

KIEP Working Paper No. 91-03

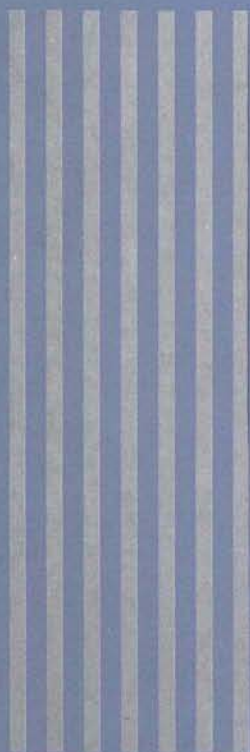
June 1991

IMPLICATIONS OF ECONOMIC
REFORMS IN CEECs FOR DAEs:
WITH EMPHASIS ON THE
KOREAN CASE

by
Yoo Soo Hong

KIEP

Working Paper



KOREA INSTITUTE FOR
INTERNATIONAL
ECONOMIC POLICY

IMPLICATIONS OF ECONOMIC REFORMS IN CEECs FOR DAEs : WITH EMPHASIS ON THE KOREAN CASE*

by

Yoo Soo Hong

Korea Institute for International Economic Policy

June 1991

* A draft of this paper was submitted to the OECD Informal Workshops with Dynamic Asian Economies, Helsinki, 10th and 11th June 1991. Special thanks are owed to Yoon Gih Ahn, Mee Kyung Chang and Hannah Kim for their editorial assistance. The views in this paper are those of the author and do not necessarily represent the views of the Korea Institute for International Economic Policy.

TABLE OF CONTENTS

I. INTRODUCTION	1
II. ECONOMIC REFORMS IN CEECs	3
II.1 Background of Reforms	3
II.2 Recent Reform Policies in CEECs	5
II.3 Economic Situation and Outlook for CEECs	9
III. TRADE BETWEEN CEECs AND DAEs	16
III.1 Importance of Trade between CEECs and DAEs in World Trade	16
III.2 Comparative Advantages and Complementarities	24
III.3 Trade between CEECs and Korea	35
IV. ECONOMIC AND INDUSTRIAL COOPERATION	40
IV.1 Direct Investment	40
IV.2 Financial Support	46
IV.3 Other Areas of Cooperation	50
V. CONCLUDING REMARKS	53
REFERENCES	57
APPENDIX	59

I. INTRODUCTION

Central and Eastern European countries (CEECs) are currently undergoing rapid political, economic and social changes. These changes are a result of reform efforts to change centralized planned economies into market-oriented economies. Achievement of successful economic reform and subsequent integration of CEECs into the global economy will provide both challenges and opportunities for dynamic Asian economies (DAEs).

The purpose of this paper is to review the economic reforms currently in process in CEECs and the present economic relations between CEECs and DAEs, as well as to discuss the future means of cooperation between the two groups. Accordingly, this paper is divided into three main parts. Chapter II reviews the reforms in CEECs and their economic performance, going specifically over the reasons for the reforms, the reform policy measures themselves and the effects of the reforms. Chapter III discusses trade between CEECs and DAEs with a review of the comparative strengths of each country. And finally, Chapter IV reviews direct foreign investments in CEECs and prospects for future investment exchanges between DAEs and CEECs. This section also covers other areas of economic cooperation such as financial assistance, technology transfer and human resource development.

Although this paper covers the USSR to a certain extent, its main focus is on Poland, Czechoslovakia, Hungary, Yugoslavia, Bulgaria and Romania. For this reason, the term CEECs is used here to include only these six countries, unless specified otherwise. On the other hand, the term DAEs is used in reference to the following six countries: Korea (Republic of), Taiwan, Hong Kong, Singapore, Thailand and Malaysia. Korea, however, has been emphasized in this paper as the author is more familiar with the case.

II. ECONOMIC REFORMS IN CEECs

II.1 Background of Reforms

Economic performance of CEECs lagged behind the West in the 1970s due to several disadvantages of centralized planned economies in the intensive economic growth stage. To correct this, the first wave of economic reforms was undertaken in the late 1960s and in the early part of the 1970s. However, these were only partial reforms in the sense that the fundamentals of central allocation of resources were not abandoned.

The second wave of economic reforms in CEECs has been more far reaching. Encouraged by Gorbachev's *perestroika* and *glasnost*, many CEECs started political and economic reforms in the late 1980s after a long period of stagnation (see <Table 1>). These economic reforms are more comprehensive and radical compared to the previous ones. Goals of reform policy include stabilization, liberalization, privatization, and globalization. In this reform process, the three areas, which are mutually interrelated and of particular importance, are: (1) changes in overall institutional infrastructure, (2) changes in macro policy in terms of public finance, and money and banking, and (3) changes in industrial structure and enterprise system.

<Table 1> Basic Economic Indicators of CEECs: 1976-1990
(Average annual growth rates in percentages)

	1976- 1980	1981- 1985	1986	1987	1988	1989	1990
CEECs							
Net Material Product	3.6	1.7	3.7	1.8	1.5	-0.7	-11.2
Industrial Output	5.6	2.7	4.4	2.7	2.8	0.2	-17.5
Agricultural Output	1.9	1.0	1.8	-2.9	1.9	-0.2 ^a	-3.5
Gross Investment	2.7	-0.7	3.9	4.1	2.1	-1.5	-13.8
Exports	6.5	5.1	-1.2	1.4	3.7	-2.1	-10.0
Imports	4.1	0.7	4.8	3.4	3.3	0.9	-0.5
USSR							
Net Material Product	4.3	3.2	2.3	1.6	4.4	2.4	-4.0
Industrial Output	4.5	3.6	4.4	3.8	3.9	1.7	-1.2
Agricultural Output	1.7	1.1	5.3	-0.6	1.7	0.8	-2.3
Gross Investment	3.3	3.5	8.3	5.7	6.2	0.6	-4.3
Exports	4.9	1.5	10.0	3.3	4.8	-5.4 ^a	-14.0
Imports	5.9	5.8	-6.0	-1.6	4.0	9.3	-5.0

Note: ^a Missing figures from the original table were supplemented by the author by referring to PlanEcon's data.

Source: East European Statistics Service, April 19, 1991.

The main aim of reforms in CEECs is the transformation of the economy to some type of market-oriented system. This implies the replacement of the central plan and state ownership of the means of production by a free market mechanism and private ownership. Each country plans to substantially reduce the role of the government in resource allocation, privatize state enterprises and properties, rebuild

capital markets, and integrate their domestic economies with the world economy. However, although the general directions of the reforms may be similar, the scope and speed of reforms vary according to the socio-political and economic situation in each country. Reforms have been most actively promoted in Poland and Hungary, closely followed by Yugoslavia (although the country is in the process of disintegrating) and by Czechoslovakia with some lag. Reforms in Bulgaria and Romania are also expected but at a later period.

II.2 Recent Reform Policies in CEECs

Poland put into process a radical and comprehensive reform program on January 1, 1990. The main aim of the reform, notable for its shock therapy method, was to achieve short-term stabilization and to initiate the gradual transition toward a market-oriented economy. The reform measures included: (1) elimination of price controls, (2) abolition of central allocation, (3) major reductions of subsidies, (4) liberalization of foreign trade, (5) devaluation, (6) domestic convertibility, (7) banking reform, (8) restrictive monetary policy, (9) wage control, and (10) privatization. The results of the stabilization policy is mixed. Institutional reforms including privatization and demonopolization have been rather slow.

The economic reforms initiated in Hungary are reflected in the recent Three-Year Economic Plan which is a revised

version of the Five-Year Economic Plan. The major reform measures are: (1) liberalization of prices, (2) opening of the stock market, (3) privatization, (4) liberalization of trade, (5) inducement of foreign direct investments, and (6) devaluation. Reforms in Hungary have been based on gradualism. No significant improvements in the economy are yet discernible as the economy continues to struggle with urgent internal and external economic problems.

Proposals for comprehensive economic reform in Czechoslovakia were approved by Parliament in September 1990. Implementation of the reform starting in January 1991 will be gradual as the majority of the population prefer a slower process. The reason is that rampant unemployment may result under a more rapid reform process. The major reform measures are: (1) devaluation, (2) price reforms, (3) privatization, (4) opening of the stock market, (5) banking reforms, (6) trade liberalization, and (7) inducement of joint ventures and foreign direct investments. These are similar to the reforms being implemented in other CEECs. Privatization of large enterprises will be implemented to facilitate a rapid transfer to private ownership by means of vouchers sold to the public at a low price. However, the privatization of small businesses has run into legal obstacles and opposition from employees.

Yugoslavia has been implementing reform measures similar to those of Poland. However, the country is currently

disintegrating and in turmoil due to racial conflicts and differing views regarding the speed and scope of reforms. On the other hand, economic reforms in Bulgaria and Romania have yet to be implemented. The governments of these two countries do not have a clear concept of the direction and the means that the reforms should take. However, the dissolution of the central plan and the disintegration of the CMEA will force these countries to follow one of the reform models already adopted by other CEECs.

Departing from earlier views, now it appears that it will take at least a decade to complete the reform process in CEECs. There are several reasons for this cautious and less optimistic view: institutional changes such as privatization and regulation of firms require a longer period to be effectively implemented; interactions between politics and economy often develop conflicts among interest groups in society which in turn slow down the process of reform; and reform measures should be implemented simultaneously with proper phasing. Recently, the World Bank [1991] has proposed a sequence of the reforms, summarized in <Table 2>. Although the actual sequence of implementation can differ from the proposed one, this outline is useful for both reformers and interested foreigners to better plan their future course of actions.

**<Table 2> Economic Elements and Phases of System
Transformation in CEECs**

Elements	Period of Years
1. Macro-stabilization	0 — 3
2. Price and Market Reform	
Goods and Services:	
Price Reform	0 — 2
Trade Reform	0 — 1
Distribution	0.5 — 3
Factor Market:	
Labor market	2.5 — 6.5
Autonomous	
Banking System	4 — 6
Other Financial Markets	3 — 10
3. Restructuring and Privatization	
Small Scale Privatization	
and Private Sector Development	0 — 3.5
Foreign Investment	0 — 2
Large Scale:	
Corporate Governance	0.5 — 3
Restructuring and Privatization	1.5 — 10
4. Redefining Role of State	
Legal Reforms	0 — 4.5
Institutional Reform	0 — 10
Unemployment Insurance	0 — 1
Other Social Areas	1.5 — 5

Source: Adapted from World Bank, *The Transformation of Economies in Central and Eastern Europe : Issues, Progress, and Prospects*, April 3, 1991.

II.3 Economic Situation and Outlook for CEECs¹⁾

(1) Poland

The shock therapy stabilization treatment resulted in an impressive decrease in the annual inflation rate from 650 percent in 1989 to 51 percent in 1990. In 1991, the annual rate of inflation is expected to be around 60 percent. Thus, although hyper-inflation has been eliminated, there are still strong inflationary pressures in the economy. Furthermore, squeezed domestic demand had an adverse effect on the industry. Industrial output fell by over 20 percent even though private sector activity expanded substantially (see <Table 3>). Overall, economic activity fell by 12 percent in terms of GDP and unemployment was over 1.1 million or 8.3 percent of the non-agricultural labor force. Real earnings fell by around 28 percent in 1990, making the government very unpopular.

