JAPANESE COMPANIES STEP UP ASIA-PACIFIC INVESTMENT.
By **Chaitanya Kalbag**
510 words
27 January 1988
Reuters News
English

MANILA, Jan 27 - The yen's rapid appreciation has led many Japanese companies to step up investments in the Asia-Pacific region, but the expansion has been tempered by a variety of obstacles in host countries and Japanese fears of an unchecked outflow of capital, a senior official said.

Reiichi Shimamoto, Deputy President of Japan's Export-Import Bank, told an investment seminar here that Japanese investors were concerned with reducing their exchange risks because of the yen's rise. Japanese parent companies could tackle this by providing non-yen financing, he said.

Figures cited by Shimamoto and the Japan External Trade Organization show that Japanese investment in Asia is expected to rise 62.2 pct to about 3.7 billion dollars in fiscal 1987/88 ending March 31 from 2.3 billion dollars in 1986/87.

Shimamoto said until recently foreign investment in Asia had been hamstrung by strong localisation policies, including rapid equity transfer schedules, joint venture ownership ratios and mandatory local employment requirements, but the tide had turned with more countries allowing 100 pct foreign ownership of export oriented companies.

Japanese investors must localise, but should not be forced into excessive haste or inflexible formulas, Shimamoto added.

He said Japanese investors frequently faced problems like the rigid application of high export level requirements and performance criteria, inadequate development of supporting industry and sub-contractors, the need for improved ports and harbours, roads, communications and electrical power, time-consuming technology transfer procedures and inadequate official support for exports.

But many Asian-Pacific countries had recently begun pushing trade liberalisation and export promotion policies, he said.

Shimamoto said the Japanese government was supporting overseas investments and increased imports as part of its effort to shift to a more domestic demand led economy.

"On the other hand, however, there is rising fear among some industries that a precipitous outflow of industry could shrink the domestic industrial base and result in higher unemployment at home," he said, adding that employment opportunities in Japan would be maintained and created by enhancing domestic demand.

Shimamoto said there had been a marked rise in new investments abroad by smaller Japanese companies.

On the other hand, Japanese electrical equipment manufacturers and car-makers had recently established major production facilities in Asia, Shimamoto said.

He said these firms were working on enhancing local procurement and raising local technological levels.

"Along with this, they are also stepping up their technology transfers and their local design and development efforts."

But Japanese investors must not concentrate too much on the low wages and low production costs that Asian-Pacific countries offer, Shimamoto said. "It is important to realise that this comparative advantage will be eroded over time," he said.

Shimamoto said the Export-Import Bank had been designated to handle nine billion dollars of the 20 billion dollars Tokyo plans to recycle over a three year period from its current account surplus. He said the bank's loans would not be tied to procurement of Japanese goods and services.

Document lba0000020011203dk1r00rd2