Trade—the Engine of Growth in East Asia

Peter C.Y. Chow

Mitchell H. Kellman

New York Oxford OXFORD UNIVERSITY PRESS 1993

Contents

1. Anatomy of Success, 3

Export Expansion and Industrialization, 4 Trade as an Engine of Success in the NICs, 5 Significance of the East Asian Development Model, 6 Anatomy of Success, 7 Organization of This Book, 8 Summary, 9 Notes, 11 References, 11

2. The Comparative Advantage of the NICS, 13

Methodology and Qualifications Regarding the Revealed Comparative Advantage, 13
Development of the Revealed Comparative Advantage in the OECD Market, 15
The Dynamics of Changing Comparative Advantage in the NIC-OECD Market, 17
Competitiveness Versus Complementarity in the NICs' Exports in the OECD Market, 19
Summary, 21
Appendix Table 2.1: Classification of 13 Product Groups by Three-Digit SITC, 22
Notes, 22
References, 22

3. The Sources of Export Growth, 24

The "Take-off," 1965–1973, 27 The Recession Decade, 1973–1982, 30 Recession Versus Expansion in the 1970s, 32 The 1980s, 35

٠

Appendix Table 3.1: Annual Constant Market Share Analysis Among the Four NICs, 1965-1990, 36
Appendix Table 3.2: Cumulative Five-Year Constant Market Share Analysis, 38
Notes, 39
References, 39

4. Export Patterns: Who's Ahead? 40

Similarities with Japan, 40
The Dynamics of the Shifts in Comparative Advantage: Settling the Paradox, 41
Leaders and Laggers: Another Look, 52
Summary, 57
Notes, 62
References, 62

5. Theoretical Underpinnings of Success, 63

Product Characteristics Embodied in NIC Exports, 64
The Proportion of Consumer Goods in the Export Mix: The Consumer Ratio, 67
Two Measures of Human Capital: Wage per Worker and the Skill Ratio, 71
Product Cycle Theory: Evidence of Shifting to Stage 5---R&D-Intensive Exports, 74
Results of Stepwise Regression, 76
Summary, 79
Notes, 81
References, 82

6. Coping with OECD Protectionism, 84

Product Characteristics Versus Geographic Origination, 86 The Regression Model, 87 Summary, 89 Notes, 90 References, 90

7. Balancing Imports and Exports with OECD, 92

The Relationship Between Imports and Major Export Categories, 98
Intra-Industry Trade: A First Look, 100
Imports and the Most Rapidly Growing Exports, 101
Critical Imports, 102
Frequency Count of Import Categories with High Correlations with Rapidly Growing Export Categories, 108

X

Appendix Table 7.1: Number of Top Growth Exports with Which Each Imported Product Was Highly Correlated, 1966–1977, 108
Appendix Table 7.2: Number of Top Growth Exports with Which Each Imported Product Was Highly Correlated, 1979–1987, 110
Notes, 112
References, 112

8. The Comparative Homogeneity of the East Asian NIC Exports of Similar Manufactures, 113

The Empirical Test, 114 The Test for Specific Product Categories, 115 Discussion, 116 Appendix Table 8.1: Product Group Classifications (SITC RV 1), 120 Notes, 122 References, 122

9. Intra-Industry Trade: Diversification Versus Specialization, 124

Intra-Industry Changes in Export Specialization: The Disaggregated Product Sample, 126
Inter-Industry Changes in Export Specialization: The Aggregate Industry Sample, 127
The Balassa Versus the Ricardo Explanation of Specialization Trends, 131
Intra-Industry Trade: Implications for Future Trade Trends, 135
NIC-Intra-Industry Trade: The Recent Record, 136
Factors Underlying NIC-Intra-Industry Trade, 137
Summary, 142
Appendix Table 9.1: Intra-Industry Indices—All NICs and Markets, 1965–1990, 143
Notes, 144
References, 144

10. The Next-Tier NICs: Tomorrow's Miracles? 145

A Comparison in Rankings of RCAs Between the NICs and ASEAN, 146 Dynamic Growth and Trade Diversification, 149 Summary, 151 Notes, 152 Reference, 152

11. Prospects in OECD Markets, 153

The International Economic Environment: Into the 1990s, 154 The Macrostructure of the NICs in the 1990s, 155

÷

Projections of Export Competitiveness to the Year 2000, 157 Projections of NIC Export Competitiveness in the OECD Market, 163 Toward Full Membership in the OECD Countries, 166 Notes, 168 References, 168 Index, 170

•