

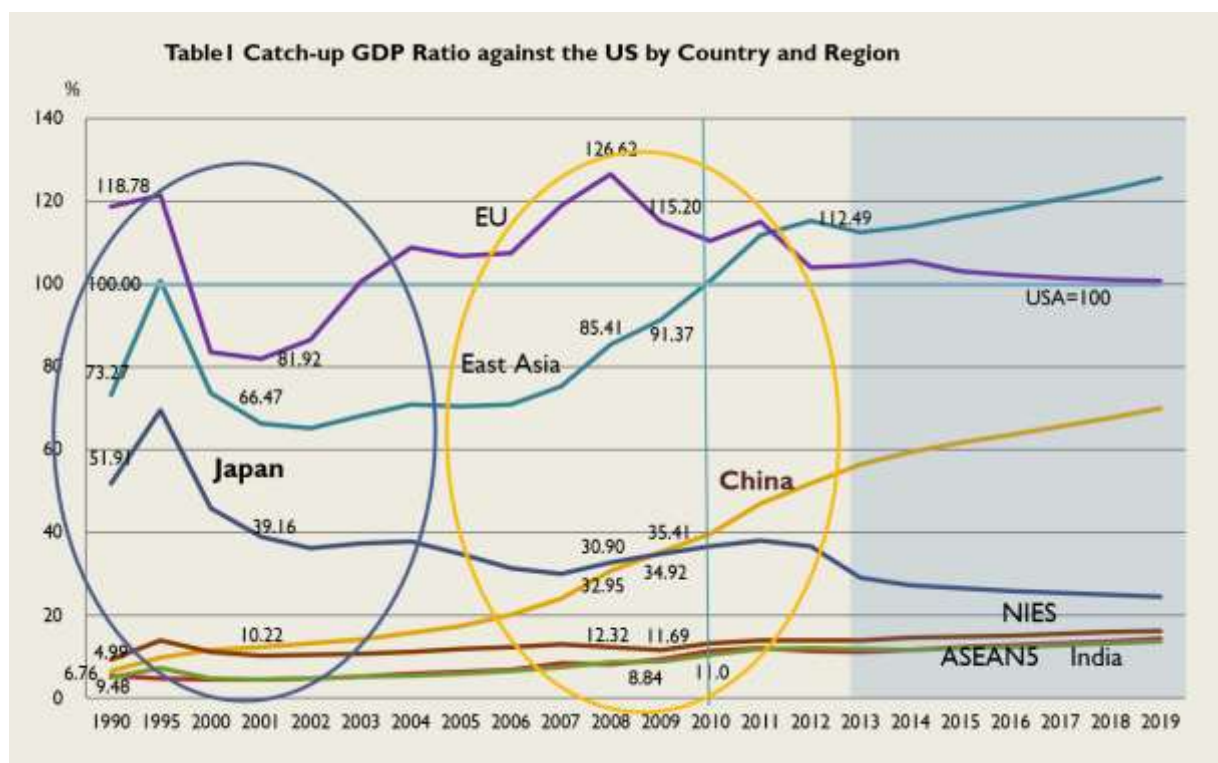
A Transforming World and Asia: Challenges for a New Asia

