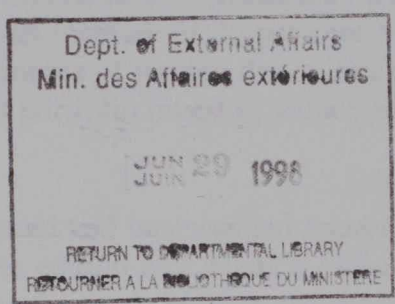


b 298 7193
c 208501X

CANADA'S ACTION PLAN FOR JAPAN



Foreword

Japan is a global economic powerhouse, rivalling the European Union and the United States. Japan's \$5-trillion economy accounts for 20 per cent of world gross national product, compared with 30 per cent for the European Union and 28 per cent for the United States. It is the world's third largest import market after the United States and Germany, one of the world's primary sources of foreign investment and industrial technologies, and the largest source of official development assistance. Japan accounts for 70 per cent of economic output and 30 per cent of trade in the Asia-Pacific region.

To secure the country's long-term prosperity, the Japanese government has committed 17 trillion yen in spending on science and technology over the next five years — an average 13 per cent budget increase per year, bringing this investment to the same level as the United States by the year 2000. Continuing economic restructuring and deregulation could establish the under-utilized Japanese domestic market as a primary engine of growth before the turn of the century and open up countless new and diverse business opportunities in Japan and in other markets.

Japanese investment strategies are increasingly oriented toward reducing costs by shifting operations overseas, by emphasizing international procurement, and through more active intra-company trade in materials, finished products and services. While short-term investment plans have focussed on dynamic Asian markets, the prospects for further investment in Canada remain promising since Japanese companies will need to retain market share and pursue fully integrated production abroad, including research and development and the manufacture of component parts.

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