

# Japanese Sales Strong

Japan, Canada's second largest trading partner, dominates exports to Pacific countries to the point that other export markets are sometimes overlooked. Australia and New Zealand, for example, are growing markets for consumer goods and capital equipment. Other Asian countries offer possibilities for participation in development projects.

Japan, however, is the largest market. "If Canadians can compete there, they can compete anywhere," says Mrs. Jean McCloskey, director general, Pacific Bureau, Department of External Affairs.

Most exports to Japan are resource based or energy related — metals, minerals, forest and agricultural products, and petrochemicals. But upwards 5% are manufactured products and the prospects for increasing their sales, at least in certain sectors, are encouraging.

Canadians have found markets in Japan for such consumer products as furs, sporting equipment and sportswear, jewellery and floor coverings. They have also found markets in such specialized sectors as health care, instrumentation and aerospace.

The Japanese market is a demanding one in terms of price, quality and technological content. But the potential for market growth is also large. The Japanese economy is expected to expand at an annual rate of an average 3% through the 1980s, paced by a continuing heavy investment in research and development.

At the same time, the Japanese industrial base is being restructured and rationalized to reduce dependence upon foreign oil. The character of the Japanese society is also changing.

Both developments offer possibilities for broadening and diversifying Canada's exports there.

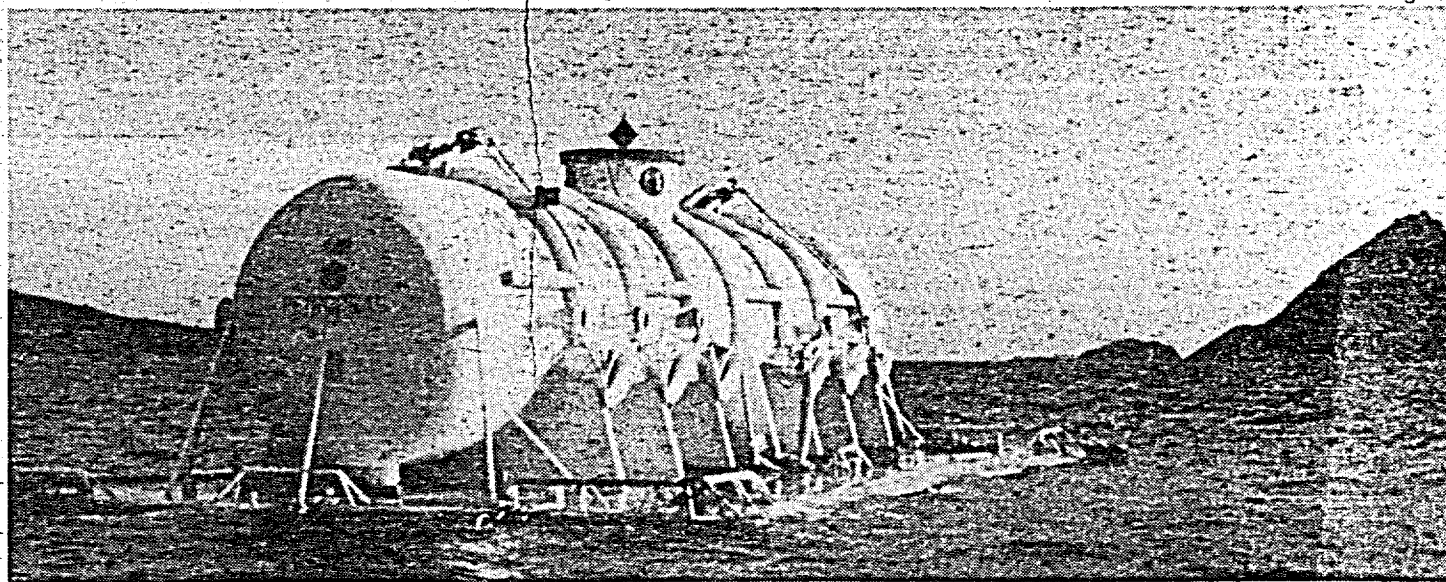
Central to expanding trade is establishing and maintaining close working relationships between Canadian exporters and their Japanese customers. This is often done through bilateral committees, both private and government. Industrial co-operation is the evolving common theme in these relationships with improvements in the quality of the product and ease of delivery their common objectives.

The maintenance of sales and service offices in Japan and intercorporate participation are other routes towards industrial co-operation.

Canada's export development strategy also places strong emphasis on keeping Canadian products and services on display in Japan. More than 50 trade promotion projects, mainly participation in trade fairs, have been scheduled for this year alone.

In addition to reducing its dependence upon imported energy, Japan is also directing research and development spending towards the improvement of the quality of life, towards further advances in the information industry and towards new materials technology.

One example of the potential for Canadian contributions towards reaching these objectives is found in provision of better housing. The broadening application of the Canadian platform frame system to residential construction is opening new opportunities for lumber and plywood exports.



