PART IV

8

Liberalization and Economic Growth

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Introduction

At Bogor in November 1994, APEC Leaders adopted a timetable for the achievement of free and open trade and investment in the region that took into account the differing levels of development among the APEC economies. Undeniably, however, over the course of conferences, a clear break developed between the proponents of setting up a liberalization timetable such as the U.S., Canada and Australia and their opposition such as China, South Korea, Malaysia, Thailand. It is also undeniable that discord among APEC members over the specifics of plans to liberalize trade and investment in the APEC region has grown since the Bogor Declaration. This made someone say that it is by no means certain that any consensus will be reached by the time of the Osaka conference, Japan (Goto 1995:8).

Despite uncertainties about liberalization issues within APEC, what is clear is that in the past decade many of the Asia-Pacific countries that had formally adopted inward-looking development strategies started to adopt policies to shift to an outward orientation, by unilaterally liberalizing trade, FDI and exchange control regimes well before the initiation of APEC process and by placing greater emphasis on more intensive participation in the global economic system, which in turn resulted in high rates of economic growth. Their great success in the 1980s led to a paradigm shift or a new way of thinking on the part of the political and economic elite and the public at large in developing countries: "the kind of thinking that bred import substitution, protection of the domestic market, rent-seeking and reliance on traditional markets must give way to one that is outward looking" (CRC 1995:1). The important issue is how and to what extent liberalization policies per se could assure high and sustainable economic growth of the Asia-Pacific developing countries.

The purpose of this paper is three-fold. First is to describe the characteristics of the liberalization policies pursued in the Asia-Pacific region with a special focus on Asian developing countries, particularly ASEAN and China. Second is to assess impacts of the past trade and FDI liberalization policies on these Asian developing countries. Third is to draw some implications for liberalization issues in APEC.

Liberalization Policies in the 1980s in the Asia Pacific region

Import Liberalization Policies

Several indicators show that significant progress has been made in trade liberalization in the Asia-Pacific developing countries. According to Table 1, tariff rates for most of the Asian countries have declined over time despite some fluctuations. The declining trend is noticeable for Taiwan, Indonesia, Malaysia, and China. In contrast, the Philippines have not shown any discernible declining trend in the 1980s. However, in the 1990s the Philippines started to make a more serious commitment to trade liberalization and is currently engaged in significant trade policy reform.

The trend of trade liberalization can also be found from the figures indicating the share of imports in GDP, or the import share. Unlike the tariff rates, this indicator may capture the effect of trade liberalization carried out not only by reducing tariff rates but also by removing non-tariff barriers. Table 2 which shows the import shares of selected Asian countries for 1970, 1980 and 1990 indicates that the trade regimes have been liberalized steadily in ASEAN countries and in China. By the way, the import shares for Korea, Taiwan and Singapore increased during the 1970s, but they declined during the 1980s. However, the decline in their import shares seems to reflect a growing domestic supply rather than increased restriction on imports (Urata 1994: 369).

Thus, there is no doubt that in many of the Asian developing countries trade liberalization has been pursued unilaterally in the past decade well in advance of the initiation of APEC liberalization process. It is very important to note, however, that the way that trade liberalization policies were implemented is very different from what IMF and the World Bank used to recommend in the 1980s. First, trade liberalization has never been implemented in a uniform manner. Rather, it is partial and incomplete. For instance, as Osada (1994: 486) and Okamoto (1994: 462) show, both nominal and effective rates of protection remain to vary considerably among sectors even in the late 1980s and the early 1990s in Indonesia and Malaysia respectively. This implies that trade liberalization has been partial and incomplete in these countries.

