

requirements, shortages of skilled professionals, and the absence of long-term capital markets that are essential for large-scale financing may also be constraints.

A brief overview follows of the five North Asian economies' individual development strategies, economic performance and other factors that could affect the prospects for regional integration. Growth and production trends, development strategies, recent changes in economic policy, remaining barriers to trade and investment and political factors that might influence further advancement of economic interdependence are briefly reviewed.

## 2.1 Japan

Japan is a country with a mountainous and often inhospitable terrain that has resulted in much of the population living in congested conditions and with a resource endowment that has forced it to source resources globally. Yet, Japan's economic successes are well documented.<sup>9</sup> It would appear that Japan's trade successes have been built on a foundation of economic stability created by sound and well managed macroeconomic policies. Over the past 35 years, Japan generally has experienced good to exceptional real GDP growth, with low rates of inflation, unemployment and debt growth. It has successfully developed a skilled labour force that can develop and adopt both domestic and foreign know-how and technology. Its high savings rate has provided funds that could be channelled into investments in new technology that made rapid productivity growth possible. Japan, of course, also has focussed heavily on exports.

Over the last three decades, Japan's nominal GDP has grown from roughly 10 per cent of the U.S.'s to approximately 54 per cent. The pursuit of growth has been an overriding goal of Japanese economic policy. The broad structure of Japan's economy is similar to that of the other G-7 economies. Manufacturing generates approximately 30 per cent of GDP and services about one-half. The primary sector, including agriculture and mining, contributes less than three per cent of GDP. It is only

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products categories, are subject to quotas or are banned. Korea maintains laws that empower ministries to make products subject to "recommendations" that can result in a quota or a ban. There are reports that Korea uses custom clearance procedures to slow imports that are not subject to restrictions under Korean law. Korea also maintains restrictions on foreign investment in some services sectors. Source: 1994 National Trade Estimate Report on Foreign Trade Barriers, Office of the U.S. Trade Representative, Washington, 1994.

<sup>9</sup> For a detailed narrative on the topic of Japan's economic and trade successes, see I. Prakash Sharma, "Japan Trading Corp.: Getting the Fundamentals Right", Department of Foreign Affairs and International Trade, Policy Staff Paper 93/16, December 1993.