FTA in Asia-Pacific Region

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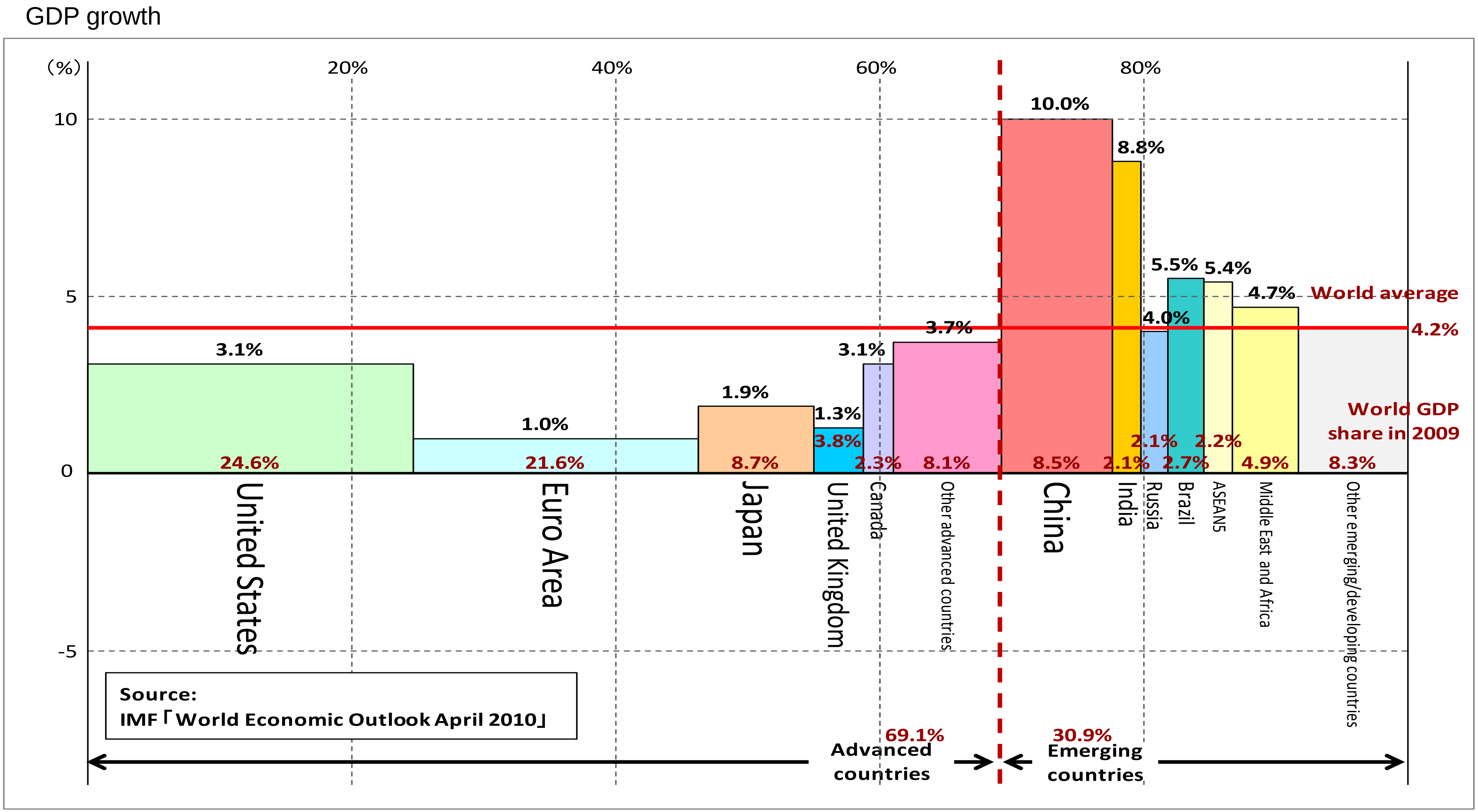
1.Factors to call for economic integration

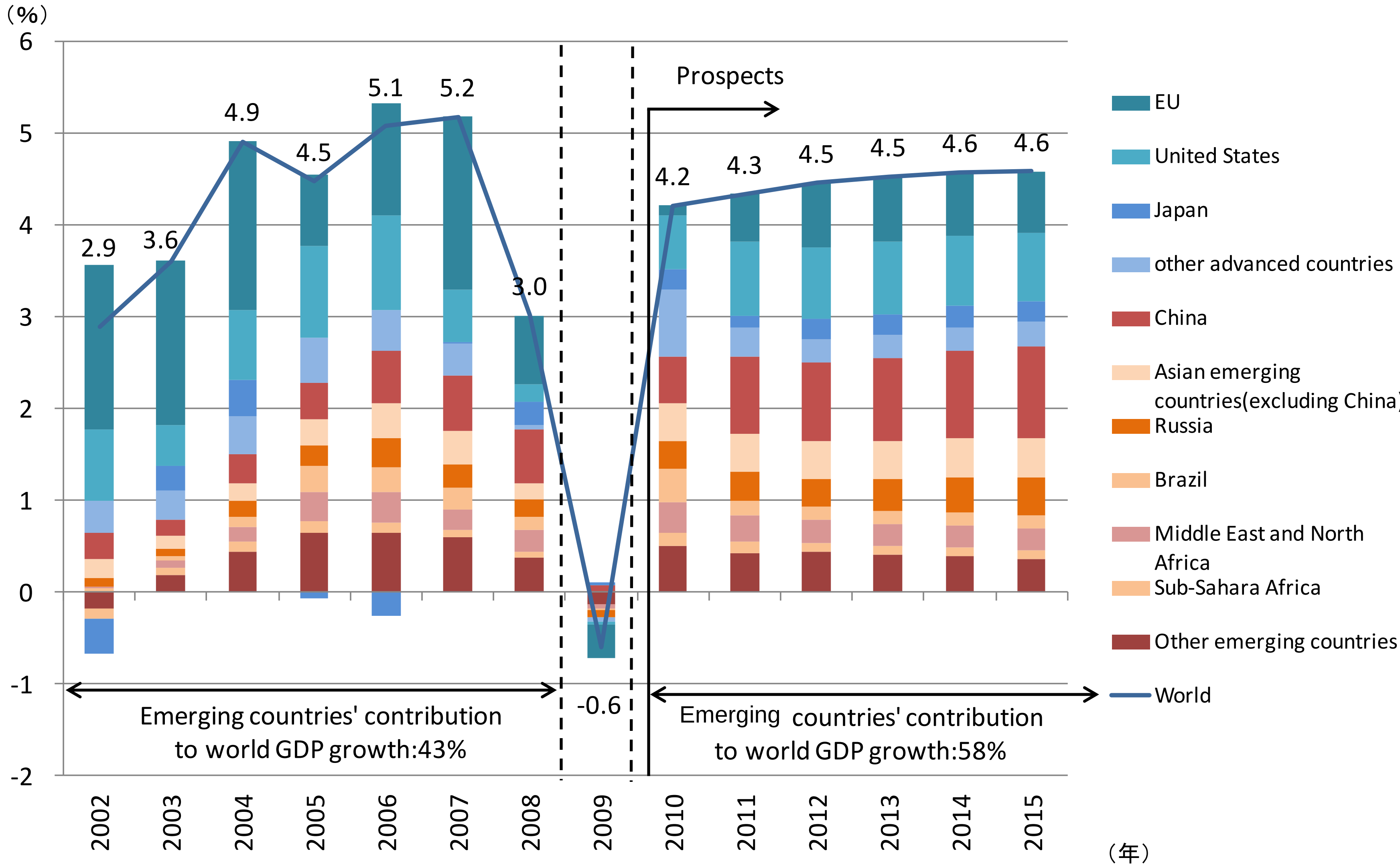
(1)Supply Side

Emerging countries are estimated to achieve high GDP growth in 2010.