The state budget, however, managed to achieve a surplus due to the virtual elimination of government subsidies. Interestingly, there were no major bankruptcies. Furthermore, a hard currency trade surplus of \$3.8 billion and a non-convertible currency surplus of R4.8 billion were generated in

1) Observations on the economic situation in CEECs have been heavily borrowed from EIU, *Country Report* for each country Economic Studies, *The Economic Situation in Eastern Europe, the Soviet Union and Yugoslavia in Autumn 1990 and Outlook 1990/91*, December 1990.

1990, contrary to many pessimistic predictions. However, the economy is expected to grow by around 2 percent at best in 1991. It is now believed that the reform and transformation of the economy will take longer than initially anticipated.

With regards to foreign debt, the Paris Club recently decided to dissolve as much as 50 percent of the public debt that Poland owes to its member countries. In addition to this, financial assistance from the West will help relieve Poland's foreign debt burdens which amounts to more than \$40 billion. On the other hand, the speed of institutional reforms for privatization has been rather slow. Although Poland greatly improved its measures to induce foreign capital, there are still many uncertainties and barriers which prevent foreigners from being able to invest with confidence.

<Table 3> Average Annual Changes in Real Gross Industrial Production

	1981-1985	1987	1988	1989	1990 ^a
Poland	0.4	3.4	5.3	-0.6	-27.1
Hungary	1.9	3.8	0.2	-3.4	-10.0
Czechoslovakia	2.7	2.5	2.1	1.0	-3.5
Yugoslavia	2.7	0.8	-0.7	0.9	-10.6
Bulgaria	4.3	4.2	5.1	2.2	-13.0
Romania	4.0	4.5	3.6	-2.1	-21.0

Note : ^a As of September 1990.

Source: Vienna Institute for Comparative Economic Studies [1990, 1991]

(2) Hungary

Due to the collapse of demand within the CMEA and the depressed domestic market, industrial output fell by 10 percent from January to September 1990 over the same period in 1989. The sharp fall in industrial output is a reflection of the current restructuring process the economy is undergoing.

The annual inflation rate for 1990 is expected to be around 30 percent due to several factors. One reason is that prices of produce goods are expected to experience a gradual increase due to price liberalization and reduction of subsidies, and another reason being that Hungary had to import oil from the world market due to the decreased oil supply from the Soviet Union. Thus, although the average monthly industrial wage for October was \$180, the high inflation rate has resulted in a decrease of real wages by about 2.7 percent.

However, there have also been some positive indications from the ongoing reform process. One is that although trade with the CMEA has continued to fall, a strong increase in exports to the West in 1990 has resulted in a trade surplus of approximately \$1 billion. Moreover, the privatization movement has moved into the second phase in which a more pragmatic approach will be taken.

Overall, 1991 will be an extremely difficult year for the Hungarian economy due to the breakdown of the CMEA system.

Despite the fact that the IMF and several advanced countries will provide capital assistance to Hungary which has the highest debt per capita in Eastern Europe to facilitate the reform process, the domestic economy will continue to remain in a recession and the speed of the economic reform is expected to be rather slow. Furthermore, the state budget is expected to record a deficit in 1991.

(3) Czechoslovakia

Industrial output in Czechoslovakia fell by 3.7 percent in 1990. Compared to other neighboring countries and considering the collapse of the CMEA trade, the reduction of Soviet oil deliveries, the unification of Germany and the Gulf crisis, Czechoslovakia's economy did not perform so poorly. Consumer markets have shown periodic instability, but did not collapse. Agriculture output fell by 3.5 percent mainly due to reduced demand. A worsening hard currency deficit situation forced a drastic devaluation and the signing of an agreement with the IMF to use SDRs to support the ongoing economic reforms. Proposals for radical economic reform were approved by Parliament in September. The idea of privatization using vouchers was also approved, if somewhat reluctantly. In 1991, industrial output is expected to again fall sharply. Accordingly, unemployment will rise higher than the 1 percent recorded in 1990. Inflation which was 20 percent in 1990 will rise further and hard currency debt will grow to be around \$2 billion.

(4) Yugoslavia

Yugoslavia in several respects has followed the Polish reform process. Yugoslavia's production declined by approximately 11% in 1990. However, compared to the Polish case, the nominal devaluation of the dinar remained modest, which resulted in a current account balance deficit as people spent more on the relatively cheaper foreign goods. In both Poland and Yugoslavia, nominal wage increases remained below price increases, thus relieving some of the inflationary pressures. However, the introduction of a measure which prohibits taxation of wage increases above a certain level in Poland and the complete freeze in wages in Yugoslavia have caused consumer prices to rise more rapidly than wages, resulting in lower real wages. Furthermore, there has been an almost complete abolishment of price fixing and substantial cuts in state subsidies in both countries.

(5) Bulgaria and Romania

Bulgaria and Romania constitute countries where the future transition process is not yet clear since the respective governments are still only in the process of discussing the ends and means of undertaking domestic reforms. In Bulgaria, industrial output dropped by 13 percent in 1990 mainly because of reduced energy supplies. Official data for Romania indicates a real decline of production by 21 percent, chiefly due to bottlenecks in the supply of raw materials. In both countries, parliamentary elections did not bring a victory of

anti-communist forces as in Poland, Hungary, CSFR and GDR. Thus, the governments in these two countries are unable to design a programme of transition, much less implement one. They simply fear the public upheavals that may result from undertaking major reforms.

(6) CMEA

The intra-CMEA trade system is rapidly disintegrating. From 1991, trade including Soviet oil will be conducted in US dollars and at world market prices. CMEA will be replaced by a loosely organized institution for economic cooperation.

(7) Short-term and Long-term Outlook

In Poland, the GDP will likely to continue to decline in 1991 at the 1990 pace, although the country may experience a recovery after its dire economic situation in 1990. However, the transition process will intensify in other countries, resulting in lower production levels. The external conditions for the transition process in Eastern Europe will deteriorate, due to weaker OECD growth, higher oil prices and higher interest rates on foreign debt. In the short-term, CEE countries will suffer from substantial contraction of aggregate economic outputs, bankruptcies of inefficient enterprises, unemployment, and even inflation and income disparity. Thus, if reform efforts are misguided or less decisive, it may not be able to overcome these substantial barriers and end in failure. The future success of reforms depends not only on the CEEC themselves

but also on outside assistance, in particular, from the West including the DAEs. Democracy should be balanced with consolidation of power by reformers. Otherwise, the chances of a reform succeeding is very small.

It will take at least 10 years for these countries to successfully marketize their economies. In the long-term, at least some of these countries will achieve successful transformation of their economies. Among others, Poland, Czechoslovakia, and Hungary are the prime candidates. These countries are planning to organize an institution for regional economic cooperation among themselves and eventually become members of the EC.

III. TRADE BETWEEN CEECs AND DAEs

III.1 Importance of Trade between CEECs and DAEs in World Trade

In the last two decades, there have been significant changes in the structure of world trade. The most rapidly increasing regional group in terms of the export share of the world total is the Asia-Pacific region including DAEs. The region's share increased from 4.6 percent in 1970 to 11.3 percent in 1989. In contrast to this region, the share held by CEECs (including the USSR) decreased from 10.5 percent to 8.3 percent, the worst performance among the regional groups (see <Table 4>).

Trade between the two regional groups increased at an impressive rate. CEECs exported 3.8 percent of its total exports to the Asia-Pacific region in 1970, which increased to 11.3 percent in 1989. Conversely, the Asia-Pacific region exported 6.1 percent to CEECs in 1970. The comparable figure in 1989 was 7.6 percent (see <Table 5> and <Figure 1>). The growth in absolute amount of exports between the two regional groups was also impressive. Exports from CEECs to the Asia-Pacific region increased 22.3 times while those in the opposite direction increased 29.7 times. These growth rates are one of the highest between regional groups (see <Figure 2>).

**<Table 4> Trade Among Regional Groups and Countries, 1970 and 1989
(percentage of world exports)**

Origin of Exports	Year	Destination of Exports						Total
		North America	Japan	Asia- Pacific ^a	EC/EFTA	CEE ^b	Other	
North America	1970	6.2	1.7	1.4	5.4	0.2	3.9	18.8
	1989	5.3	1.7	1.8	3.5	0.4	3.0	15.7
Japan	1970	2.1	—	1.4	0.9	0.3	1.3	6.2
	1989	3.2	—	2.4	1.8	0.4	1.2	9.0
Asia- Pacific ^a	1970	1.2	0.7	1.0	0.9	0.3	0.4	4.6
	1989	3.3	1.7	2.3	2.0	0.9	1.1	9.0
EC/EFTA	1970	4.0	0.5	1.1	28.4	1.9	7.5	43.4
	1989	3.7	0.9	1.7	30.1	1.5	4.8	42.7
CEE ^b	1970	0.1	0.2	0.4	1.8	6.4	1.6	10.5
	1989	0.3	0.4	0.9	1.8	4.1	0.5	8.3
Other	1970	2.5	1.8	0.6	7.5	0.9	3.3	16.5
	1989	3.0	1.4	1.2	3.6	0.7	3.4	13.0
Total	1970 ^c	16.5	4.9	5.9	45.0	10.0	17.1	100.0
	1989 ^d	18.8	6.1		42.8	8.0	14.0	100.0

Notes : ^a Net of Japan

^b Including the USSR

^c Total world exports in 1970 were US\$312.8 billion.

^d Total world exports in 1989 were US\$3095 billion.

Source: GATT, Reprinted from OECD, "An Evaluation of Developments in Trade Relations with Dynamic Asian Economies," 17th January, 1991, p.35.

