

Canada and Japan – Partners in Business

TRADE

The increasing impact of Japan's economic success on Canada's industrial and commercial life is a dramatic example of the Pacific basin's growing importance to Canada. In the last decade, trade between Canada and Japan has quadrupled. In 1984, Canadian exports totalled \$5.6 billion; two-way trade reached \$11.3 billion. Japan is now Canada's largest single overseas market. Canada's sales to Japan in 1984 exceeded our exports to our four largest European markets combined—Great Britain, West Germany, Netherlands and France.

The most recent trade figures covering exports and imports between the two countries for 1984 and the first nine months of 1985 are attached. While two-way trade between Canada and Japan reached \$8.6 billion in the first three quarters of 1985, the \$1 billion trade surplus Canada enjoyed with Japan in 1982 will decline to an expected \$200-\$250 million deficit in 1985.

Closely approximating the composition of Japanese total imports from all sources, Canadian exports to Japan in 1984 were categorized as follows:

1. Finished industrial and consumer goods, 3%
2. Fabricated materials such as lumber, paper, petro-chemicals and aluminum ingots, 30%
3. Agriculture and fishery products including processed foods and beverages, 30%
4. Basic resource materials such as coal and non-ferrous metals, 37%

At the end of 1984, Canada ranked seventh as a source of imports into Japan. Total Japanese imports in 1984 reached 11% of GNP, compared to 9% in 1960. Raw and semi-processed materials accounted for 85% of the total.

Since the mid 1970's exports of manufactured goods have contributed significantly to the growth of the Japanese economy. However, pressure is growing among Japan's principal trading partners to redress several massive bilateral trade imbalances. The Japanese government has responded to these pressures in a

series of "market liberalization" packages. A separate briefing on this issue is included in this booklet.

For the period 1984-1995, the highly regarded Nomura Research Institute forecasts the following economic scenario for Japan:

- (a) the rate of growth of Japan's economy will be 4.5% annually given increased domestic demand;
- (b) imports should rise 5% in real terms during this forecast period and should increase from \$229 billion in 1984 to \$469 billion in 1995;
- (c) the percentage of personal income devoted to consumption should increase significantly; and
- (d) although investment in the housing sector was only maintained at .3% during the 1974-84 period, it should increase to 4%.

From an industry sector perspective, natural resources will continue to account for the bulk of Canadian exports to Japan, primarily in coal, petrochemical products, non-ferrous metals, forest, agriculture, and fish products. From the 1970's to present day, about 34% of our exports to Japan have been in processed or finished products.

Sectors of particular promise for Canadian exporters are:

Energy and Minerals

Liquefied natural gas and thermal coal offer good potential. With purchases of coking coal, metals and minerals totalling almost two billion dollars, Japan is Canada's second largest market for energy and mineral products.