

## Chapter VIII Long Term Economic Forecasts of East Asia

権利	Copyrights 日本貿易振興機構（ジェトロ）アジア経済研究所 / Institute of Developing Economies, Japan External Trade Organization (IDE-JETRO) <a href="http://www.ide.go.jp">http://www.ide.go.jp</a>
シリーズタイトル(英)	IDE Spot Survey
シリーズ番号	10
journal or publication title	Economic Outlook for East Asian Economies over the Next Decade - Is Continuous High Growth Possible?-
page range	[25]-34
year	1997
URL	<a href="http://hdl.handle.net/2344/00010425">http://hdl.handle.net/2344/00010425</a>

# Chapter VIII

## Long Term Economic Forecasts of East Asia

### 1. *Keypoints in Forecasts of Economic Growth Rate*

Here, a look will be taken at the projections of the rates of economic growth of East Asia based on the average annual rates of growth (Table 6) for different time frames (Figure 7).

#### **(1) NIEs**

According to Table 6, the average annual rate of growth of the NIEs from 1996 to 2005 (hereinafter referred to as the "next 10 years") will be 1.2 to 3.0 points lower than 1986 to 1995 (hereinafter referred to as the "past 10 years").

South Korea and Taiwan will slow in growth over the next 10 years due to the maturing of the two economies and resultant increased competition from the industrialized nations and due to the greater liberalization demanded in trade and financing. Further, developing countries will be catching up in household electrical appliances, apparel, and other relatively labor intensive products. This will be another factor slowing growth of the two economies in the next 10 years.

There has been a rapid shift of manufacturing operations from Hong Kong to China in the past 10 years. Local exports, that is, exports of manufactured goods from Hong Kong, grew by only an annual 2.8 percent over that period. Therefore, the share of the service sector in the GDP exceeded 80 percent. Manufacturing operations will continue shifting to China in the future. Domestic exports of Hong Kong will therefore slow to an annual 0.5 percent in the next 10 years. Due to the heavy reliance on the service sector, the rate of economic growth of Hong Kong over the next 10 years will be a low annual 4.9 percent.

The average annual rate of growth of Singapore in the next 10 years will be 7.3 percent due to its "city state" type of economy, like Hong Kong, which gives it a comparative advantage in its service industry and, further, the sophistication of its manufacturing industries, comprising mostly foreign transplants. Domestic exports have grown by an

annual 16.5 percent in the past 10 years and should rise by 10.5 percent in the next 10 years as well.

The rate of growth of the NIEs as a whole will fall from the annual 8.1 percent of the past 10 years to 6.0 percent in the five years from 1996 to 2000 and will drop further to 5.6 percent from 2001 to 2005. This stabilized growth of the NIEs over the next 10 years is shown in Figure 7.

#### **(2) ASEAN4**

Among the high income group of the ASEAN4 (Malaysia and Thailand), Malaysia will make progress in building more sophisticated electronics and electrical machinery industries in the next 10 years thanks mainly to foreign ventures. Accordingly, the average annual rate of growth over the next 10 years should be 7.6 percent or about the same as the 7.7 percent of the past 10 years.

Thailand will be moving from labor intensive industries to capital and equipment intensive industries in the late 1990s. During this period of structural adjustment, exports of the new industries will shoot up while exports of the old industries will drop or slow. Exports as a whole will drop in growth compared with before the re-adjustment period. Further, due to the unstable currency and financial situation, the flow of foreign capital will decline in 1997 and 1998 and investment will slow. Growth in the five years of 1996 to 2000 will therefore be an annual 6.6 percent or 2.8 points lower than the 9.4 percent of the previous 10 years. In the next five years, Thailand will recover to an annual 7.9 percent growth. In the 10 years from 1996 to 2005, growth will reach an annual 7.2 percent.

Assuming that the political situation remains stable and FDI continues to be liberalized, the low income group of the ASEAN4 (Indonesia and the Philippines) will speed up in growth in the next 10 years. Indonesia grew by an annual 7.8 percent in the past 10 years. This should rise to 8.0 percent in the last five years of the 1990s and further accelerate to 9.4 percent from 2001 to 2005.

The same should hold true for the Philippines as with Indonesia. While growing by just an annual 3.4 percent in the past 10 years, growth should double to 6.7 percent in the last five years of the 1990s. The growth rate in 2001 to 2005 will be an annual 7.8 percent. The ASEAN4 as a whole, despite the slowdown in growth of Thailand, will rise in growth from the annual 7.5 percent of the past 10 years to 7.9 percent in the next due to the faster growth of the low income group. The curve of the ASEAN4 in Figure 7 bottoms out in 1997, then rises rapidly up to 2001 and remains at a high level thereafter except for 2004.

### (3) China

The projections for China are explained in Chapter 7. Here, the fact that China, which achieved over an annual 9 percent economic growth in the late 1990s, will far exceed the other East Asian economies in growth is underlined by looking at Figure 7.

### (4) East Asia

#### 7.6% Growth in 1996 to 2000

East Asia achieved a high annual 8.5 percent growth over the past 10 years. In the last five years of the 1990s, that is, 1996 to 2000, the annual growth of the ASEAN4 will drop 0.2 point to 7.3 percent and that of China the same to 9.7 percent over the past 10 years, but will continue high. The NIEs achieved a high 8.1 percent growth over the past 10 years but having industrialized, should fall 2.1 point in growth from the past 10 years to 6.0 percent in the late 1990s.

Putting all of this together, East Asia as a whole should grow 0.9 point slower than the past 10 years on an annual base, but should still grow by a high annual 7.6 percent in the last five years of the 1990s.

A look at the rates of economic growth of the NIEs, ASEAN4, China, and East Asia as a whole from 1996 to 2005 from Figure 7 shows that China will enjoy growth of close to an annual 10 percent, the ASEAN4 will start growing faster after bottoming out in 1997, and the NIEs will grow by under 6 percent.

#### 7.4% Growth in 2001 to 2005

During the first five years of the 21st century, that is, 2001 to 2005, the NIEs will become "more

advanced" industrialized economies. The rate of growth will fall below 6 percent to an average annual 5.6 percent.

The ASEAN4 will grow by an average annual 8.4 percent in the first five years of the 21st century or 1.1 points higher than the growth in the last five years of the 1990s.

China should enjoy a stable 8 percent level of growth in the first five years of the 21st century except for 9.0 percent growth in 2001. The average annual rate of growth for the five years will be 8.6 percent.

In the first five years of the 21st century, the NIEs and China will slow in growth compared with the previous five years, but the ASEAN4 will speed up in growth. East Asia as a whole will fall 0.2 point to 7.4 percent growth in the last five years of the 1990s.

#### 7.5% Growth in 1996 to 2005

A look at East Asia by the average annual rate of growth in 10 year time frames shows that while the NIEs enjoyed a high 8.1 percent growth in the past 10 years, growth should decelerate 2.3 points to a stable 5.8 percent in the next 10 years. The low income group of the ASEAN4, that is, Indonesia and the Philippines, are projected as speeding up in growth over the next 10 years. Therefore, even the ASEAN4 as a whole should grow by 7.9 percent or 0.4 point higher than the 7.5 percent of the previous 10 years.

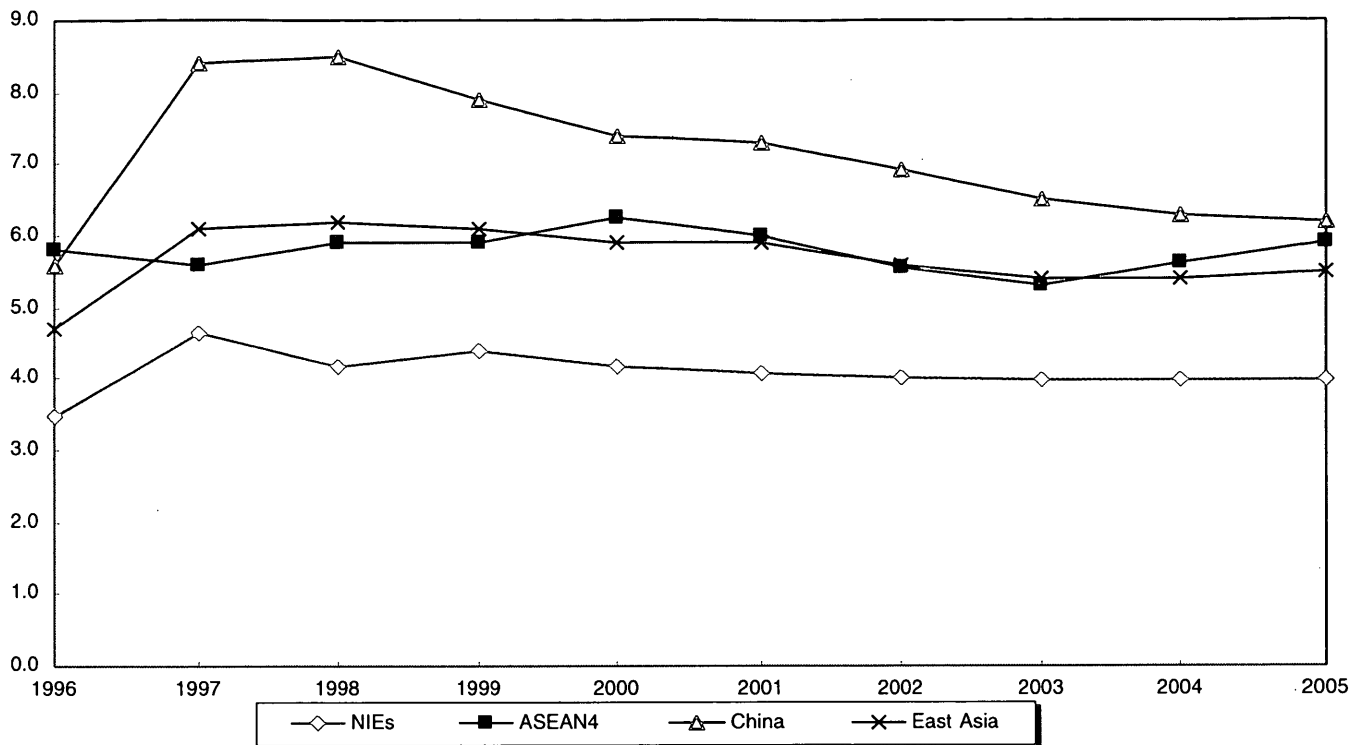
The Chinese economy grew by an annual 9.9 percent, or almost the double-digit level, over the past 10 years. While slowing, it should still grow by a high annual 9.2 percent over the next 10 years.

East Asia as a whole grew by an annual 8.5 percent over the past 10 years. This should fall 1.0 point to an annual 7.5 percent over the next 10 years.

## 2. *Keypoints in Projections of Rate of Inflation*

The projections of the rates of inflation of East Asia are summarized in Table 7 and Figure 8.

A look at the average annual rates of inflation over the past 10 years shows that the rate for the NIEs was 4.8 percent, the ASEAN4 5.9 percent, and China 9.7 percent. Due to the large appreciations of the Taiwanese yuan and the Singapore dollar against the U.S. dollar during this period, shown in

**Figure 8. Inflation Rates (GDP Deflator) of NIEs, ASEAN4, China and East Asia 1996-2005**

Note: Figures are the forecasts of the PAIR project team, IDE.

Figure 3, prices in the two economies have been stable – rising an annual 2.7 and 3.2 percent during that time respectively. The rate of inflation of the NIEs during the period was 4.8 percent or under the 5 percent level. China, which achieved a high annual 9.9 percent rate of economic growth during that time, suffered from a high 9.7 percent inflation rate reflecting the overheated economy.

A look at the average annual rates of inflation of East Asia over the next 10 years shows that the rate of the NIEs will drop 0.9 point from the past 10 years to an annual 3.9 percent, the rate of the ASEAN4 will fall 0.5 point to 5.4 percent, and the rate of China will fall 2.6 points to 7.1 percent. East Asia as a whole suffered from an annual 6.1 percent inflation over the past 10 years, but this should stabilize and fall 0.8 points to 5.3 percent in the next 10 years.

One of the factors behind the stabilization of prices in East Asia over the next 10 years will be the continued stability of prices in the industrialized countries. The intenser global competition and the

reduction of tariffs under agreements of the AFTA (ASEAN Free Trade Area) and APEC will contribute to the stabilization of prices in East Asia.

### 3. Expansion of Size of East Asian Economies

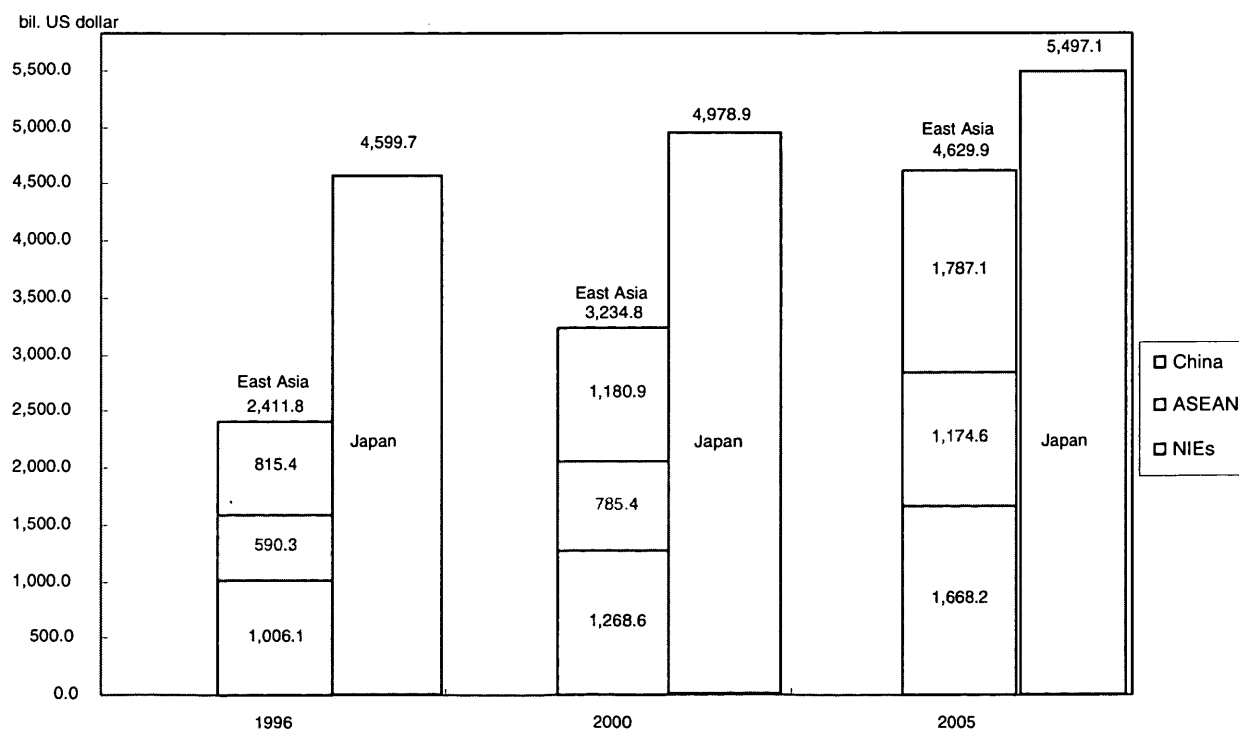
The sizes of the economies (GDP) of the countries and regions of East Asia, shown in 1996 U.S. dollar prices, were calculated based on the projections of the rates of economic growth of East Asia shown in Table 5. Further, the GDPs of Japan and the United States, again given in terms of 1996 U.S. dollar prices, were calculated for up to 2005 assuming that the two economies would grow by an annual 2 percent starting in 1997. Table 8 shows the sizes of the economies of the countries and regions of East Asia, Japan, and the United States in 1996 U.S. dollar prices for the years 1996 to 2005. Further, Figure 9 shows the sizes of the economies of East Asia and Japan for 1996, 2000, and 2005.