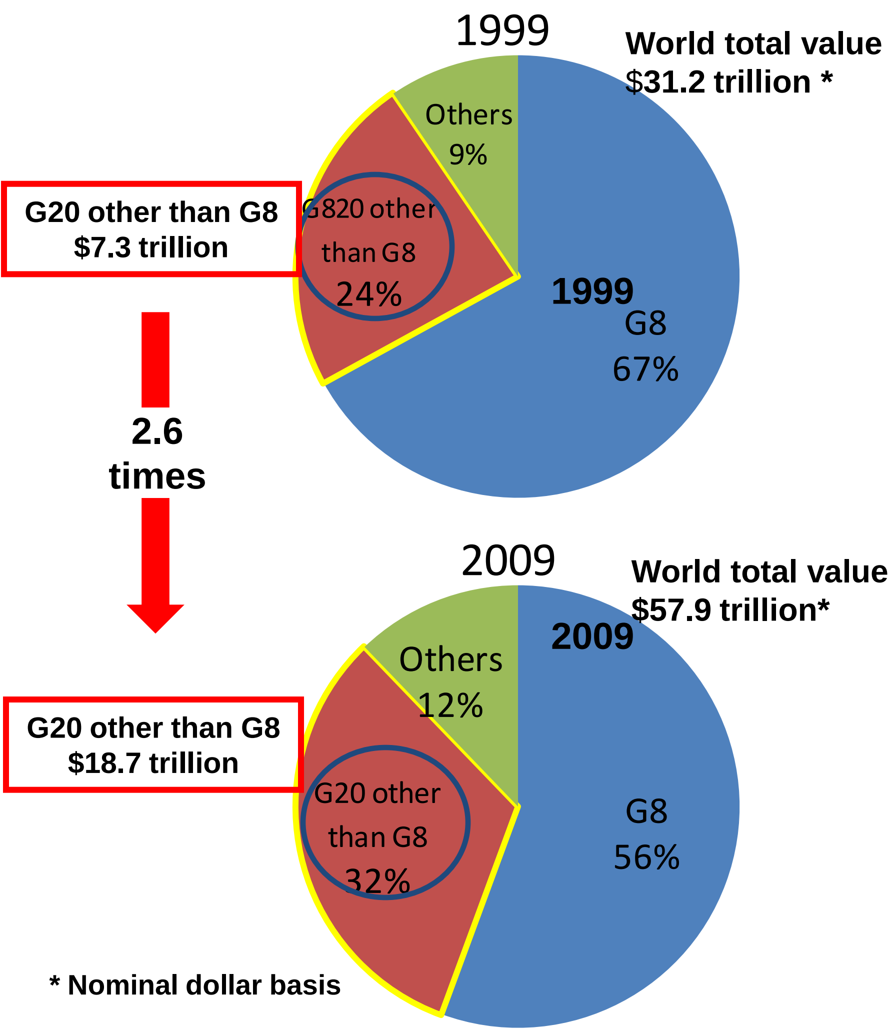
World GDP Shares in 2009 and Outlook for 2010



Asia and other emerging countries will lead world's economic growth in the years ahead.



Sorce : IMF "World Economic Outlook, April 2010"



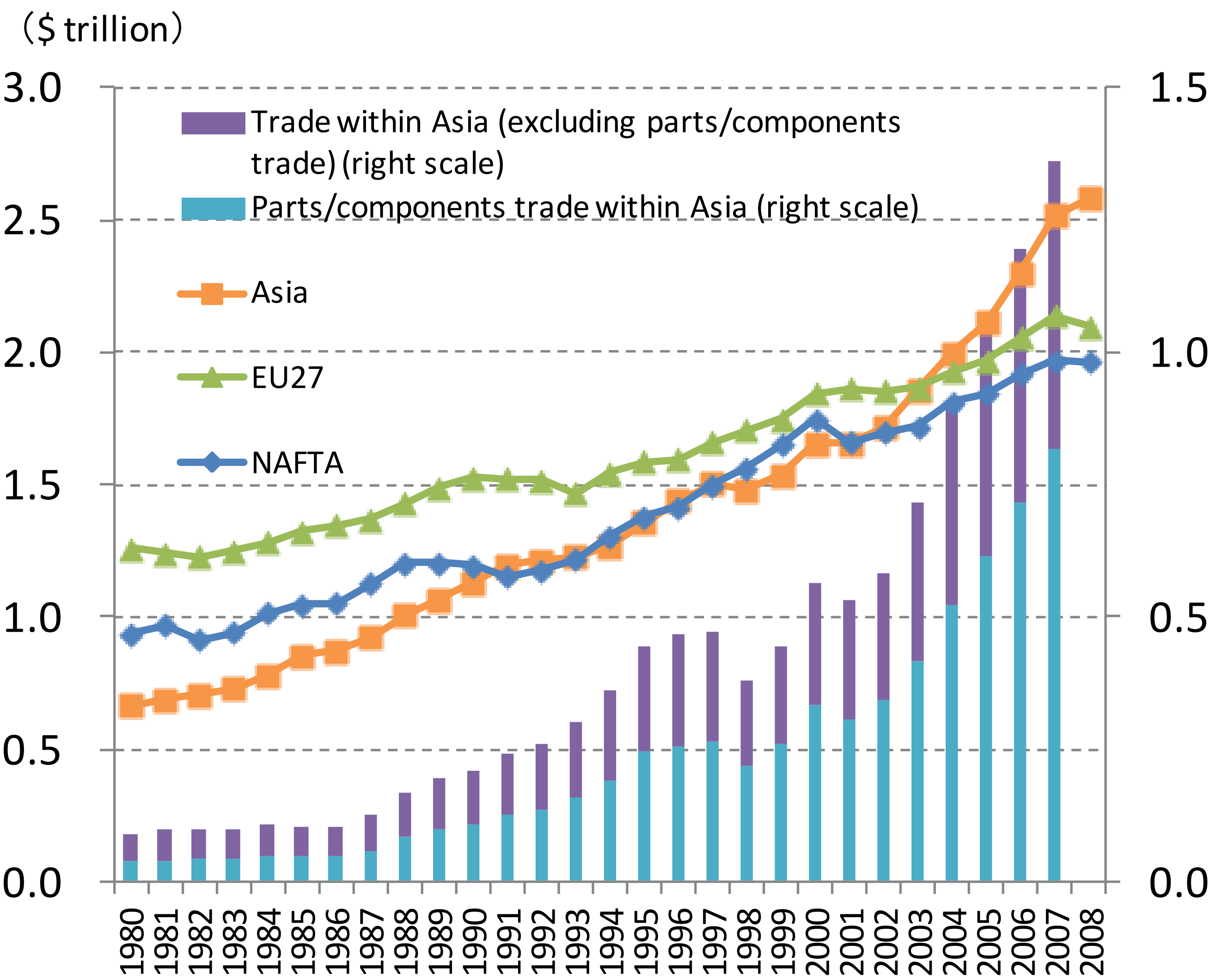
Source: IMF "World Economic Outlook," April 2010.

