

Chapter 2 Japan growing with Asia's development - Asia -Pacific framework toward sustainable growth

Section 6 Tightened economic ties in Asia-Pacific

Asia headed the world in terms of the recovery from the global financial crisis and achieved high economic growth. It is gaining attention not only as “World’s factory” but also as “World’s consumer market”. Asia’s economic growth is largely expected to serve as the engine to drive the sustainable development of the world economy while the recovery of developed countries including the U.S. and Europe would likely delay. Meanwhile, it is inevitable to conquer various common issues such as aging society and resource constraints to achieve the sustainable growth of Asian economy. To address these problems, in addition to the cooperation within Asia, it is effective to promote the cooperation to strengthen economic ties in wider area, Asia-Pacific.

This year, Japan will chair and host APEC. This section will introduce current conditions and characteristics of economies in Asia-Pacific which constitute the background for “Efforts for the Japan-chaired APEC 2010” stated in section 3 of Chapter 3.

1. Asia-Pacific increasing its presence

(1) Economy of APEC member countries and regions

APEC is the regional framework of which focus is economic cooperation. This year will be the 21st year since its establishment of 1989. It consists of 21 countries and regions in Asia-Pacific and holds about 50% of world GDP, about 40% of world population and about 40% of world trade values (see Table 2-6-1-1).

Table 2-6-1-1: General of APEC member countries and regions

The General of APEC Member and Area

	Population	Nominal GDP	Nominal GDP per capita	Total trade amount	Real GDP growth ratio
Year	2009	2009	2009	2008	2009
Unit	Million people	10 million	Dollar	10 million	%
Japan	1.28	5,068	39,731	1,545	-5.2
China	13.35	4,909	3,678	2,561	8.7
Hong Kong	0.07	211	29,827	752	-2.7
Korea	0.49	833	17,074	862	0.2
Taiwan	0.23	379	16,391	-	-1.9
Singapore	0.05	177	37,291	659	-2.0
Brunei	0.004	11	26,299	13	-0.5
Indonesia	2.32	539	2,329	266	4.5
Malaysia	0.28	191	6,897	356	-1.7
Philippines	0.92	161	1,746	110	0.9
Thailand	0.67	264	3,940	352	-2.3
Vietnam	0.87	92	1,060	143	5.3
Australia	0.22	997	46,073	397	1.3
NZ	0.04	118	27,261	65	-1.6
Papua New Guinea	0.06	8	1,247	12	4.5
Russia	1.41	1,229	8,694	727	-7.9
US	3.07	14,256	46,381	3,180	-2.4
Canada	0.34	1,336	39,668	865	-2.6
Mexico	1.08	875	8,135	600	-6.5
Chile	0.17	162	9,525	126	-1.5
Peru	0.29	127	4,356	54	0.9
APEC Total	27.21	31,943	11,742	13,646	-
	40.4%	55.1%	-	41.9%	-
(Ref.)	21.02	12,289	5,846	6,898	-
ASEAN+3 Total	31.2%	21.2%	-	21.2%	-
(Ref.)	33.27	14,640	4,400	7,819	-
ASEAN+6 Total	49.4%	25.3%	-	24.0%	-
World Total	67.34	57,937	8,604	32,550	-

Note 1. Nominal GDP per capita equals Nominal GDP divided into population.;

2. Lower columns show percentage of world total.

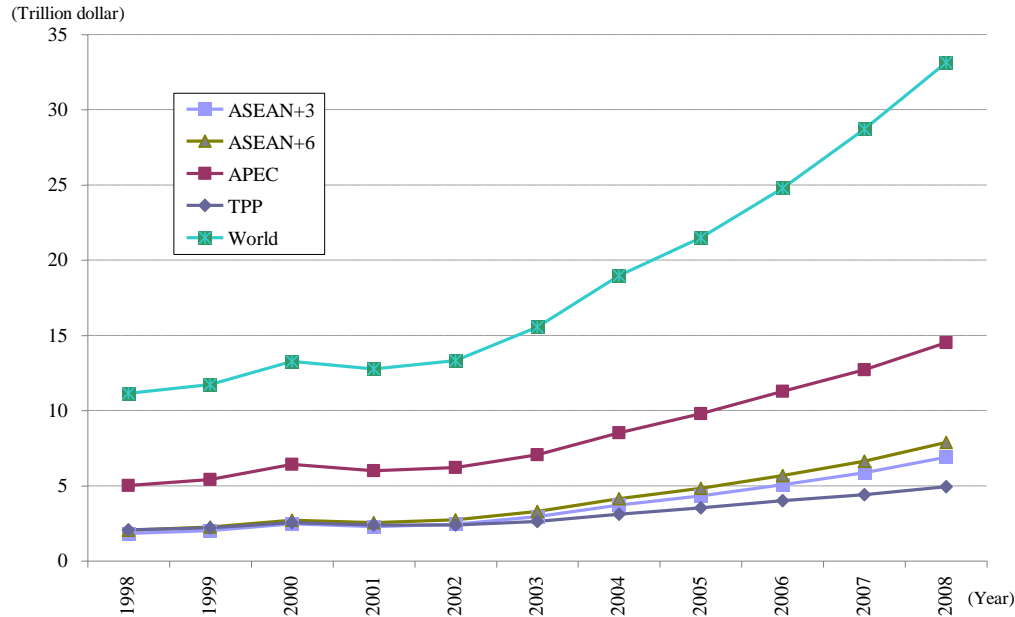
Data: Population and Nominal GDP are based on IMF "World Economic Outlook Database April 2010", and trade amount is based on IMF "DOT".