**Table 8. GDP of East Asian Economies, United States and Japan, 1996-2005**

(bil. US dollar)

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
South Korea	484.8	515.0	550.1	583.8	616.7	650.1	683.8	718.8	755.5	793.5
Taiwan	272.7	289.1	304.5	319.7	337.1	356.5	378.3	402.3	428.8	457.7
Hong Kong	154.6	162.9	171.4	180.1	188.9	198.2	207.7	217.5	227.7	238.4
Singapore	94.1	101.1	108.9	117.0	125.8	135.1	145.0	155.5	166.7	178.5
NIEs	1,006.1	1,068.1	1,134.9	1,200.6	1,268.6	1,340.0	1,414.8	1,494.1	1,578.6	1,668.2
Malaysia	98.1	105.8	114.1	122.7	132.0	142.0	152.7	163.9	176.0	188.9
Thailand	184.0	192.1	204.6	219.9	238.0	258.2	278.3	299.8	322.8	347.7
Indonesia	225.8	242.8	259.3	280.5	307.5	340.4	375.4	414.8	441.4	481.1
Philippines	82.4	87.6	93.6	100.3	108.0	116.3	125.3	135.1	145.5	156.9
ASEAN4	590.3	628.3	671.5	723.5	785.4	856.8	931.8	1,013.6	1,085.7	1,174.6
China	815.4	899.4	987.6	1,082.4	1,180.9	1,287.1	1,401.7	1,520.8	1,648.6	1,787.1
East Asia	2,411.8	2,595.8	2,793.9	3,006.5	3,234.8	3,484.0	3,748.3	4,028.6	4,313.0	4,629.9
Japan	4,599.7	4,691.7	4,785.5	4,881.2	4,978.9	5,078.4	5,180.0	5,283.6	5,389.3	5,497.1
United States	7,576.1	7,727.6	7,882.2	8,039.8	8,200.6	8,364.6	8,531.9	8,702.6	8,876.6	9,054.1

Notes: (1) Refer to the footnotes of Table 5.  
 (2) Economic growth rates for the United States and Japan are assumed to be 2% every year from 1997 to 2005.

**Figure 9. GDP of East Asia and Japan 1996, 2000, and 2005 (1996 US dollar)**


Note: Based on Table 8.

According to Table 8, China's GDP will pass the 1996 level of the NIEs in 1999. In 2003, China will surpass the NIEs in GDP. The GDP of the ASEAN4 will reach the 1996 level of the NIEs in 2003.

Looking at this every five years, in 1996, the GDPs of the NIEs, ASEAN4, and China will be 22 percent, 13 percent, and 18 percent of Japan's respectively. East Asia as a whole had an economy 52 percent of that of Japan's in 1996. In 2000, the NIEs will grow to 30 percent the size of Japan's, the ASEAN4's to 21 percent, and China's to 33 percent. By 2005, the East Asian economy as a whole will grow to 84 percent the size of Japan's.

#### 4. East Asia as Global Base of Supply

The main objective of this volume is to project the rates of economic growth and inflation for the countries and regions of East Asia based on econometric models. Along with the projections of these two variables, it is possible to estimate and project exports and imports.

When viewing East Asia as a center of supply and a center of absorption of demand, it is desirable to estimate exports and imports by the customs-clearance-based exports and imports of goods shown in Table 3. Econometric models however are basically

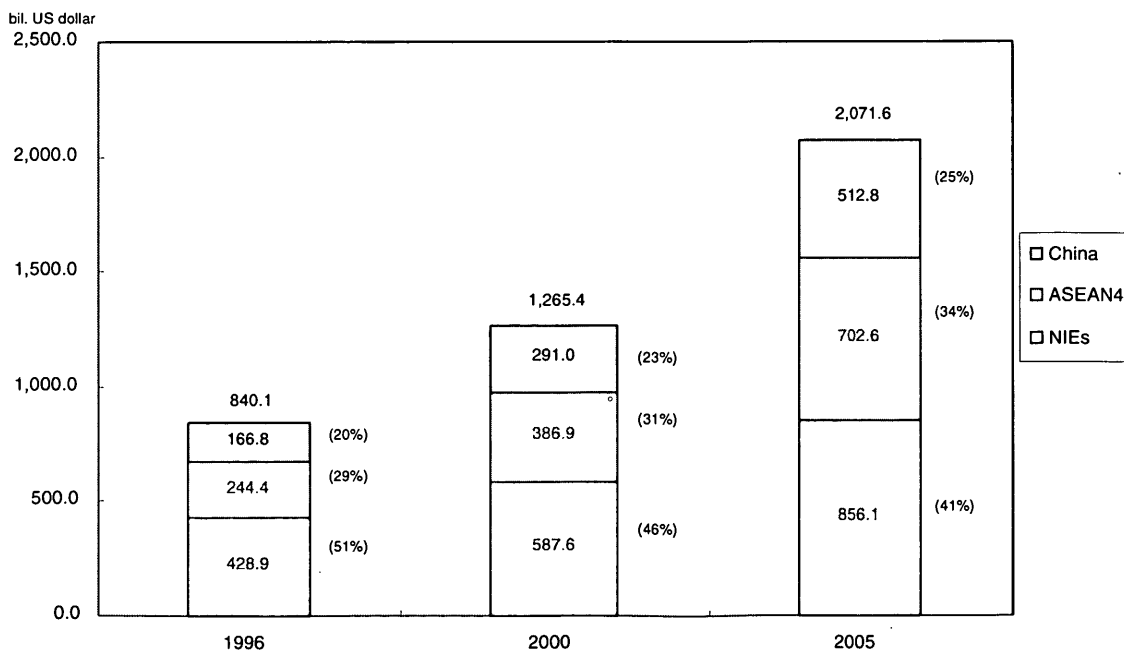
founded on individual national statistics, so exports and imports include both goods and services. Aside from this, there are peculiar problems with the trade data of Hong Kong and Singapore.

The following points should be noted regarding the export and import figures given in this and the following sections:

- (a) Figures for exports and imports of all countries and regions other than Hong Kong and Singapore include both goods and services.
- (b) Hong Kong export figures include both domestic exports and exports of services, while import figures include "theoretical" domestic imports<sup>16)</sup> and imports of services.
- (c) Singapore export figures are domestic exports, while imports are overall imports of goods (domestic imports + imports for re-export).
- (d) Usually, the trade balance is considered using nominal figures. Here, exports and imports are dealt with using 1996 U.S. dollar prices (real basis), so calculation of the trade balance would lead to misunderstandings.

