

# A PACIFIC ECONOMIC COMMUNITY AND ASIAN DEVELOPING COUNTRIES\*

By KIYOSHI KOJIMA\*\*

## I. *Problems*

This paper offers a highly hypothetical enquiry. First, it examines what would be the scale, character, and mutual economic benefits for members of a Pacific Free Trade Area if one were to be established among the United States of America, Canada, Japan, Australia and New Zealand in the foreseeable future. Secondly, it studies how member countries of PFTA would be able to take more efficient and consolidated actions for assisting economic development of Asian developing countries and enlarging free access of markets for their exportable products. How much exports from Asian developing countries would be expanded if PFTA countries might refrain mutually from importing a number of primary products and simple manufactures, and then divert the import of these supplies to Asian developing countries as far as they would be produced reasonably and competitively by means of increasing economic assistance from PFTA countries? How much economic assistance would be needed and what would be its effects upon both donor and receiving countries? These are also hypothetically inquired as a second step.

Our proposal for a Pacific Free Trade Area seems quite premature and would be neither economically nor politically feasible at this stage since to date the United States has tended to look toward the possibility of ultimately 'going in with' Europe. The best choice for Japan, and perhaps for the USA as well, is to expand and free her trade with every region in the world through successive multilateral tariff reductions of the Kennedy Round type. However, greater European integration between the European Economic Community and European Free Trade Association, could well produce an 'inward looking' Europe whereupon the United States might well find closer integration in the Pacific desirable. Japan, Australia, and New Zealand have become more interested in closer integration among themselves and enlarged members. Moreover, collective measures by the Pacific economic community are especially required for assisting economic development and trade growth in Asian developing countries.

It is hoped that our study in this paper, though highly hypothetical and premature, serves to make clear problems in and efficient measures for promoting economic development and

---

\* This paper was originally presented at "the International Conference on Measures for Trade Expansion of Developing Countries" held on November 10-13, 1965 in Tokyo by the Japan Economic Research Center. I am indebted to Mr. Hiroshi Kurimoto for his estimation on the transfer of markets to Asian agricultural products, which appears in the last part of this paper. I am also grateful for valuable comments of Professor Harry Johnson and other participants in the conference.

\*\* Professor (*Kyōju*) of International Economics.

trade growth both within each group as well as between the Pacific economic community and the Asian developing countries. Needed measures may be pursued immediately without waiting for the establishment of PFTA.

## II. *A Pacific Economic Community*

A Pacific Economic Community, comprising the United States, Canada, Japan, Australia and New Zealand, seems endowed with necessary conditions for establishing an economic integration of free trade area type as compared with the European Economic Community.

Population in five countries amounts to 313 million, 1.8 times as large as EEC, with a Gross National Product of US\$700 billion, 2.8 times as large as EEC, in 1963. The United States is a gigantic economy, accounting for 80 per cent of the total *GNP* of the community, and possesses the highest income level at \$2,560 per capita. Japan's population is 95 million, a half of the U.S., but her income level is the lowest, \$520. The income level of Canada, Australia and New Zealand is similar with each between \$1,300–1,600 which is a little higher than the United Kingdom and EEC, however the number of inhabitants is less, 18.6 million in Canada, 10.7 million in Australia, and 2.5 million in New Zealand.

It is problematic whether a homogeneity of the size of national economy and a similarity of the stage of economic development represented by the per capita income level are necessary and desirable conditions for economic integration. Since the Australia–New Zealand free trade agreement has come into force since January 1, 1966, they may be well thought to be an economic unit. Thus, those differences may be of no greater variety than those which exist among the EEC or EFTA countries. The question for integration lies in the fact that the United States economy is so gigantic that it does not need any integrated larger market for the sake of "economies of scale," and her interests, economical as well as political, are worldwide.

Exports from the five Pacific countries to the world amounted to \$34,300 million or 25 per cent of the world exports in 1960–62 averages which surpassed \$31,400 million of EEC's exports. Intra-areal trade among the five countries amounted to \$11,700 million which accounted for 34.1 per cent of their total exports. This was not far less than the corresponding ratio in EEC (38 per cent), as shown in Table 1, and it could increase if PFTA would be established.

The importance of the PFTA market for each member country varies from the point of view of present export destination. Due to special dependence upon the U.S. market, Canadian exports destined to the Pacific area were as high as 62.5 per cent, but, if the U.S. market is deleted, United Kingdom market was more important for Canada than the Japan, Australia and New Zealand markets. The United States exported 27 per cent of her total exports to the Pacific area which was as important as the Western European (UK, EEC and other Western Europe) market. One third of the exports from Japan and Australia went to the Pacific area. The most important market for Japan was the United States while it was Japan for Australia as far as the Pacific area was concerned. Australia and New Zealand until recently were more interested in markets in the United Kingdom and EEC countries but since the emergence of the EEC and negotiations on Britain's entry into it — which broke down — the eyes of Australia and New Zealand have been increasingly turning away

TABLE 1. PERCENTAGE SHARE MATRIX OF WORLD TRADE FOR 1960-62 AVERAGE

Exports to \ Exports from	a	b	c	d	e	f	g	h	i	j	k
	U. S. A.	Canada	Japan	Aus- tralia	N. Z.	Pacific C.	Other Asia	U. K.	E. E. C.	Other W. E.	World
a U. S. A.		17.75	7.13	1.75	0.32	26.95	9.20	5.75	16.91	7.59	100.00
b Canada	56.83		3.56	1.62	0.46	62.47	3.40	15.76	7.96	2.99	100.00
c Japan	27.19	2.74		2.90	0.55	33.38	32.09	3.24	4.98	4.84	100.00
d Australia	9.47	1.66	16.53		6.00	33.66	13.88	21.77	16.16	2.92	100.00
e New Zealand	14.54	1.29	3.80	3.68		23.31	1.19	51.02	17.56	1.07	100.00
f Pacific Countries	14.01	11.39	6.16	1.81	0.73	34.10	11.29	9.24	13.82	6.00	100.00
g Other Asia	17.02	1.72	12.39	2.76	0.06	33.95	23.80	10.26	11.46	3.05	100.00
h United Kingdom	8.66	5.60	1.02	6.07	3.09	24.44	10.93		17.53	19.55	100.00
i E. E. C.	11.36	1.46	0.70	1.17	0.43	15.12	3.09	5.98	37.98	13.00	100.00
j Other W. Europe	9.94	1.07	1.33	0.41	0.06	12.81	1.60	13.03	43.25	14.39	100.00
k World	11.27	4.19	3.88	1.64	0.56	21.54	7.23	9.17	23.69	9.56	100.00

Source: *Direction of Trade, Annual 1958-62, A Supplement to International Financial Statistics.*

Other Asia: Afganistan, Brunei, Burma, Cambodia, Ceylon, China Mainland, China Taiwan, Hong Kong, India, Indonesia, Irian Barat, Korea Rep., Laos, Malaya Fed., North Borneo, Pakistan, Philippines, Ryukyus, Sarawak, Singapore, Thailand, Vietnam, Port Poss India, Asia NS.

from Britain and towards the Pacific Economic Community and Asian developing countries.

