

China plus Southeast Asia) and/or integrate them with facilities at home. Small and medium-size enterprises from Japan and the NIEs sometimes invested in Southeast Asian countries to serve facilities established in the region by larger manufacturers. These firms have often benefitted from the extensive support services of government. Until recently, moreover, it appears that much of this investment in Southeast Asia was export oriented. East Asia's trade (both imports and exports) with Japan has increased significantly over the past 10-15 years, and will continue to do so.⁴ Japan is an important source of capital, technology and managerial experience and know-how for East Asia. This will continue as well.

Not surprisingly, Asia figures prominently in the industrial and foreign policies of Japan and the NIEs. The v-shaped "flying geese pattern" has been used to describe Asian economic development and patterns of increased interdependence. Japan leads the flock; the other economies follow and learn from Japan and, increasingly, each other. To date, the NIEs have flown most successfully. China has become, and eventually eastern Russia could join it as, a major supplier of many of the inputs that Japan and the NIEs need to maintain the competitiveness of their respective export-oriented economies. The movement of Japan and the NIEs into China as economic reforms in that country have opened it to the rest of the world is simply a continuation of the process that carried firms from these countries into Southeast Asia. China also holds the allure of a potentially huge domestic consumer market. As Japan and the NIEs increasingly interact with China, and eventually Russia, the interdependence of the North Asian economies will expand. China and eventually Pacific Russia will join the flock.

A failure by the Canadian Government and private sector to participate actively in the increasing economic interdependence of Asia, whether it be that of East Asia or North Asia, may, for practical and political reasons, reduce Canadian policy and business options, to the detriment of Canadian commercial interests. Canadian business is widely perceived as being less aggressive than Asian, European and U.S. firms in pursuing the region's market opportunities. If this remains true, the limitations faced by Canadians more probably will be the result of Canadian inaction,

⁴ Japan/East Asia trade has increased in absolute terms. Japan's exports to East Asia increased from approximately US \$33 billion in 1980 to US \$112 billion in 1992, while its imports roughly doubled from US \$32 billion to US \$66 billion over the same period. In relative terms, the region now purchases 33 per cent of Japan's exports, up from less than 25 per cent in 1980, and supplies roughly 25 per cent of Japan's imports, up from 20 per cent. On the other hand, Japan's role as a supplier of the region's imports has declined slightly from 24 to 22 per cent over this period. It now purchases roughly 15 per cent of the region's exports, down from 21.5 per cent in 1980. See Direction of Trade Statistics Yearbook, IMF, Washington, 1993.