Generalized System of Preferences (GSP) program in 1989 and the desire to shift toward capital- and skills-intensive manufacturing have prompted governments to increase the pace of economic liberalization and to encourage, or at least to refrain from discouraging, the transfer of less competitive, labour-intensive industries to China and other East Asian nations. Japanese firms also follow this practice. This trend should continue, although political and economic factors could slow the pace of economic restructuring. As a result, the combination of continued rapid GDP, import and export growth, the focus on export-led growth strategies, and the further removal of barriers to trade and investment should all contribute to increasing economic interdependence among North Asia's economies.

There are certain factors, however, that could constrain future investment and economic growth and, consequently, increased economic interdependence. Infrastructure development has generally not kept pace with economic growth, and serious bottlenecks in communication and power systems, roads, ports and services are occurring. Tariffs on thousands of products have been reduced, but, in some cases, the reductions were made from very high levels and generally have not been applied to sensitive items.[7] Nontariff barriers may pose more of a hinderance to commerce in the region, however, and the issue of intellectual property rights protection must be addressed further.[8] Chinese investment performance

[7] In 1989, Japan, for example, eliminated tariffs on over 1,000 manufactured products. This reduced its average tariff rate on industrial products to approximately two per cent. Most of Japan's remaining high tariffs are imposed on agricultural and food products and leather and leather goods. That said, as part of the Uruguay Round of multilateral trade negotiations, Japan agreed to bind tariffs on all agricultural products and to reduce the bound rate by an average of 36 per cent over a six-year period beginning in 1995. In 1994, Taiwan agreed to tariff reductions for almost 500 commodities. Nevertheless, high tariffs remain on certain agricultural products. Automotive parts are subject to an average duty of 20 per cent. In 1994, Korea finished a five-year tariff reduction exercise that reduced its average tariff rate to 7.9 per cent from 12 per cent. Nonetheless, duties as high as 30 per cent remain on a number of agricultural and fisheries products, and some industrial goods. China's import tariffs run from three per cent on promoted imports to over 200 per cent on discouraged imports. Tariffs for any particular product can vary if the product is eligible for an exemption. The unpredictability of tariff rates can make it difficult for firms trying to trade with the Chinese market. Source: <u>1994 National Trade Estimate Report on Foreign Trade Barriers</u>, Office of the U.S. Trade Representative, Washington, 1994.

[8] For example, Taiwan currently requires import permits or has banned imports of almost 1,000 commodities items. GATT/WTO contracting parties are requesting that Taiwan eliminate its import bans and non-tariff restrictions that are prohibited by international trading rules, and that it adhere to the Government Procurement Agreement, as a condition for Taiwan's entry into the GATT/WTO. Taiwan continues to restrict access to its financial services markets. All goods entering Korea require an import licence issued by the Foreign Exchange Bank. While 99 per cent of imported goods receive routine approval, the remaining tariff line items, which tend to fall in the agricultural and fishery