

Japan-Canada Trade: Smooth Sailing

By Minoru Kanao

This year, the annual Canada-Japan Businessmen's Conference was held from May 20-22 in Calgary in the Canadian province of Alberta. Here the representatives of various industries gathered for three days of lively exchange of information and views.

The 1985 Canada-Japan Businessmen's Conference was the eighth such meeting since its conception in 1978, based on recommendations made by an economic mission organized by the Foreign Ministry of Japan in 1976. The mission toured Canada for 12 days, meeting with top national and provincial government officials and business leaders in major cities around the nation. The impression held by most of the participating members was that, although the two countries were already actively trading to a substantial degree, the two in fact knew little about each other. In view of the

economic importance of the Japan-Canada relationship, it was felt that dialogue should not be left to government officials alone. Businessmen of both countries should have face to face discussions more frequently.

Thus, the first Tokyo meeting was held in 1978. The prime objective of the conference—fostering improved mutual understanding—led to the decision that an annual conference be held alternately in Japan and Canada. We have since held conferences in Toronto, Kyoto, Vancouver, Sapporo, Montreal, Kobe and Calgary. The number of participants has increased every year from the initial 230 to the more than 500 businessmen and their wives who attended this year's conference in Calgary. The high interest of business leaders of both countries is fostering a stronger relationship year by year.

Trade volume booms

The total trade volume between Japan and Canada reached US\$9,242 million in 1984, up 15% over the previous year. In fact, the trade volume has doubled in seven years. Canada is one of the few industrialized countries which, since 1950, have enjoyed continued trade surpluses with Japan.

And it is obvious why the relationship is flourishing. The two nations' economies complement each other; Canada is rich in natural resources and Japan depends on the trade of manufactured goods. This has been the primary reason that Japan-Canada trade has remained active over the years. Fortunately, no significant trade friction exists between the two countries. The cooperative relationship is firm and is expected to flourish in the future.

Areas of concern

The relationship though is not without potential problems. One of these is the rapid rate at which Canada's trade surplus with Japan has been shrinking over the last several years. Until 1980, Japan generally imported twice as much from Canada as it exported. However, the difference had been shrinking year by year and in 1984 trade between the two countries almost balanced out. Contributing factors include the continuous and steady growth of Japanese exports of manufactured products and the temporary slump in Japanese imports of Canadian primary products—a lingering effect of the second oil shock. Though modest in degree, the steady decline in Japanese imports from Canada during the 1981 to 1983 period became an area of concern. In 1984, however, Japanese imports, mainly coal, pulp and fishery products, increased by



The Calgary Convention Centre, site of the 1985 Canada-Japan Businessmen's Conference

Minoru Kanao is chairman of the Japan-Canada Economic Committee of Keidanren (Federation of Economic Organizations). He serves as chairman of the board of Nippon Kokan K.K.

11.6% over the previous year, and eased the concerns. Since Japan's industrial structure is changing and the consumption level of industrial raw materials is declining, trade between the two countries is expected to remain roughly even for some time.

Import/export categories are a second area of concern. The majority of Japanese imports from Canada are primary products. Canada, however, wants to increase its exports of manufactured goods. Canada is also making efforts to export its natural resources in value-added form whenever possible. In recent years, the growth rate of Japanese imports of value-added industrial raw materials and manufactured goods from Canada has been healthy, but it is still far from satisfactory because of the low import volume.

On the other hand, 98% of Japanese exports to Canada are manufactured goods. Japanese exports of industrial products to Canada have not created any serious frictions with Canadian business as of yet, unlike the case of the U.S. However, if exports from Japan increase rapidly or in a disruptive manner, we must expect to hear some kind of complaints from Canadians who are now suffering a 10% unemployment rate. Continued caution is advisable for Japan.

The Japan-Canada trade relationship, although not without some areas of concern, is such that the expansion of the trade volume will benefit the two economies. It is expected to grow further in the future and we should make every effort to realize this objective.

Capital transfers are another issue in Japan-Canada economic ties. Throughout the high economic growth period, Japanese exports increased substantially. After the oil shock, exports played an important role for the Japanese economy as a means for structural adjustment. Currently, however, Japanese exports have

created multiple trade frictions among industrialized nations and, at the same time, made Japan vulnerable to low-cost competition from developing nations.

Trade crossroads

Due to these two factors, the Japanese economy is now at a crossroads. For Japan to survive in the world economy, its economic structure must shift from the mere buying and selling of products to the exchanging of technology, services and capital.

The Japan-Canada relationship is part of this development. Japanese investment in Canada has a relatively long history, starting with investment in the exploration of Canadian natural resources, but the amount itself has never been large. Japanese investment in Canada in fiscal 1983 reached US\$136 million, but this is only a little less than 2% of the total Japanese investment overseas. Canadian investment in Japan is much less than this level, only US\$31 million in fiscal 1983. In the past, Canada had an extremely cautious policy toward foreign investment, but the new Mulroney administration is making substantial improvements in this area. At the same time, the provincial governments have become quite open to foreign investment and during the last year alone, several provincial leaders visited Japan to make this policy known to the Japanese.

The Japan-Canada relationship is moving into a new period; the problems and issues involved reflect the problems and issues for Japanese behavior in the international market. The most important issue for Japan now is of course easing trade friction with its trading partners. This issue has become the focus for both government and private sectors. In February this year, Keidanren announced its basic policy concerning the restructuring and strengthening of the

free trade system. At the same time, Keidanren proposed steps for solving the import problem, primarily the simplification of import procedures. The proposal was submitted to the government and the various ministries. Japan-Canada trade will benefit by these moves because they will eventually contribute to the promotion of Canadian product imports by Japan.

Japan-Canada communication

The Canada-Japan Businessmen's Conference has also taken action. We are now in the process of establishing an organization whose function will be to promote Japanese imports of Canadian manufactured goods. As the first step, in December of 1982, a subcommittee for facilitating the trade of manufactured goods between Canada and Japan was formed by the Japan-Canada Economic Committee of Keidanren to back up Canadian efforts to promote exports to Japan. And in June 1984, the Tokyo office of the Federation of Canadian Manufacturers was opened to assist Canadian businessmen interested in the Japanese market. With such efforts on both sides, good results can't be far behind.

I believe that these modest but steady efforts are most important in strengthening the economic ties between Canada and Japan. In April of this year I succeeded Mr. Hisao Makita as chairman of the Japan-Canada Economic Committee of Keidanren. Mr. Makita used to tell both the Japanese and the Canadians that we should conduct frank discussions before issues become problems. If, unfortunately, a problem does arise, he said, we should try our best to solve it together with mutual trust rather than accusations. I can see Mr. Makita's philosophy at work already in the actions of business leaders of both countries. ●