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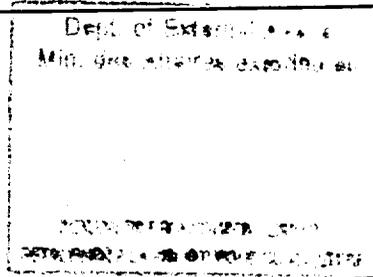
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**FOREIGN AFFAIRS AND
INTERNATIONAL TRADE CANADA**

**TRADE DEVELOPMENT PLAN
FOR JAPAN**

FY 1994-95

**JAPAN TRADE DEVELOPMENT DIVISION / PNJ
(613) 996-2458**



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TRADE DEVELOPMENT PLAN FOR JAPAN

APRIL 1, 1994 - MARCH 31, 1995

This document has been prepared by the Japan Trade Development Division (PNJ) of the Department of Foreign Affairs and International Trade to provide other Federal and Provincial agencies with an outline of market development activities planned and budgetted in FY 1994/95. It is the product of extensive consultation between this Department and its many public and private sector partners throughout Canada. The contents were reviewed by participants at the recently-held International Trade Business Plan sector meetings, and are consistent with the blueprint of Federal Government trade development undertakings agreed-to for the year.

Most importantly, the document reflects and complements **CANADA'S ACTION PLAN FOR JAPAN**. The activities to be initiated in the following priority sectors,

- * Processed Food Products
- * Advanced Technologies
- * Building Products & Services
- * Aerospace Industries
- * Automotive Parts
- * Seafood Products
- * Tourism

are designed to either alert export-ready companies to the opportunities in Japan, help clients adapt the good or service to the particular requirements of the marketplace, or assist Canadian firms in their promotional efforts both in the Tokyo area and increasingly, in the lucrative regional markets throughout the country. Readers should refer to the separately-printed Action Plan document (updated and distributed several times a year) which provides a full description of Canada's trade development strategy for Japan.

DFAIT plans to invest approximately \$2.5 million in the 1994/95 marketing program, an amount which will be enhanced significantly by corporate cost-sharing contributions. The activities are coordinated and delivered by a team of PNJ trade development officers (listed on the following pages), who work closely with DFAIT's network of Trade Commissioners and Commercial Officers at four Posts in Japan. Readers interested in finding out more about the Trade Development Program for Japan in 1994/95 should direct their questions to these officers.

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JAPAN TRADE DEVELOPMENT DIVISION (PNJ)

OFFICER RESPONSIBILITIES

Peter Campbell, Director (613-995-8985)

- * Overall division manager
- * Resources and personnel
- * Trade strategy for Japan

Phil Holton, Strategy and Analysis (613-995-1282)

- * Standard briefs/briefing books
- * Issues revue (quarterly)
- * Trade ops memo (weekly)
- * PNJ input to MTN process
- * Trade access issues
- * Liaison on regional issues (PBEC, PECC, APF, APEC)
- * Japan USA relations
- * Japan EC relations
- * Trade-related finance/aid
- * Energy and resource industries/EMR liaison
- * Environmental issues
- * BACK-UP FOR: Automotive

Brian Oak, Deputy Director (613-996-2458)

- * Manager of TID program
- * Promotional projects planning
- * Divisional budgets/work plans (including PAC 2000)
- * Divisional personnel issues
- * Liaison with business groups
(CJBC, BCNI, CCC, CEA, JETRO, CJTC)
- * Communications strategy and publications
- * Outreach coordination and implementation

John Schofield (613-995-8596)

- * Tourism development/liasion with Tourism Canada
- * Defence and aerospace industries (including space)
- * S&T liaison (JSTF, TIP)
- * Industrial and third country cooperation
- * Biotech, advanced industrial materials
- * Service industries (consulting, education)
- * Osaka liaison
- * BACK-UP: Communication & info industries, electronics

Pat Cronin (613-996-2460)

- * Communication & info industries (incl. telecoms, hardware/software)/ISC liaison
- * Electronics
- * Ocean industries
- * Consumer products (furniture, apparel, products for the elderly, jewellery)
- * Cultural industries
- * Medical equipment/services
- * Fukuoka liaison
- * BACK-UP: aerospace industries/biotrech/defence

Wayne House (613-995-1678)

- * Automotive industries
- * Transportation equipment (non-aerospace, non-auto)
- * Building products
- * Environmental equipment/technologies
- * Industrial equipment n.e.s.
- * Nagoya liaison

Lorraine Elworthy (613-992-6185)

- * Agricultural products and food/AgCan liaison
- * BACK-UP: fishery & seafood products

Daniel Caron (613-995-1677)

- * Fishery & seafood products/FANDO liaison
- * BACK-UP: agriculture & food, building products
consumer products

Richard Lovatt (613-944-5941)

- * Investment Development Program (Japan & Asia)

**AGRICULTURE, FOOD PRODUCTS & RELATED:
Processed Food & Beverage**

Lorraine Elworthy
(613) 992-6185

Market Opportunity:

Japan is the world's largest net importer of agriculture and food products. In 1992 purchases totalled \$45 billion, a 6% increase over the year before. With the Yen projected to remain strong and a politically-supported opportunity for foreign suppliers to compete effectively with a less-efficient Japanese agri-food sector, these levels of import penetration will continue to expand. Building on Canada's established role as a reliable supplier of quality primary agricultural products remains fundamental. The required institutional and corporate linkages necessary to ensure proper management of the trade relationship in these products are generally well established and operate effectively (e.g. annual canola consultations, "informal" agricultural consultations, etc.). The principal opportunity areas for Canadian exporters in the processed subsector are to be found in value-added niche markets, the mainstream retail trade (over the longer term and in tandem with established Japanese partners) and the HRI sector, to exploit the vast Japanese foodservice and hospitality sector.