Shares of Major Countries/Regions in the World's Nominal GDP

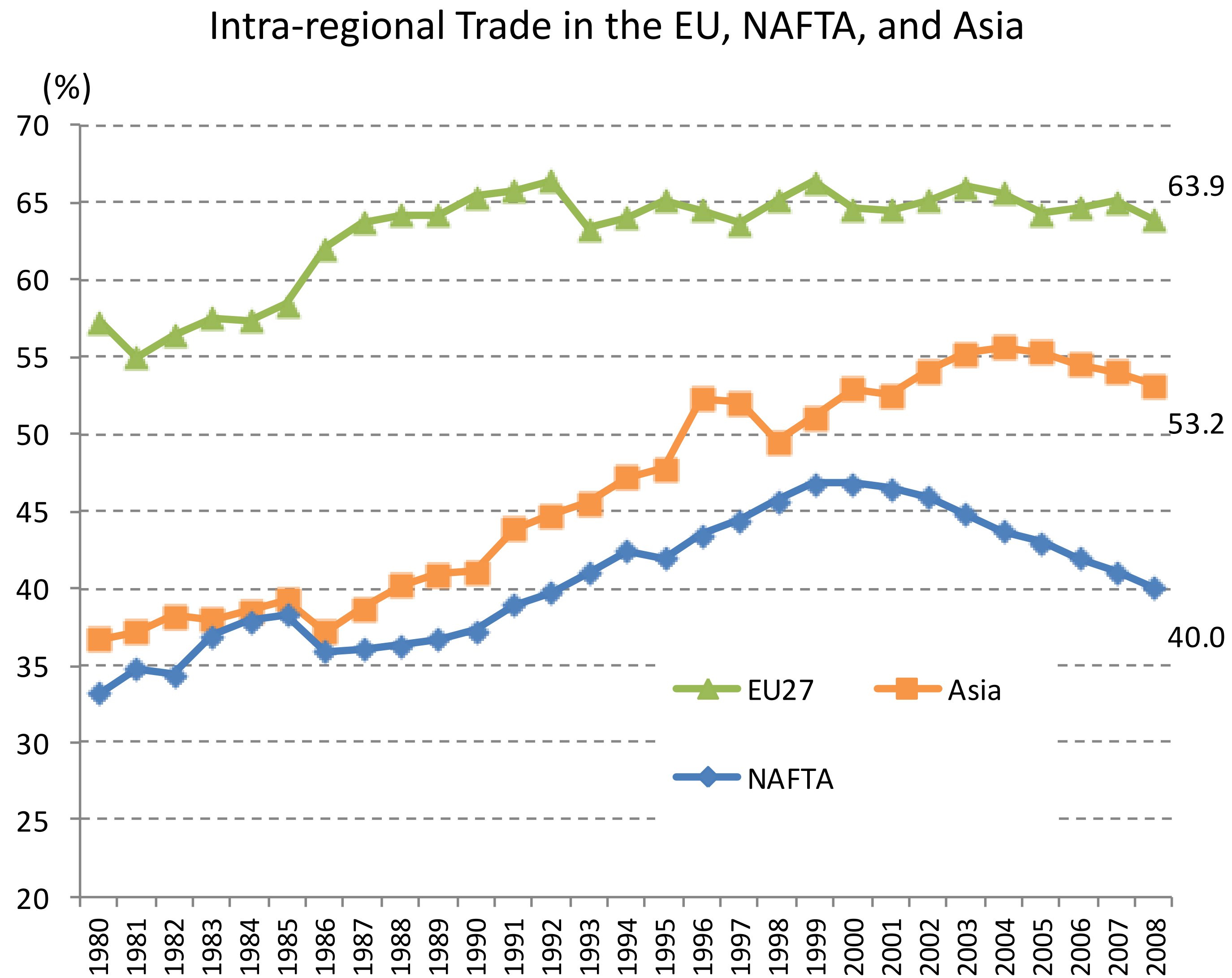
	2005	2009 (partly estimated)	2015 (estimated)
EU	**30.3%**	**28.4%**	**23.8%**
United States	**27.8%**	**24.6%**	**22.3%**
Japan	**10.0%**	**8.7%**	**7.6%**
Emerging countries	**23.7%**	**30.9%**	**38.8%**
China	**4.9%**	**8.5%**	**11.5%**
Other Asian countries	**3.9%**	**5.0%**	**6.3%**
Brazil	**1.9%**	**2.7%**	**3.2%**
Russia	**1.7%**	**2.1%**	**3.7%**

Note: Converted into real GDP based on Year 2000.
Source: IMF "World Economic Outlook, April 2010".

