

### **Forest and Building Products**

Japan is Canada's leading overseas market for forest products. In 1994, Canadian exports of forest products to Japan (including pulp and paper) exceeded \$3.8 billion, of which lumber, plywood and other wooden building materials accounted for more than \$2.4 billion. The vast majority of wooden building materials is structural lumber for the Japanese housing sector, the world's largest, with more than 1.5 million starts annually. Softwood lumber and plywood aside, Canadian manufactured building materials have only recently been introduced to Japan, with the number of products exported still somewhat limited and Canada's market share still well below full potential. There are exciting but largely untapped opportunities for Canadian manufacturers and exporters of doors, windows, flooring, staircases, kitchen systems, prefabricated wall panels and house packages (pre-engineered and manufactured). Canadian products are highly competitive in terms of both price and quality when tailored to local requirements, including sizing, pre-finishing and packaging.

Japan is importing increasing volumes of value-added building products, primarily because of their cost advantage but also to satisfy consumer demand for modern, Western-style housing and related components and fixtures. Labour- and cost-saving components from Canada, including manufactured housing kits, are finding a ready market in Japan, particularly if the products are custom-designed to suit specific needs.

### **Processed Food Products**

Japan is the world's largest net importer of agriculture and food products. Companies that are prepared to make long-term commitments to the marketplace, to adapt products to consumer demands and to produce to stringent quality standards stand to benefit from this dynamic growing market.

With a 5-percent share of the market, Canada is Japan's sixth-largest supplier of agriculture and processed food products, and Japan is Canada's second-largest market. Agri-food imports will continue to grow as consumption rises faster than domestic production. Labour shortages, land-use policies, and price-support programs are driving up domestic production costs, making imports more competitive. These factors also create greater interest by the Japanese in establishing offshore production facilities for low-cost production. While much of the offshore investment is in other Asian

countries, there are opportunities for Canadian companies, particularly in frozen foods, cookies, confectionery and snack items.

Changing demographics are also creating new market opportunities. The number of two-income families is increasing, family size is shrinking and single households are replacing the traditional extended family. These demographic changes are increasing the market for convenience foods as consumers have less time to devote to shopping and food preparation. Competition in the food-service sector is increasing, and the sector is expanding as restaurants cater to greater numbers of clients. Restaurateurs are open to new ideas to maintain and expand their clientele and to reduce costs — this is especially true where labour required for food preparation can be minimized.

### **Software**

Japan is the world's second-largest software market. Custom-built software applications dominated the Japanese market in the 1980s, but as consumers become more comfortable with software packages, the proportion of custom-built applications should drop to levels more similar to North America and Europe (30 percent to 35 percent from more than 75 percent). This trend benefits Canadian software companies, which specialize in niche products.

### **Telecommunications**

In telecommunications, Japan represents good export potential for Canadian products and services as the participation of foreign carriers in Japan increases and the national telephone company moves to complete the digitization of its switching facilities. Growing trends toward the provision of seamless international services between carriers provide another opportunity for Canadian equipment suppliers, systems integrators and service providers. The breakup of Nippon Telephone and Telegraph (NTT) into five regional carriers will also open markets to a number of foreign suppliers.

As a result of discussions with the United States, Japan has adopted measures to significantly increase access and sales of competitive foreign telecommunications products in the Japanese market. Telecommunications services, such as systems integration support for Japanese products aimed at the North American market, allow Canadian companies to develop strategic alliances that will enhance their ability to participate in major projects in Japan.