

THE PROSPECTS OF THE INTERNATIONALIZATION OF THE JAPANESE YEN
IN A SHRINKING WORLD

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INTRODUCTION:

Country risk rankings published by reputable trade publications and others are widely read and followed by the financial, investment, and business communities in OECD countries and several others. Between September 1991 and March 1993, the U.S.-published Institutional Investor magazine which assesses and compares credit worthiness of over 100 nations consistently ranked Japan as 2nd (after Switzerland) while it ranked the U.S.A. between 4th and 6th. The British-published magazine Euromoney which bases its rankings on a weighted point system using nine variables (including political, economic, access to capital and credit markets) assigned top rank to Japan. For the U.S.A., it was assigned 7th rank in September 1991 which improved to 2nd rank in March 1993. It is common knowledge that, in terms of foreign trade and public finance, Japan has become the world's largest net creditor nation while the U.S. has become the largest net debtor nation. Japan's export-driven and outward investment orientation is well noted and documented throughout the world but especially recognized in Asia and the Pacific rim.

While a global economy is widely talked about and anticipated, regional economic integration is present and is today's reality. Besides EC and NAFTA, there is the loose economic bloc in East Asia which consists of Japan and the newly industrialized countries [NICs] in the region (Hong Kong, Singapore, So. Korea, and Taiwan). Leadership of economic management of the tripolar world economy appears logically to rest upon the shoulders of, and be shared by the EC, the U.S., and Japan. Although Japan's economic prowess has been achieved without accompanying political and military powers, there have been increasing demands recently in government circles, legislative entities, media, and academia for Japan to share greater international responsibilities commensurate with its economic position. One such responsibility is to provide the world community with a key international currency. Such a currency would serve as a medium of exchange, unit of account (a numeraire), a store of value for international wealth, and as a key reserve currency. The apparent triadization of the world economy seems to suggest that three currencies may emerge as key international currencies: the European Currency Unit [ECU], the U.S. dollar, and the Japanese Yen. These three core currencies may float against each other, and other currencies of the world may be pegged to one of the three. Tavlas (1993) believes that the tripolar international monetary system will be centered on the U.S. dollar, the deutsche mark, and (to a lesser extent) the Japanese yen.

The objective of this paper is to assess the prospects of the internationalization of the Japanese yen in the competitive shrinking world of today and tomorrow. Such assessment has two parts. Firstly, is a fact-finding attempt of the extent of the use of the Japanese yen in recent years in invoicing and effecting trade flows, investment flows, financial markets transactions, and in foreign aid and official development assistance. Secondly, is a projection of the internationalization of the yen in view of the quantitative profile and a host of other qualitative factors.

Tavlas and Ozeki (1991) reiterate the common knowledge that a currency, whether national or international, is expected to serve as 'unit of account', 'means of payment', and 'store of value.' They add that the choice of currencies to be used for international transactions is "predominantly the result of market-driven processes." The assessment is guided by their five requisites for a currency to be accepted and used internationally.

(1) There needs to be confidence in the value of the currency. High inflation expectations in one country relative to another leads to depreciation of the currency and vice versa.

(2) The country of the international currency should have domestic financial markets (both capital markets - for equity and debt instruments - and money markets) that have the breadth, depth, resiliency, and openness.

(3) The nation's share of world exports influences the choice of a currency of denomination. The greater exports of a given nation are, the greater the demand for that currency by importers will be.

(4) The world political leadership and power - both in reality and perception - strongly suggest that the nation's currency emerges as an international reserve currency.

(5) In order for a currency to become internationally acceptable and in widespread use, major differences in ways of transacting business (the culture of business) should not exist.

