



LIBRARY of PARLIAMENT
BIBLIOTHÈQUE du PARLEMENT

TRADE AND INVESTMENT



Canadian Trade and Investment Activity: Canada–Japan

**Publication No. 2010-42-E
22 July 2010**

Michael Holden

International Affairs, Trade and Finance Division
Parliamentary Information and Research Service

***Canadian Trade and Investment Activity:
Canada–Japan***
(Trade and Investment Series)

HTML and PDF versions of this publication are available on Intraparl
(the parliamentary intranet) and on the Parliament of Canada website.

Ce document est également publié en français.

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.

Merchandise Trade

Japan is one of Canada's leading trading partners. In 2009, Canada's bilateral merchandise trade with Japan totalled \$20.6 billion, consisting of \$8.3 billion in Canadian exports to, and \$12.3 billion in imports from, Japan.

The value of trade between Canada and Japan has changed little since the mid-1990s. As a result, Japan is falling in importance as a trading partner for Canada. In 1995, Japan was Canada's second-largest export destination and second-largest source of imports. In 2009, it was the fifth-largest export destination and the fourth-largest source of imports.

Because of the decline in Canada-Japan trade in 2009, the value of Canadian exports to Japan in that year was the lowest since 2003 and imports were at their lowest level since 1996.

Led by British Columbia, the four western provinces accounted for three-quarters of Canada's exports to Japan in 2009. BC exported \$3.5 billion in goods to Japan that year, followed by Alberta, at \$1.6 billion.

For many provinces, exports to Japan have fallen over the past five years. From 2004 to 2009, only the three prairie provinces and Prince Edward Island have seen more than a 1%-per-year increase in exports.

Figure 1

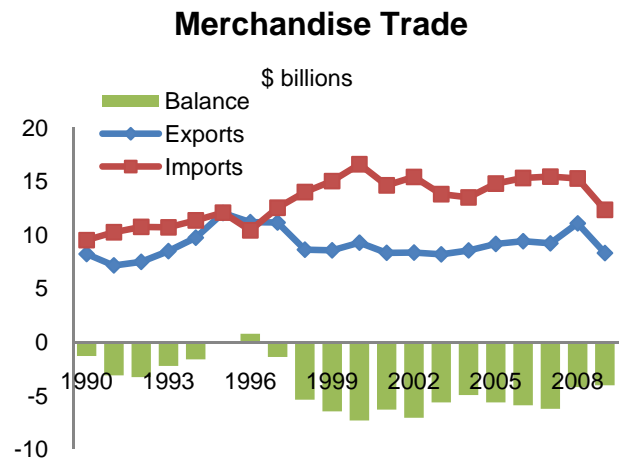


Figure 2

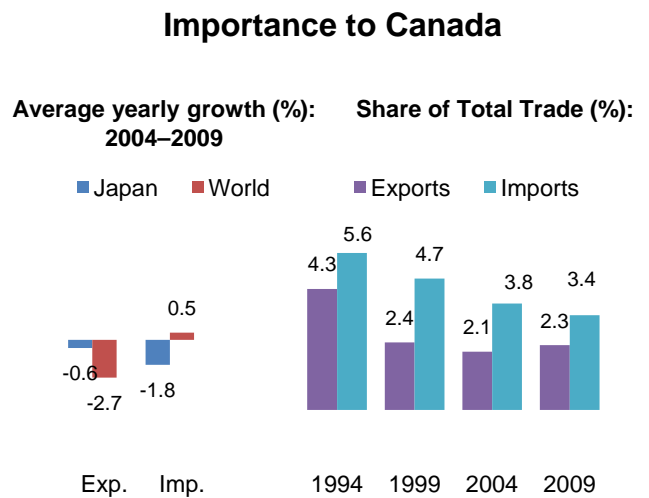
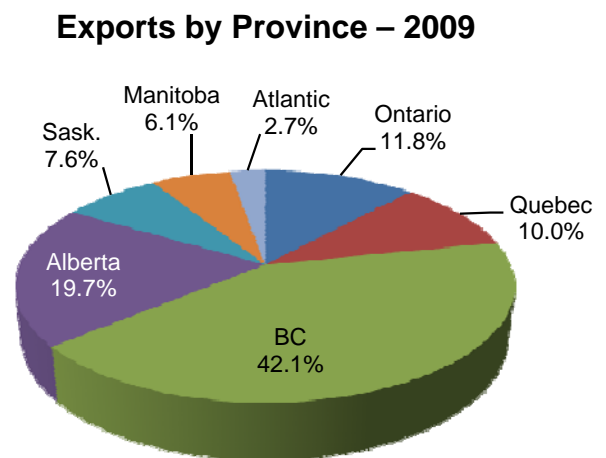


