

***FORGING A DYNAMIC CANADA-JAPAN
TRADE AND INVESTMENT STRATEGY
FOR THE THIRD MILLENNIUM***



**PRESENTATION TO THE 23rd ANNUAL MEETING OF
CANADA-JAPAN BUSINESS COMMITTEE
BY THOMAS d'AQUINO
PRESIDENT AND CHIEF EXECUTIVE
BUSINESS COUNCIL ON NATIONAL ISSUES
MAY 15, 2000
TOKYO, JAPAN**



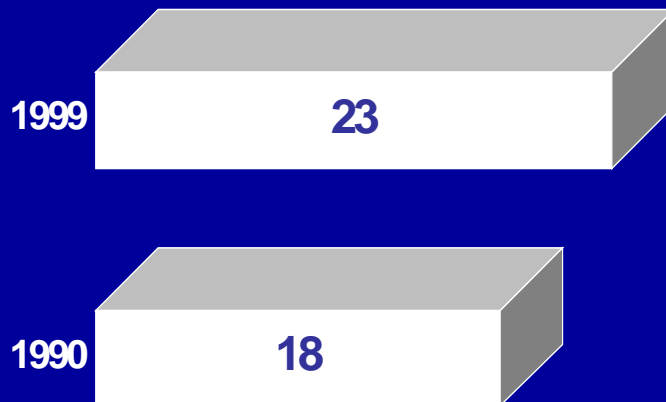
FORGING A DYNAMIC CANADA-JAPAN TRADE AND INVESTMENT STRATEGY FOR THE THIRD MILLENNIUM

- κ Chairman Okuda, Chairman Tellier, Ambassadors Edwards and Uchida, ladies and gentlemen, I am honoured to address this 23rd annual conference of the Canada-Japan Business Committee (CJBC) here in Tokyo.
- κ My presentation, “*Forging a Dynamic Canada-Japan Trade and Investment Strategy for the Third Millennium*” will offer a Canadian perspective on a critically important challenge facing the Committee and our two countries: how to help reverse the malaise in bilateral trade and investment and set our bilateral relationship on a dynamic new course.
- κ I will suggest that the CJBC take this historic opportunity to make a commitment to the establishment of freer trade and investment between our two countries and to implement a strategy that will help us achieve this ambitious and rewarding goal.
- κ Before beginning my presentation, I wish to convey to the members of the CJBC, and to our Japanese hosts in particular, the greetings of my Business Council on National Issues (BCNI) colleagues – the chief executives of Canada’s leading 150 companies, and of the BCNI’s Chairman, David O’Brien. We are especially pleased that Keidanren Chairman Imai is present today. The BCNI and the Keidanren have enjoyed productive working relations over a twenty year period, and today our two organizations will demonstrate our strong commitment to enhancing the Canada-Japan partnership with the tabling of our respective recommendations to the CJBC.

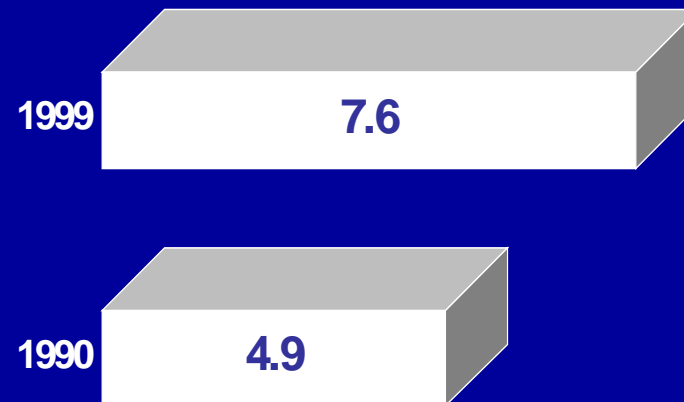


THE TIME HAS COME TO REVERSE A DECADE OF MALAISE

CANADA-JAPAN TOTAL TRADE (Cdn \$ billion)



CANADA-JAPAN FOREIGN DIRECT INVESTMENT (Cdn \$ billion)



