

United States

Canada's annual merchandise exports to the United States declined by 2.4% in 2001 over 2000, while annual imports fell by 4.6%. This resulted in a new record annual trade surplus with the United States of \$95.4 billion for 2001—up from \$91.9 in 2000.

Bilateral Merchandise Trade with Japan, the European Union, Mexico and China

In 2001, both annual exports to and annual imports from Japan declined over 2000. The more rapid decline in imports compared to exports reduced Canada's annual trade deficit with Japan from \$1.4 billion in 2000 to \$1.3 billion in 2001. Annual exports to the EU in 2001 declined by 1.5% over 2000, while imports expanded by 5.0%. Consequently, Canada's annual trade deficit with the EU increased from \$11.3 billion in 2000 to \$13.3 billion in 2001. Canadian exports to our major markets in the EU declined, with the exception of France, which recorded a 13.8% increase over 2000. Canadian imports from France also grew substantively by 32.4% in 2001, while imports from Italy grew by 9.9% and imports from Germany expanded by 2.3%. On the other hand, imports from the United Kingdom declined by 10.7% in 2001 over 2000. While Mexico maintained its ranking as Canada's fourth most important source for imports in 2001, it moved from being ranked as the eighth-largest destination for Canadian exports in 2000 to the sixth most important in 2001. At the same time, China replaced the United Kingdom as the third-largest source of imports in 2001, while the United Kingdom lost in importance as a source of imports to rank fifth.

Merchandise Trade by Commodity Groups

In 2001, exports of agricultural products expanded by 12.6% from 2000, while consumer goods increased by 6.7%, energy by 4.5% and industrial goods by 0.5%. Annual exports of machinery declined by 7.6%, as did forestry products by 7.5% and automobiles by 5.3%. Annual imports of agricultural products increased by 9.7% from 2000, and imports of consumer goods expanded by 7.1%. On the other hand, annual imports of machinery declined by 8.4%, while automotive imports fell by 6.3%, forestry products by 5.8%, industrial goods by 2.9% and energy by 0.9%

High-tech Products' Share in Trade

In 2001, the importance of high-tech products in Canada's trade declined. High-tech products accounted 11.5% of merchandise exports in 2001, down from 13.0% in 2000. Similarly, high-tech products accounted for 16.7% of merchandise imports in 2001, down from 17.9% in 2000.

Services Trade

Canada's travel deficit with the rest of the world plummeted from \$2.1 billion in 2000 to \$1.3 billion in 2001—its lowest level since the World's Fair in Vancouver in 1986. The annual travel deficit was particularly affected by the decline in Canadian outward travel in the fourth quarter of 2001. The decline in the travel deficit was however offset by an increase in the deficit for transport services (up \$632 million) and commercial services (up \$365 million). Thus, the overall services trade deficit increased from \$6.7 billion in 2000 to \$6.8 billion in 2001.

Foreign Investment

The inward flow of FDI into Canada in 2001 was \$57 billion, down from \$42 billion in 2000.

Outward FDI from Canada in 2001 was \$42 billion, down from \$35 billion in 2000. The net FDI position of Canada in 2001 was \$15 billion, down from \$7 billion in 2000.

Policy

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Kansai environmental sector profile

Converting a yen for the environment into dollars

Blessed with a mild climate and exquisite natural settings, the seven prefectures that make up Japan's Kansai region are home to 18% of the Japanese population — although they occupy only 9% of Japan's total land mass. Kansai's geography and its favorable living conditions make it the economic and industrial hub of western Japan, but its post-war consumer society has introduced serious environmental problems. This is the first of a two-part report examining the environmental market in the Kansai region.

A quick tour of the Kansai

The Kansai is a diverse region comprising the prefectures of Osaka, Kyoto, Hyogo, Shiga, Nara, Wakayama and Okayama, each with its own unique characteristics.

Osaka, the smallest prefecture, is the second most densely populated area (8.8 million) in Japan after Tokyo. It has a large and well-developed industrial area.

Kyoto, an area of natural beauty, preserves and maintains many of Japan's historical heritage sites.

Hyogo's population is concentrated along a coastal industrial zone comprising the cities of Amagasaki, Kobe, Akashi, Takasago, Himeji and Kakogawa. The prefecture features the Rokko mountain system, where agriculture, forestry and livestock industries flourish, as well as the scenic Sanin Coast National Park.

Shiga's Lake Biwa is Japan's largest lake, a source of fresh water for 14 million people.

Nara's population lives mostly in the industrialized north; forests cover the south.

Wakayama is a remote, pastoral prefecture focused predominantly on agriculture, forestry and fisheries.

Okayama is geographically diverse. The southern coastal region is industrialized; northern regions are mountainous.

The seven prefectures face three major environmental challenges:

- urban area waste and wastewater disposal, emissions and noise pollution;
- industrial pollution;
- mountain and forest conservation.

The nature-loving Kansai people are sensitive to these issues and the region leads Japan in the use of technology to solve its environmental problems.

Environmental business

Now that the Japanese are focused on repairing the environmental damage caused during the post-war economic boom, environmental businesses are springing up, predicated on the watchwords 're-use', 're-cycle' and 're-new'.

The Kansai region is home to 74 of Japan's 213 leading environmental business companies: 47 in Osaka, 16 in Hyogo, 9 in Kyoto, and one each for both Wakayama and Okayama. These enterprises fall into four general categories:

- Anti-pollution: developing materials that reduce air and water pollution;
- Waste disposal and recycling: waste disposal plants, collection and recycling systems;
- Environmental restoration: remediation of soil and water, reforestation and biotype conservation;
- Sustainable energy development: photovoltaic and wind-power generation, co-generation and improved insulation techniques.

The environmental business market in Japan is currently estimated to be worth 21 trillion yen and is projected to reach 34 trillion yen by 2010. Kansai's current 3.8-trillion-yen market will likely reach 6.1 trillion yen by then.

Market opportunities

To be successful, Canadian suppliers should focus on markets that are relevant to the Japanese.

Water sterilization and purification — Japan has an abundance of aquariums, swimming pools, fish farms, fisheries stations, fishing ponds, fresh fish restaurants and bathhouses.

Dioxin

Analysis is expensive in Japan and remediation is urgently required for contaminated soil.

Alternative fuels

technology — Japan respects

Canada's reputation as a leading developer of alternative fuels.

Black liquor — This by-product of paper production can be used for power generation in Japan where the cost of electricity is high.

Wood charcoal — Perceived as an environmentally friendly product, charcoal is in demand for use in restaurants and Japanese-style "izakaya" bars.

Exporters interested in the Kansai region should contact any of the large companies there since most have well-established connections with the environmental business through their networks of subsidiaries and related companies.

For private sector projects, suppliers must have a business account. To be eligible for public sector projects, companies must first be approved or registered.

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Part two of this report examines the specific environmental policies of each of the seven prefectures in the Kansai region. ❁

