

Stocks of Japanese investment abroad (Japanese DIA) were a meagre U.S. \$58 billion in 1986. By 1993, they had grown to almost U.S. \$260 billion. While this is still a relatively modest level of investment relative to the size of the Japanese economy, and particularly relative to the United States (whose investment stocks were more than U.S. \$720 billion in 1993, this level of outward investment still represents a four-fold increase since 1986. This level of growth represents double-digit growth rates for much of the study period.

The sluggish growth of the late 1980s (globally) and the recession of 1990 did affect Japanese DIA, albeit one year later than other countries. Thus, outflows of Japanese direct investment to other countries declined from U.S. \$48 billion in 1990 to less than U.S. \$14 billion in 1993.¹

In 1986, inflows of foreign direct investment (FDI) to Japan were a meagre U.S. \$230 million. The corresponding stock of FDI in Japan was correspondingly small in 1986 at U.S. \$6.5 billion. This compares with the Canadian stock of FDI, which was almost U.S. \$70 billion in 1986 (Japan's GDP is almost eight times larger than Canada's GDP). By 1993, stocks of FDI in Japan had grown by a mere U.S. \$10 billion to U.S. \$16.9 billion. There were actual annual declines of investment in flows to Japan in 1988 and 1989, followed by three years of increases to 1992. For 1993, there are virtually no investment inflows to Japan, only U.S. \$100 million.² Data on FDI in Japan classified by industry groups suggest that the bulk of investment inflows to Japan has been directed at technology-intensive and labour-intensive industries. This is likely explained by the Japanese reputation for high-technology, productivity and quality and the fact that they would tend to favour these industry types when foreigners look for investment opportunities in Japan.³

Unlike FDI in Japan, Japanese direct investment abroad (Japanese DIA) has increased dramatically over the study period and ranged between U.S. \$30 billion to more than U.S. \$65 billion. This is

¹ The data for the direct investment abroad by other countries, as outlined in the compendium report, suggested that the global recession started to affect investment outflows in 1989.

² The relationship between FDI in Japan and Japanese GDP is so small as to be negligible. Japan's GDP for 1993 was over U.S. \$4,000 billion.

³ These results have to be interpreted carefully given the small relative size of foreign direct investment in Japan and the possibility that trends are being influenced by individual investment deals.