Turning to the trade of the Pacific Economic Community with Asian developing countries ("Other Asia" in Table 1), Japan has the greatest interest since she exported to them 32 per cent of her total exports, however Australia as well as the United States are also interested. The five Pacific countries taken together exported 11.3 per cent of their total exports to Asian developing countries. The only country outside the Pacific Economic Community who is keenly interested in trade with Asian developing countries is the United Kingdom,<sup>1</sup> exporting 11 per cent of her total exports to them. The five Pacific countries took 34 per cent of the exports from the Asian developing countries. These close trade relations between the Pacific Economic Community and Asian developing countries require special measures for trade growth and mutual economic development, and may suggest the possibility of associated membership of the latter in the Pacific Free Trade Area.<sup>2</sup>

### III. Intensity of Trade among Pacific Economic Community Countries

The intensity and character of trade among Pacific Economic Community countries and their trade with Asian developing countries may be examined more closely. The extent to which Japan, for example, trades more or less with particular countries may be measured by 'intensity of trade' indices.<sup>3</sup> The intensity of Japan's export trade with another country is

<sup>1</sup> If the United Kingdom's reaction to the establishment of PFTA were favorable, her entry into it would be welcome.

<sup>2</sup> A similar associated membership relation may also be considered between Pacific Economic Community countries and Latin American countries.

<sup>3</sup> The concept of 'intensities of trade' was first used in A. J. Brown's, *Applied Economics, Aspects of the World Economy in War and Peace*, London, 1947, pp. 212-226.

measured by the ratio of that country's share in Japanese exports to its total share in world imports.<sup>4</sup> If the intensity of Japan's exports is 100 with all countries, then Japan's exports will be distributed by country exactly in proportion to each country's share in total world trade. World trade may be taken as representative of the structure of world demand in tradable commodities. In fact, however, trade will never be distributed in precisely this way. An export intensity of more (or less) than 100 indicates that Japan is exporting more (or less) to a particular country than might be expected from that country's share in total world imports. Japan can therefore be said to have developed her export markets more (or less) intensively in that country than in some other country. Likewise, the intensity of other country's export to Japan indicates the extent to which Japan takes more imports from a particular country than might be expected from that country's share in world trade. The greater the intensity of both Japan's export and import trade with a particular country, the more complementary their industrial structures are likely to be, the closer they are likely to be geographically, historically, and culturally, and the lower trade barriers are likely to be between them.

As shown in Table 2, the intensity of intra-areal trade, exports as well as imports, of each member country of the Pacific Economic Community was more than 100 except Australian imports (87) in 1960-62. Five Pacific countries traded with each other intensively. In exports, the order of intensity was 345 for Canada, 233 for USA, 182 for Japan, 166 for Australia, and 110 for New Zealand. As compared with exports, the intensity of imports was generally lower. This means that each of the five countries exported more heavily to market within the area while each imported more heavily from the outside region, and, therefore, there is room for increasing their imports within the area by diverting from outside sources.

TABLE 2. INTENSITY OF TRADE FOR 1960-62 AVERAGE

Exports to \ Exports from	<i>a</i> U. S. A.	<i>b</i> Canada	<i>c</i> Japan	<i>d</i> Aus- tralia	<i>e</i> N. Z.	<i>f</i> Pacific C.	<i>g</i> Other Asia	<i>h</i> U. K.	<i>i</i> E. E. C.	<i>j</i> Other W. E.
<i>a</i> U. S. A.		376	163	95	51	233	113	56	63	70
<i>b</i> Canada	483		88	95	79	345	45	165	322	30
<i>c</i> Japan	232	63		170	95	182	427	34	20	49
<i>d</i> Australia	83	39	418		1,053	166	189	233	67	30
<i>e</i> New Zealand	128	31	97	223		110	16	553	74	11
<i>f</i> Pacific Countries	106	213	124	87	103		122	79	46	49
<i>g</i> Other Asia	140	38	296	156	10	146		104	45	30
<i>h</i> United Kingdom	70	121	24	335	498	103	137		67	186
<i>i</i> E. E. C.	77	27	14	54	59	54	33	50		104
<i>j</i> Other W. Europe	80	23	31	23	97	54	20	129	165	

Calculated from Table 1.

<sup>4</sup> In symbols,  $\frac{X_{jt}}{X_j} / \frac{M_i}{W-M_j} \times 100$ ,

where  $X_{jt}$  stands for Japanese exports to country  $i$ ;  $X_j$  for total Japanese exports ( $=\sum X_{jt}$ );  $M_i$  for total imports by country  $i$ ;  $M_j$  for total imports by Japan; and  $W$  for total world imports. It might be argued that the denominator of  $M_i/(W-M_j)$  should be  $W$ , instead of  $W-M_j$ . However, this does not seem valid since Japanese imports do not constitute a demand for Japanese exports meaningfully.

USA-Canada trade was very intensive (index was 376 and 483) and Australia and New Zealand trade was also intensive although there was a big imbalance in indices between 1,053 for Australian exports and 223 for New Zealand's exports. These high intensities are naturally due to special neighbourhood relations. Japan traded intensively with the USA (232 and 163) and Australia (170 and 418). These come mainly from complementary trade of manufactures in exchange for primary products. It is interesting to find that the USA's trade with Western Europe was far less intensive than her trade with Pacific countries.

As compared with these four intensive bilateral trade relations, the other six bilateral trade relations (i.e., New Zealand-USA, N.Z.-Canada, N.Z.-Japan, Canada-Australia, Canada-Japan, and Australia-USA) were less intensive. Except Japan, four countries are competitive with each other in exporting primary products; and Canada, Australia and New Zealand have been looking outward more intensively towards UK and/or EEC for exporting primary products and for importing manufactured commodities.

Trade relations with Asian developing countries were also intensive for Pacific Community countries taken together (122 for their exports and 146 for Asian exports). Japan had the most intensive trade relations with Asian developing countries (427 and 296) leading Australia (189 and 156) and the USA (113 and 140). Trade intensities of Canada and New Zealand with Asian developing countries were very low, however. Degree of trade intensity is mainly due to either complementarity or competitiveness of mutual exports.

Whether trade relations are complementary or competitive should be examined further. To simplify this more extensive analysis, commodities traded internationally may be classified into the following four broad groups:

*A-group* comprises agricultural products such as staple foods, other foodstuffs (including processed food) and agricultural raw materials.

*N-group* comprises natural resource intensive products such as minerals, metals, and fuels.

*L-group* comprises light manufactures.

*K-group* comprises heavy manufactures and chemicals which are generally more capital-intensive goods than L-group.

Table 3 clearly shows differences of export composition for each country. Let us divide the share of a certain commodity category in each country by the corresponding share in world trade. This may be called "relative share index,"<sup>6</sup> which is calculated in Table 4. For example, 112 for Japan's K-goods means that Japan's share in world exports of that commodity is 12 per cent larger than its share in exports of all commodities. This reveals that Japan's comparative advantage is stronger in K-goods than its average of total exports. Countries with a relative share larger than 100 in the same commodity category may be said to be competitive with each other but complementary with countries whose relative share is small and differs widely.