Second, trade liberalization has been conducted in a gradual but continuous

Table 1. Tariff Rates of Selected Asian Developing Countries

	Korea	Taiwan	Singapore	Indonesia	Malaysia	Philippine	Thailand	China
1972	6.58		2.20	13.21	13.98	13.29	20.33	
1973	5.39		2.03	13.04	13.65	13.66	16.81	
1974	5.00		1.17	11.40	9.83	13.60	14.95	
1975	6.18		1.32	10.02	10.25	21.24	13.80	
1976	8.62		1.30	12.29	11.10	16.29	13.83	
1977	9.68		1.30	12.65	11.32	16.78	13.98	
1978	11.44	13.49	1.22	11.29	10.88	14.81	14.50	
1979	9.99	14.29	1.09	7.92	9.80	13.05	12.62	
1980	8.18	11.22	0.90	7.39	9.79	13.51	11.18	
1981	7.15	9.50	0.78	7.16	9.35	12.02	11.21	
1982	7.95	9.86	0.86	5.24	8.81	13.25	11.18	
1983	9.41	9.53	0.92	4.20	9.31	14.24	11.99	12.80
1984	8.28	9.60	0.91	4.17	9.06	14.57	13.88	16.60
1985	7.61	9.87	0.72	5.97	9.12	14.57	13.51	16.30
1986	8.91	9.52	0.61	7.82	8.18	12.00	13.91	10.10
1987	10.03	9.22	0.55	4.96	6.69	17.64	12.11	8.80
1988	8.83	7.59	0.46	5.98	6.14	13.55	11.75	7.50
1989	7.09	7.46	0.42	6.11	5.26	15.83	11.30	8.30
1990	7.87	6.80	0.34	6.92	4.78	14.47	11.58	6.20
1991	5.82	5.69			4.36	18.17	10.45	5.50

Source: IMF, *Government Finance Statistics Yearbook*, various issues. IMF, *International Financial Statistics Yearbook*, 1992. Republic of China, Council for Economic Planning and Development, *Taiwan Statistical Yearbook*, various issues (Taipei). Republic of China, Ministry of Finance, *Monthly Statistics of Exports and Imports*. China Statistical Publishing House, *1994 Statistical Yearbook of China*.

Note: Tariff rates are computed by 100 $*$ (Tariff Revenue) / Imports.

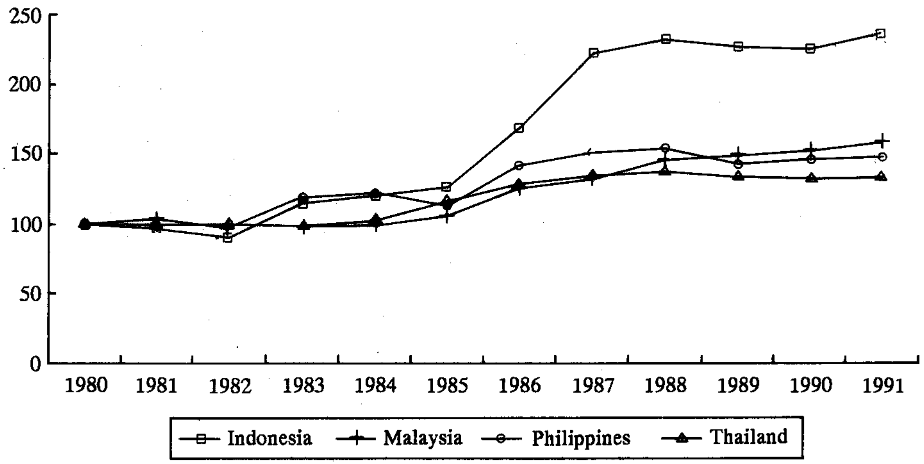
Table 2. Imports—GDP Ratios

(%)

	1970	1980	1990
Korea	23.8	41.5	32.2
Taiwan	30.4	53.7	42.0
Singapore	122.5	216.7	184.0
Thailand	19.4	30.6	40.8
Malaysia	37.8	55.0	77.8
Indonesia	15.0	20.2	25.0
Philippines	21.0	28.5	33.4
China	2.5	6.7	14.6

Source: Urata (1994: 369).

Figure 1. Real Effective Exchange Rate
(1980=100)



Source: Calculated by the author.

manner. Trade liberalization of the Asian developing countries shows the sharp contrast to that of Latin American countries, which is under more influence of the IMF and the World Bank, such as Mexico and Chile. For instance, although trade policy reforms were conducted in a swift and dramatic manner in Mexico, the liberalization process was often disrupted mainly due to the macroeconomic instability caused by trade policy reform per se.

Besides the above two distinctive characteristics, there are other notable features surrounding trade liberalization in the Asian developing countries. One is that trade liberalization has been implemented under a stable macroeconomic environment. Figure 1 shows the movement of real effective exchange rates for ASEAN countries. In this paper, its upward trend indicates a depreciation of exchange rates and its downward does an appreciation. Figure 1 indicates that ASEAN countries experienced depreciation of the real exchange rates but only in a gradual manner, possibly except for Indonesia. That in turn implies that the macroeconomic stability has been assured during the liberalization process of ASEAN countries.

