

CHAPTER 2

Intermediate Goods Trade in East Asia

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CHAPTER 2

INTERMEDIATE GOODS TRADE IN EAST ASIA

Yasushi Ueki

INTRODUCTION

Countries in East Asia have made extensive efforts to promote international trade and attract foreign direct investment (FDI) that is consistent with the industrial development policies of each country. This has resulted in increased intra-regional trades and FDI and the development of industrial districts, especially around the capital regions.

The recent focus on economic integration in East Asia and official development assistance (ODA), especially in terms of infrastructure development, has strengthened this trend. One of the distinct phenomena in Asia is the rapid agglomeration of industries in less developed countries such as Cambodia, Lao PDR, and Vietnam. In Vietnam, industrial activities in the Hanoi and surrounding region have expanded following a series of Japanese ODA for the renovation of transportation infrastructure implemented in the 1990s, including Haiphong Port, National Route No.5 that links the Port with Hanoi, and Noi Bai International Airport. The industrial district in Phnom Penh, Cambodia is also emerging, due to location advantages. Firms in the city can access two major ports: Sihanoukville Port in Cambodia and Thi Vai-Cai Mep Port in Ho Chi Minh City, Vietnam. Both are developed using Japanese ODAs.

The rapid agglomeration of industries in East Asian countries has increased the

importance of East Asia in the global manufacturing sector. According to United Nations' (UN's) statistics, ASEAN+6 countries (ASEAN, China, Japan, South Korea, India, Australia and New Zealand) accounted for about 36% of the added value from the manufacturing sector in the world in 2008 as well as 39% of the world's intermediate goods exports in 2008. The importance of intermediate goods for the ASEAN+6 countries is apparent; 28% of global exports in 2008 came from these countries. As discussed by Ueki (2010), intermediate goods are significant, especially for intra-regional trade.

Behind such phenomena are firm-level efforts for optimizing production networks. Trade facilitation through economic integration makes it affordable for firms to relocate production lines for a specific product according to comparative advantages in individual industrial districts. Well-developed transportation infrastructure allows firms to purchase the intermediate goods necessary for their production flexibly, and at a lower price, by importing from abroad. International economics applies the so-called fragmentation theory to explain this recent trend, especially the use of fragmented production processes for manufacturing a specific final product (Ando, Kimura, 2005).

Based on the observations above, this paper intends to map out details of the intermediate goods trade in East Asia. This paper emphasizes ASEAN, especially the Mekong River Basin Countries (MRBCs). One reason for this is the strengthening complementary manufacturing relationships among these developing countries (Ueki, 2010). Even so, the present status of such South-South cooperative relationships is not necessarily up-to-date because of the lack of reliable internationally-harmonized official trade statistics, particularly for Lao PDR and Myanmar.

The structure of this paper is the following. The first section explains the data,

including the definition of intermediate goods trade data this paper makes use of. The second section presents an overview of the position of ASEAN in terms of the global intermediate goods trade, while the third section goes into more details at the country level. The fourth section focuses on intermediate goods for two major industries in the MRBCs; textiles and parts and accessories of motor cycle. The fifth section discusses factors that affect changes in the patterns of trade in intermediate goods. The sixth section provides concluding remarks.

1. THE DATA

This paper uses trade statistics for 2000 and 2008 from the United Nation Commodity Trade (UN Comtrade) database to observe the two focuses of this paper: the MRBCs and intermediate goods trade. The benefit of utilizing UN Comtrade is that it provides statistics on commodity trade, classified according to various standardized classification systems. This enables the categorization of tradable commodities into intermediate goods and to convert trade statistics to internationally-standardized industry or other classification systems and vice versa.

The disadvantage of UN Comtrade is that it lacks trade statistics for Taiwan. Taiwan is one of the most important countries exporting intermediate goods, especially parts and components for the electronics industry.

There are, however, databases of trade statistics that provide data for Taiwan, one of which is the RIETI-TID, a free web-based database developed by the Research Institute of Economy, Trade and Industry (RIETI), Japan. This database provides trade statistics defining intermediate goods trade according to the same methodology that this paper

introduces. However, the RIETI-TID does not provide the statistics for all of the MRBCs. The other alternative database is the World Trade Atlas (WTA), which provides trade statistics for Taiwan based on the Harmonized Commodity Description and Coding System (HS). One problem with using the WTA is that it does not provide detailed information on the version of HS applied to countries' reported trade statistics. As a result, the database is not suitable for rigorous comparative studies based on data converted from HS-based to other commodity categories.

UN Comtrade includes data for the MRBCs, as trade partners of countries that have reported the statistics to the United Nations. In addition, the commodity classifications of the UN Comtrade database conform to the international standards systems.

This paper observes statistics for the two years, 2000 and 2008. There are two main benefits of focusing on these two years. First, Cambodia reported its trade statistics to the UN for these two years, but this country has not reported statistics in other years. Thus, this paper can utilize trade statistics reported by seven ASEAN countries (hereafter ASEAN7) including Cambodia, Indonesia, Malaysia, Philippines, Singapore, Thailand, and Vietnam. Because among the MRBCs, Lao PDR, and Myanmar have not reported recent statistics, their trade can only be estimated by using the statistics reported by their trade partners. In sum, intermediate goods trade of ASEAN 10 countries (hereafter ASEAN10) and ASEAN+6 (including Hong Kong) in the tables shown later are discussed based on the UN Comtrade statistics reported by ASEAN7 and other countries from all over the world.

The second reason for focusing on these two years is the change in China's foreign trade and investment policies during the period. This affected commercial relationships between China and ASEAN. In 1999, the Government of China initiated the "Go

Global” strategy to promote investments abroad by Chinese firms. China became a member of the World Trade Organization (WTO) in 2001.

The agreement on trade in goods of the ASEAN-China Free Trade Area (ACFTA) entered into force in 2005 and the agreement on trade in services entered into force in 2007. In 2010, the tariffs on trades between China and ASEAN except CLMV (Cambodia, Lao PDR, Myanmar and Vietnam) were substantially eliminated.

The definition of trade in intermediate goods used in this paper was developed by Gaulier *et al.* (2005). They aggregate commodities into three and five stages of production classified according to UN’s Broad Economic Categories (BEC), as listed in Table 1.

Table 1: Definition of Intermediate Goods Trade

3 stage	5 Stage	BEC	Title in BEC
Primary goods		111	Food & beverages, primary, mainly for industry
		21	Industrial supplies not elsewhere specified, primary
		31	Fuels & lubricants, primary
Intermediate goods	Semi-finished goods	121	Food & beverages, processed, mainly for industry
		22	Industrial supplies not elsewhere specified, processed
		32	Fuels & lubricants, processed
	Parts & components	42	Capital goods (except transport equipment), parts & accessories
		53	Parts & accessories of transport equipment
Final goods	Capital goods	41	Capital goods (except transport equipment)
		521	Other industrial transport equipment, parts & accessories
	Consumption goods	112	Food & beverages, primary, mainly for household consumption
		122	Food & beverages, processed, mainly for household consumption
		51	Passenger motor cars
		522	Other non-industrial transport equipment, parts & accessories
		61	Durable consumer goods not elsewhere specified
		62	Semi-durable consumer goods not elsewhere specified
		63	Non-durable consumer goods not elsewhere specified

Source: RIETI-TID (<http://www.rieti-tid.com/>) based on Gaulier *et al.* (2005).

In this paper, the definition according to the three production stage is used to provide an overview of recent trends in global and ASEAN trade. For the observation on MRBCs' trade in intermediate goods, the disaggregated data on intermediate goods are utilized to understand which items of intermediate goods are increasing in importance for MRBCs.

As shown in Table 1, intermediate goods include processed fuels and lubricants, and various other types of products, while this paper emphasizes intermediate goods for manufacturing products. For the sector analysis, trade statistics, which are classified according to the Standard International Trade Classification Revision 3 (SITC Rev.3) and disaggregated at the 5-digit level, is re-categorized into intermediate goods according to the definition based on the BEC. For data conversion, the correspondence table downloadable from the website of the UN Statistics Division is utilized.

In the case of textiles, textile yarn, fabrics, and related products are categorized in division 65 at the 2-digit SITC level. But at the 5-digit level, division 65 includes both final and intermediate goods according to the classification based on the BEC. The sector analysis on the textile and fabric in the section 4 is based on the aggregated data of division 65 at the 5-digit SITC level, excluding final goods from the division.

2. GLOBAL AND ASEAN INTERMEDIATE GOODS TRADE

2.1. World Trade

There are at least four significant changes in the global economy that have affected international trades between 2000 and 2008. The first is the escalation of primary commodity prices, which brings benefits to developing countries exporting resources

and natural resource based products. The second is the concentration of manufacturing sectors into Asia, which increases trade in intra-regional intermediate goods in Asia. The third is the rapid economic growth in developing countries, especially in Asia. This has led to the expansion of middle-income group and the high growth of consumption markets in developing countries. The fourth is the reduced importance of developed countries, especially Japan and the United State, in global commodities trade, while the importance of China has increased. Table 2 reflects the geographical distribution of global exports and imports.

As shown in Table 2, East Asia (ASEAN7 plus China, Hong Kong, Japan, South Korea, India, Australia and New Zealand) made up 27.5% of global exports in 2000 and 29.1% in 2008. On the other hand, the same group of the 13 countries including Hong Kong accounted for 24.2% of global imports in 2000 and 27.4% in 2008. The increase in East Asia's share of global trade is explained mainly by China and India.

China accounted for 9.7% of global exports and 7.5% of global imports in 2008, compared with 4.2% and 3.7%, respectively, in 2000. While India's share has remained relatively low, it accounted for 1.2% of exports and 2.0% of imports in 2008. On the other hand, ASEAN7's share of global exports declined from 7.0% to 6.3%, while its import share remained at 6.0%.

Similar patterns of geographical distribution are observed for trades in intermediate goods. ASEAN7 accounted for 7.9% of global exports and 8.1% of global imports of intermediate goods in 2008. While the shares of ASEAN7 for 2008 were lower than in 2000, they were higher than ASEAN7's share of total trade.

Table 3 presents the importance of intermediate goods for ASEAN7. More than half of ASEAN7's exports in 2000 and 2008 were accounted for by intermediate goods. In

the case of imports, more than 60% was made up by intermediate goods in these two years. In contrast, the global average of these percentages for both export and import stands at around 48% in 2000 and 2008.

From these observations, it becomes clear that intermediate goods are important items traded by ASEAN countries.

