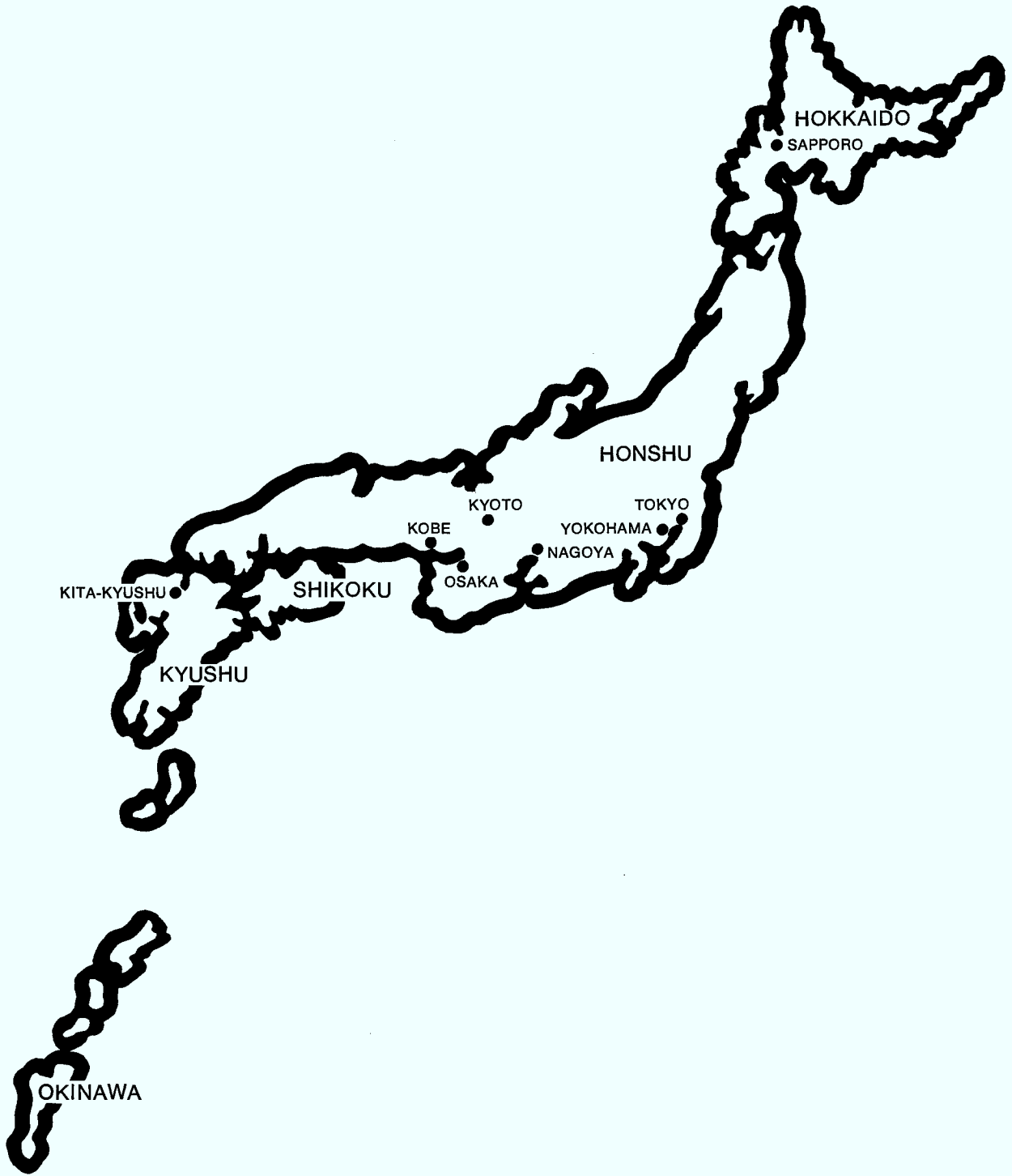


markets
for canadian
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JAPAN



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PREFACE

Japan has been a most important customer for Canadian exports. In 1978 total exports to Japan will exceed \$3.0 billion. In spite of the already high volume of exports, Japan remains a market of tremendous sales potential for Canadian firms with competitive products and sustained marketing programs. The downward movement of the dollar in relation to the yen has improved the competitiveness of Canadian exports. It is expected that in 1979 total exports to Japan will be in the order of \$3.5 billion. This book is intended to provide Canadian exporters with a comprehensive and up-to-date listing of Japanese companies and organizations which will be in a position to do business with them. It is hoped that this book will be a useful reference for Canadian exporters.

