

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 Direct Investments

The rate of increase in both inward and outward FDI slowed in 2001 from 2000.

Outward flows of FDI declined from \$65.4 billion in 2000 to \$57.3 billion in 2001, and inward FDI flows decreased from \$94.0 billion to \$42.8 billion. Increased outward FDI flows in the finance and insurance sector in 2001 could not counter reduced FDI flows in the machinery sector and other industries. For inward FDI flows in 2001, increased investments in the energy sector could not offset declining investments in all other sectors. Investment flows with EU countries other than the United Kingdom declined noticeably in 2001 and strengthened the leading role that the United States maintains as the both the leading source and destination for Canadian FDI. The decline in inward FDI flows from the EU in 2001, combined with a resurgence of FDI into Canada from the United States, resulted in the United States accounting for as much as 93.5% of FDI flows into Canada in that year.

Portfolio Investments

Canadian net investments in foreign securities (bonds and stocks) reached \$34.5 billion in 2001, down from \$62.7 billion in 2000—in both years, the investments were predominantly directed toward foreign stocks, largely assisted by the legislative change to increase the limit on foreign content in Canadian pensions from 20% to 30%. On the other hand, foreign investments in Canadian securities increased to \$30.1 billion in 2001, up from \$19.6 billion in 2000. The focus for foreign security investments in 2001 was on Canadian corporate bonds, which set an annual record for new issues.



Serving the
*Arts and Cultural
Industries*

Upcoming Event(s) in Canada

Music Industries Association of Canada – MIAC 2002 Trade Show
August 25-26, 2002
Toronto, Ontario
www.miac.net

Upcoming Events Outside of Canada

Pop Music and Entertainment - POPKomm
August 15-17, 2002
Cologne, Germany
www.popkomm.de

Australian Music Week - AMW
October 9-15, 2002
Australia

www.australianmusicweek.com.au

World Music Expo - WOMEX
October 24-27, 2002
Essen, Germany
www.womex.com

National Associations

Canada Council for the Arts
www.canadacouncil.ca

Canadian Independent Record Production Association (CIRPA)
www.cirpa.ca

Canadian Recording Industry (CRIA)
www.cria.ca

Contact in the Trade Commissioner Service

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Kansai environmental sector profile

Converting a yen for the environment into dollars

- 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. ★