

Japanese Concerns About Canada

Canadian companies looking for investment partners in Japan should be aware of Japanese opinions about this country. According to a JETRO survey of Japanese companies already in Canada, their primary concerns are the Canadian exchange rate, ensuring an adequate supply of skilled labour, and competing with companies from the U.S., Europe and the newly industrialized countries.

Japanese business people frequently express the view that Canadian business is not aggressive enough and that it is slow to respond to their proposals. Interested in building long-term relationships, the Japanese see Canadians as excessively focused on the American market and too caught up in producing results for the short-term. Knowing this, Canadian business people looking for Japanese investment should strive to modify some of these Japanese impressions.

Preferred Forms of Investment

Initially, much of Japan's involvement in Canada took the form of greenfield investment in completely new operations. More recently the Japanese have taken a greater interest in existing companies. Japan's hunger for technology inclines its business people to buy a foreign technology or company outright if they like it. This has resulted in a preference for direct investment or acquisition, especially in technology-intensive sectors. When the Japanese invest in a company in order to gain new technology, however, they usually strengthen the R&D component of the company. When Sumitomo acquired Lumonics, for example, it increased Lumonics' R&D budgets.

Conversely, the Japanese tend to be very protective of their own technologies and in the past, have been reluctant to license their own know-how. If they grant a license, it tends to be for older technologies, or it is accompanied by restrictions on its use, for example limiting its application only to the Canadian

market. However, Japanese firms commonly use technology transfers when entering into original equipment manufacturing (OEM) agreements with local suppliers. These agreements are becoming more comprehensive, and often include the delegation of design, development and production.

The desire to access new technologies has also led many Japanese firms into strategic alliances. This is especially true among car manufacturers, parts makers, and semiconductor manufacturers. Strategic alliances are popular among SMEs, which value their partners' knowledge of local conditions.

III. Sectors of Opportunity for Canadians

Today, investors offer more than financing, they also offer expertise. This is certainly true of the Japanese who tend to invest in industries they already know well. They bring with them proven international competitive abilities, management skills, excellent engineering and technological capabilities, as well as the financial resources to make things happen.

Japan's diverse economy means that there are potential investors to be found in almost all sectors. To date, investment in Canada has been concentrated in the automotive industry, electronics, pulp and paper, high technology and real estate. These industries will remain attractive to Japanese, but a recent Japanese report on investing in Canada also noted the potential for investment in Canadian advanced industrial materials, biotechnology, information, and communications.

Japan's White Paper on Science and Technology emphasized the need for research into the environment, an area in which Canada is particularly strong. Japan's recent expansion into financial services also has possibilities. There are currently eleven subsidiaries of Japanese