In the case of light manufactures (L-goods), Japan recorded in 1960-62 the highest relative share (261) and was competitive with Western Europe (131) and Asian developing countries (126), but complementary with New Zealand, Australia, the United States and Canada. In the case of heavy manufactures and chemicals (K-goods), the United States (136) and Japan (112) recorded a higher relative share, though Western Europe marked the highest, and were complementary with Asian developing countries, New Zealand, Australia, and Canada.

<sup>6</sup> Formula for calculation is the same as "intensity of trade index" previously shown.

TABLE 3. COMMODITY COMPOSITION OF TRADE FOR 1960-62 AVERAGE

	U. S. A.	Canada	Japan	Australia	New Zealand	Southeast Asia <sup>6)</sup>	Western Europe <sup>6)</sup>	World
N-Goods <sup>1)</sup>	6.9	18.1	0.5	6.6	0.2	11.0	6.3	14.4
A-Goods <sup>2)</sup>	27.0	31.3	9.7	79.8	95.8	62.4	16.0	28.9
L-Goods <sup>3)</sup>	15.6	17.8	48.1	3.5	1.3	23.2	24.2	18.4
K-Goods <sup>4)</sup>	50.5	32.8	41.6	10.1	2.7	3.4	53.5	37.1

Source: UN, *Commodity Trade Statistics*.

- 1) Natural resource intensive products: SITC 27, 28, and 3.
- 2) Agricultural products: SITC 0, 1, 2 ex. 27, 28, and 4.
- 3) Light manufactures: SITC 6 ex 67, 68, 69, and 8.
- 4) Heavy manufactures and chemicals: SITC 5, 67, 68, 69, and 7.
- 5) Countries included in 'Southeast Asia' are somewhat different from 'Other Asia' in Table 1.
- 6) The total of UK, EEC, and other Europe.

TABLE 4. RELATIVE SHARE INDEX:  
An International Comparison for 1960-62 Average

	N-good	A-goods	L-goods	K-goods
U. S. A.	48	93	85	136
Canada	126	108	97	88
Japan	3	34	261	112
Australia	46	276	19	27
New Zealand	14	331	8	7
S. E. Asia	76	216	126	9
Western Europe	44	55	131	144

Calculated from Table 3.

In the case of agricultural products, competitive relations were seen among New Zealand, Australia, Asian developing countries, Canada, and, possibly, the United States, and they had complementary relations only with Japan and Western Europe. In the case of natural resource intensive goods (N-goods), the relative share index was generally low for all countries except Canada, and Japan's very low index (3) is noticeable. Some competitive relations may exist among the United States, Australia and Asian developing countries who had a relative share of similar range.

In order to consider how to expand trade among the five Pacific Community countries as well as their trade with Asian developing countries, we face two important problems.

First, four countries in the Pacific economic community, except Japan, are competitive not only with each other but also with Asian developing countries in exporting agricultural products and some natural resource intensive goods. Intra-areal trade of those commodities in the Pacific Economic Community would increase if they reduce or abolish tariffs and other trade restrictions through the establishment of a Pacific Free Trade Area. In order to provide Asian developing countries with a much wider opportunity for exporting primary products, it would be required for Pacific Community countries to increase assistance for developing primary productions in Asian countries and to enforce structural adjustments for providing

them with larger markets.

Secondly, a similar problem is seen for expanding trade of manufactured goods. Here, the liberalization of trade through the PFTA would work most effectively. At the same time, the Pacific Community countries should open a wider market for light manufactures produced by Asian developing countries in exchange for the former's capital goods.

These possibilities and needed measures for them will be examined.

#### IV. *Effects of Tariff Elimination in PFTA*

Here an attempt is made to estimate the impact of the elimination of tariff upon five advanced countries who might establish a Pacific Free Trade Area.

Attention is confined to measuring their immediate or static effects only. The direct effect of tariff reductions on trade in each commodity will depend upon the height of the original tariff, changes in tariff rates, and the responsiveness of demand and supply to changes in price.

All commodities which accounted for US\$10 million or more of each country's imports in 1963 are taken into consideration. The coverage is about 90 per cent for each country. Tariff data are derived from two publications from PEP's *Tariffs and Trade in Western Europe* and *Atlantic Tariff and Trade*, and *The Customs Tariff* of Japan, Australia and New Zealand.

Where export prices are assumed to remain unchanged,  $t$  is the original tariff level, and  $a$  is the rate of tariff reduction, import prices will decline by:

$$a \cdot \frac{t}{100+t}.$$

Where  $M$  is the original import value for each commodity,  $\Delta M$  the increment in import value due to tariff reduction, and  $\eta$  the price elasticity of import demand, the rate of estimated increase in import will be:

$$\frac{\Delta M}{M} = a \cdot \frac{t}{100+t} \cdot \eta.$$

Following estimates by Ball and Mavwah,<sup>6</sup> the relevant import demand elasticities are assumed to be as follows:

	For U.S. A.	For other advanced countries
Crude foodstuffs	-0.61	-0.34
Manufactured foodstuffs	-2.91	-1.87
Crude materials	-0.53	-0.26
Semi-manufactures	-1.89	-1.38
Manufactures	-4.74	-3.50

As shown in Table 5, it is estimated that intra-areal trade of PFTA countries would increase by \$3,183 million which accounts for 23 per cent of the total intra-areal trade in 1963

<sup>6</sup> B. J. Ball and K. Mavwah, "The U.S. Demand for Imports, 1948-1958," *Review of Economics and Statistics*, Nov. 1962, pp. 355-401.

and for 8 and 10 per cent respectively of total exports to and imports from the world. This is not a small expansion. The gain from tariff elimination is not equally distributed among the five countries, however. Japan's exports would increase by \$961 million or 21 per cent while her imports by \$343 million or 6 per cent. Japan would be able to improve her balance of trade with the area which was deficit by \$1,000 million in 1963. The United States would increase exports by \$1,602 million or 7 per cent and imports by \$1,381 million or 8 per cent, leaving some export surplus in increments and improving further her export surplus with the area. Australia would suffer from import surplus in increments (\$51 million in exports and \$338 million in imports), but this would make her trade with the area balance. Trade of Canada and New Zealand were in balance in 1963 and would fall in import surplus because of a larger increase in imports than in exports.