Source: Statistics Canada, International Financial Statistics Yearbook



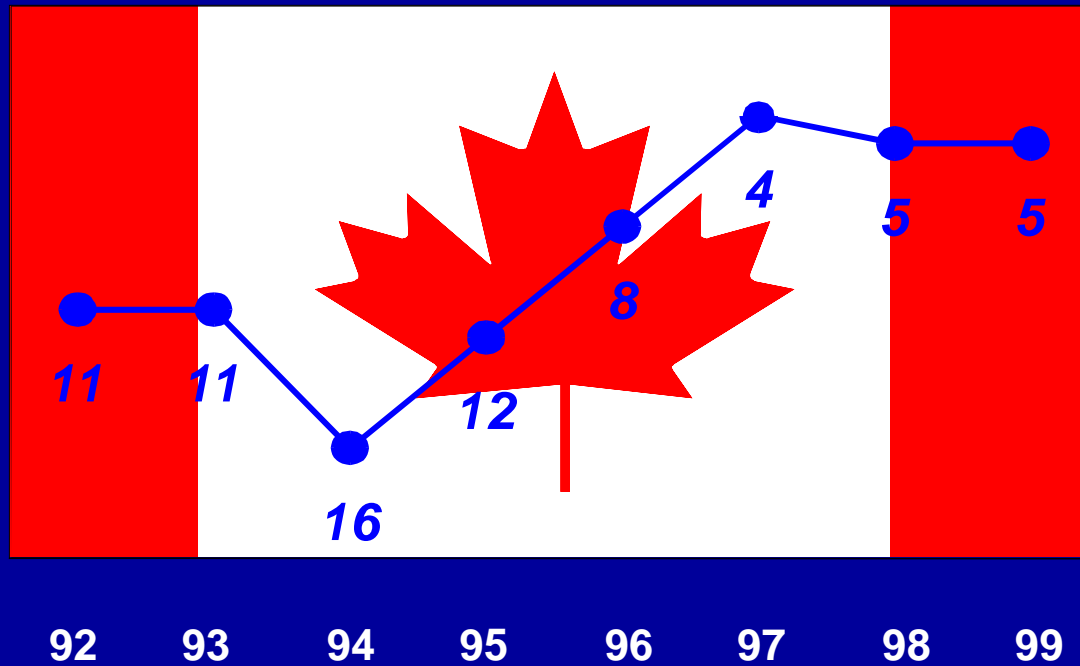
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- κ Canada and Japan can boast more than thirty years of strong and mutually beneficial trade and investment. The CJBC can take pride in its contribution to building a relationship marked by the near absence of serious frictions.
- κ But we need also to acknowledge frankly that over the past decade, there has been little growth in the relationship, partly due of course to less than optimal economic conditions. Also, neither Canadian nor Japanese traders and investors have viewed each other's markets as critical to their success.
- κ Regrettably, we maintain increasingly dated images of each other and we both are missing important opportunities.
- κ The trade and investment statistics for the 1990s paint a discouraging picture:
 - The value of bilateral trade flows over the past decade has been essentially flat.
 - Bilateral investment flows remain at extraordinarily low levels.
 - Despite the growth of the knowledge-based economy, the mix of products being traded has changed only marginally over the past decade.
 - As Canadian Professor Wendy Dobson observed a year ago: "outside of a few industries, the two countries share a mutual disinterest in each other economically."



CANADA AS A PARTNER AN HISTORIC OPPORTUNITY FOR JAPAN

Canada's Competitiveness Ranking



Source: World Economic Forum



FORGING A DYNAMIC CANADA-JAPAN TRADE AND INVESTMENT STRATEGY FOR THE THIRD MILLENNIUM

- κ Despite the evident malaise in the recent past, there is no doubt in my mind that there exists broad support on both sides of the Pacific for building a vibrant trade and investment relationship.
- κ The Canadian market and Canadian investment partners offer important business advantages to Japanese traders and investors, including:
 - a critical mass of technologies with strong telecommunications, multimedia, and software capabilities;
 - the best educated workforce in the world, with the highest percentage of university graduates;
 - the best quality of life in the world;
 - the lowest cost of doing business in the G-7;
 - a burgeoning infrastructure of services and potential partnerships on the Pacific coast;
 - well-run governments, education, health care, business, and community networks; and, perhaps most important,
 - unparalleled access to the United States market.
- κ As Chairman Tellier emphasized this morning, Canada's economy is booming and Canadians are confident. Canada led the G-7 countries in economic growth last year, surpassing even the mighty American juggernaut. Canadian governments are registering ever larger surpluses and are reducing public indebtedness as well as lowering taxes.
- κ A successful Canada-Japan strategy could provide Japan with an opportunity to develop a new model for managing trade relations and developing trade and investment partnerships appropriate to the emerging global, knowledge-based economy, a model that may have applications beyond Canada.



JAPAN AS A PARTNER AN HISTORIC OPPORTUNITY FOR CANADA

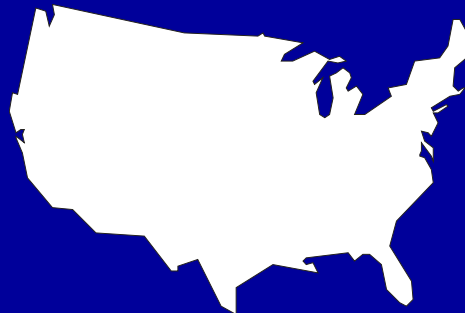
JAPAN
GDP U.S.\$ 3.8 trillion



BRITAIN, FRANCE, ITALY
GDP U.S.\$ 3.9 trillion



UNITED STATES
GDP U.S.\$ 8.5 trillion





FORGING A DYNAMIC CANADA-JAPAN TRADE AND INVESTMENT STRATEGY FOR THE THIRD MILLENNIUM

- κ In the case of Japan, the figures speak for themselves:
 - Japan is the second largest economy in the world,
 - its GDP is about half the size of that of the United States and equal to the combined markets of Britain, France, and Italy,
 - its per capita income, even after a decade of slow growth and economic turmoil, remains among the highest in the world, and
 - investment abroad has grown steadily over the past decade and a half as export-oriented firms have moved some operations out of Japan to lower cost locations or closer to markets or desired technologies.