Here, a look will be taken of the trends in East Asian exports of goods and services, shown in Figure 10, for 1996, 2000, and 2005 taking these factors into account.

**Figure 10. Exports of Goods and Services of East Asia, 1996, 2000, and 2005 (1996 US dollar)**



Note: Figures are processed by the PAIR project team, IDE.

The NIEs accounted for a 51 percent share of East Asian exports of goods and services in 1996. This will however fall to 46 percent in 2000 and 41 percent in 2005. The ASEAN4 and China are increasing their shares at the expense of the NIEs.

East Asian exports of goods had already reached a level 1.7 times that of Japan in 1996 (see Table 3). East Asian exports of goods and services, as shown in Figure 10, will reach 1.5 times the 1996 level in 2000 and 2.5 times the 1996 level in 2005.

As explained in Section 2 of Chapter 2, East Asian exports of goods rose to 5 percent of global exports of goods in 1975, 9 percent in 1985, and 14 percent in 1995. Here, it is assumed that global exports of goods will rise by an annual 6 percent as postulated in Section 1 of Chapter 4. Further, if the rate of growth of East Asian exports of goods and services given in this volume is used as the rate of growth of exports of goods, the following results are obtained. That is, the share of East Asia in world exports of goods will rise from the 14 percent of 1995 to 18 percent in 2000 and 22 percent in 2005.<sup>17)</sup> That is, in the next 10 years, East Asia will play an increasing role as a base for supply for the world.

### 5. East Asia as Absorber of World Demand

Here, a look will be taken at the trends in East Asian imports of goods and services in 1996, 2000,

and 2005, shown in Figure 11, while considering the points mentioned in the preceding sections.

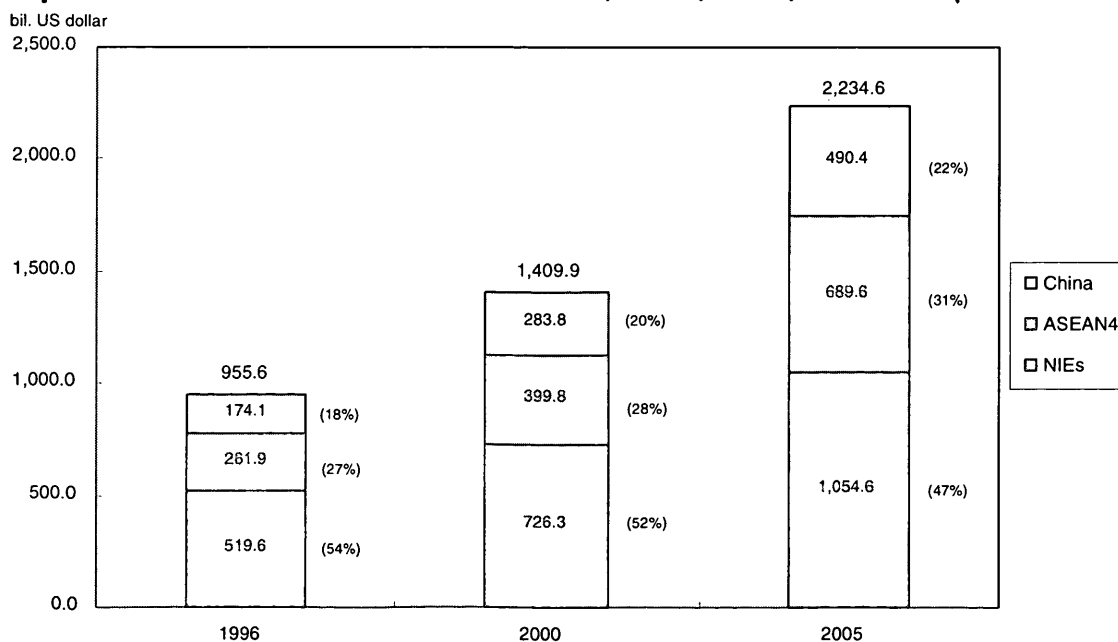
In the same way as exports, imports of the NIEs have accounted for over half, specifically 54 percent, of the imports of East Asia. By the year 2000, however, the share of the NIEs will fall to 52 percent and by the year 2005 to 47 percent. The ASEAN4 and China will be increasing their shares during that time.

As shown in Table 3, East Asian imports of goods were 2.1 times that of Japan in 1996. A look at East Asian imports of goods and services from Figure 11 shows that they will rise to 1.5 times the level of 1996 in 2000 and 2.3 times the level in 2005.

Global imports of goods will grow by an annual 6 percent in the next 10 years. Further, if the rate of growth of imports of goods and services given in this volume is used as the rate of growth of East Asian imports of goods in the next 10 years, it is possible to estimate the share of East Asia in global imports of goods over the next 10 years.

With these assumptions, while the share of East Asia in global imports of goods rose from the 6 percent of 1975 to 9 percent in 1985 and 15 percent in 1995, it will further jump to 19 percent in 2000 and 22 percent in 2005.<sup>18)</sup> In this way, East Asia will contribute to the world economy in a major absorber of world products in the next 10 years.

**Figure 11. Imports of Goods and Services of East Asia, 1996, 2000, and 2005 (1996 US dollar)**



Note: See the footnote of Figure 10.