Finally, import liberalization has also been accompanied by direct government intervention in the exporting industries in the form of export subsidy and credit in Asian developing countries. The combination of import liberalization with direct export promotion policies characterizes trade policy reforms of many of Asian developing countries (World Bank 1993: 22).

FDI Liberalization Policies

Contrary to mild trade liberalization, deregulation of FDI was conducted extensively and swiftly in the latter half of 1980s and in the beginning of the

Table 3. FDI Inflows to ASEAN

(US$ Million)

	Indonesia	Malaysia	Philippine	Thailand	China
1980	180	934	–106	187	
1981	133	1265	172	288	
1982	225	1397	16	189	386
1983	292	1261	105	348	543
1984	222	797	9	400	1124
1985	310	695	12	162	1030
1986	258	489	127	261	1425
1987	385	423	307	182	1669
1988	576	719	936	1081	2344
1989	682	1668	563	1726	2613
1990	1093	2332	530	2303	2657
1991	1482	3998	544	1847	3453
1992	1774	4469	228	1979	7156

Source: ADB, *Key Indicators of Developing Asian and Pacific Countries (1994).*

1990s in Asian developing countries. One of the most important changes is the admission of 100 percent foreign ownership of capital to companies which export the majority of their products. As a result, FDI started to dramatically flow into Malaysia and Thailand in the latter half of the 1980s and into Indonesia, China and the Philippines more lately (Table 3). The ratios of FDI to GDP increased in many of these countries as well (Urata 1994: 370).

Furthermore, interestingly enough, even the Republic of Korea chose to liberalize its FDI policy since the early 1980s. Korea was known for the restrictive FDI policy for a long time along with Japan. However, FDI policy began to be more open to the rest of the world even in Korea. As a result, FDI contributed almost one half the new capital in technology-intensive industries such as electrical machinery and transportation equipment in Korea (UN 1992: 159).

Since both supply and demand (or pull and push) factors determine the FDI flows, FDI liberalization policy is not the only factor which led to the massive inflow of FDI. However, there is no doubt that without the changes in FDI regulations it would never have occurred.

It is important to note, however, that like the trade policy reform not just liberalization per se but the manner in which it is implemented deserves attention. Asian developing countries offered a variety of incentives to encourage multinational companies to invest. However, they never failed to set performance criterion such as strong export requirements. In this manner the governments avoided costs which may arise from the entry of foreign companies such as the creation of a monopoly in the domestic market of the host country or the unfavorable impacts on promising domestic infant industries.

The next question is what kinds of role liberalization policies played in the attainment of high and sustainable economic growth in Asian developing countries, particularly in ASEAN and China.

Impacts of Liberalization Policies on Economic Growth

North-East Asia vs South-East Asia

A recent publication of the World Bank (1993) put East Asia (Japan, Korea and Taiwan) and South-East Asia (Singapore, Indonesia, Malaysia, Thailand) into the same group called high-performing Asian economies (HPAEs). It is true that both groups are same in the sense that they have been growing rapidly for a long period of time after adopting outward-oriented development strategies.

However, the path to development South-East Asia has followed is not the same as that of North-East Asia (The Economist 1995). One of the most important differences lies in the way and the degree that foreign direct investment was sought and permitted in the development process. In contrast to the restrictive policy toward FDI of North-East Asia, South-East Asia has aggressively invited export-oriented FDI since the latter half of the 1980s and succeeded in revitalizing their economies.

Undeniably, it was the experiences of South-East Asia achieving high rates of growth with substantial involvement of MNEs that raised awareness of the link between FDI and economic growth. Moreover, "the economic strategies of China and India look much more like those followed in South-East Asia, rather than the North-East Asian model of Japan or South Korea (The Economist 1995:1)." It seems that the choice of FDI policy continues to be a critical issue for the 1990s.

Can FDI Be an Engine of Growth?

Then, how and to what extent is FDI liberalization policy, in fact, important in explaining high and sustainable growth in Asian developing countries such as South-East Asia and China? To answer the question, this paper first considers the possible ways the activities of MNEs affect the growth processes of developing countries in general. Then, it moves on to an empirical question.