**〈Table 5〉 Trade Among Regional Groups and Countries, 1970 and 1989
(percentage of world exports)**

Origin of Exports	Year	Destination of Exports						Total
		North America	Japan	Asia- Pacific ^a	EC/EFTA	CEE ^b	Other	
North America	1970	33.0	10.0	7.0	29.0	1.0	20.0	100.0
	1989	33.9	10.8	11.5	22.6	2.7	18.5	100.0
Japan	1970	34.1	—	23.5	14.4	5.4	22.6	100.0
	1989	36.5	—	26.7	20.4	4.6	11.8	100.0
Asia- Pacific ^a	1970	25.1	15.9	22.2	18.8	6.1	11.9	100.0
	1989	30.4	15.0	20.8	17.3	7.6	9.3	100.0
EC/EFTA	1970	9.3	1.2	2.5	65.6	4.3	17.1	100.0
	1989	8.6	2.1	3.9	70.5	3.5	11.5	100.0
CEE ^b	1970	1.0	2.2	3.8	17.3	60.5	13.2	100.0
	1989	3.2	4.8	11.3	21.8	49.3	9.6	100.0

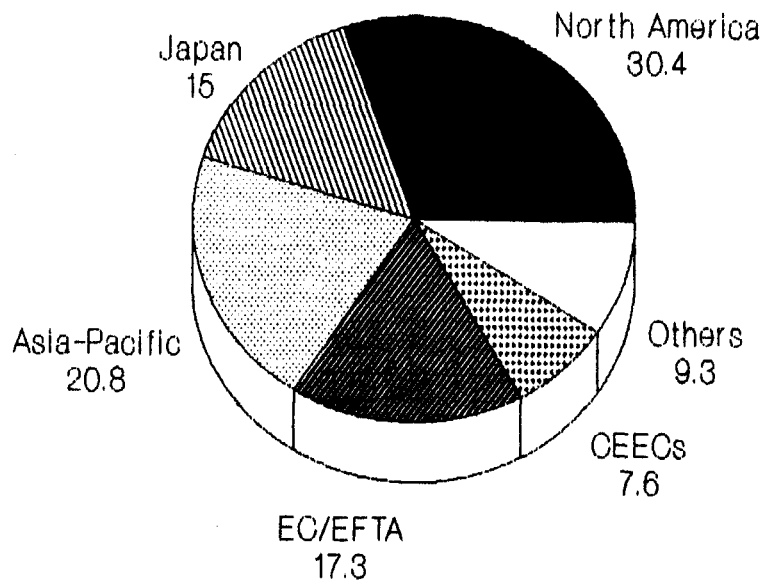
Notes: ^a Net of Japan

^b Including the USSR

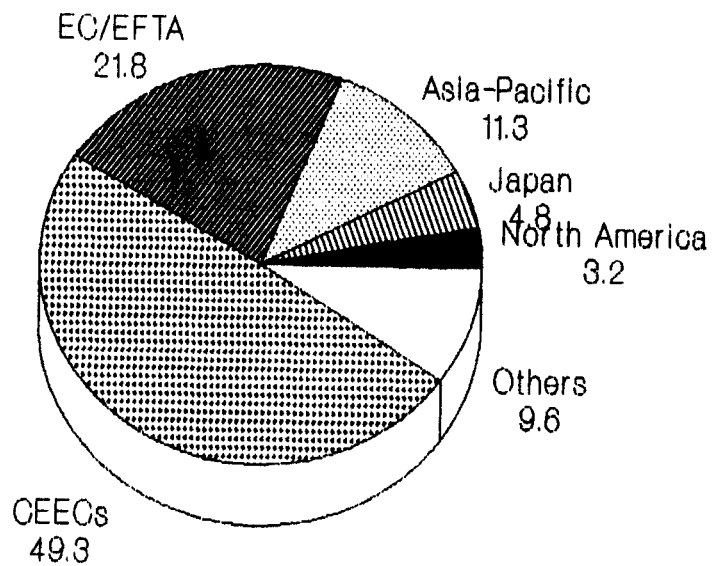
Source: GATT, Reprinted from OECD, "An Evaluation of Developments in Trade Relations with Dynamic Asian Economies," 17th January, 1991, p.36.

**<Figure 1> Destination of Exports, 1989
(Share in Percentage)**

A. From the Asia-Pacific to:

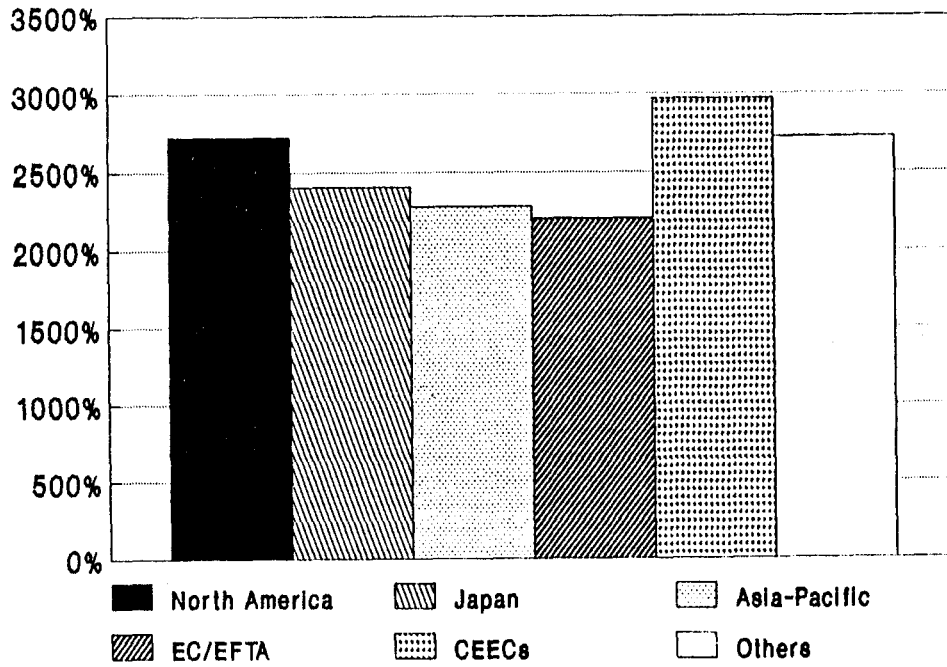


B. From the CEECs to:

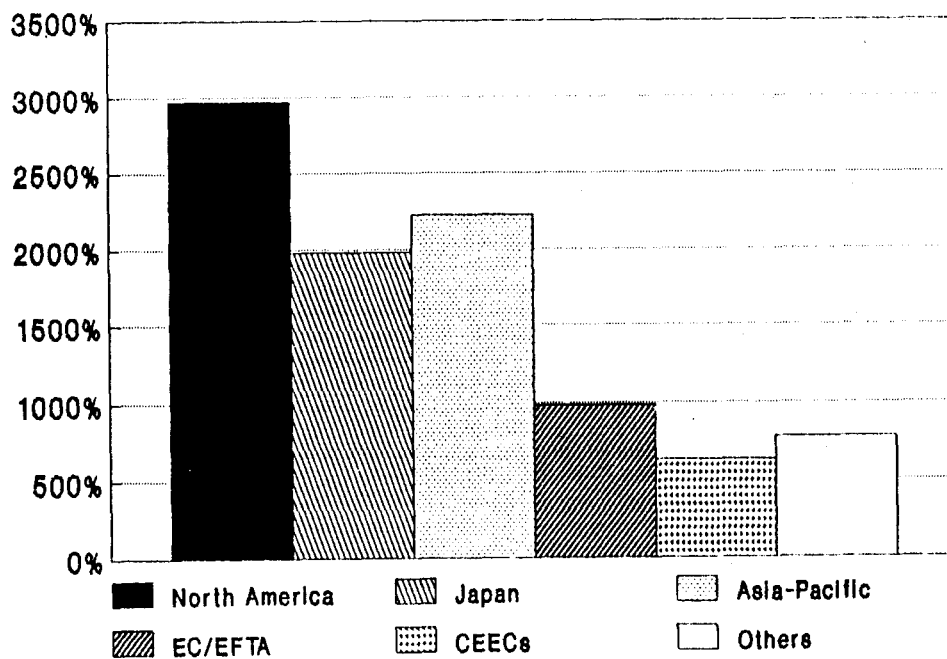


〈Figure 2〉 Growth in Exports, 1970-1989

A. From the Asia-Pacific to:



B. From the CEECs to:



In the coming decades, Europe will be the center of the globalization process of the world economy, as it absorbs the results of the reform efforts of Central and Eastern Europe as well as expand its economic interaction with DAEs. With regards to the integration of CEECs into the global economy, there exists both positive and negative elements of the process.

On the positive side, it will become necessary for all CEECs to increase trade with Western Europe. Once the CEE economies become more marketized, with removal of major trading and investment barriers, it would be mutually beneficial for both sides to conduct trade and other economic exchanges with each other as Central and Eastern Europe and Western Europe share many complementarities in terms of industrial structure and comparative advantage. Furthermore, similar political and cultural traditions and features will help facilitate the economic integration of the two Europes. And CEECs, in particular, can benefit from the accumulation of the know-how on economic integration, institutions and resources by Western Europe.

On the negative side, economic reforms in CEECs must overcome tremendous transitional problems and barriers. Thus, there is high potential for the reform process to become prolonged, in which case economic reforms may drain too much resources from the West. Therefore, the speed, the scope and the ultimate success or failure of the reforms in CEECs

will have important ramifications on the globalization process in Europe in particular and the world at large.

In 1989, 59.8 percent of the EC exports was within EC, 10.4 percent was with EFTA, and 3.4 percent with the USSR and CEEs. This implies that 70 percent of EC exports was with European countries. As EC accelerates its own economic integration, negotiates integration with EFTA, and assists the economic reforms and globalization of CEECs and the USSR, the share of Europe in EC exports will increase to more than 80 percent by the end of the 1990s. The direction of trade and division of labor will move towards horizontal integration between EC and EFTA and vertical integration between EC and CEECs. As a result, the "Common House of Europe" can establish a self-sufficient industrial structure from the high-tech industry to labor-intensive consumer products. Such a self-sufficient Europe will only require a reasonable level of imports of raw materials from the rest of the world and some intra-industry trade with rapidly growing countries outside Europe. In terms of the trade volume, CEECs will be integrated into Western Europe first, then gradually with the rest of the world.

The trade volume between CEE and Western Europe is expected to grow by 6-7 percent p.a.; between CEE and North America, by 7-8 percent; between CEE and DAEs, by 15-20 percent; and between CEE and the rest of the world, by 3-4 percent. Combining former European CMEA countries with EC/EFTA

countries, the main trade will take place between European countries even if there is a rapid expansion of trade between CEE and DAEs.

Hungary, Poland, Czechoslovakia, and Yugoslavia will be the first group of countries to join the EC and OECD. It will take some 10 years for them to become full members of the community and the organization, while at least 15 years is anticipated for the other countries in CEE.

III.2 Comparative Advantages and Complementarities

The combined population size of the six CEECs is similar to that of the DAEs. However, GDP per capita in CEECs on average is less than half of that of DAEs, which implies that the total GDP in CEECs is less than half of the total GDP in DAEs. The potential market size of DAEs is larger than that for CEECs. In 1990, all CEECs realized negative growth, whereas all DAEs realized positive growth. If this trend continues, the gap between the two regional groups will become wider over time. In terms of inflation and external indebtedness, DAEs also have a better track record (see <Table 6>). In fact, the realization by the leaders and people of CEECs that their economies have lagged behind even the DAEs, not to mention the Western developed countries, contributed to the initiation of the reforms.

The total value of DAEs exports was five times that of CEECs in 1989. Poland, Yugoslavia, and Romania exported similar amounts, ranging from \$13.1 billion to \$14.3 billion each. Hungary exported \$10.2 billion worth of goods, while Czechoslovakia and Bulgaria exported much smaller amounts. On the other hand, exports from Korea, Taiwan, and Hong Kong ranged from \$62.4 billion to \$73.1 billion each. Singapore's exports amounted to \$44.8 billion, with exports from Malaysia and Thailand falling far behind this amount. The average growth rate of CEECs exports in 1989 was 4.6 percent whereas

that of DAEs was 11.8 percent. Overall, DAEs are much healthier than CEECs in terms of trade (see <Table 7>).

