

Total trade in the first half of 1994 continued at about the same level, with a slight increase in imports.

### **Business Environment**

Canada's exports to Japan dropped by over \$1 billion in 1991 and recovered only slightly in 1992. In 1993, however, we regained \$1 billion and more. Fluctuating commodity prices are a major factor in year-to-year figures. In the longer term, however, we are seeing major growth in Japan's imports of value-added products, while imports of basic resource materials are remaining flat or decreasing.

Canadian companies that have seized this trend are experiencing real success in the Japanese market for specialized manufactured goods and services. More firms should appreciate Japan's long-term strategic importance and follow suit.

By responding to Japan's evolving economy, Canadian business can take advantage of emerging market opportunities and adapt to Japan's changing import needs. Participation in the growth segments of the market will ultimately position Canadians for business opportunities in Asia-Pacific and other world markets.

### **Market Opportunities**

Canada's Action Plan for Japan, launched in May 1993, is a co-operative venture to tailor government's role as the provider of services and information in support of private-sector efforts to develop and grow business with Japan. An analysis of the Japanese market and Canadian industrial capabilities established seven priority sectors: building products; fish products; processed food; auto parts; aerospace; information technology; and tourism.

The plan's major focus is on business-led development of strategic sectoral action plans that will position Canadian products in the changing Japanese market. The three key objectives of the plan are to:

- increase awareness of Japan's changing market dynamics;
- adapt products to these changes;
- respond to the marketing challenges of these changes in Japan.

A co-operative team approach is critical to the plan's success. Industry groups (one for each priority sector) take the lead. In some cases, these are coalitions of industry associations; in others, private-sector groups have come together specifically to tackle the Japanese market. Government teams from both the federal and provincial levels support these groups, as appropriate for each sector.

These are not advisory bodies. The idea is to take advantage of the synergies of a "Team Canada" approach in penetrating the Japanese market. Governments stand ready to support activities to make industry more export-ready and to deliver better strategic and market intelligence. They can help to adapt products, to acquire technology, to seek partners or to establish an industry presence in the market — on a collaborative, partnership and cost-shared basis.

As our trading relationship develops with Japan, the potential for Japanese investment in Canadian businesses and for Canadian investment in Japan increases dramatically, since sustained trading relationships are often a necessary precursor to the development of investment relationships. If one includes in the definition of investment, strategic alliances, exchange of technology, licensing and joint ventures in marketing and distribution, then there is potential for investment in both directions in all action plan sectors.

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