TABLE 5. TRADE AMONG PFTA COUNTRIES IN 1963 AND ESTIMATED INCREASE BY TARIFF ELIMINATION

	U. S. A.	Canada	Japan	Australia	New Zealand	Total
Trade with Pacific Economic Community (million dollars)						
Exports	6,426	4,203	1,731	1,041	284	13,685
Imports	5,768	4,219	2,698	701	299	13,685
Estimated Increase by Tariff Elimination (million dollars)						
Exports	1,602	552	961	51	17	3,183
Imports	1,381	1,039	343	338	82	3,183
Ratio of Estimated Increase to Total trade with the World (%)						
Exports	6.85	8.14	20.77	1.82	1.82	8.27
Imports	8.09	17.07	5.66	13.63	9.04	9.77

Thus, Japan and the United States would improve balance of trade with the area, while Canada, Australia, and New Zealand would deteriorate. Although such a difference of gain from tariff elimination would appear, the most important fact is that the expansion of intra-areal trade would be fairly large. The smaller rate of increase in exports than in imports for Canada, Australia, and New Zealand should be remedied through dynamic effects of free trade area.

As shown in Table 6, in terms of intra-areal trade in 1963, an increase of trade in food and raw materials would be limited (4 and 2 per cent respectively) while that of light manufactures as well as heavy manufactures and chemicals would be remarkable (37 and 39 per cent respectively). This is true for each country. These results are expected since existing tariffs are low for primary products and high for manufactures. Thus, the elimination of tariff would promote trade in manufactures of the area as a whole and horizontal trade between each two countries, but it would not stimulate comparably trade in primary products. Such a difference in stimulation is also the cause of varied effects for each country.

How the trade balance between each two countries would change is shown in Table 7. Japan would improve trade balance with all the four countries in the area; the United States would do the same with three countries, except Japan; Canada's trade balance would deteriorate with the United States and Japan while improving with Australia and New Zealand;



TABLE 6. THE RATIO OF ESTIMATED INCREASE IN TRADE BY COMMODITY GROUP TO THE INTRA-AREAL TRADE IN PFTA COUNTRIES FOR 1963 (%)

	U. S. A.	Canada	Japan	Australia	New Zealand	Total	X	ΔX
							\$ million	
Food								
Exports	3.16	3.21	26.18	2.23	1.02	4.01	1,807.4	72.5
Imports	4.79	1.43	2.87	20.03	20.25			
Raw Materials								
Exports	1.74	1.89	1.13	1.91	4.33	1.91	3,903.6	74.7
Imports	2.34	1.92	0.70	8.36	13.35			
Light Manufactures								
Exports	33.91	18.25	62.18	14.97	21.86	36.78	2,858.3	1,051.2
Imports	38.63	30.66	57.39	41.02	27.39			
Heavy Manufactures and Chemicals								
Exports	39.16	29.59	53.65	22.53	56.85	38.78	5,115.6	1,984.0
Imports	39.11	33.00	45.53	66.74	32.92			
All Commodities								
Exports	24.93	13.08	55.54	4.87	5.83	23.25	13,684.9	3,182.4
Imports	23.95	24.62	12.70	48.19	27.31			

Australia's would deteriorate with three countries, except New Zealand; and New Zealand's would deteriorate with all four countries. Such an order mainly depends upon the degree of concentration of exports either in manufactures or in primary products, and suggests the need of industrialization for New Zealand, Australia and Canada. It is noticed that these three countries are relatively small economies among PFTA members. Smaller countries would be expected to obtain larger gain from integration and their industrialization would be promoted more rapidly through dynamic effects of the formation of PFTA, though they may be extremely difficult to measure.

TABLE 7. THE RATIO OF ESTIMATED INCREASE IN TRADE BY COUNTRY TO THE INTRA-AREAL TRADE IN PFTA COUNTRIES FOR 1963 (%)

	U. S. A.	Canada	Japan	Australia	New Zealand
U. S. A.					
Exports	—	24.61	17.15	57.18	50.22
Imports	—	13.39	58.14	4.20	2.44
Canada					
Exports	13.39	—	2.88	26.61	21.30
Imports	24.61	—	34.90	0.97	0.72
Japan					
Exports	58.14	34.90	—	46.33	39.74
Imports	17.15	2.88	—	1.43	5.97
Australia					
Exports	4.20	0.97	1.43	—	17.09
Imports	57.18	26.61	46.33	—	12.15
New Zealand					
Exports	2.44	0.72	5.97	12.15	—
Imports	50.22	21.30	39.74	17.09	—

Dynamic effects are related to market size, technological change and capital movements. The elimination of tariffs can give rise to technological improvements by increasing the effective

size of the market, as well as through the effects of competition in a larger area. Moreover, trade liberalization may lead to freer movement of capital and the spread of technical know-how beyond national frontiers. These dynamic effects would work more favorably for the relatively small countries which have abundant natural resources.

In view of close trade ties and a larger possibility of increasing trade through the reduction or elimination of tariffs, a Pacific Free Trade Area among the United States, Canada, Japan, Australia, and New Zealand offers a target worthwhile studying, although it envisages a number of problems to be solved before its establishment.

The establishment of a 'richmen's club' as large as PFTA would have particularly adverse effects, economic as well as political, on Asian developing countries. The 'trade diverting effects' of a PFTA organization might work against Asian interests. If this happened, the establishment of PFTA would be a poison for Asian developing countries.

Let us suppose that the elimination of tariffs among PFTA countries would extend to Asian products under a most-favored-nation clause. Since imports from Asian developing countries are concentrated in primary products and light manufactures, the latter of which have been increasing but still remain in small amount, an expected increase in imports for PFTA countries is very limited, unless the present (in 1963) export capacity of Asian developing countries is strengthened.

According to our estimation, imports from Asian developing countries would increase by \$331 million in the USA, \$19 million in Canada, \$39 million in Japan, \$30 million in Australia, \$14 million in New Zealand, and \$433 million in the five countries taken together, accounting for 15 per cent of their imports from Asian developing countries in 1963. This is not a large sum. For the five countries, the estimated increase in imports would be \$36 million in food, \$25 million in raw materials, \$338 million in light manufactures, and \$34 million in heavy manufactures and chemicals.

These estimations suggest that the liberalization of trade and free access of market for Asian developing countries' products would not help much to expand trade for them. Beside the liberalization of trade, stronger measures for widening the market through structural adjustment in the Pacific advanced countries and for assistance in increasing the export capacity of Asian developing countries are necessary. These stronger measures could not be pursued unless consolidated actions would be made possible through the establishment of PFTA. Even the elimination of tariffs and other trade restrictions which is applicable to developing countries would be realized through the formation of PFTA. Here a possible poison is transformed into a remedy.

#### V. *Competition in Export between Advanced and Developing Countries in the Pacific Area*

In case the advanced countries in the Pacific area try to promote economic development in Asian developing countries and trade growth with them, it poses a problem since there is a competitive relation between the two groups in exporting primary products and light manufactures of the labor intensive type. Moreover, the far greater expansion of exports from advanced countries have suppressed the trade growth of Asian developing countries.

