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The Library of Parliament ***Trade and Investment*** series provides information on Canada's trade and investment relationship with selected countries. Particular attention is paid to bilateral merchandise trade, trade in services, and foreign investment. These publications are prepared by the Parliamentary Information and Research Service, which carries out research for and provides information and analysis to parliamentarians and Senate and House of Commons committees and parliamentary associations.

* Simon Lapointe, formerly of the Library of Parliament, contributed to the preparation of this document.

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Merchandise Trade

In 2010, Canada's bilateral merchandise trade with Japan totalled \$22.6 billion, comprised of \$9.2 billion in exports to, and \$13.4 billion in imports from, Japan.

Japan was Canada's fourth largest destination for exports as well as its fourth largest source of imports in 2010.

While the value of Canadian exports to, and imports from, Japan declined from 2008 to 2009 due to the global financial and economic crisis, Canada–Japan trade began to return to pre-crisis levels in 2010. The value of Canada's exports to, and imports from, Japan increased by 11% and 9% respectively from 2009 to 2010. Still, the value of Canada's trade with Japan has changed relatively little since the mid-1990s.

The value of Canada–Japan trade as a share of the value of Canada's total trade has decreased over time. In 1995, Canada's trade with Japan accounted for 4.6% of the value of Canada's exports worldwide and 5.4% of the value of Canada's global imports. In 2010, these shares were 2.3% and 3.3% respectively.

Over the 2005 to 2010 period, the value of Canada's exports to Japan grew at an average annual rate of 0.1%, compared to a decrease of 1.8% worldwide. The value of Canada's imports from the country decreased at an average annual rate of 2.0% over the period, compared to an increase of 1.2% worldwide.

Canada's western provinces accounted for more than three quarters of Canada's exports to Japan in 2010. British Columbia's exports to the country in that year were valued at \$4.2 billion, a 20% increase over 2009 levels, while Alberta's exports totalled \$1.5 billion.

Over the 2005 to 2010 period, Saskatchewan, Manitoba and Alberta were the fastest-growing provincial exporters to Japan. The value of their exports grew at average annual rates of 7%, 4% and 2% respectively over the period.

Figure 1

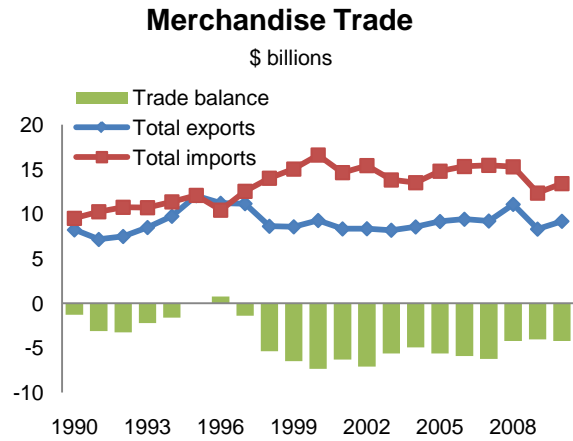


Figure 2

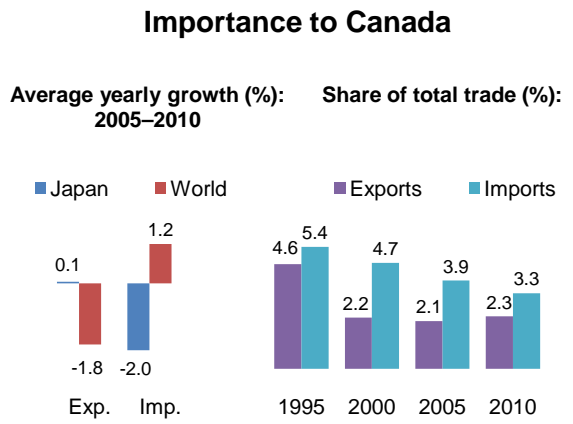
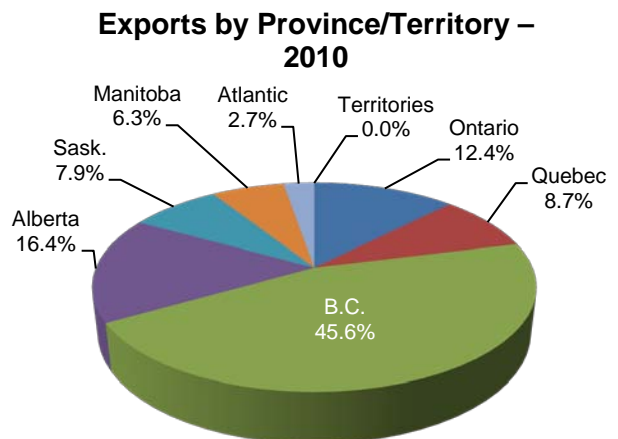


Figure 3



All figures were prepared by the authors using Statistics Canada annual figures as of spring 2011. The merchandise trade data are customs-based; the services trade and foreign direct investment data are balance of payments-based.

