

APEC address this issue, and then in working with Thailand, host of APEC 2003, to draft the Action Plan, which included a number of measures aimed at increasing the transparency of information exchange among all APEC economies on the course of the disease. Thailand organized a special meeting of APEC health ministers in early June. At that meeting, Canada worked to encourage other economies to adopt a more uniform response to health crises such as SARS, based on internationally accepted guidelines or best practices.

Japan

Overview

Japan is Canada's second largest national trading partner (after the United States), taking 2.1% of total exports, and is the fifth largest source of foreign direct investment (FDI) in Canada. Canada is a leading supplier to Japan of a number of products of key export interest, such as lumber, pulp and paper, coal, meat, fish, oilseeds and prefabricated housing. While resource-based exports continue to represent much of our trading relationship, Canada is an increasingly important source of sophisticated, value-added, technology-driven products and services imported by Japan. There is an increasing interest in and demand for Canadian technology in areas such as aircraft, information technology, environmental products and services, optical instruments, vehicles and chemicals. Although Japanese FDI levels have remained relatively stable over the last few years, they have increased by about 44% in the last 10 years. Japan is the most important investor from Asia/Oceania, accounting for about half of all FDI from the region. In 2002, with a stock of \$8.6 billion, Japan accounted for about 2.5% of FDI in Canada.

In 2003, Canada's total merchandise trade with Japan was \$22 billion. Canadian exports to Japan have declined steadily since the mid 1990s, Canadian exports to Japan declined again to \$8.1 billion in 2003 from \$8.4 billion in 2002. Imports from Japan decreased by 10% in 2003 to \$14 billion. In 2003, Canada exported \$1.4 billion in services and imported \$1.9 billion. The long-term trend in Japan

is toward a growing demand for cost-competitive and innovative imports, which represents a significant market opportunity for Canadian exporters.

In order to identify opportunities arising through regulatory reform and restructuring in Japan's changing marketplace, the Department of Foreign Affairs and International Trade carried out an analysis of trading patterns in potential sectors of opportunity. The results of this study have been shared with Canadian and Japanese business, as well as with interested representatives of the Japanese government. The analysis points to new opportunities in information and communication technologies, value-added food products, transportation equipment, building products and prefabricated buildings, medical devices and pharmaceuticals, new energy products such as fuel cells, power generation and environmental services. In addition, the Department of Foreign Affairs and International Trade and Industry Canada commissioned a study on opportunities in the services sector, which identified where shifts in the Japanese economy have created significant potential. Produced by the Japan Market Resource Network in August 2002, this study found that the most potential for Canadian business lies in services related to information technology, the environment, accounting, architecture and health care; however, barriers such as domestic opposition to foreign competition, excessive regulation and opposition to deregulation of certain sectors pose serious challenges for Canadian companies aiming to enter the Japanese market. The Government of Canada will use these findings to supplement its efforts in established trade sectors (such as automotive, aerospace, forest products, minerals, agriculture and fisheries, and consumer products) with new initiatives aimed at supporting these emerging priority industries.

To encourage diversification of Canada's traditional commodities-based trade relationship with Japan, efforts are being made to emphasize Canada's strengths in high-technology sectors and to re-brand Canada as a technologically sophisticated society. These efforts have begun to bear fruit, with signs of increased business activity, especially in the high-technology sectors. Despite a worldwide slowdown in the information and communication technologies (ICT) sectors, Canadian companies continue to take advantage of opportunities in the huge Japanese ICT