

Comments and Discussions

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This paper is a laborious attempt to apply an inter-regional input-output technique to examine quantitatively the interdependence between Japan and China at the regional level. For this purpose, the author constructs first an inter-regional input-output table for Japan and China; as for Japan two regions, Aichi and the rest of Japan are focused, while China is divided into two coastal regions (Central and other coast) and the rest of China. Then two inter-regional input-output tables are linked together with import share matrixes among the above five regions. Finally the constructed five-region interregional input-output table is used for the structural analysis of each regional economy, and simulation studies on (1) the demand shock of each sector focusing on Aichi, Japan and Central coast, China, (2) direct investment of Japan's IT industry in the Central coast region, and (3) the impacts of the transplant of transport equipment industry from Aichi to Coastal region.

From this study the author obtained several interesting results of the interdependence between Aichi, Japan and Central coast, China. For example, the transplant of auto firms from Aichi to Central coast has produced a positive effect for the regional economy as a whole in spite of the negative effect for the auto industry.

A few comments are made mainly on the model and methods used in this paper.

First, in constructing inter-regional I-O table the author assumes common or average inter-regional trade ratios between intermediate and final demands. This assumption may not be acceptable if direct survey data is available. Based on the Import Table in 2000, average import ratio for intermediate demand is 7.64% and final demand is 10.5%. Dividing the sector into Agriculture (including forest and fishery) and non-Agriculture, average import ratios of intermediate and final demands are 15.3% and 7.2% for agriculture and 7.4% and 10.5% for non-Agriculture. Actually it is not easy to collect this kind of data on domestic shipment from other region, but a sensitive analysis based on alternative assumption may be testable.

Second, as is the case of standard I-O analysis, this study treats domestic final demand as exogenous and the dependence of personal consumption on value added (or income) is neglected. Endogenous consumption is preferable in the next step.

Third, if the focus is on Yangtze Delta area, which is defined as Central coast region, the title of this paper is better to use Yangtze Delta region in place of Central coast region.

In conclusion, this paper demonstrated the applicability of inter-regional I-O table to the studies of international interdependence of industry at the regional level. Further studies are expected based on the more realistic model and the accumulation of new national and regional data.

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