

of the travel undertaken by the Secretary of State for External Affairs are to Europe.<sup>14</sup> All in all, these patterns seem to reflect traditional ties which, while still important, are nonetheless not as relevant as they once were.

### 3. Japan: The Limits of Bilateralism

The rise of Japan fascinates and frustrates at the same time. The sources of fascination are evident to all. The Japanese have emerged over the past 20 years as highly competitive exporters of goods, services and capital. Japan is a key G-7 player. Japan is one of the world's most industrially innovative countries, accounting for more than 18% of research and development expenditures within the OECD group, second only to the U.S.<sup>15</sup> Japanese motor vehicles have forced the Big Three to improve quality and manufacturing efficiency. Japanese producers have taken on the Americans and carved out a significant and, for most of the recent past, the leading role in the international market-place for semi-conductors. The Japanese share of world FDI stock has grown from a mere 1.3% in the late 1960s to 12.2% in 1990. Japan's contribution to global portfolio capital outflows increased from 20% in the late 1970s to 50% in the late 1980s.<sup>16</sup> Japanese per capita income has expanded impressively, doubling in the last ten years to US\$ 19,100, creating a large, wealthy consumer market.<sup>17</sup> Japan has translated this stunning transformation into increasing influence in global economic and trade policy management. Regionally, Japan continues to solidify its economic position throughout the Pacific Rim by means of trade, aid, loans and investment in manufacturing and services industries.

Canada has reacted positively and with some ingenuity to the opportunities provided by the Japanese economic success story. The value of our merchandise exports to Japan increased more than five-fold during the 1970s and then almost doubled again in the 1980s. Exports peaked in 1989 at almost \$9 billion.

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<sup>14</sup> The period 1988-1992 was reviewed. The percentages exclude visits to Europe that clearly were not Europe-focussed (e.g., OECD ministerial meetings or those related to the MTN). Anecdotal evidence suggests that this bias in travel also holds for other federal and provincial ministers.

<sup>15</sup> Calculated on a purchasing power parity basis, Japanese expenditures comprised 18.4% of the OECD total in 1989, compared to 44.5% for the U.S. and 22.1% for the three EC leaders: Germany, France and the U.K.. See OECD, *Main Science and Technology Indicators*, No.2 (1992), p.16.

<sup>16</sup> Before fading in 1990 and 1991 to 26%.

<sup>17</sup> Among the G-7, Canada edged Japan for third spot, behind Germany (\$19,500) and the U.S. (\$22,200). All numbers are for 1991 on a purchasing power parity basis.