Table 2: Geographical Distribution of the World Trade by Production Stage (World Total = 100%)

		Partner: World							
		2000			2008				
Flow	Reporter	Primary Goods	Intermediate Goods	Final Goods	Total	Primary Goods	Intermediate Goods	Final Goods	Total
Export	ASEAN7	4.2	8.5	6.0	7.0	4.1	7.9	5.0	6.3
	China	1.5	3.1	6.3	4.2	0.9	8.7	14.5	9.7
	Hong Kong	0.5	3.2	4.4	3.4	0.3	3.0	2.8	2.5
	Japan	0.2	8.6	8.9	7.9	0.4	5.8	6.0	5.1
	South Korea	0.1	3.6	2.8	2.9	0.1	3.5	3.1	2.9
	India	0.3	0.8	0.7	0.7	0.7	1.6	1.0	1.2
	Australia & NZ	4.0	1.0	0.9	1.2	4.7	0.9	0.8	1.4
	EAST ASIA	10.9	28.7	30.1	27.5	11.2	31.3	33.1	29.1
	EU27	14.5	39.0	43.3	38.3	11.1	39.6	44.7	37.5
	USA	6.2	15.1	11.7	12.8	5.5	9.6	8.5	8.6
	ROW	68.5	17.2	14.9	21.5	72.3	19.5	13.6	24.8
	World	100	100	100	100	100	100	100	100
	Import	ASEAN7	5.0	8.2	3.6	6.0	5.0	8.1	3.7
China		4.6	4.9	2.0	3.7	11.4	8.3	4.5	7.5
Hong Kong		0.6	3.8	4.0	3.5	0.4	3.3	2.8	2.6
Japan		11.3	5.1	6.0	6.2	9.7	4.3	3.7	5.0
South Korea		5.5	3.0	1.4	2.6	5.1	3.1	1.5	2.9
India		3.6	0.8	0.2	0.9	4.6	1.9	1.0	2.0
Australia & NZ		0.9	1.1	1.7	1.3	0.9	1.3	2.0	1.5
EAST ASIA		31.5	26.9	18.9	24.2	37.1	30.2	19.2	27.4
EU27		35.3	37.1	39.6	37.9	32.2	37.8	41.6	38.2
USA		18.2	16.7	24.2	19.9	16.8	10.9	16.4	13.9
ROW		15.0	19.3	17.3	18.0	13.9	21.1	22.8	20.5
World		100	100	100	100	100	100	100	100

Note: EAST ASIA includes ASEAN7 (Cambodia, Indonesia, Malaysia, Philippines, Singapore, Thailand, Vietnam), China, Hong Kong, Japan, South Korea, India, Australia and New Zealand.

Source: UN Comtrade (accessed on December 16, 2010).

Table 3: Importance of Primary, Intermediate and Final Goods in the World Trade
(Total of Primary, Intermediate and Final Goods = 100%)

		Partner: World								
		2000				2008				
Flow	Reporter	Primary Goods	Intermediate Goods	Final Goods	Total	Primary Goods	Intermediate Goods	Final Goods	Total	
Export	ASEAN7	6.1	58.7	35.1	100	9.3	60.6	30.1	100	
	China	3.7	35.2	61.2	100	1.3	42.8	55.9	100	
	Hong Kong	1.5	45.7	52.8	100	1.6	56.9	41.5	100	
	Japan	0.3	52.9	46.8	100	1.1	54.7	44.2	100	
	South Korea	0.3	59.8	39.8	100	0.5	58.6	40.9	100	
	India	4.1	54.1	41.8	100	7.9	61.7	30.4	100	
	Australia & NZ	32.6	38.7	28.7	100	47.1	31.4	21.5	100	
	EAST ASIA	4.0	50.9	45.1	100	5.4	51.7	42.8	100	
	EU27	3.9	49.6	46.6	100	4.2	50.8	45.0	100	
	USA	4.9	57.3	37.8	100	9.1	53.6	37.3	100	
	ROW	32.5	38.9	28.6	100	41.4	37.9	20.7	100	
	World	10.2	48.6	41.2	100	14.2	48.1	37.7	100	
	Import	ASEAN7	9.2	66.4	24.4	100	14.1	63.8	22.1	100
		China	13.7	64.4	21.9	100	25.7	52.6	21.7	100
Hong Kong		1.9	52.4	45.6	100	2.3	59.3	38.4	100	
Japan		20.2	40.3	39.5	100	32.8	40.5	26.7	100	
South Korea		22.9	54.9	22.2	100	29.5	51.2	19.3	100	
India		46.2	42.4	11.4	100	38.4	44.0	17.5	100	
Australia & NZ		7.7	40.6	51.7	100	10.0	40.6	49.3	100	
EAST ASIA		14.3	53.9	31.8	100	22.7	52.1	25.2	100	
EU27		10.3	47.3	42.5	100	14.1	46.7	39.1	100	
USA		10.1	40.6	49.3	100	20.3	37.1	42.6	100	
ROW		9.2	51.7	39.1	100	11.4	48.6	40.0	100	
World		11.0	48.3	40.6	100	16.8	47.2	36.0	100	

Note: EAST ASIA includes ASEAN7 (Cambodia, Indonesia, Malaysia, Philippines, Singapore, Thailand, Vietnam), China, Hong Kong, Japan, South Korea, India, Australia and New Zealand.

Source: UN Comtrade (accessed on December 16, 2010).

2.2. World Trade with ASEAN

Table 4 presents an overview of global trade with ASEAN10 in 2000 and 2008. By focusing on ASEAN's intra-regional trade and trade with East Asia, this table makes it possible to understand both the increasing importance of intermediate goods for ASEAN and the role of East Asia as a trade partner.

East Asian countries accounted for 73.7% of global exports to ASEAN10 countries in 2008. In 2000, East Asia's share of exports to ASEAN10 was 69.4%. In the same manner, East Asia made up 54.5% and 63.9% of global imports in 2000 and 2008, respectively. East Asia is increasing its importance in the world trade with ASEAN10.

At the country and regional levels, ASEAN7, China and India have been increasing their interdependence with ASEAN10 in the area of trade in intermediate goods. ASEAN7 share of exports of intermediate goods to ASEAN10 increased from 31.4% in 2000 to 33.2% in 2008, while its share of imports of intermediate goods increased from 26.3% in 2000 to 27.7% in 2008.

At the same time, the relationship between Mainland China and ASEAN10 has deepened significantly. China's share of exports of intermediate goods to ASEAN10 tripled from 4.3% in 2000 to 12.9% in 2008 while its share of imports doubled from 7.3% to 14.6%. The shares for India are still low, but increasing. Export of intermediate goods from India to ASEAN10 increased from 0.8% in 2000 and 2.7% in 2008 of the world export of the goods to ASEAN10.

In contrast, the shares of developed countries such as Japan and EU27 have declined. Especially remarkable is the drop-off in the importance of the United States as a trade partner for ASEAN10 in terms of intermediate goods. US exports of intermediate goods to ASEAN10 made up 14.9% of the total in 2000, but only 9.0% in

2008, while its share of imports declined from 17.1% to 6.5% during the same period.

Table 5 indicates how intermediate goods are important for ASEAN10 as trade commodities. The importance of intermediate goods for ASEAN10 can be considered by comparing the percentages of intermediate goods exported or imported by ASEAN countries with the totals, in other words, the aggregated value informed by all reporter countries.

From 2000 to 2008, intermediate goods decreased in importance in terms of total exports to ASEAN10. Intermediate goods made up 64.8% of all exports to ASEAN10 in 2008, while the figure for 2000 was 67.9%.¹ On the other hand, intermediate goods accounted for 66.9% of the exports to ASEAN10 from East Asia in 2008. Although decreased from 69.3% in 2000, the percentage for East Asia in 2008 is higher than that for world total. It is worth noting that the figures of exports from ASEAN7 (69.4% in 2008 and 71.5% in 2000), were both higher than the corresponding figures for total exports and exports from East Asia.

Contrary to exports, intermediate goods made up 56.2% in 2008 of the world's imports from ASEAN10, slightly more than 54.2% in 2000. This indicates the increased importance of ASEAN10 for all reporting countries as a source of intermediate goods. This percentage for East Asia increased from 63.6% to 64.1% during this period. While the figure for ASEAN7 decreased from 69.9% to 67.9% between the two years, these percentages are much higher than those for the world import.

¹ This fact would reflect not only the recent price escalation of natural resources but also the increasing local demand for final goods in ASEAN10 as the result of the increase in income level. Table 5 shows that primary goods made up 5.2% in 2000 and 7.4% in 2008 of the world exports to ASEAN10. The percentages for final goods somewhat rose from 26.9% in 2000 to 27.8% in 2008.

Table 4: Geographical Distribution of the World Trade with ASEAN by Production**Stage (World Total = 100%)**

		Partner: ASEAN10								
		2000				2008				
Flow	Reporter	Primary Goods	Intermediate Goods	Final Goods	Total	Primary Goods	Intermediate Goods	Final Goods	Total	
Export	ASEAN7	31.1	31.4	25.6	29.8	31.8	33.2	25.5	31.0	
	China	7.4	4.3	7.9	5.4	2.9	12.9	23.0	15.0	
	Hong Kong	0.4	3.4	5.6	3.8	0.1	3.3	3.8	3.2	
	Japan	0.8	21.5	21.7	20.5	0.7	14.5	12.4	12.9	
	South Korea	0.6	7.4	4.6	6.3	0.3	7.4	5.9	6.5	
	India	0.7	0.8	0.8	0.8	2.1	2.7	2.0	2.5	
	Australia & NZ	12.7	2.1	2.5	2.7	10.9	2.1	2.1	2.7	
	EAST ASIA	53.7	70.8	68.7	69.4	48.9	76.1	74.6	73.7	
	EU27	4.5	10.3	14.6	11.2	2.8	9.7	13.6	10.3	
	USA	10.5	14.9	13.7	14.4	9.9	9.0	7.8	8.7	
	ROW	31.2	4.0	3.0	5.1	38.5	5.2	4.0	7.4	
	World	100	100	100	100	100	100	100	100	
	Import	ASEAN7	18.8	26.3	12.4	20.4	22.9	27.7	14.6	22.9
		China	11.6	7.3	2.1	5.6	14.5	14.6	8.1	12.5
Hong Kong		1.8	7.4	3.9	5.6	1.1	7.6	3.8	5.6	
Japan		23.9	14.5	13.2	14.7	17.8	11.7	7.4	11.0	
South Korea		9.8	5.7	2.1	4.6	8.7	4.9	1.8	4.4	
India		2.4	1.3	0.6	1.1	7.1	2.5	1.5	2.7	
Australia & NZ		8.7	1.6	2.8	2.6	10.3	3.8	4.2	4.7	
EAST ASIA		77.0	64.0	37.1	54.5	82.4	72.9	41.5	63.9	
EU27		9.4	13.2	23.3	16.8	7.5	11.3	20.4	13.8	
USA		9.5	17.1	32.6	22.6	5.8	6.5	23.5	11.9	
ROW		4.2	5.7	7.0	6.1	4.3	9.3	14.6	10.4	
World		100	100	100	100	100	100	100	100	

Note: EAST ASIA includes ASEAN7 (Cambodia, Indonesia, Malaysia, Philippines, Singapore, Thailand, Vietnam), China, Hong Kong, Japan, South Korea, India, Australia and New Zealand.

Source: UN Comtrade (accessed on December 16, 2010).

Table 5: Importance of Primary, Intermediate and Final Goods in the World Trade with ASEAN (Total of Primary, Intermediate and Final Goods = 100%)

		Partner: ASEAN10								
		2000				2008				
Flow	Reporter	Primary Goods	Intermediate Goods	Final Goods	Total	Primary Goods	Intermediate Goods	Final Goods	Total	
Export	ASEAN7	5.4	71.5	23.1	100	7.7	69.4	22.9	100	
	China	7.1	53.4	39.5	100	1.4	55.9	42.7	100	
	Hong Kong	0.5	60.0	39.5	100	0.3	66.8	32.9	100	
	Japan	0.2	71.2	28.6	100	0.4	72.9	26.7	100	
	South Korea	0.5	80.0	19.5	100	0.4	74.1	25.5	100	
	India	4.5	68.8	26.7	100	6.3	71.5	22.2	100	
	Australia & NZ	24.3	51.6	24.1	100	29.9	49.0	21.1	100	
	EAST ASIA	4.0	69.3	26.7	100	4.9	66.9	28.1	100	
	EU27	2.1	62.7	35.2	100	2.0	61.2	36.8	100	
	USA	3.8	70.5	25.7	100	8.4	66.7	24.8	100	
	ROW	31.8	52.5	15.7	100	39.0	46.0	15.1	100	
	World	5.2	67.9	26.9	100	7.4	64.8	27.8	100	
	Import	ASEAN7	6.6	69.9	23.5	100	11.6	67.9	20.5	100
		China	14.8	70.5	14.7	100	13.5	65.6	20.9	100
Hong Kong		2.3	71.1	26.6	100	2.2	76.1	21.7	100	
Japan		11.6	53.5	35.0	100	18.8	59.5	21.7	100	
South Korea		15.2	67.1	17.8	100	23.2	63.6	13.3	100	
India		15.9	64.2	19.9	100	30.1	52.0	18.0	100	
Australia & NZ		23.7	34.0	42.4	100	25.5	45.5	28.9	100	
EAST ASIA		10.0	63.6	26.4	100	15.0	64.1	20.9	100	
EU27		4.0	42.5	53.5	100	6.3	46.2	47.5	100	
USA		3.0	41.1	55.9	100	5.7	30.7	63.7	100	
ROW		4.9	50.4	44.7	100	4.8	50.1	45.1	100	
World		7.1	54.2	38.7	100	11.6	56.2	32.2	100	

Note: EAST ASIA includes ASEAN7 (Cambodia, Indonesia, Malaysia, Philippines, Singapore, Thailand, Vietnam), China, Hong Kong, Japan, South Korea, India, Australia and New Zealand.