「転換する世界とアジア—新アジアへの課題」

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THE WORLD AND ASIA ARE CHANGING IN ECONOMIC STRUCTURE



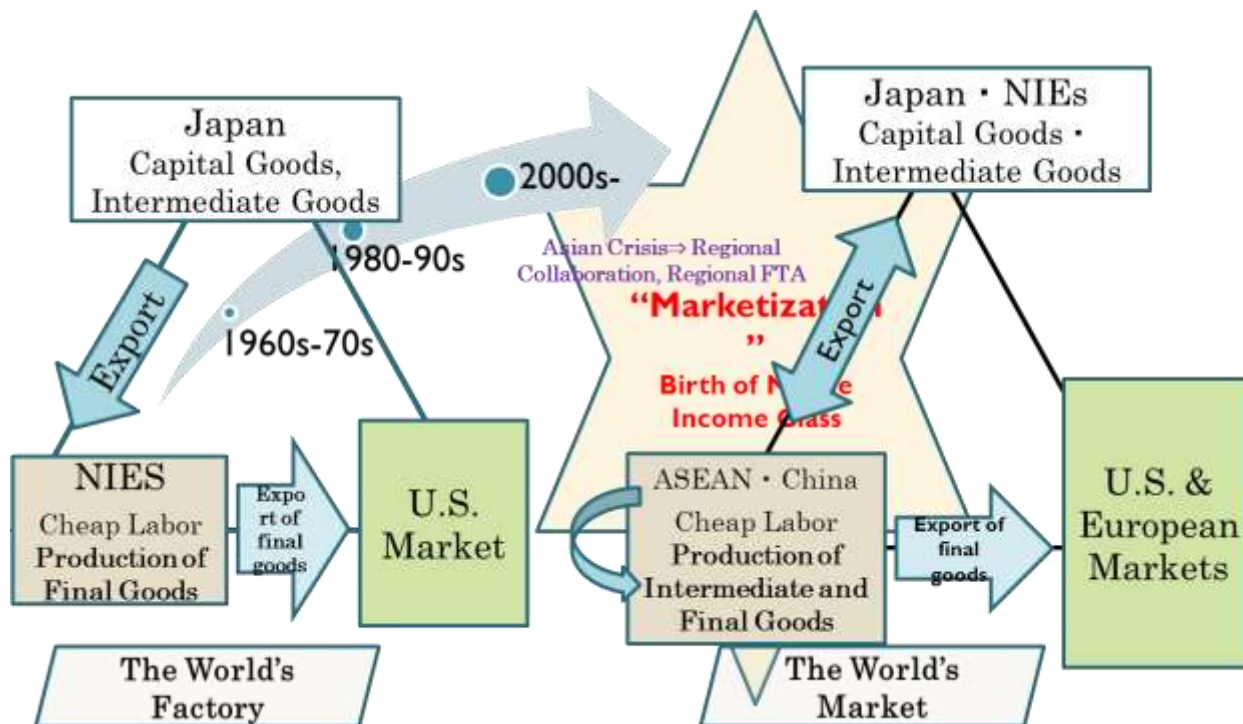
Ratios in 1980 were India, ASEAN5, China, NIES, Japan, East Asia, the U.S., and EU in order from the bottom.

The U.S.A's nominal GDP = 100. NIES consists of Hong Kong, Korea, Singapore, and Taiwan. ASEAN5 consists of Indonesia, Malaysia, Philippines, Thailand, and Vietnam.

Source: Created from IMF World Economic Outlook October2014, Estimates Start after 2013.

GROWTH STRUCTURE IN EAST ASIA: TRIANGLE STRUCTURE OF ECONOMIC GROWTH IN EAST ASIA AND “MARKETIZATION”

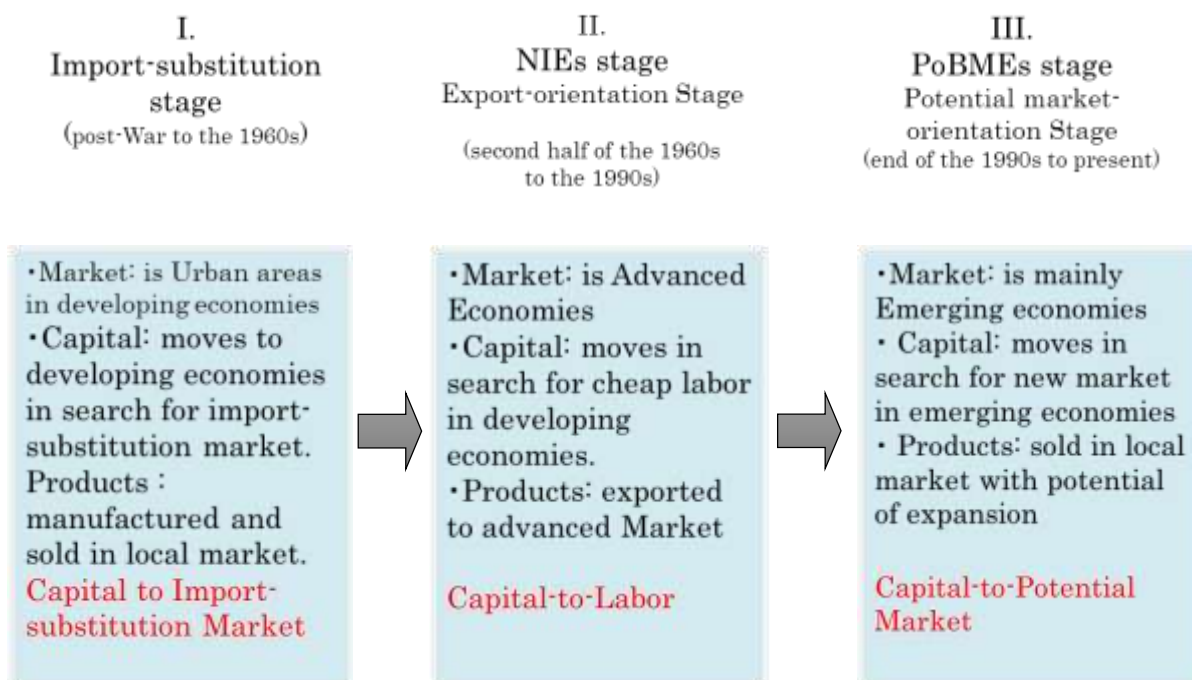
1. Advancement of “Growth Triangle” and “East Asia’s Economic Integration”
2. East Asia, especial China become “World’s market” from “World’s Factory”



