

## Economic Cooperation between Japan and China in the New Stage of Development and the World Economy

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### Abstract

Northeast Asian countries have undergone economic transformations to enter new stages of development. For instance, China has shifted to a medium-high speed of economic growth, while there have been structural changes in Japan's international balance of payments. To meet the challenges accompanying its economic growth, China has implemented a variety of policies and strategies. Among the top priorities of Chinese government is the regional development policy introduced at the beginning of this century for China's West, Northeast, and Central regions. In recent years the Northeast's economy suffered the heaviest decline prompting the central government to implement another round of the strategy to 'Revitalize the Old Northeast Industrial Bases' in 2016. Given the prolonged instability of the global economy after the Lehman Shock and the re-emergence of "America First", it is important for Japan, China, and Northeast Asia to enhance economic cooperation to ensure the further development of their economies and societies.

**Keywords:** Economic cooperation, Japan, China, Balance of Payments, Strategy to 'Revitalize the Old Northeast Industrial Bases'

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## 1. A new stage for the Chinese economy after 30 years of the high economic growth

Since the Reform and Opening-up Policy, hereafter ‘the Policy’ was implemented, China has experienced high economic growth for more than 30 years, running 10% on average between 1978 and 2011. We can hardly find a similar case in the history of the world economy, and there are several important factors which have contributed to such high economic growth in China that can be discussed.

First, the industrial structure of China was balanced when the Policy, or in other words, the internationalization and liberalization of the Chinese economy, was implemented at the end of 1978. Since the 1950s, the centrally planned economy had fostered industrialization across the entire country with a full set of industries in each province. China had successfully completed the most important stage of constructing the national economy, which started from the latter half of the 1920s. Balanced development between internal and external divisions of labour, which was similar to Japan in the latter half of the 19th century, existed from the beginning of the Policy.

Second, China has state and collective ownership of land. In China the private ownership of land has been largely restricted due to the 1949 revolution and radical socialization at the end of the 1950s. Urban land was nationalized and rural land was changed to collective ownership. A similar situation occurs where there is no ‘landownership and monopoly of land to confine capital’ (K. Marx, *The Capital*, book 3).

Third, China has introduced a step-by-step approach to the liberalization and internationalization of the economy, and to the shrinking of state sectors and facilitating of privatization. Regulation by governments had changed and

largely shrunk, but still existed. This is in great contrast to the former Soviet Union, Russia. In relation to this point one scholar has characterized China as an 'ambiguous system'.<sup>1)</sup>

Fourth, agricultural productivity has developed. Contract farming was introduced before the Policy, and it increased agricultural productivities, which enabled for farmers to migrate to urban areas. As economic history shows, agricultural revolutions precede industrial one.

Fifth, the world economy expanded in the 1980s and 1990s, supported by New Liberalism in developed countries and the transition to market economies in former socialist countries.

Sixth, China has received significant foreign capital and utilized foreign advanced techniques. Not only the volume of factors but also the total factor productivity (TFP) has increased in China since the Policy was initiated, which is different from the controversial opinion regarding East Asia made in Krugman 1994<sup>2)</sup>.

The first and the sixth factors still exist, and the third and the fourth ones are functioning. China will possibly continue to experience higher economic growth than other countries, while the growth rate is shifting from high to medium-high.

**Table 1** and **Figure 1** show that the Chinese economy has experienced a slowdown since 2012. Economic growth in the three provinces of Northeast China also experienced a slowdown in the same year, while growth in those provinces was higher than the national average by 2013. Growth has dropped to below than the national average since 2014, particularly in Liaoning province, which accounts for nearly one half of total GDP of the three provinces. Growth there dropped to 2.6% in 2015 and was negative in 2016, while it has recovered since 2017.