Value added by Manufacturing Sectors(Asia, EU,NAFTA) And Intra-Asia Trade



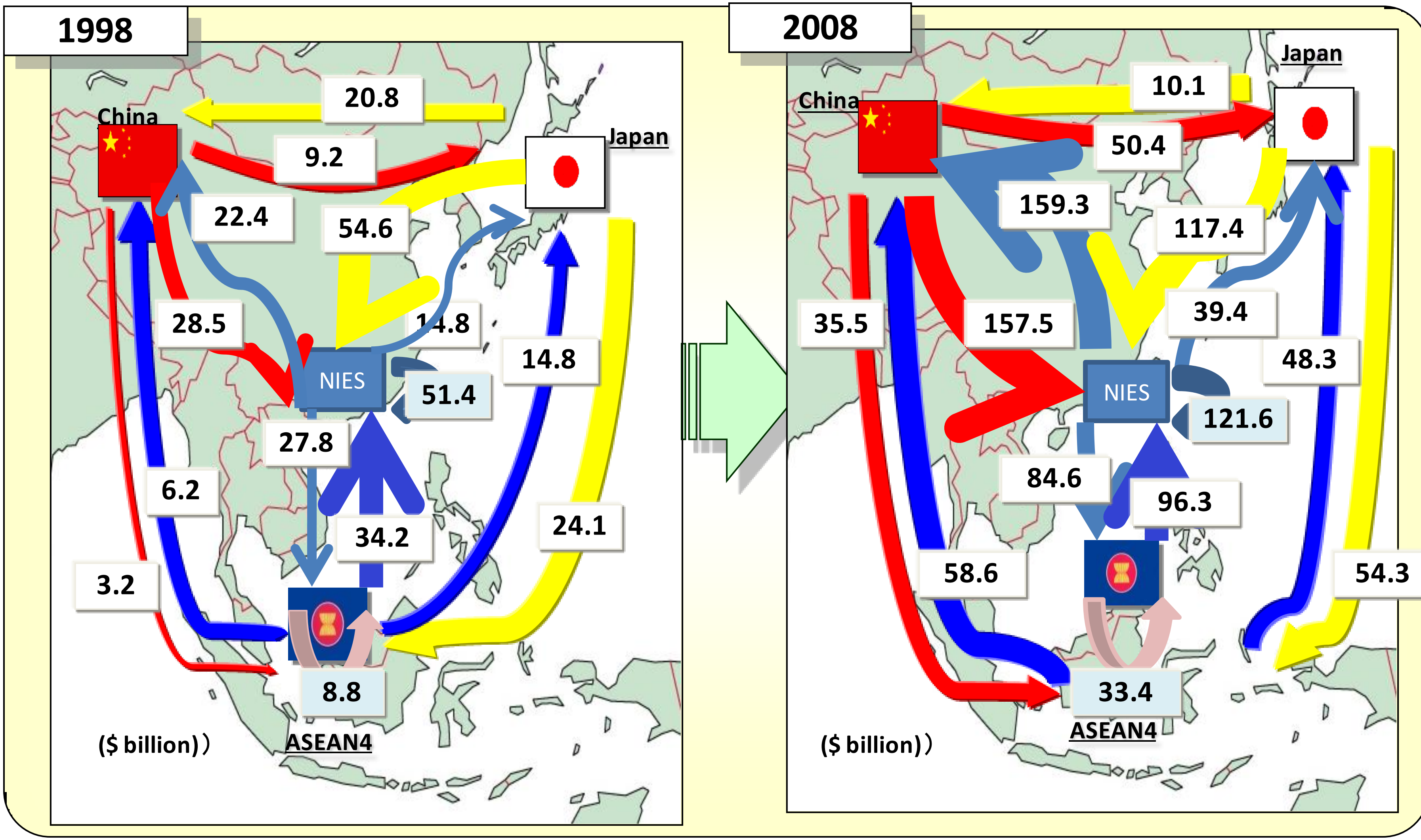
Note: Asia denotes ASEAN+6.
Source: the United Nations, "National Accounts Main Aggregates Database."



Note:Asia denotes ASEAN+6

Source:IMF "DOT"、Board of Foreign Trade, Taiwan, Chinese Taipei "Trade Statistics"

Changes in Values of Trade (Parts/Components) Between Japan, China, and ASEAN4



Note: “NIES” denotes South Korea, Taiwan, Hong Kong, and Singapore.
Source: RIETI, "RIETI-TID 2009."

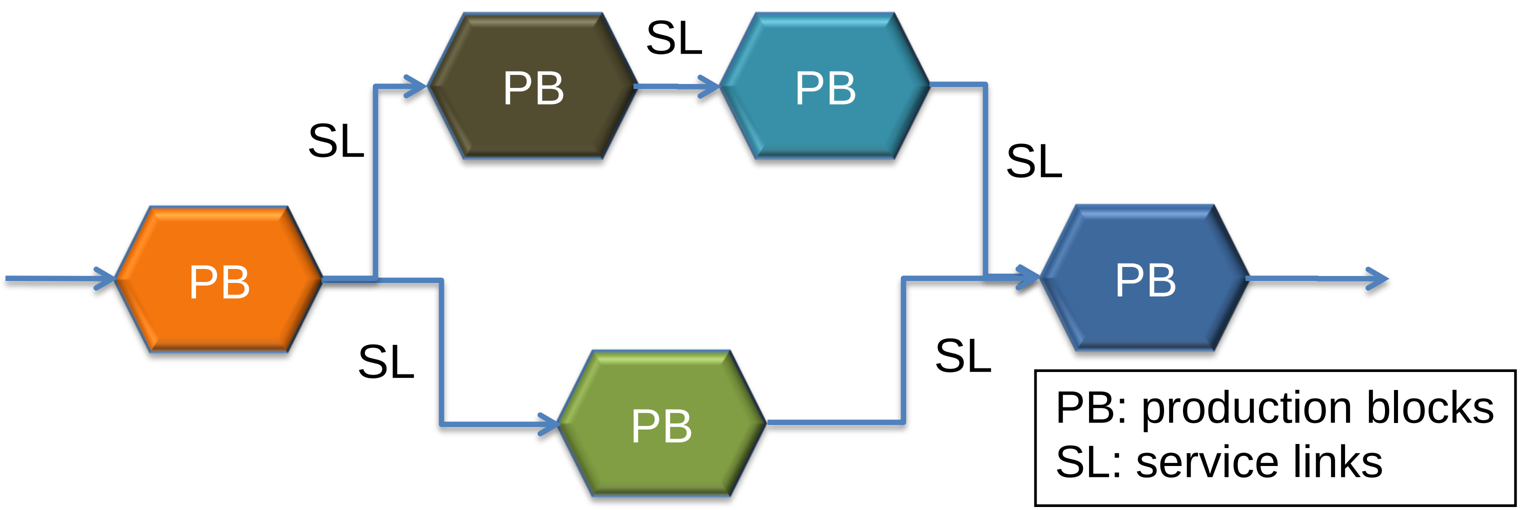
The fragmentation theory : Production blocks and service links

Fukunari Kimura, So Umezaki (2010) "Comprehensive Asia Development Plan"

