

ASIA-PACIFIC

The Asia-Pacific region offers some of the fastest-growing markets in the world. These markets are as varied as the countries themselves, and they present opportunities for almost every sector of Canadian business. From the economic giants of China and India, to the "tigers" of Korea and Thailand, to the touchstone economies of Japan, Australia and New Zealand, the region holds the key to world economic growth.

These markets are not without their challenges, including language, culture and business methods very different from those in North America. The challenges are balanced, however, by the dynamism and innovation of Asia-Pacific societies. Binding the diverse cultures and countries together are multilateral mechanisms such as the Asia-Pacific Economic Co-operation forum (APEC) and sub-regional groupings such as the Association of Southeast Asian Nations (ASEAN). In 1994, Canadian merchandise exports to the region totalled just over \$19 billion.

Japan

Introduction

Despite a recent recession and structural adjustment difficulties, Japan's \$5-trillion economy continues to exercise enormous influence abroad and with Canada. The country continues to experience significant changes politically and socially, all of which combine to offer remarkable opportunities for Canadian companies. Canadian sales in the first six months of 1995 were up by 35 percent, this on the heels of two years of annual increases exceeding \$1 billion per year.

At the same time, Canada faces important challenges in its second-largest export market. A significant portion of the \$12 billion in exports to Japan is made up of raw materials. Canada must maintain market share in these traditional export areas, but real long-term growth lies elsewhere. The soaring yen, domestic deregulation and increasing consumer sophistication are forcing basic manufacturing out of Japan and boosting imports of value-added goods.

Canadian companies are achieving success in the growth sectors of this economy. This has prompted Canada's business community to develop a vision for what can be accomplished over time in the Japanese market. This vision is captured

in *Canada's Action Plan for Japan*. Supported by both levels of government, the Plan articulates a set of private-sector strategies designed to realize Canada's potential in Japan's high-growth sectors.

Business Environment

Japan's average economic growth rate through the 1980s and early 1990s was the highest among major industrialized countries, establishing it as the second-largest economy in the world, surpassed only by that of the United States. Despite the current slowdown, the fundamentals are strong, and Japan will continue to be Canada's largest overseas trading partner. Japan has evolved into a dynamic and broadly based market with a growing appetite for imports, offering unique and profitable opportunities for foreign suppliers.

Establishing a presence in the Japanese market is not easy. Indeed, few markets are as costly or as time-consuming to enter. Nonetheless, a rapidly growing number of Canadian companies are finding that, despite the effort and expense required, the market is stable and profitable, and it is indispensable to a global business strategy.

Market Opportunities

Canada's Action Plan for Japan identifies the following seven priority sectors of opportunity:

Fish Products

Japan is the world's largest market for imported fish products, absorbing more than one third of total world exports, and Canada is its eighth-largest supplier. Prospects are good for imported fisheries products as domestic catch continues to decrease and farmed product is unable to keep up.

Imports are becoming a more important part of the Japanese domestic supply, having risen from 25 percent in 1987 to more than 35 percent in 1992. As the value and volume of imports increase, Canada is keeping pace. The proportion of Japanese male marine fishery workers 40 years of age and over has risen from 60.3 percent in 1988 to 65.7 percent in 1993. This is affecting both the volume of fish caught and the cost of labour in fish-processing firms, and has led to greater Japanese investment in overseas processing facilities, some in Canada. There is potential for more investment in this area.