Supplier Capability:

Japan is Canada's second-largest country market. Our agrifood exports to Japan totalled \$1.5 billion in 1992 (up 9.6% over 1991). We are that country's sixth largest supplier, accounting for a 5% share of the market. Canada's ability to meet the supply requirements (quantity, reliability, quality and price) for traditional agricultural exports to the Japanese market is well established. For example, some 90% of our canola exports representing approximately half of Canada's production goes to Japan. Oilseeds, grains, red meats and feeds are proven export commodities and account for nearly 90% of our total sales.

The difficulty of translating this achievement in primary product exports to the development of products capable of meeting the specific demands of the Japanese processed food market is often not appreciated. Nevertheless, common sense dictates that such products would benefit from a viable domestic sales base, a successful export record to more traditional/better understood markets, a reformulated product to meet Japanese tastes, a reoriented marketing approach to coincide with Japanese business practices, and sufficient quality and supply capabilities to capitalize on both initial and follow-on opportunities.

Action Plan:

Develop a broader awareness of traditional Japanese consumer behaviour and requirements, coupled with an understanding of new/emerging trends affecting demand in the marketplace, by improving the timeliness, quality and distribution of market intelligence and research, and by translating major demographic projections into supply opportunities (eg. such as those in the convenience food segment).

Invest in adaptation initiatives which re-orient and/or build upon the basic strengths of appropriate Canadian products to meet Japanese consumer tastes, by encouraging longer term strategic relationships between Canadian & Japanese firms (especially in the mainstream retail sector) and in light of any new opportunities brought about by the successful conclusion of the Uruguay Round.

Promote projects effectively through cooperative and innovative projects with key decision makers, by taking advantage of emerging challenges to the traditional Japanese distribution and retail system, by fostering linkages in the HRI sector, and by increasing the focus on regional Japanese markets..

FUNDED PROJECTS

<u>ACTIVITY/EVENT</u>	<u>DATE</u>	<u>BUDGET</u>	<u>P</u>
Menu Development	All year	\$60,000/NTS	1
Osaka: New Business Dev-Food (non-traditional business)	All year	\$25,000/NTS	2
Annual Cdn. Culinary Competition	TBD	\$30,000/NTS	3
Canada Days Food Fairs	Jun-Jul	\$50,000/NTS	4
Japnse Chef Training (in Canada)	TBD	\$35,000/NTS	5
Osaka: Food Buyers' Mission	Nov. 94	\$10,000/PEMD	6
Regional Food and Consumer Shows	All year	\$50,000/NTS	7
Company Prod. Demos	All year	\$50,000/NTS	8
Foodex 95	March 95	\$100,000/PEMD	9
Food & Cons. Product Gift Show	TBD	\$10,000/PEMD	10
Osaka: Menu Development	July 94	\$10,000/NTS	11
Key Sectors: Red Meats	TBD	\$100,000/PAC	12
Dehy Alfalfa Business Plan	TBD	\$25,000/PAC	13
Bovine Genetics Business Plan	TBD	\$25,000/PAC	14
TOTAL FUNDED		\$580,000	

UNFUNDED PROJECTS

Osaka: SOLO Food Show	Mar 95	\$33,000/PEMD	15
Fukuoka: SOLO Food Show	Mar 95	\$10,000/PEMD	16
Osaka: CDN Wine Promotion	June 94	\$17,000	17
Fukuoka: Food Buyers Mission	TBD	\$35,000/PEMD	18
CDN Food Trade Press Visits	TBD	\$20,000/NTS	19
Nagoya: Food Messe '94		\$15,000/PEMD	20
Reg Food Market Analysis	TBD	\$100,000/NTS	21
Osaka: Cooking Comp for Execs	June 94	\$20,000	22
Osaka: Int Food Show '94	Oct 94	\$52,000	23

TOTAL UNFUNDED

\$359,000

**ADVANCED TECHNOLOGIES PRODUCTS/SYSTEMS:
COMPUTER SOFTWARE**

Pat Cronin
(613) 996-2460

Market Opportunity:

Canadian informatics products have done well in Japan in recent years in relatively narrow but lucrative niches, with sales measuring over C\$2.5 million annually. This trend is expected to continue as the demand for products and services grow at an estimated rate of 12.5%.

In Japan, the software market developed without one standard for PC software. Change is a gradual process and although IBM Japan's introduction of DOS/V as a "strategic standard" for the Japanese market has influenced developments, the software market is still affected by the modifications to MS-DOS used by several leading hardware manufacturers. In recent months, purchases of non-NEC standard hardware has increased market opportunities for imported software, which was estimated at US\$370 million for 1992. Japan is dependent on imported software, with 90% of the product sourced from the United States.

Software, to be successful in Japan, should have manuals translated into Japanese and if possible, Japanese-language capability for use on Japanese-only machines.

Supplier Capabilities:

Most Canadian software companies are small, undercapitalized and do not have a strong international marketing capability. However, Canadian software firms have developed excellent products which meet niche market needs in Japan and elsewhere. It is recognized that support in promoting the sector will greatly assist the marketing and positioning of Canada as a world leader in software development, especially in niche markets.

Action Plan Strategy:

The niche market structure requires less reliance on broad-based trade missions and shows, and more reliance on product and company-specific efforts. Awareness of the Japanese market will be built through the information technologies "Trends" publication aimed at identified companies with specialized, technically advanced products with prospects in Japan. Working cooperatively with OGDs, industry associations etc., assist companies in adapting to the Japanese market by providing improved market information. Promote the Canadian software industry via an expanded number of key contacts in the Japanese market and by increasing Japanese awareness of this sector through the distribution of company profiles translated into Japanese.

FUNDED PROJECTS

<u>EVENTS</u>	<u>DATE</u>	<u>BUDGET</u>	<u>PRIORITY</u>
"Trends" Newsletter	All year	20,000	1
Software Mission to Japan in conjunction with the World Computing Congress	June 94	15,000	2
		TOTAL FUNDED	\$ 35,000

UNFUNDED PROJECTS

Incoming Japanese Mission to Softworld 94 (proposed)	Sept 94	Nil	3
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Market Opportunity:

Privatization and the resulting competition in the Japanese telecommunications sector has had a broad impact on the market. The primary components of the reform were the introduction of the principle of competition to all areas of domestic and international telecommunications, the privatization of Nippon Telegraph and Telephone Public Corporation (NTT), and the liberalization of the terminal equipment market. Since 1987, Japan's imports of telecommunications equipment have increased an average of 38.5% annually. The focus has been on the manufacturing segment of this sector, but there are emerging markets for telecommunications services and consulting services.