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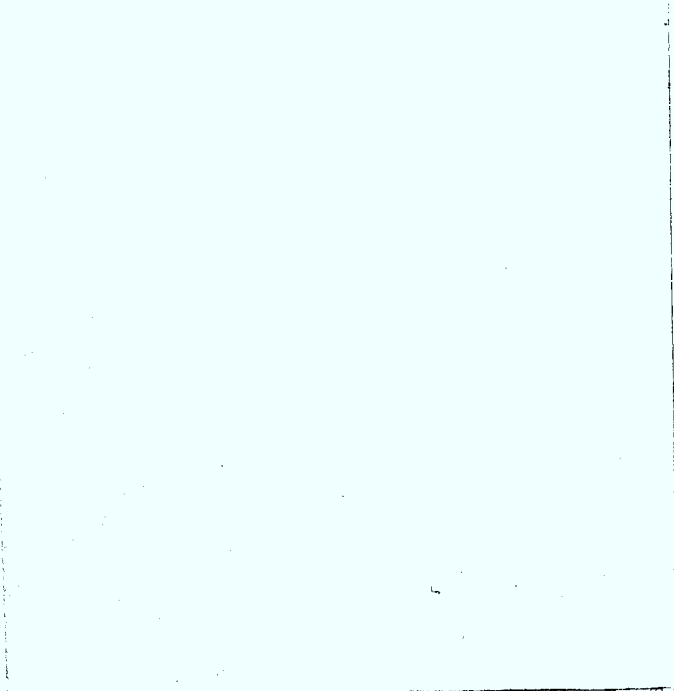
 Government of Canada
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Industry, Trade and Commerce
Industrie et Commerce

PREFACE

Since 1973, Japan has been a most important customer for Canadian exports, second only to the United States. It is expected that in 1978 total exports to Japan will exceed \$3.0 billion. In spite of the already high volume of exports, Japan remains a market of tremendous sales potential for Canadian firms with competitive products and sustained marketing programs.

The downward movement of the dollar in relation to the yen has improved the competitiveness of Canadian secondary manufactures sufficiently to expand sales to Japan. The expected recovery of the Japanese economy should further stimulate the import market which will be increasingly receptive to offshore suppliers of manufactured and consumer products.



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I. GENERAL

Geography

Occupying a land area of 377,000 km² (145,560 sq. mi.), roughly 40 per cent of the size of British Columbia, Japan is composed of four main mountainous islands which, from north to south are: Hokkaido, Honshu, Shikoku and Kyushu. Sixty-nine per cent of the land is forested, 16 per cent cultivated, balance is urban, grassland, or waste. Temperate climate with warm, humid summers (uncomfortable from the last half of July to the end of August) and generally sunny, cold, dry winters. The climate of Tokyo is similar to that of Washington, D.C.

Population

With 115 million people, of which 27 million live in the immediate vicinity of Tokyo, Japan is the world's seventh most populous country. Seventy-two per cent live in urban areas, a highly homogenous society of 99.2 ethnic Japanese. Tokyo, the capital, has a population of 11.5 million; eight other cities with populations of more than a million are: Osaka, Yokohama, Nagoya, Kyoto, Kobe, Sapporo, Kitakyushu, and Kawasaki.

Government

Since 1947 Japan has been a limited constitutional monarchy. The Diet is the national legislature divided into two houses, the House of Representatives and the House of Councillors, elected by universal suffrage. The executive is chosen from the Diet according to parliamentary cabinet system. The ruling party is the Liberal Democratic Party, with the Japan Socialist Party the main opposition.

Language

Japanese, with English widely used commercially; however the number of Japanese able to speak fluent English is limited.

Local Time

Add 14 hours to Eastern Standard Time.

Weights and Measures

Metric system; containers for wholesale and retail sales must be labelled in metric units, but non-metric container sizes are permitted. Most imported food products enter in normal packaging to which Japanese language labels are added.

Currency

The Canadian dollar was valued at approximately 160 yen on November 1, 1978.

Public Holidays

New Year's Day	January 1	Children's Day	May 5
Adults' Day	January 15	Old People's Day	September 15
National Foundation Day	February 11	Autumnal Equinox	September 23 or 24
Vernal Equinox	March 20 or 21	Sports Day	October 10
Emperor's Birthday	April 29	Cultural Day	November 3
Constitution Day	May 3	Labour Thanksgiving Day	November 23

Government and business offices are usually closed January 2 and 3. In practice, little work is done during the last few days of December and the first week in January. Businessmen are advised to avoid visits during this period. Visits should also be avoided during "Golden Week", the week during which the National Holidays on May 3 and May 5 fall, as many businessmen take extended holidays.

