

INVESTMENT AND FINANCIAL RELATIONS

Investment

Direct investment in Canada by Japan represents a promising area for greater co-operation. In 1988, Japanese direct investment in Canada totalled in excess of \$4.4 billion, with portfolio investment of \$35 billion.

Japan is an important overseas investor with multinational capabilities and a willingness to expand its manufacturing base abroad, particularly in the wake of the substantial appreciation of the yen since 1985. Japanese overseas direct investment in 1988 grew by approximately 30 percent over 1987. Although the U.S. continues to capture the lion's share of Japan's overseas investment (47 percent in 1988), as Japanese business examines manufacturing locations in the North American market it is looking with growing interest to Canada. Recent automobile assembly investments in Ontario by Honda, Toyota and Suzuki reflect this interest. Such developments have prompted Japanese parts suppliers to begin assessing nearby locations.

Japanese investment in the last two years was concentrated in the electronics, paper, auto parts and industrial component sectors. In 1987 the Kao Corporation opened a facility in Arnprior, Ontario, to manufacture floppy disks for computers. Oji Paper has entered into a joint venture with Canfor to produce newsprint, for worldwide export, at Port Mellon in British Columbia. New capital expenditure for this project could amount to close to a billion dollars.

The Japanese Economic Mission (Kanao) visited Canada in 1986 following the introduction of the Investment Canada Act in July of 1985. The 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 expressed confidence that Japan-Canada relations will diversify to the entire manufacturing field.

An opportunity to reinforce this image of Canada will occur with the visit to Canada of the Japan Investment Study Mission from October 22 to November 2, 1989. The Mission was formed by the Japanese Ministry of International Trade and Industry and by the Federation of Economic Organizations of Japan ("the Keidanren") to review Canada's economic prospects following the Canada-U.S. Free Trade Agreement (FTA). It will be led by Shinroku Morohashi, President of Mitsubishi Corporation and Vice-Chairman of the Japan-Canada Economic Committee of the Keidanren.