Source: UN Comtrade (accessed on December 16, 2010).

These observations suggest that as the manufacturing activities are being concentrated into East Asia, East Asia enhanced its capacity of producing intermediate goods. That resulted not only in increased purchases of intermediate goods by East Asian countries from suppliers located in East Asia, but also that East Asia can export intermediate goods to other regions in the world.

2.3. World Trade with CLMV

As shown in Table 6, CLMV imports commodities primarily from East Asia, while exporting them to developed countries. That is, about 85% of the exports to CLMV originated from East Asia, both in 2000 and 2008. Among the exporters to CLMV, China increased its share in the CLMV market from 13.4% in 2000 to 22.7% in 2008.

On the other hand, East Asia accounted for 48.8% of all imports from CLMV in 2008, which is lower than 51.9% in 2000. This indicates that EU27 and the United States are still important markets abroad for commodities exported from CLMV. Even so, intra-ASEAN trade has increased in importance for CLMV. ASEAN7 increased its share of CLMV imports from 17.0% in 2000 to 18.2% in 2008. Among other countries in East Asia, the percentage for South Korea also rose from 2.0% to 2.9% and India's share increased from 1.1% to 1.6% during the same period.

CLMV imports intermediate goods from more advanced countries than them, mainly East Asian countries. This is similar to what has been observed in other ASEAN countries in East Asia when they started industrialization. Using imported intermediate goods, CLMV produces intermediate or final goods and exports them to developed countries such as EU, Japan, and the United States. Remarkably, in addition to final goods, primary goods are still important export items for CLMV (Table 7).

East Asia has been increasing in importance as the main sources of intermediate goods for CLMV. East Asia accounted for 88.4% of all exports of intermediate goods to CLMV in 2000 and that share increased to 89.6% in 2008 (Table 6). ASEAN7, Mainland China and South Korea are among the most important countries in East Asia for CLMV, as they made up 37.6%, 21.5%, and 11.8%, respectively, of all exports of intermediate goods to CLMV in 2008. Outstandingly, only China increased importance as an exporter of intermediate goods to CLMV, taking market share away from other East Asian countries. Amazingly China's share in the CLMV market of intermediate goods almost doubled, from 11.6% in 2000 to 21.5% in 2008.

East Asia is also the main destination for intermediate goods exported from CLMV, although its importance diminished between 2000 and 2008. East Asia made up 80.5% of the world import of intermediate goods from CLMV in 2000. But this percentage was dropped to 73.1% in 2008, revealing that CLMV has diversified the destinations of its intermediate goods by developing markets in the United States and the rest of the world (ROW).

Table 7 illustrates the importance of intermediate goods as tradable commodities for each country that reported its trade statistics to the United Nations. There is a large gap in the importance of intermediate goods between total exports to and imports from CLMV. This represents a significant difference from the data in Table 5, which reflects the information for ASEAN.

Table 6: Geographical Distribution of the World Trade with CLMV by Production**Stage (World Total = 100%)**

		Partner: CLMV								
		2000				2008				
Flow	Reporter	Primary Goods	Intermediate Goods	Final Goods	Total	Primary Goods	Intermediate Goods	Final Goods	Total	
Export	ASEAN7	53.2	42.0	33.5	39.5	23.1	37.6	26.3	33.8	
	China	12.2	11.6	17.1	13.4	6.4	21.5	27.1	22.7	
	Hong Kong	1.0	5.1	6.8	5.5	0.8	4.8	5.2	4.8	
	Japan	3.6	12.1	12.8	12.1	4.8	9.4	10.8	9.7	
	South Korea	5.8	14.3	9.6	12.5	3.0	11.8	7.7	10.3	
	India	0.4	1.6	1.5	1.5	6.4	2.5	2.3	2.6	
	Australia & NZ	4.8	1.8	1.7	1.9	9.8	1.9	1.0	1.9	
	EAST ASIA	80.9	88.4	83.0	86.4	54.2	89.6	80.3	85.6	
	EU27	6.4	6.4	11.9	8.2	9.1	4.5	10.5	6.4	
	USA	7.9	1.9	2.4	2.3	21.8	1.8	5.6	3.6	
	ROW	4.8	3.3	2.7	3.2	14.9	4.1	3.5	4.3	
	World	100	100	100	100	100	100	100	100	
	Import	ASEAN7	29.5	34.7	7.7	17.0	32.1	30.7	8.0	18.2
		China	17.4	8.8	0.6	6.5	13.5	7.8	2.9	6.6
Hong Kong		0.4	6.0	1.5	1.6	0.2	3.6	1.3	1.4	
Japan		13.5	23.2	16.5	16.3	15.1	23.1	7.7	12.2	
South Korea		0.8	5.6	2.0	2.0	3.1	4.6	2.2	2.9	
India		2.8	0.4	0.4	1.1	2.7	0.9	1.3	1.6	
Australia & NZ		20.6	1.9	1.7	7.4	16.4	2.2	1.6	5.8	
EAST ASIA		85.2	80.5	30.3	51.9	83.1	73.1	25.1	48.8	
EU27		8.4	13.5	43.2	29.7	7.6	9.7	31.7	21.6	
USA		4.6	2.0	19.3	13.1	7.0	9.6	31.1	21.1	
ROW		1.9	4.0	7.2	5.3	2.3	7.5	12.1	8.6	
World		100	100	100	100	100	100	100	100	

Note: EAST ASIA includes ASEAN7 (Cambodia, Indonesia, Malaysia, Philippines, Singapore, Thailand, Vietnam), China, Hong Kong, Japan, South Korea, India, Australia and New Zealand.

Source: UN Comtrade (accessed on December 16, 2010).

Table 7: Importance of Primary, Intermediate and Final Goods in the World Trade with CLMV (Total of Primary, Intermediate and Final Goods = 100%)

		Partner: CLMV								
		2000				2008				
Flow	Reporter	Primary Goods	Intermediate Goods	Final Goods	Total	Primary Goods	Intermediate Goods	Final Goods	Total	
Export	ASEAN7	4.2	68.0	27.8	100	2.4	74.7	23.0	100	
	China	2.8	55.3	41.8	100	1.0	63.8	35.2	100	
	Hong Kong	0.6	58.9	40.5	100	0.5	67.6	31.8	100	
	Japan	0.9	64.2	34.8	100	1.7	65.5	32.8	100	
	South Korea	1.5	73.3	25.2	100	1.0	76.9	22.1	100	
	India	0.8	66.6	32.5	100	8.6	64.8	26.6	100	
	Australia & NZ	8.0	61.8	30.3	100	17.7	67.5	14.8	100	
	EAST ASIA	2.9	65.5	31.5	100	2.2	70.2	27.6	100	
	EU27	2.4	49.9	47.7	100	4.9	46.8	48.3	100	
	USA	10.8	54.4	34.8	100	20.9	33.6	45.6	100	
	ROW	4.8	66.9	28.3	100	11.9	64.0	24.1	100	
	World	3.1	64.0	32.8	100	3.4	67.1	29.5	100	
	Import	ASEAN7	52.4	20.5	27.2	100	49.1	26.2	24.7	100
		China	81.1	13.7	5.2	100	56.8	18.4	24.9	100
Hong Kong		8.1	36.5	55.4	100	3.7	41.3	54.9	100	
Japan		25.1	14.3	60.5	100	34.6	29.5	35.9	100	
South Korea		12.4	28.0	59.6	100	30.6	25.1	44.3	100	
India		76.8	3.6	19.6	100	46.2	8.4	45.4	100	
Australia & NZ		83.9	2.5	13.5	100	78.3	5.9	15.7	100	
EAST ASIA		49.5	15.6	34.9	100	47.6	23.3	29.1	100	
EU27		8.5	4.6	86.9	100	9.8	7.0	83.2	100	
USA		10.5	1.6	87.9	100	9.3	7.1	83.6	100	
ROW		11.1	7.5	81.4	100	7.4	13.6	79.0	100	
World		30.2	10.0	59.7	100	27.9	15.5	56.6	100	

Note: EAST ASIA includes ASEAN7 (Cambodia, Indonesia, Malaysia, Philippines, Singapore, Thailand, Vietnam), China, Hong Kong, Japan, South Korea, India, Australia and New Zealand.

Source: UN Comtrade (accessed on December 16, 2010).

3. ANALYSIS OF CLMV COUNTRIES

The previous section presented an overview of the aggregate situation relating to the recent trade in intermediate goods by CLMV countries. However, the countries of the CLMV group have diverse characteristics. Vietnam has been successful in rapidly developing industries and has been able to catch up to Indonesia. Myanmar suffers from sanctions placed on it by developed countries, especially the United States, so that it has inevitably developed closer ties with neighboring countries such as Thailand and China. Each country has also different factors that make it attractive, e.g. natural resources, size of country, and various other comparative advantages. To consider the potential effect of such diversities on trade patterns of CLMV, this section conducts country analyses, sub-categorizing the intermediate goods into 5 BEC codes as shown in Table 1.

3.1. World Trades with CLMV Disaggregated by BEC Codes

Tables 8 and 9 provide more details than Tables 6 and 7 on CLMV's exports and imports, utilizing statistics from all countries reporting trade statistics to the U.N. Table 8 shows that, although 67.2% of the world's exports to CLMV are categorized as intermediate goods (as shown in Table 7), 38.1%, or more than half of the intermediate goods exported to CLMV, are semi-finished industrial supplies. Processed fuels and lubricants, which account for 14.9% of total exports to CLMV in 2008, are also significantly important commodities.

Table 9 demonstrates the countries exporting these commodities to CLMV. In the table, ASEAN4 includes Indonesia, Malaysia, the Philippines and Singapore. As shown

in Table 6, Table 9 also shows that ASEAN7 accounted for 37.6% of all intermediate goods exported to CLMV in 2008 (Cambodia [0.0%] + Vietnam [2.5%] + Thailand [12.6%] + ASEAN4 [22.4%]). ASEAN4 (22.4% of the world export to CLMV), China (21.5%) and Thailand (12.6%) are main exporters of intermediate goods.

However, the main exporters are different according to types of intermediate goods. Some 45.1% and 16.5% of the processed food and beverages in 2008 came from ASEAN4 and Thailand, respectively. For semi-finished industrial supplies, in addition to China, ASEAN4 and Thailand, South Korea (12.2%) is an important exporter.

