

Minister of Industry,  
Science and Technology and  
Minister for International Trade



Ministre de l'Industrie, des  
Sciences et de la Technologie et  
ministre du Commerce extérieur

## Statement

## Déclaration

92/21

CHECK AGAINST DELIVERY

**NOTES FOR AN ADDRESS BY**

**THE HONOURABLE MICHAEL WILSON,**

**MINISTER OF INDUSTRY, SCIENCE AND TECHNOLOGY**

**AND MINISTER FOR INTERNATIONAL TRADE,**

**TO THE CANADA-JAPAN TRADE COUNCIL CONFERENCE**

**MISSISSAUGA, Ontario  
May 28, 1992**

Good afternoon,

I am very pleased to be here today to speak to you about the trade relationship between Canada and Japan.

The people of Mississauga know first-hand the advantages of having Japanese firms locate in a region. I congratulate the City of Mississauga, and Mayor McCallion in particular, for their efforts to attract Japanese firms to the area.

From just over 30 firms in 1985 to 89 firms at the end of 1991 is a spectacular change indeed! Companies with names like Canon Canada, Hino Diesel Trucks, Hitachi (Canada) Limited, Japan Air Lines, Konica and Kyocera are now part of your business community.

The follow-up work done by the City of Mississauga with the Japanese companies once located here is also impressive. I understand that, in addition to providing ongoing advice, you host a biennial dinner and that your mayor has visited Japan and met executives at their head offices. This is obviously a successful formula.

Canada's relationship with Japan is characterized by significant trade, investment, technology exchanges and rapidly increasing tourism. Japan is second only to the United States as Canada's most important economic partner. Last year our two-way trade was well over \$17 billion, and over 470,000 Japanese tourists visited Canada. Japanese direct investment in Canada was \$6.9 billion and portfolio investment was over \$46 billion.

Nevertheless, Canada's export performance in Japan in 1990 and 1991 was disappointing, dropping to \$7.11 billion in 1991 -- off \$1 billion from 1990 -- along with a continuing loss of market share for Canadian products. Last year also marked the eighth consecutive year in which our imports from Japan topped Canada's exports to Japan.

To help stem this tide, the Government of Canada is enhancing its overall marketing strategy in Japan. In particular, we are expanding our presence in regions of Japan that we think offer important opportunities for Canadian firms.

In November of last year, I officially opened the new Canadian Consulate in Fukuoka, and I am pleased to confirm that preparations are under way to open a consulate in Nagoya this fall. This latter consulate will be of special interest to the gathering here for several reasons.

First, because it is located in a major automotive centre, home to companies like Toyota, Kawasaki and Mitsubishi -- the two latter are also among Japan's largest aerospace manufacturers. Nagoya is also the core of the Japanese machine tool industry, housing a number of high-tech industries and an expanding retail market. Companies in this region are following the trend to

expansion overseas, thus making them attractive partners for Canadian companies in third countries.

Second, because the Nagoya Consulate will be the closest Canadian office to Mississauga's Japanese twin city Kariya-shi.

In addition to opening these consulates, we have appointed Honourary Commercial Representatives in three major Japanese centres: Sapporo, Sendai and Hiroshima. These are respected, senior Japanese business executives who have agreed to assist Canadian economic initiatives in areas where we hitherto have had limited presence.

Why have we chosen this regional strategy? In a word, because success for Canadian firms can come faster there.

These regions often have a Gross Domestic Product (GDP) significantly larger than that of developed countries. Kyushu, for example, has a GDP greater than that of The Netherlands and, together, the five regions mentioned have a combined GDP of more than \$1.2 trillion, greater than that of the United Kingdom or France or Italy or Canada.

Apart from the sheer size of their markets, there are several advantages to pursuing business opportunities in these regions:

- ◆ Contact with small- and medium-sized businesses is greater and generally a better match for the majority of Canadian companies seeking to do business in Japan.
- ◆ Regionally based companies are increasingly international. Trade flows through regional centres now reflect this, as more foreign firms bypass Tokyo and Osaka to establish commercial linkages in other centres.
- ◆ Since import penetration of these regional markets is not as high as it is in Tokyo, the potential exists to expand sales growth of proven products and services as well as new ones.

