

Pulp and Paper

The Japanese pulp and paper industry continued its economic slump in 1993, with the sector characterized as being non-competitive in world terms. With domestic paper demand soft due to the recession, production costs high in relative terms due to the strong yen, plus continuing structural over-capacity, there is likely to be further re-structuring in the months ahead. The recent merger of New Oji Paper and Nippon Paper Industries created one of the world's top ten paper producers in terms of revenue. However, low profitability in the industry, coupled with U.S. pressure to import more paper products, is likely to bring about further restructuring in the not-too-distant future.

In 1993, Canadian exports of pulp and paper to Japan increased by 8% to \$840 million. Canada supplies about one-third of Japan's import requirements; in turn, Japan accounts for about 15% of total Canadian pulp and paper exports. Some 40% of Japanese overseas investment in this sector has been made in Canada.

Housing

The Japanese government, as part of its economic stimulus program in 1993, continued to promote residential housing by increasing the ceilings on housing loans extended by the Government Housing Loan Corporation. Prevailing low interest rates and stable land prices contributed to a rise in housing starts to some 1,486,000 units in 1993, up 5.9% over 1992 levels. Of these, about 56,300 units were 2X4-type wooden houses.

Japan's stock of post-war housing is gradually being reconstructed; it is estimated that during the period 1994-1999, about one million privately-owned houses will be replaced each year. Increased emphasis and attention is being given to "imported housing", such as housing kits prefabricated in Canada and elsewhere and shipped to Japan to be erected by specially-trained crews. This approach is seen to accomplish several objectives at once--spurring economic growth, improving living conditions, capitalizing on the strong yen and helping to rein in Japan's burgeoning trade surplus. Canadian manufactured home builders are poised to take advantage of this opportunity, to the extent that they have surplus production capacity and the ability to adapt their home designs to suit Japanese requirements. Several Canadian companies are now involved in supplying the Japanese market and more are likely to do so in 1994 and beyond.