under review at periodic Asian economic summits.

The trans-Pacific economic cooperation, under the leadership of APEC has failed to deliver on its promise. On the other hand, the success story of the European Union and the Euro Revolution (Dutta 2007) has become a learning model for Asia, indeed, for all other continents. The map of Asia is as real as the map of Europe.

The continental regionalization of the economies of the world will provide the foundation for a paradigm of true globalization. Each continental economy, with its competitive shares of world output and trade, will be able to contribute to the optimization of economic gains for all the peoples of the world.