Source : created by the author

CHANGING GROWTH MECHANISM IN EAST ASIA

Changes in Spatial Relationships of Capital, Labor, and Market between Developed and Developing Economies: A Conceptual Diagram



To be more precise, there is traditionally the entry of capital aimed at the national resources. “PoBMEs” stands for Potentially Bigger Market Economies.

Source : by the author

Emerging Economies’ Market as Major FDI Destination

Figure Transition of FDI-growth/development model in emerging economies

Major location of markets	Advanced economies (countries)	NIEs Development Model through FDI (Export-led model) 1970s to 1990s	Intra-advanced-region development model through mutual FDI 1960s to first decade of 21 st Century
	Emerging economies (countries)	PoBMEs development Model through FDI (Potentially bigger market economies-led model) Late 1990s to present China, and ASEAN economic community	
		Emerging economies (countries)	Advanced economies (countries)

Major location of production

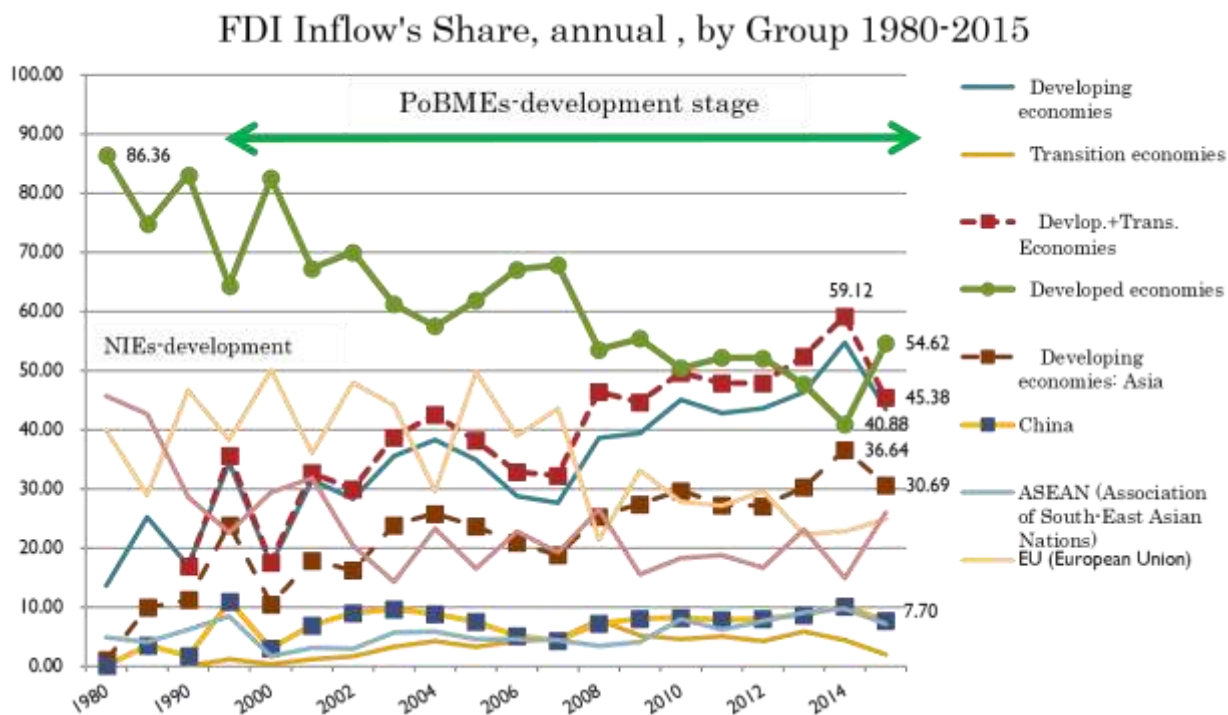
- 1st quadrant: Intra-advanced-region development model through mutual FDI
- 2nd quadrant: NIEs-development model through FDI. Export-led development
- 3rd quadrant: PoBMEs-development model through FDI

“PoBMEs” stands for Potentially bigger market economies which have big population.

