

CANADA/JAPAN TRADE IN MINERALS AND METALS

Japan is the second largest market for Canadian minerals and metals exports.

Demand in Japan for increased sales of Canadian minerals and metals improved somewhat in 1987 over 1986. Canadian minerals and metals exports to Japan in 1987 exceeded \$3.3 billion representing about 10 percent of our sector's total exports. Japan was our second largest export market after the U.S.A.

The principle mineral commodities exported to Japan are coal (at 50% of the total), copper, aluminum, gold, uranium, potash, asbestos, iron ore and other nonferrous metals.

Canadian industry also imports minerals and metals from Japan, principally steel and nonferrous metals. In 1987 these purchases totalled \$370 million.

The volume and value of minerals trade with Japan has grown steadily over the past few decades. Japanese industry is virtually totally dependent on imported minerals and metals due to a lack of sufficient indigenous resources. The Canadian mineral industry has thus focussed its sales efforts on the Japanese market, emphasizing that Canada is a stable and secure source of supply for many of the commodities.

Coal constitutes 20% of our exports to Japan. 71% of Canadian coal exports go to Japan. Sales of coking coal to the Japanese Steel Industry were valued C\$1.3 million. Canada supplied 23% of Japanese import requirements in 1987. Only one year after posting deep operating losses, Japan's major steel makers are expected to announce solid operating profits for the fiscal year that ended March 31, 1987. Strong steel demand is expected to continue in the coming financial year.

Japanese tariffs on minerals and metals imports have had some detrimental effects on Canadian exporters. Although the Japanese are now in accord with the agreement reached at the Tokyo GATT round of negotiations, some irritants remain. One example is the tariff escalation with the stage of processing provides Japanese smelters economic advantage over offshore metals suppliers (e.g. Canada) and encourages a policy of importing the lowest stage of product - ores and concentrates (e.g. aluminum, copper, zinc). As a result, Canadian mineral and metal sales to Japan are predominantly in ores and concentrates, at approximately 84 percent of our total sales as compared to an average of 45 percent for this stage in our global sales.

Japan takes 63% of Canadian export sales of copper concentrate. Canada has 50% of the Japanese potash market. Japan also takes 33% of Canadian exports of uranium, making it Canada's largest single importer, and is our second largest market for asbestos.