

Japan's economy, and hence import requirements, continues to move up the technological ladder; one result is a weakening demand for the resource products which have traditionally dominated Canadian exports to Japan.

To address Canada's stagnant trade and investment performance in Japan, an Action Plan for Japan has been tailored to respond to the economic recommendations of the Canada-Japan Forum 2000 Report. This Action Plan, launched in May 1993, is focused on alerting Canadian companies to the changing market in Japan, improving Canada's export offer (product design and adaptation), and assisting Canadian companies in establishing the presence and linkages necessary to take advantage of changing market opportunities.

Japanese direct investment in Canada continues to grow, reaching a cumulative total of \$6.4 billion in 1992 — over triple the 1985 level (\$1.925 billion). Some 48,000 persons are employed in Canada by Japanese-affiliated companies.

A bilateral science and technology agreement was signed in May 1986; a bilateral Science and Technology Complementarity Study was completed in July 1989, followed by the establishment of the Japan Science and Technology Fund (JSTF). Over 140 projects have been approved under the JSTF.

## ii) Political

While Japanese politics are in a state of transition, there should be no disruption in Canada-Japan relations, which remain excellent.

Canada and Japan work closely together in multilateral forums, notably the Group of Seven (G-7), where both countries share very similar perceptions on UN reform (Canada was an early supporter of an eventual Japanese permanent seat on the Security Council), and on non-proliferation matters.

Canada's proposal several years ago for a regional dialogue on North Pacific Security received a cool reception from Japanese officials, though the academic community became engaged; recently, however, Japan has become more forthcoming, and the entire subject is moving along well.

Canada has encouraged further Japanese involvement in world affairs, e.g., in Eastern European reform.