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TRADE IN MANUFACTURES, NEWLY INDUSTRIALIZING ECONOMIES (NIEs), AND REGIONAL DEVELOPMENT IN THE WORLD ECONOMY—A EUROPEAN VIEW

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I

IN the course of 1988 it became increasingly clear that tendencies to regionalize, as well as the economic (trade) policy problem of regionalism, were rapidly becoming a subject of great concern in many sectors of the world economy. Two good examples are the lively debate about the European Single Market 1992 and the "fortress sympton," and about the U.S.-Canada Free Trade Agreement. On the one hand this development is a general problem in the international economic order, especially with respect to the GATT and the Uruguay Round [10]. On the other hand the phenomenon is also a special issue, i.e., the integration of the NIEs into the world economy via trade in manufactures with the geographically proximate trilateral core-countries/regions: the EC, the United States, and Japan ("hinterland relations").

Various rumors about *U.S.* Free Trade Agreements and Geographically Discriminatory Arrangements[1] in the "South" (for instance Mexico or subgroups of East Asian NIEs), after the Caribbean Basin Initiative, caused widespread concern. This concern spread to include tendencies to regionalize in *East Asia.* Because of the yen appreciation, the open-door policy of the People's Republic of China, and the growing *intra*-regional development of the East Asian region on the whole, thoughts regarding a somewhat closer Pacific cooperation policy apparently took more definite shape recently [6] [15] [9]. Last, in Europe, the just (1986) extended *EC of Twelve* was enlarged by three "old" European NIEs, and the EC policy of preferences vis-à-vis the Mediterranean countries has come to be seen as a distinguished example of European regionalism.

International competition in manufactures spans a very broad spectrum of issues. New sources of goods and a variety of dynamic exporters must be considered to understand the new horizontal international division of labor with substitutive exports, which has replaced the older pattern of simple complementary trade flows with the NIEs. The famous OECD NICs report [11] commands particular attention because it paid appropriate regard to the different hinterland-relations the OECD group of the NIEs have with "their" centers of gravity. The OECD explicitly identified not only the well-known, often-quoted "four little tigers (dragons)" of East Asia but also three Latin American NIEs (Mexico, Brazil, and Argentina) and—last but not least—four Southern European NIEs: Besides Jugoslavia, the

[1] Compare [13].

three Euro-NICs or EC-entrants, Greece, Spain, and Portugal. This regional aspect is seldom recognized,[2] however, it is of great topical significance not only for Europe (EC 1992), but for the world economy in general.

Finally, those CMEA countries close to the Southern European NIEs should not be forgotten. Competition between Eastern Europe (Poland, Hungary, Rumania, and Bulgaria) and NIEs overseas is a very sensitive area for the socialist, semi-industrialized countries, as is clearly shown by the instructive investigations by Inotai [4] [5], Poznański [14], Palocz-Nemeth [12], and Lenel [7]. Moreover, both groups of European countries are part of the competitive process among *all* regional groups of NIEs. This competition takes place *predominantly* in the hinterland of the EC, because of European NIEs, in contrast to the extra-regional trade bias of the East Asian NIEs, do far less business in other parts of the world economy.[3]

Of course, NIEs are facing an identification problem which could stand in the way of "regionalizing NIEs." Which countries, for instance, do belong to the category? Economic theory has nothing satisfying to offer. The group has no legal definition either. International organizations and economists alike prefer to "go it alone"; so in the end we have to confess that the country lists are open-ended and quite arbitrary. One approach is to ignore Europe completely and concentrate on Asia only. Japan (as the first NIC in former times), the four little dragons, plus a few countries in Southeast Asia as well as China, of course, are not only the core of the often-quoted new Pacific (regional) center of the world economy, but they equally symbolize the NIE-phenomenon so singularly that the list of NIEs might be limited to the East Asian region [8].

Nevertheless, we will not follow this approach here. On the contrary, the present paper elaborates at some length on an empirical comparative investigation, in order to distinguish the particular hinterland relations of NIEs. After a few methodological remarks in the next section (II), this is done extensively in Sections III through V, returning in Section VI to the topical questions of regionalism already touched upon in Section I.

II

In order to get a first empirical idea of the regional agglomerations of the OECD NIEs trade, data for *manufactures* in 1981 and 1986 have been drawn upon (Tables I–IX). Focusing merely on trade flows in manufactures needs no further explanation in the case of newly *industrializing* economies. The year 1986 follows directly from the available statistics; 1981 was chosen as a reasonably normal year just between the second oil shock and the start of the debt crisis (1982) and the recession period of the early 1980s.

This paper considers only those NIEs facing the trilateral regions of the old industrial countries. In accordance with the original OECD report of 1979, only

[2] However, see [8, pp. 18–21] [18, pp. 63–66].

