

International Trade

At one time, the economic definition of "nation" was a zone across whose borders capital, labor, technology, and other production elements were not freely transferred. During that period, "trade" was perceived to mean that each nation would make the best use of its own particular production elements in doing business with other nations.

However, since the 1980s an age of lively cross-border capital and technology transfers has been in place. This has brought changes in trade conditions and necessitated new attitudes toward commercial policies regarding where and in what manner investments would be made.

For example, along with increases in trade in services, including intra-company trade and technology trading, investment trends came to have a strong influence on each nation's balance of payments. Wide-ranging accords involving trade rules related to investment, intellec-

tual property rights, and other items, as well as liberalization of trade in services were also reached during the GATT Uruguay Round.

Moreover, aggressively employing foreign capital, the ASEAN bloc, China, and other countries in East Asia have achieved rapid economic growth. Foreign firms have actively invested in plants and facilities in the ASEAN region and machinery and clothes exports to Japan are increasing. In China the focus is on direct investments in infrastructure development and tertiary industries as well as expanded real estate investments and an increase in investments in the Yangtze delta region, with an emphasis on Shanghai.

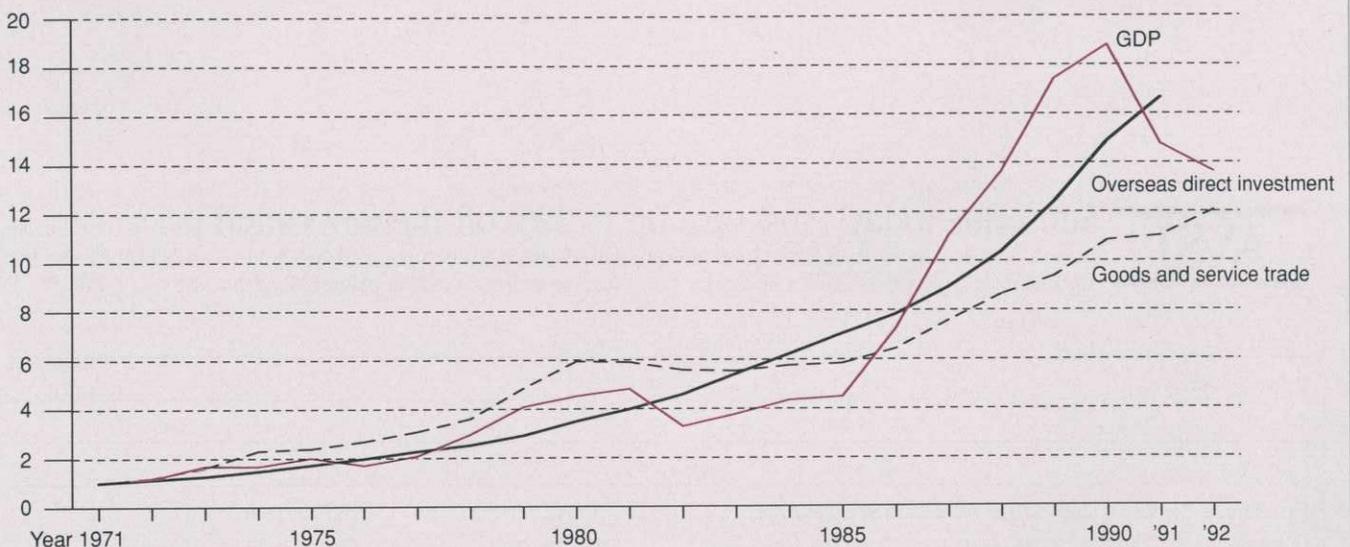
On the other hand, investments have stagnated in Japan and portions of capital fund accumulations have flowed overseas in the form of securities and other investments. From now on, bearing economic growth and improved living standards in Japan in mind, it will be neces-

sary to create an environment and systems that foster private investment, including research and development and tertiary industries, while providing housing and social capital. It will also be important to increase investments by foreign firms all across Japan. A decrease in the disparity between domestic savings and investments will result in a smaller trade surplus.