Take for example Japan's imports of primary products. In the prewar days soybean was

imported from mainland China and rice was exclusively imported from Formosa and Korea. Nowadays, however, soybean and rice are imported from the USA. This does not represent all of the changes witnessed. Since liberalization of Japanese trade which has been propelled rapidly since 1960, the import of primary goods is being made in increasingly larger quantities from the Pacific advanced countries, whose supplies are better in quality, cheaper in price, better in quality control and more punctual in delivery. The liberalization of trade is causing to turn its back to Asia. For instance, the import of sugar from Australia was increased to 20.7% in 1963 from 8.1% in 1959 in relation to the total imports of the commodity, while the import of maize from the U.S.A. was increased to 41.1% in 1963 from 13.8% in 1960. The import of sorghum began in 1961 with rapid increases in the quantity of import. Now more than 99% of the Japan's requirement is purchased from the U.S.A. Concerning raw cotton, however, there were wide fluctuations in the percentages of imports from various countries; the shares of import from the U.S.A. were 22.9% in 1959, 51.2% in 1960, 50.6% in 1961, 32.3% in 1962 and 31.6% in 1963. In mineral products, the import of iron ore from the U.S.A., Canada and Australia increased to 15.2% in 1963 from 13.4% in 1959, with the rapid increase in import from Australia being expected. In copper ore, the import from Canada and Australia drastically increased to 46.5% in 1963 from 21.3% in 1959. Coking coal was overwhelmingly imported from the U.S.A., Canada and Australia with the increase to 94.2% in 1963 from 92.9% in 1959.

The tendency to decrease the import of primary goods from developing countries is not limited only to Japan. According to the GATT investigation, imports of agricultural products into industrial areas combined from all sources expanded by nearly 40 per cent between 1953-55 and 1961-63. While imports originating from industrial countries themselves increased by about 60 per cent and those coming from Australia, New Zealand and South Africa, taken together, about as fast as average, imports of agricultural commodities originating in the other non-industrial countries expanded in volume by only one-fifth, i.e., three times less rapidly than agricultural trade among industrial countries.<sup>7</sup> Particularly, net exports from Southeast Asia fell by nearly one quarter between 1953-55 and 1960-62.<sup>8</sup> GATT points out the increase in consumption of agricultural products in developing countries themselves as one of the factors attributable to the decrease of export from those countries. At the same time, however, it also remarked that there will be room left for the expansion of production capable of increasing both exports and consumption in the developing countries if only the appropriate policies are taken. If the shares of developing countries in the markets of industrial countries had remained the same as in 1953-55, the export earnings of developing countries as a whole would have been about \$2,000 million higher in 1961-63. Furthermore, imports by developing countries from other areas, for agricultural products as a whole, with the exception of non-commercial deliveries, amounted to nearly \$4,000 million in 1963: an expansion in the production and trade of these countries would tend to permit a reduction in deliveries from industrial countries.<sup>9</sup>

Perhaps, it will be considerably difficult to politically change the sources of supply for mineral products which are influenced by the availability of deposits, difficulties for extraction and transportation, etc. However, concerning the agricultural products such as food and raw

<sup>7</sup> GATT, *International Trade 1963*, Geneva 1964, p. 10.

<sup>8</sup> *Ibid.*, p. 13.

<sup>9</sup> *Ibid.*, p. 17.

materials, there should be fairly large room for transferring the sources of supply from advanced countries to developing countries. This is the field for which the consolidated policy of the Pacific advanced countries is very much required.

As to the matter of competition of the Pacific advanced countries with Southeast Asia in the export of light manufactures, no detailed explanation will be made here. As shown in Table 8 and Table 9, however, there are fairly remarkable advances of developing countries, Southeast Asia in particular, in the export of labor intensive light manufactures; Japan's shares in each export market are declining, though Japan's competitive power is still strong in that she does not import the products of developing countries in large amount. For textile yarn and fabric, in 1960-62 average, the export of Southeast Asia to the Pacific advanced countries amounted to \$240 million which is coming nearer to the import of \$380 million from those countries (Table 10). It is only Japan that the export to Southeast Asia far exceeded the import from that area with the export having amounted to as large an amount as \$310 million against the import of \$2 million, while North America exported \$70 million to Southeast Asia and imported \$170 million from that area with the import having exceeded the export. Oceania was also in the state that the import from Southeast Asia exceeded the export to that area, because the import amounted to \$74 million while no export was made to Southeast Asia. It is to be noted that Japan and Southeast Asia exported approximately the same amounts to North America and Oceania respectively.

TABLE 8. COMPETITION BETWEEN JAPAN AND THE DEVELOPING COUNTRIES<sup>1)</sup>  
IN THE ADVANCED COUNTRIES' MARKET<sup>2)</sup> (%)

Commodities	Share of Japan					Share of the Developing Countries			
	SITC	1954	1958	1961	1963	1954	1958	1961	1963
Leather products	612	—	0.9	1.2	2.5	5.2	5.4	7.8	9.1
Rubber products	621 629}	0.8	2.6	4.7	3.5	1.3	0.8	1.2	12.8
Plywoods, wood products	631 632}	10.7	19.8	17.2	14.7	5.3	7.7	11.1	16.2
Textiles	651 657}	4.2	8.4	7.1	5.8	12.7	13.3	14.1	17.8
Furnitures	812 821}	0.9	1.8	1.6	2.2	3.5	3.5	1.8	10.9
Travel goods	831	1.9	7.8	12.7	7.9	8.5	5.5	5.0	13.0
Clothes	841	7.9	17.7	12.0	8.9	8.3	14.5	17.5	24.2
Footwear	851	2.9	11.6	23.7	11.5	16.0	12.6	6.7	11.2
Miscellaneous goods <sup>3)</sup>	899	8.7	9.4	12.5	12.9	3.8	3.8	8.1	11.2
Total		5.5	10.4	9.8	8.0	9.4	10.3	11.9	16.8
U. S. A.		18.9	32.5	29.0	26.6	20.3	19.4	23.5	26.7
U. K.		3.8	3.2	2.7	2.4	37.3	26.4	24.8	28.9
Western Europe		1.4	2.8	2.8	2.7	2.4	3.7	4.4	11.5

Source: Compiled from United Nations, *Commodity Trade Statistics*.

- 1) Including countries other than the U. S. A., Canada, the Western European countries, Australia, New Zealand, South Africa, Japan and the centrally planned countries.
- 2) Including the following 13 countries: U. S. A., Canada, Belgium, Luxemburg, Netherlands, the Federal Republic of Germany, France, Italy, United Kingdom, Denmark, Sweden, Norway and Austria.
- 3) Including toys, stationeries, buttons, artificial flowers, umbrellas, smoking goods, etc.