Developed countries are still vital sources of semi-finished capital goods and parts and materials for transportation equipment. Japan accounted for 21.4% of semi-finished capital goods exported to CLMV in 2008, while EU27 represented about 11% of the semi-finished capital goods and parts and components for transportation equipments imported by CLMV in 2008.

In contrast to exports to CLMV, intermediate goods make up only 15.6% of total imports from CLMV in 2008 (Table 8). Among the intermediate goods, semi-finished industrial supplies, which accounted for 9.7% of the world import from CLMV in 2008, were the main items imported by the world from CLMV. This item is followed by parts and accessories of capital goods (3.2%) and transport equipment (2.0%). In the same manner as the export, as shown in Table 6, Table 9 also indicates that ASEAN7 accounted for 30.7% of the world total of intermediate goods imported from CLMV in 2008. In more details, Japan was the most important importer of intermediate goods from CLMV, with a 23.1% share, followed by ASEAN4 (14.2%) and Thailand (11.6%).

But, again, the main importers of intermediate goods from CLMV are different according to types of intermediate goods. Processed food and beverages were mainly

purchased by Hong Kong, which accounted for 32.7% of the total imported by all reporters in 2008, followed by ASEAN4 (22.1%) and China (12.6%). More industrial supplies are imported by developed countries such as EU27, which had a 12.5% share of industrial supplies imported from CLMV in 2008, Japan (12.2%) and the United States (10.8%), in addition to ASEAN4 (16.4%) and Thailand (10.6%). Japan accounted for 38.6% of parts and components for capital goods and 58.8% of parts and components for transportation equipment that were imported from CLMV in 2008.

3.2. Cambodia

The characteristics of Cambodia's exported and imported commodities can be clarified by comparing them with the CLMV averages shown in Table 8 and described in the section above. Intermediate goods constituted 65.5% of the commodities exported to Cambodia in 2008. Among the intermediate goods, semi-finished industrial supplies and processed fuels and lubricants accounted for 39.8% and 18.2% of the world's export to Cambodia in 2008, respectively. In contrast, intermediate goods made up only 2.6% of the world imports from Cambodia, while the percentage for final goods was 91.6% in 2008. In other words, 91.6% of the commodities exported by Cambodia to the world were categorized as final goods. Therefore, Cambodia is oriented to the intermediate-processing trade that is typically observed in less-developed countries in the early stage of industrialization.

Table 10 demonstrates that the main countries exporting intermediate goods to Cambodia have changed significantly, from Hong Kong (20.9% in 2000 and 9.9% in 2008) to neighboring countries such as Vietnam (26.8% in 2008) and Thailand (26.7% in 2008) and China (17.2% in 2008). The increasing importance of Vietnam and

Thailand as exporters to Cambodia has been observed for all of the five sub-categories of intermediate goods, especially for fuels and lubricants and parts and accessories of transportation equipments, with these two neighboring countries together accounting for more than 70% of the exports to Cambodia in 2008.

There are also radical changes in the importers of intermediate goods imported from Cambodia. While China accounted for 67.4% of the world's import of intermediate goods in 2000, the percentage dropped to 4.8% in 2008. In contrast, Vietnam's share rose from 4.8% in 2000 to 46.2% in 2008. ASEAN4 also increased its share from 7.2% to 19.4% over the same period. In sum, ASEAN increased its importance as a foreign market for Cambodia's export of intermediate goods. But, as shown in Table 8, more than 90% of the world imports from Cambodia in both 2000 and 2008 were categorized as final goods. Table 10 signifies that the United States and EU27 import most of the final goods exported by Cambodia.

3.3. Lao PDR

Table 8 shows that intermediate goods accounted for 57.9% of the world's exports to Lao PDR in 2008. Although the percentage was increased from 51.6% in 2000, the share of intermediate goods is the lowest among CLMV countries. Among the intermediate goods, semi-finished industrial suppliers, which accounted for 27.7% of the total export to Lao PDR in 2008, and processed fuels and lubricants (20.7%) were the main commodities. On the other hand, a drastic change was observed in the world's imports from Lao PDR. The portion of intermediate goods in the world's imports from Lao PDR increased from 14.5% in 2000 to 60.0% in 2008. Among intermediate goods, semi-finished industrial supplies and processed fuels and lubricants made up 50.9% and

8.2%, respectively, of the world's imports from Lao PDR in 2008. In other words, Lao PDR recently increased exports of these products.

Table 11 provides details on Lao PDR's trade partners, broken down by product type. East Asia and ASEAN7 accounted for 95.1% and 83.2%, respectively, of the world's export of intermediate goods to Lao PDR in 2008. Similarly, East Asia and ASEAN7 accounted for 98.3% and 87.2%, respectively, of the world's import of intermediate goods from Lao PDR in 2008. Therefore, ASEAN countries are the main international trade partners for Lao PDR intermediate goods. It is well known that Lao PDR has close ties with Thailand because of geographical proximity and cultural similarities. But, to allay concerns about over-dependence on a single country, Lao PDR has been making efforts to diversify its trade partners. As a result, China and Vietnam are deepening their commercial relationships with Lao PDR, even though Thailand continued to be the most important exporter to Lao PDR of all but semi-finished capital goods in 2008. For this type of goods, China became the largest exporter, grabbing market share mainly from EU27. In 2008, China accounted for 31.0% of the capital goods exported to Lao PDR, increasing its share from 22.9% in 2000. Following, China, Thailand had a 24.7% market share in 2008, making it the second largest exporter of capital goods to Lao PDR. China and Vietnam increased their importance as exporters of parts and accessories for transportation equipments; China, which accounted for 1.3% of the world's exports to Lao PDR in 2000, increased its share to 18.1% in 2008, while Vietnam's share increased from 0.3% to 4.8%. Thailand also decreased its importance for Lao PDR as an importer of semi-finished industrial supplies. In 2008, Thailand comprises 59.2% of the world's imports of industrial supplies from Lao PDR, a large decline from 75.5% in 2000. On the other hand, Vietnam and China bought

25.7% and 7.0%, respectively, of the industrial supplies exported by Lao PDR in 2008. India suddenly emerged in 2008 as a major importer of semi-finished capital goods.

3.4. Myanmar

Table 8 indicates that 65.4% of the commodities exported from the world to Myanmar in 2008 were intermediate goods, which is almost the same as the average for CLMV. In contrast, intermediate goods have not been significantly important as imported merchandise; the goods made up only 10.6% and 5.1% of the world's imports from Myanmar in 2000 and 2008, respectively. In addition, from 2000 to 2008, there was a structural change in terms of the world's imports from Myanmar. In 2000, final goods made up 60.8% of the world's imports from Myanmar. In 2008, 69.6% of the world's imports were primary goods, while the percentage for final goods declined to 25.3%. Such a radical change happened because of the increase in the export of gas to Thailand, as well as the sanctions imposed on Myanmar by the United States.

Table 12 indicates that, for intermediate goods, in 2008, East Asia made up 97.3% of the world's exports to and 90.1% of the world's imports from Myanmar. ASEAN7 accounted for 58.2% and 38.2% of the world's exports to and imports from Myanmar of intermediate goods in 2008. This implies that East Asia, other than ASEAN7, is important for Myanmar as export markets for products made in Myanmar. Among the East Asian countries, China made up 35.1% of the world's imports of intermediate goods from Myanmar in 2008.

In 2008, ASEAN7 was the main exporter to Myanmar of such natural-based intermediate goods as processed foods and beverages (95.2% of the world's exports of foods and beverages) and processed fuels and lubricants (97.7% of the world's exports

of processed fuels and lubricants). On the other hand, China exported non natural-based products to Myanmar. China accounted for 41.5% of all semi-finished industrial supplies, 44.6% of all parts and accessories for capital goods, and 52.2% of all parts and accessories for transportation equipments exported to Myanmar in 2008.

In contrast to the world's exports to Myanmar, China was the main importer of natural-resource based intermediate goods in 2008. China's imports of processed foods and beverages and fuels and lubricants accounted for 30.7% and 38.6%, respectively, of the world's imports from Myanmar in 2008. China increased its importance as an export market for Myanmar for all commodities except parts and accessories for transportation equipment.

3.5. Vietnam

Table 8 shows that intermediate goods accounted for 67.9% of the world's exports to Vietnam in 2008. This percentage was the highest in CLMV. The main product among the intermediate goods exported to Vietnam was semi-finished industrial supplies, which comprised 38.8% of the world's exports to Vietnam in 2008. On the other hand, intermediate goods made up only 16.7% of the world's imports from Vietnam in 2008. Vietnam's principal intermediate goods export was semi-finished industrial supplies, while final goods are still the main items that countries in the world import from Vietnam.

Table 13 indicates that, in 2008, East Asia accounted for 88.0% of the world's export to and 70.6% of the world's imports from Vietnam of intermediate goods. ASEAN7 represents 31.5% and 25.8%, respectively, of these figures, which suggests that countries in East Asia other than ASEAN7 are important intermediate goods trading

partners for Vietnam. Following ASEAN4's 23.1%, China accounted for 21.8% of the world's exports of intermediate goods to Vietnam in 2008. On the other hand, 25.6% of the world's imports of intermediate goods from Vietnam was accounted for by Japan, followed by ASEAN4 (15.0%) in 2008.

In 2008, ASEAN7 was a main exporter to Vietnam of natural-based intermediate goods, accounting for 50.2% of the world's exports of processed foods and beverages and 61.8% of the world's exports of processed fuels and lubricants to Vietnam. Some 40.9% of parts and accessories for transportation equipment exported to Vietnam originated in ASEAN7. Among other East Asian countries, China was a major country exporting semi-finished industrial supplies; 27.8% of the total exported to Vietnam was from China. In 2008, Japan continued to be the main supplier of parts and accessories for capital goods to Vietnam, with a 23.2% share of the world's exports to Vietnam, although China increased its market share from 3.5% in 2000 to 17.6% in 2008.

Developed countries, including EU27 and the United State, were still important importers of intermediate goods from Vietnam, while ASEAN7 and China accounted for 25.8% and 7.2%, respectively, of intermediate goods imported from Vietnam. Of special importance is Japan's import of intermediate goods, which represented 25.6% of the world's imports in 2008. Among the different types of intermediate goods, China and Hong Kong together imported about 50% of the processed foods and beverages exported by Vietnam in 2008. Japan accounted for 39.0% of the world's imports of parts and accessories for capital goods and 59.3% of those for transportation equipment in 2008. ASEAN increased its importance as an importer of parts and accessories for transportation equipment; Thailand and ASEAN4 imported 4.2% and 6.0% of these goods exported from Vietnam in 2008.