THE QUANTITATIVE PROFILE OF THE YEN:

Behavior of Inflation, Wage Rates, and Exchange Rates:

A quick glance at the behavior of the exchange rate of the Japanese yen in terms of the U.S. dollar for the period 1982-1991 in Table I shows that the yen increased in value at slow to moderate rates for most of the period until late 1985 when, by deliberate action of a select group of industrialized nations (the Plaza Accord) the U.S. dollar was let to depreciate substantially

against the dollar causing the value of the yen to rise from 238.5 yens in 1985 to 168.5 yens to U.S. \$1.00 in 1986, an increase of

Table I foes about here

about 29 percent. The Table also depicts that Japan's inflation rate, as measured by changes in consumer prices, was lower than that of the U.S. through out the entire 10-year period. As an update, Japan's CPI registered the least increase of 1.2 percent among a group of twelve industrialized nations of North America and Western Europe and equalled that of Australia. CPI for the U.S.A. was 3.2 percent for the same year. Japan seems to have well-managed its general price level throughout the period. Comparison of hourly total compensation for business sectors rose by 1.4 percent in Japan the least rate among the same group of nations, and as compared to 2.6 percent for the U.S.A. for the year ending March 1993. In view of the global recessionary environment of 1991-1993, wage/earnings increases was well within the the U.S. inflation rate and slightly above it for Japan for the most recent year ending March/April 1993. The reading of the record on hourly compensation for Japan is unclear since it is expressed in U.S. dollars with 1982 equal 100 recognizing the revaluation of the yen in the latter half of 1985; but it appears that Japan's rates are somewhat higher than for the U.S. This phenomenon may not be adverse since the productivity figures seem to be high.

Behavior of Gross Domestic Product, and Investment Expenditures:

Table II depicts the change in two important economic series which explain a lot about the growth, viability, and economic management of an economy. For the five-year period 1987-1991, Japan's annual percent rate of change of its GDP in constant prices was positive, and invariably was the highest as compared to the U.S., the industrialized nations' average, and the world average. The same performance was evident for the ratio of Investment/GDP every year. For the years 1990 and 1991, investment expenditures for Japan accounted for almost one-third of its GDP (and consumption about two-thirds) about twice as much the rate for the U.S.A. Such a phenomenal achievement was made much easier because Japan was not allowed to engage in military spending which was highest for the U.S. and a major budget item for the rest of the industrialized world since the cold war. Nevertheless, Japan is the envy of many nations of the world for its economic success.

Table II goes about here

Relative Significance of Foreign Trade:

Table III shows the relative position for each of U.S. and Japan in total foreign trade (the sum of imports and exports) for

the industrialized countries and the world. Japan's share of foreign trade stands at about 8 percent of world trade which is considerably smaller than that for the U.S., a 13 - 14% on average. Japan's foreign trade accounts for 10 - 11% of that of industrialized nations as compared to 18 -19% for the U.S. It is widely known Table III goes about here

that, whereas Japan has been an export-driven economy, it has adopted policies which restricted imports even during the era 1986 - present when the yen has risen in value - a foreign exchange environment which is typically most conducive for any nation with similar experience. The U.S.- being an advocate of free trade - with its bigger appetite for imports and inspite of the low value of the dollar in terms of the yen has had a ratio of more than twice that of Japan for its relative share of imports from both the industrialized nations and the whole world. Bilateral trade negotiations and meetings of political leaders of U.S. and Japan have centered around the need for Japan to open its markets for U.S. products and to rectify the severe imbalance in trade balance.

Japan's Global Trade Structure:

Table IV depicts the structure of global trade for Japan for the period 1982 - 1992. Examination of imports from different regions of the world is given first to be followed by analysis of export structure. This discussion is needed to determine the extent and the prospects of the use of yen in invoicing foreign trade transactions with the rest of the world.

Tavlas (1990) as well as other researchers observed empirically the patterns of invoicing behavior and presented the following findings. (1) Trade between developed countries in manufactured goods is likely to be invoiced in the currency of the exporting nation. (2) Currency hedging by importers in forward markets is not widespread. (3) For differentiated manufactured with long contractual lags the tendency is to invoice in the exporter's currency. (4) Trade between developed and developing countries tends to be denominated in the currency of the developed country. (5) Trade in primary products and transactions in financial instruments tend to be effected in U.S. dollars and, to a lesser expense, in sterling pounds.