## 6. Stage of Economic Development of East Asia

The rates of economic growth of Japan and the United States from 1997 on are assumed as 2 percent. Here, further, the projections of the United Nations<sup>19)</sup> are used for the rate of population growth of the two countries up to 2005. By doing this, it is possible to gauge the per capita income (GDP) in 1996 U.S. dollar prices from 1996 to 2005. The per capita incomes of the East Asian countries and regions and Japan and the United States in the next 10 years shown in 1996 U.S. dollar prices are shown in Table 9.

The point to note in Table 9 is that in Singapore and Malaysia, where there are a relatively large number of foreign workers not included in the population statistics, there is a relatively high bias in the per capita income.

Another point to note in Table 9 is that the "income levels" in the table are not adjusted internationally for the purchasing powers of the currencies of the individual countries and regions. Therefore, any comparison of the "standards of living" among the countries and regions would be inappropriate. The per capita income as shown by the common currency of the U.S. dollar, however, can

be said to be proportional to the labor costs of the countries and regions and significant from the standpoint of international competitiveness.

The following points can be found out from Table 9. The per capita income of Singapore already exceeded that of the U.S. in 1995 and by the year 2001 will pass US\$40,000 (1996 prices, same below) or over the per capita income of Japan. The per capita income of Hong Kong will reach US\$29,000 in 2001 or again above that of the United States. The level of the NIEs as a whole will reach about US\$16,000 in 2000 and the US\$20,000 level in 2005.

The per capita income of Malaysia will reach the US\$5000 level in 1998, the US\$6000 level in 2001, and the US\$7000 level in 2005. Depending on the extent of its economic development, the per capita income of Thailand, which is following on the heels of Malaysia, should finally reach the 1996 level of income of Malaysia in 2003 and the 1998 level of Malaysia, or US\$5,100, in 2005.

The per capita incomes of Indonesia and the Philippines will be around US\$1,300 in 1999. The per capita income of Indonesia will then grow faster than that of the Philippines, so the per capita income of Indonesia will reach the US\$2000 level in 2004. The level of the Philippines will be just under US\$2000 even in 2005.

**Table 9. Forecast Per Capita GDP of East Asian Economies, United States and Japan 1996-2005 (1996 US dollar)**

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
South Korea	10,654	11,217	11,875	12,490	13,076	13,662	14,242	14,837	15,455	16,089
Taiwan	12,700	13,378	13,965	14,533	15,185	15,918	16,739	17,642	18,638	19,716
Hong Kong	24,490	25,295	26,163	27,084	28,074	29,103	30,190	31,336	32,574	33,862
Singapore	30,942	32,642	34,494	36,383	38,389	40,454	42,610	44,838	47,162	49,578
NIEs	13,182	13,861	14,580	15,274	15,983	16,722	17,489	18,297	19,155	20,056
Malaysia	4,634	4,888	5,158	5,431	5,717	6,017	6,330	6,649	6,985	7,338
Thailand	3,018	3,110	3,271	3,473	3,712	3,980	4,242	4,516	4,809	5,120
Indonesia	1,147	1,215	1,278	1,363	1,472	1,607	1,748	1,906	2,002	2,154
Philippines	1,179	1,229	1,286	1,352	1,426	1,506	1,592	1,683	1,779	1,882
ASEAN4	1,692	1,772	1,864	1,977	2,113	2,270	2,432	2,606	2,751	2,934
China	666	728	790	855	922	993	1,069	1,147	1,231	1,321
East Asia	1,463	1,557	1,654	1,758	1,867	1,986	2,111	2,243	2,374	2,521
Japan	36,545	37,191	37,851	38,523	39,207	39,944	40,695	41,456	42,236	43,030
United States	27,167	27,406	27,647	27,891	28,136	28,359	28,583	28,808	29,036	29,265

Notes: (1) Refer to the footnotes of Table 8.

(2) Population growth rates for the United States and Japan are the estimates by the United Nations (1995).



The per capita income of the ASEAN4 will reach the US\$2000 level in 2000 and about US\$3000 in 2005.

The per capita income of China will reach the US\$1000 level in 2002 and the 1996 level of income of Indonesia in 2003. In 2005, the per capita income of China will reach US\$1300 or the 1999 levels of income of Indonesia and the Philippines.

### 7. Economic Groups in East Asia by Sub-Group and Possibilities After 2005

Even among the NIEs, Singapore and Hong Kong may be classified as the “high income” group (abbreviated as NIEs-High) and South Korea and Taiwan as the “low income” group (abbreviated as NIEs-Low). Among the ASEAN4, Malaysia and Thailand may be classified as the “high income” group (abbreviated as ASEAN-High) and Indonesia and the Philippines as the “low income” group (abbreviated as ASEAN-Low).