[3] The rivalry between E.NIEs of the CMEA and A.NIEs diminished considerably in the 1980s because of the "systemic" handicaps of the CMEA countries (compare Section V.3). Regarding the extra-regional trade bias of the A.NIEs compare [9, pp. 65–66].

three regions of developing economies have been taken into consideration: Southern (Eastern) Europe, East Asia, and Latin America. Africa until now could not contribute NIEs; and the continent of South Asia (India) has to be taken as a special case without overriding regional aspects in the world economy. As can be seen from the classifications of the regional subgroups in the tables, the chosen countries include not only the commonly identified NIEs, but also quite a few more countries. This was done to cover as completely as possible the trade flows of the three NIE regions opposite the Trilateralists. Moreover, it allows a reasonable comparison of the dimensions of the East Asian region with the dimensions of the two other regions because only the first region consists more or less exclusively of NIEs, if the dominant four little dragons are joined by the second and third "generation," ASEAN and China, which is quite common [8]. Furthermore, the extension is justified because the trade flows of manufactures at that level of aggregation are comparable whether they originate from NIEs or from the other developing countries listed in the tables.

The classification of these three extended regions of "NIEs" also confirms the significance of the core-NIEs representing the first subgroup: the European entrants (Greece, Spain, and Portugal), the two *countries* among the little dragons (Taiwan and the Republic of Korea) and the three large Latin American states (Argentina, Brazil, and Mexico). The compilation of the Latin American states is not very convincing though very common,[4] whereas the separation of Taiwan and Korea from Hong Kong and Singapore certainly makes more sense. The association of Hong Kong with China and Singapore with ASEAN (or Malaysia/Thailand respectively) also seems plausible. Generally, the other classifications consist of either "generations," special geographical groupings (Eastern Europe, CMEA) or merely of a heterogeneous residual group used to add the needed trade flows for the respective regions. Before returning to special aspects of regionalism and hinterland relations (Section V) the three NIE regions *collectively* have to be characterized and discussed (Tables I and II).

III

In the period considered, the intra-group supply and demand of *all* NIE regions (equal to the imports and exports, respectively, of the Trilateralists) increased. In 1986 the respective figures were about U.S.$69 billion and U.S.$48 billion higher than in 1981. The proportion of the *supply* (Table I) amongst the three regions remained surprisingly constant: the European NIEs (E.NIEs) had 27 per cent, the Asian NIEs (A.NIEs) 59 per cent, and the rest went to the NIEs of Latin America (LA.NIEs). The *demand,* however, has changed quite a lot. In Europe and Latin America it *fell* by 6 and 16 percentage points respectively. In East Asia, on the other hand, it *increased* by 22 points (Table II). This development in particular reflects deficiencies in the Mediterranean countries (decreasing oil-revenues) and in Latin America (debt crisis related import restrictions), and demonstrates the very stable economic strength of the A.NIEs.

[4] Mexico and Brazil are very different, not just for locational reasons but otherwise too (oil for instance). Argentina holds a very weak position as a NIE.

TABLE I

IMPORTS OF MANUFACTURES FROM GROUPS OF NIEs TO TRILATERAL REGIONS IN 1981 AND 1986

(U.S.$ million)

		EC	%	U.S.A.	%	Japan	%	Tril. Regions	%
Europe	1981	17,490	51.9	3,810	10.3	486	6.5	21,786	27.9
	%	80.3		17.5		2.2		100.0	
	1986	31,616	56.7	6,537	8.2	678	5.9	38,831	26.4
	%	81.4		16.8		1.7		100.0	
East Asia	1981	13,754	40.8	25,128	67.9	6,346	85.2	45,229	57.9
	%	30.4		55.6		14.0		100.0	
	1986	20,816	37.3	56,516	70.7	9,854	86.3	87,186	59.2
	%	23.9		64.8		11.3		100.0	
Latin America	1981	2,431	7.2	8,086	21.8	613	8.2	11,129	14.2
	%	21.8		72.7		5.5		100.0	
	1986	3,357	6.0	16,896	21.1	889	7.8	21,142	14.4
	%	15.9		79.9		4.2		100.0	
Total	1981	33,675	100.0	37,024	100.0	7,445	100.0	78,144	100.0
	%	43.1		47.4		9.5		100.0	
	1986	55,789	100.0	79,949	100.0	11,421	100.0	147,159	100.0
	%	37.9		54.3		7.8		100.0	

Sources: OECD, Department of Economics and Statistics, *Statistics of Foreign Trade,* Series C, *Foreign Trade by Commodities,* various issues.

