

INVESTMENT

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Market Opportunity:

Canada continues to enjoy a growing profile in the Japanese business community as an investment location -- aided in no small way by Canada's G-7 membership and its Free Trade Agreements (FTA, NAFTA) within North America. Despite a major decline in Japanese FDI flows globally and to North America in the past two years, Canada's share of investment (measured as a percentage of annual flow) has doubled since FY 1985. During the same period, accumulated JFDI in Canada has more than quadrupled, from US\$1.675 to US\$7.2 billion. Increasingly, there are direct strategic alliance, joint venture and investment ties between Japan's regionally-based companies and foreign partners. Examples of specific sectors of interest include advanced electronic materials in Fukuoka (reflecting the large number of integrated circuit manufacturers in the region), alternative energy sources in Nagoya (due to the large concentration of transportation and automotive companies in the vicinity), and food processing and packaging technologies in Sapporo (an area with a strong agricultural base).

Supplier Capability:

Except in the automotive sector, Canadian capabilities have traditionally flowed largely from two types of activities: sources of raw materials and building distribution, and merchandising facilities for Japanese-made goods in Canada. In the past four years, Canadian supply capabilities for Japanese investment have been mainly from the sectors of forestry, real estate, service (including hotel and resort projects), trading/commerce and finance/insurance. However, Canada can also offer excellence in several additional areas, including the value added fields of resource processing, transportation, computer and communications, and strategic technologies.

Current and Future Directions:

To optimize Canadian participation in this growth market, Canada must develop an improved investment supply capability that meets the needs of the market, and present them to prospective investors in an effective manner -- clearly demonstrating the strategic advantages being offered. To do this, the Canadian investment community must be aware of business developments within Japan, adapt their offerings to meet Japanese overseas placement objectives, and promote their capability in a highly effective manner in this intensely competitive marketplace.

A variety of investment activities/events are proposed by the Tokyo and Osaka Posts, in the amounts of approximately \$166,000 and \$28,000 respectively (total: \$194,000), to be approved and funded by FAIT/TPE, partially under the Investment Development Program (IDP). In addition to the IDP, there is also support for investment projects in the amount of some \$200,000 under the Going Global Investment Program (GGIP) that is part of PAC 2000.