Table1 GDP growth rates, Northeast and all of China :  
2000 – 2018 Q3 (%)

Year	Liaoning 遼寧	Jiling 吉林	Heilongjiang 黒龍江	China 中国
2000	8.9	9.2	8.2	8.4
2001	9.0	9.3	9.3	8.3
2002	10.2	9.5	10.2	9.1
2003	11.5	10.2	10.2	10.0
2004	12.8	12.2	11.7	10.1
2005	12.7	12.1	11.6	11.3
2006	14.2	15.0	12.1	12.7
2007	15.0	16.1	12.0	14.2
2008	13.4	16.0	11.8	9.6
2009	13.1	13.6	11.4	9.2
2010	14.2	13.8	12.7	10.4
2011	12.2	13.8	12.3	9.5
2012	9.5	12.0	10.0	7.7
2013	8.7	8.3	8.0	7.7
2014	5.8	6.5	5.6	7.3
2015	2.6	6.2	5.3	6.9
2016Q1	-1.3	6.2	5.1	6.7
2016Q2	-1.0	6.7	5.7	6.7
2016Q3	-2.2	6.9	6.0	6.7
2016Q4	-2.5	6.9	6.1	6.8
2017Q1	2.4	5.9	6.1	6.8
2017Q2	2.1	6.5	6.3	6.8
2017Q3	2.5	5.7	6.3	6.7
2017Q4	4.2	5.3	6.4	6.7
2018Q1	5.1	2.2	5.6	6.8
2018Q2	5.6	2.5	5.5	6.7
2018Q3	5.4	4.0	5.1	6.5

Source : *China Staistical Yearbook* ( ~ 2014),  
National Bureou of Statistics, China, (2015 ~ ), <http://www.stats.gov.cn>

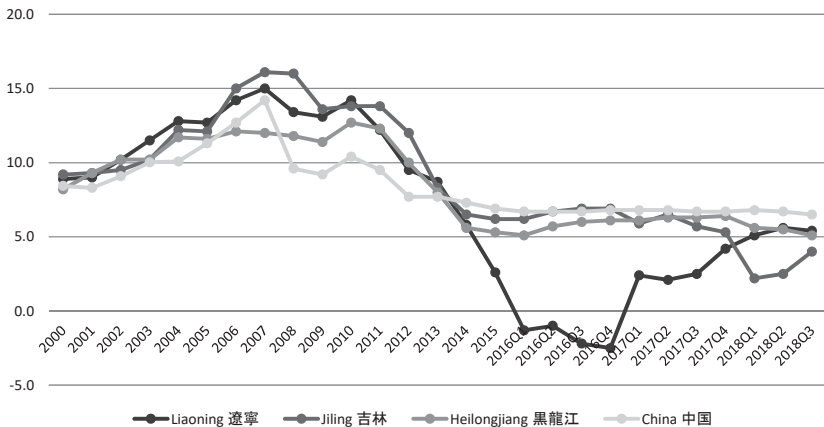


Figure 1 GDP growth rates, Northeast and all of China, 2000-2018Q3  
(%, Source: Table 1)

## 2. Economic changes in Northeast China following the Strategy to ‘Revitalize the Old Northeast Industrial Bases’

### a. The Strategy and performances

For the last 15 years, China has carried out the Strategy to Revitalize the Old Northeast Industrial Bases. The document published by Central Committee of China Communist Party and State Council of People’s Republic of China describes the importance and contents of the strategy as following.

Accelerating the revitalization of older industrial bases in the Northeast and other areas has strategic importance for the national goal of building a well-off and harmonious state.

The principles of the Strategy are the innovation of institutions and systems, extension of comparative advantages depending on the market mechanism, coordinating development, self-revitalization and support by the government,

the strategic restructuring of the state economy, continuing the deepening reform of state owned companies, creation of favourable environments to develop a non- state economy, and the further conversion of the government's role.

The two main challenges are the advanced structure of industries and further steps to open up economy within domestic market and toward the world.

The Strategy was implemented as follows. The first 100 projects costing 61 billion RMB (7.4 billion USD) started in December 2003<sup>3)</sup>. These projects mainly introduced new production lines in state owned companies. Liaoning received 52 projects of 44.2 RMB billion (73% of the total), including 9.9 billion RMB to Liaoning United Petro-Chemical Co., and 5.2 billion RMB to Anshan Steel Group Co. Jilin received 11 projects of 5.4 billion RMB, including 2.0 billion RMB to Changchung Muslim Meat Co. Heilongjiang received 37 projects totaling 107.5 billion RMB, including 24.3 million RMB to China Petro Dajing Petro-Chemical Co. Various development plans for regions within each province have also been made.