While the context for growth is undoubtedly changing, the basic factors that drive economic growth seem to remain the same: a country's ability to save and invest in productive activities; to develop, acquire or utilize technology effectively, to raise the productivity of its human capital, and to engage in international trade (UN 1992:4). The first three are the supply-side determinants of growth. In addition, the rate of growth is also influenced by international trade.

Though trade is not a factor input such as capital and labor, it is considered to have a significant bearing on economic growth. On the macroeconomic level, the trade promoted by MNEs helps facilitate a higher growth rate by raising the demand for goods and services and by easing supply constraints through imports. On the industry level, MNEs facilitate trade by fostering a deeper international division of labor and by utilizing each country's resource and skill endowments more efficiently, which in turn lowers production cost and promotes growth (UN 1992; 216).

The contribution of MNEs to economic growth, therefore, highly depends upon the extent to which MNEs facilitates the linkages between these basic factors and economic growth. First of all, experiences of Asian developing countries, especially South-East Asia and China, indicates a very strong and positive linkage between MNEs and growth through trade expansion.

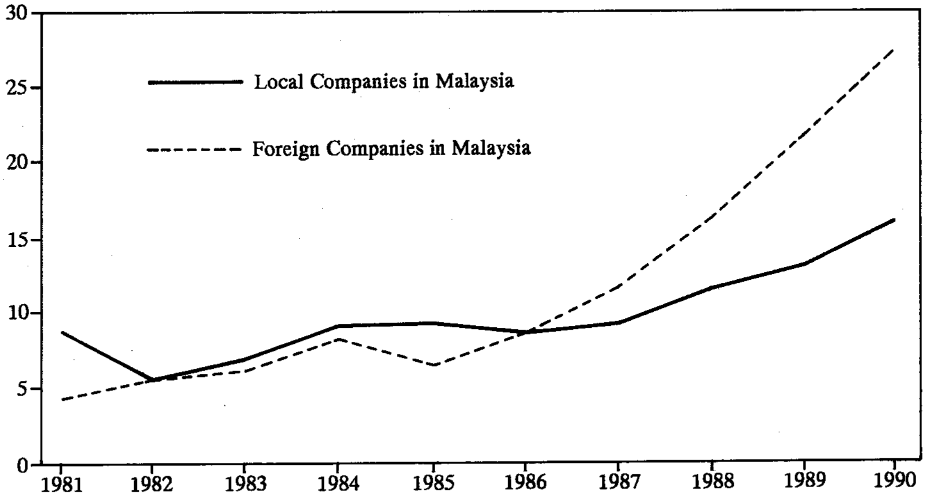
The theory of optimal timing of FDI states that once a company has developed a certain market share by exporting into a foreign market, it is likely to become a foreign direct investor. This hypothesis predicts a substitution of exports by output from foreign subsidiaries, which implies that exports and FDI are substitutes rather than complements. However, recent empirical studies clearly deny the applicability of the hypothesis in the Asian case (see, for instance, Ohno and Okamoto, eds [1994: 312] and MITI [1994: 14]). On the contrary, a close association between trade expansion and FDI is found especially in the past decade.

Lack of data limits the investigation of the extent to which FDI promotes trade. However, there are several pieces of evidence to show that the entry of MNEs to developing countries increased the capacity to export on the part of host countries. Figure 2 shows the values of exports by type of ownership of enterprises in Malaysia. Figure 3 shows the share of foreign subsidiaries' exports in total manufactured exports of China. Both of the figures clearly indicate that although exports of local enterprises expanded to some extent, those of foreign-owned firms contributed to the expansion of manufactured exports to a greater extent. Although in the case of Indonesia there are not any data to directly compare export values by type of ownership, ADB (1995) found their parallel changes, therefore, the close correlation between the amount of FDI inflows and the value of exports (Figure 4). All of these demonstrate the significant contribution of MNEs to trade expansion.

FDI also seems to have contributed to high economic growth in Asian developing countries by contributing to physical capital formation although the degree seems to differ considerably among sectors within a country as well as across the countries. For instance, Okamoto (1994: 465) calculated the share of foreign companies in the total value of fixed assets in the manufacturing sector of Malaysia. The share was less than one fourth of total in 1983. However, it began to rise quite remarkably after FDI started to flow into Malaysia massively in the mid-1980s. The share went up to 40 percent in 1990.