The imminent divestiture of NTT, the participation of foreign carriers in the Japanese international carrier business, and the growing number of Type I and Type II carriers signal an opening in the telecommunications market in Japan for foreign suppliers. Over 40% of large corporations are using Integrated Services Digital Network (ISDN) and NTT plans to complete the digitization of its switching facilities by 1997. Frame relay exchanges, offering high speed interoffice data communications systems, have been well received in the Japanese market and are expected to find extensive use before the commercial availability of broadband ISDN (B-ISDN) services such as audio-visual teleconferencing and multimedia. Growing trends for the provision of international "seamless services" to international telecommunications carriers is another opportunity for Canadian manufacturers of equipment compatible with international standards. Canadian companies can also offer systems engineering support for Japanese products aimed at North American markets.

Supplier Capability:

Canadian companies with a proven track record in the North American market can provide equipment and end-user services either directly or through strategic partnering arrangements.

Action Plan Strategy:

Build awareness of Canadian export capability in telecommunications products and services and enhance the Japanese understanding of the Canadian telecommunications industry by fostering strong links through the industry associations. In the short to medium term, assist Canadian industry by providing timely market information and intelligence on trends and opportunities in the Japanese market, and advise on regulatory changes which affect the business environment in Japan. Continue to promote Canadian company products via selected initiatives.

FUNDED PROJECTS

<u>EVENT</u>	<u>DATE</u>	<u>BUDGET</u>	<u>PRIORITY</u>
"Trends" Newsletter	All year	20,000	1
	TOTAL FUNDED	\$20,000	

UNFUNDED PROJECTS

Incoming Japanese Mission to InterComm 95	Feb 95	N/A	2
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**CONSTRUCTION & RELATED:
BUILDING PRODUCTS**

Wayne House/PNJ
(613) 995-1678

Market Opportunity:

Japan, with 1.4 million housing starts annually, a strong yen and government encouragement to import, represents a virtually-untapped market for Canadian exporters of building products and prefab housing. The country has for some time been Canada's largest off-shore market for forest products such as lumber and pulp/paper, but we lag seriously behind the U.S. and European exporters when it comes to sales of value-added, high-end manufactured components for the housing sector. The 2X4 method of construction was introduced by Canada to Japan some 20 years ago, and more recently 3-storey wooden apartment construction has been approved for non-fire risk areas in Japan, offering another promotional opportunity particularly in smaller, regional markets.

Supplier Capability:

With the on-going recession in North America putting a damper on housing starts, there are large numbers of Canadian companies which are struggling to stay afloat in difficult economic circumstances. Most companies have unused production capacity and are in a position to supply new markets such as Japan. In many cases, the products which they have to offer are readily accepted in Japan, or can be made so by simple adjustments in size and/or design. These facts have been proven time and again as incoming groups of Japanese home builders have made hurried buying visits, liked what they saw in Canada, and placed literally millions of dollars worth of orders on-the-spot. Successful Canadian manufacturers have shown themselves to be more than willing to train Japanese workmen in proper installation techniques, provide special tools if need be, and visit their customers repeatedly to establish a trustful working relationship. The size of many Canadian companies is a good match for their Japanese counterparts, who may be small builders erecting 25-50 houses annually. The on-going challenge remains that of educating Canadians with regard to the market opportunity which they are overlooking if they are not selling in Japan.

Action Plan Strategy:

Build awareness within the Canadian housing sector of the Japanese opportunity by making exporters aware of the size, structure, needs and growth of residential housing in Japan.

Assist Canadian companies to adapt their products to suit Japanese tastes, regulatory requirements, size/colour preferences, business methods, just-in-time delivery schedules etc., by conducting an aggressive and highly-targeted outreach program within Canada.

Promote housing products in a variety of ways in Japan, including trade shows of various types, product showrooms, model homes, solo show events, seminars, demonstrations, showcases, technical training, product brochures/installation instructions in Japanese, advertising in trade journals, in-plant training and product awareness.

FUNDED ACTIVITIES

<u>Activity/Event</u>	<u>Date</u>	<u>Budget</u>	<u>Priority</u>
Off-Site Housing Promotional Program	All Year	40,000/WMTD	1
Building Products Missions To Canada (S.G.Kai)	May, August, November/94	22,500/PEMD (7,500/mission)	2
MOC/NRC Building Standards Initiatives	July/Oct 94	37,000/WMTD	3
Tokai Building Products Mission To Canada	Sept/94	17,500/PEMD	4
Prefab Housing Mission/Seminar Series in Japan	Jan/95	75,000/PEMD	5
Building Products Solo Show, Fukuoka	Feb/95	10,000/PEMD	6
Japan Stone Fair 94	Nov/94	25,000/PEMD	7
Tokai 2X4 Assn Mtg: Canadian Speaker	Sept/94	5,000/NTS	8
Sapporo & Sendai Building Product Shows	Sept/94	20,000/PEMD (10K each)	9
Canadian Housing Solo Show, Osaka	June/94	40,000/PEMD	10
3-Storey Apartment Video Project, Osaka	All Year	50,000/NTS	11
3-Storey Apartment Seminar Project, Osaka	All Year	30,000/NTS	12
Kansai Building Products Solo Show, Osaka	Nov/94	20,000/PEMD	13
Kansai Building Products Mission To Canada	Sept/94	10,000/PEMD	14
Japan Home Show 94	Nov/94	5,000/NTS	15
Dimension Stone Mission To Canada	July/94	6,000/NTS	16
Mfured Housing Directory Translation	May/95	3,000	17
TOTAL FUNDED		\$416,000	

UNFUNDED ACTIVITIES

<u>Activity/Event</u>	<u>Date</u>	<u>Budget</u>	<u>Priority</u>
Prefab Housing/Panel Users/Investors/Buyers Mission to Canada	March/95	7,500/PEMD	17
Kobe Interhome Fair	June/94	25,000/PEMD	18
Forestry Industry Buyers Mission to Canada	Oct/94	15,000/PEMD	19

TOTAL UNFUNDED: \$47,500

**CONSUMER GOODS:
CHILDREN'S PRODUCTS**

Pat Cronin
(613) 996-2460

Market Opportunity:

There are presently 10 million children aged 6 and under in Japan, for whom \$US 40 billion is spent annually. Although Japanese families are getting smaller, expenditure per child is increasing. Tokyo children, for example, own an average of 411 toys each, and sales of infant care products in Japan have nearly doubled since 1989. Foreign labels are popular, and the strong yen should serve to make them more affordable. The introduction of Toys-R-Us and the growing influence of department stores should also increase opportunities for Canadian manufacturers.

