Introduction

I. JAPAN AND CANADA: THE ECONOMIC BACKGROUND

The World's Number Two Economy

Surpassed in importance only by that of the USA, Japan's economy accounts for about 18% of world GDP. Nominal GDP in 1996 was ¥501 trillion (C$5.7 trillion) - eight times larger than Canada's. Japan is also the world's third largest trader (after the EU and USA), exporting 11.9% of world exports and absorbing 6.4% of world imports. Its wealthy and well educated population of 125 million represents a sophisticated and highly competitive market.

In autos, electronics, industrial technology and many other high tech fields, Japanese companies are world leaders. As in Canada, most companies are small or medium-sized, but the big trading corporations are enormous. The sales of Mitsubishi Corporation roughly equal Canada's total exports to the rest of the world.

In finance, Japan is the world's largest creditor, surpassing even the USA and EU. In 1994 Japan repatriated over US$155 billion from bonds, securities and other forms of investment income - a sum that does not include the profits of Japanese affiliates re-invested abroad. Furthermore, the dollar amount of Japan's largely untied official development assistance is also ranked number one in the world.

Japanese per capita GDP in 1996 was C$45,000. In purchasing power parity (ppp) terms it was US$22,626, about US$2,000 more than Canada's. Japan's consumers, both at home and as tourists abroad, represent an enormous marketing opportunity.

Japan's Economic Importance for Canada

Japan is Canada's second-largest trading partner after the USA, absorbing more Canadian export value than the UK, Germany, France and Italy combined or nearly half of all Canadian exports to Asia. Two-way trade now amounts to $22 billion with exports and imports roughly in balance. While currency fluctuation has played a role, the value of Canadian exports to Japan over the period from 1992-1996 grew by almost 50%.

A major manufacturing economy with few natural resources, Japan continues to require large resource-based inputs. Canada's advantage in this area has made it a natural trade partner. Indeed, the majority of Canada's exports to Japan consist of items such as forest products, canola seed, wheat and coal. These large-scale commodities will continue to be Canadian strengths but their proportion in the export mix is declining as Canadian manufacturers have taken advantage of increased opportunities in areas such as industrial components, processed food and consumer products, as well as high tech, knowledge-based items such as software.

The service industries also represent great opportunities for exporters. Japan has a large merchandise trade surplus, but in services it continues to show a deficit. These are in areas as diverse as intellectual property and tourism. In 1996, spending by Japanese tourists in Canada amounted to C$690 million.