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MACLAREN CHALLENGES EXPORTERS TO FOCUS ON THE "NEW" JAPAN

The Honourable Roy MacLaren, Minister for International Trade, today challenged Canadian exporters to take advantage of Japan's booming import market.

"The high value of the yen, sweeping economic, political and social changes, more demanding consumers, and market openings created by the GATT Uruguay Round of trade negotiations have combined to create unprecedented opportunities for Canadian exporters in the rich Japanese market," Mr. MacLaren said.

Canadian exports to Japan last year grew by 13 per cent, to reach \$8.5 billion. Japan is Canada's third-largest export market, after the United States and the European Union; sales to Japan in 1993 equalled exports to all other countries in Asia. "Hundreds of Canadian companies are enjoying great success in the Japanese market," said Mr. MacLaren. He added that "there is still huge potential for Canadian business, particularly in value-added products, where imports are growing the fastest."

To help Canadian exporters capitalize on opportunities in the "new" Japan, Mr. MacLaren unveiled a revised version of *Canada's Action Plan for Japan*. The updated Plan, produced in co-operation with provincial governments and the private sector, targets seven sectors where Canada is particularly well-placed to excel: building products, food products, fish and seafood products, automobile parts, information technologies, tourism and aerospace.

"The Plan gives Canadian business a strategic framework for export development activities in Japan. It helps build awareness of market opportunities, urges adaptation of products to market needs and details activities to promote products in the Japanese market," Mr. MacLaren said.



Mr. MacLaren delivered his remarks at an event jointly sponsored by the Canada-Japan Society of Toronto, the Japan Society and the Asia Pacific Foundation of Canada.

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The attached background document summarizes *Canada's Action Plan for Japan*.

For further information, media representatives may contact:

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Backgrounder

SUMMARY OF CANADA'S ACTION PLAN FOR JAPAN

1) Building Products

- Japan is the world's largest-housing-market and Canada's leading overseas market for forest products. In 1993, Canada's exports to Japan of lumber, plywood and other wooden building materials amounted to more than \$2.2 billion.
- Demand for imported housing products is rising as a result of acute labour shortages, high labour and domestic material costs, and recession-driven demand for lower-cost, Western-style housing. In general, Canadian exporters have not been as aggressive as their European and American counterparts in pursuing Japanese demand for value-added building products.
- The Uruguay Round of world trade negotiations will reduce or eliminate tariffs on many products including plywood, particle board, wood mouldings, doors, and windows. Canada and Japan have also launched bilateral discussions aimed at achieving mutual recognition of building product standards, thereby lowering the cost of testing and certification.
- The Action Plan focuses on workshops, trade shows, advertising and promotion as ways of making Canadian firms more aware of Japanese requirements and making Japanese importers and builders more aware of Canada's supply capabilities.

2) Fish Products

- Japan absorbs more than one third of the world's total fish exports. Canada has maintained a 4.5-per-cent share of this market, amounting to \$825 million last year. The economic slowdown in Japan softened fish prices and severely hurt high-priced items, but demand is now growing as a result of economic recovery and declining domestic catches.
- Changes in consumer preferences have resulted in growing demand for products that are easily prepared.
- An aging workforce has led to greater Japanese investment in overseas processing facilities, some of which has gone to Canada, and there is potential for more.
- Uruguay Round tariff cuts will reduce average tariffs on imported fish by 34 per cent over five years, thereby making Canadian imports more competitive.

- Canada's Action Plan focuses on market intelligence, including competitors' strategies, detailed analyses of speciality markets, technology transfer projects and joint ventures, special promotions and participation in major trade shows.

3) Processed Food Products

- Canada has a 5-per-cent share of Japan's import market for agriculture and processed food products, with sales last year of \$1.57 billion. Canada's leading exports were oilseeds, grains, meat, processed food and beverages, and feeds. Canadian exports of soybeans, mineral water and ice cream were among those which experienced the biggest increases from 1992.
- Japanese economic recovery, market liberalization, and rising consumer demand for high-quality, convenient and competitively priced products, are creating new opportunities in an area where Canada enjoys an excellent reputation. Sales of beef, dairy products and fruit juices have been early success stories, and lower tariffs resulting from the Uruguay Round should create new opportunities for maple syrup, frozen pizza and a range of fresh and preserved vegetables.
- Regional markets show particular promise, as they establish direct business linkages with overseas suppliers, thereby avoiding costly intervention by Tokyo "middlemen." Growth of the food services industry and corresponding demand for low-labour products is recognized in the Action Plan as a priority market.
- Action Plan initiatives feature federal-provincial-industry co-operation in building awareness of Japanese requirements through market information and intelligence, support for the development of marketing strategies, and participation in food shows.