<Table 6> Selected Indicators of the USSR, CEECs, JAPAN, and DAEs, 1990

Countries	Population (mn)	GDP per capita (\$) (R)	GDP Growth Rate (%)	Inflation (%)	Trade Balance (\$ bn) (R bn)	Foreign Debt (\$ bn) (R bn)
U.S.S.R.	290.10	3,121 ^a (R)	-2.0 ^a	19.0	-6.9 (R bn)	55.0 (R bn)
Poland	38.02	1,639	-14.0	249.0	1.8	42.2
Hungary	10.56	3,040	-6.5	30.0	0.7	21.3
Czecho	15.70	2,962	-3.5	13.9	-0.5	9.5
Yugo	23.83	2,472	-3.2	118.6	-1.3	20.1
Bulgaria	8.81	2,543	-10.2	100.0	-1.1	10.1
Romania	23.50	1,511	-10.2	-	-0.2	1.4
Japan	123.1	23,361	5.6	3.1	72.6	-
Korea, Rep.	43.05	5,478	9.2	8.6	-1.9	33.0
Taiwan	20.2	7,800	5.1	5.0	14.8	0.9
Hong Kong	5.84	8,923	2.7	9.8	-0.3	-
Singapore	2.7	10,759	8.3	3.4	-5.1	1.7
Malaysia	17.7	2,416	9.5	2.5	2.3	21.6
Thailand	56.4	1,435	10.5	5.9	-5.3	26.1

Note: ^a Instead of GDP, GNP data has been used.

Sources : World Bank Data; PlanEcon, *Review and Outlook*, Summer 1990; WEFA, *CPE Outlook*, January 1991; WEFA, *Asia Economic Outlook*, April 1991 (Estimation).

<Table 7> Trade Performance of CEECs and DAEs, 1989

Countries	Value (\$ bn)		Annual Change (%)	
	Exports	Imports	Exports	Imports
U.S.S.R.	40.0	57.2	6.5	13.1
Poland	13.1	10.1	-2.6	-20.1
Hungary	10.2	10.1	2.7	2.1
Czecho	6.9	7.7	3.4	2.6
Yugo	13.6	14.8	7.9	12.8
Bulgaria	2.2	4.2	7.3	-0.5
Romania	14.3	9.8	5.6	11.4
CEECs Total	60.3	56.7	3.4	1.9
U.S.S.R. & CEECs Total	100.3	133.9	4.6	8.2
Japan	273.9	209.7	3.4	11.9
Korea, Rep.	62.4	61.6	2.8	18.8
Taiwan	66.1	52.3	9.3	5.0
Hong Kong	73.1	72.1	15.7	12.9
Singapore	44.8	49.7	13.9	13.3
Malaysia	25.1	22.6	18.7	36.8
Thailand	20.0	25.3	25.7	25.6
DAEs Total	291.5	283.6	11.8	15.3

Source : IMF, *Direction of Trade*, 1990 and ADB, *Key Indicators*, July 1990.

Korea has a comparative advantage over CEECs in textiles and electrical and electronic equipment whereas CEECs have a comparative advantage over Korea in agricultural products. In addition, most CEECs have a comparative advantage over Korea in chemical products, steel and metal products and machinery. Thus, there exist strong complementarities in the structure of trade between Korea and CEECs (see <Table 8>).

<Table 8> The Ratio of Exports to Imports, Korea, 1990

	USSR	Hung	Pol	Cze	Yugo	Bul	Rom
Agricultural	0.0	0.0	0.0	0.0	0.1	0.2	—
Chemical products	0.7	0.2	0.1	0.0	3.7	1.0	0.1
Textiles	5.2	7.9	29.1	4.5	15.5	∞	9.3
Steel & Metal	0.3	0.0	0.0	0.0	0.0	0.0	—
Machinery	4.1	2.5	2.5	2.2	4.5	0.8	0.0
Electrical & electronic equipment	∞	58.4	∞	∞	38.5	∞	∞
Others	8.3	13.8	9.2	0.2	3.7	12.2	∞

Note: 0.0 means imports without exports; ∞ means exports without imports; - means neither exports nor imports.

Source: Computed using data from Korea Traders' Association.

Taiwan has a comparative advantage over most CEECs in machinery and miscellaneous manufacture products whereas most of the CEECs have a comparative advantage over Taiwan in agricultural, chemical and basic manufacture products. Again, there exist strong complementarities in the trade structure between Taiwan and CEECs. However, the degree of complementary is somewhat weaker than that between Korea and CEECs (see <Table 9>).

<Table 9> The Ratio of Exports to Imports, Taiwan, 1989

	USSR	Hung	Pol	Cze	Yugo	Bul	Rom
Food, Animals	0.2	0.0	0.0	0.0	0.0	—	—
Bev., Tobac.	0.0	0.0	—	—	—	—	—
Crude mfg.	1.0	—	—	—	—	—	—
Mineral fuels	0.0	0.0	—	—	—	—	—
Chemicals	0.0	0.0	0.0	0.3	0.0	0.0	0.0
Basic mfg.	0.0	0.2	0.2	0.1	3.5	0.2	0.0
Machinery	7.4	17.4	2.9	1.0	2.5	10.5	0.1
Misc. mfg.	2.8	2.3	5.8	1.3	14.6	38.0	0.4
Others	—	—	—	—	—	—	—

Notes: 1) Animal fats and vegetable oil are excluded.

2) 0.0 means imports without exports; ∞ means exports without imports; - means neither exports nor imports.

Source: Computed using data from Korea Traders' Association.

Hong Kong has a comparative advantage over the USSR only in mineral fuels, machinery and miscellaneous manufacturing products whereas the USSR's comparative advantage lies in other areas. This pattern differs significantly from that between Hong Kong and other CEECs. Hong Kong has a comparative advantage over Hungary, Poland and Yugoslavia in beverages, all kinds of manufactured products and machinery. With regards to Czechoslovakia and Romania, Hong Kong has a comparative advantage in many areas, while it has almost complete advantage over Bulgaria in practically all areas of trade. Thus, the complementarities in the trade structure between Hong Kong and CEECs vary depending on the trade partner (see <Table 10>).

<Table 10> The Ratio of Exports to Imports, Hongkong, 1989

	USSR	Hung	Pol	Cze	Yugo	Bul	Rom
Food, Animals	0.9	0.6	0.0	—	0.0	—	—
Bev., Tobac.	0.2	∞	∞	∞	∞	∞	∞
Crude mfg.	0.3	∞	∞	∞	—	—	—
Mineral fuels	∞	—	—	—	—	—	—
Chemicals	0.8	0.0	0.1	0.6	0.0	13.7	0.0
Basic mfg.	0.1	0.6	4.2	0.0	1.2	13.7	0.0
Machinery	6.0	1.9	21.9	0.5	2.5	90.0	0.6
Misc. mfg.	7.8	24.5	1970.2	6.6	14.7	∞	9.5
Others	19.5	6.2	21.2	2.2	3.5	13.5	1163.7

Note: The same as in <Table 9>.

Source: Computed from Korea Traders' Association Data.

Singapore has a comparative advantage over most of the CEECs in crude manufacture products, mineral fuels (refined oil), miscellaneous manufacture products, and machinery (to a less degree). On the other hand, many of the CEECs have a comparative advantage over Singapore in agricultural, chemical, and basic manufacture products. Thus, there are strong complementarities in the trade structure between the two groups (see <Table 11>).

<Table 11> The Ratio of Exports to Imports, Singapore, 1989

	USSR	Hung	Pol	Cze	Yugo	Bul	Rom
Food, Animals	0.7	0.0	0.0	0.0	0.0	—	—
Bev., Tobac.	0.0	0.0	—	—	0.0	—	—
Crude mfg.	4.6	∞	∞	∞	∞	∞	—
Mineral fuels	5.6	210.4	∞	∞	∞	∞	0.0
Chemicals	2.6	0.1	0.1	20.0	0.1	0.0	—
Basic mfg.	0.1	0.0	0.0	0.9	4.7	0.0	0.0
Machinery	4.5	8.1	7.3	0.6	0.9	6.0	0.1
Misc. mfg.	1.5	264.3	5.4	2.3	∞	0.6	0.0
Others	15.9	3.2	3.2	∞	—	—	—

Note: The same as in <Table 9>.

Source: Computed using data from Korea Traders' Association.

Thailand's only comparative advantage over CEECs are agricultural products. In all other sectors, CEECs have a comparative advantage over Thailand. This implies that Thailand is a net importer of CEEC products (see <Table 12> and <Table A.5.1 and Table A.5.2> in Appendix). There is little complementarity in the trade structure between Thailand and the CEECs.

<Table 12> The Ratio of Exports to Imports, Thailand, 1989

	USSR	Hung	Pol	Cze	Yugo	Bul	Rom
Food, Animals	5.6	82.7	66.1	0.4	23.2	∞	—
Bev., Tobac.	2.0	1.4	0.6	0.0	0.8	—	—
Crude mfg.	0.0	0.0	0.1	∞	—	—	—
Mineral fuels	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Chemicals	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Basic mfg.	0.1	0.5	0.3	0.2	0.0	0.0	0.1
Machinery	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Misc. mfg.	0.0	0.1	0.3	0.0	0.0	0.3	0.0
Others	—	—	—	—	—	—	—

Note: The same as in <Table 9>.

Source: Computed from Korea Traders' Association Data.

The structure of trade between Malaysia and CEECs is very similar to Thailand's case. However, in addition to agricultural products, Malaysia also managed to gain a comparative advantage over CEECs in crude manufacture products. Unlike Thailand, there is potential for a complementary trade structure to develop between Malaysia and CEECs in the future (see <Table 13> and <Table A.6.1> and <Table A.6.2> in the Appendix).

<Table 13> The Ratio of Exports to Imports, Malaysia, 1989

	USSR	Hung	Pol	Cze	Yugo	Bul	Rom
Food, animals	10.4	16.8	83.1	0.7	6.6	0.0	0.0
Bev., Tobac.	0.0	0.0	0.0	—	—	—	—
Crude mfg.	848.2	141.5	243.2	∞	∞	∞	∞
Mineral fuels	0.0	—	—	—	—	—	—
Chemicals	0.0	0.0	0.0	0.0	0.0	0.0	—
Basic mfg.	2.4	39.0	0.2	0.0	0.5	0.3	0.0
Machinery	0.5	1.3	0.0	0.0	0.0	1.6	0.1
Misc. mfg.	0.0	0.1	0.7	0.0	0.0	0.0	0.0
Others	6.0	1.6	1.2	62.9	3.1	111.9	53.8

Note: The same as in <Table 9>.

Source: Computed from Korea Traders' Association Data.