Table 8: World Trade with CLMV by Production Stage (World Total of Primary, Intermediate and Final Goods = 100%)

Partner	CLMV		Cambodia		Lao PDR		Myanmar		Vietnam						
	2000	2008	Growth (08/00)	2000	2008	Growth (08/00)	2000	2008	Growth (08/00)	2000	2008	Growth (08/00)			
Export															
Primary goods	3.1	3.3	5.1	3.0	1.5	2.0	2.3	1.9	3.5	6.2	1.2	0.4	2.5	3.7	8.3
Intermediate goods	64.0	67.2	5.1	63.8	65.5	4.1	51.6	57.9	4.7	60.0	65.4	2.6	65.5	67.9	5.8
Food and beverages	1.9	1.9	4.9	1.6	0.8	2.1	1.2	0.9	3.3	4.2	6.1	3.6	1.4	1.6	6.4
Industrial supplies	37.0	38.1	5.0	36.2	39.8	4.4	27.2	27.7	4.3	35.7	32.2	2.2	37.9	38.8	5.7
Fuels and lubricants	12.4	14.9	5.8	22.0	18.2	3.3	11.4	20.7	7.6	8.5	16.7	4.8	11.8	14.1	6.7
Capital goods	9.0	8.7	4.7	1.6	2.4	6.1	2.8	4.6	6.9	7.0	5.1	1.8	11.0	9.9	5.0
Transport equipment	3.8	3.6	4.7	2.5	4.4	7.0	9.1	3.9	1.8	4.6	5.3	2.8	3.5	3.4	5.4
Final goods	32.9	29.6	4.4	33.2	33.0	3.9	46.1	40.3	3.7	33.7	33.4	2.4	32.0	28.4	4.9
Total	100	100	4.9	100	100	4.0	100	100	4.2	100	100	2.4	100	100	5.6
Import															
Primary goods	30.7	28.8	4.1	4.4	5.7	4.1	28.8	18.3	2.6	28.6	69.6	8.1	34.1	26.7	3.7
Intermediate goods	10.1	15.6	6.8	4.9	2.6	1.7	14.5	60.0	16.8	10.6	5.1	1.6	10.5	16.7	7.5
Food and beverages	0.3	0.2	2.0	0.0	0.1	139.7	0.0	0.1	308.5	0.1	0.1	1.7	0.4	0.2	1.9
Industrial supplies	5.5	9.7	7.8	4.8	2.5	1.6	14.3	50.9	14.4	9.5	4.3	1.5	4.8	9.9	9.7
Fuels and lubricants	0.6	0.5	3.9	0.0	0.0	0.3	8.2	8.2	8.2	0.1	0.3	16.6	0.7	0.4	2.6
Capital goods	2.9	3.2	5.0	0.1	0.0	1.2	0.1	0.1	3.5	0.9	0.5	1.7	3.5	3.8	5.1
Transport equipment	0.8	2.0	10.8	0.0	0.0	1.1	0.0	0.8	308.2	0.0	0.0	2.3	1.1	2.4	10.8
Final goods	59.2	55.5	4.1	90.7	91.6	3.2	56.8	21.7	1.5	60.8	25.3	1.4	55.4	56.6	4.8
Total	100	100	4.4	100	100	3.1	100	100	4.0	100	100	3.3	100	100	4.7

Note: ASEAN4 (Indonesia, Malaysia, Philippines, Singapore).

Source: UN Comtrade (accessed on January 11, 2011).

Table 9: Geographical Distribution of World Trade with CLMV by Production Stage (World Total = 100%)

Flow Reporter	Primary goods												Intermediate goods												Final goods											
	Export				Import				Food and beverages				Industrial supplies				Fuels and lubricants				Capital goods				Transport equipment											
	2000	2008	2000	2008	2000	2008	2000	2008	2000	2008	2000	2008	2000	2008	2000	2008	2000	2008	2000	2008	2000	2008	2000	2008	2000	2008	2000	2008								
Cambodia	2.7	5.3	0.1	0.0	0.3	0.7	1.0	0.8	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0								
Vietnam	2.7	0.3	1.3	2.5	0.7	1.0	16.5	12.3	0.8	2.0	4.2	5.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.1	1.5	0.9								
Thailand	5.8	10.0	13.0	12.6	11.4	16.5	45.1	17.8	12.6	11.0	14.4	17.3	4.1	4.2	28.7	21.9	12.0	14.9	20.7	13.2	12.0	14.9	20.7	13.2	12.0	14.9	20.7	13.2								
ASEAN4	41.9	7.5	27.6	22.4	41.7	45.1	4.8	14.4	17.8	12.6	59.5	47.4	28.7	21.9	10.3	8.2	4.4	19.1	17.1	27.1	9.8	21.1	17.1	27.1	9.8	21.1	17.1	27.1								
China	12.2	6.4	11.6	21.5	0.7	4.8	0.4	0.0	7.3	6.0	0.6	0.0	4.2	10.6	1.3	0.7	6.8	5.2	6.8	5.2	1.3	0.7	6.8	5.2	1.3	0.7	6.8	5.2								
Hong Kong	1.0	0.8	5.1	4.8	0.4	3.4	0.5	11.9	9.6	1.2	3.1	28.1	21.4	9.5	12.8	10.8	10.8	10.8	10.8	10.8	10.8	10.8	10.8	10.8	10.8	10.8	10.8	10.8								
Japan	3.6	4.8	12.1	9.4	3.4	0.2	0.1	19.0	12.2	9.0	17.2	7.8	5.4	7.2	9.6	7.7	7.2	9.6	7.2	9.6	7.2	9.6	7.2	9.6	7.2	9.6	7.2	9.6								
South Korea	5.8	3.0	14.3	11.8	0.2	3.0	3.0	2.2	3.9	0.0	0.1	0.4	0.7	3.3	1.2	1.5	2.3	1.7	1.0	1.0	1.4	0.1	1.7	1.0	1.4	0.1	1.7	1.0								
India	0.4	6.4	1.6	2.5	17.7	8.9	1.7	8.9	1.7	2.6	0.3	0.4	1.2	0.4	0.1	1.7	1.0	1.7	1.0	1.0	1.7	1.0	1.7	1.0	1.7	1.0	1.7	1.0								
Australia & NZ	4.8	9.8	1.8	1.9	89.6	79.9	87.7	88.1	99.5	99.3	83.9	83.9	87.4	85.3	83.0	80.3	83.0	80.3	83.0	80.3	87.4	85.3	83.0	80.3	87.4	85.3	83.0	80.3								
EAST ASIA	80.9	54.2	88.4	89.6	6.4	4.5	17.7	6.6	6.0	3.9	0.3	0.1	13.0	11.1	11.2	11.9	10.5	10.5	10.5	10.5	8.2	11.2	11.9	10.5	8.2	11.2	11.9	10.5								
EU27	6.4	9.1	6.4	4.5	4.4	8.1	1.2	1.2	1.9	0.0	0.0	0.1	6.9	3.0	2.5	1.7	2.4	5.6	2.4	5.6	2.5	1.7	2.4	5.6	2.5	1.7	2.4	5.6								
USA	7.9	21.8	1.9	1.8	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100								
World Total	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100								
Import Cambodia	0.0	0.0	4.9	2.8	0.5	2.2	0.8	0.8	1.8	1.8	81.4	48.7	0.0	0.3	0.6	0.0	0.3	0.6	0.0	0.3	0.0	0.0	0.6	0.0	0.0	0.0	0.6	0.0								
Vietnam	1.3	1.1	0.3	2.0	0.3	0.3	0.4	0.4	3.2	0.0	0.0	0.0	0.0	0.0	0.2	0.1	0.6	0.2	0.1	0.6	0.2	0.1	0.6	0.2	0.2	0.1	0.6	0.2								
Thailand	6.0	16.9	17.2	11.6	0.5	4.6	9.5	10.6	1.1	1.1	1.1	30.8	42.4	16.5	0.7	4.8	0.5	1.1	0.5	1.1	0.7	4.8	0.5	1.1	0.7	4.8	0.5	1.1								
ASEAN4	22.2	14.1	12.3	14.2	25.3	22.1	10.6	16.4	1.2	8.3	1.2	8.3	19.0	13.3	3.0	6.1	6.5	6.4	6.5	6.4	3.0	6.1	6.5	6.4	3.0	6.1	6.5	6.4								
China	17.4	13.5	8.8	7.8	24.5	12.6	13.2	9.1	4.0	5.8	4.0	5.8	1.8	8.1	0.1	1.1	0.6	2.9	0.1	0.6	0.1	1.1	0.6	2.9	0.1	1.1	0.6	2.9								
Hong Kong	0.4	0.2	6.0	3.6	33.5	32.7	8.1	2.8	0.1	2.8	0.1	3.2	1.4	6.6	0.2	0.9	1.5	1.3	0.2	0.9	0.2	0.9	1.5	1.3	0.2	0.9	1.5	1.3								
Japan	13.5	15.1	23.2	23.1	5.3	3.8	16.8	12.2	0.2	1.9	0.2	1.9	25.3	38.6	80.0	58.8	16.5	7.7	80.0	58.8	80.0	58.8	16.5	7.7	80.0	58.8	16.5	7.7								
South Korea	0.8	3.1	5.6	4.6	1.0	3.4	8.2	6.9	0.1	0.3	0.1	0.3	3.8	0.7	0.5	0.9	2.0	2.2	0.5	0.9	0.5	0.9	2.0	2.2	0.5	0.9	2.0	2.2								
India	2.8	2.7	0.4	0.9	0.1	1.8	0.6	1.0	1.0	0.0	0.0	0.0	0.2	0.7	0.0	0.6	0.4	1.3	0.0	0.6	0.0	0.6	0.4	1.3	0.0	0.6	0.4	1.3								
Australia & NZ	20.6	16.4	1.9	2.2	0.2	0.4	2.3	3.3	3.3	8.7	8.7	0.1	0.2	0.5	0.5	0.3	1.7	1.6	0.5	0.3	0.5	0.3	1.7	1.6	0.5	0.3	1.7	1.6								
EAST ASIA	85.2	83.1	80.5	73.1	91.0	83.9	70.7	67.4	96.8	99.1	94.1	85.4	85.4	74.2	30.3	25.1	25.1	25.1	30.3	25.1	85.4	74.2	30.3	25.1	85.4	74.2	30.3	25.1								
EU27	8.4	7.6	13.5	9.7	3.4	2.7	20.8	12.5	3.2	0.3	3.2	0.3	4.4	4.0	5.8	43.2	31.7	31.7	4.4	4.0	5.8	43.2	31.7	31.7	5.8	43.2	31.7	31.7								
USA	4.6	7.0	2.0	9.6	1.5	3.4	3.0	10.8	0.0	0.0	0.0	0.0	1.0	5.7	13.0	19.3	31.1	31.1	1.0	5.7	13.0	19.3	31.1	31.1	13.0	19.3	31.1	31.1								
World Total	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100								

Note: ASEAN4 (Indonesia, Malaysia, Philippines, Singapore).

Source: UN Comtrade (accessed on January 11, 2011).