TABLE 9. SHARE OF JAPAN AND THE DEVELOPING COUNTRIES  
IN THE U. S. A. IMPORTS (%)upper column=1955  
middle column=1962  
lower column=1963 Jan.-June

Commodities	Japan	Developing countries	Philippine	India	Hong Kong	Taiwan
Plywood	27.9	5.4	1.9	—	—	—
	40.0	32.0	15.0	—	0.1	7.5
	39.2	29.7	14.2	—	0.2	6.6
Wood manufactures	43.8	3.7	0.1	0.1	1.1	0.2
	28.4	8.4	0.6	0.4	2.6	0.6
	25.7	10.7	0.6	0.3	3.6	1.0
Textile yarn and fabrics	19.8	27.5	0.5	20.3	—	—
	25.9	33.7	0.3	20.6	3.2	1.1
	23.3	40.4	0.3	26.3	3.0	0.8
Clothing	40.0	17.0	12.4	0.4	1.3	0.5
	29.4	30.7	7.4	—	17.2	2.2
	28.6	35.0	7.4	0.1	19.4	2.4
Miscellaneous manufactured articles	28.3	5.8	0.6	0.1	1.8	0.1
	26.9	33.0	0.5	0.1	29.7	0.2
	26.4	31.0	0.5	—	27.4	—
Total*	25.4	18.5	2.6	10.0	0.9	0.1
	29.5	28.2	3.4	9.0	8.1	1.7
	27.5	32.5	3.1	12.4	8.1	1.5

\* Total of SITC code number 631, 632, 65, 821, 831, 841, 851, 899.

Source: UN, *Commodity Trade Statistics*.

TABLE 10. TRADE MATRIX FOR TEXTILE YARN AND FABRIC (SITC 65)

1960-1962 Average  
Million dollars, f. o. b.

Exports to \ Exports from	a	b	c	d	e	f
	N. America	Japan	Oceania	Total	S. E. Asia	World
a North America	133	2	30	165	70	520
b Japan	170	—	69	239	312	913
c Oceania	—	—	4	4	—	6
d Total (a+b+c)	303	2	103	408	382	1,439
e S. E. Asia	168	2	74	244	169	750
f World	847	19	502	1,368	783	6,313

Oceania=Australia+New Zealand

S. E. Asia=Sterling Asia+Other Asia

Source: UN, *Monthly Bulletin of Statistics*, April 1964.

In view of abundant and cheap labor resources, it is a promising measure for economic development in Southeast Asia to increase the export of light manufactures to the Pacific advanced countries. In consideration of the expected increase of consumption in Southeast Asia itself, it is essential to exert efforts to enlarge its production capacity, improve the qualities of products, and diversify the kinds of products, for which aids in capital and technical know-how from developed countries are needed. On the other hand, the advanced

countries are required to cast away their protective policy on light manufacturing industries and to open their doors to the products of developing countries. For this purpose, a structural adjustment in industry and employment is required in the advanced countries. Here, Japan's position is delicate. Japan's light manufacturing industry is still strong in international competition, and Japan does not prevent the import of light manufactures originating from developing countries by artificial protective measures. However, since Japan's labor market is already becoming tighter and wage levels are beginning to increase more rapidly in recent years, it is to be foreseen that Japan will become weaker in exporting manufactures of the labor intensive type. Therefore, it will be profitable for Japan to import simple manufactures from Asian developing countries in fairly large quantities; on the other hand, Japan will have to shift her export items to finer and more sophisticated manufactures. This kind of structural adjustment is more required for other Pacific advanced countries whose income level is far higher than Japan.

## VI. *Transfer of Markets to Asian Agricultural Products*

How large a market could be transferred from produces of Pacific advanced countries to those of Asian developing countries are estimated hypothetically. The survey is confined to agricultural products, however, because of the limitation of time.

We assume two steps in transferring markets for agricultural produces. In the first round, the Pacific advanced countries are to refrain from importing agricultural products as much as possible from other advanced countries and to transfer supply sources to Asian developing countries. At the same time, the advanced countries are to abstain from expanding agricultural production for their own consumption and to open the increase of demands for the Asian products. It will take about ten years to complete the first round. The transfer of supply sources is considered in those agricultural products which can be produced in Asian developing countries competitively in terms of quality, price, delivery, etc. with the goods of advanced countries. Between five and ten years should be allowed for developing countries to improve productivity and to increase export capacity. For advanced countries too, some length of period is required for adjusting industrial structure and employment.

In the second round, a further transfer of market to developing countries' products would take place if the Pacific advanced countries are to refrain from exporting agricultural products to countries outside the area, especially to Western Europe, and to curtail their production to the limit of "minimum self-sufficiency" which may be determined from optimum allocation of resources, consideration for national defense, etc. In this paper our investigation is confined to the first round, although the effects of the second round would be far greater and require wider structural adjustment in advanced countries not only in the Pacific area but also in Western Europe.

Data for our study is available in FAO, *Commodity Review 1964, Special Supplement, Trade in Agricultural Commodities in the United Nations Development Decade*. The coverage of trade statistics is sufficiently high (three quarters) as far as food (including beverage and tobacco) and agricultural raw materials originating from developing countries are concerned. One defect of FAO statistics is the fact that trade of Australia, New Zealand and South Africa is combined together and, accordingly, South African trade is included in the total of

Pacific advanced countries. Since the importance of South African trade is very much limited, it does not bring about any serious bias for our estimation.

As shown in Table 11 and 12, we have selected eight agricultural products as items which are produced competitively both in Pacific advanced countries and Asian developing countries and markets for which would be transferred from the former to the latter products. Special products of developing countries, such as coffee, cacao, tea, banana, rubber, jute and other hard fibers, are excluded from the objects of examination, since they are not competitive products. For the same reason, dairy products, wool and wheat are also excluded.

Concerning expected increase in demands for agricultural exports originating from Asian developing countries, we set up our own forecast based upon similar attempts done by ECAFE, FAO and The Institute of Asian Economic Affairs (see Table 11).

As to oil and fat and raw cotton, which are most important items, in view of the variety of their kinds and uses, more detailed examination shall be required. But, it was supposed that more than two thirds of the oil and fat now being supplied by the Pacific advanced countries could be transferred to Southeast Asia. In forecasting the situation ten years hence, the share of Southeast Asia was adjusted to meet the increase of demands in the advanced countries in consideration of the special products in other developing areas.

Concerning sugar, it seems that the effects of the first round will not be so large as other items. In view of the competition with beet sugar, adjustment in Western Europe as scheduled in the second round would be more important.

We estimate an aggregated sum at \$672 million, consisting of \$317 million which can be transferred by Japan to Southeast Asian products and \$355 million which are to be increased in 1970, and another aggregated sum at \$408 million, consisting of \$183 million which can be transferred by Pacific advanced countries other than Japan to Southeast Asian products and \$225 million which are to be increased in ten years hence. In other words, since the exports of agricultural products from Southeast Asia to the Pacific advanced countries amounted to \$1,160 million in the period of 1959-61, Asian exports would be increased almost double on the development of the first round. As mentioned before, FAO statistics cover 75% of foodstuff and 86% of agricultural raw materials, and so the presumed figure can be inflated in accordance with the said percentages. Namely, the exports of agricultural products from Southeast Asia to the Pacific advanced countries are expected to increase from \$1,414 million in 1959-61 to \$2,750 million in 1970.