For future economic and industrial cooperation, and trade of goods and services, it is useful to review what are the relatively strong and weak industries in each countries and the priority industries targeted by the government. <Table 14> summarizes these industries for each of the CEECs, except Romania for which detailed information was not available. As a result of the drive to develop the heavy and chemical industries in the past, most of the CEECs have relatively strong transportation equipment, machinery, and chemical product (including pharmaceutical) industries. Some countries such as Poland and Hungary developed agriculture to gain a comparative advantage in the world market. However, agricultural processing is less developed than in the DAEs even in these countries (see <Table 14>).

The industries which need to be urgently developed in order to achieve an internal balance between demand and supply and to enhance the standard of living are the consumer product (light) industries such as home electronics and food processing. In order to enhance the competitiveness of these countries, the development of the high-tech industry such as computers, semi-conductors, and sophisticated machines is also urgently needed. Tourism is another potential area of development for the CEECs.

〈Table 14〉 Strong and Weak Industries in CEECs

	Major (Strong) Industries	Weak Industries	Priority Industries
U S S R	Machinery, Airplane, Steel, Atomic power, Textiles, Natural resources	Home electronics, Textiles, Footwear (Light industry), Service	Light industry products Computer, Semi-conductors Petrochemical industry, Tourism, Hotel, Service Electronic machinery, Parts
H U N G A R Y	Agriculture, Food processing Transport equipment (Bus, Trains) Pharmaceutical industry, Medical equipment Milling machinery	Home electronics Telecommunication Iron ore Petrochemicals Steel industry Textiles	Electronics Telecommunication equip. Food processing, Packing Medicine, Chemicals Hotel, Tourism
P O L A N D	Shipbuilding Medicine, Chemicals Minerals (Coal) Agriculture	Home electronics, Telecommunication Computer Textiles, Oil Machinery Steel	Agricultural processing Medicine, Medical equipment Chemicals, Pulp & paper Construction equipment Electronics, Telecommunication equipment, Computer, Tourism
C Z E C H O	Machinery, Airplane, Milling machines Textile machines, Auto, Light industry	Home electronics, Chemical products Construction	Consumer products High-tech industries
Y U G O	Transport equipment Medical equipment Food processing Minerals	Home electronics Textiles Chemical products Steel	Home Electronics, Telecommunication Semiconductors Food processing Machinery, Chemicals Non-metallic
B U L G A	Electronics (Computers, Robots) Machinery, Metals Chemicals, Medicine Transport equip. (Truck)	Shipbuilding Timber, Pulp & paper	Chemical products Machinery Light industry Computer, High-tech.

Source : Compiled by the author.

III.3 Trade between CEECs and Korea

Statistics on the size and structure of trade between DAEs and CEECs are presented in the Appendix. Here we focus on the Korean case with a few observations about the Taiwan case at the end. In 1990, Korea exported US\$541 million worth of goods and services to CEECs, a 99.6% increase over the previous year, while its imports amounted to US\$213 million, an 83.6% annual increase. These rates of growth are remarkable in comparison to Korea's trade with other major regions in the world. Although the pace of growth will eventually slow down, the growth in trade with CEECs than other regions will still remain higher. Korea's major trading partners in CEE in 1990 were Yugoslavia, Poland, and Hungary, in descending order. Yugoslavia, the largest importer from Korea purchased goods amounting to US\$214 million, resulting in a trade deficit of US\$172 million against Korea in 1990. Poland followed Yugoslavia with US\$113 million worth of imports from Korea. Korea's main export items are electronics and textile product, while its major imports items are chemical, iron and steel, and metal products (see <Table 15> and <Table 16>). CEECs and the USSR would like to import consumer products and medium level technologies and management know-how from Korea, whereas Korea would like to import machinery, iron and steel, industrial materials, and chemical products (see <Table 17> and <Table 18>).

〈Table 15〉 Korea's Exports and Imports with CEECs (excl. USSR)

(\$ Million)

	Exports			Imports		
	1988	1989	1990	1988	1989	1990
Hungary	21	49	90(83.7)	11	19	23(21.1)
Poland	27	59	113(101.8)	15	18	91(405.6)
Czecho	23	79	52(-34.2)	11	24	23(-4.2)
GDR	29	21	32(52.4)	8	7	11(57.1)
Yugoslavia	17	47	214(355.3)	17	20	42(110.0)
Bulgaria	6	18	18(0.0)	4	11	20(81.8)
Others	3	1	22(2100.0)	23	17	3(-82.4)
Total	126	271	541(99.6)	89	116	213(83.6)

Note: Figures in () are annual percentage changes.

Source: IPECK, *New Market Economy*, 1991.2.

〈Table 16〉 Korea's Exports and Imports with CEECs by Sector (excl. USSR)

(\$ Million)

	Exports			Imports		
	1988	1989	1990	1988	1989	1990
Agricultural	1.9(1.5)	0.4(0.2)	1.8(0.3)	9.2(10.3)	7.2(6.1)	22.0(11.2)
Chemical	5.7(4.5)	7.9(2.9)	6.1(1.2)	44.6(49.9)	34.0(28.9)	32.2(16.4)
products						
Textile	76.1(60.7)	75.8(28.0)	74.2(14.6)	4.2(4.7)	7.5(6.4)	5.5(2.8)
Steel & Metal	—	2.1(0.8)	0.2(—)	12.1(13.6)	26.0(22.1)	85.6(43.6)
Machinery	2.8(2.2)	76.3(28.2)	113.9(22.4)	9.2(10.3)	20.8(17.7)	36.4(18.5)
Electrical &	36.2(28.9)	98.9(36.5)	284.7(56.0)	0.8(0.9)	2.6(2.2)	4.1(2.1)
electronic						
equipment						
Others	2.7(2.2)	9.2(3.4)	27.9(5.5)	9.2(10.3)	11.3(9.6)	10.5(5.4)
Total	125.4(100)	270.6(100)	508.8(100)	89.3(100)	117.7(100)	196.3(100)

Notes: 1. Figures in () are share in percentage.

2. There are some discrepancies in the totals between 〈Table 9〉 and 〈Table 10〉 in 1990, since the latter excluded GDR for 1990.

Source: Bank of Korea

〈Table 17〉 Korea's Major Export Products to the CEECs, 1990

Exports			Imports		
Item	Value (\$mn)	Growth rate(%)	Item	Value (\$mn)	Growth rate(%)
C T V	134	396.3	Steel, Metal	86	230.8
V C R	94	113.6	Machinery	35	94.4
Automobile	62	287.5	Chemicals	31	-6.1
Ships	42	-25.0	Agricultural	22	214.3
Clothing	40	81.8	Textiles	6	-14.3

Source: Ministry of Trade and Industry, ROK.

〈Table 18〉 Korea's Major Export Products to the USSR, 1990

Exports			Imports		
Item	Value (\$mn)	Growth rate(%)	Item	Value (\$mn)	Growth rate(%)
Ships	181	325.3	Pig Iron	67	-10.7
V T R	66	371.4	Bituminous coal	54	14.9
Clothing	29	107.1	Alumimum	32	255.6
Electronic motor	23	700.1	Petroleum	26	-
Steel Plate	24	-28.1	Frozon fish	19	-6.6

Source: Ministry of Trade and Industry, ROK.

With the expansion of economic exchange with the CEECs, Korea can expect to benefit from creation of new markets, technology transfers, and exploitation of the EC single market as well as the USSR markets. Exports from Korea to CEECs excluding USSR are expected to grow at the rate of 30 percent annually during the 1990s. Assuming a 30 percent annual

< Table 19 > Foreign Investment Regulations of CEECs

(As of 1990)

	Foreign Ownership Provisions	Repatriation of Profits	Tax Incentives
Hungary	100% foreign ownership is permitted.	Profit transfer in hard currency is allowed. Conversion of profit into hard currency is guaranteed by the government	Profits are taxed at a 40% rate. Tax incentives of up to 100% are available if certain criteria are met.
Poland	FIA decides to allow up to 100% foreign ownership otherwise, foreign ownership may not exceed 49% remittable.	Must sell 15% of annual hard currency profits to a Polish foreign trade bank. Balance of hard currency profit is	Profits are taxed at a 50% rate. Many tax incentives (e.g. 3 year tax holiday) exist for joint ventures
Czecho	Foreign ownership may not exceed 49%	No clear rules exist. Foreign currency banks decide on a case-by-case basis.	Profits are taxed at a 40% rate. No tax incentives exist for joint ventures.
Yugo	Foreign ownership up to 100% is permitted.	Profit transfer is hard currency is allowed.	Tax rates are about 40% Tax deductions are available during initial investment period and on assets reinvested
Romania	Foreign ownership may not exceed 49%	Profit transfer in hard currency is allowed.	Profits are taxed at a 40% rate. One year tax holiday and other reductions can be negotiated.
Bulgaria	Foreign ownership may exceed 50%	Profit transfer in hard currency is allowed.	Profits are taxed at a 30% rate. Tax free zones in which no taxes are paid for first five years and 20% thereafter exist.

Note : ^a The term profit has not yet been clearly defined by Central and Eastern European governments.

Source : Compiled by the author referring to various sources.

export growth to the CEECs and an 8 percent growth rate to the world market, CEECs' share in Korea's total exports will increase from 0.5 percent to some 5 percent by the year 2000. Thus, the importance of CEECs as a trading partner and new export market for Korea will be increasing rapidly. Although Korea currently has a trade surplus with the CEECs, imports from CEECs is expected to gradually catch up with exports so that a trade balance will be achieved within 5 to 7 years. Korea will have to compete with the EC, U.S., and Japan in some sectors such as high-tech industries in CEE markets.

Recently Taiwan's trade with CEECs has been growing rapidly. In 1990, exports to CEECs including the USSR rose by 80.4 percent. The USSR is the largest importer from Taiwan (receiving 28.8 percent of the total US\$205.3 million worth of goods to the CEECs and the USSR). Hungary had the second largest share at 23.2 percent.

IV. ECONOMIC AND INDUSTRIAL COOPERATION

IV.1 Direct Investments

After the introduction of more favorable regulations for foreign private investments (see <Table 19>), foreign direct investment in all countries increased, mainly in the form of joint ventures(JV). The number of joint ventures increased from 165 at the beginning of 1988 in the CEECs to 5,070 (excluding GDR but including USSR) by the beginning of July 1990, with 2,000 ventures registered during the first half of 1990 alone. By country, 1,800 JVs were registered in the Soviet Union and 1,600 JVs were registered in Hungary, while the number of foreign direct investments in Poland amounted to 1,500. On the other hand, Czechoslovakia, Bulgaria and Romania have not managed to increase JVs partly because the legal framework for foreign investments was created only in spring 1990 (Czechoslovakia, Romania), and partly because of unclear political and economic circumstances (Romania, Bulgaria) [Vienna Institute, 1990].