Notes: 1. Manufactures: SITC 5–8 excluding 68.

2. Europe: (1) Spain, Portugal, Greece; (2) Jugoslavia, Israel, Turkey; (3) Poland, Hungary, Rumania, Bulgaria; (4) Morocco, Algeria, Tunisia, Libya, Egypt, Malta, Cyprus.
East Asia: (1) Taiwan, Korea; (2) Hong Kong, China; (3) Malaysia, Thailand, Singapore; (4) Philippines, Indonesia.
Latin America: (1) Argentina, Brazil, Mexico; (2) Rest of Latin America (Western hemisphere).

3. EC: 1981 (10), 1986 (12).

Regarding the trilateral regions, the ranks with respect to imports clearly became more stretched with the United States having the lead and Japan remaining outstandingly in last place. On the export side, the United States and Japan traded places in the hierarchy. The EC, remarkably, stuck to its dominant share in exports while its import share decreased only mildly (compare the following table).

		EC	U.S.A.	Japan
Import share	1981	43.1	47.4	9.5
	1986	37.9	54.3	7.8
Export share	1981	47.9	30.3	21.8
	1986	47.6	23.2	29.2

Developments and issues regarding the Trilateralists' *hinterland relations* can be summarized as follows:

TABLE II

EXPORTS OF MANUFACTURES FROM TRILATERAL REGIONS TO GROUPS OF NIEs IN 1981 AND 1986

(U.S.$ million)

		EC	%	U.S.A.	%	Japan	%	Tril. Regions	%
Europe	1981	48,227	67.7	6,315	14.0	5,228	16.1	59,770	40.2
	%	80.7		10.6		8.7		100.0	
	1986	57,273	61.1	5,387	11.8	4,692	8.2	67,351	34.2
	%	85.0		8.0		7.0		100.0	
East Asia	1981	6,362	8.9	7,266	16.1	17,242	53.2	30,870	20.8
	%	20.6		23.5		55.9		100.0	
	1986	21,572	23.0	17,911	39.2	44,252	77.0	83,735	42.5
	%	25.8		21.4		52.8		100.0	
Latin America	1981	16,623	23.3	31,447	69.8	9,959	30.7	58,029	39.0
	%	28.6		54.2		17.2		100.0	
	1986	14,877	15.9	22,422	49.0	8,559	14.9	45,858	23.3
	%	32.4		48.9		18.7		100.0	
Total	1981	71,212	100.0	45,028	100.0	32,429	100.0	148,669	100.0
	%	47.9		30.3		21.8		100.0	
	1986	93,722	100.0	45,720	100.0	57,503	100.0	196,945	100.0
	%	47.6		23.2		29.2		100.0	

Sources and Notes: Same as Table I.

1. Between the *EC* and the *E.NIEs* the relationship has become most unambiguous and interdependent. By 1981 80 per cent of the E.NIEs' supply was sent to the EC, which bought more than half of its manufactured imports from the E.NIEs. In 1986 these shares were even a bit larger. E.NIEs' imports from the EC reached similar, somewhat higher levels. It should be noted that imports and exports of the EC developed *contrarily*: the export share fell from 68 per cent to 61 per cent, the import share rose from 52 per cent to 57 per cent. Instructive for both changes is the complementary development of the import/export shares of the A.NIEs: their import share decreased by 4 percentage points while still playing a very considerable role on the EC markets (37 per cent). Equally instructive is the 14 per cent increase in the EC's exports to the region. This last point is also an indicator of the export standing of the EC in the A.NIEs region, which apparently is not as bad as is often maintained.

2. For the hinterland relations of the *A.NIEs,* more diversified but also more unbalanced relations command attention than in the case of the E.NIEs. This has to be seen in accordance with their *intra*-regional restrictions and *extra*-regional strategies [9] on the one hand and the different import penetration circumstances in the trilateral regions on the other hand. Interestingly, it is less and less recognizable which of the two trilateral regions, the United States or Japan, has to be considered as the true hinterland region of the A.NIEs. The A.NIEs' share of Japanese and U.S. imports from all NIEs is rather high (86 per cent and 70 per cent respectively) in comparison to the E.NIEs' share of EC imports (57 per cent). In

absolute figures, however, there are large, well-known differences between the two regions: for example, in 1986, U.S.$56 billion of imports in the United States vis-à-vis U.S.$10 billion in the case of Japan. This is reflected in the different shares both regions hold of the A.NIEs' exports to the Trilateralists, i.e., 65 per cent for the United States versus 11 per cent for Japan (and a respectable 24 per cent for the EC).

