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Canada and

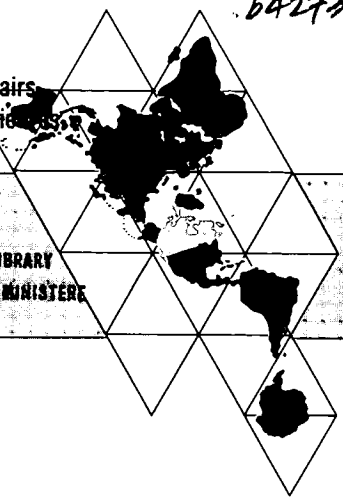
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As the centrepiece of its Pacific policy, the Canadian government has placed high priority on the development of relations with Japan, a country that since World War II has emerged as a global economic and technological leader. Canadian trade with Japan exceeds that of the total combined trade with three of Canada's most important trading partners in Europe. Indeed, Japan offers excellent prospects for financial relations and for investment. Since 1984, a high-level focus, new programs, and new bilateral initiatives and agreements have solidified a valuable relationship encompassing important political and economic ties and enriching cultural exchanges.

POLITICAL RELATIONS

In recognition of Japan's increased international role, Canada has expanded its political consultation and co-operation with that country on all major global and regional issues. For instance, the two prime ministers have met four times in the past three years, and some 22 consultative mechanisms exist, including the annual Foreign Ministers' Consultations, the Joint Economic Committee, policy planning talks, as well as others in various sectors. Important consultations also take place in the multilateral forums in which Canada and Japan share common membership, such as the United Nations, the Organization for Economic Co-operation and Development (OECD), the General Agreement on Tariffs and Trade (GATT), and the Group of Seven Economic Summit countries.

Strengthened consultations and targeted pursuits of Canadian objectives are components of the Strategy for Japan, a plan of action adopted by Cabinet in 1986 aimed at providing leadership and co-ordination in the pursuit of Canadian political, economic and cultural interests in Japan.

ECONOMIC RELATIONS

Economic relations between Canada and Japan offer great potential. The Strategy for Japan promotes mutual economic growth through trade and investment, and in the new areas of expanded financial market activity, technology acquisition and development, industrial co-operation, and tourism.

Trade

Over the past decade, trade between Canada and Japan has quadrupled. Japan is now Canada's single largest overseas market and Canadian trade with Japan is greater than the combined trade with Canada's three largest European partners. In recent years, Canada has moved from a traditional trade surplus with Japan into a temporary deficit situation. However, the export/import trend of the first half of 1988 indicates a return to the surplus position is likely by the end of the year. Evidently, the long-awaited yen revaluation, combined with steps to liberalize Japan's domestic market and stimulate demand, has created new export opportunities for Canada, particularly in sectors beyond the traditional commodity categories.

Investment

Realizing that Japan is a significant overseas investor with multinational capabilities and a willingness to expand its manufacturing base abroad, Canada strongly favours Japanese direct investment, particularly in the manufacturing sector, and has an active promotion program in Japan. Japan's direct investment in Canada exceeds \$3.6 billion, while its portfolio investment is more than \$34 billion. Canada will continue to be an attractive environment for Japanese investment because of increased access to the U.S. market. Other significant factors also favour Japanese investment, such as resource availability, low-cost energy, competi-

tive labour costs, high productivity, and quality of life.

Finance

As a result of a reciprocal banking agreement that was concluded in 1980, Japanese and Canadian participation in each other's banking sectors has grown noticeably. The six largest Canadian banks have branches in Tokyo, and there are 11 Japanese-owned banks operating in Canada. The banks tend to concentrate their fee-based activities in the areas of trade financing, foreign exchange dealing, trading in money-market securities, and the arrangement of currency and interest rate swaps.

Science and Technology

Canada and Japan concluded a Science and Technology (S and T) Agreement in 1986 that provides a formal stimulus to the expansion of joint research and development projects across a broad spectrum of peaceful technologies. The agreement could move the relationship in the direction of joint technology development. A joint S and T Complementarity Study has been initiated to determine suitable research areas for mutual co-operation. Japanese industry has been favourably impressed by Canadian technology, especially in the fields of space science, laser development, communications, computer software, advanced transportation systems, the environment, medicine, agriculture, and energy processing.

Japan's rapidly growing status as a world force in S and T development encouraged the Canadian government to initiate the Technology Awareness and Acquisition Program (TAAP) for Japan which has funded several major industry-led missions to strategic sectors in

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that country and has made available Canada-wide the new technology knowledge gained. The Technology Inflow Program (TIP) of the Department of External Affairs is also in high demand for Japan.

Tourism

Japan is the second-largest source of overseas visitors to Canada. The total number of Japanese visitors in 1987 was 311 687 and they spent \$299 million. Canada's west coast is the most favoured destination of Japanese tourists, although Ontario and the Atlantic provinces (given the popularity of *Anne of Green Gables*) are increasing in demand.

Because investment in tourism usually facilitates visitors, many opportunities exist for Japanese participation in the continued development of Canada's tourism sector. There is room for Canadian participation in the Japanese tourism sector although to date minimal investments have been made. The number of Canadian visits there grew from 28 000 in 1979 to 48 000 in 1987, and Canadians' spending in Japan rose from \$15.6 million to \$49.7 million.

CULTURAL RELATIONS

The governments of Canada and Japan view strengthening of cultural relations as essential to the bilateral relationship.

Both governments recognize that unless greater knowledge of culture, capabilities, language, and potential is encouraged, both countries stand to lose significant markets, investment, and influence to competing nations. Thus, both governments have established a variety of programs and mechanisms to increase mutual awareness. For instance, the Japanese government has undertaken the Japan Exchange Teachers Program (JET). In 1988, Canada became a source of these teachers, and 80 Canadians were selected for the program. In 1988, the Japanese government also gave \$1 million to the Canada Council, a federal

government agency, to foster cultural exchanges between Japan and Canada.

The Canadian government also sponsors a variety of programs, including an annual Canadian familiarization tour for members of the Japanese publishing industry; sponsorship in Japan of Canadian performing groups and artists; the provision of 22 scholarships for Japanese students to study in Canada; promotion of Canadian studies in Japan; and awards designed to encourage publication and broadcasting of works on Canada in Japan and translation of Canadian material into Japanese.

	CANADA	JAPAN
Type of government	Constitutional monarchy	Constitutional monarchy
Area	9 970 610 km ²	378 000 km ²
Population	25.6 million (1987)	121.4 million
GNP	C\$493 billion (1986) C\$537 billion (1987)	C\$2 743 billion (1986) C\$3 053 billion (1987)
GNP per capita	C\$ 19 445 (1986) C\$ 20 963 (1987)	C\$ 22 594 (1986) C\$ 25 000 (1987)
Inflation rate	4.4 % (1987)	1.1 % (1987)
Unemployment rate	8.9 % (1987)	2.7 % (1987)
Current account	Deficit C\$8.9 billion (1987)	Surplus C\$92 billion (1987)

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