Products

In 2010, resource-based goods accounted for 51% of the value of Canada’s exports to Japan, while manufactured goods represented the remaining 49%. This composition had changed since 2005, when resource-based goods and manufactured goods accounted for 36% and 64% respectively of the value of Canada’s exports to the country.

Canada’s highest-valued exports to Japan in 2010 were coal, canola, pork, lumber and copper, at \$1.9 billion, \$979.7 million, \$810.1 million, \$726.9 million and \$698.9 million respectively. Increases in the value of Canadian exports of energy and related products to the country over the 2005 to 2010 period were associated primarily with coal, whose value had an average annual growth rate of 18%. In contrast, the value of Canadian lumber exports to Japan decreased at an average annual rate of 7% over the period.

The composition of Canada’s imports from Japan was considerably different from its exports in 2010. Manufactured goods accounted for almost 100% of the value of imports. This is essentially unchanged since 2005.

Motor vehicles and parts were Canada’s highest-valued imports from Japan in 2010. Cars accounted for \$3.9 billion of Canada’s imports from Japan in that year, with vehicle parts representing \$1.5 billion.

In 2010, Canada was a large net exporter of resource-based goods to Japan, while Japan was a large exporter to Canada of manufactured goods. The magnitude of Canada’s trade deficit with the country in manufactured goods in 2010, and its trade surplus in resource-based goods, was relatively unchanged from 2005.

Figure 4

Major Export Products

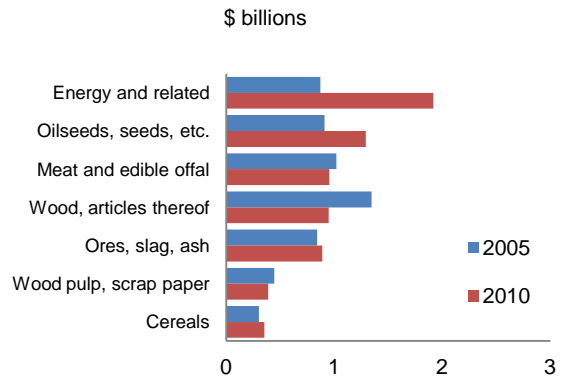


Figure 5

Major Import Products

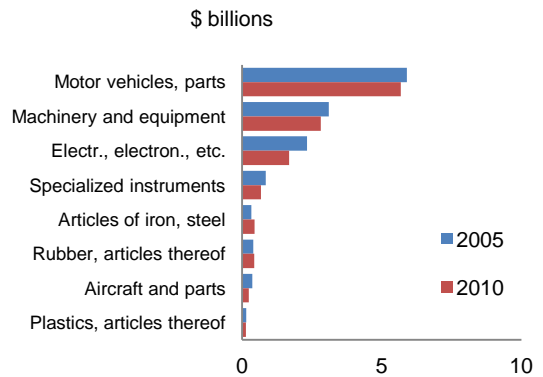
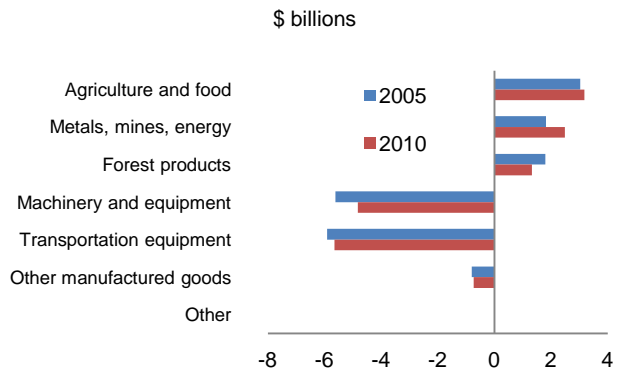


Figure 6

Balance by Category



All figures were prepared by the authors using Statistics Canada annual figures as of spring 2011. The merchandise trade data are customs-based; the services trade and foreign direct investment data are balance of payments-based.

