

billion on its global trade. The U.S. continued to be the most important export market for the North Asian economies. Japan continued to be the major source of imports for the three NIEs in the region and a growing, but relatively smaller, market for their exports. The U.S. was the largest source of imports for Japan and, via Hong Kong, for China.³¹

When looking at the issue of regional integration, it must be assumed that you are looking for more than just increases in the absolute levels of trade and monetary flows between member economies. There must be indications that the intraregional share of the member economies' total trade and financial flows exceeds, or is increasing more quickly than would be predicted by factors such as GDP growth rates of the member economies. If the data suggest that an economic or trade bloc is forming, one must then determine whether or not this trend is the product of deliberate policy measures by the governments of the respective member economies.

Between 1980 and 1993, intraregional trade grew in both absolute and relative terms. Total exports between the five Asian economies increased from approximately US\$40 billion in 1980 to US\$154 billion in 1990, to roughly US\$238 billion in 1993.³² The share of their exports going to the other members of this grouping relative to total world exports for these five economies increased from about 20 per cent in 1980 to approximately 30 per cent in 1990, to roughly one-third in 1993.³³ That said, however, while bilateral trade between member countries expanded during the 1980s, the increases were, for the most part, modest in relative terms (see Table 4.3). The exception was China-Hong Kong bilateral trade, which accounted for much of the increase in intraregional exchanges in relative terms. Much of their bilateral traffic is entrepôt trade that is ultimately shipped in or out of the region. Consequently, if entrepôt trade is factored out, it would appear that the widespread, but relatively modest, increase in intraregional trade in relative terms that is observed does not support the thesis that economic integration is dramatically increasing in North Asia.

Intraregional flows of foreign direct investment (FDI) also grew substantially during the decade, as many companies from Hong Kong, Taiwan, Korea and Japan moved their labour-intensive operations to lower-cost China. The total stock of FDI in the five Asian economies under study attributed to flows from other economies in

³¹ IMF, Direction of Trade Statistics (DOTS) Yearbook 1993, Washington, D.C., 1993.

³² See sub-section 4.1 below for a more detailed description of intraregional trade.

³³ International Trade Databank.