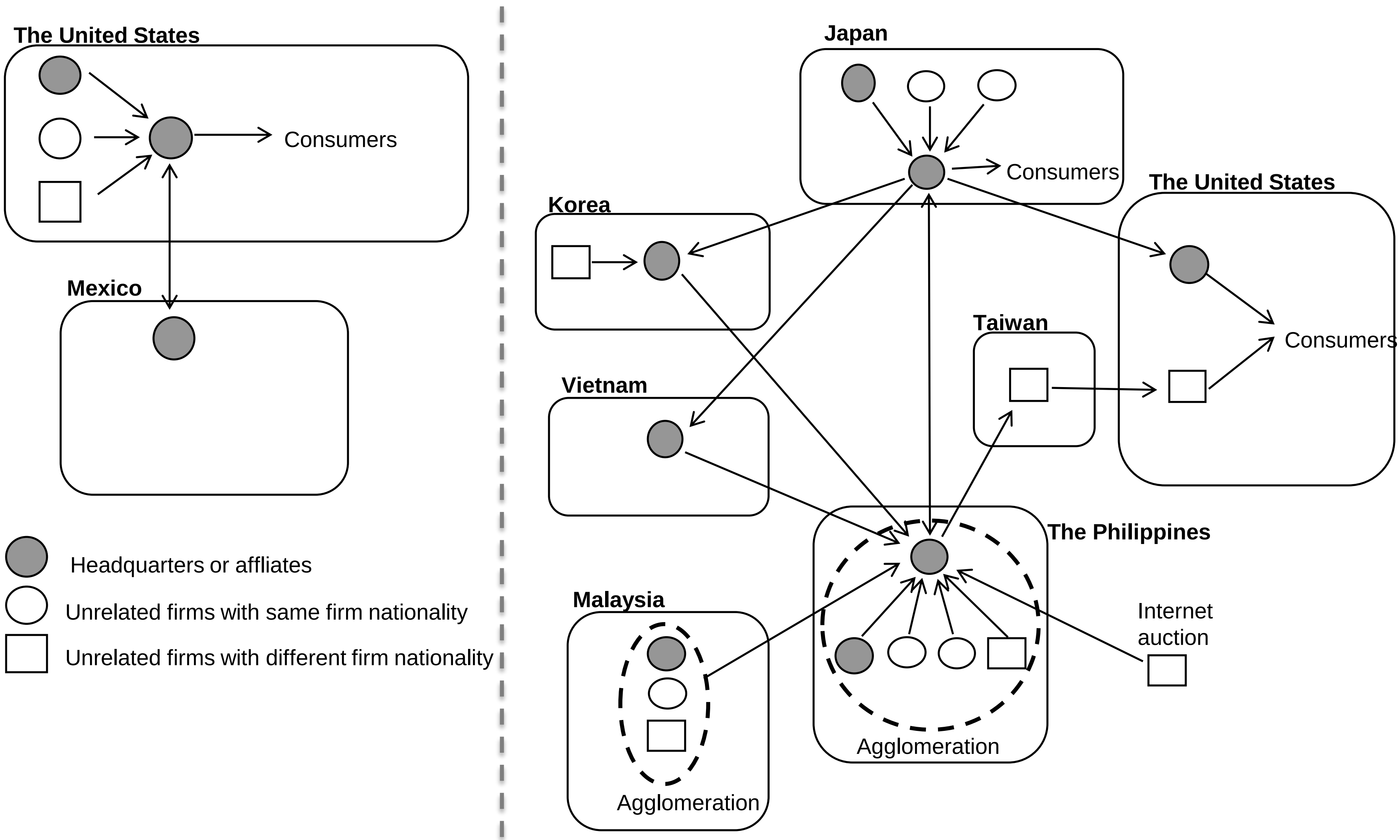
Before fragmentation

After fragmentation

Large integrated factory

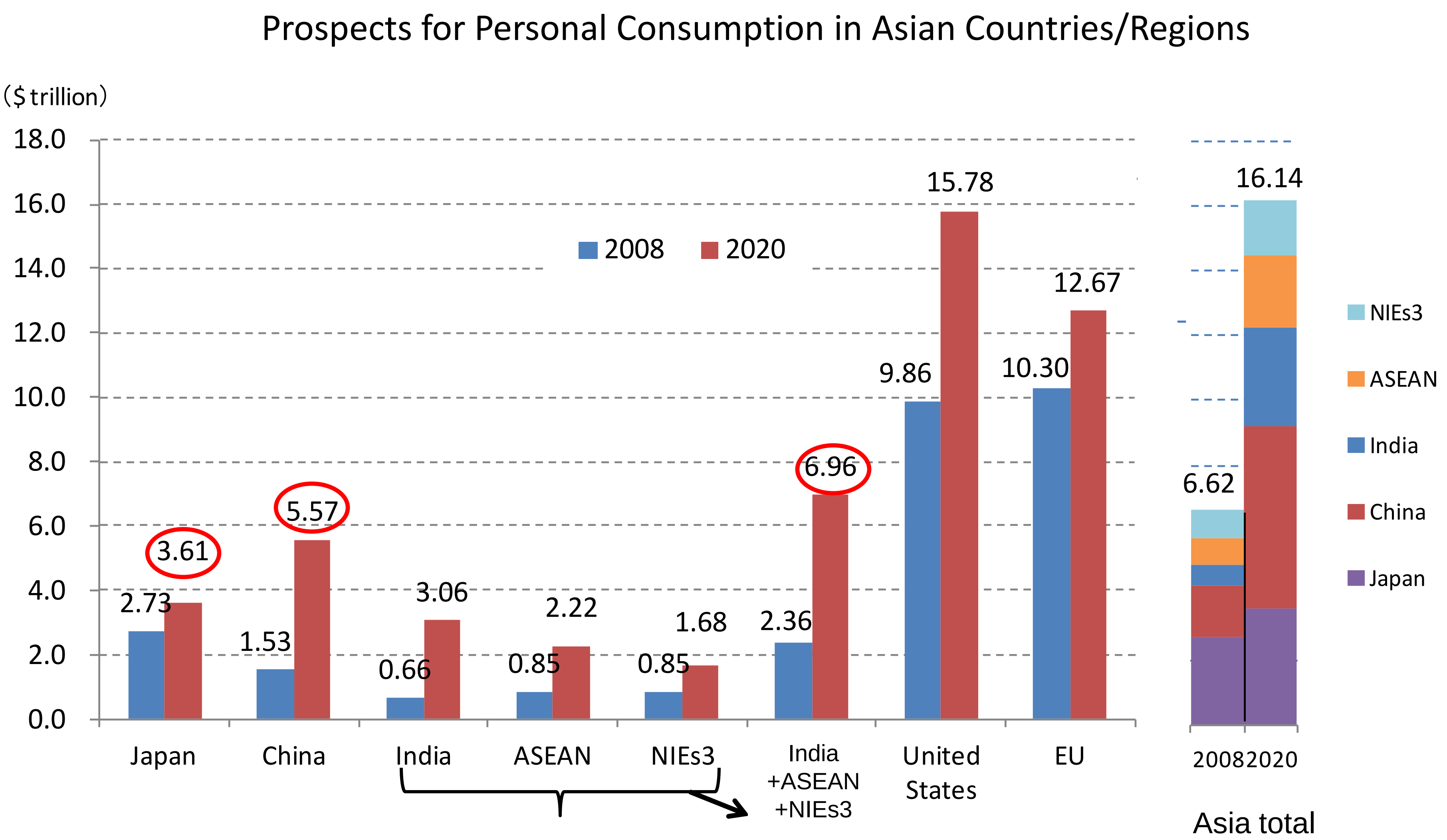


Expanding regional production network : The US-Mexico nexus versus East Asia



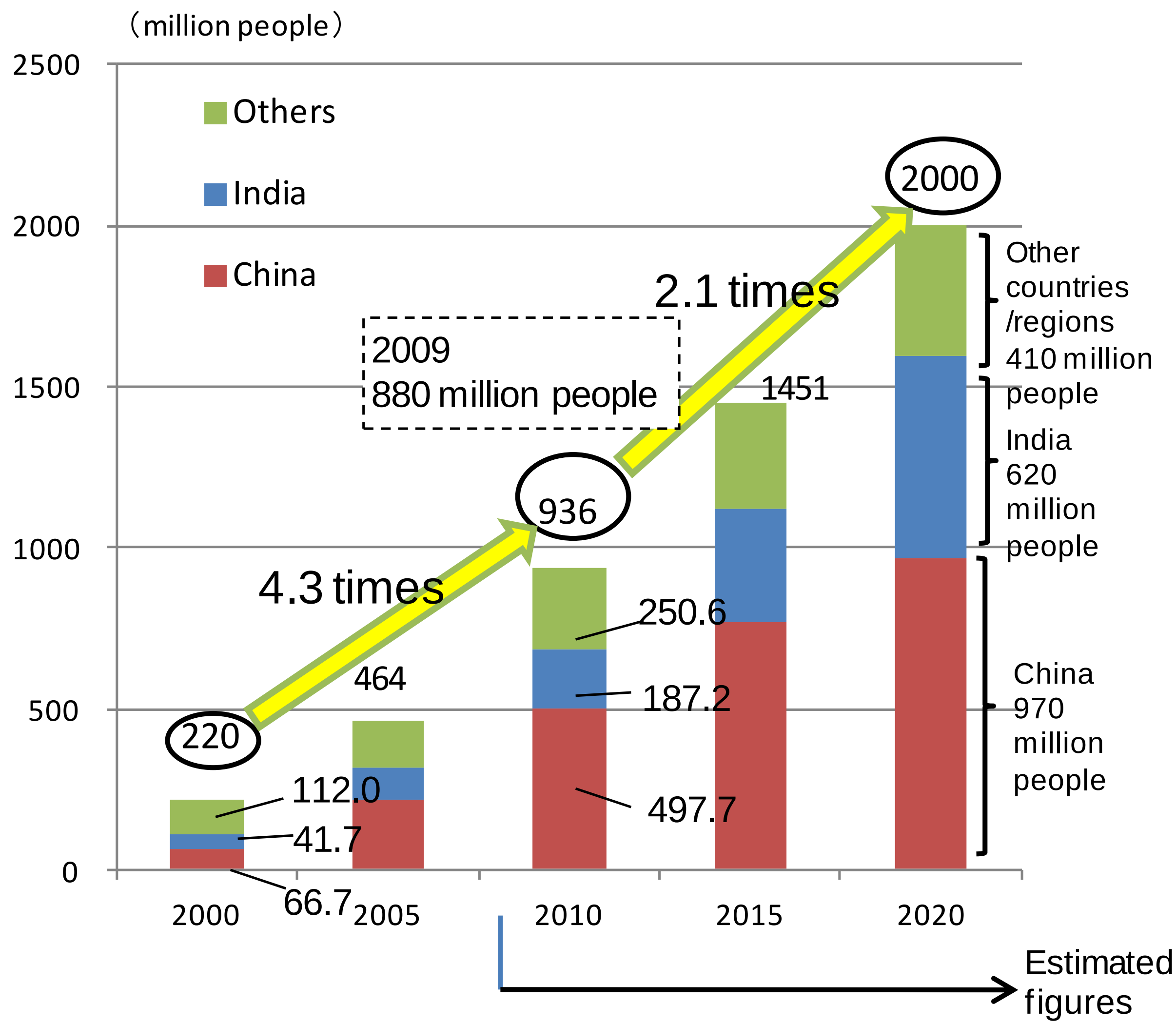
Source: Ando, Mitsuyo and Fukunari Kimura (2009). *Fragmentation in East Asia: Further Evidence*, ERIA Discussion paper Series No.2009-20 (http://www.eria.org).

(2)Demand side