- κ As the Japanese economy recovers from its current slump and the process of reform takes deeper hold, Japan should resume its impressive growth and show once again its remarkable capacity to adjust and adapt.

- κ As it does, Canadian firms will want to be in a position to be part of that process. They will want to be in place as traders, investors, and partners in joint ventures.



BUILDING A NEW MODEL WILL REQUIRE COOPERATION AND COMMITMENT





FORGING A DYNAMIC CANADA-JAPAN TRADE AND INVESTMENT STRATEGY FOR THE THIRD MILLENNIUM

- κ The governments of Canada and Japan over the years have put together a framework within which our two business communities can pursue opportunities.
- κ The basic framework for Canada-Japan trade and investment is provided by the multilateral GATT/WTO system, supplemented by a number of bilateral instruments, such as the 1976 Framework Agreement and the Joint Economic Committee, as well as groups such as the Canada-Japan Business Committee and the Canada-Japan Forum.
- κ That framework was well suited to the demands and challenges of the past. But it has proven wholly inadequate to the challenges of today, let alone those of the future.
- κ Building a new model to put the relationship on a desirable new, dynamic course will require a high level of government-business cooperation and an equally high level of commitment by both government and business.
- κ There is no doubt that the past has been overall quite successful. For this reason, those living in the past may not consider the need to change very important.



THE BASIS OF PAST SUCCESS IS ALSO THE BASIS OF THE CURRENT MALAISE

Two complementary economies:

& Bilateral trade and investment has revolved around Canadian resources and Japanese manufactured products.

Aggressive Japanese trading companies:

& Much of Canada-Japan trade was first developed by Japanese trading companies.

Supportive institutions:

& The JEC and CJBC were ideally suited to advance complementary interests.



FORGING A DYNAMIC CANADA-JAPAN TRADE AND INVESTMENT STRATEGY FOR THE THIRD MILLENNIUM

- κ The history of the past thirty years of Canada-Japan trade and investment is one of relative harmony, one of a remarkable level of convergence in interests. It was built on the two countries exploiting each other's complementary economic strengths and weaknesses.
- κ It is much easier for two complementary economies to maintain harmony and pursue common goals than for two competing economies. Canada and Japan are now competing, advanced industrial economies.
- κ Past trade and investment patterns did not require either side to learn much about the other or to confront and come to grips with fundamental differences and problems. Success in emerging trade and investment patterns will involve both closer cooperation and collaboration as well as deeper competition.
- κ Over the past decade, as global trade and production patterns were transformed, the Canada-Japan trade relationship remained stuck in the successful pattern of the past. It stayed with the tried and true, rather than the untried and new. Relations remained harmonious but lacked dynamism.



***PATH OF LEAST RESISTANCE MUST MAKE WAY
FOR TOUGHER ATTITUDES AND HARD CHOICES***



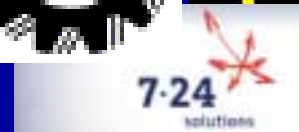
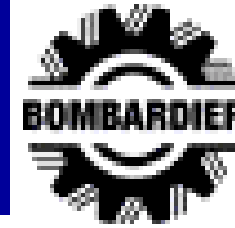


FORGING A DYNAMIC CANADA-JAPAN TRADE AND INVESTMENT STRATEGY FOR THE THIRD MILLENNIUM

- κ The old model of a resource-rich, labour-poor economy finding complementarities with a resource-poor, labour-rich partner no longer corresponds to reality. Much of Canada's resource economy has moved off shore, although Canada retains strong companies in the resource industry service sector. Japan has shed many of the old, heavy resource-consuming industries and its production model has moved upstream to higher valued products.
- κ The impact of successive rounds of multilateral trade negotiations, agreements on non-tariff barriers, and rapid globalization of production and business organization has transformed the basis for Canada-Japan relations from complementarity to competition. Future growth in bilateral trade and investment will flow from intra-industry trade, the mainstay of intra-European, transAtlantic and intra-North American trade.
- κ Selling coal and wood products to Japan is easy; selling electronics to Canada is easy. Intra-industry trade is more demanding. Although more and more Canadian firms are making successful efforts to establish themselves in the Japanese market, the level of intra-industry trade and investment remains extraordinarily low.
- κ Similarly, Japanese companies are only minor players in intra-industry trade relationships, although the auto industry is an encouraging exception.