Supplier Capability:

The toys and games industry in Canada is not generally considered to be internationally competitive, particularly in licensed products produced in branch-plants serving the domestic market. Where Canadian industry can expect to make inroads in Japan is in the educational/design area. Led by the continuing growth in these sectors, Canadian exports to Japan have increased from less than \$500,000 in 1991 to well over \$1.5 million in 1993. Canadian exporters will likely have the most success in niche markets, with high quality products that show creativity, uniqueness, or a particularly Canadian image.

The children's apparel sector in Canada is composed of smaller companies, a few of whom are successfully operating within the Japanese market. Within the industry, there is a strong orientation towards the United States, and as such knowledge about and interest in Japan is somewhat limited. However, there are some companies with superior design and finishing standards and the potential for these companies to penetrate the Japanese market is good.

Canada has excelled in production of children's entertainment, including television, cinema, books and recordings. In the film and television sector, the initial reaction to Canadian products has been positive. In other subsectors, Canadian entertainers touring Japan have met with success (e.g. Cirque de Soleil).

Current and Future Directions:

Build awareness and understanding of the opportunities offered by the Japanese market for children's products, and identify Canadian firms capable of exploiting the growing educational and creative market segments, by disseminating information as widely as possible and working closely with regional industry associations and other intermediaries.

Assist export-ready Canadian suppliers market their products effectively to the Japanese consumers by creating opportunities that maximize exposure of Canadian firms to Japanese buyers, particularly in the increasingly important regional markets in Japan.

FUNDED ACTIVITIES

<u>EVENT</u>	<u>DATE</u>	<u>BUDGET</u>	<u>PRIORITY</u>
Childrens Product Solo Show/Tokyo	Oct/94	75,000	1

TOTAL FUNDED

\$75,000

**CONSUMER GOODS:
CULTURAL INDUSTRIES**

Pat Cronin
(613) 996-2460

Market Opportunity:

In the past years, Japan has been noted for its interest in Western art, especially the Old Masters market. With the downturn in the economy, purchasers have sought out original art at lower prices. A healthy print market exists, but most of the prints are sourced from Europe, primarily France. The Japanese view of Canada as a place of unspoiled nature and wildlife has opened an opportunity for visual artists (landscape and wildlife). In the film and broadcasting media, Canada and Japan are in the process of signing a co-production agreement which will increase cooperation and interest in Canadian production. Opportunities also exist for post-production work in Canada, especially in multimedia and animation.

Supplier Capability:

While cultural industries have traditionally been viewed as non-commercial, significant opportunities in these sectors exist. Canadians are increasingly looking for international markets to support financially the lively artistic sector as government funding sources are dwindling. Arts and cultural industries are important to the national economy, earning approximately \$6 billion in Canada in 1991-92, and these earnings are expected to grow at a rate of 10-15% annually. The revenues from the export of cultural products are also significant and were estimated at more than \$350 million in 1989. In video and film, Canadian firms are experiencing success in such global niche markets as docudramas, children's programming, literature, film, and dramatic series. The arts sector in Canada has undergone major operational restructuring and is presently looking at more effective marketing to ensure long term growth. The industry in Canada is vibrant, despite some financial difficulties, and offers high quality talent, expertise, and an extensive infrastructure of presenting facilities. To date, Canada has signed film and television joint production agreements with 23 countries. In visual arts, Canadian artists enjoy international success. Japan has traditionally been a good market for Inuit and native arts.

Current and Future Directions:

Alert Canadian companies to the opportunities presented by the imminent signing of a Film and Broadcasting Agreement on Co-production with Japan by Publishing industry's assessment of the expected results. This agreement will enable Canadian companies to ensure that co-productions meet CRTC regulations. In the past, it has been shown that there is a marked increase in the activities between countries when an agreement of this sort is in place.

Develop a market for landscape/wildlife art by assisting a private Japanese corporation to locate and purchase Canadian art, which will be shown and sold in Japan at a major exhibit. This will also assist Canadian industry to gain greater knowledge of what is appropriate to the market, and attractive to the Japanese.

FUNDED PROJECTS

<u>EVENT</u>	<u>DATE</u>	<u>BUDGET</u>	<u>PRIORITY</u>
Co-production Promotional Event/Banff	June/94	10,000	1

UNFUNDED ACTIVITIES

Maruzen Art Show and Sale, Nagoya	May 94	N/A	N/A
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**CONSUMER GOODS:
FURNITURE**

Pat Cronin/PNJ
(613) 996-2460

Market Opportunity:

Japan imported furniture totalling 188.6 billion yen in 1991, but the rate of growth of those imports has fallen sharply since the beginning of the 1990s. This decrease was largely a result of the collapse of the "bubble economy" and the general slow down in consumer spending which followed. However, it is important to note that the fundamentals of the Japanese furniture industry have not changed: labour shortages, rising labour costs, and lack of domestic materials are all prevalent. As well, consumer interest in interior design has been growing over the last several years, as part of a popular trend toward westernized lifestyles.

Supplier Capability:

The Canadian furniture industry has recently undergone massive restructuring as a result of the Free Trade Agreement and the recession. The remaining manufacturers are characterized by an excellent understanding of their markets, enhanced efficiencies and production, and design quality. A handful of companies are already exporting to Japan, mostly into niche markets or in the institutional side of the industry.

