

circumvent trade restrictions, establish local production in response to anticipated economic integration in Europe, pursue cost-reduction in response to increasing competition, and respond to the realities of dramatic exchange rate fluctuations. Reflecting these trends, the value of total world-wide direct foreign investment outstanding at the end of 1986 was estimated to be around US \$755 billion, an increase of 20.4 percent over the previous year's total of \$644 billion.⁴ The Japanese example is revealing. In 1987 Japanese manufacturers increased their foreign investment 100 percent over the level invested a year earlier. The ratio of Japanese overseas production to domestic production is expected to increase to 12 percent in 1993 as compared to 3.1 percent in 1986.

Some observers and practitioners suggest that a linkage exists between global industrial restructuring and levels of capital project activity in the developed countries. Echoing this assessment, a United Nations study recently undertook an in-depth examination of nine traditional manufacturing industries world-wide and arrived at the following conclusion:

Almost without exception, industries in developed market economies underwent extensive restructuring during the first half of the 1980s, slimming down their productive capacity and employment in response to the looming overcapacity and prospects for weaker demand. The

4. Industry and Development: Global Report 1988/89. United Nations Industrial Development Organization. Vienna, 1988. p. 19.