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## Overview

Japan is Canada's third-largest trading partner (after the United States and the European Union), with 2.2 percent of total exports, and is the third-largest source of foreign direct investment in Canada. Canada is a leading supplier to Japan of a number of key products, such as lumber, pulp and paper, minerals, meat, fish, grains and oilseeds, and prefabricated housing. While resource-based exports continue to represent a significant component of our trading relationship, Canada is also becoming an increasingly important source of a range of sophisticated, value-added technology-driven products and services imported by Japan. Aircraft, software, telecommunications equipment, resource and environmental products and services are all entering Japan at a faster rate than before. Japan is also a major source of portfolio investment in Canada, and Canadian direct investment in Japan continues to respond favourably to deregulation and market opportunities in the Japanese economy.

In 2000, Canada's total merchandise trade with Japan increased 9.2 percent over the same period in 1999 and amounted to \$25.6 billion. After a period of declining exports to Japan in the late 1990s, last year marked an encouraging change with Canadian exports increasing by 7 percent to \$9 billion. Imports from Japan continued to grow and in 2000 increased 10.4 percent to \$16.6 billion. Canada exported \$1.5 billion in services and imported \$1.6 billion in 2000. In the light of slowing but steady recovery from the economic recession, the long-term trend in Japan is toward a growing demand for cost-competitive and innovative imports, which represents a significant market opportunity for Canadian exporters.

Through Canada's *Action Plan for Japan*, business and all levels of government are co-operating to take advantage of market opportunities in five key sec-

tors: agri-food and fisheries; tourism; information technology; building products; and health care/medical devices. The action plan also draws attention to new opportunities that have been created in the Japanese market through continuing structural economic change, regulatory reform and changing consumer tastes – opportunities in sectors such as the environment, space, new energy technologies and electricity and education. The action plan alerts Canadian industry to changing market conditions in Japan and encourages them to adapt their products to the Japanese market.

In support of efforts to "re-brand" Canada in Japan as a technologically sophisticated society and to encourage a diversification of our traditional commodities-based trade relationship, the 1999 Team Canada trade mission to Japan emphasized the strengths of Canada's high-technology sectors. These efforts have begun to bear fruit with signs of increased business activity, especially in the high tech sectors. Some two dozen Canadian information technology firms have opened up offices in Japan in the last two years and the share of manufactured goods and value-added services exports to Japan continues to increase.

Building on momentum generated by the Team Canada mission, the Department of Foreign Affairs and International Trade, along with the provincial and territorial governments and with the support of the Japan External Trade Organization (JETRO), has undertaken a series of promotional activities and seminars. Starting with 15 promotional seminars across Canada, including a media tour, these activities have centred around the theme of promoting the "Canada Brand" – an ongoing initiative to update Canada's image in Japan.

Another example of such activities was the creation of a Japanese language Web site that offers a wealth of material on Canada's commercial capabilities in all our priority sectors, as well as information on the wide range of Embassy services. Another was the high-tech symposium held at our Canadian missions in Tokyo and Osaka; this five-day trade promotion event included 26 Canadian companies and attracted the participation of some 1,000 Japanese high-tech companies. In addition, responding to an overwhelming Japanese interest in Canada's high-tech sector, JETRO Chairman Hatakeyama led a business matchmaking "Team Japan IT Mission" to Canada in October 2000.