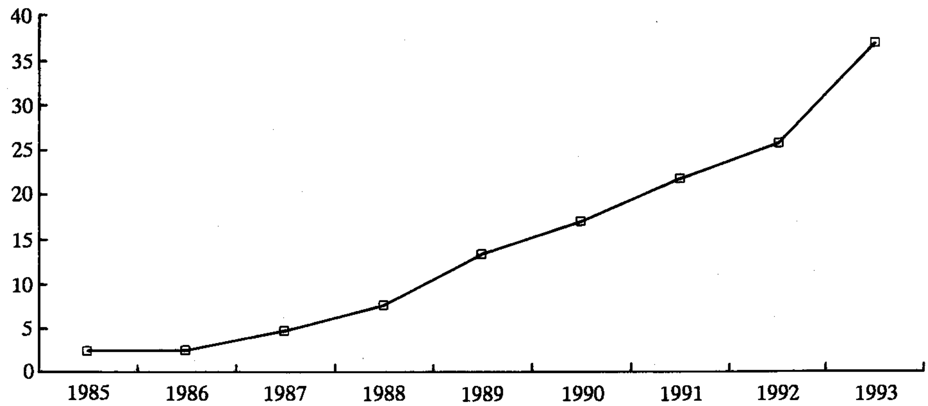
However, the situation differs considerably among the sectors. MNEs contributed substantially to the capital formation mainly in export-oriented industries such as furniture, plastic goods, general machinery, electronics, and precision instruments in Malaysia. This finding is consistent with the export performance criteria set up by the government of Malaysia in exchange for greater control of firms permitted to foreigners.

Figure 2. The Value of Exports by Type of Ownership of Firms (In M$ Billion)



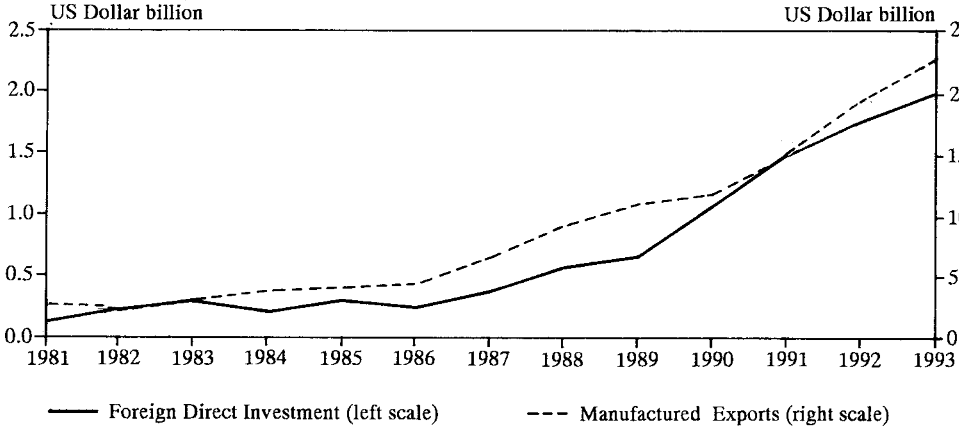
Source: Malaysia, *Report of the Financial Survey of Limited Companies*, various years.

Figure 3. Share of Exports of Foreign Firms in China's Total Manufactured Exports (%)



Source: Calculated by the author. Data for exports of foreign enterprises were obtained from Lardy (1994:72).

Figure 4. Role of Foreign Direct Investment in Export Diversification: Indonesia



Source: ADB (1995: 103).

Table 4. The Ratio of FDI to Gross Fixed Capital Formation

(%)

	1981–1985	1986–1990	1991	1992
Indonesia	1.0	2.0	3.7	4.1
Philippines	0.7	6.8	5.8	1.9
Thailand	3.2	5.9	5.6	n.a.
China	0.9	2.1	3.3	n.a

Source: UN, *World Investment Report 1994.*

In other countries, the extent of contribution is less clear because of the lack of data to compare the value of capital stock by type of ownership. However, we can infer the magnitude by looking at the ratio of FDI to gross fixed capital formation, though this measure is inadequate. According to Table 4, the ratio was negligible in the first half of the 1980s in almost all other Southeast Asian countries. After the mid-1980s, however, the ratio started to rise very rapidly in the 1990s except the case of the Philippines. Given the fact that in Korea which restricted the inflows of FDI, the ratio did not exceed 1 percent throughout this period, there is no doubt that the open policy toward FDI contributed to the promotion of physical capital formation in ASEAN and China.