But government can't sell for Canadian business.

It is up to you to adapt to the demands of the marketplace. There's nothing magical about what is required -- quality, commitment, local presence and an understanding of the market so that you provide the right product at the right time.

So why is it not happening? Why are Canadian products losing market share in Japan? What can business do about it?

Underlying structural changes are occurring in Japan. The main impact is a demand by the Japanese for more manufactured goods. Factors, such as a shortage of labour, working women, an aging population, a low birth rate and a demand for a better quality of life have combined to produce a very different market profile.

It is fair to say that Canada's export performance has been affected by other factors as well -- including fluctuations in prices and exchange rates, as well as a slowdown in the Japanese economy. All these factors have had an impact on foreign trade and export performance.

Canada's exports to Japan remain based on our resource strengths. Not only prices, but Japanese demand for these products, have declined. Although we have made inroads in sectors of high technology and highly processed goods, much still needs to be done.

Improving our exports will depend to large measure on Canadian business identifying opportunities in the changing Japanese market -- and responding to them.

Let me cite examples:

- ♦ marketing "heat and serve" food products to help the working couple;
- ♦ providing finished products, rather than raw materials, to respond to the shortage of skilled labour;
- ♦ supplying consumer and health care products demanded by the aging Japanese population; and
- ♦ forming strategic alliances with Japanese firms.

Some Canadian companies are responding.

Abegweit Seafoods Inc. of Charlottetown, P.E.I., exports processed frozen snow crab to the Japanese retail market. By entering into an alliance with a Japanese firm, they have been able to expand employment and increase price and market share. The firm is dedicated to meeting the exacting requirements of the Japanese seafood consumer. The company's success is attributable to developing niche markets and investing in new processing techniques. Eighty per cent of the company's export sales are to Japan.

Indal Technologies Inc., here in Mississauga, is another example. It designs and manufactures specialized defence aero-marine systems and targets its technology-intensive product to niche markets in Japan. A multi-million dollar sale to Japan of modification kits for a helicopter handling system increased total export sales in 1991 to over \$50 million. The company attributes its success to a commitment to becoming the world's leading supplier of shipboard handling systems.

Bertrand Faure Ltd., also of Mississauga, manufactures automotive parts and seating hardware components systems. The firm is dedicated to improving its competitiveness by using new technologies and upgrading production process methods. With the trend being more and more to act as subsuppliers to Asian-owned plants in Canada, the company is responding positively to changing market conditions. Recently, Bertrand Faure won contracts with Japanese manufacturers in Canada and now forecasts sales in the \$60 million range this year.

Trade opportunities arising from structural changes in the Japanese market are becoming more common. To seize these opportunities will demand time, effort and a capacity to adapt your goods and services to the changing market. Research and development (R&D) is a key element in adapting export strategies, and the amount spent must be increased and integrated into the company's long-term business plan. How many companies do that?

Only three Canadian companies in 100 are doing any research at all, and the top four companies account for nearly 30 per cent of all private sector R&D spending. This is despite the fact that we have one of the most generous R&D tax regimes in the industrialized world. Clearly, Canadian companies must do better.

Recognizing the importance of maintaining a strong and lasting relationship between our two countries also extends to other levels of government. Four provinces have offices in Japan and provincial premiers make a point of visiting them. Governments at the municipal and regional levels also visit Japan.

We are deepening our bilateral relationship through the "Canada-Japan Forum 2000: Partnership Across the Pacific," an initiative announced by Prime Minister Mulroney when he visited Japan in 1991. This is a binational panel of 24 prominent Canadian and Japanese citizens reporting to the two prime ministers. Its aim is to advise on the diversification and enhancement of the entire Canada-Japan relationship and propose new directions for the partnership.

In the final analysis, however, it will be up to Canadian business to make the necessary adjustment and investment to become and remain globally competitive and respond to the shifting market patterns in Japan as well as in the Asia Pacific Region.

