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aerospace industry, which is now a major source of the basic technology being used in Japan. However, there is good reason to believe that the military orientation of Japan's aerospace industry, and its heavy reliance on imported technology, will not continue.

Despite the current limited size of the Japanese aerospace industry, its advanced manufacturing skills, as well as its reputation as an excellent subcontractor and supplier, have recently resulted in exceptional growth in output climbing from less than \$1 billion in 1979 to nearly \$8 billion in 1992 — comparable in size to Canada's airline industry at present.

Does Japan have the technical and economic capability to develop a world-scale aerospace industry, and does it have an incentive to do so? Although large gaps remain, Japanese industry already possesses many related technologies. They are at the forefront, for example, in development of carbon fibre composite materials. Avionics and cockpit displays are other areas where Japanese capability is strong and growing. Also significant is the fact that the main Japanese firms involved in aerospace production are conglomerates able to draw on substantial resources, technology, and production capabilities from within. Regarding incentives, the economic importance of commercial aviation, and the desire to participate in the leading edge technologies on which these industries depend would seem enough, in itself, to attract the attention of major Japanese firms. Moreover, Japan will reasonably wish to produce more of what it buys.

Japanese manufacturers are already making significant moves into the commercial aviation field and have developed numerous

Japan Aerospace Exhibition

Canada will participate with a National Stand in JA '95, taking place in Tokyo February 15-19, 1995. Taking place every four years, JA '95 will focus on business opportunities in the Asia/Pacific-Rim region. The show reflects the region's growing importance in the internationalization of the world's aerospace market. Canadian companies interested in obtaining additional information on the show should contact the Japan Trade Development Division at DFAIT (613) 995-8596.

partnerships with European and American manufacturers for development of new products. The attraction of such partnerships, for the Japanese, is rapid acquisition of foreign technology. For the Europeans and Americans, it is access to Japanese technology and financial strength; this access suggests that the interest of European and American manufacturers in such partnerships will not slacken soon. The result of this "senior-partner-and-moving-up" status, as it has been described, is a growing Japanese capability to independently develop and supply aviation products. It is not clear how far this trend will go, or whether Japanese industry might, in fact, be content with second-tier status in this key industry. The experience of other industries, however, would suggest not.

What challenges and options are therefore exposed to Canada's aerospace industry? If Japan's aerospace industry is, indeed, now in the process of transforming itself from a domestically focussed industry of limited capability into a world-scale, first-rank aerospace competitor, Canada's aerospace industry will need to consider if, and how, it will need to respond to the challenges and opportunities presented. It is not yet clear what the nature of this response should

be, although options may include a search for strategic partnerships; efforts targeting joint research, technology exchange or manufacturing; attempts to establish stable, long-term sub-contracting relationships with major Japanese manufacturers; or a focus on Japanese investors/partners able to supply technology and/or finance. By the same token, Canadian industry may conclude, after careful examination, that neither the threats nor the opportunities presented by Japan's aerospace industry are significant, and that attention and energies are better focussed elsewhere.

What is certain, however, is that Canada's aerospace industry has focussed far less attention to date on its Japanese counterpart than it has on the USA or Europe. A much closer look at Japan is needed if our industry is to fully assess the directions Japan is taking and, most importantly, draw conclusions regarding what these directions mean for them. Clearly, however, there exists the strong possibility that "a rather large train may soon be pulling out of the station". Before it does so, Canada's aerospace industry should give serious consideration to whether it is interested in the trip and, if so, how best to get aboard. Later may be too late.