Although it is much harder to quantify, the contribution of MNEs to human resource development has also been desired by developing countries. This is because as World Bank (1993) notes, an increasing emphasis is being placed on human capital formation. Many of the studies such as that done by Center for Japan Studies in Malaysia (1993) have shown that MNEs contributed to human resource development through various kinds of training and education programs. However, it is important to do a more rigorous study to evaluate it.

Despite the recognition of the contribution of MNEs to trade expansion, and both physical and human capital formation, "the possibility of getting access to modern technology is perhaps the most important reason why countries wish to attract FDI" (Blomström 1991:1). This precisely reflects the fact that the scope for acquiring technology through arms-length transactions rather than through foreign direct investment is narrowing, "as product life cycles become shorter, the costs of research and development become very high and inter-firm technology networks proliferate" (UN 1992: 3).

As the recent study of Urata (1994: 365) emphasizes, "productivity (broadly defined to include efficient use of resources, technological progress, and efficient management) is a crucial factor leading to sustainable economic growth. This is confirmed by such pieces of empirical evidence as a high correlation between output and productivity growth (see Figure 5). If FDI is one of the most important means to acquire modern technology and management know-how, openness to FDI is considered to be a major vehicle for productivity-based catching up in developing countries.

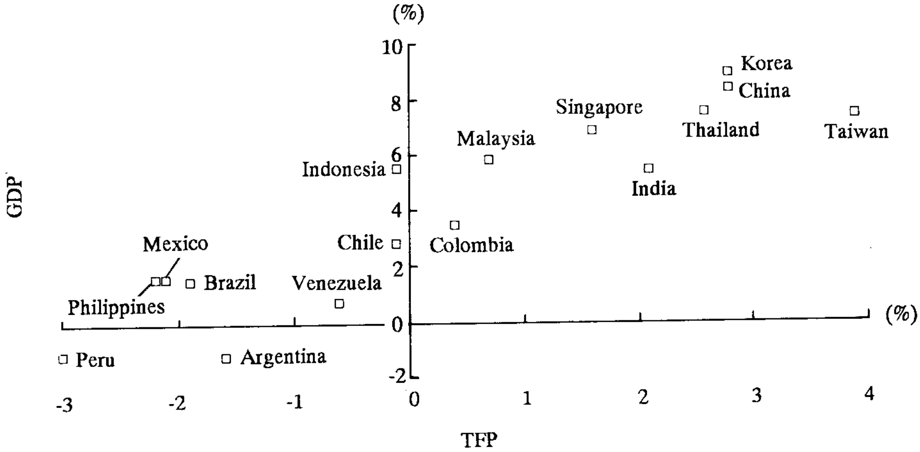
According to Blomström (1991), there are two different impacts (both direct and indirect) generated through the process of technology transfer. The direct effect of FDI on developing countries is an international geographical diffusion of technology. As the MNEs are expected to bring superior production technology and management know-how into developing countries, the entry of MNEs may promote the productivity-based catching up of developing countries.

FDI may also lead to indirect productivity gains for host country firms through the realization of external economies or spillovers (intra-industry and inter-industry spillovers). There are several ways in which spillovers may occur. MNEs may, for instance, increase the degree of competition in host-country markets, which may force existing inefficient firms to make themselves more productive. MNEs may also provide training of labor and management which may then become available to the economy in general. Another possible channel is the training of local suppliers of intermediate goods such as raw materials, parts and components, to meet the higher standards of quality control and speed of delivery required by the technology and method of operation of the MNEs.

Okamoto (1994: 475) demonstrated positive impacts of FDI on the productivity level of Malaysia. Figure 6 shows the trend of the difference in productivity of the manufacturing sector depending upon the type of ownership. According to it, foreign companies tend to be more productive in general but the difference in productivity between two is becoming narrower. This implies that FDI liberalization policy, therefore the entry of MNEs, generated a favorable effect on the productivity of Malaysia through several mechanisms.