Table 10: Geographical Distribution of World Trade with Cambodia by Production Stage (World Total = 100%)

Flow Reporter	Primary goods						Intermediate goods						Final goods							
	2000		2008		2008		2000		2008		2008		2000		2008		2000		2008	
Export Cambodia																				
Vietnam	5.3	4.5	9.1	26.8	3.0	23.6	4.2	19.6	19.3	49.7	3.4						12.1	4.8	21.1	32.2
Thailand	2.0	39.7	19.3	26.7	6.2	39.3	13.8	19.6	25.3	34.3	17.2	58.7					61.8	21.1	31.9	15.3
ASEAN4	13.6	7.9	31.1	10.4	54.9	14.0	16.7	7.4	54.0	14.1	41.5	15.0					6.7	9.4	12.9	6.5
China	2.3	2.2	9.5	17.2	0.2	5.9	16.1	25.3	0.1	1.2	5.7	22.5					5.0	8.7	9.4	12.9
Hong Kong	3.2	1.0	20.9	9.9	0.0	0.0	36.6	16.1	0.0	0.0	5.9	2.6					0.2	0.8	6.4	6.5
Japan	4.4	2.2	1.0	0.7			1.3	0.6			2.6	4.9					3.6	6.0	6.0	6.4
South Korea	42.9	28.0	4.3	3.6			0.0	6.8	5.4	0.0	2.3	9.7					4.2	4.3	4.2	4.2
India	0.6	1.6	0.3	0.5	0.0	0.0	0.4	0.7			1.0	2.2					0.4	0.7	1.2	1.2
Australia & NZ	0.1	4.3	0.1	0.3	2.8	8.6	0.0	0.2	0.0	0.0	1.9	1.4					0.0	0.3	0.8	0.8
EAST ASIA	74.4	91.3	95.7	96.1	67.0	91.4	96.0	94.9	98.7	99.3	74.4	89.5					95.7	98.3	84.9	89.0
EU27	0.3	1.2	3.0	2.6	7.6	6.5	3.2	3.3	1.1	0.4	20.9	7.7					2.0	0.6	12.2	4.5
USA	22.2	3.2	0.9	0.3	25.4	0.3	0.1	0.2			4.2	2.3					2.2	0.8	1.4	5.7
World Total	100	100	100	100	100	100	100	100	100	100	100	100					100	100	100	100
Import Cambodia																				
Vietnam	43.0	33.6	4.8	46.2			0.9	49.9	64.0		14.2	3.9					78.2	18.3	0.2	1.3
Thailand	4.6	29.2	3.5	1.2	33.2	0.0	3.5	1.1	9.6	1.6	4.8	9.5					4.8	4.8	0.2	0.2
ASEAN4	34.3	25.6	7.2	19.4	0.0	3.5	6.5	20.1	26.4	0.0	38.0	37.8					2.8	25.1	4.7	0.9
China	8.9	7.6	67.4	4.8			69.5	5.2			0.6	0.6							0.3	0.3
Hong Kong	0.4	0.1	6.0	1.3			0.1	6.2	1.3		0.5	1.3							0.7	0.2
Japan	0.0	0.1	2.4	0.2			0.0	2.2	0.3		13.1	0.1					1.9	3.6	2.6	2.6
South Korea	1.8	1.5	0.6	0.1	66.8	0.1	0.6	0.1	17.7		3.5	0.4							0.0	0.2
India	0.6	0.0	1.2	1.6			27.1	1.2			1.2								0.0	0.0
Australia & NZ	0.0	0.0	0.4	0.3	0.0	0.0	0.4	0.3	0.0	0.0	0.0	0.0					0.0	4.7	0.1	0.3
EAST ASIA	93.6	97.8	93.7	75.1	100.0	31.8	94.2	78.3	100.0	19.3	75.3	53.6					81.0	54.7	9.9	6.0
EU27	3.8	0.3	1.6	10.8			8.1	10.8			8.1	20.4					0.6	13.0	24.8	28.9
USA	1.7	1.2	3.6	8.8			3.3	9.1			15.7	19.4					2.1	28.2	63.6	55.6
World Total	100	100	100	100	100	100	100	100	100	100	100	100					100	100	100	100

Note: ASEAN4 (Indonesia, Malaysia, Philippines, Singapore).

Source: UN Comtrade (accessed on January 11, 2011).

Table 12: Geographical Distribution of World Trade with Myanmar by Production Stage (World Total = 100%)

Flow	Reporter	Primary goods						Intermediate goods						Final goods					
		Food & beverages		Industrial supplies		Fuels & lubricants		Capital goods		Transport equipment		Capital goods		Transport equipment		Capital goods		Transport equipment	
		2000	2008	2000	2008	2000	2008	2000	2008	2000	2008	2000	2008	2000	2008	2000	2008	2000	2008
Export	Cambodia	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	Vietnam	0.1	0.5	0.3	0.7	0.2	0.4	1.1	1.1	0.1	0.7	0.1	0.7	0.3	0.4	0.1	0.3	0.1	0.3
	Thailand	2.5	29.9	21.0	21.1	32.0	23.1	20.3	23.6	15.0	23.6	8.4	4.9	30.5	20.8	21.0	22.4	21.0	22.4
	ASEAN4	93.3	9.8	24.7	36.5	63.0	18.0	16.7	74.1	32.2	74.1	33.9	30.8	20.4	14.5	25.2	16.5	25.2	16.5
	China	2.3	13.5	17.9	28.8	1.4	1.5	41.5	3.0	3.0	1.7	8.8	44.6	18.7	52.2	25.8	40.2	25.8	40.2
	Hong Kong	0.0	0.0	4.6	0.9	0.0	7.5	1.4	0.0	0.0	0.0	0.8	2.2	0.2	0.1	2.3	0.7	0.1	0.7
	Japan	0.1	2.4	6.1	1.6	0.2	3.1	2.3	0.0	0.0	0.0	31.7	2.3	7.6	3.1	12.0	6.0	3.1	12.0
	South Korea	0.2	9.1	17.3	4.6	0.0	15.9	8.8	49.5	0.1	5.2	1.4	1.4	3.1	1.4	3.2	2.7	1.4	3.2
	India	0.1	2.9	1.9	3.2	0.8	2.4	4.6	0.0	0.2	1.4	6.3	3.3	3.5	3.3	1.6	4.8	3.3	1.6
	Australia & NZ	0.6	24.4	0.9	0.2	8.1	0.9	0.4	0.2	0.2	0.0	0.8	0.0	0.1	0.0	0.3	0.4	0.0	0.3
	EAST ASIA	99.1	92.5	94.7	97.3	91.4	98.6	95.8	96.8	99.8	99.7	91.0	93.4	84.3	95.7	91.6	94.0	95.7	91.6
	EU27	0.1	3.3	3.2	1.6	7.6	1.4	1.4	1.8	0.1	0.1	8.0	3.6	11.4	3.5	6.5	3.8	3.5	6.5
	USA	0.2	2.8	0.5	0.1	0.0	0.2	0.0	0.0	0.0	0.0	0.8	0.2	3.5	0.2	1.1	0.2	0.2	1.1
	World Total	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
Import	Cambodia	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	Vietnam	0.3	1.5	0.7	0.7	4.7	0.7	0.7	0.7	0.7	0.3	0.9	0.4	1.7	3.0	1.1	6.2	0.0	0.6
	Thailand	37.6	74.6	20.1	13.4	2.3	21.7	13.9	97.3	29.7	0.4	20.7	45.8	7.5	75.7	10.3	6.9	3.0	1.1
	ASEAN4	10.5	2.4	12.3	24.1	70.1	26.2	23.0	0.0	0.4	38.6	12.6	35.8	0.5	1.5	7.5	6.9	7.5	10.3
	China	15.0	9.4	12.9	35.1	0.1	30.7	35.0	0.6	0.6	0.1	8.8	7.0	0.5	1.2	0.9	7.5	7.5	10.3
	Hong Kong	2.4	0.4	2.4	5.8	0.7	4.1	2.7	5.9	1.5	30.0	24.5	7.0	0.5	1.2	0.9	7.5	7.5	10.3
	Japan	2.9	0.7	12.2	5.3	0.1	1.6	11.4	3.6	1.5	30.0	24.5	7.0	0.5	1.2	0.9	7.5	7.5	10.3
	South Korea	0.4	1.6	7.7	1.9	6.8	1.2	6.6	2.1	1.3	1.3	20.8	0.0	1.0	0.1	0.4	2.5	0.1	0.4
	India	26.9	8.9	1.5	3.1	0.1	0.1	1.4	3.7	0.0	0.0	3.1	0.0	0.4	2.6	30.4	2.5	0.1	0.4
	Australia & NZ	0.0	0.0	0.5	0.8	0.0	0.0	0.6	0.9	0.0	0.0	0.0	0.1	0.0	0.0	0.7	1.0	0.0	0.7
	EAST ASIA	96.1	99.5	70.3	90.1	77.9	71.0	69.2	89.0	99.4	100.0	82.6	98.2	11.0	78.8	24.7	71.9	11.0	78.8
	EU27	2.4	0.2	17.1	6.5	15.1	12.3	17.7	7.3	7.3	1.0	9.4	1.0	55.5	17.8	27.9	16.1	1.0	16.1
	USA	0.8	10.1	10.1	10.5	10.5	10.5	10.5	10.5	10.5	10.5	7.8	7.8	0.3	41.0	41.0	41.0	7.8	41.0
	World Total	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100

Note: ASEAN4 (Indonesia, Malaysia, Philippines, Singapore).

Source: UN Comtrade (accessed on January 11, 2011).

Table 13: Geographical Distribution of World Trade with Vietnam by Production Stage (World Total = 100%)

Flow	Reporter	Primary goods						Intermediate goods						Final goods					
		Food & beverages		Industrial supplies		Fuels & lubricants		Capital goods		Transport equipment		Final goods		Capital goods		Transport equipment		Final goods	
		2000	2008	2000	2008	2000	2008	2000	2008	2000	2008	2000	2008	2000	2008	2000	2008	2000	2008
Export	Cambodia	4.7	5.8	0.1	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1
	Vietnam																		
	Thailand	8.1	7.3	8.2	8.4	2.7	8.6	8.0	7.8	7.7	10.0	3.1	3.4	29.6	24.1	4.9	5.5		
	ASEAN4	21.9	7.5	28.7	23.1	31.9	41.6	18.5	13.2	68.2	51.8	28.0	21.4	10.7	16.8	18.7	13.2		
	China	19.4	6.5	10.9	21.8	0.3	6.0	12.4	27.8	14.8	10.4	3.5	17.6	8.9	18.5	17.0	28.2		
	Hong Kong	1.2	0.8	3.0	4.8	0.8	0.0	3.3	5.3	0.9	0.0	4.7	11.4	2.0	0.8	8.3	5.7		
	Japan	5.4	5.0	15.4	11.3	6.2	0.7	15.6	11.4	1.8	4.0	28.5	23.2	20.4	11.6	14.5	12.1		
	South Korea	2.4	1.9	15.7	13.7	0.4	0.1	22.0	13.6	5.7	22.5	8.4	5.8	8.5	8.6	12.5	8.9		
	India	0.6	6.8	1.7	2.7	0.0	3.9	2.5	4.3	0.0	0.1	0.2	0.4	3.7	1.0	1.7	2.3		
	Australia & NZ	8.1	9.8	2.3	2.3	26.9	11.7	2.2	3.2	0.5	0.5	1.2	0.4	2.1	0.1	2.4	1.1		
	EAST ASIA	71.8	51.3	85.8	88.0	69.3	72.6	84.6	86.4	99.7	99.2	77.5	83.6	86.0	81.5	80.1	77.0		
	EU27	10.9	9.2	7.6	5.0	25.6	8.4	7.4	4.2	0.1	0.1	13.4	11.5	9.0	14.2	13.5	12.4		
	USA	9.8	23.5	2.5	2.2	3.8	11.4	1.6	2.3	0.0	0.1	7.8	3.1	2.5	2.2	3.0	6.4		
	World Total	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
Import	Cambodia	0.0	0.0	6.0	3.2	0.5	2.5	1.1	2.1	82.3	74.5	0.0	0.3	0.0	0.7	0.1	0.3		
	Vietnam																		
	Thailand	1.6	1.8	15.5	7.6	0.5	5.1	1.9	5.4	0.0	0.0	44.1	16.7	0.7	4.2	0.5	0.8		
	ASEAN4	23.9	17.1	13.0	15.0	23.6	23.5	11.8	17.8	1.2	12.7	18.9	12.9	3.0	6.0	6.4	7.1		
	China	18.1	14.4	5.4	7.2	25.4	13.0	8.0	8.4	4.1	6.1	1.4	7.8	0.1	1.1	0.5	3.0		
	Hong Kong	0.2	0.1	6.7	3.8	34.8	36.2	10.4	2.9	0.1	4.9	1.4	6.6	0.2	0.9	1.8	1.5		
	Japan	15.2	19.3	26.0	25.6	5.5	4.2	19.8	14.0	0.1	0.2	25.4	39.0	80.8	59.3	20.7	8.0		
	South Korea	0.9	3.5	5.8	4.8	0.7	3.8	10.0	7.5	0.1	0.3	3.1	0.7	0.5	0.9	2.7	2.5		
	India	0.1	1.2	0.2	0.9	0.1	0.1	0.4	1.0	0.0	0.0	0.1	0.7	0.0	0.6	0.1	0.2		
	Australia & NZ	23.8	21.1	2.2	2.5	0.2	0.4	3.2	3.9	8.8	0.1	0.3	0.5	0.5	0.3	2.2	1.8		
	EAST ASIA	83.8	78.6	80.8	70.6	91.4	88.7	66.6	62.9	96.7	98.7	94.7	85.3	85.8	74.0	34.8	25.4		
	EU27	9.0	9.6	13.9	10.5	3.0	1.2	25.2	14.1	3.2	0.4	4.2	4.0	5.5	7.9	48.5	32.5		
	USA	5.2	9.0	0.9	10.6	1.6	3.8	1.1	12.4	0.0	0.0	0.7	5.7	0.5	13.1	8.3	29.7		
	World Total	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100

Note: ASEAN4 (Indonesia, Malaysia, Philippines, Singapore).