II. YOUR BUSINESS VISIT TO JAPAN

Advise and Consult

When planning your first business visit to Japan, advise the Commercial Section of the Canadian Embassy in Tokyo well in advance of your departure. Inform the Section of the objectives of your visit and include several copies of product brochures. It is also helpful if you work out the c.i.f. prices on at least part of your product range, and indicate the types of companies in Japan that could best handle your products.

With this information the Commercial Section will be pleased to arrange a tentative itinerary and make appointments on your behalf which you can confirm on arrival. Because of the increasing numbers of Canadian businessmen visiting Canada's trade posts abroad, it is recommended that you leave arrangements for hotel reservations to your travel agent.

Japanese Social Customs

Foreign businessmen visiting Japan are likely to be offered lavish hospitality by their counterparts. While the Japanese do not expect foreigners to understand the finer points of their etiquette, they appreciate those who make an effort. Remove your shoes when entering a Japanese-style restaurant or home. It is not correct to walk on a straw matting floor in shoes or slippers.

Most Japanese meals are composed of a series of small dishes. Naturally, the polite thing to do is to eat what is offered but hosts are understanding if their guest finds a particular dish — for example raw fish — unappetizing. It is not always necessary that you reciprocate hospitality extended, but it is important that you thank your host when you next meet or correspond.

Business Cards

It is customary to exchange business cards with new acquaintances. This is particularly useful to the foreign visitor who is likely to have difficulty in remembering more than a few Japanese names at a time. Take a substantial quantity of business cards with you. They should be printed with a Japanese translation on one side; CP Air in Vancouver offers this service or it can be arranged within 48 hours after your arrival in Japan.

Most Japanese businessmen are enthusiastic golfers and are delighted to arrange a game (and the loan of clubs) for their foreign business contacts. A game of golf is an excellent way to cement a personal friendship in Japan. Green fees are high and courses are out of town so allow plenty of time for travel. There is no such thing as a "quick" game of golf in Japan.

Recreational facilities for the business visitor are limited. Few hotels have indoor pools. Some do have exercise rooms. Joggers can be seen everywhere, particularly around the Imperial Palace but, because of traffic and crowds, for those wishing to jog it is best done in the early morning.

Tipping

Confine your tipping to skycaps and railway redcaps, to a limit of Y300 per piece of baggage. Tipping elsewhere is not the custom and is not welcomed. You will find service charges added to bills at most places to compensate for the "no tipping" custom.

Language

Language is likely to be the single largest problem you will encounter on your trip to Japan. The number of Japanese who speak fluent English is not great and knowledge of other foreign languages is extremely limited. In Tokyo, and to a lesser extent Osaka, a few people have an understanding of English but outside these centres you are really on your own.

Be sure to have explicit instructions written in Japanese before you embark on any trip, either inside or outside the cities. Don't expect to get by with a few words of Japanese if the going gets tough. Japanese is a difficult language to use even in its elementary form.

Major Japanese firms having dealings abroad will invariably have English-speaking staff. It is advised, however, that businessmen consider hiring their own interpreter. This ensures that your entire message is understood and emphasizes your seriousness. A good interpreter can also counsel you on approaches or how a meeting might have gone.

Remember that when using an interpreter, it is important to brief him or her on the vocabulary you may use. Speak slowly and clearly, do not ramble — keep your paragraphs short but complete your thought.

Innumerable services, such as those of an interpreter, can be arranged through your hotel. The Commercial Section of the Embassy can also assist, particularly where an interpreter requires specialized vocabulary.

The Business Interview

When meeting a Japanese businessman there is no hard-and-fast rule about whether to bow, shake hands or offer a business card first. It is best to take your cue from the person you are meeting.

Your first view of a typical Japanese office will be intriguing. When you enter you will find yourself in a large office with rows of desks stretching off almost to the horizon. Section chiefs and department heads rarely have their own offices but are located in key positions around the room in the midst of this sea of desks.

Your business interview may be conducted in a separate cubicle or, more likely, in a small cluster of chairs located in the middle of the room close to the desk of the department head. In either case, the setting will be similar. You and your interpreter will be arranged on one side of a low coffee table in low-slung chairs. Your hosts will assemble on the other side of the table. Strength in numbers is the rule and you can expect to confront up to half a dozen Japanese businessmen on the opposite side. You will be served, in small cups without handles, Japanese green tea (no sugar, no cream).