Table IV goes about here

Japan's imports from the U.S. ranged from 21 to 23 percent of its total. U.S. share of Japan's imports accounted for about 43 - 45 percent of imports from all industrialized nations. In a descending order, Japan imports from industrialized nations about 48 - 49 percent, 31 - 33 percent from Asia, and about 12 - 14 percent from the countries of the Middle-East. Since the currencies

of many Asian and Middle-Eastern developing countries are not fully convertible on a worldwide basis, invoicing by exporting firms from the two regions may be effected in either U.S. dollars, Japanese yen, or sterling - a typical and logical way to add up to their stock of strong currencies. Imports from the U.S. include not only differentiated manufactured products but also oil, timber, grains, vegetables, and fruits. U.S. exporters to Japan are likely to invoice transactions in the home currency for convenience, national pride, or in yen after considering hedging techniques against possible risk in foreign exchange. The split of currency choice - home currency vs. the yen is likely to prevail in invoicing imports from other industrialized countries if they export to Japan both primary and manufactured products. Although subject to a margin of error and verification, one may speculate by stating that about one-quarter to one-third of Japan's imports from the industrialized nations of Europe and From Canada may be invoiced in yen but to a lesser degree for its imports from the U.S. Japan's Ministry of Finance data for 1989 (being the most recent year available to this researcher) indicate that only 14.1 of imports from all regions of the world were denominated in yen (with 10.2% in N. America, 27.7% for imports from W.Europe, 19.5% for S.E. Asia). Overall, it appears that a moderate share (in the order of 20 to 25 percent) of Japanese imports from most regions and nations of the world, for one reason or another, is likely to be invoiced in yen during the 1990's.

As to the structure of Japanese exports by regions, the U.S. accounted for more than one-third of aggregate exports on average for the period 1984 - 1990. This ratio dropped somewhat in 1991 and 1992 due to the global recession, the substantial increase in the value of the yen, and in an attempt to reduce the level of criticism by the U.S. to Japan for closing its markets to American products. Although a rise in the value of a currency in terms of other currencies tends to have an adverse effect on its exports, it is widely accepted that a country with a strong currency tends to invoice its export transactions in its own currency. This reasoning applies notably to Japan. Its Ministry of Finance data for 1989 indicate that about 35 percent of exports to all regions of the world was invoiced in yen (16.4 % in North America, 42.2 % in W. Europe, and 43.5% in S.E. Asia). With the increasing popularity of the yen, it appears that the Japanese yen is being used to a greater level as a medium of exchange and a currency of denomination for Japanese exports.

Japan's Foreign Investment in the U.S. And U.S. Investment in Japan:

Table V shows the trends of Japan's FDI throughout the world and the U.S. share of it for the period 1985-1992. The substantial rise of the value of the yen (and the decline of the U.S. dollar) is amply manifest in the size of Japans FDI worldwide and in the

U.S. all the years beginning in 1986 until the onset of the global recession in 1991. Expectedly, Japanese acquisitions in the U.S. as well as everywhere else are paid for in Japanese yen benefiting from the yen's substantial appreciation vis-a-vis the U.S. dollar and most currencies of Europe. On the other hand, the existence of barriers against FDI in many lines of business in Japan which have persisted for many years, coupled with the high value of the yen since 1986 account for the meager investment by U.S. firms there.

Table V goes about here

Drobmick (1992) reports on FDI by Japan and the four NICs in ASEAN countries between 1986 and 1990. Japan was the investor nation of 36% of Singapore's total approvals of inward investments, 33% of Thailand's, 29% of Malaysia's, 26% of the Philippines', and 20% of Indonesia's investments surpassing all other NICs by a wide margin (except Taiwan's investment in Malaysia at 30% as compared to Japan's of 29%). This level of presence by Japan in the ASEAN region provides a clear picture of its dominance of the intra-Asia foreign direct investment and the significance of the yen as the currency with which these acquisitions and other forms of FDI were effected and settled.

The Use of The Yen in Financial Markets Transactions:

Table VI depicts the relative composition by type of currency of international bond issues between 1988 and end of August 1991 as reported by OECD. It is clear that while the U.S. dollar is still the most favored currency, its share of the total has declined considerably since 1989. Furthermore, one notices that the use of both the ECU and the yen has increased substantially since 1988 but the rate of increase is more drastic for the ECU. While the use of the sterling pound has lost ground somewhat during the period, its use was close to be at par with the Japanese yen at the end of the period. The Deutsche mark as a unit of account and a store of value for the holders of these bonds appears to have lost substantial ground.