It is important to make the most of the Uruguay Round agreements, creating a regime for free trade and investment worldwide and encouraging corporate activities concerning more efficient production of better goods and services while making Japan an attractive destination for investments.

Note: The English version of the *White Paper on International Trade Japan 1994* is scheduled for publication by McGraw-Hill in September.

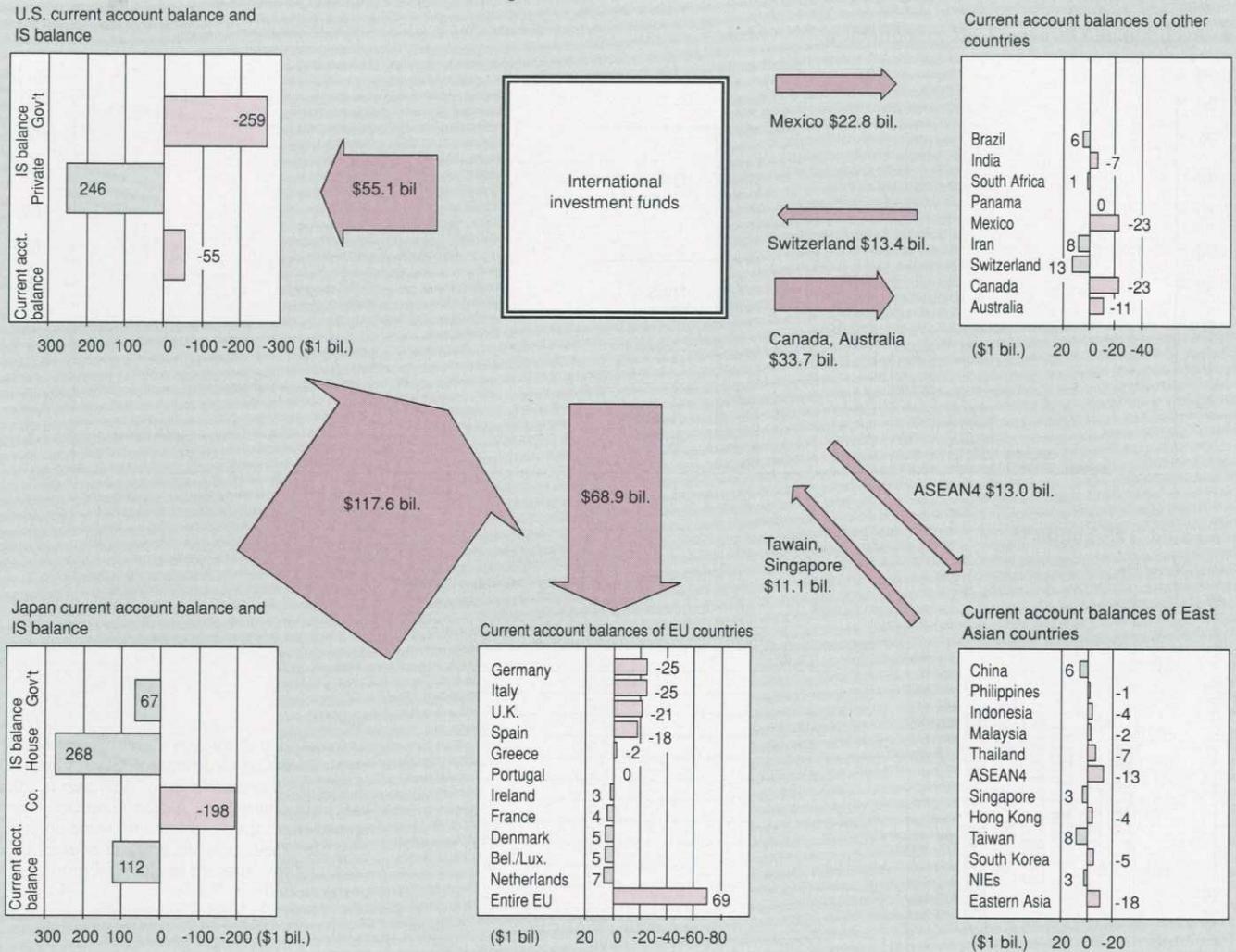
Fig. 1 Changes in World Trade, Overseas Direct Investment and GDP (in nominal dollar basis)



