
CANADA-JAPAN RELATIONS

While Canada's diplomatic relationship with Japan spans more than 60 years, its commercial relations have been alive for more than a century. There are 26 consultative mechanisms for expanding political, economic and cultural relations.

In Tokyo in 1991, Prime Minister Brian Mulroney officially opened the new Canadian chancery — an embassy building that has come to symbolize the importance of our relationship. The new facility is a showcase for Canadian products and achievements. It attracts more than 4,000 visitors a month.

As well as the Canadian embassy in Tokyo and the consulate general in Osaka, there are regional trade offices in Fukuoka and Nagoya. Honourary commercial representatives have been named in Hiroshima, Sendai and Sapporo.

Japanese investment in Canada has been significant; and science and technology collaboration has been increasing dramatically. In Japan in 1991, Prime Minister Mulroney and Japan's then prime minister Toshiki Kaifu announced the creation of a binational panel, Forum 2000: Partnership Across the Pacific. With the help of a group of Canadian and Japanese advisors, both governments are carrying out the forum's December 1992 recommendations on political, economic, and multilateral co-operation and cultural enhancement.

Japan is Canada's second largest trading partner, after the United States. Two-way trade was valued at \$18.2 billion in 1992. The composition of Canadian exports is diversifying, and exports of manufactured products, particularly in niche markets, are growing. While the trading relationship is generally harmonious, a troubled

Japan-U.S. economic relationship could have an effect on Canada.

In March 1992, Japanese portfolio investors held about \$49 billion in Canadian bonds and securities. Japanese portfolio investment in Canada started with a small borrowing by Quebec in the Tokyo financial market in 1972. Now Japanese investors hold about 20 per cent of Canadian bonds held by non-residents. These include federal, provincial, Crown corporation, municipal and corporate bonds. The bulk of Japanese portfolio investment has been in government and Crown corporation bonds, with modest investments in Canadian equities.

Japanese direct investment in Canada continues to grow, reaching a cumulative total of \$6.4 billion in 1992, more than three times the 1985 level. During the past decade, Japan moved from eighth largest foreign investor in Canada to third, behind the United States and the United Kingdom. The three most important sectors for Japanese investment are pulp and paper, automotive, and mining. Some 48,000 Canadians are employed in Japanese-affiliated companies.

While domestic financial difficulties have forced some Japanese financial institutions to reduce their foreign presence, four life insurance companies, 10 banks and four investment dealers have branch operations in Canada.

A science and technology consultative process has been in place since the mid-1970s. After an agreement formalizing this relationship was signed in May 1986, Canada set up the Japan Science and Technology Fund. More than 140 projects have been approved under the program.