What kind of economic changes have been made under the Strategy?

As shown by Table 1 and Figure 1, the GDP growth rate of the three provinces was higher than the national average until 2013. The total GDP of the three provinces increased 4.5 times at current prices and 3.5 times at constant prices between 2003 and 2015. The per capita GDP of Liaoning exceeded 10,000 USD (10,614 USD)<sup>4)</sup> in 2014. The national average was 7,591 USD, in Jilin it was 8,166 USD, and in Heilongjiang it was 6,386USD in the same year. The Northeast made steady progress to accomplish the national goal to increase in GDP by four times between 2000 and 2020.

However, **Table 2A** shows that none of expected changes in the industrial

structure occurred. GDP share of the secondary industry in 2015 is 45.5% (Liaoning) and 49.8% (Jilin). It decreased slightly in Liaoning, while it is still much higher than the national average of 40.9% .

From **Table 2B** we can find clear progress in the ownership structure and size of enterprises. While the assets of state-owned enterprises (SOEs) increased, its ratio to all enterprises dropped significantly. However, it is still higher than the national average.

**Table 2C** shows that the greatest challenge is profit. The profit rate, or ratio of total profits to total assets, of the manufacturing industry, and particularly that of SOEs, has been lower than the national average for more than ten years. The profit rate of SOEs in Liaoning was 1.8% in 2003, when the national average was 4.1%, and -0.5% in 2015, when the national average was +2.9%. Its average from 2003 to 2014 was 1.4%, which is one-third of the national

**Table 2A Changes under the Northeast Revitalization Strategy, GDP**

	Year	Liaoning	Jilin	Heilongjiang	China
GDP(billion RMB)	2003	600.3	266.2	405.7	13,656.5
	2015	2,866.9	1,406.3	1,508.4	68,550.6
	'15/'03	4.8	5.3	3.7	5.0
GDP per capita (RMB)	2003	14,258.0	9,338.0	11,615.0	10,666.0
	2015	65,354.0	51,086.0	39,462.0	49,992.0
	'15/'03	4.6	5.5	3.4	4.7
Second industry (GDP share,%)	2003	48.3	45.3	57.2	45.6
	2015	45.5	49.8	31.8	40.9
	'15-'03	-2.8	4.5	-25.4	-4.7
Third industry (GDP share,%)	2003	41.4	35.4	31.5	42.0
	2015	46.2	38.8	50.7	50.2
	'15-'03	4.8	3.4	19.2	8.2

Source: *China Statistical Yearbook*, 2004, 2016

**Table 2B Changes under the Northeast Revitalization Strategy;  
Manufacturing Enterprises, Total Assets**

	Year	Liaoning	Jilin	Heilongjiang	China
State Owned Enterprises (100 million RMB, times)	2003	6,278.0	2,931.2	3,703.9	94,519.8
	2015	18,658.2	9,018.9	9,453.7	397,403.7
	'15/'03	3.0	3.1	2.6	4.2
All Enterprises, (100 million RMB, times)	2003	9,180.6	3,675.0	4,499.0	168,807.7
	2015	38,573.0	17,993.3	15,408.0	1,023,398.1
	'15/'03	4.2	4.9	3.4	6.1
Ratio of State Owned Enterprises to All Enterprises (%)	2003	68.4	79.8	82.3	56.0
	2015	48.4	50.1	61.4	38.8
	'15-'03	-20.0	-29.6	-21.0	-17.2
Large and Medium Enterprises (100 million RMB, times)	2003	6,879.7	3,003.9	3,781.0	125,131.7
	2015	27,483.2	12,120.7	11,340.6	718,838.6
	'15/'03	4.0	4.0	3.0	5.7
Ratio of Large and Medium Enterprises to All Enterprises (%)	2003	74.9	81.7	84.0	74.1
	2015	71.2	67.4	73.6	70.2
	'15-'03	-3.7	-14.4	-10.4	-3.9