Germany, Finland, U.K., Italy, and France are the major investors in the USSR. As of April 1990, the total equity of JVs registered in the USSR amounted to R4.4 billion. The foreign share in the JVs is 34 percent or R1.5 billion (US\$2.66 billion) which has been supplied in the form of machinery,

equipment, and know-how. The size of JVs in the USSR is relatively small as 60 percent of the total JVs have equity less than R100 million.²⁾

In the case of Poland, the major investors are Germany, Sweden, Austria, and the U.S. The main areas of direct foreign investments were food processing and agricultural products (25 percent in terms of number), service (20 percent), light industry (17 percent). The average investment amount was US\$ 162,000, with only 22 JVs with investment amounts of more than US\$1 million. Thus the average size of investments is rather small. In the case of Hungary, the major investors are Austria, Germany, and Switzerland. Different from other neighboring countries, most of the investments in Hungary are centered around manufacturing (60.7 percent in terms of number in 1989). The average size of investment was over US\$0.5 million in 1989 and have shown signs of increasing. At present, Hungary is more attractive to foreign investors because of its long history of access to the West. However, this comparative attractiveness may decline as other CEECs introduce more rigorous incentives for foreign direct investment (see <Table 20>).

There were only three JVs between Korea and the USSR

2) The information and data on investment in CEECs by the West and Korea in this section were collected from various sources such as Korea Institute for Economics and Technology [1991a] and newspapers.

as of the end of 1990. These are Jindo's fur chain in Moscow (US\$480,000), Hyundai's forests development project in the Svetlaya region which was just initiated, and a computer trade

〈Table 20〉 Assessment of Investment Environment in CEECs

(As of the end of 1990)

	Poland	Hungary	Czecho	Yugo	Bulgaria	
Overall	B	B	B	C	D	D
Economy	B ⁻	B	B ⁺	C ⁻	D	D
Business	C ⁻	C	A ⁻	C ⁻	F	D ⁻
Reform prospects	A ⁻	A ⁻	A ⁻	B	C ⁻	C ⁻
Debt burden	D	D	A ⁻	B ⁻	F	A
Inflation	C	C ⁺	B	C	D	B ⁻
Access to EC	B	B	B	B	C	C
Labor market	C	B	A ⁻	C	C ⁻	D
Market size	B	D	C	B ⁻	F	B ⁻
Natural resources	B	D	D	B ⁻	F	B ⁻
Infrastructure	C	B ⁻	B	C	C	D
Receptivity to FDI	A ⁻	A	A ⁻	B ⁺	C	C
Profit repatriation	A	A	B	A	D ⁺	C
Foreign aid	B	B ⁻	C ⁻	B ⁻	D	D
Politics	B	B ⁺	A ⁻	D ⁺	D ⁺	D ⁻

Note : A-Outstanding; F-Dismal

Source : Evaluation of the author referring to PlanEcon, *Review and Outlook*, Summer 1990, p.11.

JV between Hongchoong, a medium-sized Korean enterprise, and Filial Chiieus in Khabarovsk. However, at least 20 investment projects are currently under negotiation. Among these, four projects will entail investment of over US\$300 million. The proposed areas of JVs are forestry and natural resource development, raw materials, construction and operation of a trade center, hotel construction and management, telecommunication equipment, and textiles. Korea, which is strong in manufacturing and construction, would like to do business with the USSR which has an abundance of natural resources and raw materials, and has highly developed heavy and chemical industries, and some high-tech industries. Both countries see complementarities and mutual benefits from doing business together. Korea's investments in the USSR will accelerate as the political situation in the USSR becomes stabilized.

Korea has invested very little in CEECs other than the USSR. As of 1990, there were only two cases of investments outside of the USSR, both in Hungary. Samsung Electronics, Co. and Orion established a JV (50:50) producing color TV sets with a total equity of US\$1.5 billion in Hungary. The investment has been fairly successful, encouraging other Korean enterprises to follow similar ventures in CEECs. Daewoo also drew a contract to establish a hotel JV in Hungary of which total equity will be US\$ 4,500 million (50:50). There are several reasons why Korean enterprises have not actively sought out

JVs or other types of direct investment in CEECs. One reason is that the political situation and general economic and business environment of CEECs were not very attractive to potential Korean investors. Another reason has been the conflict of interest regarding the purpose of the JVs. Korean investor's main motivation for investing in JVs is to expand its export market to CEECs whereas the motivation of CEECs is the promotion of exports to the West through JVs. Also, although there have been many improvements and changes in the laws and regulation regarding foreign direct investment, it may take several years before these incentives and procedures function properly. Although wages in CEECs are relatively low (\$100-300/month), real labor costs, including transaction costs and welfare expenditures which are weighted by productivity, are not low enough to compensate for the long distance or other transaction costs for Korean investors to maintain their comparative advantages after investment.

Like Korea, Taiwan has not yet actively sought out direct investments in CEECs. The Taiwanese strategy is to first establish a base through JVs in former East Germany, then expand their line of business to other CEECs or find investment opportunities in these countries only after sufficient investigation. There exists no direct investment in CEECs by other DAEs so far. However, as time passes and the investment environment improves, more investments will be made by DAEs in the coming years. <Table 21> lists

preferential areas for investment. These areas reflect the priority industries chosen by CEE governments given in <Table 14>.

<Table 21> List of Preferential Areas for Foreign Investment in CEECs

Countries	List of Preferential Areas
Hungary	Electronics, Transportation(mainly Automobile), Machinery, Medical products
Poland	Food processing, Paper mfg., Electrical machinery and appliances, Medical products
Czecho	Machinery, Hotel
Yugoslavia	Energy development, Food processing, Machinery Traffic, Communication, Hotel, Construction
Bulgaria	Electronics, Biotechnology, New materials, Industrial robot, Electric power generation equipment
Romania	Industrial robot, Ships, Engine, Metal & Machine

Source: Compiled by the author.

Major Korean trading companies and leading enterprises have established branches in all CEECs including the USSR. The government established local KOTRA headquarters in several regions. While engaged in trade, finance, construction, service and other businesses, KOTRA offices investigate and collect information on a wide range of business activities and conditions.

IV.2 Financial Support

Both the East and the West (including DAEs) can benefit from the economic reforms in CEECs. Reduction of defense expenditures, growth in trade, exchanges of technologies and exports, and increases in direct investments are but a few examples of these benefits. Economic reforms are not cost-free, however. Most of the CEECs undergoing economic reform have been paying the price in the form of unemployment, bankruptcies, retraining programs, and reduced standards of living at least for the short term, and perhaps also, now it seems, for the long term. To make things worse, these countries already have been suffering from excessive external debt burdens for a long time and have lost international competitiveness in many areas.

The West can assist CEECs in many areas on the basis of friendship and mutual interest. One way is through financial support in various forms which will help relieve the CEECs' immediate burdens and encourage structural adjustment and innovation. Member countries of OECD have so far contributed substantial amounts of grants, loans, guarantees and other types of financial aid. Among CEECs, Poland and Hungary have received the largest commitment of financial support from the West (see <Table 22>). Including the funds to be shared with other CEECs, Poland and Hungary have received US\$13 billion and US\$6 billion respectively for the period 1990-1995.

〈Table 22〉 G-24 Financial Support Committed to Poland as of February 1990 (1990-5)

	mn ECU	US\$ mn	Status
Emergency food supplies	380	415	Mainly grant
Technical assistance to agriculture	20	22	Grant
Vocational training	158	170	Grant
Investments, joint venture and industrial development credit	640	700	Mixed grant and loan
Environment	93	100	Grant
Energy	27	30	Grant
Medical science and technology	16	17	Grant
Export credit guarantee ceilings	2850	3100	Guarantees, some to both Hungary and Poland
Project financing	3650	4000	Loans, some for both countries
International trade and investment insurance	320	350	Guarantees
EC Action Plan	2150	2350	Grant, includes aid for other E. European countries
Stabilization Fund	920	1000	Loan
	644	700	Credit

Sources: Commission of the European Communities, Summary Prepared for PHARE meeting, December 1989; speech by Prime Minister Kaifu, Berlin, 9 January 1990; *The Financial Times*, 23 February 1990. Reprinted from Rollo, J M C, *The New Eastern Europe: Western Responses*, London: Printer, 1990.

<Table 23> G-24 Financial Support Committed to Hungary as of February 1990 (1990-5)

	mn ECU	US\$ mn	Status
Vocational training	106	115	Grant, some for both Hungary and Poland
Investments, joint ventures	27	30	Grant
Environment	23	25	Grant
Energy	27	30	Grant, both Hungary and Poland
Export credit guarantee ceilings	1640	1785	Guarantees, some for both Hungary and Poland
International trade and investment insurance	185	200	Guarantees
Project financing	1085	1180	Loans, both Hungary and Poland
EC Action Plan	2150	2350	Grant, including aid for other E. European countries
Stabilization Fund	370	400	Loan
IMF credit	190	210	Loan

Sources: Commission of the European Communities, Summary Prepared for PHARE meeting, December 1989; speech by Prime Minister Kaifu, Berlin, 9 January 1990; *The Financial Times*, 23 February 1990. Reprinted from Rollo, J M C, *The New Eastern Europe: Western Responses*, London: Printer, 1990.

Korea offered a bank loan of US\$12.5 million to Hungary in 1988 and US\$40 million in 1990. Korea offered a grant of US\$3 billion to the USSR in 1991 to be spread out over several years. There have been little financial support for CEECs by other DAEs so far. The rapid increase in trade with the East prompted Taiwan recently to offer US\$100 million to CEECs and the USSR. This is worrisome from the viewpoint of ASEAN countries, as increasing financial support by DAEs or OECD countries for CEECs may mean decreasing financial support for ASEAN countries including Thailand and Malaysia at least in relative terms. Whether these worries turn out to be groundless or whether these countries also join such countries as Korea and Taiwan in providing financial support for CEECs is yet unknown.

The role and financial structure of the EBRD which was established this year reflect the interests and contribution of each member country in the economic reforms in CEECs. The share of the EC in total equity of the EBRD is 51 percent; other European countries, 11.4 percent; CEECs themselves, 13.5 percent; and non-European countries, 24.2 percent. Korea is the only member country among DAEs with a share of 0.65 percent (see <Table 24>). The purpose of the EBRD is to financially support political democratization and economic reforms in CEECs. However, the initial equity is not sufficient to contribute significantly to the reform efforts in the CEECs; thus, equity must be rapidly increased over time. Further-

more, there is danger that the decisions of the EBRD may become influenced by internal politics among members. When these problems are overcome, the EBRD is expected to play an important role in the globalization of Central and Eastern Economies in the 1990s.

〈Table 24〉 Equity Share in the EBRD by Major Region and Country

Region	Country	Equity (mn ECU)	Voting Rights (share, %)
EC		5,100	51.00
	Germany	851.75	8.52
	France	851.75	8.52
	U. K.	851.75	8.52
	Spain	340	3.40
CEECs		1,345	13.45
	USSR	600	6.00
	Poland	128	1.28
	Czecho	128	1.28
Europe, Others		1,137	11.37
		228	2.28
	Sweden	228	2.28
Non-Europe		2,416.75	24.17
	USA	1,000	10.00
	Japan	851.75	8.52
	Korea, Rep.	65	0.65
Total		10,000	100.00

Source: Shihate, I.F.I., *The EBRD: A Comparative Analysis of the Constituent Agreement*, London: Graham & Troutman, 1990.