Canadian-built subsea oil well installation

## European Market Prospects Brightening

The prospects for an increase in exports to Western Europe are brightening as the pace of economic recovery picks up there. Exports had been declining since 1980 as a result of the recession and a stronger Canadian dollar relative to key European currencies.

The 19 countries in the region, arcing from Norway and Sweden in the north to Greece and Turkey in the southeast, have a total population of 350 million. Together they constitute a market of exceptional breadth and potential, exceeding even that of the U.S.A.

But while exports there now account for approximately 10% of total Canadian exports, they represent a share of market of less than 1%.

The opportunities are there, officials point out, but they must first be recognized, defined and carefully developed to sustain profitable trade. One example of such opportunities was found in the cable television industry which, for most of Western Europe, is only now starting to take off.

Cable television has 30 to 40% of the market in Switzerland and Austria but only

about 3% in the rest of Western Europe. Now a market is developing for Canadian management expertise and software as the industry expands.

The Western European market is a widely diversified one. The countries in the north and central areas are relatively affluent, their economies mature. They present opportunities for the export of consumer goods which are unique in quality or design, or are, like hockey and other sports equipment, identifiably Canadian.

They also have a continuing requirement for resources products, at one extreme, and competitive technological advances at the other. They are, in this respect, similar to U.S. markets after allowing for national differences in, for example, consumer preferences.

With the exception of Italy, the countries to the south and east are considerably less affluent, their economies in various stages of development. They are less markets for consumer goods than they are markets for capital goods and development projects, many of which are eligible for multilateral aid financing.

Within these broad generalities can be found numerous exceptions. Norway's offshore oil development, for example, presents opportunities for Canadian sales of production equipment and such support technology as communications and transportation.

A key aspect of Canada's export development strategy has been the maintenance of a strong Canadian presence in European markets by way of the trade offices in embassies and consular posts, active participation in trade fairs, and selling missions. Trade fairs have proven particularly important since they are an institution in Europe, attracting visitors from around the world. Exhibits sponsored by External Affairs at these events have frequently led to sales in excess of \$10 million in Europe and further afield.

In addition to 22 trade officers in Europe, Canada has representation at the ambassadorial level to the General Agreement on Tariffs and Trade at Geneva, to the European Community at Brussels and to the Organization for Economic Cooperation and Development at Paris.

## Russia May Buy More from the West

The prospects for increased Western sales to the Soviet Union look very promising for 1984. Figures released by Soviet authorities indicate that investment allocations will be up by 5.2% over 1983.

Over 40% of investment funds will be spent on machinery and equipment. Western sales of such goods to the USSR could amount to an estimated \$6.2 billion, or a quarter of total Soviet purchases in the West.

According to the plan for 1984, \$36.3 billion has been set aside for the modernization of existing industrial facilities and for the completion of existing projects and production capacities. Heavy investment is budgeted for the energy sector, where major projects are scheduled for completion.

A series of large pipelines is planned including a line parallel to the Siberian-West European gas transmission line. Resource development is pushing towards the Arctic circle, initially with the building of an entire social infrastructure in West Siberia.

Oil output is being increased in the Komi Republic (in the north European USSR) be-

cause of its relative closeness to the industrial and population centres of the Soviet Union. A significant boost to production is also expected from Kazakhstan which stretches east from the Caspian Sea to the Soviet frontier with China.

Offshore the Soviets are exploring potential oil and gas fields along the north coast in the Baltic and Barents Sea, in the Black Sea and in the Sea of Okhotsk off Sakhalin Island. For Arctic offshore work, the Soviets must rely heavily on Western technology and equipment.

The mid-1980's will be a period to assess the hydrocarbon potential of the Barents Sea and to thoroughly test the new technologies. By the late 1980's the Soviets will hope to have the technical capability and expertise to move eastwards into the more hostile Kara Sea, an area that may have the highest hydrocarbon potential of any Soviet offshore area.

This year appears to be the year in which the Soviets plan to launch a major initiative to solve the problems of the agricultural sector. The political impetus for this comes

from the Food Program announced by Brezhnev and subsequently reiterated by Andropov. The Party's promise to improve the diet of Soviet citizens has resulted in the allocation of a major share (approximately 30%) of capital investment to the agro-industrial sector.

Involvement with Western firms has already taken many and diverse forms. West European firms have already signed licensing agreements for the manufacture of agricultural machinery in the USSR; a West German firm is jointly developing a diesel engine with the USSR for tractors; a U.K. chemical company has agreed to test agricultural chemicals in the USSR.

Canadian firms have potential for the role of genetic material for cattle breeding (semen, embryos, live animals); for the role of agricultural machinery and equipment; and for the licensing for manufacturing of equipment.

In 1981, NATO countries exports to the USSR totalled \$13.1 billion dollars (U.S.) of which \$1.6 billion came from Canada.