Source: *China Statistical Yearbook*, 2004, 2016

**Table 2C Changes under the Northeast Revitalization Strategy, Manufacturing  
Enterprises, Profits**

		Year	Liaoning	Jilin	Heilongjiang	China
Profit (100 million RMB)	All Enterprises	2003	236.0	160.0	575.6	8,337.2
		2015	1,069.7	1,208.5	465.1	66,187.1
		'15/'03	4.5	7.6	0.8	7.9
	State Owned Enterprises	2003	116.0	123.0	555.5	3,836.2
		2015	-96.1	435.5	83.4	11,416.7
		'15/'03	N.A.	3.5	0.2	3.0
	Large and Medium Enterprises	2003	195.0	145.3	568.1	6,523.0
		2015	404.5	733.6	246.5	41,564.9
		'15/'03	2.1	5.0	0.4	6.4



Profit Rate (Profit/Total Assets, %)	All Enterprises	2003	2.6	4.4	12.8	4.9
		2015	2.8	6.7	3.0	6.5
		'15-'03	0.2	2.4	△ 6.1	1.5
	State Own Enterprises	2003	1.8	4.2	15.0	4.1
		2015	N.A.	4.8	0.9	2.9
		'15-'03	N.A.	0.7	-14.1	-1.2
	Large and Medium Enterprises	2003	2.8	4.8	15.0	5.2
		2015	1.5	6.1	2.2	5.8
		'15-'03	-1.4	1.2	△ 8.3	0.6

Source: *China Statistical Yearbook*, 2004, 2016

average of 4.0%.

**Table 3** shows the degree of economic openness. In 2015 the ratio of total trade to GDP was 23.3% in Liaoning, 8.8% and 6.7% in Jilin and Heilongjiang, which is far smaller than the national average of 35.9%. The ratio of FDI to GDP in Liaoning is larger than the national average, while the share of Liaoning in trade by foreign capital among the whole of China is 1.9% for exports, and, 2.3% for total trade. They are smaller than the GDP share of 4.2%. In Jilin and Heilongjiang FDI inflow and trade by foreign capital are still very small.

#### b. Another round of the Strategy

To cope with the remaining challenges and economic slowdown in the Northeast, China has introduced important policies since the latter half of 2016. In November, the State Cabinet made public the 'Opinion about some important measures to stabilize and accelerate regional economies in the Northeast by exploring and promoting one more round of the Strategy to Revitalize the Old Northeast Industrial Bases'<sup>5)</sup>. The 'Opinion' shows 14 challenges including the reform of public administration and management, an overall deepening of the reform of SOEs, accelerating the development of the

**Table 3 Economic openness of Northeast and whole China, 2015**

	Liaoning	Jiling	Heilongjiang	China
Merchandise trade total (million USD)	107,073	19,979	16,324	3,953,033
Share in China (%)	2.9	0.6	0.7	100.0
Ratio to GDP (%)	23.3	8.8	6.7	35.9
Merchandise export (Million USSD)	51,100	5,363	6,317	2,273,468
Share in China (%)	2.2	0.2	0.3	100.0
Foreign investment Company, total trade (million USD)	41,336	9,362	1,215	1,833,481
Share in China (%)	2.3	0.5	0.1	100.0
Foreign investment Company, export (million USD)	18,730	1,399	643	1,004,614
Share in China (%)	1.9	0.1	0.1	100.0
Foreign company, total investment (hundred million USD)	2,066	352	223	37,977
Share in China (%)	5.4	0.9	0.6	100.0
Ratio to GDP (%)	0.45	0.16	0.09	0.35
Foreign company, registered capital (hundred million USD)	1,029	104	97	20,757
Share in China (%)	5.0	0.5	0.5	100.0
GDP: (billion USD)	460.3	225.8	242.2	11,006.1
Share in China (%)	4.2	2.1	2.2	100.0

Source: *China Statistical Yearbook*, 2016

private economy, transformation and upgrade of existing industries, the completion of infrastructure construction, building the foundations for priority development and the open economy, including among others, a Liaoning free trade experimental zone, a platform for cooperation in industrial investment and trade with Russia, Mongolia, Japan, and Korea, and so on. China places great importance on the stabilization and recovery of the Northeast economy because it will promote balanced development among the regions in the country, and contribute to stabilizing the economy and society of the whole

country.

