

Canada's share of total Japanese FDI has averaged 1.7% since 1981. Japan is the third largest source of foreign direct investment (after the U.S. and U.K.), with a cumulative total of more than C\$12.0 billion (March 1997). There are now over 400 Japanese-affiliated companies in Canada, employing over 50,000 people in more than 700 locations.

Historically, investments have been concentrated in five sectors: forest products (lumber, pulp, paper), automotive products, mining, financial services and merchandising/distribution facilities. In the future, Japanese investment is expected to centre on manufacturing and resource intensive industries, but with an increasing emphasis on value-added wood products, pre-fab housing, processed food products, information technology, semiconductors, computer-related and telecommunications products and services, leisure/travel, and life sciences industries.

In light of the potential of these sectors, underscored in the Action Plan for Japan, Canadian investment promotion efforts have shifted to encouraging investment partnerships between Canadian and Japanese firms in these areas, especially in instances where Canadian supply capability can be enhanced. Leveraging Japan's enormous public and private sector R&D budgets in commercial partnerships with Canadian companies has been a special focus. Efforts will concentrate on information technologies, life sciences and processed food. Canada's challenge is to continue to demonstrate that it can offer a comparative advantage through better technology, a more productive labour force, good infrastructure and attractive incentives.

II. THE 1998 ACTION PLAN

The Action Plan for Japan is directed towards existing, new and potential exporters. It has evolved over the last five years as a tool to focus on priority sectors in a rapidly changing Japanese market. The approaches it takes in each sector have been developed through the cooperation of government, industry associations and private sector companies.

Action Plan sectors have been identified after an analysis of both the trends in Japan and the supply side capability in Canada. Particular attention has been paid to the potential for small and medium sized enterprises (SMEs) in Canada to access the Japanese market. In every sector, sources of information, key contacts, and important activities are highlighted.

The priority sectors chosen for the Action Plan have evolved over the years. Some sectors that are now successful in Japan - automotive, aerospace, oilseeds, minerals - have not been included. These sectors can be considered "mature" in that Canadian sellers and Japanese buyers now have a good understanding of the market. Assistance to these sectors continues to be provided by the Embassy and Consulates in Japan.

In spite of changes to the Action Plan's sectoral focus, the methodology remains the same. The three elements - awareness, adaptation and assistance - are applied to both traditional and emerging sectors of opportunity.