Possibility for import substitution in Asian developing countries as regards agricultural products imported from advanced countries should also be estimated. In 1959-61 the imports from the Pacific advanced countries amounted to \$875 million, of which foodstuff accounted for \$645 million and raw materials accounted for \$230 million. Moreover, with the goods not listed on FAO statistics being included, Southeast Asia imported foodstuff worth \$740 million and raw materials value \$300 million, totaling \$1,040 million, from the Pacific advanced countries in 1959-61. If Asian developing countries succeed in substituting a majority of these imports for their domestic production in the process of the first round, the results will be about the same in scale as the transfer of market would bring forth.

## VII. *Repercussions upon Pacific Economic Community*

An estimated change in Asian developing countries' trade is not insignificant: \$1,300 million of foreign exchange earnings through the transfer of market and another \$1,000 million in saving of foreign exchange through the import substitution of agricultural products. This would surely contribute to improve the balance of payments in Asian developing countries. According to the ECAFE projection, based upon an assumed growth rate of national income at 5 per cent (as shown in the footnote for Table 14), some \$5,000 million of deficit in the balance of trade is foreseen for the year of 1970. The deficit could be reduced to \$2,500 million if our projection were realized (Table 14). The still remaining trade gap would be filled if the similar measures as in our projection for agricultural products would be taken for mining products as well as light manufactures of the labor intensive type.

It should be remembered that the trade gap of some \$5,000 million forecasted by ECAFE is a burden for advanced countries, mainly in the Pacific Economic Community, which should be filled up anyhow through economic assistance and other measures. As compared with this, the impact of our scheme upon the Pacific Economic Community countries would be far less burdensome. For Japan, it is only needed to transfer supply sources of agricultural imports from Pacific advanced countries to Asian developing countries. However, Japan has to buy the latter's products even if they are expensive for some period until Asian productivity improves. For other Pacific Community countries taken together, they would lose exports of food by \$95 million or 1.7 per cent of the total exports of food and those of agricultural raw materials by \$90 million or 1.8 per cent of the total exports of these products. Thus, the transfer of markets in favor of developing countries is a more economical measure for advanced countries than a financial stop gap of trade in developing countries.

In order to realize our scheme, in addition to the required structural adjustment in Pacific advanced countries, financial and technical assistance to Asian developing countries is indispensable for improving productivity and expanding production capacity of Asian agriculture. But this would be less expensive relatively to other types of economic assistance.

In order to increase agricultural production in Asian developing countries by \$2,300 million as was worked out in our scheme, an investment of \$3,500-4,000 million will be required, since a capital-output ratio in the agricultural sector is not high and confined within the range between 1.5 and 2.<sup>10</sup> It is not easy to estimate the foreign exchange requirement for investment in Asian developing countries. The ECAFE projection envisages this ratio to be 30 per cent for the national economy as a whole, but the ratio for the agricultural sector should be far smaller, say at 10 per cent. Then, a mere \$400 million of foreign exchange would be required to carry out our scheme. Even if this sum is provided by aid from Pacific advanced countries in the form of technical assistance, chemical fertilizer or assistance for building fertilizer plants, small agricultural machines, etc., it would be a small burden as compared with other kind of more expensive aid. Moreover, the aid for directly productive

---

<sup>10</sup> The second five-year plan in India (1956/57-1960/61) envisages the marginal capital-output ratio for the agricultural sector to be 1.9. A realized ratio in the Philippines for 1958-61 was 1.2 and a planned ratio for 1962-67 is 1.6. See, *Japan ECAFE Information*, No. 300, 1962 and P. S. Reyes, "The Changing Structure of the Philippine Economy," Table 2, *The Statistical Reporter*, April 1962.



activity feeds back to the advanced countries with their export increase of capital goods which facilitates their structural adjustment.<sup>11</sup>

### VIII. *Conclusion*

Whether or not a Pacific Free Trade Area among the United States, Canada, Japan, Australia and New Zealand is established, the transfer of market in favor of Asian developing countries should be pursued since it could pose a quite promising improvement in the balance of trade and employment as well as national income of Asian developing countries. Moreover, it would be quite economical and effective measures to support economic development of Asian countries and to promote trade between Pacific advanced countries and Asian developing countries.

Since structural adjustment and consolidated economic assistance are required for Pacific advanced countries, the establishment of a PFTA is desired to be a consolidated policy making body. Only with such an organization, agreed measures are efficiently pursued and burdens are shared. Moreover, due to the beneficial effects of tariff elimination and other indirect and dynamic effects, PFTA countries would become more prosperous and could expand more rapidly mutual trade in manufactured goods. This would increase the trade with Asian developing countries and facilitate the required structural adjustment in relation to the latter.

It is hoped that the liberalization of trade among Pacific advanced countries and, at the same time, the transfer of market in favor of Asian developing countries will bring about a more optimum allocation of resources and a more prosperous trade in the Pacific and Asian region.

---

<sup>11</sup> See Kiyoshi Kojima, "A Proposal for International Aid," *Developing Economies* (The Institute of Asian Economic Affairs, Tokyo), Vol. II, No. 4, December 1964.

TABLE 11. ESTIMATE ON THE TRANSFER OF AGRICULTURAL MARKETS  
IN FAVOR OF ASIAN DEVELOPING COUNTRIES (MILLION DOLLARS)  
(1) In case Japan transfers her imports of agricultural products from  
Pacific advanced countries to Asian Developing Countries

	(1) Imports from Pacific Advanced Countries 1959-61	(2) Trans- ferable Amount	(3) FAO Forecast a)	(4) ECAFE Forecast b)	(5) Forecast by the Institute of Asian Economic Affairs c)	(6) 10-year Forecast by the Present Study	(7) Demand Increase in Japan
a) Food (Incl. beverages & tobacco)							
Cereals	13	13				During 1953-55 — 1959-61, imports by developed countries decreased by 9%. Japan's imports will decrease to 1/4.	0
Maize	44	44			Exports of Asian Developing countries in 1970 will be 4 times that of 1960. Export surplus of Asian Dev. countries in 1970 will be one million tons.	During 1953-55 — 1959-61, demand by developed countries doubled. Japan's imports increased to 5.7 times. Further increase will be 200% during the coming 10 years, of which two-thirds will be transferred to Asian Developing countries.	+100
Sugar	8	8	Japan's demand in 1980 will be twice that of 1960. Exports of under-developed areas in 1970 will be 20% above 1960.	Exports of Asian Developing countries in 1980 will be 30-50% above 1960.	Exports of Formosa to Japan in 1970 will be one-third above 1960.	During 1953-55 — 1959-61, demand by developed countries increased by 10%. Japan's demand increased by 20%. Further increase will be 50% during the coming 10 years, all of which will be transferred to Asia.	+40
Tobacco	17	17	Japan's demand in 1980 will be 1/4-2/3 above 1960. Exports of under-developed areas in 1970 will be 40% above 1960.	Exports of Asian Developing countries in 1980 will be 15-60% above 1960.	Exports of Asian Developing countries in 1970 will be 35% less than 1960.	During 1953-55 — 1959-61, demand by developed countries increased by 15%. Japan's demand increased by 22%. Further increase will be 50% during the coming 10 years, half of which will be transferred to Asian Developing countries.	+5
	82	82					+145
Sub-Total							