China has introduced a line of new policies to implement the 'Opinion'. Another round of developing economic cooperation among NEA is expected.

### 3. Structural changes in Japan's international balance of payments

In the 1980s, Japan pursued excessive financial liberalization, internationalization, and the globalization of its economy. They triggered the emergence of and bursting of a bubble economy. Since the 1990s, economic growth dramatically dropped in Japan, and many people discussed the "lost two decades" or "lost three decades". However, such a discussion largely depends on a one-sided view. We find that a new stage of economic development has been constructed in Japan not only by economic growth in East Asia, but by the efforts of the Japanese people and firms. The new development stage of the Japanese economy can be summarized by the structural shift in the international balance of payments, which act as a 'mirror' of the economy in each country.

As **Table 4** shows, the trade balance of Japan turned deficit in 2011, and the negative balance increased in years that followed. While the balance shrank in 2015 and turned surplus in 2016 because of a steep fall in the oil price, it will easily turn deficit depending on the exchange rate and the oil price. The trade balance of Japan had been negative for a long time, about 100 years, after 'Opening Ports' in 1859, the internationalization that occurred in the middle of the 19<sup>th</sup> century. It turned surplus in 1965 in the midst of high economic growth after the Second World War, and continued to be positive for almost 45 years, while it briefly turned negative because of the Oil Shock in 1973. Now the third stage, with a negative trade balance, has begun.

**Table 4 Interbnational Balance of Payments of Japan, Current Accounts,  
1996-2016 (IMF ver. 6, 100 million Yen)**

Year	Current Balance	Trade Balance	Service Balance	Primary Income Balance	Secondary Income Balance
1996	74,943	90,346	-67,172	61,544	-9,775
1997	115,700	123,709	-66,029	68,733	-10,713
1998	149,981	160,782	-65,483	66,146	-11,463
1999	129,734	141,370	-62,720	64,953	-13,869
2000	140,616	126,983	-52,685	76,914	-10,596
2001	104,524	88,469	-56,349	82,009	-9,604
2002	136,837	121,211	-56,521	78,105	-5,958
2003	161,254	124,631	-41,078	86,398	-8,697
2004	196,941	144,235	-42,274	103,488	-8,509
2005	187,277	117,712	-40,782	118,503	-8,157
2006	203,307	110,701	-37,241	142,277	-12,429
2007	249,490	141,873	-43,620	164,818	-13,581
2008	148,786	58,031	-39,131	143,402	-13,515
2009	135,925	53,876	-32,627	126,312	-11,635
2010	193,828	95,160	-26,588	136,173	-10,917
2011	104,013	-3,302	-27,799	146,210	-11,096
2012	47,640	-42,719	-38,110	139,914	-11,445
2013	44,566	-87,734	-34,786	176,978	-9,892
2014	39,215	-104,653	-30,335	194,148	-19,945
2015	162,351	-8,862	-19,307	210,189	-19,669
2016	203,421	55,251	-11,480	181,011	-21,361

Source : 財務省「国際収支状況」 [http://www.mof.go.jp/international\\_policy/reference/balance\\_of\\_payments/bpnet.htm](http://www.mof.go.jp/international_policy/reference/balance_of_payments/bpnet.htm)

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On the other hand, the income balance, and in particular the primary income balance, is positively increasing in volume. It offsets the negative volume of the trade balance, and makes the largest contribution to the positive balance of the current balance. The primary income balance consists mainly of two aspects, the income from foreign direct investment (FDI) and the income from indirect investment, i.e. portfolio investment. **Table 5** shows that the former continues to expand in contrast with the latter, which is stagnating, and the positive balance of income from FDI has expanded from 2 trillion yen in 2008 to 8 trillion yen in 2015. As the income from FDI is the result of past investment, we have compared it with the outstanding volume of investment by country and region. The average based on available data from 2014 to 2016 is shown in **Table 6**, which also shows the share of the manufacturing industry as part of total income (C/B). North America, where the US is dominant, provides Japan with a smaller income than Asia, while it has more investment from Japan than Asia has.