Figure 3



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

Products

Canada's top export products to Japan differ considerably from its top imports. Canada is a large net exporter of resource products to Japan – especially of agricultural and food products and of minerals – while Japan is a large net exporter to Canada of manufactured goods.

Resource-based goods made up 86% of Canada's exports to Japan in 2009, about the same share as in 2004. Canada has seen a large increase in coal exports to Japan in recent years, as well as in exports of canola seeds and soya beans. By contrast, the value of lumber exports in 2009 was less than one-half of its 2004 level. Other major export products include pork, wheat and copper.

Canadian imports from Japan are comprised almost entirely of manufactured goods. In 2009, manufactured products accounted for 93% of total imports; this share is essentially unchanged since 2004.

Cars, car parts, printing equipment and cameras are among Canada's largest imports from Japan. Cars accounted for \$3.6 billion of Canada's imports from Japan in 2009, while vehicle parts represented another \$1.2 billion.

Figure 4

Major Export Products

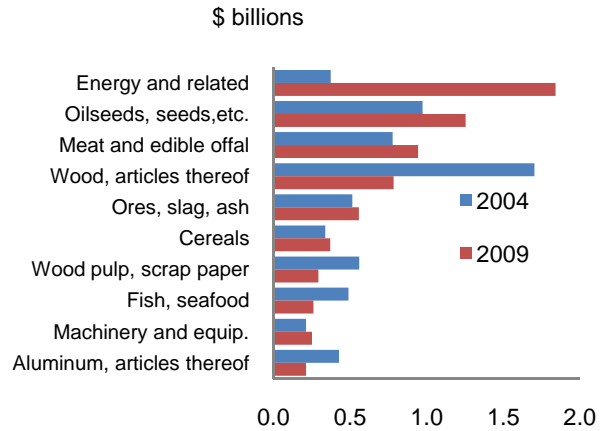


Figure 5

Major Import Products

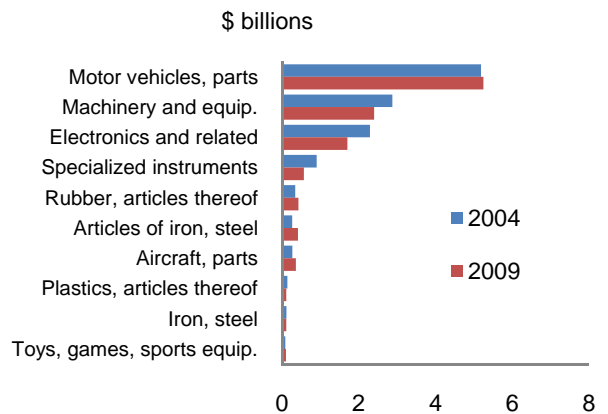
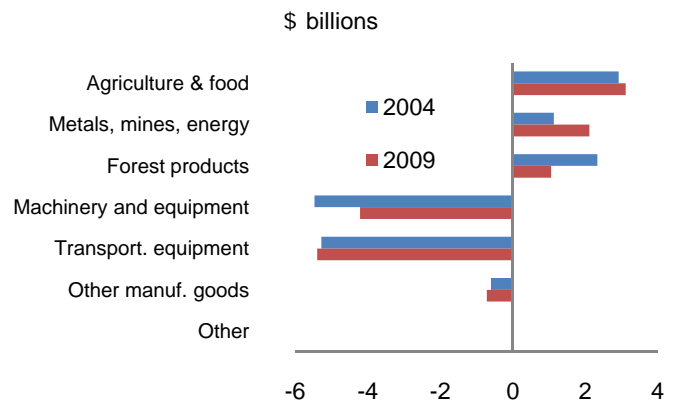


Figure 6

Balance by Category



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

Services and Investment

Canada is a net importer of services from Japan, although the gap has narrowed in recent years. In 2008, the most recent year for which data are available, Canadian services exports to Japan totalled \$1.5 billion, while services imports were valued at \$2.3 billion. Services imports have fallen by 23% since 2002, while services exports in 2008 were at about the same value as ten years earlier.

