

For the purposes of this paper, "East Asia" is defined as China, Korea, Taiwan, Hong Kong, the seven ASEAN states, Laos, Cambodia and Myanmar. "Asia" adds the rest of the continent, as far west as the Central Asian Republics but excluding the eastern parts of Russia. "Asia-Pacific" includes East Asia plus Australia, New Zealand, Papua New Guinea and the four American members of APEC.

Major sources are detailed in the Appendix.

(II) PRIVATE SECTOR TRENDS: TRADE AND INVESTMENT

The Japanese and international economic media, fuelled by statements from politicians, senior officials and businessmen, have over the past few years drawn a strong picture of Japanese companies throwing increasing resources into expansion of foreign commerce. This is depicted by some as an inevitable result of the rising yen (endaka) and increasing globalization of industry, by some as positive factor in generating and strengthening trade and investment for Japan, and by others as a negative factor in damaging domestic economic growth and employment prospects through the process of kudoka (hollowing out). Particular focus is placed in this debate on burgeoning trade and investment relations with Asian countries. A few examples:

-- Akai Electric announces the transfer of its VCR production from Japan to Malaysia and China. All of Akai's audio-visual manufacturing will now be offshore.

-- Shipbuilding giant IHI announces that it will subcontract the construction of two Czech freighters to Chinese yards, where they will cost 20% less to build than in Japan.

-- Honda announces that it intends to double auto sales in Asia outside Japan by the year 2000, to about 250,000 units. Mitsubishi Motors meanwhile plans to produce pick-up trucks in Vietnam for export to Japan.

-- Mitsubishi also announces that it is closing its last zinc smelter in Japan but will invest 48 billion yen in copper smelting joint ventures in India and Indonesia.

-- As part of a deliberate strategy to diversify production and marketing in Asia, Nippon Steel leads a joint venture building a million-ton cold-rolled steel plant in Thailand.

-- Hitachi announces a major agreement with Tata Engineering under which the Indian firm will develop software for the Japanese electronics giant. Competitor Fujitsu meanwhile buys 10% of International Computers Indian Manufacture Ltd.