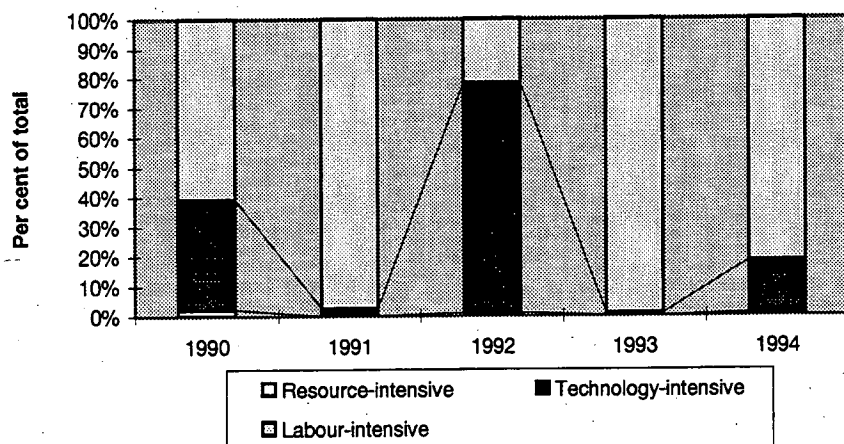


With Japanese investment abroad generally concentrated in resource-intensive industries, it is surprising to note that Japanese investment in Canada is primarily directed at labour and technology-intensive industries. Prior to 1990, and for 1992, more than half of the Japanese investment flows to Canada, as illustrated by data on investments subject to the Investment Canada Act, occurred in technology-intensive industries. This primarily reflects generally large investments in so-called "transplants", that is, Canadian assembly plants that service the North American automobile market from Canada. For other years, inflows of Japanese investment were directed almost exclusively at labour-intensive industries (see Figure J-4).

Figure J-4 Foreign Investment From Japan
Source: Industry Canada



The data in Japanese DIA in Canada highlight an opportunity for Canada to benefit from its strategic location for investments directed at the North American market. The Japanese have invested in Canadian automobile assembly plants not to service the Canadian automobile market, which is quite small, but to improve access by the Japanese to the greater North American market from a Canadian base. The infrastructure regulating the import and export of automobiles between Canada and the United States, initially established under the "Auto Pact" and eventually entrenched into the FTA and NAFTA, played a key role in helping Canada attract large Japanese investments in automobile assembly plants. The Japanese pursued the investment opportunity as a strategic and cost-effective