EARLY EVIDENCE OF NEW BEGINNINGS AND STRONGER FOUNDATIONS





FORGING A DYNAMIC CANADA-JAPAN TRADE AND INVESTMENT STRATEGY FOR THE THIRD MILLENNIUM

- κ As Chairman Okuda knows first hand, Japanese automotive firms have made major commitments in Canada. Both Honda and Toyota have made large investments in Ontario to manufacture vehicles for the North American market, even shipping some Canadian-made vehicles back to Japan.
- κ In the other direction, major investments by Canadian financial services firms may prove important new beginnings.
- κ Similarly, a remarkable number of smaller Canadian high-technology businesses are setting up shop in Tokyo. Overall, foreign direct investment into Japan jumped US\$1.3 billion in 1999, constituting 18 percent of total mergers and acquisitions in Japan, a 240 percent hike over 1998.
- κ Developments in the automotive sector and in the financial services and software sectors are proving mutually beneficial, expanding trade, production, and employment in both countries. The pattern of trade and investment that has developed in these industries could also develop in other sectors as a result of more effort by Japanese-based firms to consider the benefits offered by the Canadian market, and as a result of greater effort by Canadian-based firms to find pockets of opportunity in Japan.
- κ More success stories along these lines will require that the two countries come to grips with some of the hard truths of their past.



DATED IMAGES OF EACH OTHER? THE CHANGING FACE OF JAPAN

Despite the slow pace, there has been change in Japan:

&politically

&economically

&institutionally

&culturally

Opportunities and possibilities are much more significant today than was the case even four or five years ago.

It is time for Canadian firms to update their image of Japan.



FORGING A DYNAMIC CANADA-JAPAN TRADE AND INVESTMENT STRATEGY FOR THE THIRD MILLENNIUM

- κ The past two or three years have seen important harbingers of change in Japan. Canadians may not be sufficiently aware that:
 - Politically, the Japanese government has reformed voting procedures in order to provide a more democratic base for Diet elections.
 - Institutionally, the Japanese government is reorganizing departmental structures in order to strengthen political control over the bureaucracy.
 - Economically, reforms in the financial sector, the operations of securities markets, attitudes towards mergers and acquisitions, permissions for foreign acquisitions of major Japanese banks and automotive companies, and break-ups in *keiretsu* structures all point to significant changes.
 - Culturally, there is now open talk about ending lifetime employment practices, about the need to admit that there are two economies operating in Japan, about the problems raised by the 'hidden' economy.
 - Bilaterally, Canadian government efforts, as well as United States and European Union efforts, to address specific problems, have slowly but steadily begun to bear fruit, leading to interesting new niche opportunities.

- κ While some Canadian business leaders remain skeptical about the direction of change in Japan, others have seen enough to believe that the time has come to develop a new, more optimistic assessment of opportunities in Japan.



DATED IMAGES OF EACH OTHER? THE CHANGING FACE OF CANADA





FORGING A DYNAMIC CANADA-JAPAN TRADE AND INVESTMENT STRATEGY FOR THE THIRD MILLENNIUM

- κ Over the past ten years, changes in Canada have been even more transformational than in Japan. Japanese firms and officials may not be sufficiently aware that:
 - Canada is a leader in developing the foundations of the knowledge economy – both in hardware and software.
 - Canadian mining firms are now world leaders in extracting value around the world.
 - Canadian firms – from food processors, to energy services, to environmental technologies, to aerospace – are among the most innovative and productive in the world.

- κ Canada remains a vast, beautiful country, a land of open spaces, lakes, forests, and mineral wealth. But it is also a country of modern cities, sophisticated infrastructure, a flourishing multiculturalism and exciting new opportunities.

- κ These developments suggest that now is the time to mount an ambitious initiative geared to the specific opportunities and problems of the two economies and the emerging new strengths of the two business communities.



THE LEGACY OF THE PAST MUST BE OVERCOME





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- κ A large hill will have to be climbed to overcome the disappointments of the past. Disappointments on the Canadian side that bold business and government initiatives failed to deliver expected results. Disappointments on the Japanese side that, with a few exceptions, Canadian firms seldom show the patience and persistence required to record success in their market.
- κ Canadians will need to grow beyond their concentration on the United States market and see a bright future in achieving success in Japan and making Japan its springboard to the growing markets of Asia. Japanese will need to understand that cultural and institutional barriers create the perception, and in many ways the reality, of a closed market.
- κ Until there is sustained evidence of fundamental change and commitment to change, most Canadian firms are likely to continue to devote only limited resources to exploring the Japanese market and to strengthening Canada-Japan trade and investment ties.
- κ The challenge to the CJBC and the two governments, therefore, is to devise a strategy that recognizes this reality, but provides a basis for a more positive and dynamic approach.