Note: On a nominal basis. Converted into dollars.
Source: Euromonitor International 2010.

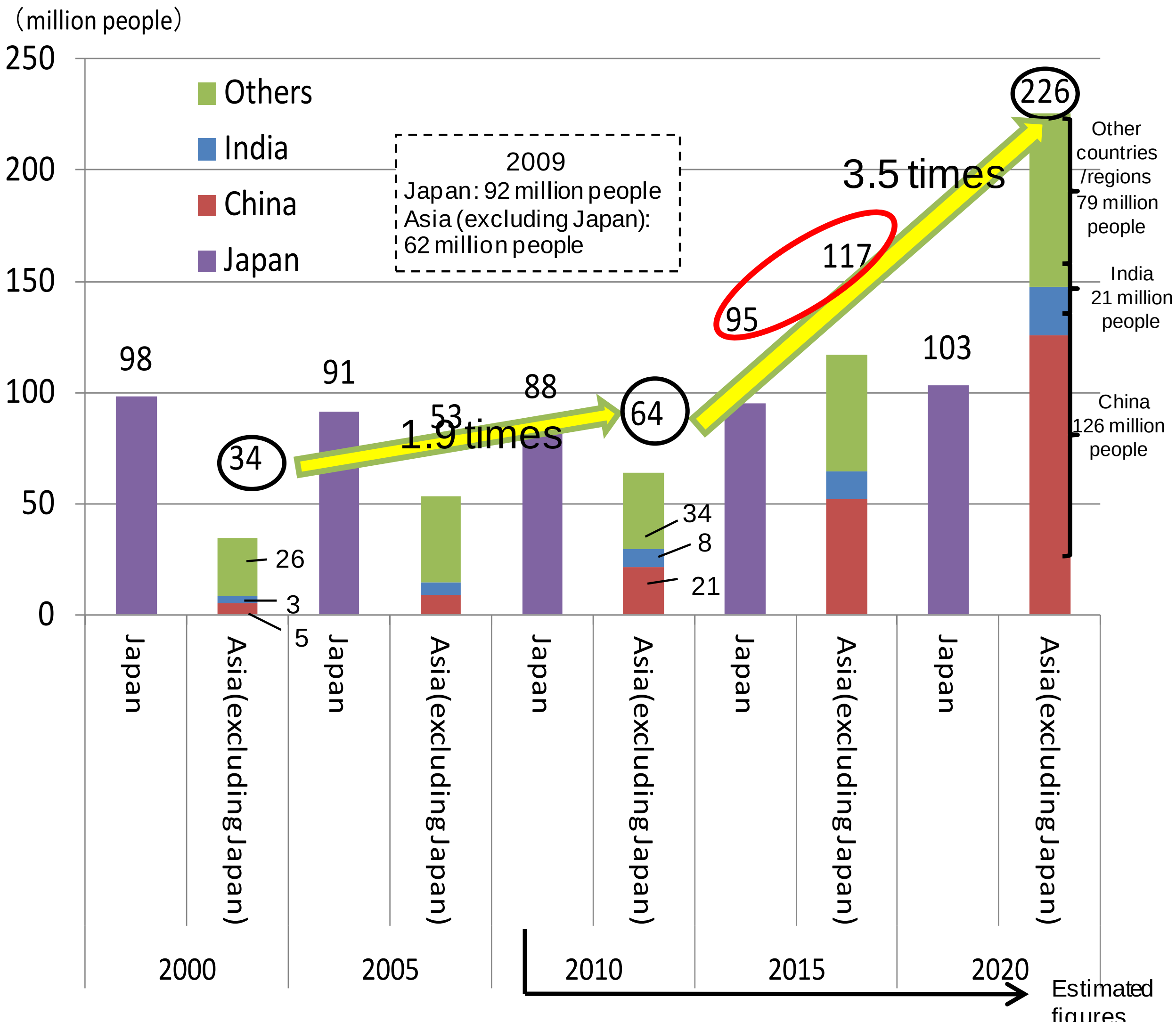
Changes in the Population of Asia's Middle-Income Household



Notes: Number of households by household disposable income. "Asia" denotes China, Hong Kong, Taiwan, India, Indonesia, Thailand, Vietnam, Singapore, Malaysia, and the Philippines. Figures for 2010, 2015, and 2020 are estimates by Euromonitor.
Source: Euromonitor International 2010.