Exporters are likely to have the most success in the contract furniture area, selling high-end products with a distinctly Canadian appearance to golf clubs, hotels and other public facilities. With respect to office furniture, quality Canadian furniture for executive offices shows some niche potential. Being approximately 25% larger than the Japanese equivalent, it is costlier and demands more space -- which is at a premium in Japan. However the prestige, top-of-the-line appeal of expensive looking office furniture for the most senior executives of larger companies in Japan offers clear possibilities.

The market for residential furniture and furnishings is extremely competitive; while a number of Canadian manufacturers are currently doing well exploiting highly selective niche market opportunities, by and large this segment holds minimal promise for exporters.

Current and Future Directions:

Build awareness and understanding of the Japanese market amongst selective, export-ready Canadian manufacturers, especially of the particular needs/tastes of Japanese consumers, by providing timely market information and intelligence; assist companies adapt their products accordingly, by bringing firms in contact with expert intermediaries (eg. JETRO import specialists).

Build Japanese buyer awareness of the Canadian industry by exposing possible clients to Canada-based facilities and products.

FUNDED ACTIVITIES

<u>EVENT</u>	<u>DATE</u>	<u>BUDGET</u>	<u>PRIORITY</u>
Furniture Buyers Mission: IIDEX	Nov 94	35,000/PEMD	1
Furniture Buyers Mission to Canada (Fukuoka)	TBD	25,000/PEMD	2
	TOTAL FUNDED		\$60,000

UNFUNDED ACTIVITIES

West Japan Total Living Show	Mar 95	5,000/PEMD	3
Tokyo International Furniture Fair	Dec 94	5,000/PEMD	4
	TOTAL UNFUNDED		\$10,000

**CONSUMER GOODS:
JEWELLERY**

Pat Cronin/PNJ
(613) 996-2460

Market Opportunity:

The Japanese market for jewellery is estimated at approximately US\$17.5 billion, of which Canadian exports comprised about C\$6 million in 1992. Although the market enjoyed a steady increase of some 5% annually throughout the 1980s, there was no increase in size in 1991 compared to the previous year, due primarily to the collapse of the "bubble economy" and the subsequent recession. Demand is driven mainly by "newness", "quality", and "originality".

Younger Japanese consumers are showing a preference for inexpensive metal jewellery over imitation (costume) jewellery. Products containing high levels of precious metal, such as 24 carat gold or platinum 950, are currently trendy because of relatively low prices and the development of new techniques which preserve the solidity of high grade materials. There is also a trend toward simpler, but unique, designs, and higher overall quality in jewellery. The strong yen should help sales of imported jewellery in Japan.

Supplier Capability:

A small number of Canadian designers producing high-quality, innovatively-styled jewellery are very interested in entering the Japanese market. These designers have varying degrees of export experience, but a few, including Birks, have already begun selling to Japanese consumers through a Japanese sales agent. Birks and other jewellery manufacturers have capably managed recent solo shows in Japan (at the Canadian Embassy) with good results.

Current and Future Directions:

Build awareness of the opportunities available in Japan among Canadian designers and of the distribution system for jewellery, by working closely with the Jewellery Association and other industry contacts.

Assist Canadian designers adapt their designs to the tastes of the Japanese consumer by continuing to keep abreast of industry trends in Japan, and by ensuring that market information is passed on to Canadian designers in a timely and usable fashion.

Assist Canadian designers market and distribute their products effectively, by identifying and exploiting opportunities in both countries for maximizing buyer/broker exposure to Canadian jewellery.

All activities are to be self-funded.

**CONSUMER PRODUCTS:
PRODUCTS FOR THE ELDERLY**

Pat Cronin/PNJ
(613)996-2460

Market Opportunity:

The "Silver Aged" market in Japan encompasses a wide range of products and services for care in hospitals, nursing homes and residences, as well as those aimed at independent seniors. In 1990, this market was worth approximately \$344 million, but demographic changes in Japan, coupled with shifting living conditions point to an expected market of \$1 trillion by the year 2000. The Japanese population, which enjoys the longest life expectancy in the world, is aging at a faster rate than in other OECD countries. One in eight Japanese is currently over 65, and that figure is expected to increase to one in four by the year 2010. As well, the elderly are more often living independently or in assisted care situations than in previous generations, when they could expect to live with adult children.

Supplier Capability:

Currently Canada supplies less than 1% of medical and health care products consumed in Japan. However, Canada's reputation as a country with an advanced social welfare system reflects very well on Canadian products designed for the silver market, and our recognized expertise in providing services in the area of care of the elderly, including design and management of nursing homes and long-term care facilities makes the industry particularly well-placed to exploit this emerging Japanese opportunity. A number of companies are currently exporting to Japan; many others are eager to begin but are hampered by their small scale which can make it difficult to operate in Japan.

As well, the complexity of the regulatory system in Japan has discouraged exporters in the past. The degree of difficulty of obtaining the required government approvals is primarily a function of product technology, and therefore commonly used technology is generally easier to have approved than new technology.

Current and Future Directions:

Build awareness and understanding of Japanese market opportunities among Canadian exporters, particularly of the complex regulatory and distribution systems, by ensuring timely dissemination of information to industry.

Assist companies adapt their products for Japan and to market them effectively by both exposing exporters to Japanese consumer needs and Japanese buyers to Canadian supplier capabilities, via highly-focussed promotional activities.

NOTE: Products for the Elderly is a term which encompasses both medical devices and assistive devices. In simple terms, if it can be sold in a pharmacy, it is a consumer product. Otherwise, as a medical device, the file is carried by the High Technology Section.