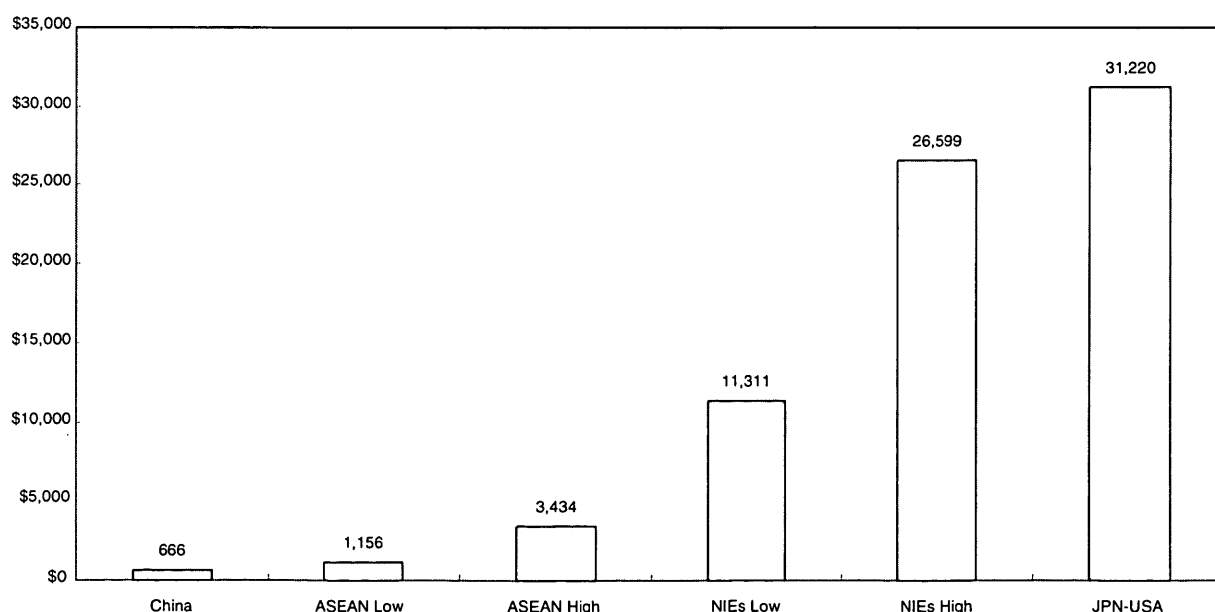
Dividing East Asia into the above sub-groups and China, Figures 12-1, 12-2, and 12-3 show the per capita incomes for each of the sub-groups for 1996, 2000, and 2005. In these figures, Japan and the United States are combined as one group, that is, “Japan-U.S.,” for calculation of the per capita income.

The per capita income of the NIEs-High will be on a par with that of “Japan-U.S.” in 2000. In 2005, the per capita income of the NIEs-High will end up higher than that of “Japan-U.S.”. In order for the NIEs-High group to sustain its economic growth after 2005, a greater sophistication of industry will be necessary.

The per capita income of the NIEs-Low will be just 36 percent and 42 percent of “Japan-U.S.” in 1996 and 2000 (see Table 10, same below). Even in 2005, the per capita income of the NIEs-Low will be exactly half that of “Japan-U.S.”. Therefore, even after 2005, the NIEs-Low will maintain their competitiveness in labor costs over the industrialized countries although being caught up to by the developing countries.

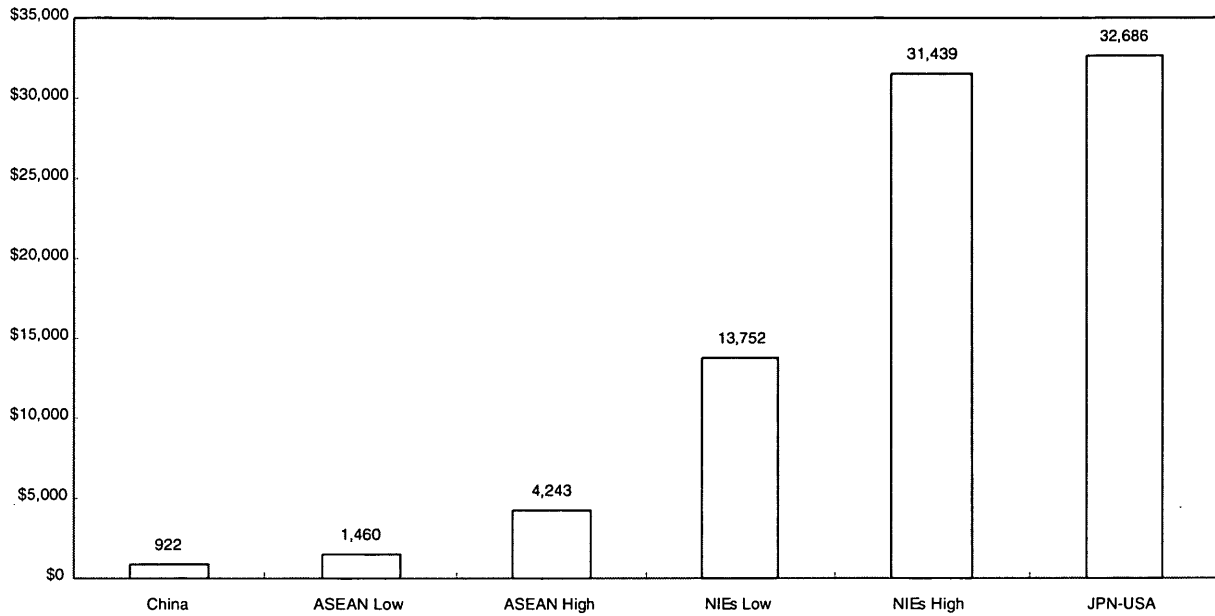
The per capita income of the ASEAN-High will steadily rise from the US\$3000 level of 1996 to the US\$4000 level in 2000 and approximately US\$6000 in 2005. Compared with the per capita income of the NIEs-Low, however, the per capita income of the ASEAN-High was 30 percent of the NIEs-Low in 1996 and will rise to 31 percent in 2000. While increasing in 2005 as well, it will still be just 33 percent of the NIEs-Low. This shows that even after the year 2005, while the ASEAN-High will catch up a bit with the NIEs-Low, they will continue growing fast as they try to enter the members of the industrialized nations.