Table VI goes about here

Table VI also shows that the U.S. dollar has been the dominant currency of issue for external bond offerings during the period 1990 - 1992. About one-third of total offerings on average was denominated in U.S. dollars. The Japanese yen is the 2nd most used currency but far below the extent of use of the U.S. dollar. The percentage denomination in yen was in the low teens during the period. A host of other currencies are used as currencies of denomination at lower levels than the yen and much lower than the dollar.

It is natural to expect the yen to be used considerably as the first currency to denominate external debt for most Asian countries

since Japan is a major lender in Asia. Available World Bank data on currency composition in 1988 show the relative emphasis on both the U.S. dollar and the yen according to the following pattern:

	<u>Indonesia</u>	<u>Malaysia</u>	<u>Philippines</u>	<u>Thailand</u>	<u>Korea</u>
Jap. Yen	39.3%	37.1%	40.5%	43.5%	29.5%
U.S. \$	18.5%	35.6%	34.7%	20.8%	32.4%

The predominant use of the U.S. dollar as a unit of account and as a store of value of bond issues outside Asia - international and external - during the recent period confirms one of Tavlas findings as far as the U.S. dollar is concerned but not no clear indication of the status of the sterling pound as the 2nd currency of denomination. While the pound was used slightly more than the yen in international bond issues, yen issues were far greater than sterling issues for external bond issues.

Tavlas finding about the dominance of the U.S. dollar is also true about external bank loans when three-fourth or more of the total loans extended during the period 1990 - 1992 were of the U.S. dollar type. However, Tavlas assertion of the use of the sterling pound does not hold true. While it was the 2nd currency of denomination in 1990 (with 17.5 % of total), its use diminished drastically by 1992 (to about 2% of total). The ECU seems to be emerging as a strong 2nd currency of denomination of external bank loans after the U.S. dollar with a relative share of 15.0% at end of 1992. In spite of the tremendous growth in size of Japanese banks during recent years, these banks did not participate noticeably in external lending during the period 1990 - 1992. This may be due to the fact that, given the ownership of manufacturing and trading companies by banks and possibly the presence of interlocking directorates among them, banks direct most of their short-term lending activities to satisfy the needs of their domestic clients. Additionally, there may be restrictions against short and medium-term lending to foreigners imposed by the Central bank of Japan or by the Ministry of Finance. Whatever the reasons may be, it appears that Japanese banks are not present on the international scene, an argument against the acceptance of the yen as an international currency. The reader recalls that one of Tavlas and Ozeki's requisites for a successful international currency is that "the country of that currency should have broad, deep, and open domestic financial markets."

The Role of Japan as A Provider of Official Development Assistance:

Table VII reports on the relative composition of official development assistance in Asia by donor in 1990 as compiled by OECD. Comparing the relative position of Japan and the U.S. in this area, the reader clearly notes that Japan was the main provider of

assistance in all the Asian nations listed except for Kampuchea. Both donors provided negligible amounts to Vietnam as a percentage of its total assistance with a tiny edge for the United States. Since Japan is an economic power in Asia particularly and has been engaged heavily in foreign trade and foreign direct investing in Asia in general and ASEAN region in particular, it is natural to expect that it shares its goodwill by offering development assistance there. Such assistance is paid entirely in yen and is likely to be tied to spending it on import of Japanese commodities and producers goods, or to finance projects carried-out by Japanese companies. Such attitude and practices are understood to further the economic interests of Japan in the region directly and throughout the world indirectly.

Table VII goes about here

Japan's Current Account Surplus and Capital Flows:

Table VIII shows the balance of payments of Japan for the period 1981 - 1990. Throughout the period, Japan had a positive current account balance every year without exception made possible by a strong favorable balance of trade and income earned on its substantial outward long-term capital investment of the direct and portfolio types. Looking at the country's cumulative current account balance since 1985 (the year the high yen cycle began according to the Plaza Accord) which amounted to U.S. \$394,5 billion and to the massive cumulative net long-term capital account with a total of U.S. \$653.25 billion, one wonders how Japan financed the difference of U.S. \$258.75 billion. It financed U.S. \$248.13 billion, about 96 % of the gap in short-term borrowing from abroad as evidenced by the cumulation of the column of net short-term capital for the period under observation. This is a process of 'financial intermediation' by Japanese banks on a large scale. In other words, Japan played the role of borrowing short-term and investing/lending long-term. According to Black (1990), such a process of intermediation is well documented in history and has established precedence by British banks in the late 19th and early 20th centuries and by American banks in post-World War II era. Such claims issued by banks in pound sterling and in dollars, respectively, provided the world with increased liquidity since foreign investors were willing to hold these liquid claims. Increased liquidity on the international level may not have occurred in the recent Japanese banks experience with financial intermediation. According to Otsuka (1992), Japanese banks were net borrowers of about U.S. \$45 billion in the eurocurrency market supplied by Germany. Most of the remaining short-term borrowings were also in other non-yen currencies in the eurocurrency markets.

Table VIII goes about here

The Yen's Share in Holdings by Official Agents:

One of the requisites for a currency to be internationally acceptable is to realize that it is used as one of the group of convertible currencies favored for holding of reserves by the international community of official agents - central banks and departments of treasury. It is natural that the yen will be a favored currency 2nd to the U.S. dollar for holding by official agents within Asia given the dominance of Japan in Asian intra-trade, outward investment, development assistance, and tourism activities. But the challenging question is to find how popular the yen is for official holdings by agents outside Asia. Data related to this matter is neither updated nor readily available. Tavlas and Ozeki came up with an estimate of about 8% of total holdings in yen for all countries of the world as compared to about 60% for the U.S. dollar and about 19% for the deutsche mark.

THE QUALITATIVE PROFILE OF THE YEN:

Japan's Economic Power Without A Matching Political/Military Might:

The conventional wisdom is that a nation with strong and recognized political and military leadership tends to have an international reserve currency. Such was the case of the pound sterling when 'the sun never set from the British empire' and has been the case with the U.S. dollar. The outcome of WWII left Japan without an internationally recognized political leadership and certainly without a military establishment. Although the lack of defense budgets has helped Japan economically, it has not helped the yen to be widely recognized nor accepted as an international currency.

The Lingering Image of Japan's Past Military Aggressiveness:

Although generations come and go and time marches on, a half-century or longer seems not long enough to have healed all the wounds that accompanied the atrocities that came with the invasion, occupation, or military expeditions by Japan in China, Southeast Asia, and the United States. The still existing feelings of distrust and unfriendliness among the people tend to continue dampening the the yen's potential to emerge as an international reserve currency. These remnants of the past need not be blown out of proportion in order for the natural healing process to take full effect.

The Differences in Western and Japanese Business Culture:

It goes without saying that Japan, like any other society, has its traditions, conventions, customs, and a set of laws to guide and govern human endeavors including those dealing with commerce, banking, and finance. They are, however, different from their counterparts in Europe, North America, and many other parts of the world in the sense that they are not based on Napoleonic or Anglo-Saxon order. In a world of business that is marching toward a global economy, these differences should be understood, tolerated, and bridged.

The Need to Increase Deregulation & Openness of Financial System:

Until recently, Japan's financial system was described by many analysts to be highly regulated and restricted. While observers generally praise the overseeing role of the Ministry of International Trade and Industry [MITI] in being a guiding light to business, there are many who voice criticism to the heavy-handedness of MITI and the Central Bank of Japan. It is gratifying to realize that a financial system like that of Japan has led to its economic prosperity as defined in many ways over the long run. It was achieved, though, with protectionist trade policies, restrictive inward investment policies, and limited access to capital and money markets by foreigners. It is felt and feared that such impediments to free movement of trade, investment, and capital flows would reduce the potential of seeing the yen as an acceptable international reserve currency. Additionally, it is strongly urged that investment banking and securities brokerage practices in Japan should not be discriminatory vis-a-vis domestic and foreign clients. Such equitable treatment and equitable behavior in the capital and money markets would, undoubtedly, enhance the image of transparency in financial dealings and the confidence in the yen as an international currency.

