

Business Page

Canada, Mexico race for Japanese investment



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Your Business
Thomson News Service

In the race for Japanese investment, Canada may be losing out to Mexico, our emerging rival to the south.

The Japanese have not been big investors in Canada. Of total Japanese direct foreign investment (plant and equipment), Canada garnered only a small fraction in 1986, the latest year for which numbers are available. That amounted to roughly \$2 billion (U.S.).

Meanwhile, Japanese investment in Mexico has grown sevenfold over the past decade, albeit to a still modest \$1.3 billion (U.S.).

With the free-trade deal, Canada had hoped to lure more Japanese money. By investing in plants and equipment in Canada, Japanese companies would be able to enter the big U.S. market through the back door, so the thinking went.

Apparently, the rich American market has more than one back door.

The Americans, who have been growing increasingly protectionist lately, resent these ends runs on their domestic market. It seems they would rather have the Japanese set up plants in the United States, employing Americans rather than Mexicans or Canadians.

TRADING ILLUSIONS

The way the trade figures work, exports to the United States from Japanese companies situated in Mexico show up as imports from Mexico, not from Japan.

So, while the U.S. trade deficit with Japan may be easing from its record high, in truth, the Japanese are still flooding the U.S. market with their goods.

Canada would like Japanese investment because new plants create jobs for Canadians. But if the Japanese can get cheap labor in Mexico, why should they set up shop in Canada.

There are reasons. For one thing, Canadian workers are far more skilled, and so more productive, than their Mexican counterparts. For another, our exchange rate helps to make Canadian-made goods competitive in the U.S. market.

Perhaps there's a bigger question here. Mexico may desperately need the Japanese to move in and set up manufacturing plants along the Mexico-U.S. border, but does Canada.

It's not as if we're short of capital. Canadians save more money than Americans do, creating a big pool of capital to finance business and government spending. Unfortunately, most of that money goes to government.

Trouble is, not all Canadian companies are inclined to expand their domestic operations. Instead, some prefer to build in the United States or -- yes -- Mexico. Perhaps it's about time we sat down and asked ourselves, Why.

JAPAN HAS THE MONEY

Rather than running to Japan to beg for our share of their corporate largesse, perhaps we ought to be calling on Canadians to invest in the country's future. In the great, global monopoly game, Japan has ended up with most of the money. It's about time North Americans won some of that money back.

Let's not forget that the miracle of Japanese management used as its model early 20th-century American capitalists, the paternalistic founders of corporate America has single-handedly invented modern consumer society. Mind you, in the late 20th century, growing environmental concerns are calling the whole enterprise into question.

Rebuilding and diversifying the Canadian economy will not be an easy task. But it's not apparent that North America lacks the money and corporate savvy to do it.

Terra Cotta postal service opens

Two months of negotiating and weeks of planning have put Terra Cotta General Store back on the list of local post offices.

Owner Ted Rombough opened postal services Monday for 420 Terra Cotta residents. Mr. Rombough began contract talks with Canada Post in April that ended in success.

For the next 10 years, Canada Post and Ted Rombough are partners.

There is "no question" postal boxes installed in the store will make it easier to distribute mail, he said. Residents have their own keys and can open postal boxes. They had a choice and preferred mail boxes to mail slots.

Terra Cotta's success with Canada Post comes on the heels of a contract dispute between the owners of the Limehouse General Store and the postal corporation.

Last December, Delia and Michael Gaskill-Cadwallader, Limehouse store owners opted out of a postal contract that they said paid too little.

When contract talks looked bleak this spring for Mr. Rombough, he got a telephone call from Halton-Peel MP Garth Turner. Mr. Turner intervened in the talks.

"He called Ottawa and the person from Ottawa came down," Mr. Rombough said.

"I don't think (Mr. Turner) was getting hot and heavy into the postal issue at first."

The rural post office as the "heart of the community" will still exist, said the Terra Cotta store owner. "People will still come in and I'll still say 'hi'. There'll still be some contact."

The loss of rural postal services in Canada, and in Ontario, has been an issue with Rural Dignity, a group formed to preserve what they say is part of rural Canada's heritage. Erin resident and Rural Dignity member Liz Armstrong has been active with both the Limehouse and Terra Cotta postal decisions.

Canada Post is attempting to privatize and close down rural post offices across the country, Ms. Armstrong said. But she said not all postmasters and postmistresses have an MP to help fight their cause, as Ted and Donna Rombough did in Terra Cotta.

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