

For the five Asian economies considered in this report, an increasing regional bias in North Asian trade is suggested by a rising double-relative coefficient of trade intensity. The coefficient increased from 1.64 in 1980 to 1.98 in 1992. When Russian trade is added to that of the five Asian economies, the coefficient increases between 1985 and 1992, but is lower than the coefficient for the five Asian economies alone for each of the four years for which coefficients were calculated.

There is an upward bias in the North Asian intraregional trade statistics because of double counting of goods transshipped through Hong Kong to and from mainland China that cannot be measured precisely. One might postulate that the upward bias increased during the last decade as transshipments increased.

Two conclusions can be drawn about North Asian intraregional trade. First, there appears to be evidence that North Asian trade has been biased toward its trading partners within the region. This finding is not unusual, since both North America and the EU also show similar intraregional trade bias.³⁸ Second, this bias may have been higher in 1992 than it was in 1980, although the role of Hong Kong as an entrepôt for China distorts the trend upwards.

4.3 Investment Patterns

Foreign direct investment patterns are more difficult to discern and analyze than trade patterns because governments do not report FDI data on a consistent basis.³⁹ Despite the data problems, it is possible to document some basic trends. Japanese FDI worldwide expanded rapidly in the mid 1980s, but the outflow dropped after 1989. Since the late 1980s, the NIEs have become increasingly important sources of FDI in other parts of Asia, but particularly for China. According to individual country statistics in the UN World Investment Directory 1992, the stock of U.S. FDI exceeded the stock of Japanese FDI in Hong Kong, Taiwan and China in the latest year reported (1987-89), while Japanese FDI exceeded U.S. FDI in Korea. The data indicates that Japan's relative presence in the region is increasing. Overall, the total stock of intraregional inward FDI stock appears to have increased from US \$2 billion

³⁸ See J. Frankel, "Is a Yen Bloc Forming in Pacific Asia?", in Finance and the International Economy: The AMEX Bank Review Prize Essays, New York, 1991.

³⁹ Data on FDI are reported by governments in a variety of ways and data from different countries are seldom comparable. For example, Japanese statistics on FDI by country are readily available only on what is known as an "approval" basis. These statistics represent intended FDI by Japanese companies approved by host governments. They can differ from actual (or realized) investment flows because actual investment may occur in a fiscal year after the year of approval and because intention and approval of an investment do not guarantee its realization.