Note: 1971=1

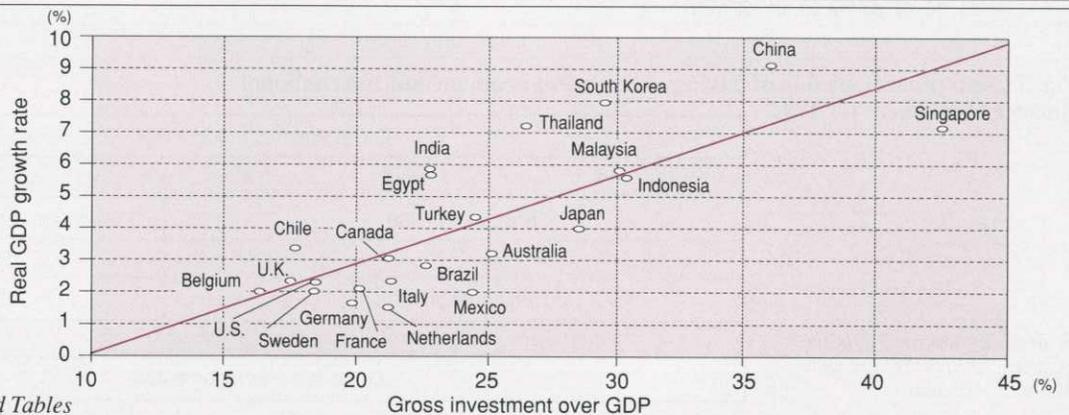
Sources: IMF, IFS and BOP

Fig. 2 Current Account Balance and Flow in Major Countries and Areas in 1992



Sources: IMF, BOP; Economic Planning Agency of Japan, *Statistics of National Accounts*; The U.S. Department of Commerce, SCB; National statistics of countries concerned

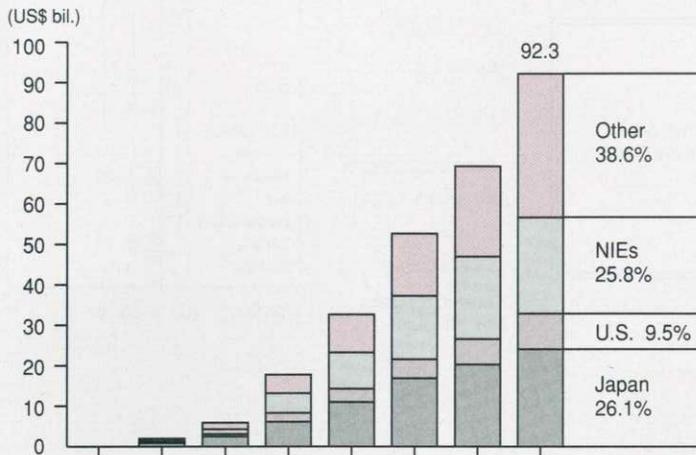
Fig. 3 Relationship Between Economic Growth and Investment (Average for the 1980s)