Source: Hirakawa H. (2016:134), Hirakawa et. al eds. (2016: 53).

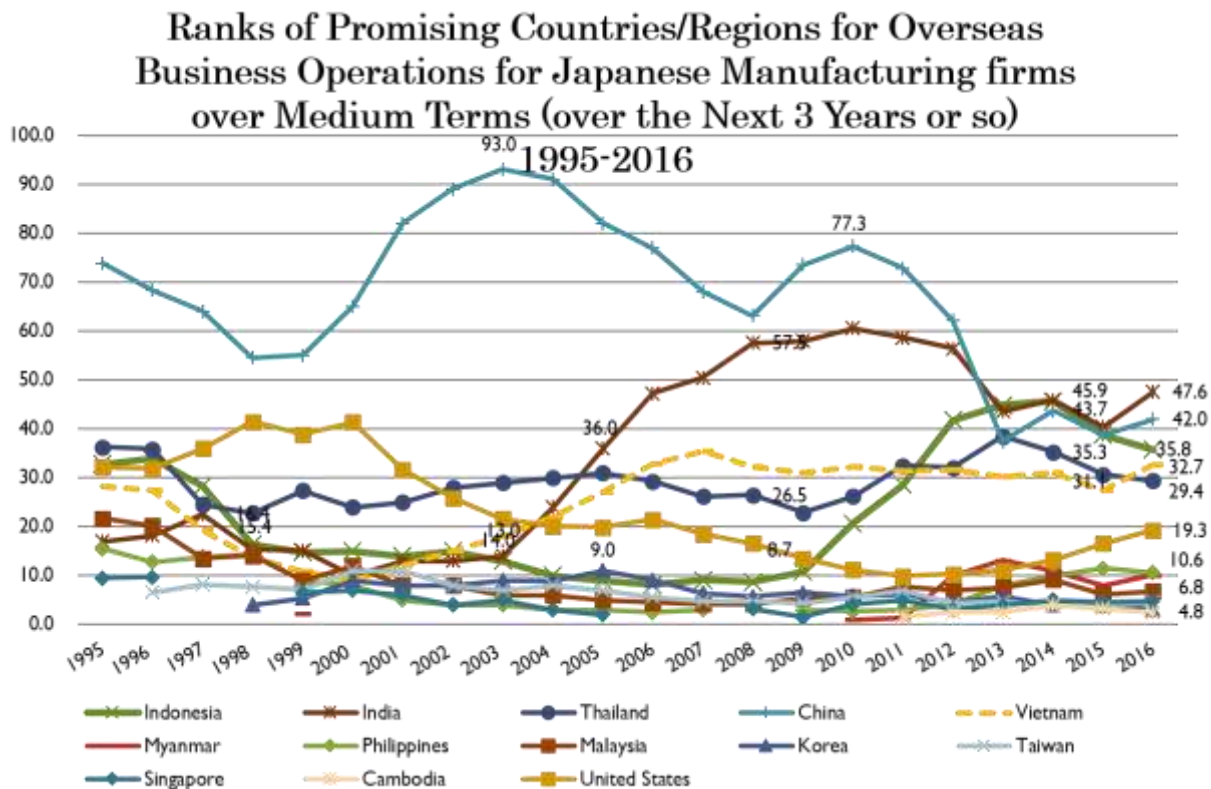
Changing Structure of FDI Inflow

Global FDI inflow structure transfers from 'mutual FID among advanced economies' to 'FDI to emerging economies.' This change is in tendency, not temporary



Source: Created from UNCTADstat

FDI's Destination Over Medium Terms




Source: Created from JBIC annual Survey Reports on Overseas Business Operations by Japanese Manufacturing Companies

From Cheap Labor To Growth Potential of Local Market

IV.6. Reasons for Countries as Promising and Issues: India

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 **No. 1: India**

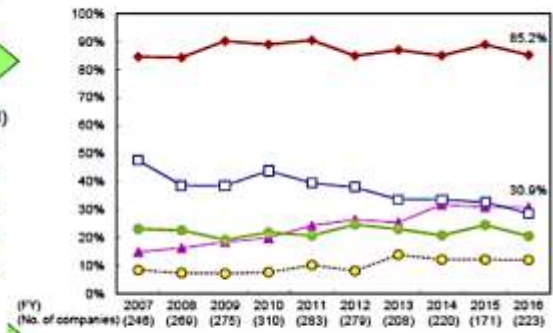
* Refer to Appendix 2, 3 for details of reasons for being promising for the top ten promising countries over the medium-term and issues.


