

In discussions with EIAJ representatives, a number of important trends were identified in the electronics industry in Japan. These included:

- an emerging push by large-scale manufacturers away from assembly facilities toward more emphasis on software and systems and the manufacture of key components;
- a move to manufacture and assemble complete units and modules as compared with base elements;
- continuation of strong vertical integration of the market as witnessed by emphasis by companies producing home entertainment equipment or selling total integrated systems;
- more emphasis by materials suppliers on electronic materials and component manufacturing;
- a greater focus on miniaturization as demonstrated by an expected 50 per cent increase in sales of chip capacitors (1986 figures) for surface mount technology and an anticipated 30 per cent increase for 1987;
- increased investment in the development of new components; and
- serious plans by members to move more manufacturing capability to the U.S., Mexico, Canada and Europe.

In the case of the last item of investment abroad, EIAJ indicated that decisions are dependent on the size of the market and whether automated equipment can be bought and serviced. Most companies feel that Japan is still the best place to purchase automated equipment. Nonetheless, cooperation and investment outside Japan are seen as vital. The emphasis is being placed on the transfer of low technology product manufacturing to countries with lower unit labour costs, while Japanese companies will retain the more advanced technology items with their higher engineering content and lower labour cost element. Further, EIAJ emphasized that those countries that cannot supply advanced components for advanced products will lose out economically.

It was not clear from this meeting how much practical help EIAJ could provide for Canadian companies in Japan or if it can encourage Japanese investment in Canada. However, this association will be important in Canadian efforts to disseminate a positive outlook about Canada and Canadian electronics capability to major Japanese electronics firms.