**Figure 12-1. Per Capita GDP of East Asia by Group, 1996 (1996 US dollar)**



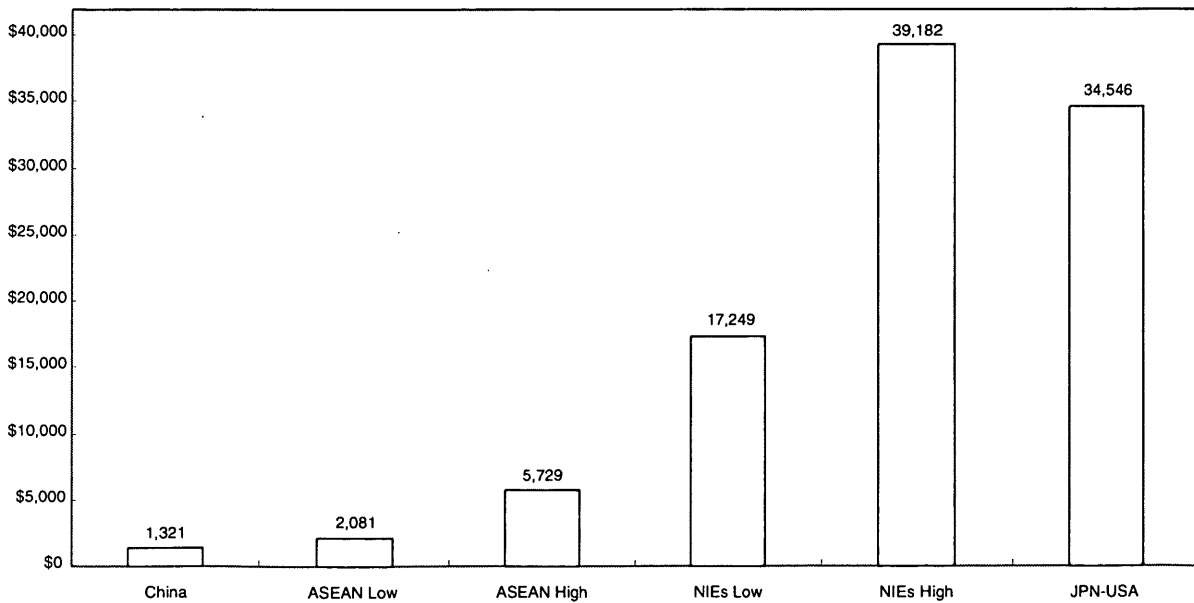
- Notes: (1) Processed by the PAIR project team, IDE.  
 (2) JPN-USA: average of per capita GDP of Japan and the United States;  
 NIEs High: that of Singapore and Hong Kong; NIEs Low: that of S. Korea and Taiwan;  
 ASEAN High: that of Malaysia and Thailand; ASEAN Low: that of Indonesia and Philippines.

**Figure 12-2. Per Capita GDP of East Asia by Group, 2000 (1996 US dollar)**



Notes: (1) Forecasted by the PAIR project team, IDE.  
 (2) same as footnote (2) of Figure 12-1.

**Figure 12-3. Per Capita GDP of East Asia by Group, 2005 (1996 US dollar)**



Note: Refer to the footnotes of Figure 12-2.

**Table 10. Ratios of Per Capita GDP of Sub-Groups of East Asia to Average Per Capita GDP of Japan and the United States; 1996, 2000, 2005**

	1996	2000	2005
NIEs High	85.2	96.2	113.4
NIEs Low	36.2	42.1	49.9
ASEAN High	11.0	11.9	16.6
ASEAN Low	3.7	4.5	6.0
China	2.1	2.8	3.8
JPN-USA	100.0	100.0	100.0

Notes: (1) Figures in this table correspond to Figures 12-1, 12-2 and 12-3.  
 (2) NIEs High: Singapore and Hong Kong; NIEs Low: S. Korea and Taiwan;  
 ASEAN High: Malaysia and Thailand; ASEAN Low: Indonesia and the Philippines;  
 JPN-USA: Japan and the United States.

The per capita income of the ASEAN-Low and China will be respectively a low US\$1,200 and just under US\$700 in 1996. Even in the year 2000, the per capita of the ASEAN-Low will be just US\$1,500 and that of China in the US\$900 level. In 2005, the per capita income of the ASEAN-Low will be in the US\$2000 level and that of China US\$1,300.

It became clear that Thailand had lost its competitiveness in exports of labor intensive goods in 1996. The per capita income at that point of time was US\$3000. Considering this and the levels of the per capita incomes of the ASEAN-Low and China in 2005, the ASEAN-Low and China should maintain their competitiveness in labor intensive goods and be able to sustain relatively high growth even after 2005.

#### Notes

16. Entrepot trade is large in Hong Kong and Singapore. Singapore defines entrepot exports and imports according to the United Nations, that is, including only the export of goods not given any value added in the country and imports for the

purpose of re-exports. Therefore, "re-exports" and "imports for re-exports" are the same in value. That is, the relationship of domestic imports = total imports of goods - re-exports stands.

In the trade statistics of Hong Kong, if the value added to goods imported to Hong Kong is less than 25 percent of the import value of the goods, and the goods are exported, they are still counted as "re-exports". The ratio of the value added in Hong Kong in goods re-exported (V) in the first half of the 1990s was an average 17 percent. In the IDE Hong Kong model, in view of this, the "theoretical" domestic imports are calculated as overall imports - (1-V) x re-exports.

17. If calculated by overall exports including entrepot trade, the share of East Asian exports in the world will rise from the 17 percent of 1995 to 21 percent in 2000 and 26 percent in 2005 (see note 8).
18. If calculated by overall imports including entrepot trade in the same way as with exports, the share of East Asian imports in the world will rise from 18 percent in 1995 to 23 percent in 2000 and 28 percent in 2005 (see notes 8 and 17).
19. United Nations (1995).