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CANADA'S ACTION PLAN FOR JAPAN TO TARGET NEW OPPORTUNITIES IN HIGH-GROWTH SECTORS

The Honourable Roy MacLaren, Minister for International Trade, today launched a new edition of *Canada's Action Plan for Japan* during a meeting with Canadian business executives in Tokyo.

"The Japanese domestic market is poised to become the primary engine of growth before the turn of the century. Greater price consciousness and familiarity with foreign goods is increasing demand for high-quality, affordable products," said Mr. MacLaren.

"This new edition of *Canada's Action Plan for Japan* reflects this reality and will help us harness emerging opportunities in areas such as consumer and health-care products."

Canada's Action Plan for Japan, produced in a Team Canada fashion with the co-operation of provincial governments and the private sector, gives Canadian business a strategic framework for export development activities in Japan.

It targets seven sectors where Canada is particularly well placed to excel: building products, fish and seafood products, processed food products, consumer products, health-care products, tourism and information technologies. Other sectors such as automotive parts and aerospace will continue to receive sustained business development support.

Canada's Action Plan for Japan also helps build awareness of market opportunities, urges adaptation of products to market needs and details activities to promote products in the Japanese market.

"The effectiveness of *Canada's Action Plan for Japan* is already materializing in the Japanese housing market. Sales of Canadian building products are continuing to show excellent strength, with manufactured housing exports projected to double from \$56 million to \$120 million in 1995," said Mr. MacLaren.



Canadian exports to Japan during the first six months of 1995 have increased 38 per cent to \$5.9 billion. This strong performance follows a record year in 1994, when exports reached \$9.5 billion, an increase of 14 per cent or \$1 billion over 1993.

- 30 -

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

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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 1994, Canada's exports to Japan of forest products (including pulp and paper) exceeded \$3.8 billion, of which lumber, plywood and other wooden building materials accounted for more than \$2.4 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.
- Canadian manufactured building materials have recently been introduced to Japan, although the number of products is still limited and Canada's market share is well below potential.
- Labour- and cost-saving components, including manufactured housing kits, that are custom-designed to suit particular needs are finding a ready market in Japan.
- Particular opportunities also exist for suppliers of doors, windows, flooring, staircases, system kitchens, prefabricated wall panels and house packages (pre-engineered and manufactured).
- The transfer of building technology is helping to promote multistorey wooden construction as a cost-effective alternative to steel/concrete structures for both housing and multi-use facilities.
- 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 focusses 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 and Seafood Products

- Japan is the world's largest market for imported fish products, absorbing more than one third of the world's total fish exports. Canada's exports amounted to \$1.05 billion last year, equivalent to a 4.7-per-cent share of this market. 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 healthier and more 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 focusses 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 5.2-per-cent share of Japan's import market for agriculture and processed food products, with sales last year of \$1.59 billion. Canada's leading exports were oilseeds, grains, meat, processed food and beverages, and feeds. Canadian exports of bottled water, baked goods and ice cream were among those that experienced the biggest increases from 1993.
- Structural changes in the Japanese agri-food market, appreciation of the yen, 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.
- Particular opportunities exist for suppliers of value-added food items, including cereal-based products, meats, fresh and processed fruits and vegetables and both alcoholic and non-alcoholic beverages.
- Regional markets show particular promise, as they establish direct business linkages with overseas suppliers.

- Canadian exporters should be aware of recent changes to Japan's regulatory framework. Changes to Japan's *Food Sanitation Law* will bring food laws to international standards; they will also create new guidelines for the use of natural additives and agricultural chemicals and for labelling requirements. The new *Product Liability Law* effective July 1, 1995, makes manufacturers, processors and importers liable for damages or injuries caused by defective products.
- 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) Consumer Products: Furniture