CANADA AND JAPAN A MISSED OPPORTUNITY?

Ten years ago, the leadership of the BCNI noted the:

- & convergence of bilateral interests
- & need to build stronger economic, cultural, and institutional linkages with Japan as a strategic priority for Canada
- & opportunity to strengthen intra-industry trade

Little came of this initiative due to:

- & turmoil and recession in Japan
- & Canadian preoccupation with the North American market



FORGING A DYNAMIC CANADA-JAPAN TRADE AND INVESTMENT STRATEGY FOR THE THIRD MILLENNIUM

- κ Nearly a decade ago, during a business mission led by the leaders of Canada's Business Council on National Issues, we drew attention to a number of important developments in the Japanese and Canadian economies and the opportunities they presented. We advocated that Canada – government and business alike – devote priority attention to Japan in order to ensure that Canadians would be well placed in pursuing interests across the Pacific.
- κ A decade of economic turmoil and dislocation in Japan, as well as in East Asia more generally, disposed Canadians to look elsewhere and Japanese to concentrate on problems on the home front.
- κ For Canada, adjusting to the demands of globalization, domestic reforms, and the liberalization induced by first the Canada-United States Free Trade Agreement, then the North American Free Trade Agreement, and finally the World Trade Organization Agreement proved more than enough of a challenge.
- κ With hindsight, perhaps the first BCNI initiative was premature. Now is a more propitious time. As I have already indicated, there are both policy and business developments in place now in both Japan and Canada that suggest a much firmer basis for a new beginning.



CANADA AND JAPAN **WHERE DO WE GO FROM HERE?**

- &R**evitalize the CJBC?
- &N**egotiate a Free Trade Agreement?
- &C**ommit to comprehensive liberalization over 5-7 years?
- &E**stablish a Japan strategy for Canadian business?
- &E**stablish a Canada strategy for Japan business?



FORGING A DYNAMIC CANADA-JAPAN TRADE AND INVESTMENT STRATEGY FOR THE THIRD MILLENNIUM

- κ We have to move forward. Neither Canadians nor Japanese are satisfied with the state of the trade and investment relationship. The status quo is not an option.
- κ We need to ask ourselves some fundamental and very frank questions. We must decide together which is the best way forward. We have to be bold and creative but realistic at the same time.
- κ When we meet next year, I hope that we will be able to record solid progress on the tasks we set for ourselves at this meeting.
- κ Over the next twelve months, we need to put in place a joint action plan that will allow Canada to pursue a Japan strategy and Japan to pursue a Canada strategy.



CANADA-JAPAN BUSINESS COMMITTEE TIME FOR RENEWAL

CJBC is at a crossroads:

&it can play a critical role

&but it must renew itself to play that role

CJBC needs:

&a more diversified membership

&new effort

&new energy

&new commitment





FORGING A DYNAMIC CANADA-JAPAN TRADE AND INVESTMENT STRATEGY FOR THE THIRD MILLENNIUM

- κ The Canada-Japan Business Committee was created twenty-three years ago by a colleague and friend, and former Chairman of Alcan and the BCNI, David Culver, and his Japanese counterpart, Mr. Makita of NKK. It played a critical role in ensuring that Canada and Japan enjoyed a harmonious, mutually beneficial relationship.
- κ Today, it continues to have an essential role to play in the Canada-Japan relationship. But it is showing its age. If we are to give new life to trade and investment between our two countries, we will have to find ways to rejuvenate the Committee.
- κ To convince Canadian business that it needs a Japan strategy and Japanese leaders that they need a Canada strategy, a broader and more diversified membership is essential. Members with interests in the new economy are critically needed. This will not be an easy task, but it is essential.
- κ In addition, the BCNI and the *Keidanren* need to support the CJBC. This will be particularly important if we can jointly agree to take the decisions I believe are critical to infusing dynamism into the bilateral relationship.



A CANADA-JAPAN FREE TRADE AGREEMENT DOES IT MAKE SENSE?

- &C**anada and Japan are already committed to free trade by 2010 under APEC. A bilateral FTA could accelerate this process.
 - &B**oth countries would benefit from the removal of barriers and the strengthening of rules and institutions.
 - &A**n FTA would enhance government and business awareness of market possibilities.
 - &A**n FTA would provide Japan with a springboard to the United States and Canada with a springboard to Asia.
 - &B**ut is it the best instrument?
-
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FORGING A DYNAMIC CANADA-JAPAN TRADE AND INVESTMENT STRATEGY FOR THE THIRD MILLENNIUM

- κ The launch of negotiations for a free trade agreement would take advantage of the historic opportunity provided by the increased willingness of the Japanese to explore bilateral free trade agreements, as the Japanese government is currently doing with South Korea, Singapore and Mexico.
- κ Japan is the only remaining major economy that has not negotiated bilateral arrangements with its most important trading partners.
- κ A free trade initiative would give a major psychological boost to the relationship, providing a profile and awareness that would have an immediate and long-term effect on bilateral trade and investment.
- κ But starting negotiations is easy; getting results is the hard part. Is the free trade model best suited to the Canada-Japan relationship?



