

Japanese SMEs share some of the above motivations with their larger colleagues. They are concerned about market access in the event of increasingly hostile trade blocs and they want to use foreign investment to penetrate foreign markets. In addition, however, they have their own specific reasons for investing abroad:

- in many cases, SME investments abroad explicitly follow a larger client company into a market to avoid losing their customers to foreign firms;
- taking advantage of traditional Japanese corporate solidarity, the SMEs use foreign investments to supply parts and equipment to non-affiliated, locally established Japanese companies;

In considering overseas investments, SMEs are looking for secure sales channels prior to the establishment of a local investment. They want to be sure to maintain their technological superiority. And they want detailed and reliable local information, which they hope to get from a good local partner.

Partners

About half of Japanese FDI goes to the United States. In 1989, the United States received \$38.4 billion in Japanese investment, 48.2% of the total for that year. In the same year, Japanese firms placed \$16.5 billion (20.7% of the total) in the European Community.

As regards Japanese SMEs, about two thirds of their FDI is focused on Asia, and only about a quarter goes to North America. SME investments in Asia are intended to serve both local and Japanese domestic markets, while investments in North America tend to be focused on enhancing local sales.

Japanese Investment Abroad, Cumulative Totals (1951-1989) (\$ billions)

United States	163.7
United Kingdom	17.2
Panama	16.2
Australia	13.5
Indonesia	11.3
Netherlands	11.0
Hong Kong	8.8
Cayman Islands	7.3
Brazil	6.4
Singapore	6.7
Luxembourg	5.9
Canada	5.0

Source: Japan External Trade Organization.

Japanese Investment in Canada

By the end of 1989, Japanese FDI in Canada had reached a cumulative total of \$5.0 billion. With only 2.3% of the country's FDI, Canada ranks twelfth among Japan's foreign investment partners.

In Canada, as elsewhere, Japanese investment activity has been accelerating. In 1989 alone, the Japanese invested \$1.6 billion in this country, more than double the \$770 million invested the previous year and 400% more than they invested in 1986. The cumulative total reached at the end of 1989 was more than double the total of only three years previously.

Japanese investment in Canada is growing faster than FDI in Canada in general. As a result, Japan increased its share of Canada's total stock of FDI from 1 percent to 3.7 percent, and moved from eighth largest to third largest foreign investor in Canada after the United States and the United Kingdom.