- Canadian furniture exports to Japan rose from \$1.5 million to \$6.8 million between 1992 and 1994.
- Rising manufacturing costs, the lack of skilled labour, and increasing consumer price-consciousness have prompted many Japanese manufacturers to relocate at least some of their operations offshore and increase imports. Consumers are more frequently turning away from the very highest-priced items in favour of high-quality products one price range lower.
- About 10 per cent of the Japanese market for residential furniture is supplied by imports. Although most imports come from Taiwan, Thailand and Indonesia, imports from Southeast Asia have begun to lose their appeal because, while quality has improved, design has not.
- Imports currently account for 6 per cent of the Japanese market for finished wooden furniture. With a continued strong yen, and declining consumer brand loyalty in favour of quality, style and price, imports are expected to grow steadily.
- Changes to the existing distribution channels in Japan are being made as retailers increasingly import directly for their own stores. Japanese retailers generally import products on an exclusive basis and, to contain costs, frequently prefer to deal with suppliers without local agents. Canadian exporters should carefully consider their strategic interests in the Japanese market before signing an exclusive arrangement with one importer.
- Canada's Action Plan focusses on market intelligence, analysis of consumer preferences, and encouraging greater

interaction between Canadian exporters, buyers, architects and other decision makers through trade shows and on-site visits.

5) Health Care and Medical Devices

- Japan is a significant consumer of modern medical products and services and is the second largest international market for imported medical devices.
- About 25 per cent of the Japanese market for medical instruments and equipment, or \$4.6 billion, is imported. Canadian shipments of medical devices to Japan make up about \$30 million or 0.9 per cent of the total import market.
- The Japanese Ministry of Health and Welfare estimates that by the year 2025, 25.8 per cent of the Japanese population will be over 65 years of age, compared to only 13 per cent today. In addition, there are currently about 2.8 million disabled persons in Japan.
- Per capita spending on health care in Japan has risen from about \$1 400 in 1980 to over \$2 400 today. The market for health-care products for the elderly has been growing 5 to 6 per cent a year and is expected to main similar growth over the next 10 to 15 years.
- Particular opportunities in the health-care sector exist for suppliers of wheelchairs, hearing aids, disposable diapers, rehabilitation equipment and portable toilets. The most promising subsectors of medical devices are diagnostic imaging equipment, dental equipment and supplies, implantable devices, and emergency medical equipment.
- Action Plan initiatives feature federal-provincial-industry co-operation in building awareness of Japanese requirements through market information and intelligence, promoting the development of collaborative research and development with Japanese companies, and supporting Canadian participation in trade shows.

6) Tourism

- Japan ranks as Canada's most important overseas market in terms of visitor revenues, generating a record \$549 million in 1994. Long-term Japanese visits to Canada increased by 18 per cent the same year, with total visits up 11 per cent to 563 200. Japanese visitors spend more per day than any other tourists, averaging \$185 per day in 1994.

- Prime Minister Jean Chrétien has established a Canadian Tourism Commission and announced a major funding increase from \$15 million to \$50 million to support increased marketing. These announcements will have a significant impact on Canada's tourism marketing efforts in Japan.
- The Action Plan is working to increase the number of visitors between Canada and Japan to two million annually by the year 2005. For Canada, this means tripling Japanese arrivals from 500 000 to 1.5 million. Six strategies have been developed to meet this target. They include increased investment in the development and promotion of regional brand products; the promotion of tourism to Canada during the off-peak months by Canada's major airlines; the development of a comprehensive crosscultural skills and awareness training program for delivery in various sectors of the Canadian tourism industry; and an action plan to meet the needs of independent Japanese travellers.

7) Information Technologies

- Canada's information technology industries (including telecommunications, software, processing and professional services) had export sales to Japan of about \$49.6 billion last year.
- 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 sales represent about 5 per cent of Japan's \$700 million market for imports, which is growing at about 35 per cent a year. 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 is creating opportunities for Canadian suppliers. Detailed market intelligence and close monitoring of changes to the regulatory environment are therefore central to the Action Plan. Events such as the Canada-Japan Telecommunications Exchange, planned for the Fall of 1996, will help link Canadian technology with Japanese business and industry association representatives.