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
b) Raw Materials							
Fat & Oil	150	100	Japan's demand in 1980 will be 3 times that of 1960.		Exports of oil fruit by Asian developing countries in 1970 will be 45% above 1960. No change in vegetable oil.	During 1953-55 — 1959-61, imports by developed countries increased by 50%. Japan's imports increased by 70%. Further increase will be 100% during the coming 10 years, of which 2/3 will be transferred to Asian developing countries.	+130
Raw Cotton	188	125	Japan's demand in 1980 will be 1/4-2/3 above 1960. Export surplus of under-developed countries in 1970 will decrease from 1960.	Exports of South-east Asian countries in 1980 will be 15-60% above 1960.	Exports of South-east Asia in 1970 will be 2.3 times that of 1960.	During 1953-55 — 1959-61, import by advanced countries increased by 10%. Japan's import increased by 23%. Further increase of 25% during the coming 10 years, of which 2/3 will be transferred to South-east Asia.	+60
Raw Hide	33	10	Exports of developing countries in 1970 will be 40% above 1960.			During 1953-55 — 1959-61, import by advanced countries increased by 60%. Japan's import increased by 100%. Further increase of 200% during the coming 10 years, of which 1/4 will be transferred to South-east Asia.	+20
	371	235					+210
	453	317					+355
c) Total							

Source of Data : a) FAO, *Trade in Agricultural Commodities in the United Nations Development Decade, 1965*.  
 b) ECAFE, "Projections of Foreign Trade of the ECAFE Region up to 1980," *Economic Bulletin for Asia and the Far East*, Vol XIV, No. 3, December 1963.  
 c) The Institute of Asian Economic Affairs, *Economic Growth and Regional Cooperation in Asia, 1965*.

TABLE 12. ESTIMATE ON THE TRANSFER OF AGRICULTURAL MARKETS IN FAVOR OF ASIAN DEVELOPING COUNTRIES (million dollars)

(II) In case Pacific advanced countries except Japan transfer their mutual imports to Asian Developing Countries

		(1) Imports from Pacific Advanced Countries	(2) Trans- ferable Amount 1959-61 Average	(3) 10-year Forecast by This Study	(4) Demand Increase in Pacific Advanced Countries Except Japan
a) Food (Incl. beverages & tobacco)					
Cereals	Asian Developing countries' Share in imports of Pacific advanced countries is 0. Negligible in other markets as well. All will be transferred to Asia Developing countries.	24	24	During 1953-55-1959-61, imports by North America decreased by 2/3.	0
Maize	Asian Developing countries' Share in imports of Pacific advanced countries is very small. Also small in other markets as well. All will be transferred to Asian Developing countries.	20	20	During 1953-55-1959-61, imports increased by 3 times. Further increase of 100% during the coming 10 years. All will be transferred to Asian Developing countries.	+60
Rice	All will be transferred to Asian Developing countries.	7	7		0
Sugar	Asian Developing countries' Share in imports of Pacific advanced countries is small. Also small in other markets as well. All will be transferred to Asian Developing countries.	21	21	During 1953-55-1959-61, imports increased by 20%. Further increase will be 10% during the coming 10 years. All will be transferred to Asian Developing countries.	+50
Tobacco	Asian Developing countries' Share in imports of Pacific advanced countries is small. Also small in other markets as well. All will be transferred to Asian Developing countries.	23	23	During 1953-55-1959-61, imports increased by 20%. Further increase will be 40% during the coming 10 years. All will be transferred to Asian Developing countries.	+30
	Sub-Total	95	95		+140
b) Raw Materials					
Oil & Fat	Asian Developing countries' Share in imports of Pacific advanced countries is comparatively high, but small in other markets. 2/3 will be transferred to Asian Developing countries.	78	52	During 1953-55-1959-61, imports increased by 13%. Further increase will be 1/3 during the coming 10 years, of which 2/3 will be transferred to Asian Developing countries.	+60
Raw Cotton	Asian Developing countries' Share in imports of Pacific advanced countries is very small. Also small in other markets as well. 2/3 will be transferred to Asian Developing countries.	54	36	During 1953-55-1959-61, imports increased by 23%. Further increase will be 40% during the coming 10 years, of which 2/3 will be transferred to Asian Developing countries.	+25
	Sub-Total	132	88		+85
c) Total		227	183		+225

TABLE 13. SUMMARY OF ESTIMATE ON THE TRANSFER OF AGRICULTURAL  
MARKETS IN FAVOR OF ASIAN DEVELOPING COUNTRIES (million dollars)  
Total of Table 11 and Table 12

	Transferable Amount in 1959-61 Average	Demand Increase in Japan and Other Pacific Advanced Countries during the Coming Ten Years	Total
a) Food (Incl. beverages & tobacco)	177	+285	462
b) Raw Materials	323	+295	618
c) Total	500	+580	1,080

TABLE 14. EFFECTS OF MARKET TRANSFER AND IMPORT SUBSTITUTION ON TRADE  
BALANCE OF ASIAN DEVELOPING COUNTRIES (million dollars)

	ECAFE Forecast <sup>1)</sup>				Forecast by This Study	
	1960		1970 <sup>2)</sup>		1970	
	Import	Export	Import	Export	Import <sup>3)</sup>	Export <sup>4)</sup>
Food	1,700	1,900	3,750	2,750	3,050	3,350
Raw Materials	2,900	3,900	6,050	6,450	5,750	7,150
Consumption Goods	1,500	1,800	1,450	3,600	1,450	3,600
Capital Goods	3,100	—	6,350	—	6,350	—
Total	9,200	7,600	17,600	12,800	16,600	14,100

1) ECAFE, "Projections of Foreign Trade of the ECAFE Region up to 1980," *Economic Bulletin for Asia and the Far East*, Vol. XIV, No. 3, December 1963.

2) Estimated figures for 1970 were calculated by adding half of the difference of figures between 1960 and 1980 to the figures of 1960. ECAFE forecast for 1980 are as follows (million dollars).

	Import	Export
Food	5,800	3,600
Raw Materials	9,200	9,000
Consumption Goods	1,400	5,400
Capital Goods	9,600	—
Total	26,000	18,000

3) On the assumption that imports of 700 million dollars of food and 300 million dollars of raw materials from advanced countries are substituted by Asian developing countries' products, the amounts are deducted from imports for 1970 projected by ECAFE.

4) Of the market transfer effect in Table 13, the amount of 462 million dollars for food is based upon FAO statistics which cover 75% of the total exports of Asian Developing countries to Pacific advanced countries. If inflated by the coverage ratio, the market transfer effect will become 620 million dollars. This amount is therefore added to the exports of food for 1970 projected by ECAFE. Similarly, the amount of 618 million dollars for agricultural raw materials is based upon FAO statistics which cover 86% of the total exports of agricultural raw materials. This figure of 618 million dollars, when inflated by the coverage ratio, becomes 720 million dollars. The amount of 700 million dollars is therefore added to the ECAFE projection on raw materials.