With respect to imports of the A.NIEs from the trilateral regions, Japan leads the way: 53 per cent in comparison to 26 per cent (EC) and 21 per cent (the United States). Seen from the Trilateralist's point of view the differences among them are also quite considerable: U.S.$44 billion and U.S.$18 billion for Japan and the United States respectively, that means 77 per cent and 40 per cent of their NIEs' export volume. The figures for the EC are U.S.$21.5 billion and 23 per cent. The distinctly asymmetrical positions Japan and the United States have developed towards A.NIEs is drastically confirmed by their contrasting trade balances; the huge U.S. deficit (U.S.$38.6 billion in 1986) nearly "compensates" Japan's huge surplus of U.S.$34.5 billion.

3. The *LA.NIEs* in 1986 clearly had by far the weakest hinterland position. Like the E.NIEs they are equally highly concentrated on *one* trilateral region, i.e., the United States (81 per cent). However, unlike the other NIEs regions, their import share in the U.S. market is rather small (21 per cent in comparison to 86 per cent for A.NIEs in Japan and 57 per cent for E.NIEs in the EC). Because of implications of the debt crisis, LA.NIEs were also the only region with export losses for all Trilateralists in 1986 vis-à-vis 1981. The strongest disadvantage (relatively and absolutely) naturally developed in the United States, the dominant region of origin (49 per cent) for the LA.NIEs.

IV

From a *European point of view* four further aspects should be considered.

(a) First of all, the dominance of the EC as supplier of manufactures has to be underscored. This is not only with respect to the E.NIEs (85 per cent) but also in comparison to the respective shares of the United States and Japan in "their" NIEs regions (49 per cent and 53 per cent). The significance of the EC supplier-role is impressively underlined by the absolute export volumes of the Trilateralists. In 1986 the EC exported U.S.$94 billion to all NIEs regions, Japan exported more than U.S.$37 billion less, and the United States reached an export volume of only U.S.$45 billion. Even if no *direct* hinterland regions are included, the EC fares comparably well: U.S.$46 billion were sold in *overseas regions* (A.NIEs and LA.NIEs) whereas the United States exported about U.S.$23 billion to A.NIEs and E.NIEs, and Japan merely U.S.$13 billion to Latin American and European NIEs. This state of affairs at least puts biased judgements on the modest presence of European industry overseas into a more adequate perspective.

(b) Even considering only trade (im-)balances makes the EC look quite good. Although the trade surplus in 1986 was high (U.S.$38 billion), it was still U.S.$8 billion less than that of Japan (in the face of a much lower level of trade flows).

TABLE III

IMPORTS AND EXPORTS OF SELECTED MANUFACTURES FROM/TO GROUPS OF NIEs TO/FROM TRILATERAL REGIONS IN 1986

(U.S.$ billion)

	EC		U.S.A.		Japan	
	Import	Export	Import	Export	Import	Export
A.NIEs (9)						
SITC 7	6.99	11.45	19.97	11.56	1.63	24.33
SITC 6+8 (excl. 68)	13.33	5.78	35.64	3.06	7.17	15.38
E.NIEs (10)						
SITC 7	9.42	20.99	1.30	2.82	0.03	2.57
SITC 6+8 (excl. 68)	16.84	14.57	4.62	0.79	0.48	0.70
LA.NIEs (3)						
SITC 7	0.79	3.61	8.11	8.14	0.16	1.77
SITC 6+8 (excl. 68)	1.39	1.23	5.20	2.53	0.33	0.41
A.NIEs (4)						
Engineering products	6.84	5.94	20.87	7.94	2.32	19.09
Consumers goods	7.30	1.40	23.90	0.75	3.95	3.00

Sources: OECD, Department of Economics and Statistics, *Statistics of Foreign Trade*, Series C, *Foreign Trade by Commodities*, various issues; for A.NIEs (4), "Four Dragons," GATT, *International Trade 1986–87* (Geneva, 1987), p. 169, Table A9.
Note: For groups of NIEs, compare Table I: A.NIEs = (1) + (2) + (3) + (4); E.NIEs = (1) + (2) + (3); LA.NIEs = (1).

In particular, the surplus was comparatively less vis-à-vis the E.NIEs than that of Japan vis-à-vis the A.NIEs (U.S.$26 billion vs. U.S.$24 billion).

With regard to the trade surplus in Europe (E.NIEs) an especially important aspect has to be added, which for the two other Trilateralists is hardly (Japan) or less (the United States) relevant. Without quantitative underpinning, the hypothesis could be dared that the settlement of trade imbalances by "Gastarbeiter transfers" and service revenues (tourism) gives the EC a clear advantage. Therefore, on the level of factor flows or "non-tradables," Europe (including the Mediterranean countries) has a more closely integrated hinterland than the other regions.