Source: UN Comtrade (accessed on January 11, 2011).

4. ANALYSIS ON THE TEXTILE AND MOTORCYCLE SECTORS

This section introduces trade statistics in two major manufacturing sectors that have been important for CLMV: the textile and motorcycle sectors. By analyzing specific sectors, present growth of intermediate goods can be recognized more concretely.

Intermediate goods in these sectors are defined according to SITC Rev.3 and BEC as noted in Tables 14 and 15. As observed in Tables 8 to 13, geographical distribution of trade partners for CLMV countries are focused on in this section. In addition, to examine the sector-level interdependence, this paper applies the methodology of Ando (2006) to identify one-way trade, which is defined if the following equation holds and intra-industry trade otherwise:

$$\text{Min}(X_{ij}, M_{ij}) / \text{Max}(X_{ij}, M_{ij}) \leq 0.1$$

where X_{ij} represents country i 's export to country j and M_{ij} country i 's import from country j .

4.1. Textiles and Fabrics

Garment manufacturing has been a leading sector in countries in the early stage of industrialization. In the MRBCs, this is a main export-oriented manufacturing sector. The sector has a unique international division of labor based on cutting, making and packing (CMP) arrangements. Foreign buyers, typically in Hong Kong, provide factories for CMP in developing countries with raw materials for their own accounts. It can be said that such a system has developed to take advantage of cheap labor forces necessary for the labor-intensive cutting, sewing and shipping processes.

Reflecting such a division of labor as shown Table 14-(3), one-way trade in

textiles and fabrics is observed in Cambodia, Lao PDR and Myanmar (CLM). On the other hand, ASEAN10, which includes more advanced countries than CLM, has two-way trade in these intermediate goods. Among CLMV, only Vietnam increased two-way trade, especially with ASEAN7, from 2000 to 2008.

Table 14-(1) shows the origins of textiles and fabrics used in CLMV. More than 95% of the world's exports to CLMV of textiles and fabrics in 2008 were from East Asian countries. Among these countries, the main exporters to Cambodia and Myanmar were China and Hong Kong, which, together accounted for more than 60% of textiles and fabrics exported to the two countries. The situation in Lao PDR is differently than in Cambodia and Myanmar. In 2008, Lao PDR purchased textiles and fabrics mainly from ASEAN7 (90.8% of the world's exports to Lao PDR in 2008), mostly Thailand (73.5%) and Vietnam (10.5%).

Table 14: Trades of Textile Yarn, Fabric, etc. (% of the World Total)

(1) Export

<Reporter>	<Partner>											
	ASEAN10		CLMV		Cambodia		Lao PDR		Myanmar		Vietnam	
	2000	2008	2000	2008	2000	2008	2000	2008	2000	2008	2000	2008
ASEAN7	20.4	15.4	17.9	11.7	16.1	16.4	71.5	90.8	19.2	24.1	15.9	7.3
China	14.0	42.6	16.3	42.6	19.4	41.8	11.5	1.9	35.2	59.1	10.1	42.4
Hong Kong	18.5	11.3	19.2	14.2	52.2	29.8	10.6	2.7	20.6	3.1	6.3	11.0
Japan	10.8	6.0	12.8	6.6	0.4	0.2	0.1	0.4	1.2	5.0	21.5	8.7
South Korea	22.7	15.6	28.1	19.6	9.3	8.7	1.4	0.1	22.5	6.3	38.2	24.4
India	2.2	1.7	0.5	0.8	0.3	0.6	0.2	0.0	0.2	1.3	0.7	0.8
Australia & NZ	0.6	0.3	0.3	0.1		0.0	0.1	0.1	0.0	0.1	0.5	0.1
EAST ASIA	89.3	92.8	95.1	95.6	97.7	97.6	95.4	95.8	98.8	99.1	93.1	94.7
EU27	6.3	4.3	3.3	2.7	1.2	0.2	3.0	4.1	0.6	0.5	4.8	3.6
USA	1.6	1.0	0.2	0.2	0.0	0.1	0.0	0.0	0.0		0.3	0.2
ROW	2.8	1.9	1.4	1.5	1.1	2.1	1.5	0.0	0.5	0.5	1.8	1.5
World Total	100	100	100	100	100	100	100	100	100	100	100	100

(2) Import

<Reporter>	<Partner>											
	ASEAN10		CLMV		Cambodia		Lao PDR		Myanmar		Vietnam	
	2000	2008	2000	2008	2000	2008	2000	2008	2000	2008	2000	2008
ASEAN7	15.5	19.3	10.2	23.8	28.3	56.3	21.7	76.6	43.2	64.3	9.0	23.2
China	7.4	8.7	8.5	12.3	0.0	6.9	0.8	10.4	0.6	2.1	8.9	12.4
Hong Kong	12.1	4.9	25.8	2.9	32.0	16.0	28.7	0.0	14.0	0.2	25.8	2.8
Japan	8.3	7.7	15.4	7.4			9.7	1.6	28.3	16.2	15.7	7.4
South Korea	6.6	7.3	18.2	20.1	2.9	0.6		0.0	2.7	2.6	19.0	20.4
India	1.9	2.2	0.1	0.7	0.1	0.1		0.0			0.1	0.7
Australia & NZ	2.8	1.4	1.4	0.8	0.0	3.0	0.2	0.6		0.3	1.4	0.8
EAST ASIA	54.6	51.5	79.5	68.0	63.3	82.9	61.0	89.4	88.8	85.6	79.9	67.7
EU27	19.2	12.8	11.8	7.2	0.5	1.0	7.3	1.6	2.0	11.9	12.3	7.2
US	9.8	5.8	1.3	5.8	34.4	7.4		1.9	1.4		0.1	5.9
ROW	16.4	29.9	7.5	19.0	1.8	8.8	31.7	7.1	7.8	2.5	7.7	19.2
World Total	100	100	100	100	100	100	100	100	100	100	100	100

(3) One-way Trade

<Reporter>	<Partner>											
	ASEAN10		CLMV		Cambodia		Lao PDR		Myanmar		Vietnam	
	2000	2008	2000	2008	2000	2008	2000	2008	2000	2008	2000	2008
ASEAN7	0.62	0.69	0.06	0.35	0.03	0.02	0.00	0.01	0.02	0.05	0.10	0.75
China	0.43	0.11	0.06	0.05	0.00	0.00	0.00	0.07	0.00	0.00	0.16	0.07
Hong Kong	0.53	0.24	0.15	0.04	0.01	0.00	0.02	0.00	0.01	0.00	0.73	0.06
Japan	0.62	0.71	0.13	0.19	0.00	0.00	0.83	0.06	0.25	0.06	0.13	0.20
South Korea	0.23	0.26	0.07	0.18	0.00	0.00	0.00	0.01	0.00	0.01	0.09	0.20
India	0.69	0.71	0.01	0.14	0.00	0.00	0.00	0.68	0.00	0.00	0.02	0.19
Australia & NZ	0.28	0.39	0.54	0.58	0.00	0.33	0.01	0.08	0.00	0.06	0.56	0.53
EAST ASIA	0.49	0.30	0.09	0.12	0.01	0.01	0.00	0.01	0.01	0.02	0.15	0.17
EU27	0.41	0.62	0.39	0.46	0.01	0.03	0.02	0.00	0.03	0.47	0.45	0.48
USA	0.20	0.30	0.67	0.20	0.06	0.41	0.00	0.65	0.33	n.a.	0.05	0.18
ROW	0.21	0.12	0.58	0.46	0.03	0.03	0.15	0.03	0.15	0.11	0.76	0.32
World Total	0.81	0.55	0.11	0.17	0.02	0.01	0.01	0.01	0.01	0.02	0.18	0.24

Note: Intermediate goods of textile yarn, fabric, etc. are defined according to SITC Rev.3 section 65 and BEC.

Source: UN Comtrade.

Vietnam made up 98.3% of the world's imports of textiles and fabrics from CLMV in 2008. As shown in Table 14-(2), the main importers of these intermediate goods from Vietnam were East Asia (67.7% of the world's imports of textiles and fabrics from Vietnam in 2008), in particular ASEAN7 (23.2%), South Korea (20.4%) and China (12.4%). Vietnam has closer ties with East Asia than with ASEAN10. East Asia made up 51.5% of the world's imports of textiles and fabrics from ASEAN10.

4.2. Motorcycles

Motorcycles have grown to be popular among people in Southeast Asia until such time as they can afford to purchase four-wheel cars. Roads in urban areas in Vietnam are flooded with motorcycles. Major Japanese firms, such as Honda, Suzuki and Yamaha, have large assembly plants in Thailand and Vietnam. Even in Cambodia and Lao PDR, there are firms, such as Santiphab Suzuki Lao Factory in Lao PDR, that assemble motorcycles using parts and components imported from Thailand, Vietnam and other countries.

Table 15 reflects the development status of the sector in CLMV. Table 15-(2) demonstrates that, in 2000, Vietnam was the only CLMV country that exported parts and accessories for motorcycles. In 2008, imports from Lao PDR were recorded in Vietnam, which made up 99.9% of the world's imports of parts and accessories for motorcycles from Lao PDR. Therefore, the motorcycle sector in CLM is entirely dependent on imported parts and components. This fact can be also recognized from Table 15-(3) where only Vietnam has two-way trade.

According to Table 15-(1), the main sources of parts and accessories for motorcycles for CLMV in 2008 were ASEAN7 and China, which made up 63.2% and

31.8%, respectively, of the world's exports of these goods to CLMV. The percentage for China, it should be noted, rose sharply from 11.6% in 2000. At the country level, China accounted for 0.9% in 2000 and 78.2% in 2008 of the world's exports of these intermediate goods to Myanmar.

The importance of China is also increasing for Lao PDR. Some 0.2% in 2000 and 53.1% in 2008 of intermediate goods for motorcycles exported to Lao PDR were from China. On the other hand, Cambodia depends mostly on parts and accessories from ASEAN. Some 97.8% of the intermediate goods exported to Cambodia in 2008 were from ASEAN7.