4) Auto Parts

- Largely because of its preferred access to the U.S. market, Canada has attracted more than \$2 billion in Japanese auto assembly investment over the past decade, along with investments in 26 auto parts, tooling and material firms.
- Canada's trade deficit with Japan in the automotive sector amounted to \$4 billion in 1993. The major challenge is for Canadian parts manufacturers to convince Japanese assemblers, both in North America and in Japan, to source more parts in Canada. Currently some 30 to 35 Canadian companies are accredited suppliers to Japanese assemblers, out of a total of about 400 Canadian auto parts manufacturers.

- The Action Plan encourages Canadian firms to make the necessary investment in technology, design, delivery and management practices to meet Japanese requirements. To build awareness of the market, federal and provincial governments are working closely with the Automotive Parts Manufacturers Association, Japan's Pacific Automotive Co-operation Inc., and the Japan External Trade Organization. Activities include technical seminars, market information and participation in major Japanese automotive shows.

5) Aerospace Industries

- Japan's relatively small aerospace industry appears to be in the process of shifting from a narrow domestic and military focus to becoming a world-scale, first-rank aerospace competitor. This creates challenges and opportunities for Canadian aerospace firms.
- Canadian expertise in areas such as airport design and construction, air traffic control systems and other ground support should be in demand.
- Action Plan efforts concentrate on developing heightened awareness of Japanese technical requirements and encouraging strategic partnerships, co-operative research projects and opportunities for subcontracting relationships with Japanese manufacturers.
- The Aerospace Industries Association of Canada will play a leading role in this effort and provide liaison with the Society of Japanese Aerospace Companies.

6) Tourism

- Japan now ranks as Canada's most important overseas market in terms of visitor revenues, generating a record \$451 million in 1993. Long-term Japanese visits to Canada increased by 4.1 per cent the same year, with total visits up 2 per cent to 505 812. Japanese visitors spend more per day than any other tourists, averaging \$157 per day in 1993.
- Following a Japanese government tourism mission to Canada in September 1993, the Canada Committee was formed to develop a number of strategies designed to meet the goal of tripling the number of visitors travelling between Canada and Japan to two million annually.
- The economic benefits of reaching the target — in Canada's case, tripling Japanese arrivals from 500 000 to 1.5 million per year

— are enormous. An additional \$1 billion would be pumped into the Canadian economy each year, creating 20 000 new jobs.

- These strategies include: the promotion of tourism to Canada during the off-peak months by Canada's major airlines; the development of a comprehensive cross-cultural skills and awareness training program for delivery in various sectors of the Canadian tourism industry; an action plan to meet the needs of independent Japanese travellers; and the development of special train and bus passes for Japanese tourists.

7) Information Technologies

- Canada's information technology industries (including telecommunications, software, processing and professional services) had export sales of about \$11.4 billion last year, generating roughly one quarter of total revenues.
- The proliferation of personal computers in Japan and the introduction of the Windows operating system create new opportunities for fast-growing Canadian software producers. Canadian software companies now have about 5 per cent of the software import market. Action Plan initiatives focus on: expanding this share by concentrating on niche markets, where Canada's small and medium-sized software firms excel; distributing promotional materials to Japanese firms to increase their awareness of Canadian capabilities; and encouraging strategic partnerships.
- Expansion and liberalization of the Japanese telecommunications sector creates opportunities for Canadian suppliers. Detailed market intelligence and close monitoring of changes to the regulatory environment are therefore central to the Action Plan. Participation in events such as the Canada-Japan Telecommunications Exchange, planned for April 1995, is the type of activity aimed at linking Canadian technology with Japanese business and industry association representatives.