(c) Finally, particularly for the relations between Europe and East Asia, the following comparison is noteworthy. On the one hand, the strong difference between the very small exports from E.NIEs to Japan (U.S.$0.7 billion in 1986) and the considerable exports from A.NIEs to the EC (U.S.$20.8 billion) bears full witness to the importance of *intra-* versus *extra-*regional trade strategies [10]. On the other hand, the remarkable rise of the EC exports into the A.NIEs region (U.S.$21.6 billion 1986 in contrast to U.S.$6.3 billion 1981) presumably is part of the new dynamic inter-regional relations between the EC and the Pacific. In contrast to the U.S.-Pacific relationship, the European relationship appears to be better balanced and more advantageous for the EC.

TABLE IV

IMPORTS OF MANUFACTURES FROM GROUPS OF E.NIEs TO TRILATERAL REGIONS IN 1981 AND 1986

(U.S.$ million)

		EC	%	U.S.A.	%	Tril. Regions	%
Southern Europe (entrants)	1981	9,507	54.4	1,510	39.6	11,229	51.5
	%	84.7		13.4		100.0	
	1986	18,196	57.6	2,602	39.8	21,017	54.1
	%	86.6		12.4		100.0	
Southern Europe (other countries)	1981	3,373	19.3	1,486	39.0	5,070	23.3
	%	66.5		29.3		100.0	
	1986	6,999	22.1	3,173	48.5	10,504	27.1
	%	66.6		30.2		100.0	
Eastern Europe	1981	3,071	17.6	780	20.5	3,914	18.0
	%	78.5		19.9		100.0	
	1986	3,890	12.3	643	9.8	4,654	12.0
	%	83.6		13.8		100.0	
Mediterranean countries	1981	1,539	8.8	33	0.9	1,575	7.2
	%	97.7		2.1		100.0	
	1986	2,531	8.0	119	1.8	2,655	6.8
	%	85.3		4.5		100.0	
Europe (total)	1981	17,490	100.0	3,810	100.0	21,786	100.0
	%	80.3		17.5		100.0	
	1986	31,616	100.0	6,537	100.0	38,831	100.0
	%	81.4		16.8		100.0	

Sources and Notes: Same as Table I.

(d) So far the discussion has been based only on the overall value of manufactures trade. A more detailed picture is revealed in Table III, which offers data on two main subgroups of manufactures trade flows, namely "total engineering products" and "consumer goods" following GATT sources or SITC 7 versus SITC 6 (excluding 68) and 8, using the OECD statistics as in all the other tables. The figures of Table III give evidence for the quite common hypothesis that, in the case of A.NIEs-Japan/U.S. relations, the predominant flows consist of exports of capital and intermediate products from Japan to NIEs and exports of consumer goods from NIEs to the United States causing the well-known trade imbalances [see point (b)]. Moreover, as must be expected, E.NIEs and LA.NIEs are apparently far more polarized toward their centers of gravity in these subgroups, apart from more two-way trade, showing no triangular pattern which would raise trade policy concerns.

V

So far, the discussion of hinterland relations has focused on the NIEs regions as collective units (Tables I and II). *Splitting up the data into sub-groups* (Tables IV–

TABLE V

EXPORTS OF MANUFACTURES FROM TRILATERAL REGIONS TO GROUPS OF E.NIEs IN 1981 AND 1986

(U.S.$ million)

		EC	%	U.S.A.	%	Tril. Regions	%
Southern Europe (entrants)	1981	15,355	31.8	2,013	31.9	19,174	32.1
	%	80.1		10.5		100.0	
	1986	24,674	43.1	1,608	29.8	28,333	42.1
	%	87.1		5.7		100.0	
Southern Europe (other countries)	1981	8,156	16.9	1,872	29.6	10,481	17.5
	%	77.8		17.9		100.0	
	1986	12,715	22.2	2,363	43.9	16,077	23.9
	%	79.1		14.7		100.0	
Eastern Europe	1981	5,375	11.1	2,223	3.5	5,972	10.0
	%	90.0		3.7		100.0	
	1986	5,617	9.8	241	4.5	6,249	9.3
	%	89.9		3.9		100.0	
Mediterranean countries	1981	19,341	40.1	2,208	35.0	24,141	40.4
	%	80.1		9.1		100.0	
	1986	14,266	24.9	1,175	21.8	16,691	24.8
	%	85.5		7.0		100.0	
Europe (total)	1981	48,227	100.0	6,315	100.0	59,770	100.0
	%	80.7		10.6		100.0	
	1986	57,273	100.0	5,387	100.0	67,351	100.0
	%	85.0		8.0		100.0	

Sources and Notes: Same as Table I.