Concluding Remarks about the Potential of the Yen:

In this study, the researcher attempts to assess the potential of the Japanese yen being recognized as an international currency in the sense of being accepted and used worldwide as a medium of exchange, a unit of account, and a store of value. The study is organized around two areas: the quantitative and qualitative profiles surrounding the Japanese yen. The voluminous number and variety of statistics attempted and partly compiled in the paper still fall short of the quality desired. In spite of great effort, it was hard to find in English updated statistics of JETRO, the Central Bank of Japan, and MITI on the use of yen for invoicing imports and exports, and transacting in financial and money markets.

The quantitative investigation of the use of the yen shows mixed results. In as much as possible, global and regional structure and directions of Japanese imports and exports are examined. Similarly, but to a lesser extent, investment flows are also analyzed. It is found that the yen has been more accepted and increasingly more used on a regional basis - intra-Asia than internationally. This is logical and expected given the dominance of Japan in trade, outward FDI in East and South-East Asia, and its emphasis on development assistance in the area. The potential for its use continues into the 1990's on a regional basis also benefiting from the opening of PRC, but with a risk of reduced use if the value of the yen keeps rising in terms of most currencies in the region. The risk of decrease of use of yen applies to trade flows even with the U.S. and Western European countries whose currencies depreciate against the yen. Although they can be more competitive and can export more to Japan, such exports are not likely to be billed in yen for one reason or another. For fear of losing markets and clients because of the high value of the yen, Japanese exporters may shift from invoicing in yen to currencies of the importers, thus limiting the use of the yen as a medium of exchange with their own discretion.

Although the U.S. dollar has clearly dominated the denomination of trade and financial flows by a wide margin as compared to all other currencies including the yen, the gap in usage of the yen has been narrowing gradually over the past few years. Overall, Japan seem to have well-managed its economy at home and abroad in the past. Such an achievement warrants it to share more responsibilities internationally in the future. A few qualitative non-economic factors which have come to play intentionally or unintentionally have tempered the extent of use of the yen internationally but they are neither damaging nor unsurmountable. There is a reasonable confidence that as time goes on the yen will emerge as an international reserve currency to an increasing extent along with the ECU and the U.S. dollar.

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TABLE I

Consumer Prices, Manufacturing Hourly Compensation in U.S.
and Japan and Exchange Rates (1982 = 1991)

Consumer Prices (1982-84 = 100)		Manufacturing hourly Compensation in U.S. dollars (1982 = 100)		Exchange Rate JY = U.S\$1.00	
	U.S	Japan	U.S	Japan	
1982	96.5	98.0	100	100	249.08
1983	99.6	99.8	102.5	107.7	237.51
1984	103.9	102.1	105.7	111.0	237.52
1985	107.6	104.1	111.0	115.0	238.54
1986	109.6	104.8	115.4	171.2	168.52
1987	113.6	104.9	118.0	204.2	144.64
1988	118.3	105.7	122.6	234.4	128.15
1989	124.0	108.0	127.3	231.2	137.96
1990	130.7	111.4	133.8	238.1	144.79
1991	136.2	115.0	140.6	272.2	129.00

TABLE II

Percent Annual Change in GDP and Ratio of Investment to GDP
1987 - 1991

Year	Japan	U.S.	Industrialized countries	The World	JAP.	U.S.	IND. C	WOR
% Change in GDP					% Investment/GDP			
1987	4.4	3.0	3.2	3.4	28.5	18.9	21.1	21.5
1988	6.2	4.0	4.3	4.3	30.4	18.4	21.6	21.9
1989	4.8	2.4	3.2	3.2	31.5	18.3	22.1	22.3
1990	5.2	1.1	2.3	2.5	32.6	17.0	21.5	-
1991	4.5	- 0.7	0.7	-	32.0	15.3	20.2	-

Source: World Bank World Development Report, (1992)

TABLE III

Distribution of World Trade For U.S. & Japan (1989 - 1991)

