

With the possible exception of Hong Kong, inward FDI comprises only a small share of total gross domestic capital formation in the Asian economies under study (see table 4.6). It is, however, playing an increasing and more important role in both China and Taiwan. There has been little investment penetration in either Japan or Korea. For Hong Kong, Japan and Korea, their stock of outward investment, expressed as a percentage of GDP, exceeds the claims on their own productive assets held by foreigners (see table 4.7). In the cases of Japan and Hong Kong, the stocks of outward FDI are significantly higher. The significant increases that took place in the 1980s would in part reflect the shifting of labour-intensive production to off-shore locations. We would expect the numbers to continue to increase for Taiwan and South Korea as well, as these countries move more production to China and other locations abroad. The governments of Taiwan and Korea only relatively recently eased restrictions that had limited outward investment.

Table 4.8  
Distribution of Outward Foreign Direct Investment Stock  
(per cent)

1990 Host	Home FDI	Regional					Regional Total	Total Outward (\$US bn)
		Japan	China	HongKong	Taiwan	Korea		
Japan			0.9	3.2	0.9	1.3	6.3	311
China	1.2			15.8	0	0	17	0.5
HongKong	2.6		29.9		7.2	0.6	40.3	20
Taiwan	0.3		0	1.9		0	2.2	3.1
Korea	1.1		1.8	1.1	0.2		4.2	3.7

  

1980 Host	Home FDI	Regional					Regional Total	Total Outward (\$US bn)
		Japan	China	HongKong	Taiwan	Korea		
Japan			0	3	1	3.1	7.1	36.5
China	1.9			24.5	0	0	26.4	0
HongKong	1.2		50		0.4	0.5	52.1	5.9
Taiwan	1		0	4		0	5	0.1
Korea	1.2		0	0.9	0		2.1	0.2

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 19 & 21.

The flows of Japanese investment into the region have been broadly consistent with the worldwide trends in Japanese FDI flows. The rapid rise in the flow of Japanese FDI worldwide began in Japan's 1984 fiscal year (FY) and reached a peak in FY 1989 at a level nearly five times that of the early 1980s, before dropping