IX) more or less underlines the developments and issues elaborated. The dominant position and influence of the core NIEs has already been emphasized. Though further details cannot be discussed in the present paper because of space limitations, three important issues ought to be mentioned: the quite recent intra-regional tendencies in East Asia, the rather heterogeneous subgroups in Latin America, and —most important from the European view—the prospects regarding the CMEA NIEs of Eastern Europe.

1. Regarding closer intra-regional trade in the Pacific rim region, we face at least three issues: a very genuine bilateral Japan/U.S. problem; the competitive edge both Trilateralists have to settle vis-à-vis the *East Asian NIEs*; and the eminent role China might play in the future [20]. A larger intra-regional potential (besides the Chinese market outlet) together with the appreciation of the yen could do something to correct the extra-regional trade bias of the East Asian NIEs,[5] putting the Pacific center of gravity slightly more on its own feet and less dependent on outlets in the United States and Europe.

2. Turning to *Latin America,* the hinterland relationship very much depends

[5] Compare the two very interesting papers by S. Awanohara [1] and A. Hirata and T. Nohara [3].

TABLE VI

IMPORTS OF MANUFACTURES FROM GROUPS OF A.NIEs TO TRILATERAL REGIONS IN 1981 AND 1986

(U.S.$ million)

		EC	%	U.S.A.	%	Japan	%	Tril. Regions	%
East Asia (1)	1981	5,278	38.4	13,532	53.9	3,813	60.1	22,623	50.0
	%	23.3		59.8		16.9		100.0	
	1986	8,761	42.1	33,616	59.5	5,982	60.7	48,359	55.5
	%	18.1		69.5		12.4		100.0	
East Asia (2)	1981	5,731	41.7	6,702	26.7	1,666	26.3	14,099	31.2
	%	40.6		47.5		11.8		100.0	
	1986	7,691	36.9	13,164	23.3	2,565	26.0	23,420	26.9
	%	32.8		56.2		11.0		100.0	
East Asia (3)	1981	2,170	15.8	3,486	13.9	629	9.9	6,285	13.9
	%	34.5		55.5		10.0		100.0	
	1986	3,427	16.5	7,505	13.3	922	9.4	11,854	13.6
	%	28.9		63.3		7.8		100.0	
East Asia (4)	1981	575	4.2	1,408	5.6	239	3.8	2,222	4.9
	%	25.9		63.4		10.8		100.0	
	1986	937	4.5	2,231	3.9	385	3.9	3,553	4.1
	%	26.4		62.8		10.8		100.0	
East Asia (total)	1981	13,754	100.0	25,128	100.0	6,346	100.0	45,229	100.0
	%	30.4		55.6		14.0		100.0	
	1986	20,816	100.0	56,516	100.0	9,854	100.0	87,186	100.0
	%	23.9		64.8		11.3		100.0	

Sources and Notes: Same as Table I.

on which type of NIE we choose. Mexico as a direct neighbor of the United States, of course, has a closer relationship (EPZ, *"maquilladoras"*) and appears more like Spain in relation to the EC. If, instead, Brazil represents the typical Latin American NIE, the U.S. connection is more ambiguous. Consequently, if we differentiate the data of Table VIII a bit more and show the *import figures* of the Trilateralists for Brazil and Mexico separately, the point is underscored quite well:

		U.S.A.	EC	Japan
Mexico	1981	4.457	0.168	0.043
	1986	9.554	0.360	0.096
Brazil	1981	1.824	1.276	0.319
	1986	4.125	1.958	0.545

Sources and Notes: Same as Table I.

Moreover, the strong preference the United States has been displaying for quite some time in favor of the A.NIEs will probably leave the LA.NIEs with a less and less satisfying hinterland relationship. That could mean a remarkable and deplorable retreat back to more inward-looking policies of development, which have a long but disappointing history in Latin America. The development of a new

TABLE VII

EXPORTS OF MANUFACTURES FROM TRILATERAL REGIONS TO GROUPS OF A.NIEs IN 1981 AND 1986

(U.S.$ million)

