

Box 11

Non-Japan Asia's role in the global economy

The dynamism of the non-Japan Asia economies

Non-Japan Asia (NJA) is the most dynamic region in the world in terms of economic growth. On average the NJA economies have grown by around 7% per year over the past two decades, much faster than the rest of the world. As a result, the contribution of NJA to world GDP growth has increased considerably. In 2001 and 2002 the world economy grew by 2.1% and 3.1% respectively, more than half of this growth being attributable to NJA.

The major NJA economies include China, India, and the four newly industrialised economies of South Korea, Taiwan, Hong Kong SAR and Singapore, which are often simply referred to as NIE4. Together, these economies accounted for 79% of the whole NJA economy in 2002. China is the largest economy in NJA, accounting for 48% of its GDP. India and NIE4 account for 18% and 13% respectively. The increasingly important role played by NJA in the global economy mainly reflects the dynamism of the Chinese economy. Since the start of the "open up and reform" policy in 1979, China's GDP growth has averaged around 9% per year, raising its real income per capita five-fold.

Impact on global trade

The growing role played by NJA in the world economy is firstly reflected in its importance to global trade. NJA is one of the world's major trade areas: with 19.6% of total world exports of goods and services in 2002, NJA ranked second after the euro area. NJA's share in total world exports increased by nearly 1 percentage point in the past five years. In terms of imports of goods and services, NJA ranked third, with a share of 17.3% of total world imports in 2002. Major NJA economies have substantial current account surpluses. In 2002, NJA's total current account surplus reached USD 133.2 billion (see the table below).

NJA current account balances and shares in world exports, 2002

(USD billions; percentages)

	Exports		Current account balances	
	amount	% of world exports	amount	% of GDP
China	325.6	4.6	35.4	2.8
India	52.2	0.9	4.8	1.0
NIE4	621	9.7	68	6.8
<i>South Korea</i>	<i>162.6</i>	<i>2.5</i>	<i>6.1</i>	<i>1.3</i>
<i>Taiwan</i>	<i>129.9</i>	<i>2.0</i>	<i>25.7</i>	<i>9.1</i>
<i>Hong Kong SAR¹⁾</i>	<i>200.1</i>	<i>3.1</i>	<i>17.5</i>	<i>10.8</i>
<i>Singapore</i>	<i>128.4</i>	<i>2.1</i>	<i>18.7</i>	<i>21.5</i>
The rest of NJA	318.7	4.4	25	..
Total	1,317.5	19.6	133.2	..

Sources: IMF and ECB calculations.

1) Exports from Hong Kong SAR include re-exports from China.

NJA is among the most important export destinations for major industrialised economies. For example, in the first nine months of 2003 it was the largest export market for the euro area, accounting for 22.4% of the euro area's exports. To a large extent, China's strong performance in external trade underpinned NJA's growing role in global trade over the past decade, a period in which China's total imports almost trebled, from USD 104.0 billion in 1993 to USD 295.3 billion in 2002.

NJA has recently experienced a considerable increase in intra-regional trade. China is a driving force behind this phenomenon, importing increasing volumes of intermediate and capital goods from other Asian economies

and subsequently exporting the final assembled products to the rest of the world. During the first nine months of 2003, China's trade surpluses with the United States and the euro area reached USD 89.7 billion and USD 27.2 billion¹ respectively, while its total trade surplus was around USD 9 billion, which implies that its trade deficit with the rest of Asia widened considerably. Over the past few years, most East Asian economies have witnessed a spectacular increase in exports to China, which was already the most important trade partner of Taiwan and Hong Kong SAR. In 2002 China also became the most important export destination for South Korea and the most important import source and second export market for Japan.

NJA, and particularly China, are playing an increasingly important role in world commodity trade. NJA's growing contribution to the world economy is reflected in the increase in the global demand for raw materials. In the energy sector, for example, in the first half of 2003 China, India and NIE4 consumed 11.5 million barrels of oil products per day, accounting for 14.8% of world total consumption, compared with 5.7 million barrels per day, equivalent to 8.5% of the world total, in 1990.

Foreign direct investment in non-Japan Asia

In addition to its impact on global trade, NJA has for many years received the largest share of foreign direct investment (FDI) inflows. In 1996, prior to the Asian crisis, NJA accounted for over 22% of global FDI inflows, slightly more than the United States. However, during the Asian crisis, NJA's share of global FDI inflows dropped to less than 10%. After the crisis, FDI inflows recovered, with the region accounting for around 13.5% of global inward FDI in 2002.²

Before the Asian crisis, the South-East Asian countries within NJA, including Singapore, Malaysia, Indonesia and Thailand, received a substantial share of FDI inflows to the region. After the Asian crisis, China emerged as the main recipient, mainly because its resilience in the face of the crisis and its stable economic environment gained the confidence of international investors. Furthermore, since China's accession to the World Trade Organization in 2001, its huge domestic market has been an increasingly important factor in attracting FDI inflows. In 2002 China received USD 52.7 billion of FDI, becoming the largest FDI-recipient nation in the world. The FDI inflows into China accounted for 60% of the total inflows to NJA.

1 Chinese official statistics showed China's trade surpluses with the United States and the euro area to be USD 41 and 7 billion, respectively, in the first nine months of 2003. The discrepancy mainly reflects the role of Hong Kong SAR as a entrepot hub for China.

2 Source: UNCTAD.