Total Trade			Share of industrialized Trade		Percent Exports				Percent Imports			
Share of World Trade			Share of Industrial Nations' Trade		Share of World Trade		Share of Ind'l C.		Share of World Trade		Share of Ind'l C.	
<u>Japan</u>		<u>U.S.</u>	<u>Japan</u>	<u>U.S.</u>	<u>Japan</u>	<u>U.S.</u>	<u>Japan</u>	<u>U.S.</u>	<u>Japan</u>	<u>U.S.</u>	<u>Japan</u>	<u>U.S.</u>
1989	8.2	14.5	11.1	19.6	9.4	12.5	12.9	17.1	7.0	16.4	9.4	22.0
1990	7.7	13.4	10.4	18.1	8.6	11.8	11.7	16.0	6.9	15.1	9.2	20.1
1991	7.9	13.3	10.8	18.3	9.2	12.3	12.6	16.9	6.7	14.3	9.1	19.6

Source: IMF. Direction of Trade Statistics (1992)

TABLE IV

Japan's Global Trade Structure, 1982-1992
(Percent of Total)

Year	Industrialized Nations	of which U.S.	Asia	Middle East	Western Hemisphere	Africa	Europe & Others
Japan's Imports							
1982	35.28	18.38	27.15	28.57	4.63	2.67	1.70
1983	37.76	19.60	26.59	26.67	4.69	2.37	1.65
1984	38.89	19.75	28.07	24.18	5.17	2.09	1.60
1985	39.56	20.22	28.74	23.03	4.69	2.31	1.67
1986	47.42	23.04	28.26	14.56	4.71	2.83	2.22
1987	46.24	21.18	31.29	13.43	4.11	2.55	2.37
1988	49.40	22.54	31.41	10.39	4.30	2.10	2.41
1989	49.93	23.02	31.00	10.87	4.05	1.94	2.21
1990	48.74	21.32	29.24	14.50	3.99	1.43	2.09
1991	48.59	22.67	31.50	12.36	3.94	1.54	2.07
1992	48.11	22.69	32.79	12.41	3.58	1.48	1.64
Japan's Exports							
1982	47.89	26.40	25.82	11.99	6.21	3.48	4.60
1983	29.49	29.49	27.23	11.44	3.94	2.57	3.48
1984	35.60	35.60	26.26	8.18	4.51	2.37	3.08
1985	37.63	37.63	26.43	6.76	4.20	1.66	2.94
1986	38.88	38.88	25.11	4.53	4.00	1.62	2.57
1987	36.75	36.75	27.05	3.83	3.47	2.07	1.99
1988	34.06	34.06	29.23	3.42	3.23	1.77	1.96
1989	34.22	34.22	30.09	2.96	3.20	1.62	1.78
1990	31.39	31.39	32.15	3.17	3.59	1.43	1.89
1991	29.28	29.28	33.63	3.76	3.88	1.58	1.51
1992	28.34	28.34	34.14	4.32	4.35	1.68	1.01
Excess	of Exports	over	Import (%)				
1982	12.61	8.02	-1.33	-16.58	1.58	0.81	2.90
1983	13.39	9.89	0.64	-15.23	-1.02	0.20	1.83
1984	16.70	15.85	-1.81	-16.30	-0.66	0.28	1.48
1985	18.44	17.63	-2.31	-16.27	-0.49	-0.65	1.27
1986	14.76	15.84	-3.15	-10.03	-0.71	-1.21	0.35
1987	15.35	15.57	-4.24	-9.60	-0.64	-0.48	-0.38
1988	11.00	11.52	-2.18	-6.97	-1.07	-0.33	-0.45
1989	10.43	11.20	-0.91	-7.91	-0.85	-0.32	-0.43
1990	9.03	10.07	2.91	-11.33	-0.40	0.00	-0.20
1991	7.06	6.61	2.13	-8.60	-0.06	0.04	-0.56
1992	6.37	5.65	1.35	-8.09	0.77	0.20	-0.63

Source: IMF : *Direction of Trade Statistics*

TABLE V

Trends of Japan's Foreign Direct Investment
in The U.S. 1985 - 1992

	<u>Japan's Total</u> <u>(\$ Bil) in all</u> <u>Countries</u>	<u>Japan's in</u> <u>U.S.A.</u>	<u>% OF Total in</u> <u>U.S.A.</u>
1985	19.0	3.4	17.9
1986	34.1	7.3	21.4
1987	58.1	8.8	15.1
1988	59.4	17.3	29.1
1989	70.6	17.4	24.6
1990	37.2	18.8	50.5
1991	25.4	10.7	42.1
1992	3.4	4.0	117.6