* Asia's middle-income segment denotes the segment with household disposable income of $5,000 or more and less than $35,000.
Asia's high-income segment denotes the segment with household disposable income of $35,000 or more.

Changes in the Population of Asia's High-Income Household



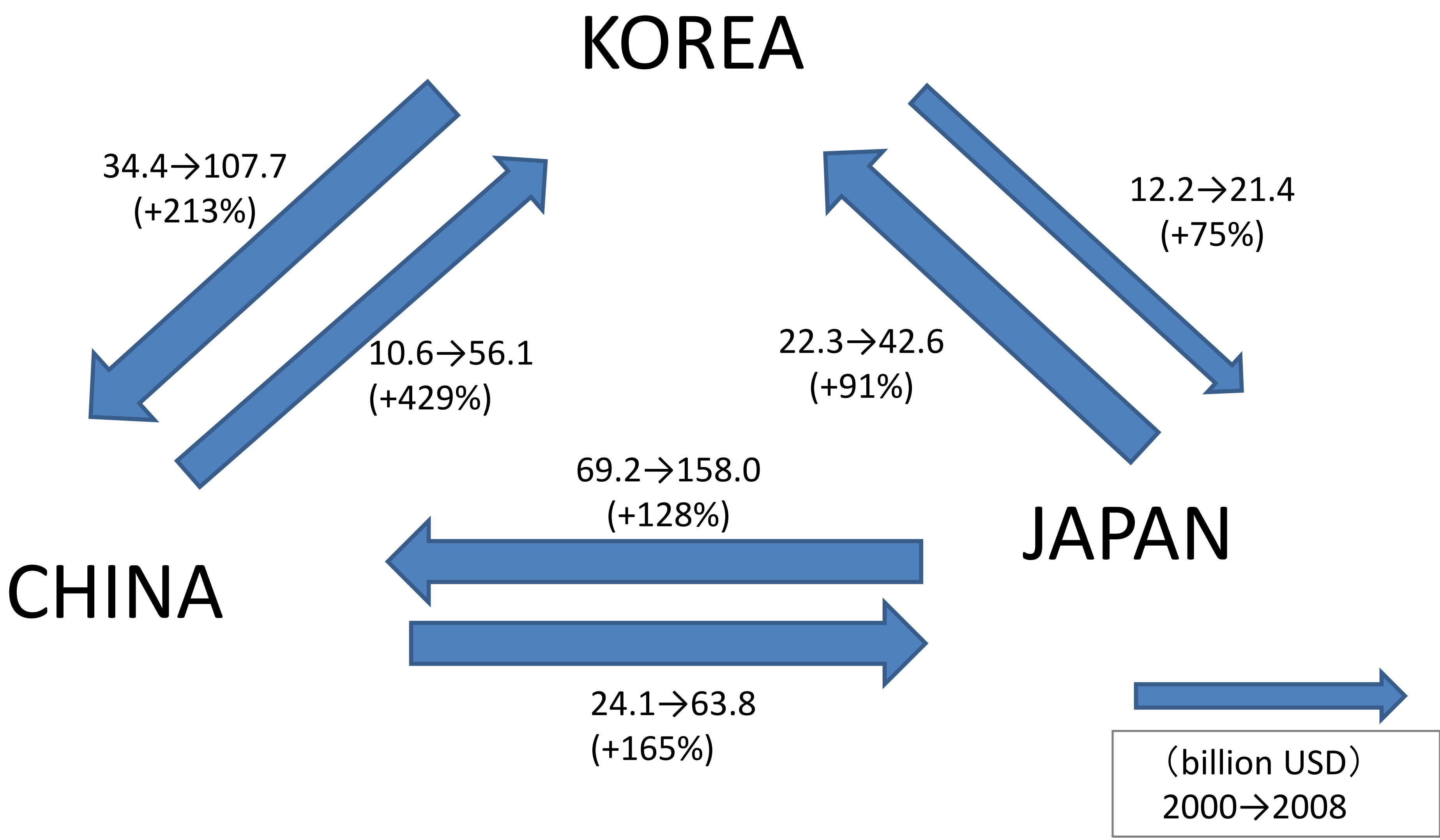
Notes: Number of households by household disposable income. "Asia" denotes China, Hong Kong, Taiwan, India, Indonesia, Thailand, Vietnam, Singapore, Malaysia, and the Philippines. Calculated by multiplying the percentage of households of each income segment by the population.

Source: Euromonitor International 2010.

2.Existing initiatives and priorities

(1)China, Japan, Korea(CJK)

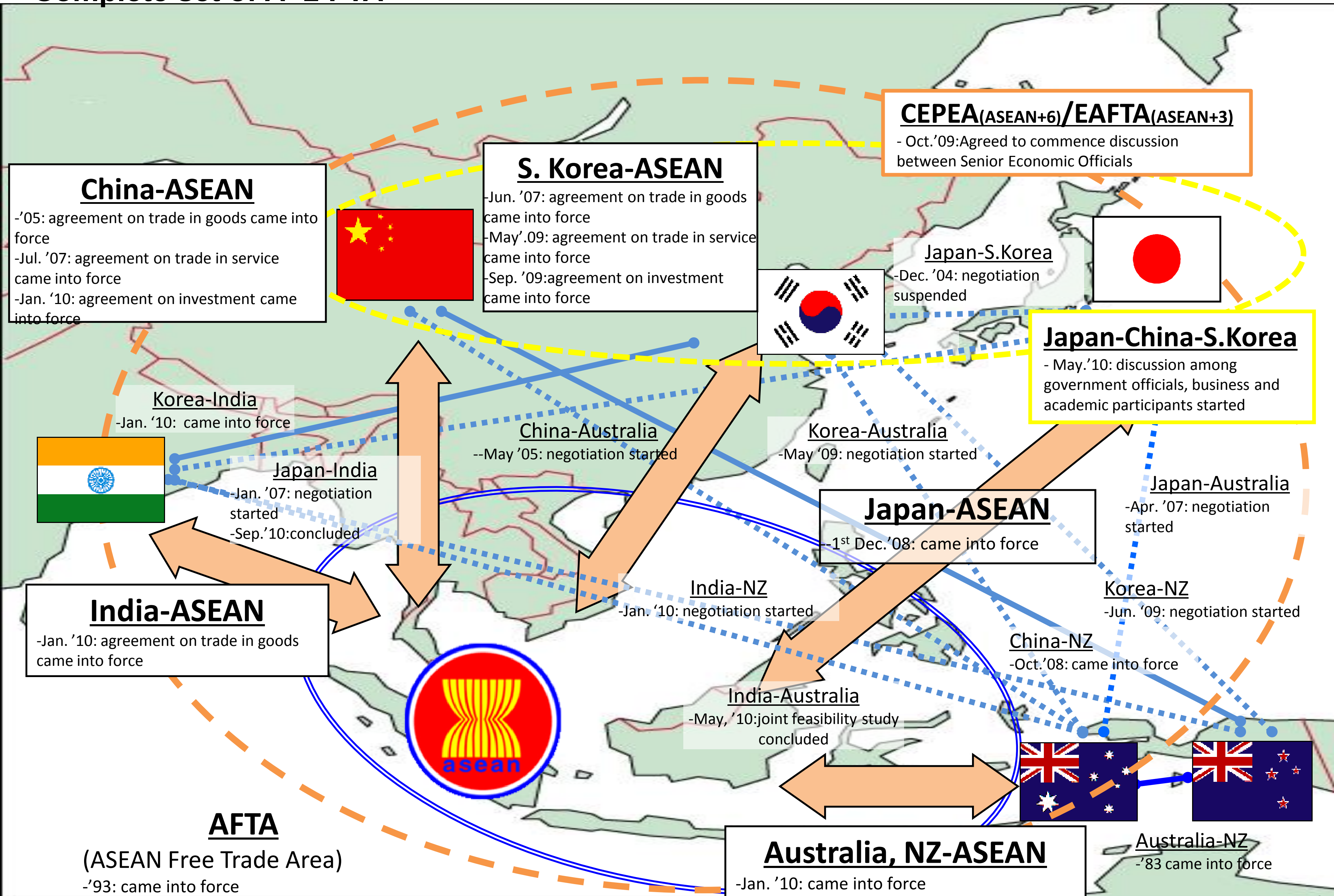
Intermediate Goods Trade Among CJK（2000→2008）