IS AN FTA THE BEST MODEL FOR JAPAN AND FOR CANADA?

An FTA requires:

- & strong private sector demand;
- & clear trade policy and regulatory issues to be resolved;
- & full commitments by governments to these goals.

Not all these elements are present:

- & business sees limited benefits;
- & cultural barriers are pervasive;
- & full political commitment is problematic

Better, more efficient, and practical means are available.



FORGING A DYNAMIC CANADA-JAPAN TRADE AND INVESTMENT STRATEGY FOR THE THIRD MILLENNIUM

- κ Canada has extensive experience with negotiating free trade agreements, first with the United States, subsequently with the United States and Mexico, Chile, Israel, and the European Free Trade Association, and finally in initiatives such as the Free Trade Area of the Americas and APEC.
- κ There was strong private sector demand for the FTA, NAFTA and the Chile agreement and in each case, there was a readily identifiable set of classic trade and regulatory barriers whose removal stimulated a major expansion of bilateral trade flows. Government commitment to success was measured by readiness to devote political and human resources to achieve the desired results.
- κ APEC and the FTAA are encountering significant difficulties, in part because there is little visible business interest in either process.
- κ At the present time, there is only limited business support in either Japan or Canada for a Canada-Japan FTA and, indeed, some concern that FTA negotiations could divert attention from the real issues which need to be resolved in order to expand bilateral trade and investment.
- κ Trade negotiations are about market access, and about the ability of business to compete for customers in each other's markets. The real barriers to expanding trade and investment are cultural values, institutions, and practices which are impervious to the provisions of a free trade agreement.
- κ Further, there is some question whether there is a broad-based consensus across the concerned ministries in Japan to support a free trade agreement. Within Canada, a free trade initiative would command some government support, but in the absence of strong business community interest, this support would quickly wither.
- κ A free trade agreement is a vehicle, not an objective. The objective is expanding trade and investment. We need to consider very carefully how best to advance this objective.



THE ALTERNATIVE: CONFIDENCE-BUILDING REALISM

&G Government-business commitment to freer trade.

&N Negotiation of a political framework to pursue these goals.

&A A dual-track, sector-specific process.

&P Parallel pursuit of functional issues.

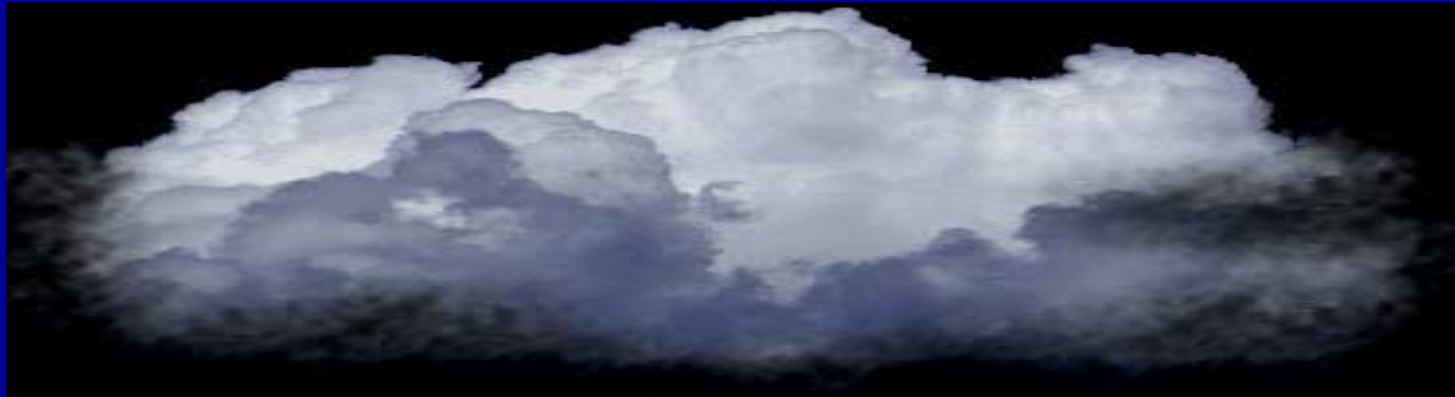


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- κ It is clear that there is limited support for moving quickly to a Canada-Japan free trade agreement. But there is broad support, on the other hand, for a well-focused negotiating process, particularly one that sets specific objectives and time-frames and proceeds on a step-by-step basis.
- κ To that end, governments and business should commit to achieving, within an agreed timeframe, tariff free trade on virtually all products, the elimination of discretionary licensing, the full application of non-discriminatory principles, and deeper commitments on trade and services.
- κ To help bring this commitment to reality, the two governments should negotiate a framework agreement setting out jointly-agreed goals and procedures, clear timelines, and the deliverables to be achieved.
- κ Both sides should establish sector and industry groups to work together to explore business opportunities, implement business strategies, and identify problem areas for resolution by parallel government negotiating groups.
- κ Additionally, the two governments should explore the scope for addressing more generic functional issues, such as mutual recognition agreements and government procurement procedures, and pursue a process which, over time, could evolve into a classic free trade type agreement.