Generally speaking difficulties arise when attempting to obtain profit in the initial stage of an investment, and the profit rate increases according to the duration of the investment. However, Japanese FDI in China, which mainly began in the mid-1980s, achieves a 10.6% rate of return. It is much larger than the 6.7% rate of return in the US, where investment from Japan started from the mid-1970s.

China is situated close to Japan and has maintained relatively high economic growth. China has changed her economy from depending on export processing using low wage labour. Almost every country has found an expanding market in China itself, and a strengthening of relationships with neighbouring countries has further contributed to high economic growth. Japanese FDI into China will continue to make a significant contribution to the balance of

**Table 5 Japan's Balance of Investment Income. 1996-2016**  
(IMF ver. 6, 100million Yen)

Year	Direct Investment	Portfolio Investment	Others	Total
1996	15,364	43,589	2,594	61,547
1997	13,004	53,477	2,239	68,720
1998	7,682	52,762	5,678	66,122
1999	3,554	49,364	11,991	64,908
2000	17,942	51,124	7,851	76,917
2001	13,434	62,269	6,355	82,058
2002	9,879	63,455	4,875	78,209
2003	13,017	68,209	5,310	86,536
2004	24,431	74,304	4,874	103,610
2005	27,367	86,480	4,798	118,644
2006	34,503	105,558	2,249	142,311
2007	35,805	122,515	6,569	164,890
2008	20,284	113,278	9,865	143,428
2009	33,171	87,922	5,253	126,347
2010	40,537	89,930	5,751	136,218
2011	44,044	95,386	6,839	146,269
2012	39,332	93,960	6,675	139,967
2013	66,091	105,179	5,756	177,025
2014	78,273	110,044	7,041	195,358
2015	84,884	121,062	5,251	211,197
2016	72,834	103,249	5,990	182,073

Source: same as Table 4

international payments, and support the economic development of Japan.

Table 6 FDI Income Balance by country and region, 2014-16 Average

country, region	A. Investment outstanding (2013-16 end average, 100mil. Yen)	B. Investment returns(2014- 16 average, 100mil. yen)	C.	D. Non-	B/A	C/B
			Manufacturing	manufacturing	(%)	(%)
United States	434,922	28,932	13,303	15,201	6.7	46.0
China	119,370	12,712	9,176	3,536	10.6	72.2
Netherland	112,603	6,246	3,278	4,652	5.5	52.5
United Kingdom	89,359	5,684	1,154	4,530	6.4	20.3
Australia	70,885	3,302	710	2,592	4.7	21.5
Cayman Islands	28,248	1,553	503	1,050	5.5	32.4
Thailand	56,750	7,492	5,627	1,865	13.2	75.1
Singapore	50,764	5,294	2,440	2,854	10.4	46.1
Brazil	34,040	689	-20	709	2.0	-2.9
Korea, Republic of	35,846	2,632	1,611	1,021	7.3	61.2
Asia	388,893	40,615	26,597	14,018	10.4	65.5
North America	454,057	29,807	14,114	15,693	6.6	47.4
Europe	182,916	9,550	2,915	6,635	5.2	30.5
Pacific	77,871	3,608	827	2,780	4.6	22.9
Latain America	236,749	12,502	4,220	8,282	5.3	33.8
Middle East	7,061	1,789	1,130	660	25.3	63.1
Africa	11,814	786	255	532	6.7	32.4
Total	1,359,365	98,658	50,058	48,600	7.3	50.7

資料：財政金融統計月報 第 749 号、日本銀行国際収支統計「直接投資・証券投資等残高地域別統計」、同「対外・対内直接投資収益」、2017/06/08 最終 download、より作成。

#### 4. “Middle income trap” “transition trap” and economic cooperation between Japan and China in the world economy

It has been argued that the slowdown of the Chinese economy has been partly caused by the dual traps known respectively ‘middle income trap’ and ‘transition trap’<sup>6)</sup>. The latter is the delayed reform of SOEs which is still one of the greatest challenges in the northeast of China. However, there may be too much focus on national factors. We should introduce international factors or factors in the world economy into our discussion.