IV.3 Other Means of Cooperation

Technology transfer is one of the most important areas of

industrial cooperation between countries. CEECs need advanced technologies to modernize factories and to increase their international competitiveness. Privatization of state-owned enterprises is a crucial part of the economic reforms since private enterprises are motivated to produce more efficiently by increasing productivity, through technological innovations. So far, the West has been the major supplier of modern advanced technologies to CEECs. However, it has been noted that some DAEs can also transfer their manufacturing-oriented technologies to CEECs whereas the latter countries in turn can transfer some of their relatively advanced technologies to DAEs.

Technological cooperation between the USSR and Korea has increased rapidly not only at the governmental level but also at the private level. Potential areas of profitable technology transfers from the USSR have been investigated by Korean enterprises and government-sponsored research institutes, such as space technology, sensor technology, and bio-technology. Joint R&D projects have been set up in both countries. Korea's technological advantages over the USSR lie in the areas of home electronics, other consumer goods and applied technologies. Because of strong complementarity in technology, technological cooperation between the two countries is expected to expand rapidly and substantially. Relaxation of the COCOM will contribute to expanding trade between Korea and the USSR as well as increase technological cooperation between the two countries. In contrast to its level of activity with the USSR,

Korea's technological cooperation with CEECs has been less vigorous. Although, it has been often pointed out that there are complementarities between the basic science and technologies of some CEECs such as Hungary and the production-oriented technologies of Korea, these complementarities have yet to be realized.

Other than financial and technological cooperation, there are still a variety of ways the West and DAEs can support the economic reforms and globalization of CEECs. Rollo [1991] provided a comprehensive list of the policy options open to the West and DAEs. DAEs have the capacity to choose and implement any of these policy options. However, the most fruitful areas that the DAEs can focus on are areas such as training, technical assistance, technology transfer, direct investment, and membership in multilateral organizations. Some DAEs can offer CEECs valuable internship programs for potential entrepreneurs and managers who can contribute to the development of the private sector and marketization of their economies. In 1989, some six thousand scholars, experts, politicians, artists and scientists in CEECs including the USSR visited Korea and some four thousand from Korea visited CEECs including the USSR. In addition to these, 13 hundred businessmen from CEECs visited Korea and 23 hundred Korean businessman visited CEECs including the USSR.³⁾

3) See Korea Institute for Economics and Technology [1991b].

V. CONCLUDING REMARKS

Economic reforms and globalization of CEECs offer DAEs both opportunities to expand their role and markets in Europe and challenges as the CEECs emerge as new competitors in the Western European markets. However, it is expected that the positive effects will surpass the negative effects.

Poland, Czechoslovakia, and Hungary is expected to lead the economic reforms and development in CEE. Economic reforms in CEE will be faced by many difficulties during the next 3-4 years of the transitional period. However, normalized development is anticipated thereafter.

There is more active economic interaction and cooperation between Western European countries and CEECs than between DAEs and CEECs. Currently, DAEs do not seem to have sufficient resources to support economic reforms in CEECs. However, considering the desire of CEECs to diversify their economic relations and the complementarity in trade between CEECs and DAEs, economic cooperation between CEECs and DAEs will be strengthened over time.

In terms of absolute value, trade between CEECs and DAEs is very small in comparison to other major trade partners. However, the trade growth rate between the two groups is significant enough to note. By the end of this decade, if the

current trends continue, these two groups will become major trade partners. These observations and prospects can be applied to foreign direct investment, technology transfer, financial flows and other areas of industrial cooperation and economic exchange.

There are strong complementarities in trade and industrial structure between CEECs and DAEs. DAEs import industrial inputs from CEECs whereas CEECs import consumer products from DAEs. This pattern of trade and comparative advantages are not expected to change in the foreseeable future. However, the trade pattern will change gradually toward one that is characterized by intra-industry trade since the industrial structure of CEECs will resemble that of DAEs as the former group improves their industrial capacity.

It is clear that Korea is greatly interested in the natural resources and primary commodities of the USSR. Already several Korean enterprises have drawn up contracts with Soviet counterparts or have initiated projects such as exploiting the natural resources or undertaking forestry development in Siberia. However, it is less clear whether other DAEs are also interested in importing or developing primary products from the USSR as most of them have better suppliers and are farther from Siberia than Korea.

The idea of special economic zones or free trade zones to

be developed among the Soviet Union, China, Korea, and Japan has been proposed several times. However, it appears that it will take a long time for this idea to materialize since coordinating the economic and political interests of these countries which are often in conflict will not be an easy task, although there has been a significant improvement in their relations recently. Free trade zones in CEECs excluding the USSR are still in the early stages of conceptualization, and the DAEs have not shown great enthusiasm in these areas. Thus, bilateral trade and direct investments (mainly in the form of JVs) seem to be the main channels of economic interactions between CEECs and DAEs at this time.

The main reasons why there are few direct investments in CEECs by DAEs are: it takes time for entrepreneurs from DAEs to perceive improvements in institutional framework for foreign direct investment and trade in CEECs (privatization and demonopolization are crucial); complementarity in JV business between the two groups may not be strong enough to be sufficiently competitive against the developed West; and both groups are unfamiliar with each other and lack sufficient information.

There are three ways DAEs can expand their export markets in terms of the interaction between CEECs and DAEs. First, DAEs and CEECs can establish JVs and penetrate the EC and the Soviet markets. Because of the relationship and

network between CEECs and their neighboring countries, this strategy is ideal. However, the number of JVs between CEECs and DAEs is small now and may not increase too rapidly. Second, DAEs can establish JVs with either an EC country or the Soviet Union and penetrate CEECs markets. CEECs can also choose a similar strategy against DAEs. This is a more realistic approach. Third, each of the DAEs can penetrate CEECs directly (and vice versa). This is a rather simple strategy to implement and will be the dominant form in the early stages of economic interactions between the two groups.

The breakdown of the CMEA system forces CEECs to find alternatives. Expanding their export markets into OECD countries as well as DAEs is crucial. CEECs must make more efforts to penetrate DAEs. Governments in both regional groups can take a more active role in promoting trade, direct investments, and technology transfers. Favorable mutual agreements, improvements in the legal system, financial support, and exchange of experts are but a few examples.

In conclusion, the most important impact of the globalization of CEECs on DAEs will be that DAEs can diversify their participation in the global economy through economic cooperation with CEECs and this cooperation will certainly benefit both groups.

REFERENCES

- ADB, *Key Indicators*, July 1990.
- EIU, *Country Report*, No.1, 1991.
- IMF, *Direction of Trade*, 1990.
- Korea Institute for Economics and Technology, *Overview of Northern Countries*, Seoul: KIET, 1991 (in Korean).
- , *Tasks and Prospects of Nordward Economic Cooperation*, Seoul: KIEP, 1991 (in Korean).
- OECD, "An Evaluation of Developments in Trade Relations with Dynamic Asian Economies," January 17, 1991.
- PlanEcon, *Review and Outlook*, Summer 1990.
- Rollo, J M C, *The New Eastern Europe : Western Responses*, London: Printer, 1990.
- Shihata, I.F.I., *The EBRD: A Comparative Analysis of the Constituent Agreement*, London: Graham & Troutman, 1990.
- Vienna Institute for Comparative Economic Studies, "Members Information," October 1990.
- , "The Economic Situation in Eastern Europe, the Soviet Union and Yugoslavia in Autumn 1990 and Outlook 1990/91," December 1990.
- WEFA, *CPE Outlook*, January 1991.
- , *Asia Economic Outlook*, February 1991.
- World Bank, *The Transformation of Economies in Central and Eastern Europe: Issues, Progress, and Prospects*, April 3, 1991.



APPENDIX

EXPORTS AND IMPORTS BETWEEN DAEs AND CEECs BY MAJOR SECTOR AND BY COUNTRY



〈Table A.1.1〉 Korea's Exports to CEECs, 1990

(\$ Thousand)

	USSR	Hung	Pol	Cze	Yugo	Bul	Rom
Agricultural	0	0	0	0	780	1097	0
Chemical products	3241	1459	1070	0	2810	666	89
Textile	77497	17963	21307	4007	21787	7556	1617
Steel & Metal	37934	0	0	0	0	180	0
Machinery	22963	5025	28693	28693	71174	842	0
Electrical & electronic equipment	154890	74098	17692	17692	109101	6447	19063
Others	4386	7186	1445	1445	8784	912	1025
Total	300911	105731	51837	51837	214436	17700	21794

Source: Korea Traders' Association Data.

〈Table A.1.2〉 Korea's Imports from CEECs, 1990

(\$ Thousand)

	USSR	Hung	Pol	Cze	Yugo	Bul	Rom
Agricultural	57222	1770	1948	175	10732	7333	0
Chemical products	4865	6650	21377	1864	751	643	897
Textile	14800	2262	732	894	1410	0	173
Steel & Metal	132398	8640	63116	320	7705	5833	0
Machinery	5626	2028	3257	13211	15959	1124	781
Electrical & electronic equipment	0	1268	0	0	2834	0	0
Others	528	521	927	6558	2389	75	0
Total	215439	23139	91357	23022	41780	15008	1851

Notes: 1.Imports of Mineral from Bulgaria amounted to \$4,741 thousand.

2.Imports of Mineral from Romania amounted to \$1,274 thousand.

Source: Korea Traders' Association Data.

〈Table A.2.1〉 Taiwan's Exports to CEECs, 1989

(\$ Thousand)

	USSR	Hung	Pol	Cze	Yugo	Bul	Rom
Food, Animals	14.7	1.1	0.0	0.0	0.0	0.0	0.0
Bev., Tobac.	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Crude mfg.	19.4	0.0	0.0	0.0	0.0	0.0	0.0
Mineral fuels	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Chemicals	375.5	52.9	74.3	279.5	0.0	0.0	0.0
Basic mfg.	1032.1	2383.7	5428.0	347.9	2571.0	1347.7	262.1
Machinery	3806.6	32873.3	14205.7	8465.9	3204.6	3985.7	92.1
	(3660.1)	(6520.1)	(3645.1)	(110.9)	(1585.8)	(204.3)	(13.4)
Misc. mfg.	808.3	820.6	1525.2	1055.0	1052.8	290.4	1.1
Others	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total	6056.7	36131.6	21233.1	10148.4	6828.3	5623.8	355.4

Note: Figures in () are for electrical & electronic machinery and equipment.

Source: Korea Traders' Association Data.

〈Table A.2.2〉 Taiwan's Imports from CEECs, 1989

(\$ Thousand)

	USSR	Hung	Pol	Cze	Yugo	Bul	Rom
Food, Animals	97.0	2531.7	500.0	1585.8	326.8	0.0	0.0
Bev., Tobac.	213.0	110.7	0.0	0.0	0.0	0.0	0.0
Crude mfg.	20.3	0.0	0.0	0.0	0.0	0.0	0.0
Mineral fuels	276.7	38.9	0.0	0.0	0.0	0.0	0.0
Chemicals	12121.9	3535.6	25093.0	984.6	113.3	3621.3	162.7
Basic mfg.	41898.7	11495.7	32863.8	5048.5	734.4	6808.0	8884.9
Machinery	517.9	1885.1	4981.0	8419.1	1258.4	381.2	1558.0
	(12.8)	(994.8)	(429.0)	(98.2)	(522.8)	(22.0)	(0.0)
Misc. mfg.	291.0	357.3	262.5	807.4	72.2	7.6	2.7
Others	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total	55457.2	19954.9	63700.8	16845.4	2505.0	10818.2	10608.3

Notes:1. Figures in () are for electrical & electronic machinery and equipment.

