

- science-based assessment of the products of biotechnology;
- technical cooperation;
- public transparency and information exchange within member economies; and
- capacity building.

To date, the RDEAB Subgroup has held biotechnology workshops in Australia, Canada, Malaysia, Thailand and the United States. The next workshop is scheduled to take place in China in 2003.

In addition to the work undertaken by the RDEAB Subgroup, Canada is participating in the APEC high-level policy dialogue on biotechnology. This initiative has been undertaken to encourage senior-level policy dialogue on broader biotechnology issues facing member economies. The first meeting was held in Mexico City in February 2002. A subsequent meeting took place in Chiang Rai, Thailand, in February 2003.

Japan

Overview

Japan is Canada's second-largest national trading partner (after the United States), with 2.1% 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 products of key export interest, such as lumber, pulp and paper, minerals, meat, fish, grains and oilseeds, and prefabricated housing. While resource-based exports continue to represent much of our trading relationship, Canada is an increasingly important source of sophisticated, value-added, technology-driven products and services imported by Japan. Canadian exports of aircraft, software, and resource and environmental products and services are in increasing demand. 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. While Japanese foreign direct investment is shifting from the traditional North American and European destinations to Asia, in particular China, Canada

is maintaining its share vis-à-vis the United States (though this investment tends to be concentrated in particular sectors such as automotive and agri-food).

In 2002, Canada's total merchandise trade with Japan was \$23.7 billion. After declining steadily since the late 1990s, in 2002 Canadian exports to Japan remained steady at \$8.3 billion. Imports from Japan increased 5.3% in 2002 to \$15.4 billion. In 2002, Canada exported \$1.8 billion in services and imported \$2.0 billion. 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.

In order to identify opportunities arising through regulatory reform and restructuring in Japan's changing marketplace, the Department of Foreign Affairs and International Trade carried out an analysis of trading patterns in potential sectors of opportunity. The results of this study have been shared with Canadian and Japanese business, and interested representatives of the Japanese government. The analysis points to new opportunities in information and communications technologies, value-added food products, transportation equipment, building products and prefabricated buildings, medical devices and pharmaceuticals, new energy products such as fuel cells, power generation and environmental services. In addition, DFAIT and Industry Canada commissioned a study on opportunities in the services sector that identified where shifts in the Japanese economy have created significant potential. Produced by the Japan Market Resource Network in August 2002, this study found that the most potential for Canadian business lies in services related to information technology (IT), the environment, accounting, architecture and health care; however, barriers such as domestic opposition to foreign competition, excessive regulation and opposition to deregulation of certain sectors pose serious challenges for Canadian companies aiming to enter the Japanese market. We will use these findings to supplement our efforts in established trade sectors (such as automotive, aerospace, forest products, minerals, agriculture and fisheries, and consumer products) with new initiatives aimed at supporting these emerging priority industries.