FUNDED ACTIVITIES

<u>EVENT</u>	<u>DATE</u>	<u>BUDGET</u>	<u>PRIORITY</u>
Solo Canadian Lifestyles Products Show/Osaka	June 94	45,000/TBD	1
Medical Devices Importers Mission to Canada	Fall 94	15,000/PEMD	2
	TOTAL FUNDED		\$60,000

UNFUNDED ACTIVITIES

JETRO Health Care Show	TBD	5,000/PEMD	3
	TOTAL UNFUNDED		\$5,000

**DEFENCE PROGRAMS, PRODUCTS & RELATED:
AEROSPACE**

John Schofield/PNJ
(613) 995-8596

Market Opportunity:

Japan's present aerospace industry dates from the 1950s, when the remnants of the pre-war industry were resurrected to provide a domestic capability to supply Japan's military. Despite occasional forays into commercial aviation, the focus of Japan's present aerospace industry has remained the military where 70 to 80 per cent of production is concentrated. Consequently, Japan's capability to supply the commercial aviation market is weak compared to its strength in other fields of advanced technology. Japan is a major consumer of offshore aviation goods and services, its several airlines ranking among the largest and best equipped in the world. The ambitious airport expansion program scheduled throughout Japan over the next few years, including the new 24-hour-per-day Chubu International Airport in the Nagoya region and the large Kitakyushu project in the Fukuoka region, will create numerous opportunities for Canada in a wide range of sophisticated products. For example, the additional traffic load will generate greater demand for air traffic control systems. To date, Canadian firms have not taken full advantage of the developing potential.

Supplier Capability:

The highly competitive civil aviation industry suggests that Canadian aerospace exporters would do well to consider forming strategic alliances with Japanese companies for the development of co-operative sub-assembly work for large aviation firms. Canadian expertise in avionics, airport design construction, pilot training, and repair/maintenance equipment/services represent growth opportunities for Canadian suppliers. Leading Canadian industry is the Aerospace Industries Association of Canada (AIAC) which through a Task Force of its key members is developing a comprehensive, integrated plan to improve supply capabilities in Canada and corporate trade performance in Japan.

Action Plan Strategy:

Build awareness within the Canadian aerospace industry of the dynamic changes taking place in the Japanese market by exposing capable exporters to a variety of studies, surveys, profiles and workshops and by liaising closely with the AIAC Task Force on the Japanese Aerospace Industry.

Support companies in their efforts to adapt their products to meet Japanese requirements, via activities designed to encourage partnering with Japanese firms.

Promote company capabilities effectively within the marketplace by involvement in critically important events with a Asia-regional focus.

FUNDED ACTIVITIES

<u>ACTIVITY/EVENT</u>	<u>DATE</u>	<u>BUDGET</u>	<u>PRIORITY</u>
1995 Japan International Aerospace Exhibition	Feb 1995	\$100,000 (PEMD)	1
AIAC Mission to Japan	Feb 1995	\$31,000 (PEMD)	2
TOTAL FUNDED:			\$131,000

Market Opportunity:

Japan is the world's largest market for fisheries products, absorbing more than one third of global exports. Japan imported US\$13.2 billion worth of fisheries products in 1992, an increase of 6% in dollar terms over 1991. Canadian exports totalled C\$650 million in 1992, which represented a drop in market share to roughly 4.3% and ranking us in eighth place as a supplier. Consumer tastes are changing in favour of value-added products as Western-style foods gain greater exposure, incomes rise, and more convenience is demanded. The prospects for continued import penetration have also been enhanced with the steady decline of the Japanese domestic catch.

Supplier Capability:

While established Canadian suppliers of traditional raw product will continue to do business through established channels, problems related to specie availability and aggressive competition from alternate importing sources (eg. Russia) will likely ensure only modest sales growth in the near future. On the other hand, more fully processed underdeveloped exports targetted at the retail and foodservices industries (live and frozen lobster, surf clams, crab, halibut and shrimp etc.) show excellent potential for significant market penetration.

Action Plan Strategy:

Build awareness and market knowledge by exposing appropriate Canadian exporters to trends and consumer practices in the Japanese marketplace;

Assist Canadian firms adapt product to the marketplace by identifying import requirements and impediments on a product-specific basis, by counselling exporters selectively and individually, and by supporting company initiatives specifically geared to value-added product redesign;

Promote the product in the marketplace by engaging a well-defined group of clients in selective, highly-focussed initiatives in Japan.

FUNDED ACTIVITIES

<u>EVENT</u>	<u>DATE</u>	<u>BUDGET</u>	<u>PRIORITY</u>
Tokyo Intl Seafood Show	June 94	\$125,000/PEMD	1*
Solo Seafood Show-OSAKA	June 94	\$ 30,000/PEMD	2*
Solo Seafood Show-FKUKA	June 94	\$ 25,000/PEMD	3*
Incoming Seafood Chefs and Journalists to B.C.	June 94	\$ 35,000/NTS	4
Strategic Alliance Mission (Value Added Products)	May 94	\$ 50,000/NTS	5
Incoming Chefs to Atl Cda	May 94	\$ 35,000/PAC2000v10	6
Special Lobster and Salmon Promotion at the opening of the Osaka Intl Airport	July 94	\$ 25,000/PAC2000v10	7

TOTAL FUNDED \$325,000

UNFUNDED ACTIVITIES

Generic Promotion Material			
Industry Initiated	TBD	\$100,000/PAC2000v10	8
Government Initiated	TBD	\$ 35,000/PAC2000v1	9
Incoming Frozen Herring Roe Mission	Oct/94	\$ 20,000/PEMD	10
Northern Shrimp Outgoing Mission to Japan	Fall/94	\$ 30,000/PAC2000	11
Incoming Underutilized Species Incoming Mission	Fall/94	\$ 20,000/PEMD	12
Japanese Video to promote Underutilized Species	TBD	\$ 50,000/NTS	13

TOTAL UNFUNDED \$ 255,000

* To be undertaken only on the basis of direct company support

INVESTMENT

Richard Lovatt
(613) 944-5941

Market Opportunity:

Canada continues to enjoy a growing profile in the Japanese business community as an investment location -- aided in no small way by Canada's G-7 membership and its Free Trade Agreements (FTA, NAFTA) within North America. Despite a major decline in Japanese FDI flows globally and to North America in the past two years, Canada's share of investment (measured as a percentage of annual flow) has doubled since FY 1985. During the same period, accumulated JFDI in Canada has more than quadrupled, from US\$1.675 to US\$7.2 billion. Increasingly, there are direct strategic alliance, joint venture and investment ties between Japan's regionally-based companies and foreign partners. Examples of specific sectors of interest include advanced electronic materials in Fukuoka (reflecting the large number of integrated circuit manufacturers in the region), alternative energy sources in Nagoya (due to the large concentration of transportation and automotive companies in the vicinity), and food processing and packaging technologies in Sapporo (an area with a strong agricultural base).