Table 15: Trades of Parts and Accessories of Motorcycle (% of the World Total)

(1) Export

<Reporter>	<Partner>											
	ASEAN10		CLMV		Cambodia		Lao PDR		Myanmar		Vietnam	
	2000	2008	2000	2008	2000	2008	2000	2008	2000	2008	2000	2008
ASEAN7	34.0	48.3	78.8	63.2	97.2	97.8	99.7	46.9	97.9	21.7	70.4	61.3
China	12.2	30.0	11.6	31.8	0.6	1.8	0.2	53.1	0.9	78.2	16.3	31.1
Hong Kong	0.6	0.1	0.3	0.3							0.4	0.5
Japan	49.5	17.9	2.8	4.5	2.0	0.3			0.5	0.0	3.7	6.8
South Korea	1.9	0.1	5.3	0.0		0.0					7.5	0.0
India	0.1	0.9	0.0	0.0		0.0	0.1		0.8	0.1	0.0	0.0
Australia & NZ	0.0	0.0	0.0			0.0	0.0					
EAST ASIA	98.4	97.2	98.8	99.8	99.8	99.9	100.0	100.0	100.0	100.0	98.3	99.8
EU27	1.3	2.4	1.2	0.1	0.0		0.0				1.6	0.2
USA	0.3	0.3	0.0	0.0	0.2	0.1						0.0
ROW	0.0	0.0	0.1	0.0							0.1	0.1
World Total	100	100	100	100	100	100	100	100	100	100	100	100

(2) Import

<Reporter>	<Partner>											
	ASEAN10		CLMV		Cambodia		Lao PDR		Myanmar		Vietnam	
	2000	2008	2000	2008	2000	2008	2000	2008	2000	2008	2000	2008
ASEAN7	31.3	68.9	10.5	43.6				100.0			10.5	43.3
China	0.7	0.1		0.3								0.3
Hong Kong	1.0	0.0		0.0								0.0
Japan	39.5	8.4	49.2	33.8							49.2	34.0
South Korea	0.3	0.1	5.4	0.1							5.4	0.1
India	0.0	1.3										
Australia & NZ	0.3	0.1		0.0								0.0
EAST ASIA	73.0	79.0	65.1	77.9				100.0			65.1	77.7
EU27	15.8	14.6	33.6	14.2		7.8					33.6	14.3
USA	0.8	0.8		0.5								0.5
ROW	10.4	5.5	1.3	7.4		92.2					1.3	7.5
World Total	100	100	100	100		100		100			100	100

(3) One-way Trade

<Reporter>	<Partner>												
	ASEAN10		CLMV		Cambodia		Lao PDR		Myanmar		Vietnam		
	2000	2008	2000	2008	2000	2008	2000	2008	2000	2008	2000	2008	
ASEAN7	0.21	0.92	0.00	0.15	0.00	0.00	0.00	0.10	0.00	0.00	0.00	0.00	0.23
China	0.01	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Hong Kong	0.39	0.14	0.00	0.00	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	0.00	0.00	
Japan	0.18	0.36	0.14	0.62	0.00	0.00	n.a.	n.a.	0.00	0.00	0.15	0.61	
South Korea	0.04	0.59	0.01	0.92	n.a.	0.00	n.a.	n.a.	n.a.	n.a.	0.01	0.87	
India	0.03	0.92	0.00	0.00	n.a.	0.00	0.00	n.a.	0.00	0.00	0.00	0.00	
Australia & NZ	0.56	0.11	0.00	0.00	n.a.	0.00	0.00	n.a.	n.a.	n.a.	n.a.	0.00	
EAST ASIA	0.17	0.62	0.01	0.17	0.00	0.00	0.00	0.05	0.00	0.00	0.01	0.26	
EU27	0.37	0.22	0.23	0.04	0.00	0.00	0.00	n.a.	n.a.	n.a.	0.23	0.04	
USA	0.67	0.56	0.00	0.14	0.00	0.00	n.a.	n.a.	n.a.	n.a.	n.a.	0.02	
ROW	0.01	0.00	0.19	0.02	n.a.	0.00	n.a.	n.a.	n.a.	n.a.	0.19	0.02	
Total	0.23	0.76	0.01	0.21	0.00	0.00	0.00	0.05	0.00	0.00	0.01	0.33	

Note: Intermediate goods of parts and accessories of motor cycles (including mopeds) are defined as SITC Rev.3 section 78535.

Source: UN Comtrade.

5. PLANT-LEVEL FUNCTIONAL SPECIALIZATION AND CHANGES IN TRADE PATTERNS

There are several factors that affect changes in the patterns of trade in intermediate goods observed for ASEAN. But functional specialization strategies defined by multinational corporations (MNCs) for their individual plants, according to their global value chains and comparative advantages, can be considered as one of the key factors. This may be true, especially to small countries like Lao PDR whose manufacturing sectors are in their infancy.

In other words, from the interviews the author conducted with Japanese firms in China, Lao PDR, Malaysia, Thailand, and Vietnam, as well as observation on trade statistics, MNCs' choice of location for assembling intermediate and final goods is crucial to determine the pattern of trade in intermediate goods. According to comparative advantages of each country, a MNC assigns a specialized role to each plant. This results in a sort of hierarchal organizational structure among its plants.

There can be patterns of division of labor along a production network, in which a plant in a specific location can take a responsibility for specific functions as exemplified in Figure 1.

Figure 1: Functions for the Plant in Location 2

	Intermediate Good 1	Intermediate Good 2	Final Goods	Product of Location 2	Market for Location 2
(1)	Location 2			Final	Domestic/Foreign
(2)	Location 1		Location 2	Final	Domestic/Foreign
(3)	Location 1	Location 2		Intermediate/Final	Domestic/Foreign
(4)	Location 1	Location 2	Location 3	Intermediate	Foreign

- (1) The plant in location 2 has a completely integrated production line for the final goods.
- (2) The plant in location 2 uses intermediate goods imported from location 1 to produce final goods for the domestic or foreign markets.
- (3) The plant in location 2 uses intermediate goods imported from location 1 to produce final or intermediate goods for the domestic or foreign market.
- (4) The plant in location 2 uses intermediate goods imported from location 1 to produce intermediate goods for the foreign market.

This paper places emphasis on the second, third and fourth types of division of labor. The CMP arrangement used in garment manufacturing is a typical example of the second case. In this case, buyers located in Hong Kong and other modernized urban areas, do everything, including marketing research and procurements, except production. Therefore, buyers take full advantage of cheap and ample labor forces in developing countries and generate profits from the markets in developed countries.

Knock down (KD) assembly of motorcycles in Lao PDR is an example of producing final goods for the domestic market in the third case. Necessary KD sets are imported from MNCs' large scale plants in the neighboring countries, e.g. Thailand and Vietnam. Operating multiple plants with different specializations assigned according to comparative advantages of each location, MNCs can not only achieve economies of scale in countries with large domestic markets, but can provide final products and related services to countries with small domestic markets.

An example of the fourth case is the production network of flat-panel display TV sets. A Japanese firm concentrates capital intensive production processes for flat LCD

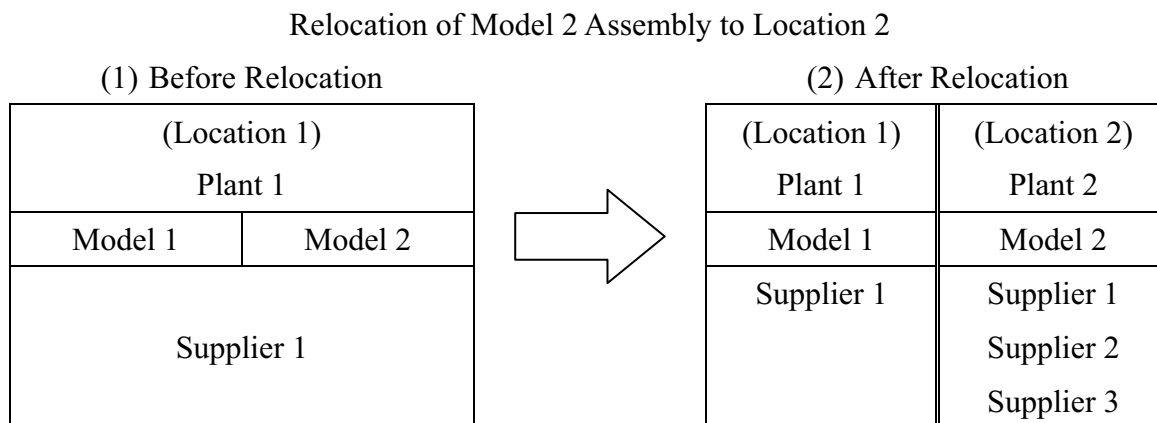
and plasma panels in Japan. The panels are exported to Thailand or Malaysia to be assembled into panel units and TV sets. A part of the produced volume of panel units is exported to other countries to be assembled into TV sets. There are two noteworthy points related to the global value chain of this Japanese firm.

First, all models of TV sets sold in a country's market are not assembled at a single plant. To achieve economies of scale, some models are assembled in one plant while other models are assembled in a different plant. This will increase trade in intermediate goods. Second, the plant in Malaysia is enhancing its capability of designing TV sets. Basic research and design of high-end models is conducted in Japan. The design center in Malaysia modifies the models targeting the Japanese market to adjust the technical standards and demands for local markets in Asia. Therefore, it can be said that an intra-regional division of labor for R&D is emerging in East Asia.

Finally, effects of location choice by MNCs should also be emphasized when considering the dynamics in the trade pattern of intermediate goods. As an example, let us consider the situation of a firm that produces two models, say model 1 and model 2, in plant 1 in location 1, purchasing intermediate goods from supplier 1 in location 1 (Figure 2). If the firm relocates the assembly of model 2 to plant 2 in location 2, plant 2 needs to purchase inputs from supplier 1, which generates trade in intermediate goods. The change in the location also changes the location advantage that potential suppliers in location 2 (supplier 2) and the other places (supplier 3 in location 3) have against location 1. Plant 2 will start purchasing inputs from its neighboring supplier 2 or foreign supplier 3 in location 3, which also increases trade in intermediate goods.

Figure 2: Effects of Changes in Location for Assembly on Trade in Intermediate

Goods



6. CONCLUDING REMARKS

Several tables shown in this paper indicate the importance of intermediate goods trade for ASEAN10. Intermediate goods are main commodities traded by ASEAN10. In particular, these goods are very important in the intra-regional trade within East Asia. This fact is true to CLMV. Even so, for CLMV countries, intermediate goods are significant as commodities exported from the world, including East Asia, while they made up only 15.5% of the world's imports from CLMV in 2008 as shown in Table 7. This indicates that industries in CLMV are oriented toward processing imported intermediate goods into final goods and have weak supporting industries that lack competitiveness in the international market.

There are differences in characteristics of trade in intermediate goods among CLMV, especially between CLM and Vietnam. Some 90% of items exported by Cambodia in 2008 were final goods, while 65.5% of imported items were intermediate goods. On the other hand, 60.0% of items exported by Lao PDR in 2008 were

intermediate goods. But, two-way trade in intermediate goods is observed in Vietnam. Among CLMV, Vietnam has been rapidly enhancing its capability of producing intermediate goods.

Such structural changes in intra-regional divisions of labor in East Asia are affected by MNC's strategies for location choice and functional specialization. MNCs are reconstructing their production networks, responding to rapidly changing business environments, especially recent development of transportation infrastructure and networks of free trade agreements (FTAs) with ASEAN as a hub. They allocate more specialized roles in their global supply chain to their affiliates in East Asia to achieve economies of scale and secure the other comparative advantage of each country in East Asia. As a result, an Asian-wide innovation system is emerging as discussed by Machikita *et al* (2010). Rapid growth of local markets in semi-developed ASEAN and East Asian countries will encourage MNCs to re-construct their organizational structures for R&D.

Therefore, in the progress of industrial development in East Asia, Japan and advanced countries such as Singapore, South Korea and Taiwan will take a leadership in R&D and productions using capital-intensive high-tech processes. ASEAN4, as well as China and India, will grow as a global manufacturing hub with design capability. Relocation of design centers from more advanced economies to ASEAN will increase local procurement because potential suppliers will have more opportunities to participate in projects for new product development from the early stages of development. This will enable CLMV to catch up with them, absorbing labor-intensive processes from the advanced countries in the region.

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