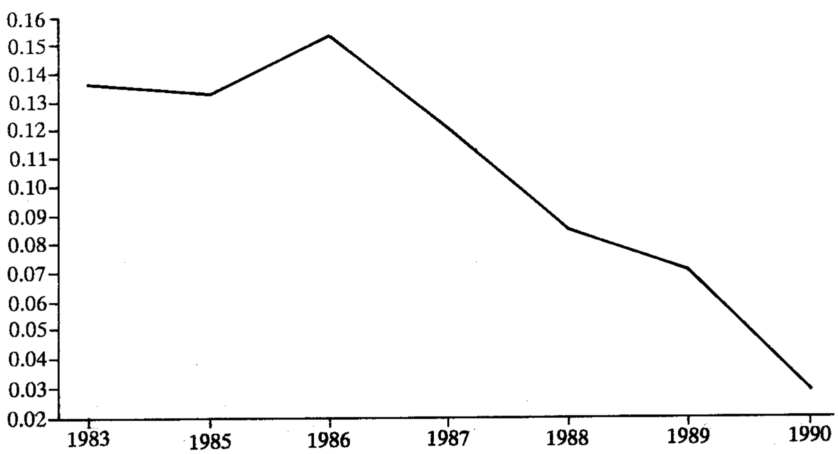
Moreover, the recent growth experiences of developing countries such as ASEAN countries seem to indicate that FDI caused not once-and-for-all but continuous changes in their industrial activities. Until recently, most FDI in

Figure 5. Growth of GDP and TFP
(Average Annual Growth Rates of 1980–90)



Source: Urata (1994: 367).

Figure 6. Difference in the Level of Total Factor Productivity between Foreign and Local Companies in the Manufacturing Sector of Malaysia as a Whole



Source: Calculated by the author using data of DOS. See Okamoto (1994) for detail.

developing countries could be characterized as being either resource-seeking, market-seeking or export-oriented, mainly to take advantage of cheap abundant labor. In each of those cases, the contribution of FDI to economic growth was limited by the comparative advantage of the host country in that particular activity. However, a number of developing countries, especially, ASEAN, that began with the primary advantage of cheap labor, have succeeded in attracting new foreign investment or promoting reinvestment out of the retained earnings in a continuous manner even after their relative wage advantage has deteriorated. "In other words, the globalization of manufacturing firms, in which value-adding activities are dispersed geographically and integrated within a single firm, is leading to a situation in which FDI may become a driver of dynamic comparative advantage, as TNCs upgrade their overseas affiliates from simple assembly-type operations to high-quality, high value-added manufacturing sites that are integrated into a network of overseas affiliates" (UN 1992:104). FDI, therefore, seems to have become an integral part of the growth process of developing countries such as ASEAN by involving them in the globalization strategies of MNEs.

Although further rigorous research is necessary both theoretically and empirically, the experiences of ASEAN and China more or less demonstrate that FDI can become an engine of growth by bringing an package of both tangible and intangible assets to developing countries in a continuous manner.

Trade Liberalization and Economic Growth

In contrast to the case of FDI, it is harder to find a more direct linkage between trade liberalization per se and economic growth especially in the case of Asian developing countries. First, as described above, trade liberalization has been implemented in a gradual and partial manner over a long period of time and import liberalization policy often coexisted with direct export promotion policies. Therefore, it is very difficult to single out the effects of import liberalization per se.

Second, although for a long time economists recognized the importance of trade in the process of economic development, they are far from reaching an agreement on what is really an appropriate trade policy. Neoclassical economists often raises four basic arguments in favor of trade policy reform: (1) the reduction of static inefficiencies arising from resource misallocation and waste; (2) the enhancement of dynamic benefits of liberalization through learning and technological change; (3) the flexibility to cope with external shocks; and (4) the reduction of wasteful rent-seeking activities (Rodrik 1993:7). Although the first of these arguments is solidly grounded in accepted economic theory, the analytical foundations of other arguments such as the dynamic benefits of liberalization do not seem to be clear. As Rodrik (1992: 77, 1993: 9) and Dornbusch (1992: 76) stress, there is no solid basis for sustained growth over the long period in the argument for liberalization based on dynamic gains.