Supplier Capability:

Except in the automotive sector, Canadian capabilities have traditionally flowed largely from two types of activities: sources of raw materials and building distribution, and merchandising facilities for Japanese-made goods in Canada. In the past four years, Canadian supply capabilities for Japanese investment have been mainly from the sectors of forestry, real estate, service (including hotel and resort projects), trading/commerce and finance/insurance. However, Canada can also offer excellence in several additional areas, including the value added fields of resource processing, transportation, computer and communications, and strategic technologies.

Current and Future Directions:

To optimize Canadian participation in this growth market, Canada must develop an improved investment supply capability that meets the needs of the market, and present them to prospective investors in an effective manner -- clearly demonstrating the strategic advantages being offered. To do this, the Canadian investment community must be aware of business developments within Japan, adapt their offerings to meet Japanese overseas placement objectives, and promote their capability in a highly effective manner in this intensely competitive marketplace.

A variety of investment activities/events are proposed by the Tokyo and Osaka Posts, in the amounts of approximately \$166,000 and \$28,000 respectively (total: \$194,000), to be approved and funded by FAIT/TPE, partially under the Investment Development Program (IDP). In addition to the IDP, there is also support for investment projects in the amount of some \$200,000 under the Going Global Investment Program (GGIP) that is part of PAC 2000.

While these are listed below, they do not form a part of the Japan Trade Development Division's funded program.

ACTIVITIES PROPOSED FOR FUNDING

<u>ACTIVITY/EVENT</u>	<u>DATE</u>	<u>BUDGET</u>	<u>PRIORITY</u>
<u>Tokyo Post:</u>			
Program of Outcalls on Potential Investors	All Year	\$ 40,000	1
Guide to Attracting Japanese Investment	Spring/Fall	10,000	2
Translation	All Year	15,000	3
Direct Mail	All Year	15,000	4
Purchase of Publication	April 94	10,000	5
Business Climate Seminars - Regions	All Year	20,000	6
Tokyo Sowa Bank Investment Mission to Canada	October 94	10,000	7
Sector Specific Prospecting	Spring/Fall 94	10,000	8
Trade Media Visit to Canada	Spring/Fall	10,000	9
Ministerial Missions to Japan	All Year	6,000	10
Global Business Opportunities Conference (GBOC)	October 94	5,000	11
Techno Ocean '94 Trade Fair in Kobe	October 94	5,000	12
Pre-Fab Housing Investors and Buyers Mission to Canada	May 94	10,000	13
Sub-total for Tokyo:		\$166,000	

Osaka Post:

GBOC '94	October 94	\$ 5,000	1
Support to Ministerial	All Year	5,000	2
Outcall Program	All Year	5,000	3
Sector-Specific	All Year	10,000	4
Direct Mail Campaign	All Year	3,000	5
Sub-total for Osaka:		\$ 28,000	
TOTAL ACTIVITIES PROPOSED FOR FUNDING FOR JAPAN:		\$194,000	

OTHER SERVICES: TOURISM

John Schofield/PNJ
(613) 995-8596

Market Opportunity:

Japanese outbound travel has grown at an exceptional rate over the past 25 years, from 128,000 visits abroad in 1964 to 11.8 million in 1992. Despite the slowing of economic growth, industry observers predict that by the year 2000, over 20 million Japanese will travel overseas annually. Japan now ranks as Canada's most important overseas market in terms of visitor revenues, generating approximately \$435 million in 1992 excluding international airfares. As Japanese visitors generate the highest yield per day of any of our major markets (\$174 in 1992), potential incremental revenue is significant, provided Canada can maintain or increase its market share. Long-term Japanese visits (over 24 hours) increased by 3.6 percent in 1993 to reach 409,127 (preliminary figure); total visits from Japan to Canada increased 2 per cent to 505,812. The market profile of Japanese leisure travellers to Canada clearly defines distinct customer segments ("Office Ladies" - highest priority, "Silver Agers" and "Skiers"). Research is being done to identify additional market segments, e.g., "Middle-Age", "Business Travellers", and "Fullmooners". Recent Japan tax law changes put Canada into a better competitive situation with other countries for incentive travel. Furthermore, there is a marked trend toward increased curriculum-based school excursions to international destinations, which is formally encouraged by the Japanese government. In addition to the above, a major opportunity exists with the opening of the Kansai International Airport in September 1994.

In September 1993, a high-level Japanese Ministry of Transport (MOT) Tourism Mission visited Canada. As part of the Mission's program, a Canada-Japan Tourism Conference was held in Montreal. As the main action item, the head of the Japanese delegation, the Japanese MOT Parliamentary Vice-Minister, challenged the Canadian and Japanese industries to triple the number of Japanese visiting Canada from approximately 500,000 to 1.5 million.

Supplier Capability:

While the inventory of Canadian travel packages available in Japan is large, opportunities exist to further expand the variety of product, destination, and seasonality of tours. This has been underscored by the considerable change taking place in Japanese consumer travel purchase behaviour as a result of the "burst bubble" economy: a wiser consumer seeking value rather than "brand," an increase in small group as well as Foreign Independent Travel (FIT), and "off-peak" purchases. All these changes will require a long-term commitment to address. In order to meet the "1.5 Million Challenge", Tourism Canada has brought together a select group of senior industry representatives who are leaders in their fields, so that, together, a comprehensive plan can be developed to meet the challenge set by the Japanese MOT. This Canada Committee is undertaking analysis on a wide range of issues, including considerations such as the need for increased air capacity and access to Canada, new product and

packaging, customs and immigration policies and procedures, and the availability of sufficient Japanese-speaking guides.