There have been structural problems in the world economy and the East Asian economy, which includes China. As **Tables 7A, 7B, and 7C** show, East Asia has been a driving force behind the expansion of the world economy. During 10 years between 2006 and 2016, just before and 8 years after the Lehman shock, exports from East Asia to the world increased by 1.63 times, while world trade increased by 1.32 times (see Table 7C-a). The share of East Asia in world trade increased by 5.89 points in the same period (see Table 7C-b). However, the trade imbalance in the world economy continues and is expanding. In 2006 the positive imbalance of trade in East Asia was about 300 billion USD, which as shown in Table 7A-a. It increased to nearly double that figure, about 580 billion USD in 2016 as shown in Table 7B-a. On the other hand the significant negative imbalance continues in NAFTA. It was about 650 billion USD in 2006 and 630 billion USD in 2016. These imbalances cause instability in the world economy and depress economic growth in many countries, particularly in developed countries.



**Table 7A World Trade Matrix, Export, 2006**  
(USD and %, IMF DOTS, 2017/04/07 download)

EA: East Asia, ASEAN+China Mainland, Hong Kong, Macao + Japan + Korea, Republic of +Taiwan

a (USD)

From \ To	ASEAN	EA	EU	NAFTA	World
ASEAN	192,172,133,187	443,351,109,069	98,283,299,414	115,391,628,082	769,004,305,704
EA	390,477,203,916	1,488,391,839,514	477,533,669,377	617,308,848,010	3,029,942,688,147
EU	61,086,548,261	269,932,454,584	3,142,107,488,777	392,132,324,375	4,607,559,987,190
NAFTA	60,749,141,408	274,327,594,360	251,876,305,374	901,898,551,932	1,675,355,792,131
World	647,222,364,275	2,728,762,889,039	4,718,520,285,827	2,326,530,851,043	11,983,740,827,216

b (%)

From \ To	ASEAN	EA	EU	NAFTA	World
ASEAN	1.60	3.70	0.82	0.96	6.42
EA	3.26	12.42	3.98	5.15	25.28
EU	0.51	2.25	26.22	3.27	38.45
NAFTA	0.51	2.29	2.10	7.53	13.98
World	5.40	22.77	39.37	19.41	100.00

**Table 7B World Trade Matrix, Export, 2016 (source and notes: same as Table 7A)**

a (USD)

From \ To	ASEAN	EA	EU	NAFTA	World
ASEAN	275,851,633,099	667,795,444,379	130,579,998,413	147,805,688,129	1,149,136,682,156
EA	750,951,800,185	2,457,963,234,435	641,741,085,792	876,511,530,048	4,943,589,537,315
EU	94,943,998,137	457,600,111,831	3,371,043,643,271	477,364,742,163	5,309,152,162,384
NAFTA	81,132,344,650	406,728,671,162	320,512,832,622	1,113,356,520,222	2,216,950,224,600
World	1,143,735,736,000	4,365,618,526,442	5,194,672,072,085	2,845,424,692,992	15,860,542,172,820

b (%)

From \ To	ASEAN	EA	EU	NAFTA	World
ASEAN	1.74	4.21	0.82	0.93	7.25
EA	4.73	15.50	4.05	5.53	31.17
EU	0.60	2.89	21.25	3.01	33.47
NAFTA	0.51	2.56	2.02	7.02	13.98
World	7.21	27.53	32.75	17.94	100.00

**Table 7C World Trade Matrix, Export, 2016/2006 and 2016-2006**  
(source and notes: same as Table 7A)

a 2016/2006(%)