CONCRETE STEPS FORWARD AND MEASURABLE PROGRESS



WORLD TRADE ORGANIZATION





FORGING A DYNAMIC CANADA-JAPAN TRADE AND INVESTMENT STRATEGY FOR THE THIRD MILLENNIUM

- κ Given the clouds swirling over the WTO and APEC, Canada-Japan negotiations could provide some continued momentum to trade and investment liberalization. In the event that multilateral negotiations are launched, or regional discussions gain new momentum, the two governments can determine whether and to what extent they are prepared to fold their bilateral discussions into a wider process.

- κ On balance, therefore, while the case for launching a free trade negotiation in the near future is not convincing, the case for a more creative process of confidence-building negotiations is strong and worth the effort. At a minimum, it would provide Canada with an opportunity to help Japan give shape and definition to its new-found interest in bilateral trade negotiations and to help it develop a more open and transparent economy. Such a process would also give Canadian business a framework within which to explore and implement new opportunities to strengthen bilateral trade and investment ties.



A JAPAN STRATEGY FOR CANADIAN BUSINESS



- & Japan is an economic powerhouse Canadian firms cannot afford to ignore.
- & A successful initiative must be grounded on business willingness to invest and government willingness to negotiate.
- & It must also be grounded in strong support in Canada by leading business executives.

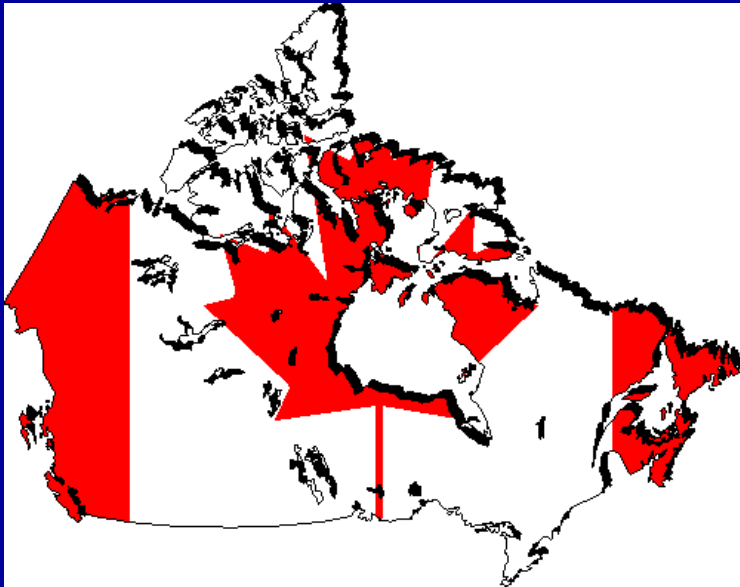


FORGING A DYNAMIC CANADA-JAPAN TRADE AND INVESTMENT STRATEGY FOR THE THIRD MILLENNIUM

- κ Japan is the second largest economy in the world. It remains an economic powerhouse. As its economy recovers and reform takes deeper hold, Japan will show once again its remarkable capacity to adjust and adapt. As it does, Canadian firms will want to be in a position to be part of that process.
- κ To that end, Canadian firms need an effective Japan strategy, as suppliers of technology and inputs, as investment partners, and as participants in joint ventures in third markets. Doing so will require building relationships with Japanese companies.
- κ Building a 'relationship' with a Japanese company is a very painstaking, long-term process. Canadian firms can – and have demonstrated that they can – compete and develop the necessary products to appeal to the Japanese buyer. What they need is insider status.
- κ Again, to that end, governments must engage on the deeply embedded cultural and institutional barriers that stand in the way. A dual-track negotiating process can provide a framework within which private sector and public sector efforts can complement each other and build greater confidence among Canadian firms interested in tackling the Japanese market.
- κ Such a negotiating process is critically dependent on Canadian business and government leaders staying the course. Staying the course will require that a sufficient number of Canadian firms be prepared to work with Japanese partners and with the two governments in developing new business and identifying problems in the chosen sectors, and that the two governments demonstrate that they can and will resolve problems.
- κ Seizing the opportunities presented by the Japanese market will require not only the commitment of specific firms in the target sectors, but also a broad willingness throughout the Canadian business community to reinforce its commitment through such activities as business and investment missions to each other's markets, profile-raising seminars and conferences, and government market development programs. In effect, Canadian business and government together will need to adopt and implement an effective Japan Strategy.