Reasons

- (Note 1)
(Total No. of respondent companies: 223)
- 1 Future growth potential of local market
 - 2 Current size of local market
 - 3 Inexpensive source of labor
 - 4 Supply base for assemblers
 - 5 Base of export to third countries

 **Past Trend**


No. of companies	Ratio (Legend)
190	85.2%
69	30.9%
64	28.7%
46	20.6%
27	12.1%



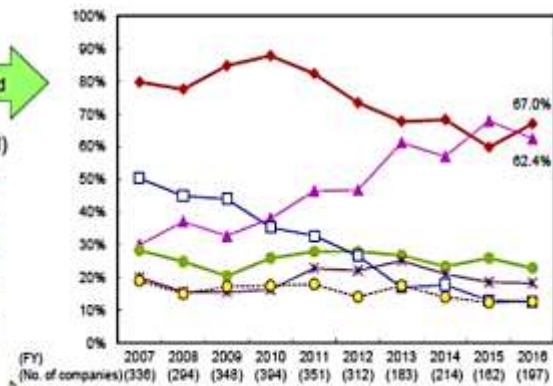
 **No. 2: China**

Reasons

- (Total No. of respondent companies: 197)
- 1 Future growth potential of local market
 - 2 Current size of local market
 - 3 Supply base for assemblers
 - 4 Concentration of industry
 - 5 Inexpensive source of labor
 - 5 Base of export to third countries

 **Past Trend**

No. of companies	Ratio (Legend)
132	67.0%
123	62.4%
45	22.8%
36	18.3%
25	12.7%
25	12.7%



Source: Cited From JBIC's Latest Survey Report

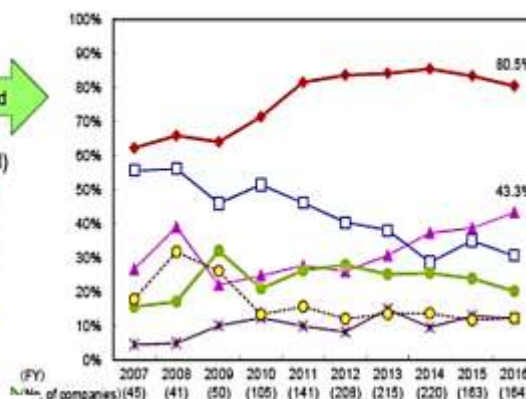
No. 3: Indonesia

Reasons

(Total No. of respondent companies: 164)

- 1 Future growth potential of local market
- 2 Current size of local market
- 3 Inexpensive source of labor
- 4 Supply base for assemblers
- 5 Concentration of industry
- 5 Base of export to third countries

No. of companies	Ratio (Legend)
132	80.5%
71	43.3%
50	30.5%
33	20.1%
20	12.2%
20	12.2%



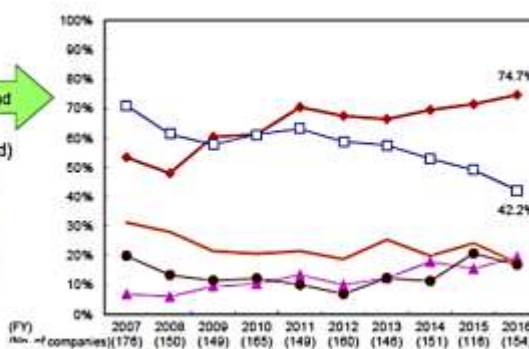
No. 4: Vietnam

Reasons

(Total No. of respondent companies: 154)

- 1 Future growth potential of local market
- 2 Inexpensive source of labor
- 3 Current size of local market
- 4 Qualified human resources
- 5 Social/political situation stable

