

significantly to three times the level of the early 1980s. Japanese FDI in the region shows a similar peak. The share of Japanese FDI going to North Asia was generally smaller after 1985 than it was before. North America has been the overwhelming destination for Japanese FDI since 1985, with Europe ranking as the second most important destination. We see no reason why there should be any change in the breakdown of the flow of Japanese FDI by region in the near term. The flow of Japanese funds to the NIEs in the region should continue to decline, as Japanese firms continue to look for low cost production sites elsewhere abroad. Concomitantly, flows to China should increase. (See table 4.8 for the distribution of intraregional investment flows.)

While the absolute flows of investment between Hong Kong and China have increased significantly, table 4.8 suggests that the relative share of each economy in the other's outward investment flow has declined. Given the surge of economic activity in China in the 1990s, and the increasing flow of economic activity between the two economies during this period, this trend may well have reversed itself. The flow from Korea to China probably will continue to increase, and the post 1990 numbers for Taiwan to China likely will be higher, since the government of Taiwan has loosened restrictions that had hampered investment on the mainland.

Table 4.9
Distribution of Inward Foreign Direct Investment Stock
(per cent)

1990	Host						Regional	Total Inward
Home	FDI	Japan	China	HongKong	Taiwan	Korea	Total	(\$US bn)
	Japan		0	2.8	0	0	2.8	18.4
	China	7.2		56.2	0	0	63.4	10.6
	HongKong	32.3	10.5		0.6	-3.9	39.5	3
	Taiwan	28.9	0	10.8		0	39.7	13.3
	Korea	49.7	0	1.9	0.1		51.7	6.7
1980	Host						Regional	Total Inward
Home	FDI	Japan	China	HongKong	Taiwan	Korea	Total	(\$US bn)
	Japan		0	2.5	0.6	0	3.1	3
	China	5.8		51.2	0	0	57	0.7
	HongKong	23	0		0.9	0	23.9	0.5
	Taiwan	18.5	0	12.5		0	31	2.7
	Korea	56.1	0	2.1	0		58.2	1.3

Source: "FDI and APEC Economic Integration", Canada's submission to the Ad-hoc Group on Economic Trends and Issues, APEC Sixth Ministerial Meeting, Indonesia, 1994, Tables 18 & 20.