

liquefied natural gas (LNG) and nuclear power. An overhaul of Japan's industrial structure and a rationalization of some of the high energy input industries (smelting, aluminum, fertilizers, petrochemicals) will be undertaken, while at the same time Japan will be seeking to retain residual domestic supply capacity for strategic reasons. Japanese corporations are likely to continue the shift to knowledge-intensive high-technology complex assembly industries based on investment in research and development. Japan will be on the leading edge in frontier industries (e.g. computers, electronics, biotechnology, robots).

Total government and private sector research and development spending throughout the 1980s is expected to continue at a high level and will be focussed on the development of priority technologies in four major areas: (a) energy (nuclear, coal, solar and electrical); (b) quality of life (urban transport, medical equipment, environmental protection systems); (c) information industry (communications, technology, information storage, computer); (d) new materials technology (better insulation, ceramics, biotechnology). The traditional industries of shipbuilding, automobiles, and consumer electronics will probably concentrate on more specialized higher technology lines. Products for the consumer mass markets are expected to be increasingly produced in branch plants in the newly industrialized states of Asia, using Japanese technology and manufacturing processes.

Although the links among government, banks, business and labour in Japan strengthened throughout the 1960s and 1970s, there is likely to be a general reversal of this trend during this decade. As Japanese companies and banks become more international in scope, and as institutions in Japan increase, the government may be hard pressed to maintain as tight a control on the national economy as it has in the past. The recent rounds of trade liberalization measures suggest that Japan is showing a willingness to increase imports from both industrialized and developing nations and to seek ways to redress the balance of trade surpluses it now has with many countries.

All long-term economic plans for Japan in the 1980s predict a "new era of stable growth" (an average of perhaps 3 per cent growth in real terms) with increases in disposable income brought about by holding down the rate of inflation and increasing real wage rates in line with gains in productivity. An increase in the demand for better housing arranged in more orderly urban environments, as well as demands for better medical care and community service facilities can be expected. The population may gradually shift away from the major cities to improve quality of life.

The development of the Japanese economy and the social system is likely to have major trade and political implications for Canada.

The most promising trade prospects for Canada in Japan occur in the following industry sectors: