

for Japan because of resource availability, low cost energy, competitive labour costs, productivity, quality of life and the above-mentioned enhanced access to the United States market.

Financial Relations

Japanese-Canadian financial relations represent a sector of heightened activity. Since 1984, Japan has accounted for the bulk of the net inflow of capital to Canada. Japan has been the largest international lender since 1982 and is now the world's leading creditor nation.

During the first half of 1987, the net capital inflow from Japan to Canada was C\$4.7 billion (the net inflow for all countries was C\$8.1 billion). In addition, Japan is the single most important purchaser of bonds, particularly Government of Canada Bonds, in the Canadian secondary market. Net purchases are C\$1.6 billion.

Capital flows from Japan have been encouraged by relatively wide interest rate differentials in Canada, and favourable assessments of our economy by Japanese investors. Canadian dollar issues constitute a large share of foreign-currency securities held by major Japanese insurance and investment firms.

Since 1981, six Canadian banks -- Bank of Montreal, Bank of Nova Scotia, Canadian Imperial Bank of Commerce, National Bank, Royal Bank and Toronto-Dominion Bank -- have established branches in Tokyo. In addition, four large Canadian securities firms -- Wood Gundy, Richardson Greenshields, McLeod Young Weir, and Dominion -- have representative offices in Japan. Japanese measures to liberalize their financial relations with other countries (such as Canada) and to provide more internal competition in the financial sector are welcome.

Eleven Schedule B banks in Canada are Japanese-owned. They account for about C\$4.9 billion (11.6 per cent) of the total assets of foreign banks operating in Canada. The Japanese-owned banks concentrate their business in trade financing, servicing the needs of Canadian subsidiaries of industrial Japanese companies and making commercial loans to Canadian clients. Four Japanese securities companies -- Nomur, Daiwa, Nikko and Yamaichi -- are represented in Canada.