U.S. Foreign Direct Investment in Japan,
% of Total (1989 - 1992)

	<u>Total FDI</u>	<u>In Japan</u>	
1989	\$37,604	\$ 299 mil	0.8
1990	27,705	844	3.0
1991	32,098	244	0.8
1992	37,122	867	2.3

Source: U.S. Department of Commerce. Survey of Current Business (July 1993)

TABLE VI

A. Relative Distribution of International Bond Issues by Currency
1988 - August 1991
(Percent of Total)

	<u>1988</u>	<u>1989</u>	<u>1990</u>	<u>Aug 1991</u>
U.S. \$	41.7	55.2	38.9	32.5
Japanese Yen	8.9	7.3	12.7	11.0
Sterling Pound	13.2	8.7	11.6	11.8
Deutsche Mark	13.3	7.7	10.2	7.6
ECU	6.3	5.9	9.9	15.3
Canadian \$	7.3	5.9	3.6	8.7
Others	9.3	9.3	13.1	13.1
	—	—	—	—
Total	100.0	100.0	100.0	100.0
	—	—	—	—

B. Relative Distribution of External Bond Offerings by Currency, 1990 - 1992
(Percent of Total)

	<u>1990</u>	<u>1991</u>	<u>1992</u>
U.S. \$	33.3	28.5	36.9
Japanese Yen	13.5	12.9	11.2
Deutsche Mark	8.3	7.1	10.4
Sterling Pound	9.5	9.1	7.6
ECU	8.1	11.1	6.8
Swiss Franc	10.5	7.3	5.8
French Franc	4.3	6.3	7.5
Others	12.5	17.3	13.8
	—	—	—
Total	100.0	100.0	100.0
	—	—	—

C. Relative Distribution by Currency of External Bank Loans, 1990 - 1992
(Percent of Total)

	<u>1990</u>	<u>1991</u>	<u>1992</u>
U.S. \$	58.9	84.5	75.4
ECU	8.7	3.9	15.0
Sterling Pound	17.5	4.2	1.9
Deutsche Mark	6.7	2.1	1.8
Japanese Yen	1.7	1.1	1.4
Others	6.5	4.2	4.5
	—	—	—
Total	100.0	100.0	100.0
	—	—	—

Source: OECD. *Financial Markets Statistics (recent issues)*

TABLE VII

Japanese, U.S., and Multilateral Agencies Official Development Assistance in Asia, 1990 (% of total)

Recipient	Japan	U.S.	Multilateral Agencies
China	34.80	--	31.80
Indonesia	50.30	1.80	10.80
India	5.50	--	53.70
Kampuchea	0.50	12.00	32.00
Korea	96.60	--	6.30
Laos	11.50	--	66.20
Malaysia	79.30	--	3.00
Mynmar	36.00	0.60	51.30
Nepal	12.90	4.00	43.80
Pakistan	16.80	14.50	44.40
Philippines	50.70	19.40	13.80
Sri Lanka	26.50	11.30	39.90
Thailand	52.00	3.70	9.60
Vietnam	0.70	1.00	43.40

Source: *OECD. Geographical Distribution of Financial Flows to Developing Countries* (Paris: OECD, 1991)

TABLE VIII

Japan's Balance of Payments, 1981 - 1990

US\$ billion

Year	Current Account Balance	Long Term Capital Net	Short Term Capital Net	Total Balance Net	Balance of Payment
1981	4.77	-6.45	5.32	-1.13	3.64
1982	6.85	-16.25	4.70	-11.55	-4.70
1983	20.80	-18.73	-0.52	-19.25	1.55
1984	35.00	-50.01	17.13	-32.88	2.12
1985	49.17	-63.26	13.51	-49.75	-0.58
1986	85.83	-132.08	61.09	-70.99	14.84
1987	87.02	-133.98	84.90	-49.08	37.94
1988	79.61	-177.09	54.00	-63.09	16.52
1989	56.99	-93.76	24.01	-69.75	-12.76
1990	35.87	-53.08	10.62	-42.46	-6.59

Source: IMF. *International Finance Statistics Yearbook 1992*