

While India's share of cumulative FDI into Canada remains relatively small—representing just 0.04% of total FDI in Canada in 2006—the Indian government's easing of restrictions on outward investment provides opportunities for increased FDI into Canada. The opening of several software development centres in Canada by India-based ICT firms, as well as investments by Indian banks, points to the attractiveness of Canada as an investment destination.

In the other direction, the total of Canada's cumulative direct investment in India amounted to \$327 million in 2006. One factor limiting Canadian direct investment in India is restrictions on foreign ownership in key sectors in which Canada is an international leader, including banking. With respect to financial services more generally, India has indicated that it is considering liberalizing reforms that would be welcomed by Canadian financial institutions. India's recent liberalization of foreign investment restrictions, combined with its strong economic performance, presents significant opportunities for Canadian investors, including in such sectors as infrastructure, ICT, life sciences and natural resources.

Canada's commercial relationship with India has been enhanced through various mechanisms: the signing of an S&T Cooperation Agreement, the negotiation of a FIPA, and the resolution of a number of sanitary and phytosanitary issues relating to plant products. In 2006, Canada and India also signed MOUs on biotechnology—one related to research and the other to agriculture. As well, Canada and India concluded a plant health MOU and agreed to extend an interim arrangement for pulse imports for an additional year. India also agreed to temporary access improvements on wheat and accepted Canada's certificates for the export of pine wood lumber and horses.

Republic of Korea

Already ranking among the 12 largest global traders, Korea is a leading investor in China and is prominent in North Asian supply chains. Korea is Canada's seventh-largest merchandise trading partner overall and our third-largest partner in Asia. Bilateral trade totalled \$9 billion in 2006, with exports to Korea increasing to \$3.3 billion and imports from that country to \$5.8 billion. Korea is an important partner for Canada with respect to innovation acquisition and knowledge-based applied technology.

Negotiations toward a Canada-Korea Free Trade Agreement, launched in July 2005, present an important opportunity to address key irritants facing Canadian exporters who are attempting to access the Korean market. A bilateral trade agreement could deliver significant commercial benefits across many sectors of the Canadian economy, while benefiting Canadian consumers. It would better enable Canadian companies to tap into the value chains of Korean corporations, sell raw materials and key technologies and products, and employ Korea as a strategic base for building an export and manufacturing presence in Northeast Asia.

A number of access-related issues affect Canadian exports to Korea, one of the most problematic being Korea's complete ban on Canadian beef exports.

Japan

The Japanese economy, which remains the world's second largest, has witnessed its longest period of sustained real growth in several decades. In December 2006, the WTO Secretariat reported that Japan had made progress in the financial and corporate sectors, notably in the disposal of non-performing loans, the decision to privatize Japan Post, the strengthening of competition policy, and deregulation in the energy, financial services and legal services sectors.