

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 U.S. market obtained by Canada in the FTA will play a significant role in future Japanese investment in our country. Canada will continue to be an attractive investment environment for Japan because of resource availability, low-cost energy, competitive labour costs, productivity, and quality of life, advantages that are reinforced through the FTA.

Financial Relations

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 1988, the net capital inflow from Japan to Canada was \$3.3 billion (the net inflow for all countries was \$11.7 billion). Japan is the single most important purchaser of bonds.

Capital flows from Japan have been encouraged by relatively wide interest rate differentials and by 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. Four large Canadian securities firms--Wood Gundy, Richardson Greenshields, McLeod Young Weir, and Dominion--have representative offices. Japanese measures to liberalize access to their financial markets for other countries and to provide more internal competition in the financial sector are welcome.