A CANADA STRATEGY FOR JAPANESE BUSINESS



& Japan can benefit from Canada as a market and investment partner.

& A successful initiative must be grounded on business willingness to invest and government willingness to negotiate.

& It must also be grounded on strong support in Japan by middle management in government and business.



FORGING A DYNAMIC CANADA-JAPAN TRADE AND INVESTMENT STRATEGY FOR THE THIRD MILLENNIUM

- κ Leading Japanese firms and business organizations continue to hold a view of Canada that is both dated and counterproductive. Canada is one of the world's leading industrial economies – the fourth largest, located next door to the largest and most dynamic economy in the world and enjoying unparalleled access to that market.
- κ The Canadian economy has become more outward-oriented and has recorded great progress in developing high-end manufacturing industries and related services industries. For Japanese industries, partnerships with Canadian firms offer many advantages commensurate with Canada's profile as a leading participant in the development of knowledge-based industries.
- κ A critically important issue for Japan is food security. Despite its shift to more knowledge-based sectors and away from resources, Canada remains one of the world's premier producers of high-quality food products. For Japan, partnership with Canada in the further application of science and technology to food production provides one of the best ways to pursue its food security needs.
- κ A range of other sectors offer similar advantages, including financial services, information technologies, high-end manufacturing, agri-food and fisheries, tourism, consumer products (furniture, sporting goods and giftware), housing and building products, and health care/medical devices.
- κ Little will come of the proposed initiative unless there is a clear commitment by both business and government. Business must be prepared to make the necessary investments to test the scope for new opportunities, and government must be prepared to negotiate solutions to problems as they emerge and to implement the results of negotiations.
- κ In Japan, in addition to ensuring the support of senior executives and senior officials, it is equally important to ensure broad support at the middle management level. The more consensual Japanese decision-making style makes it essential that Japan's goals and priorities are widely shared among those who generate the plans and ideas and those who must ultimately implement them. A well-prepared process engaging both private sector and public sector participation should ensure that this critically important aspect of Japanese institutional culture is given proper attention.



CONCLUSIONS AND RECOMMENDATIONS

The members of CJBC should:

- ☹ Commit to the goal of comprehensive trade and investment liberalization within five to seven years.
 - & Agree in principle to mount a bilateral negotiating process to achieve comprehensive free trade on a step-by-step basis.
 - & Establish a joint working party to develop the parameters of such a negotiating process and identify priority sectors, with a mandate to conclude its work within a year.
 - & Provide both governments with a detailed and specific proposal within one year.
- ☹ Establish a second joint working party to consider ways and means to attract new members to participate in the work of the CJBC.
- Set up appropriate mechanisms to ensure that future CJBC meetings can proceed on the basis of the necessary staff work to make meaningful decisions and recommendations.

Additionally, the BCNI and Keidanren should establish a committee to address the Canada-Japan economic relationship and monitor the ongoing effort to implement the above recommendations.



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 - Agree in principle to mount a bilateral negotiating process to achieve comprehensive free trade on a step-by-step basis.
 - Establish a joint working party to develop the parameters of such a negotiating process and identify priority sectors, with a mandate to conclude its work within a year.
 - Provide both governments with a detailed and specific proposal within one year.
- κ Establish a second joint working party to consider ways and means to attract new members to participate in the work of the CJBC.
- κ Set up appropriate mechanisms to ensure that future CJBC meetings can proceed on the basis of the necessary staff work to make meaningful decisions and recommendations.
- κ Additionally, the BCNI and Keidanren should establish a committee to address the Canada-Japan economic relationship and monitor the ongoing effort to implement the above recommendations.



FORGING A DYNAMIC CANADA-JAPAN TRADE AND INVESTMENT STRATEGY





FORGING A DYNAMIC CANADA-JAPAN TRADE AND INVESTMENT STRATEGY FOR THE THIRD MILLENNIUM

- κ Chairman Imai, Chairman Okuda, Chairman Tellier, Ambassadors Edwards and Uchida, ladies and gentlemen, thank you for this opportunity to address this important conference.
- κ As we meet in Tokyo today, we have an historic opportunity. We can accept the challenge of “*Forging a Dynamic Canada-Japan Trade and Investment Strategy for the Third Millennium*” or we can let the relationship gradually slide into obscurity, as businesses in both countries devote scarce resources to other, more rewarding opportunities.
- κ I urge you to take the bold course, to adopt the vision, to start down the road which will lead to a dynamic new model in trade relations, to negotiate a basis for freer trade and investment between our two great countries. In the words of Chairman Okuda, the time has come for Canadians and Japanese to put the spire on the steeple we have built together.
- κ Thank you.