Services and Investment

In 2010, Canada was a net importer of services from Japan. Canada's services exports to Japan totalled \$1.2 billion in that year, while its services imports were valued at \$1.4 billion.

While the value of Canada's services exports to, and imports from, Japan have decreased in recent years, the value of services exports increased by 20% from 2009 to 2010, with growth in all services categories. The value of Canada's services imports from Japan increased by less than 1% from 2009 to 2010, with increases in the values of travel services as well as transportation and government services offset by a decrease in the value of commercial services.

In 2010, exports of transportation and government services, travel services and commercial services to Japan were valued at \$548.0 million, \$370.0 million and \$302.0 million respectively. In that year, imports of commercial services, transportation and government services as well as travel services from Japan were valued at \$642.0 million, \$592.0 million and \$198.0 million.

Commercial services were the principal source of Canada's services trade deficit with Japan in 2010. That said, the value of Canada's commercial services imports from the country fell from \$1.6 billion in 2005 to \$642.0 million in 2010, reducing the trade deficit in this category. Canada also had a relatively small trade deficit in transportation and government services with Japan in 2010, and a trade surplus in travel services.

The stock of Canadian direct investment in Japan was \$7.3 billion in 2010, making it the 14th largest destination for Canadian direct investment abroad; this amount was 11% higher than in 2009. The stock fell each year from 2002 to 2007; since then, the stock has grown.

The stock of Japanese direct investment in Canada was \$16.0 billion in 2010, making it the sixth largest source of foreign direct investment in Canada. The stock increased by approximately \$3.6 billion over the 2008 to 2010 period.

Figure 7

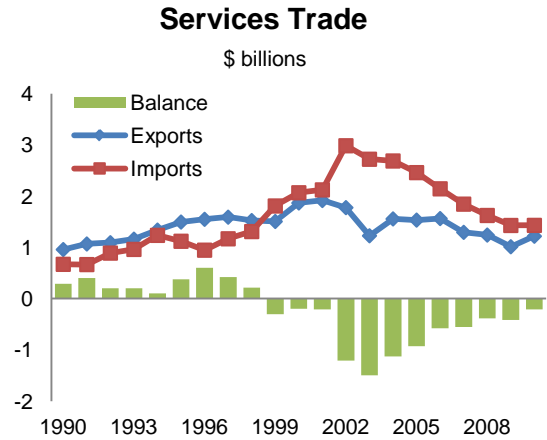


Figure 8

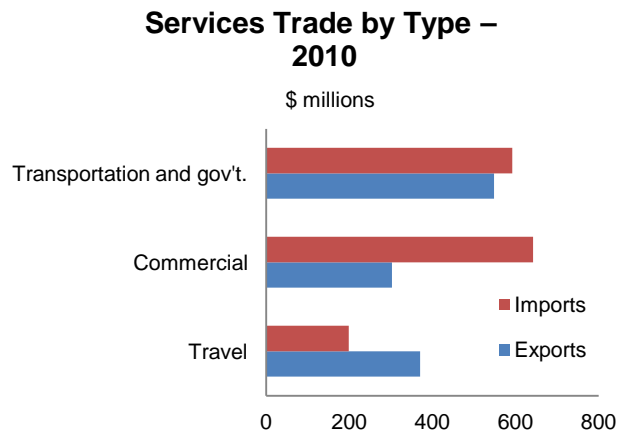
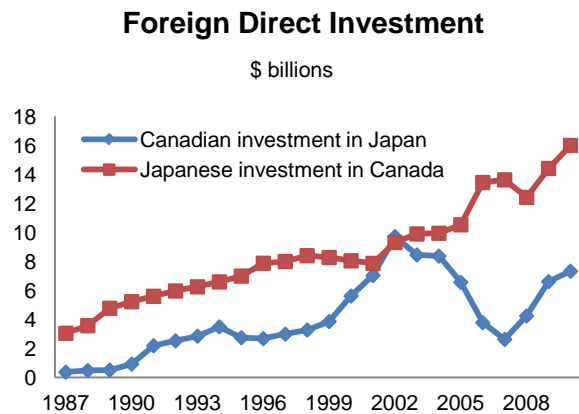


Figure 9



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