Meanwhile, the member countries and regions have diversified population size and a large gap in nominal GDP per capita. Therefore, it is regarded as a framework with variety of countries and regions.

The data from 1998, when the number of APEC member countries and regions increased to current 21, to 2008 shows that the trade values of APEC member countries and regions are increasing as the world trade value grows (see Figure 2-6-1-2).

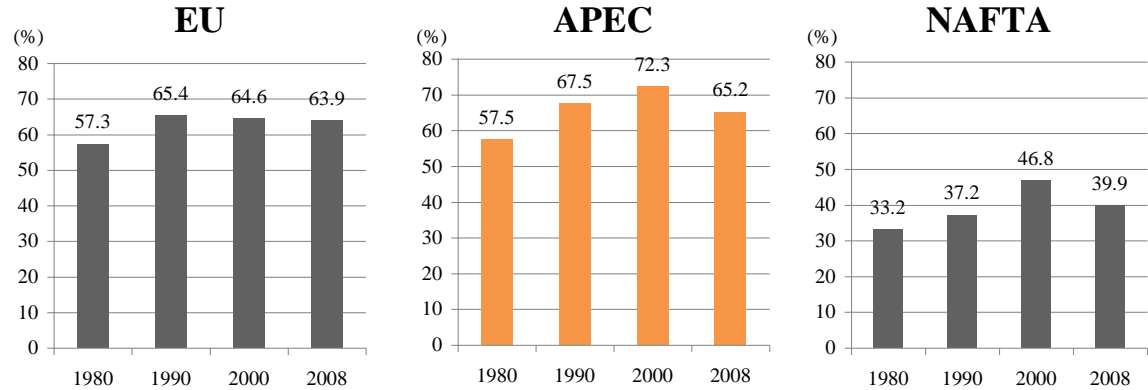
The regional trade ratio of APEC was 65.2% in 2008 exceeding the ratio of EU and NAFTA and displays that close economic ties among APEC member countries and regions (see Figure 2-6-1-3). High regional trade ratio was supported by APEC’s activities such as the promotion of the liberalization of trade and investment and sooth business transactions. Furthermore, APEC is experiencing the tariff reduction through Economic Partnership Agreement sealed between APEC member countries/regions and the establishment of supply chain that covers the flow from material and part procurement, manufacturing and sales. It is considered that mutual cooperation within APEC exists.

Figure 2-6-1-2: Trend of the trade values of APEC member countries and regions and other regional frameworks



Note 1. Total of export and import amount; 2. TPP includes US, Australia, NZ, Chile, Peru, Brunei, Singapore, and Vietnam.
 Data: IMF「DOT」; Taiwan Trade Statistics

Figure 2-6-1-3: Trend of regional trade ratio of APEC, EU and NAFTA



Note: (Area's export amount + Area's import amount) / (World export amount + World import amount) multiplied by 100 equals a comparison ratio
 Data: JETRO 「2009 JETRO Trade Investment White Paper」
 Source: IMF「DOT」; Taiwan Trade Statistics; Hong Kong Trade Statistics; Singapore Trade Statistics

(B) APEC and its deep relations with Japan

The trade value between Japan and APEC member countries and regions in 2009 indicates that exports was \$432.6 billion which is 74.5% of total and imports was \$364.3 billion which is 70.4% of total (see Figure 2-6-1-4).

Japan's foreign direct investment balance in APEC member countries and regions at the end of 2008 was some 3.7 trillion yen which is about 60% of total. Japan and APEC member countries and regions have close relations both in terms of trade and investment (see Figure 2-6-1-5).

Figure 2-6-1-4: Trade value between Japan and APEC member countries and regions (2009)

