

Japanese and foreign lawyers. The exception is a specified joint-enterprise system, which allows for such partnerships but limits the scope of their practice to a tightly defined mandate. In addition, foreign lawyers cannot employ Japanese lawyers, and are subject to restrictions with respect to the type of advice they are allowed to provide, while their Japanese counterparts are not subject to similar limitations. Canada continues to urge Japan to remove restrictions on partnerships and employment between foreign and Japanese lawyers, and to abolish current restrictions on the ability of foreign lawyers to provide legal advice on home or third-country law for which they are qualified.

Investment

Japan is the third-largest source (after the United States and the European Union) of FDI in Canada, with a stock of \$8.4 billion. Over 440 Japanese-affiliated companies established in over 740 locations currently create more than 52 000 jobs for Canadians. Japan's relationship with Canada through its foreign direct investment greatly enhances the ability of Canadian industry to compete in the global marketplace. Canada accounts for a relatively minor portion of Japanese FDI worldwide, at 3.7% in 1999, according to Japanese Ministry of Finance figures (up from between 1% and 2% over the previous 10 years). Investment has traditionally been in the resource industries and heavy manufacturing, but trends indicate a shift to high-technology industries. While large greenfield investments still happen, an increasing number of smaller investments, strategic partnering and joint ventures are taking place. These investment decisions are often decided by Japanese subsidiaries in North America, who are assuming the responsibility that had belonged to the Japanese head offices — reflecting the globalization process of successful Japanese industries.

Canadian FDI in Japan is lagging behind other OECD countries, although there have been some notable investments in the past two years. Regulatory reform in Japan's financial sector and the shift to consolidated accounting should increase financial transparency and encourage more Canadian investment into Japan. On a prefectural level, a growing interest in attracting foreign investment, especially into high-technology areas, has been noted, although to date, growth in Canadian FDI has concentrated in the important urban areas.

Japan imposes few formal restrictions on FDI and is working to remove or liberalize most of the legal restrictions that apply to specific economic sectors. Prior notification is now required only for investment in certain restricted sectors. However, the long-standing structural impediments continue to hamper FDI into Japan. These impediments include a high overall cost structure, bureaucratic discretion, exclusive buyer-supplier networks, a lack of labour mobility, bankruptcy regulations, and a lack of financial transparency, which serves to inhibit the establishment and acquisition of businesses.

China

Overview

The People's Republic of China (not including the Hong Kong Special Administrative Region) is Canada's fourth-largest export market. In 2000, Canada's total exports of goods to China reached \$4.2 billion, an increase of 15% over 2000. The total value of imports of goods in 2001 was \$12.7 billion, an increase of 13% over 2000.

In recent years, and in preparation for its accession to the WTO, China accelerated the pace of liberalization and reaffirmed its commitment to social and economic reform. Results of the reform initiatives can be seen in the increased degree of personal freedom and choice afforded the general population. The combination of these major changes has resulted in the world's largest consumer market. Moreover, China's population of 1.3 billion is growing, and commensurately, the size of its consumer market will also keep pace. With China growing in international prominence, its citizenry charged with an ever increasing discretionary income, and a buying population with a predilection for procuring international goods and services, changes to the economic landscape in Asia, and quite likely, the world, will soon follow.

Canada's approach to its relationship with China takes full account China's rapidly growing importance in world affairs. An economic partnership between China and Canada is a key element in supporting long-term relations and encouraging China's further integration in global and regional political and economic institutions.