		EC	%	U.S.A.	%	Japan	%	Tril. Regions	%
East Asia (1)	1981	988	15.5	1,918	26.4	5,151	29.9	8,056	26.1
	%	12.3		23.8		63.9		100.0	
	1986	5,022	23.3	6,430	35.9	16,877	38.1	28,328	33.8
	%	17.7		22.7		59.6		100.0	
East Asia (2)	1981	2,545	40.0	2,030	27.9	5,667	32.9	10,244	33.2
	%	24.8		19.8		55.3		100.0	
	1986	9,562	44.3	4,774	26.7	16,063	36.3	30,400	36.3
	%	31.5		15.7		52.8		100.0	
East Asia (3)	1981	1,841	28.9	2,161	29.7	3,886	22.5	7,888	25.6
	%	23.3		27.4		49.3		100.0	
	1986	4,751	22.0	5,104	28.5	7,817	17.7	17,672	21.0
	%	26.9		28.9		44.2		100.0	
East Asia (4)	1981	988	15.5	1,157	15.9	2,537	14.7	4,682	15.2
	%	22.1		24.7		54.2		100.0	
	1986	2,237	10.4	1,603	8.9	3,494	7.9	7,334	8.8
	%	30.5		21.9		47.6		100.0	
East Asia (total)	1981	6,362	100.0	7,266	100.0	17,242	100.0	30,870	100.0
	%	20.6		23.5		55.9		100.0	
	1986	21,572	100.0	17,911	100.0	44,252	100.0	83,735	100.0
	%	25.8		21.4		52.8		100.0	

Sources and Notes: Same as Table I.

TABLE VIII

IMPORTS OF MANUFACTURES FROM GROUPS OF LA.NIEs TO TRILATERAL REGIONS IN 1981 AND 1986

(U.S.$ million)

		EC	%	U.S.A.	%	Tril. Regions	%
Latin America (1)	1981	1,720	70.8	6,674	82.5	8,805	79.1
	%	19.5		75.8		100.0	
	1986	2,563	76.3	14,077	83.3	17,352	82.1
	%	14.8		81.1		100.0	
Latin America (2)	1981	711	29.2	1,412	17.5	2,325	20.9
	%	30.6		60.7		100.0	
	1986	794	23.7	2,819	16.7	3,790	17.9
	%	20.9		74.4		100.0	
Latin America (total)	1981	2,431	100.0	8,086	100.0	11,129	100.0
	%	21.8		72.7		100.0	
	1986	3,357	100.0	16,896	100.0	21,142	100.0
	%	15.9		79.9		100.0	

Sources and Notes: Same as Table I.

TABLE IX

EXPORTS OF MANUFACTURES FROM TRILATERAL REGIONS TO GROUPS OF LA.NIEs IN 1981 AND 1986

(U.S.$ million)

		EC	%	U.S.A.	%	Tril. Regions	%
Latin America	1981	8,374	50.4	17,932	57.0	30,056	51.8
(1)	%	27.9		59.7		100.0	
	1986	6,180	41.5	12,903	57.5	21,402	46.7
	%	28.9		60.3		100.0	
Latin America	1981	8,249	49.6	13,515	43.0	27,972	48.2
(2)	%	29.5		48.3		100.0	
	1986	8,697	58.5	9,519	42.5	24,456	53.3
	%	35.6		38.9		100.0	
Latin America	1981	16,623	100.0	31,447	100.0	58,286	100.0
(total)	%	28.6		54.2		100.0	
	1986	14,877	100.0	22,422	100.0	45,858	100.0
	%	32.4		48.9		100.0	

Sources and Notes: Same as Table I.

"Cepalismo"[6] in the future would certainly be in keeping with the LA.NIEs history. Latin America really has produced only two quite successful NIEs. The Latin American countries appear to have had some problems in following the competitive performance of the Asian NIEs [8]. In particular, if Mexico is seen as a further candidate of U.S. free trade area policies, the special case of Latin America is even further underlined.

3. A weakened competitive performance besides (typical/systemic) CMEA drawbacks is also a characteristic feature of the *East European NIEs*, as has been documented in the previously mentioned research papers [4] [5] [14] [12] [7]. Tables IV and V both demonstrate quite well the stagnancy of this group among the E.NIEs, which developed as a phenomenon of the 1980s: "While in 1975 the combined industrial exports of the CMEA countries exceeded those of Taiwan and South Korea by more than two-thirds, they reached the same level in 1980, and amounted to no more than 40 per cent of Taiwan's exports and to 57 per cent of South Korea's exports in 1985" [5, p. 192]. Consequently, the *enlargement* of European hinterland relations in some type of regional cooperation in parallel with the formation of the EC Internal Common Market 1992, remains a thorny problem. That seems depend not only on European East-West policies but also on the successful resumption of *import-led growth* policies by CMEA NIEs; including efficient patterns in the relationship between imports and exports which generally are decisive preconditions for the competitive, export-led strategies the Asian NIEs have used successfully in the past [2] [4] [5, p. 202].

[6] "Cepalismo," or economic structuralism, is the trademark of the import-substitution strategies used by Latin American countries during the 1950s and 1960s.