Commercial services made up about half of all services trade between Canada and Japan in 2008 and accounted almost entirely for Canada's bilateral trade deficit in services that year. However, Canada's imports of commercial services from Japan have fallen by 36% since 2002.

Canada is a net exporter of travel services to Japan, although travel services trade between the two countries has declined in recent years.

Japan is an important destination for Canadian foreign direct investment (FDI) abroad, in spite of the fact that the value of FDI in 2009 (\$3.6 billion) was 62% below its 2002 peak. Japan was Canada's 19th-largest destination for FDI that year.

Japan is a major source of investment in Canada. The stock of Japanese FDI in Canada reached \$13.1 billion in 2009, making Japan the 8th-largest source of FDI in Canada.

Figure 7

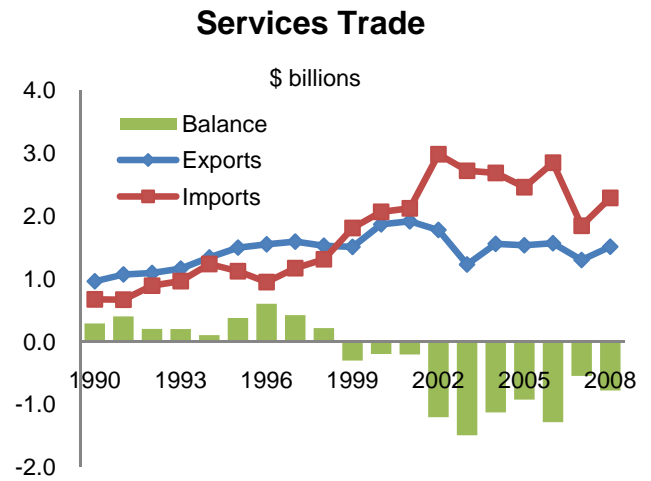


Figure 8

Services Trade by Type – 2008

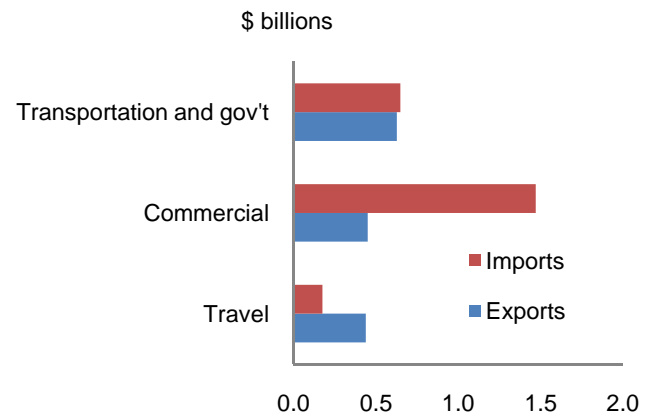
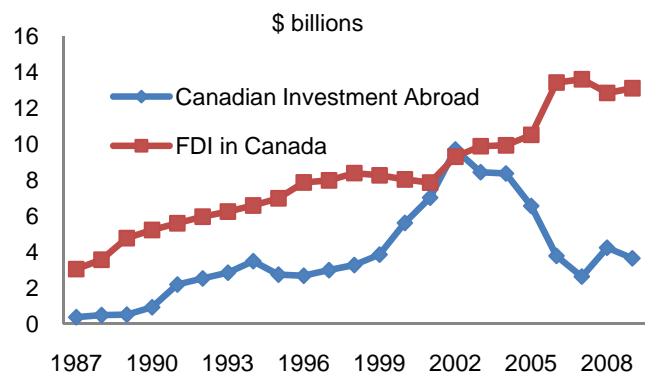


Figure 9

Foreign Direct Investment



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