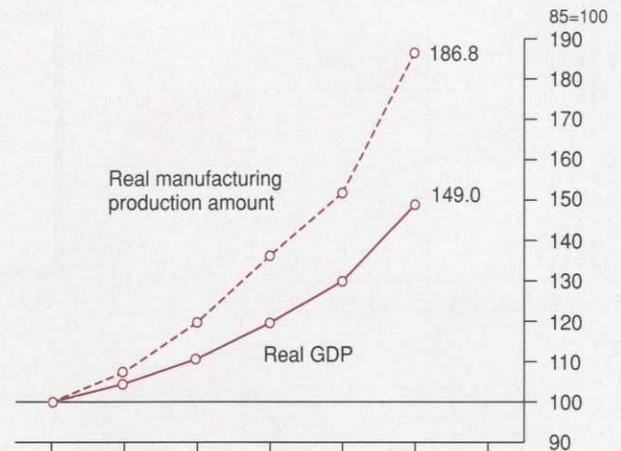
Source: World Bank, *World Tables*

Fig. 4 Economic Growth of ASEAN4

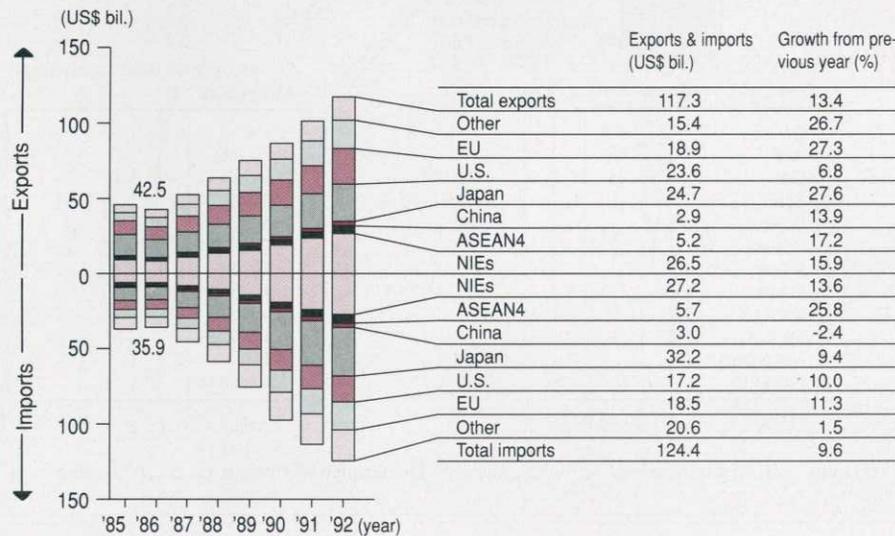
1) Accumulated foreign direct investment in ASEAN4



2) Real GDP and real manufacturing production amount



3) Exports and imports



Notes:

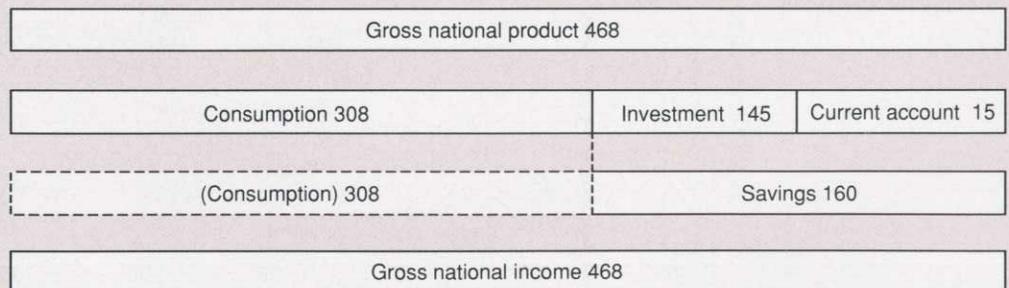
1. Accumulated foreign direct investment is on an approved basis since 1986. Investment in Malaysia is comprised of only that in manufacturing industries. As for Thailand, approved joint investments by some countries are repeated in the investor countries' data, and investments in elevated railways are excluded.

2. In Graph 2, 1985 is used as the base year (100).

Sources: IMP, DOT; Asian Development Bank, *Key Indicators of Developing Asian and Pacific Countries*; National statistics of the countries concerned.

Fig. 5 Conceptual Depiction of Savings-Investment in Japan and International Balance of Payment for 1992

(unit: ¥trillion)



Source: Economic Planning Agency, *Annual Report on National Account*