Source：RIETI−TID2009

(2)A+3 or A+6

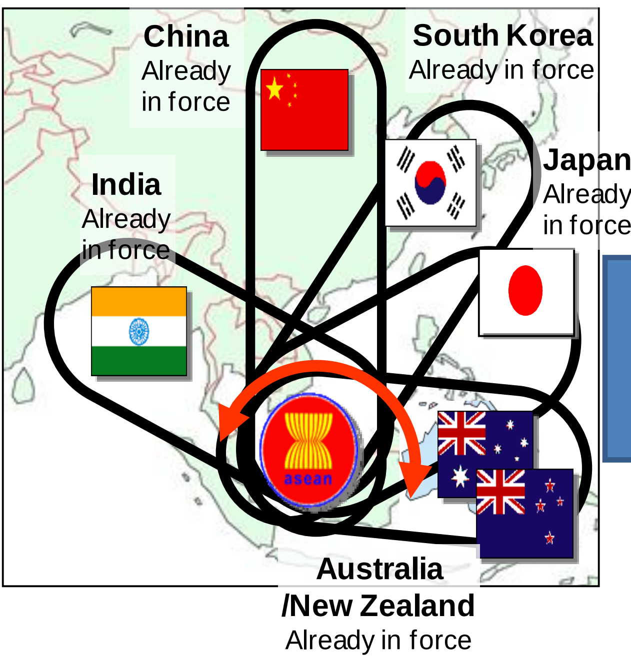
Complete set of A+1 FTA



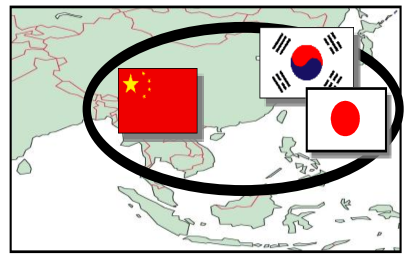
A+3:ASEAN CJK combined
A+6:Better fit regional production networks

Toward Asia-wide FTAs

ASEAN-centered FTAs

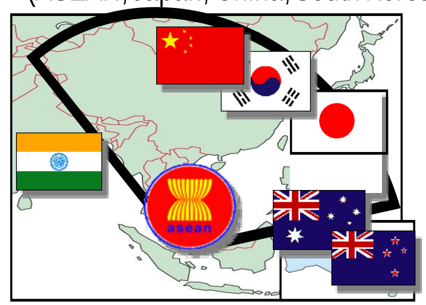


Japan-China-South Korea



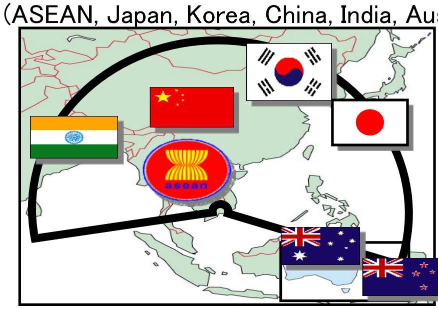
ASEAN+3 (EAFTA)

(ASEAN, Japan, China, South Korea)

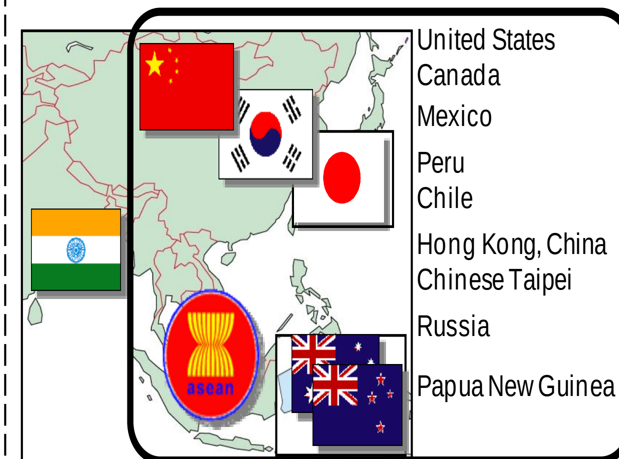


ASEAN + 6 (CEPEA)

(ASEAN, Japan, Korea, China, India, Australia, NZ)

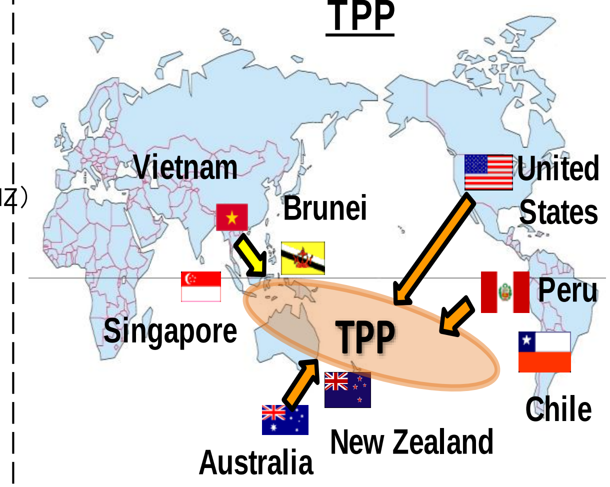


APEC (FTAAP)



Among the ten ASEAN countries, Myanmar, Cambodia, and Laos are not APEC members.

TPP



3.Way forward

- CJK, EAFTA(+3), CEPEA(+6), FTAAP, TPP and others
- “ASEAN plus WG”
  - 1)ROO, 2)Tariff nomenclature, 3)Customs procedures and 4)Economic cooperation
- Japanese proposal “Initial Steps towards Regional Economic Integration: A Gradual Approach”
- Development of soft- and hard-infrastructures
  - Bilateral cooperation and sub-regional initiatives
  - Comprehensive Asia Development Plan
  - ASEAN Connectivity Master Plan

Comprehensive Asia Development Plan