

According to Canadian statistics, Canada's direct investment position in Japan in 2006 was \$4.9 billion (equivalent to 0.9% of Canada's direct investment abroad, up from \$507 million or 0.6% of Canada's overall FDI in 1989). In 2006, Japan was Canada's 15th largest destination for direct investment.

On the other hand, Japan's direct investment position in Canada in 2006 was \$11.3 billion (equivalent to 2.5% of total direct investment in Canada from overseas), making Japan Canada's sixth largest source of direct investment. Looking at changes in Japan's investment position in Canada, the total stock has doubled since 1989, although Japan's share of total foreign investment in Canada has fallen from 4.0%.

Direct investment from Japan to Canada is directed primarily toward the manufacturing industries but also toward commerce and trade, and the financial and insurance industries. According to a survey by the Embassy and Consulates General of Japan in Canada, more than 600 subsidiaries and affiliates of Japanese companies were operating in Canada in 2006.

3.3.2 Investment in the Bilateral Economic Relationship

More Japanese companies are starting to focus on Canada as an investment destination in order to gain access to the North American market, while taking advantage of factors such as lower operating costs in Canada compared to the United States. The growing number of mergers and acquisitions by Japanese companies is also certain to have an impact on investment in Canada. Similarly, Canadian companies often invest in Japan to gain access not only to Japan but to the whole Asian market through the incorporation of their products into exported Japanese goods and services.

The automotive sector in Canada is one with a particularly significant Japanese presence, with Toyota, Honda, Hino and Suzuki (CAMI GM-Suzuki) all producing vehicles in Canada. Toyota, Honda and Hino, along with several Japanese Tier 1