

INVESTMENT AND FINANCIAL RELATIONS

Investment

Direct investment in Canada by Japan represents a promising area for closer and greater cooperation in the future. In 1986, Japanese direct investment in Canada totalled in excess of C\$2.0 billion, with portfolio investment of more than C\$30 billion. Such investment is welcomed and encouraged in Canada as a means of strengthening both the Canadian economy and Canada-Japan relations.

Japan is an important overseas investor with multi-national capabilities and a willingness to expand its manufacturing base abroad. Japanese business has looked with growing interest to Canada as it examines manufacturing locations in the North American market. Recent automobile assembly investments by Honda, Toyota and Suzuki in Ontario reflect this interest. Such developments have prompted their parts suppliers to begin assessing nearby locations. Japanese investment in the last year was concentrated in the electronics, paper, auto parts and industrial component sectors.

Further encouraging investment is seen in the Kao Corporation's opening of a facility in Arnprior, Ontario to manufacture floppy disks for computers. Oji Paper recently announced a joint venture with Canfor to produce newsprint in British Columbia for worldwide export. New capital expenditure for this project could amount to a billion dollars.

The Japanese Economic Mission (Kanao) visited Canada in 1986 following the introduction of the Investment Canada Act in July 1985. Regarding Japanese investment in Canada, the business delegation members were encouraged by the policies initiated by the federal and provincial governments to promote and improve the Canadian investment environment. The Mission's discovery of a "new Canada" of high technology and growth will encourage the continued expansion of the Japanese investment base in Canada beyond the resource sector. The Mission is reported to have observed many indications that Japan-Canada relations will expand from that of purchaser of resources to include more diverse relations based on mutual exchange within the entire manufacturing field.

Securing market access has always been a major factor in the decisions of Japanese manufacturers to locate in North America. The enhancement of access to the large United States market obtained by Canada in the recently concluded Canada-United States Free Trade Agreement will play a significant role in future Japanese investment in Canada. Under the Agreement, Canada will continue to be an attractive investment environment