Partially in response to the Joint Report of the Canada-Japan Forum 2000, the Asia-Pacific Partnership Committee (APPC), a consortium of Canadian tourism representatives with demonstrated interest in Japan - chaired by Tourism Canada - has formulated a preliminary tourism plan, in concert with others. The various tourism agencies of the federal and provincial governments will support the private sector in the implementation of this comprehensive, integrated plan to improve supply capability in Canada, and performance in Japan.

Action Plan Strategy:

To optimize Canadian participation in this growth market, develop awareness of the changes that are taking place within the Japanese marketplace by providing Canadian industry with various forms of critical market intelligence.

Assist industry adapt its products and services to Japanese tastes and interests by encouraging participation in select marketplaces, conferences, forums and working groups.

Promote tourism products effectively in this intensely competitive market by proactive involvement in focused marketplaces, seminars and travel shows, and new Japanese tourism publications.

FUNDED ACTIVITIES

<u>ACTIVITY/EVENT</u>	<u>DATE</u>	<u>BUDGET</u>	<u>PRIORITY</u>
Incentive Travel Project: Business/ Company Incentive	Spring 94	\$ 20,000/PAC 2000	1
Incentive Travel Project: School Excursion Touring	Fall 94	\$100,000/NTS	2
Tourism Strategic Operational Planning Workshops	Spring 94	\$ 31,000/PAC 2000	3
Tourism Mailhouse Services	All Year	\$ 24,000/PAC 2000	4

TOTAL FUNDED \$175,000

NOTE: A variety of additional activities/events are proposed for funding by Tourism Canada in the amount of approximately \$810,000

**TRANSPORTATION SYSTEMS AND RELATED:
AUTOMOTIVE**

Wayne House/PNJ
(613) 995-1678

Market Opportunity:

Japanese-owned assemblers account for 25% of the light vehicle market in North America. At the same time, these firms have established a significant vehicle production base in North America, representing about 16% of total NA production capacity, along with a corresponding parts manufacturing capability. The challenge for the Canadian parts manufacturing industry is to supply a more significant proportion of the parts required by the Japanese-owned assemblers, building on the 1992 sales level of approximately \$1 billion. In addition to the NA opportunity, there is a somewhat more limited market available in Japan, i.e. supplying Canadian-made parts to Japanese assemblers there. In 1992, Canada exported some \$75 million worth of auto parts, mainly aluminum wheels, to Japan. Overall, in 1992, Canada experienced a \$5 billion trade deficit with Japan in vehicles and auto parts.

Supplier Capability:

The Canadian auto parts industry has gone through a restructuring phase over the past three years, and while there are fewer companies involved now than in 1990, those remaining are extremely competitive. A growing percentage of the parts sector firms is Canadian-owned (30%), investment continues to flow into Canadian plants and equipment, and the Canadian industry has demonstrated impressive gains in competitiveness. A firm dedication to continuous improvement in productivity and further growth is in evidence. All of this is being aided by a favourable exchange rate. An increasing number of Canadian companies have become parts suppliers to Japanese assemblers in North America, on the strength of product quality, design capability, just-in-time delivery and price.

Action Plan Strategy:

Build awareness and market knowledge by supporting Canadian auto parts manufacturers in their efforts to demonstrate their world-class capabilities to Japanese vehicle assemblers.

Assist and encourage Canadian companies in their efforts to adapt their products to meet the exacting requirements of Japanese assemblers, by supporting company liaison visits to Japan, by organizing trade missions, trade shows, bilateral exchanges, etc. and by facilitating companies' efforts to become accredited parts suppliers to Japanese vehicle assemblers in Japan and elsewhere.

Promote the capability of Canadian auto parts manufacturers to supply Japanese assemblers, by supporting APMA/PAC seminars, industry liaison visits, incoming and outgoing missions and other initiatives aimed at increasing Japanese buyers' awareness of Canadian capability.

FUNDED ACTIVITIES

<u>EVENT</u>	<u>DATE</u>	<u>BUDGET</u>	<u>PRIORITY</u>
Auto Parts Mission to Japan	Nov/94	35,000	1
Auto Media Mission to Canada	June/94	35,000	2
Auto Strategy Project, Japan	All Year	20,000	3
Recreational Vehicle Solo Show, Tokyo	Oct/94	8,000	4
Tokyo Motor Show (space prepayment)	March/95	46,000	5

TOTAL FUNDED:

\$144,000

MISCELLANEOUS**FUNDED ACTIVITIES**

<u>ACTIVITY/EVENT</u>	<u>DATE</u>	<u>BUDGET</u>	<u>PRIORITY</u>
Canada Days in the Kansai (Osaka/PNJ all)	June/July 1994	90,000/WMTD	1
Geomatics mission to Japan (Tokyo/PNJ-JS)	Oct/94	35,000/PEMD	2
APEC Trade Show/Osaka	Oct/94	50,000/NTS	3*
Canadian Patrol Frigate Visit Program (Tokyo/PNJ-JS)	July/94	25,500/WMTD	4

TOTAL FUNDED:**\$200,500****UNFUNDED ACTIVITIES**

<u>ACTIVITY/EVENT</u>	<u>DATE</u>	<u>BUDGET</u>	<u>PRIORITY</u>
MBA Student Intern (OSAKA)	Sept/94	20,000	5
Mobile Cdn "Bussan" Show	June-Aug/94	20,000	6
Bio-Japan 94 (Osaka)	Nov/94	30,000	7
1995 Trade Fairs in Canada Brochure (Osaka)	May/94	10,000	8
Kansai Biotechnology Mission to Canada (Osaka)	Sept/94	10,000	9
Techno-Ocean 94 (Osaka)	Oct/94	20,000	10
Japan Internatl Fur & Fashion Show	Feb/95	5,000	11

TOTAL UNFUNDED:**\$105,000**

*Funding contingent on private sector cost-sharing revenues covering approx. 2/3s of project costs

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