Third, the growth-fostering effects of liberalization remain to be demonstrated empirically. As Pack (1988) and Havyrlyshyn (1990) both conclude, there is no strong evidence linking productivity and openness (see also Tybout 1992: 193). The recent IDE project on *Trade Liberalization and Productivity Growth in Asia* also failed to show a stable linkage between two.

Of course, there is no doubt that a liberal trade regime is good for economic development in the long run as even Rodrik, who has criticized the structural adjustment programs in the 1980s prescribed by the World Bank and IMF, admits. However, it seems to be quite difficult to find a strong and systematic linkage between the two at least from the experiences of Asian developing countries.

What this paper argues that a trade policy reform is important at least in providing an enabling environment for development, but not liberalization per se but the manner that it is implemented may be more important to create sustainable economic growth.

First, many of the Asian developing countries liberalized foreign trade sector not in a uniform way but in a partial manner. They granted exporters access to imports at world prices by creating free trade zones, export-processing zones, bonded warehouses, duty drawbacks, or exemptions from tariffs. Despite the gradual and limited nature of trade policy reform, an anti-export bias was eliminated and manufactured exports were expanded. At the same time, the interference with the nurturing of infant but promising industries was avoided.

Second, the combination of trade liberalization with direct export promotion may have assured a quick supply response. Since the effects of import liberalization on export performance can be weak and delayed, it may be beneficial to implement both at the same time especially in the early stage of development. Outward-oriented trade policy cannot survive unless the desired export response materializes.

Third, it may not be the pace of liberalization but the sustainability and credibility of liberalization policies that is important. In many developing countries, trade liberalization had a tendency to cause macroeconomic instability, such as sharp increases in the trade and fiscal deficits due to weak or slow supply response to price changes and the heavy reliance on import duties in raising tax revenues. As a result, the liberalization process was often reversed. As Rodrik (1990: 934) emphasizes, liberalization may often need to take a back seat when it endangers the sustainability of policies.

As the many infant industries that have never grown up amply demonstrate, protection does not ensure that the promised learning and economies of scale actually materialize. Therefore, the prolonged and unnecessary delay of the liberalization process is harmful from the point of view of development. However, it is important to be aware of the existence of the costs as well as benefits associated with import liberalization. Therefore, the recent experiences of Asian developing countries seem to demonstrate that not only liberalization per se but the way that it is implemented needs to be paid more adequate attention to.

What Does APEC Imply for Economic Growth in the Asia-Pacific Region?

This paper has argued that MNEs, and, therefore, FDI may bring an integrated package of tangible and intangible assets to host countries, which operates as a growth stimulus. To the extent that foreign affiliates are linked to the local economy through various mechanisms, the growth potential of developing countries is further enhanced. Given the growing role of international production and MNEs in the development process, a stable, predictable and transparent international framework that defines the rights and responsibilities of governments and investors, is becoming more necessary and would greatly assist the smooth functioning of the emerging Asia-Pacific economy (UN 1992: 7). This implies that APEC may contribute to the enhancement of economic growth in the Asia-Pacific region if it succeeds in providing a multilateral, comprehensive institutional setting so that the emerging international production system functions smoothly.

However, several points should be emphasized in the process. First, it is necessary to pay an adequate attention to the manner of implementation as well as liberalization per se. It is true that to make liberalization a long-run objective of development is important, but liberalization per se does not guarantee sustainable growth. It is necessary to allow al least developing countries to take a gradual and progressive approach to liberalization when needed. Sometimes, the policy sustainability should be paid more attention to rather than to the pace of its implementation.

Second, the coordination of liberalization and development cooperation is also important within APEC. Although both trade and FDI liberalization policies could offer a greater opportunity for further economic development in the Asia-Pacific region, the most important policies from a growth perspective are likely to remain in the areas of macroeconomic management, industrial, technology and education policies. Thus, the coordination between different set of policies may make APEC more effective.

Third, the success of APEC liberalization process will highly depend on how speedy developed countries will progress in liberalization. As mentioned above, exports have played an important role in the growth process of many of the Asian countries during the past decade. Therefore, the openness of developed countries will highly affect the catching up of developing countries. Unless developing countries can maintain sustainable growth, APEC liberalization process will come to a halt eventually. Thus, the initial leadership in the implementation of liberalization on the part of developed countries is very important to achieve APEC objectives

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(revised in November, 1995)