Although conventional thinking used to be that trade leads investment, it is now recognized that FDI can influence the pattern of trade of the host economies through such factors as the sales and procurement practices of the foreign affiliates, i.e., investment can lead to trade. In Asia, the share of exports to local sales for Asian Japanese affiliates is higher than for the rest of the world, whereas the share of local sales in total sales is lower than for the rest of the world.[43] These figures are a result of the Japanese strategy to set up affiliates in East Asia as an export base, contributing to the export expansion of the host economy. By contrast, affiliates of Japanese firms in developed economies are set up to maintain their market share in the host countries or regions, and do not contribute as much to export expansion of the host economy. Other observations indicate that, although Japanese affiliates promote Asian integration, they also appear to contribute to an increasing *interdependence* between North America and Asia, and Europe and Asia.

- *World Investment Report 1991: The Triad in Foreign Direct Investment*[44]

In its annual investment report, the United Nations Centre on Transnational Corporations (UNCTC) focuses on the emergence of the triad (defined as the U.S., EC and Japan) as the dominant world force in global foreign direct investment. They state that, since 1983, total world FDI outflows have increased at an unprecedented rate of 29 per cent per year, three times faster than the growth in global exports and four times faster than world output. During the 1980s, around 80 per cent of outward stocks and flows were accounted for by the triad members alone.[45] The UNCTC believed that, at the time of the report, FDI was in its "take-off" phase, and would become an increasingly important factor in international economic integration.

The report notes that a significant change occurred in the patten of global FDI during the 1980s. At the beginning of the decade, it would have been difficult to characterize the U.S., EC and Japan as forming a triad which together dominated world investment stocks and flows. The role of Japan, even in outflows, was then relatively small and the EC was still too fragmented. The U.S. was the single most important home and host country for FDI in the world economy. By the start of the 1990s, however, Japan had emerged as an important FDI power, at least in terms of

[43]Urata remarks that the share of export sales in total sales for Asian affiliates was about 40 per cent in 1990, compared to only 4 to 8 per cent for the United States and the EC.

[44]UNCTC, *World Investment Report 1991: The Triad in Foreign Direct Investment*, ST/CTC/118, 1991.

[45]UNCTC, *op. cit*, pp. 2-3.