No. of companies	Ratio (Legend)
115	74.7%
65	42.2%
30	19.5%
27	17.5%
26	16.9%

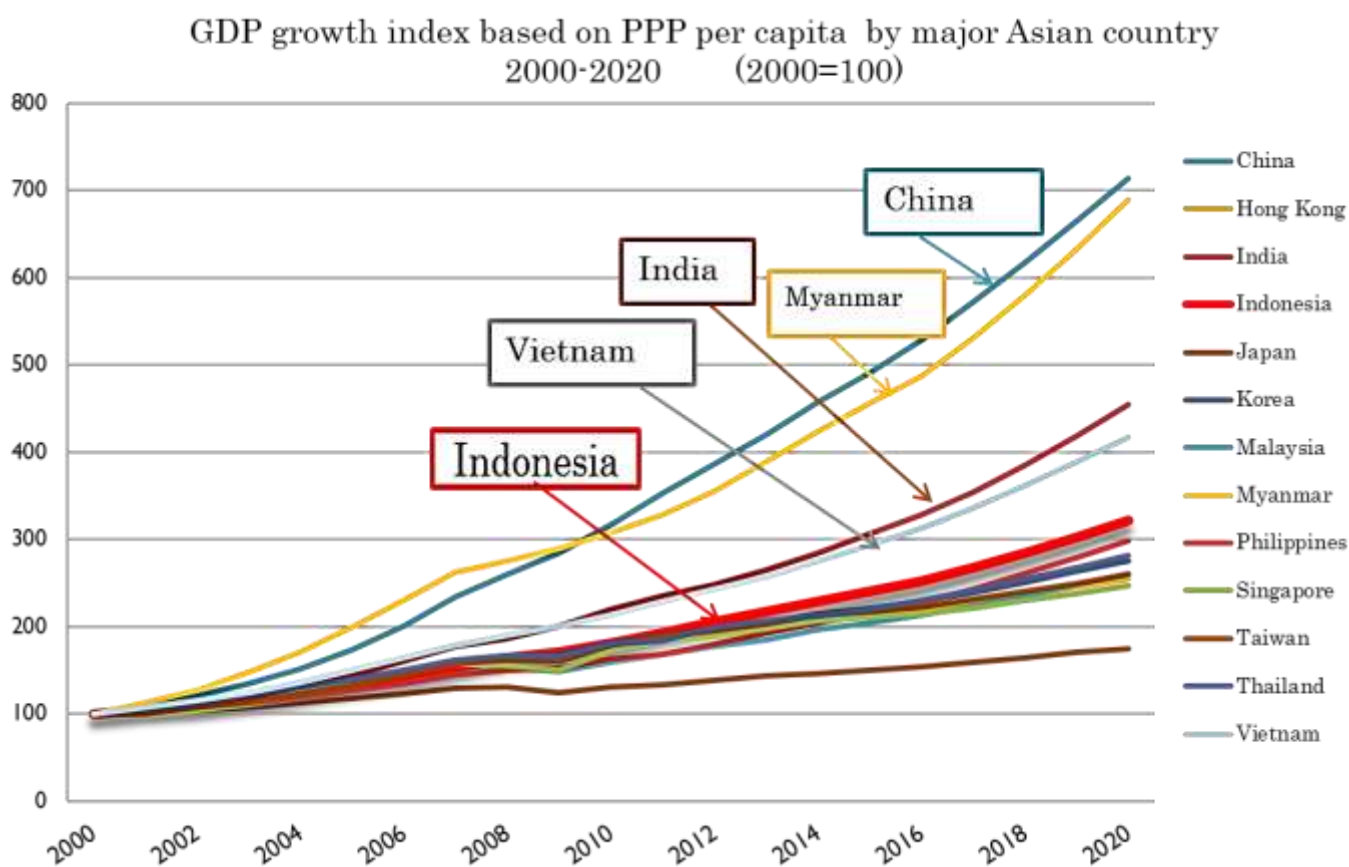


CHALLENGES OF THE PoBMEs STAGE FOR A NEW ASIA

Focusing on Challenges in Asia from the viewpoint of Political Economy

- Emerging powers with huge population, like China, have big advantages over powers to develop their economies.
- PoBMEs including BRICs are such powers which attract big capital from all over the world, and develop continuously in a medium and long-term view.
- Indonesia is among countries that attract hot attention as a promising country of development especially after the global financial crisis in 2009.
- The world order transfers from the U.S. domination to another. Regional order in East Asia is the same, transferring from Japan-centered to China-led order.

GDP Growth Index (PPP) Since 2000



Note: Estimate since 2017

Source: Created From IMF (2017) World Economic Outlook, April 2017.

Challenges of the PoBMEs Stage For a New Asian

- Structure of development for emerging economies seems not to change. It means that East Asia becomes richer, but heightens the risks of regional instability in terms of national security, like so-called 'China Risk'.
- In East Asia, balanced regional order would be needed.
- The role of ASEAN, especially Indonesia as major country of ASEAN in the building of a East Asia community becomes larger and much more important than ever before.