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## Japan: High investments abroad

Intereconomics

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body speculated on election and according to the polls undertaken by the Opinion Research Center (ORC) Mr Heath had a good chance of winning. Now, the latest poll of ORC, published on January 24, indicated a striking swing of public opinion, and Mr Wilson would, at the moment at least, have a good chance. The poll did not ask for the reasons of this change, but they seem to be quite obvious. The three day week is widely regarded to be a bluff meant to bring the miners to heel. Moreover, the electoral contest cannot be reduced any more to the question: who governs the country, the trade unions or the Government? This trumpcard has been taken away from Mr Heath by the smart intervention of TUC under its very able new Secretary General Murray who succeeded in convincing the public of the seriousness of TUC's promises.

Profiting from this development is presently at least Mr Wilson. But considering the abrupt fluctuations of the electorate's favour there is only one safe guess: this great nation, which is at its very best in times of darkness, will also this time manage the situation. hg.

#### *Textile Agreement*

### **A Difficult Accord**

The new World Textile Agreement came into force on January 1 after hard negotiations under the chairmanship of GATT's Director General, O. Lang. It takes the place of the Cotton Textile Agreement of 1962, applies to more or less all textiles and remains in force for four years. Article 1 defines the aim of the agreement as the orderly and equitable expansion of trade, the removal of trade obstacles and progressive liberalisation without disruptive effects on the market. To ensure these objectives, the agreement prohibits new quantitative obstacles to trade in textiles though it allows for exceptions. New restrictions have to be registered, and all existing quantitative trade obstacles are likewise subject to notification. To be notified of these is an "organe de surveillance", a control institution which consists of a chairman and eight other members. The establishment of this control institution is a positive innovation compared with the old Cotton Agreement.

New restrictions may in future be permitted whenever the market is suffering from disruption. Not without reason the term "market disruption" has been a matter of contention during the negotiations. According to the text of the Agreement, a market disruption will be assumed to exist when there is a real danger of a national producer being seriously handicapped. The existence of such a handicap must be capable of proof by reference to the sales, market share, profits, exports, volume

of disruptive imports, productivity, capacity utilization or similar data.

It does not require much foresight to see that such a vague definition of the term "market disruption" can lead to complicated situations and many a dispute concerning the implementation of the agreement. In this respect the agreement shows clearly the characteristics of a compromise. The conflicting interests of the manufacturers in the traditional industrial states and the young textile industries of the LDCs had to be bridged. It is still to be hoped that the industrial countries will have second thoughts about their rather protectionist stance and treat the textile trade as an avenue for effective development aid. iwe.

#### *Japan*

### **High Investments Abroad**

The foreign investments of Japanese firms are expected to rise to a total of about US \$ 42.5 bn by 1980. This forecast by the Industrial Bank of Japan is based on a recent analysis of the trend of Japanese investment activity abroad. With Japan's foreign investments currently estimated at about \$ 9-10 bn, the Japanese investments abroad will reach very high growth rates compared with other countries if this forecast is accurate.

The predicted growth rate is not really so very surprising considering that Japan — as the Federal Republic of Germany likewise — in relation to its economic strength is still lagging behind the USA and Great Britain in regard to foreign investments. Of interest, however, is the spread of Japan's future investments over the various regions and industries. The Industrial Bank expects over 50 p.c. of all investments to be concentrated by 1980 in LDCs of South-East Asia, the Middle East, Latin America and Africa and in the sector of mining and oil and in primary industries based on them.

Japan's foreign investments will thus differ structurally even more than at present from the direct investments of comparable industrial countries like the USA, Great Britain, the Federal Republic of Germany and France. The Japanese are already relatively strongly represented in the LDCs and the sectors mentioned by the Industrial Bank. The principal reasons for this, apart from the worsening pollution and scarcity of labour in Japan, is the lack of indigenous raw material sources. It has caused Japan to effect investments abroad, and more particularly in developing countries, in order to make sure of supplies of raw materials. This tendency is likely to receive a further impetus from the new awareness in Japan of the country's total dependence for oil on the Arab states. It will compel Japan to make fresh efforts and new investments, and these will not be confined to oil or to the Arab countries. ogm.