2. Imports of animal fats and vegetable oil from USSR amounted to \$20.9 thousand.

Source: Korea Traders' Association Data.

〈Table A.3.1〉 Hong Kong's Exports to CEECs, 1989

(\$ Thousand)

	USSR	Hung	Pol	Cze	Yugo	Bul	Rom
Food, Animals	37.0	3300.0	0.0	0.0	0.0	0.0	0.0
Bev., Tobac.	21.2	8.8	1.1	13.1	28.8	6.9	16.7
Crude mfg.	13240.2	86.5	11.2	298.0	0.0	0.0	0.0
Mineral fuels	2.8	0.0	0.0	0.0	0.0	0.0	0.0
Chemicals	5478.4	16.3	344.8	193.3	0.0	0.0	0.0
Basic mfg.	3005.0	2251.0	28315.0	177.2	6279.3	1990.1	76.6
Machinery	9435.2 (5033.6)	4510.5 (3649.1)	6387.2 (3714.0)	1159.9 (964.6)	12610.5 (9590.3)	4067.1 (2821.1)	94.0 (73.2)
Misc. mfg.	62911.3	9141.2	57902.1	8149.1	8763.1	2855.1	1566.5
Others	105.3	46.9	77.3	22.4	58.7	29.1	15.1
Total	94236.2	19361.1	93038.7	10013.0	27740.3	8948.4	1768.8

Note: Figures in () are for electrical & electronic machinery and equipment.

Source: Korea Traders' Association Data.

〈Table A.3.2〉 Hong Kong's Imports from CEECs, 1989

(\$ Thousand)

	USSR	Hung	Pol	Cze	Yugo	Bul	Rom
Food, animals	39.8	5156.0	605.5	0.0	257.5	0.0	0.0
Bev., Tobac.	141.0	0.0	0.0	0.0	0.0	0.0	0.0
Crude mfg.	43539.5	0.0	0.0	0.0	0.0	0.0	0.0
Mineral fuels	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Chemicals	7089.3	6592.1	3778.5	320.4	1050.9	0.0	3430.2
Basic mfg.	46071.1	3508.4	6805.0	8924.4	5429.1	145.1	8539.1
Machinery	1569.5 (1420.5)	2337.4 (327.9)	291.8 (122.5)	2499.8 (35.3)	5090.7 (904.0)	45.2 (45.2)	161.2 (140.3)
Misc. mfg.	8054.8	372.5	32.3	1243.3	596.3	0.0	164.7
Other	5.4	7.6	3.6	10.0	16.6	2.2	0.0
Total	107931.0	18301.9	11639.3	13033.2	13345.1	237.6	12435.5

Note: Figures in () are for electrical & electronic machinery and equipment.

Source: Korea Traders' Association Data.

〈Table A.4.1〉 Singapore's Exports to CEECs, 1989

	(\$ Thousand)						
	USSR	Hung	Pol	Cze	Yugo	Bul	Rom
Food, Animals	10672.7	0.0	0.0	0.0	0.0	0.0	0.0
Bev., Tobac.	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Crude mater.	42566.8	852.7	4111.2	939.3	15417.6	2949.3	0.0
Mineral fuels	60667.6	1618.2	6123.7	725.5	11789.5	2167.9	2232.5
Chemicals	7417.8	1696.1	767.1	646.1	55.4	0.0	0.0
Basic mfg.	9474.4	3149.8	242.0	13908.6	537.9	0.0	0.0
Machinery	41353.6	8134.1	43235.4	1880.2	24096.8	14492.6	549.7
	(15241.2)	(2028.4)	(22920.6)	(264.1)	(12164.8)	(9080.7)	(0.0)
Misc. mfg.	5100.8	948.6	1240.8	5040.8	284.6	179.5	0.0
Others	7190.2	449.7	575.8	356.4	137.9	0.0	0.0
Total	192196.1	17049.2	56296.0	23496.9	52319.6	19789.3	2782.1

Notes: 1. Figures in () are for electrical & electronic machinery and equipment.

2. Exports of animal fats and vegetable oil to USSR amounted to \$7752.1 thousand.

3. Exports of animal fats and vegetable oil to Hungary amounted to \$200.0 thousand.

Source: Korea Traders' Association Data.

〈Table A.4.2〉 Singapore's Imports to CEECs, 1989

	(\$ Thousand)						
	USSR	Hung	Pol	Cze	Yugo	Bul	Rom
Food, Animals	15980.1	273.8	1878.7	328.7	0.0	0.0	0.0
Bev., Tobac.	555.8	183.0	0.0	0.0	0.0	0.0	0.0
Crude mfg.	9168.3	0.0	0.0	0.0	0.0	0.0	0.0
Mineral fuels	10826.0	7.7	0.0	0.0	0.0	0.0	0.0
Chemicals	2905.7	3997.8	6910.2	32.3	1712.0	28279.8	0.0
Basic mfg.	75590.9	267.1	7113.8	15323.8	4457.8	159.5	31801.3
Machinery	9197.0	999.3	5943.7	3023.1	5111.0	2435.0	6588.2
	(1077.3)	(966.0)	(1833.1)	(0.0)	(1588.5)	(5.6)	(0.0)
Misc. mfg.	3372.3	3.6	228.7	2181.2	333.3	286.1	179.5
Others	453.3	139.5	178.4	0.0	0.0	0.0	0.0
Total	128049.5	5871.9	22253.5	20889.1	11614.1	31160.3	38568.9

Note: Figures in () are for electrical & electronic machinery and equipment.

Source: Korea Traders' Association Data.

〈Table A.5.1〉 Thailand's Exports to CEECs, 1988

(\$ Thousand)

	USSR	Hung	Pol	Cze	Yugo	Bul	Rom
Food, Animals	54898.9	3591.8	2454.7	752.3	9118.0	669.8	0.0
Bev., Tobac.	32.9	107.4	215.2	0.0	68.9	0.0	0.0
Crude mfg.	1.3	0.0	11.8	0.6	0.0	0.0	0.0
Mineral fuels	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Chemicals	104.8	0.6	5.8	0.0	0.0	0.0	0.0
Basic mfg.	1942.7	10347.7	3585.9	9956.9	530.4	103.8	912.5
Machinery	8.3	17.8	44.5	50.5	1.9	4.7	0.0
	(1.8)	(0.0)	(2.9)	(0.1)	(0.0)	(4.7)	(0.0)
Misc. mfg.	98.0	62.3	297.8	61.0	8.8	2.0	0.0
Others	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total	57086.9	14127.6	6615.7	10821.4	9728.1	780.4	912.5

Note: Figures in () are for electrical & electronic machinery and equipment.

Source : Korea Traders' Association Data.

〈Table A.5.2〉 Thailand's Imports from CEECs, 1988

(\$ Thousand)

	USSR	Hung	Pol	Cze	Yugo	Bul	Rom
Food, Animals	9838.9	43.4	37.1	2075.4	392.9	0.0	0.0
Bev., Tobac.	16.3	79.3	353.9	202.8	83.7	0.0	0.0
Crude mfg.	217.2	18.1	175.9	0.0	0.0	0.0	0.0
Mineral fuels	288.1	90.0	90.6	270.1	58.8	0.0	0.0
Chemicals	10493.5	9445.9	11159.4	831.0	923.2	2262.6	28557.7
Basic mfg.	22399.4	22093.5	11535.0	46851.0	34942.6	34745.7	14442.9
Machinery	6983.6	1873.6	4587.5	5325.3	3558.9	587.6	843.1
	(203.1)	(468.0)	(3470.1)	(550.3)	(1187.0)	(236.0)	(210.6)
Misc. mfg.	9812.1	1236.9	854.3	3187.0	230.2	6.0	847.0
Others	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total	60049.1	34880.7	28793.7	58742.5	40190.1	37601.9	44690.8

Note: Figures in () are for electrical & electronic machinery and equipment.

Source: Korea Traders' Association Data.

〈Table A.6.1〉 Malaysia's Exports to CEECs, 1988

(\$ Thousand)

	USSR	Hung	Pol	Cze	Yugo	Bul	Rom
Food, Animals	1174.6	764.2	1286.3	93.4	460.4	8.7	0.0
Bev., Tobac.	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Crude mfg.	69640.0	7467.3	9804.6	18992.6	38827.3	1059.9	2258.5
Mineral fuels	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Chemicals	2.0	0.0	0.0	0.0	0.0	0.0	0.0
Basic mfg.	9482.1	1459.7	691.7	76.7	4245.7	29.5	0.0
Machinery	386.9 (378.7)	1558.2 (1461.9)	16.1 (0.0)	0.0 (0.0)	186.1 (166.9)	594.0 (584.9)	39.6 (39.6)
Misc. mfg.	0.4	15.4	92.4	31.3	4.0	0.0	0.0
Others	922.8	1.6	8.3	376.1	125.9	5.2	27.0
Total	128909.0	13530.4	12086.3	19570.1	43849.3	1697.3	2325.1

- Notes: 1. Figures in () are for electrical & electronic machinery and equipment.
 2. Exports of animal fats and vegetable oil to USSR amounted to \$47000.3 thousand.
 3. Exports of animal fats and vegetable oil to Hungary amounted to \$2263.8 thousand.
 4. Exports of animal fats and vegetable oil to Poland amounted to \$186.9 thousand.

Source: Korea Traders' Association Data.

〈Table A.6.2〉 Malaysia's Imports from CEECs, 1988

(\$ Thousand)

	USSR	Hung	Pol	Cze	Yugo	Bul	Rom
Food, Animals	112.6	45.4	15.5	141.5	70.2	591.3	40.7
Bev., Tobac.	30.0	0.0	3.9	0.0	0.0	0.0	0.0
Crude mfg.	82.1	52.8	40.3	0.0	0.0	0.0	0.0
Mineral fuels	4.3	0.0	0.0	0.0	0.0	0.0	0.0
Chemicals	35612.5	1635.7	7223.4	2489.6	675.4	51.8	0.0
Basic mfg.	3884.3	37.5	3592.9	1656.4	8285.8	110.5	4736.4
Machinery	804.7 (1.8)	1156.8 (253.2)	1961.1 (554.6)	1676.5 (22.9)	5018.8 (4242.9)	361.3 (33.8)	343.6 (23.4)
Misc. mfg.	50.2	104.4	127.3	846.0	1033.5	8.0	22.7
Others	153.8	1.0	7.2	6.0	40.0	0.0	0.5
Total	40734.5	3033.6	12971.7	6816.0	15123.8	1123.1	5143.9

Note: Figures in () are for electrical & electronic machinery and equipment.

Source: Korea Traders' Association Data.