VI

In conclusion to the various aspects discussed, a few general remarks with respect to regionalism and NIEs in the context of a progressively more regionally integrated world economy are in order. First of all, an essential point with regard to developments in the GATT trade system (compare Section I) must be taken. Presumably and hopefully, the various tendencies to regionalize do not show an inward-looking strategy of trade bloc building. Rather, they appear to reveal an "open-minded" regionalism aiming at strengthening, not reducing, world trade; although perhaps operating the trade system in a somewhat different manner. That could well mean, for instance, more inter- and intra-regional cooperation by integrating graduating NIEs, and thereby *avoiding* an escalation of neoprotectionism. Although the trilateral regions are rather heterogeneous ones in many respects, there might even be some kind of policy convergence in the making, namely *cautiously* following a strategy of open regional "regimes."

Of course, the phrase "open regionalism" is vague and itself open to interpretation.[7] Currently at least three phenomena are subsumed under regionalism: (a) bilateral free trade agreements, (b) geographically discriminatory arrangements (GDAs), and (c) communities (groups) of countries seeking to integrate or cooperate with one another. The real nub of the question of regionalism concerns the regions seeking to cooperate more closely on a regional basis, particularly the old ones in the "European Economic Space" (EES) and possibly new ones in East Asia [10, pp. 68–69]. Since these areas do not simply represent shifts of trade policy emphasis away from multilateralism towards the "new bilateralism" (Diebold, Jr.) of free-trade areas (as in the case of the United States), they undoubtedly involve a different concept. Although this is an important point when comparing Europe (EC) with East Asia (Pacific), we should not stick to the criteria of institutionalization, focusing on the inequalities between the EC and Pacific Economic Cooperation Conference (PECC) regions distorting matters too much economically (see [6, p. 46] [10, p. 70]).

In the context of integrating or graduating NIEs the appropriate "level playing field" should be the EES and the East Asian region in case of the "flying-geese approach"; i.e., Japan plus the well-known Northeast and Southeast Asian NIEs.[8]

[7] Negative regionalism is regionalism in the tradition of the 1930s. Positive regionalism, for which "regional cooperation might be a better term," is understood as a complement of the GATT system (compare [15, pp. 55–56]). "The Pacific community is not as tightly organized as the EC. The network characteristic of the Pacific community lends itself to easy hookup with other communities. If the Pacific community links up with the EC, access to mutual flows will give rise to still larger flows. It is in this sense that Pacific cooperation is termed as open regionalism" (see [6, p. 11 and pp. 45–46]).

[8] "The Japanese have long identified a 'flying geese' pattern of development in the region which they were convinced was quite different from two other more common patterns of international division of labour, namely the vertical and horizontal divisions of labour.... With diverse stages of economic development, horizontal division of labour so far has not been possible in East Asia. The flying geese pattern represents a vertical relationship, but

Remarkably, development in each region is characterized by dynamically changing patterns in the international division of labor. The southern enlargement of the EC (and possibly other future developments in the EES) has pushed the old EC of Six (of developed countries) more and more into "overlapping features with newly developing economies" [16, p. 12], which also means a new mix of complementary (vertical) and substitutive (horizontal) trade flows. While proponents of the flying-geese model[9] emphasize the dynamic competitive elements which push the regional group into export-led growth, in the case of Europe (EC) Tovias underlines that the shrinkage of rivalry between countries leads more to trade diversion than to trade creation, and consequently there are fewer reallocation effects [17, p. 508]. However, in so far as the E.NIEs (Spain and Portugal for instance) behave as newly competitive countries, this argument does not sound very convincing. By definition, they are pushing displacement competition like the A.NIEs.

In general, the more integrating qualities "single markets" develop, thereby inducing substitutive (horizontal) division of labor and advancing long-term internal efficiency, the more internal markets can afford to be further opened up to external trade. With regard to regional ties among developed and newly industrializing countries, developments appear to demonstrate that this pattern does not necessarily conflict with *open* regionalism. If the impetus for revitalizing the European Single Market or the European Economic Space bears full fruit then the "Fortress Europe" phrase will remain only a phrase. However, whether the competitive elements are strong enough to overcome various "Fortress Europe" tendencies stemming from the political economy is certainly an open question.

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one in which there is competition as well as complementarity and which is more dynamic than in a typical vertical division of labour, the argument goes. In this vertical relationship, Japan follows the US and tries to catch up, first in non-durable consumer goods, then durables and eventually in capital goods. The NIEs likewise follow Japan while Asean economies follow the NIEs. The great advantage of the flying geese pattern is that in it the vertical relationships are never rigid or permanent" [1, pp. 641–42].

[9] Compare in particular the two contributions by I. Yamazawa, K. Taniguchi, and A. Hirata [21] and by T. Watanabe and H. Kajiwara [19] who describe and analyze the flying-geese approach and the patterns of the international division of labor in great detail.

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