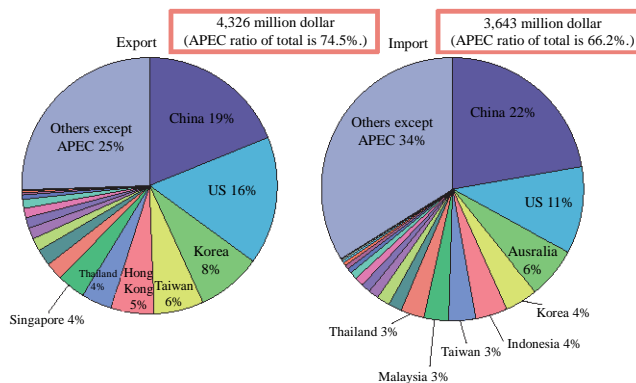
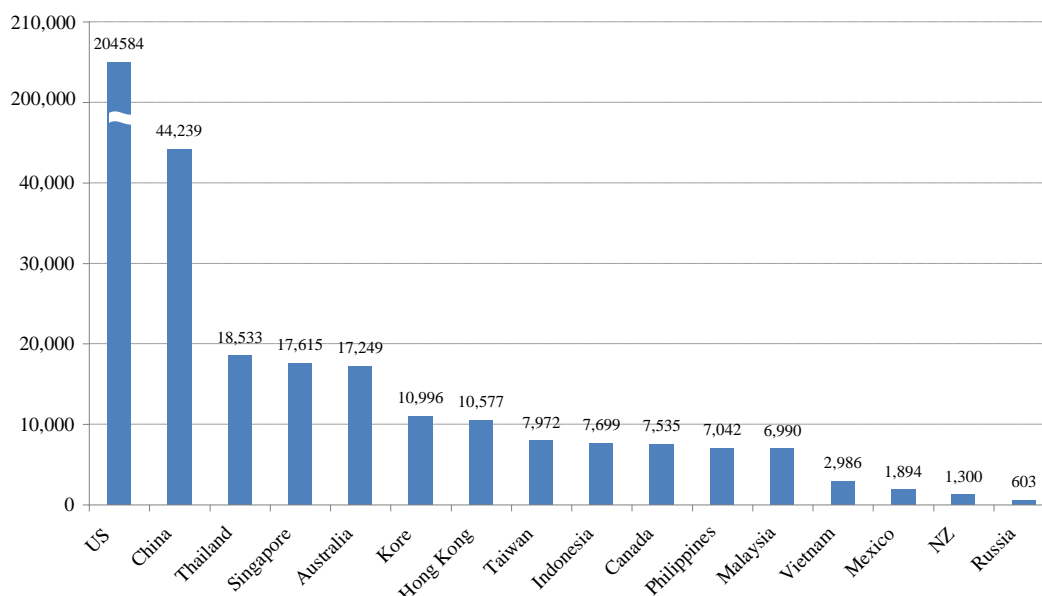


Figure 2-6-1-5: Japan's foreign direct investment balance in APEC member countries and regions

(Million yen)



Data: The Bank of Japan "International Revenue and Expenditure Statistics"

(3) APEC's trade structure with strong supplementing relationship

The composition of export and import items of APEC member countries and regions confirms that the region has both exporting and importing countries for machinery, natural resources, food products and other primary products (see Figure 2-6-1-6). As for machinery, mainly East Asia region including Japan, the Philippines, Singapore and Korea have large export ratio, while countries including Australia, Russia, Chile and Peru show lower export ratio and higher import ratio. On the contrary, as

for natural resources, countries Australia, Russia, Canada and Chile hold high export ratio and East Asia region including Japan and Korea demonstrate high import ratio. In this way, APEC area has highly supplementing trade relations compared to East Asia region. In the future, the regional trade will be invigorated further once trade liberalization, smoother trade management and cooperation are progressed in the future. Moreover, the regional trade expansion is considered to result in the diversification of import originating countries and to contribute to more stable procurement of resources and food products.

Furthermore, service trade is also expanding among APEC member countries and regions (see Figure 2-6-1-7). For further enhancement of service trade, it is expected to see more relaxation and abolishment of related regulations.

Figure 2-6-1-6:

Composition of export and import items of APEC member countries and regions (2008)

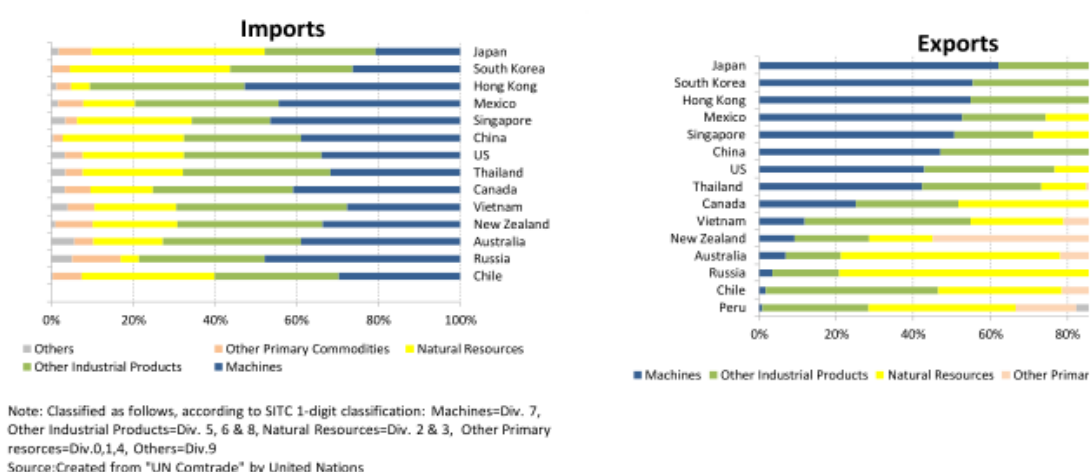


Figure 2-6-1-7: Trend of value of service trade of APEC member countries and regions

