products re-exported both to Japan and to third countries. The attraction of such a move is clear even from current wage differentials (Japan:Malaysia 20:1, Japan:Vietnam 50:1, Japan:Myanmar 200:1), and Japanese investment in Asia on this basis still exists, often moving from one country to the next as wages rise (the first "flying geese" application). Asian countries also take part in more sophisticated global assembly programs: Hitachi projection TVs, for example, incorporate parts from Malaysia (chassis and circuitry) as well as the USA and Japan itself, but are now assembled in low-wage Mexico.

(c) The second half of the 1980s also saw a sharp increase in Japanese FDI designed essentially to get around trade barriers by locating production of consumer durables within protected markets. This initially targeted North America and Europe, for example in the automotive and electronics sectors. Since about 1990, however, it has increasingly been used by Japanese firms in East Asia (especially in China and certain ASEAN states). This is fuelled in part by rising consumer demand in increasingly affluent Asian countries; by one estimate, for example, Asian demand for consumer electronics will pass that of Europe this year, and that of the USA in 1997. Japanese FDI flows for this purpose have been accelerated by further endaka, which makes investment cheaper for a firm and exports less price-competitive; see for example plans by many of the major auto-makers to start local production of "Asia cars" and "Asia trucks" in ASEAN by 1996/97. Such investment leads to export of capital equipment (especially initially) and components from Japan, but does not contribute strongly to Japanese import flows.

(d) Endaka in the 1990s has also led to further shifts, with whole production processes moved abroad, including significant transfers of technology and movement of Japanese parts suppliers abroad, with the primary goal of supplying domestic Japanese markets from offshore. Japanese exports under this scenario have become even more heavily concentrated on capital goods (the value of capital goods and related components as a proportion of total Japanese exports rose from 47% in 1985 to 60% in 1994), while imports of manufactured consumer goods have increased dramatically. This sort of investment is concentrated mainly in East Asia (for access to the Japanese market) and was largely responsible for the rapid increase in Asia-related Japanese trade and FDI in 1994 and 1995.

(e) Finally, recent months have seen the increasing displacement of non-production corporate activities offshore as well. This appears to involve largely (although not uniquely) East Asian sites. One reason is that with more and more production units already offshore, offices left in Japan increasingly represent a revenue drain unbalanced by any direct