

This of course begs the question, "How is this position to be secured?" If Japan is the key to unlocking the Asian economy, what is the key to unlocking Japan? Japan has scarcely had a reputation for openness in the past. Opaque corporate linkages, restrictive distribution networks, distinctive cultural preferences — these and other factors made Japan one of the most protected industrialized economies in the world. Yet much of this is changing. Over the last several years, Japan has been undergoing its own quiet restructuring — a restructuring that will, in time, make Japan an even more important market for Canadian exports and an even more strategic springboard into Asia as a whole.

Sweeping economic changes are creating a new Japan. This economic transition is being driven in part by broad social and demographic changes and in part by the startling effects of the appreciation of the yen in recent years. The latter has greatly increased the relative costs of production in Japan and widened the price gap between Japanese products and imports.

The effects are threefold: first, a transfer of labour-intensive and lower-technology production out of Japan; second, a wave of outward investment in Asia and elsewhere; and third, a shift from export-led to demand-driven economic growth. The pace of change may be unpredictable, but the direction is clear. Economic liberalization — principally through deregulation and the removal of import barriers — is stimulating domestic demand, creating opportunities for offshore goods and services, and fuelling Japan's recovery.

Japan's economic restructuring has taken place against the backdrop of equally profound political changes. The 1993 general elections ended 38 years of continuous rule by the Liberal Democratic Party. The hegemony of the LDP has been replaced by a new generation of reformers impatient with the old political accommodations. Another important aspect of political change is the increasing saliency of regions.

Japan is not a monolith: it is a country comprising four main islands, 47 prefectures, profound climatic variations and hundreds of years of history. This in turn has created greater pressure for pluralism and decentralization. Canada has responded by opening consulates in Nagoya and Fukuoka in addition to our Osaka consulate general and Tokyo embassy.

A new drive for political restructuring has thus accompanied the equally powerful drive for economic restructuring. The resulting dialectic means that Japan will never be the same.

Overall, these trends should provide three principal benefits. First, the widespread liberalization of the economy and the political system should place new limits on bureaucratic guidance