

TRADE AND ECONOMIC OVERVIEW

Japan is the largest seafood market in the world and the second largest market for Canadian seafood exports. On an annual basis, Japan imports 20% of Canada's total fish exports, which in 1993 were valued at Cdn\$650 million, an increase over 1992. Despite continuous growth in Japan's import market, however, Canada's share, in terms of value, has declined from 6.4% in 1979 to approximately 4.3% in 1993. This is hard to believe as 1993 was Canada's best year ever in exports to Japan in terms of value. Japan is now Canada's second largest trading partner in both overall trade and fisheries trade. Precipitated largely by the Japanese government's fiscal decisions in 1990, the current slowdown in the Japanese economy has impacted on the buying habits of consumers. Japanese consumers have cut their spending and are exerting more control over the products they purchase. In the future, the Japanese will be buying less quantity and more quality, including more value-added imports. Health, convenience and gourmet foods will be the key areas to tap into.

Japan's processing industry has also been encountering financial difficulties due to rising production costs, especially those for labour. Processors of low margin fisheries products such as capelin have been particularly susceptible, and some are unlikely to continue processing such items. It is expected that the seafood processing industry will shift processing offshore, similar to the movement offshore in the manufacturing sector. Major retail chains have ventured into so-called "development imports", such as importing finished products produced overseas at lower costs, with lower labour and input costs, but with Japanese know-how.

Japan is undergoing many changes. Japanese consumers are becoming wealthier and increasing their leisure time, while at the same time more women are entering the workforce. As a result traditional consumption patterns are changing: the Japanese are spending more on eating out, and the consumption of processed, ready-to-eat and pre-cooked food is on the rise. The fact that the Japanese consume a diverse range of seafood products presents many opportunities for Canadian species which have not traditionally been harvested by Canadians: almost any product has potential provided Canadian companies look to their Japanese partner to tailor the product for the market -- and providing the product offers good value and top quality.

Seafood has traditionally flowed through an extensive distribution network from the sea to the kitchen. Fish destined for consumers is shipped to wholesalers through auctions and tenders, retailers then buy the fish from the wholesalers to sell to consumers. Across Japan, there are 53 central and 74 local wholesale markets that handle fish. Distribution routes that go through these markets are described as "in-market", while other routes are referred to as "out-market". The out-market is channelling increased quantities of product largely as a result of the increasing importance of some market participants, namely the supermarkets, and their immense buying power.

There are relatively few obstructions to the fish trade in terms of tariffs, however, the complicated system of import quotas allows Japan to control the flow of fisheries imports. This import quota system has often been described as a non-tariff barrier and is the subject of much discussion at Canada-Japan bilateral negotiations. With the result of the OMTN in 1994 such that Japan has been allowed to keep the IQ system, however, the import structure should change as tariffs will be lowered across the board.