

# Preface

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This book originated from the international joint research project on economic integration in East Asia conducted by the Institute of Developing Economies, Japan External Trade Organization, (IDE-JETRO), Chiba, Japan for the fiscal years 2005–06. Based on the perspectives of spatial and neoclassical economics, we examined the main economic forces working in the process of economic integration and tried to gain a clear view of the current progress and future prospects of East Asian integration.

In East Asia, various infrastructures for trade and transportation have been rapidly developed in recent years. In the mainland part of Southeast Asia, for example, the Greater Mekong Subregion Economic Cooperation Program has been carried out in a framework of international cooperation on the initiative of the Asian Development Bank. In this program, 11 projects have been launched mainly for the purpose of development of road transportation, such as the East–West, North–South, and Southern economic corridors. The East–West economic corridor connects Danang in Vietnam, Savannakhet in Laos and Mawlamyine in Myanmar. The North–South corridor links Kunming in China to Hanoi in Vietnam and Chiang Rai in Thailand, and the Southern corridor connects Ho Chi Minh City in Vietnam, Phnom Penh in Cambodia and Bangkok in Thailand. These corridors will form a large highway network connecting many industrial zones in the Greater Mekong Subregion and are expected to promote economic integration by increasing international trade and investment in that area.

Development of the logistic system in East Asia will bring about a substantial decrease in the costs of cross-border transportation. In addition, both tariff and non-tariff trade barriers will be reduced by concluding increasing numbers of free trade agreements, FTAs, and economic partnership agreements, EPAs. These changes in transport and trade conditions will enable firms in East Asia to supply their products to customers at more remote places in the world. On the one hand, this stimulates international division of labor and thereby leads to more efficient allocation of resources in East Asia. It will thus provide East Asian countries with substantial opportunities for economic growth. The transport and trade facilitation noted above, on the other hand, will allow firms to decide on their location, with overriding priority to production rather than transport conditions.

This may result in firms becoming more localized at a small number of industrial sites which exhibit distinct production advantages. In other words, integration may intensify regional inequalities in East Asia. Thus the topic attracts much attention, with mixed feelings of high expectations of economic growth and fear of growing regional inequalities.

With these perceptions in mind, we attempt in this book to give a clear picture of East Asian integration, focusing on various aspects, such as structure of intra-regional trade; industrial location pattern, especially of multinational enterprises; formation of industrial agglomeration; and development of political and institutional frameworks for integration. Of course, the process of economic integration in East Asia has only just started, and few results are observable so far. Thus the present book is an interim report of our trial-and-error efforts toward our ultimate goal, and we would like to go further. We would appreciate readers' comments.

As part of this IDE-JETRO research project, we held an international workshop in Chiba, Japan in 2006. Also, an IDE-JETRO symposium entitled 'Globalization and Regional Integration: From the Viewpoint of Spatial Economics' was held in Tokyo in 2004. The discussions in both conferences helped deepen and enrich our arguments. We are grateful to Young Han Kim, Hisaki Kono, Paul R. Krugman, Tomohiro Machikita, Kiyoshi Matsubara, Toyojiro Maruya, Bhanupong Nidhiprabha, Keola Souknilan, Yu Yongding, and all the participants in the conferences for their valuable input.

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December 2007