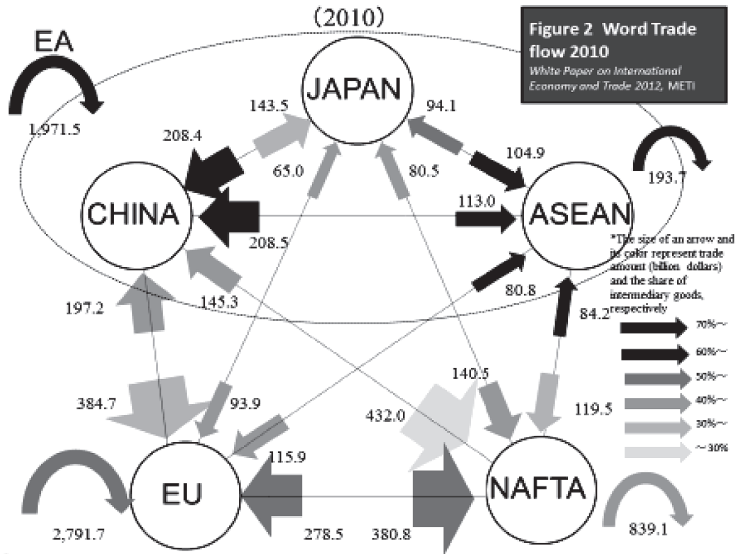
From \ To	ASEAN	EA	EU	NAFTA	World
ASEAN	1.44	1.51	1.33	1.28	1.49
EA	1.92	1.65	1.34	1.42	1.63
EU	1.55	1.70	1.07	1.22	1.15
NAFTA	1.34	1.48	1.27	1.23	1.32
World	1.77	1.60	1.10	1.22	1.32

b 2016-2006(%)

From \ To	ASEAN	EA	EU	NAFTA	World
ASEAN	0.14	0.51	0.00	-0.03	0.83
EA	1.48	3.08	0.06	0.38	5.89
EU	0.09	0.63	-4.97	-0.26	-4.97
NAFTA	0.00	0.28	-0.08	-0.51	0.00
World	1.81	4.75	-6.62	-1.47	0.00

In the background of these imbalance there is a trade structure as shown in **Figure 2**. We can see East Asia increased trade by two different trade routes, with one being intermediate goods within the region, and the other being exports of final products to outside the region, such as NAFTA and the EU. The former has been supported by the construction of both hard and soft infrastructure, and FDI from Japan, Korea, Singapore, Taiwan, and other East Asian countries including China.

As Table 7A to 7C shows, trade within East Asia has developed since the Lehman shock, though it has still been lower than trade with outside regions. The ratio of trade within the region to total trade in East Asia was 49.7% in 2016. It is almost same as 2006, and has not reached the level of the EU, which was 63.5% in 2016. In East Asia there has been an imbalance of development between intra- and inter- regional divisions of labour.



The imbalance in the international balance of payments has extended, and the trade development of China has suffered from prolonged low growth in developed countries, namely Japan, the EU, and the United States. It is important for China to balance intra- regional trade with inter- regional trade through the expansion of the consumption of final products in the domestic market by increasing people’s income for example. A higher structure of industries and continuous reform of SOEs will also be needed. Extending and deepening economic cooperation between China and neighbouring countries, such as Japan, Korea, and others, through the CJK FTA or the RCEP, for example, will contribute not only to overcoming difficulties in Northeast China, but also to overcoming recession in Japan, Korea, and the rest of the world.

## Notes

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- 3) 辻久子 (Hisako Tsuji) 「中国・『東北振興』と日本」、*ERINA REPORT*, No. 61, Jan. 2015.
- 4) Converted figure from Chinese yen to US Dollar by current exchange rate average in 2014.
- 5) 「国务院关于深入推进实施新一轮东北振兴战略加快推动东北地区经济企稳向好若干重要举措的意见」国发〔2016〕62号、中华人民共和国中央人民政府、2016年11月16日、<http://www.gov.cn>, 2017/05/19 view.
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