In that regard, I recently attended the Pacific Basin Economic Council (PBEC) meeting. It is an example of the continuing private sector process of building trade and business relations, as well as promoting new ideas and outward looking strategies and attitudes for trade in the region.

We can also learn from what Japan has done. Last November, I led a business mission to Japan. During the mission, I chaired the Forum on Prosperity. The Canadian mission members, representing five sectors where we have significant trade with Japan, and a group of influential Japanese individuals explored Japan's success as a competitor in international markets. Key to this were research and development combined with other aspects of company management, human resources, and partnerships between government, labour and companies.

On education, the Canadian government's Prosperity Initiative recognizes the need for a lifelong commitment to learning. Anyone who looks at our 30 per cent high school drop-out rate and compares it with Japan's rate of 2 per cent knows that we face a learning challenge. When you realize that, by the end of this decade, over 40 per cent of the new jobs will require at least 16 years of education and training, you begin to understand the dimensions of that challenge.

As Canadians, we face competitive pressure because we are not adopting new technology as quickly as our competitors, because we have created artificial barriers to internal trade and because we do not invest in innovation as readily as our competitors do.

No quick fixes will suffice. Only a determined and unflinching effort by all stakeholders will give us the skills and the jobs that will allow us to continue to enjoy one of the highest standards of living in the world. If we are to do this, we need to know the competition and adapt ourselves, our products, our policies and our work.

Let me say just a few words about the broader trade environment.

Bilateral activity takes place within a larger multilateral framework in which both Canada and Japan are participants. The "Global Marketplace" is a reality and business decisions are made with the global framework in mind.

Our number one trade policy priority is a successful conclusion to the Uruguay Round. A failed round would unleash a protectionism that no one wants. A successful and early completion to the worldwide negotiations, including a resolution of the tough agricultural issues and market access in goods and services, is critical to a healthy world trading system. The prospects for success have increased recently as a result of the European Community's agreement to reform its Common Agricultural Policy focusing especially on grain and oilseeds.

Another of Canada's priorities is the continued implementation of the Free Trade Agreement (FTA) with the U.S. and our negotiations toward a North American Free Trade Agreement (NAFTA) with the U.S. and Mexico. These are both steps Canada is taking to remain competitive. The Canadian approach to the NAFTA negotiations

builds on the Canada-U.S. FTA implemented over three years ago and is closely co-ordinated with Canada's efforts in the Uruguay Round of the Multilateral Trade Negotiations (MTN).

We have assured Japan and other trading partners that NAFTA will be consistent with the General Agreement on Tariffs and Trade (GATT) and will result in expanding trade opportunities. We think NAFTA will be of significant benefit to Japanese companies, particularly those that invest in the North American market.

Finally, I would like to say a few words about the Honda case, which has been in the news so much recently.

We have strongly objected to the way U.S. Customs interpreted the FTA, when it concluded that the Honda Civics made in Canada did not have 50 per cent territorial content.

The Canadian government acted quickly and decisively in protecting our interests and in registering our concern. Last week, the Prime Minister delivered a forceful message to President Bush regarding recent U.S. trade actions including the Honda case.

We have already activated the FTA dispute settlement process by requesting Chapter 18 consultations with the U.S. If the matter is not resolved through consultation, we intend to request a binational panel. We continue to consult closely with Honda and will use all means at our disposal to protect the rights of all Canadian exporters, be they Canadian-owned or foreign-owned, to gain access to the U.S. market in accordance with the FTA rules. We will continue to press the case with utmost vigour.

For Canada, the key to success in the interdependent and competitive world of the 1990s will be to maintain and strengthen mutually beneficial trade relationships like the one Canada enjoys with Japan.

The lasting and prosperous partnerships between Canadian and Japanese firms located in Mississauga are proof of this. We have much to be proud of in terms of the economic accomplishments emerging from the Canada-Japan relationship but we cannot rest on our laurels.

If we, government and business working together in partnership, accept the challenge of building a renewed trade relationship with Japan, I believe we will be setting an excellent example for building a transpacific trading culture and a more prosperous world for all of our peoples.

Thank you.