The man you are speaking to might not be familiar with your company. It will help to give him some general background information on its history of growth and development and the reputation you enjoy both at home and in export markets. Providing a copy of an annual report, if available, is particularly helpful.

Expect to take time before getting around to direct questions and above all avoid a high-pressure approach. A quiet presentation is far better received. Make sure that the person you see has an opportunity to ask all the questions he wants before you make a move to leave. If possible leave a brochure that gives a summary of your products and operations. He probably won't have understood everything you said even through your interpreter, so your literature will give him something to study.

Gift Giving

Gifts or "presentos," as they are more often called, are used frequently in Japan. To master the art of gift giving among the Japanese is a lifetime study in itself. Nevertheless, you will undoubtedly find that among these polite people there will be a few who will be exceptionally helpful and whom you will want to repay. For business purposes, you may think it worthwhile to give small gifts to people who have helped you or to people whose interest you would like to cultivate.

Here are a few tips. Don't give Japanese-made gifts. Try to give something novel — especially something Canadian. Although importance is attached to the value of a gift, it is wise to present items that do not have an immediately apparent value. Gifts need not be expensive, but unique items are appreciated.

Entertainment and Night Clubs

All kinds of Western and Japanese entertainment and food are available. Western-style clubs and food, popular with the Japanese, tend to be expensive. The steak dinner for two with a drink beforehand, but no wine or liquor, can cost \$100 or more. Clubs are another story. Most of the entertainment, aside from restaurants, theatres and hotel floor shows, is for men only.

Tokyo has tens of thousands of clubs, all designed to separate the customer from his loose change. Most employ hostesses. Normally, in the larger clubs and bars, there is a cover charge plus a charge for each girl who spends time with you on a minimum cost per hour. But each time a new girl sits beside you, you pay the minimum rate even if she's there only 10 minutes before leaving you to sit with one of her "regular customers" who has come in. This adds up to a lot of money for the unwary — or even the wary.

Major credit cards can be used at the larger restaurants and hotels but it is wise to take along a sufficient amount of travellers' cheques to cover all anticipated expenses. U.S. dollar travellers' cheques can be converted into yen at the current rate of exchange more easily than Canadian dollar travellers' cheques.

When to Go

The best time to visit Japan is during the late fall and winter. Avoid the New Year's holiday which lasts for several days, and Golden Week in May as well as the other public holidays listed in Part I of this booklet.

How to Get There

Both CP Air and Japan Air Lines have direct flights between Vancouver and Tokyo. Consult your travel agent for specific times of departure. It usually takes a day or two to get over the effect of "jet lag". Therefore it is recommended that you plan your schedule to arrive on a Friday or Saturday if possible.

Internal Transportation

Taxis

You will probably take taxis for most of your trips around the cities. Before setting out, be sure that your taxi driver knows exactly where you want to go since both communications and directions are difficult. If in doubt have someone write out directions and draw a map for you to give to the driver. The information desks at most hotels are only too pleased to do this for you. Taxis are plentiful and often the most convenient way to get around in cities. Remember not to tip the driver.

Buses

Aside from organized bus tours, it is better to avoid public buses altogether since little English is spoken by drivers or passengers and route signs and maps are written mainly in Japanese.

Cars

We do not recommend that you drive in Japan. Cars with drivers can be hired at all leading hotels but they are expensive.

Trains and Subways

Excellent train service is available throughout Japan. There are many fast trains that service all major points in the country. Be sure to reserve seats well ahead of time. Reservations can be made through travel agents or the Japan Travel Bureau. Your hotel front desk will help you.

For the adventuresome, the subway system is not too difficult to use. English maps are available from your hotel. The routes are colour coded to conform with the colours of each line. Station names are shown in English at each stop.

Planes

For longer trips within Japan, you may want to take advantage of the frequent, top-flight air services. Again reserve ahead through a travel agent or the Japan Travel Bureau. Domestic

flights use Haneda Airport located close to the downtown area. All overseas flights into Tokyo now land at Narita airport which is located in Chiba Prefecture, approximately 65 km (40 miles) from the centre of Tokyo.

There is regular bus and train service available to the downtown area but the most convenient is the limousine bus which connects the airport to the downtown City Air Terminal. The fare is Y 1,900 and buses depart every five to 10 minutes. The bus ticket selling counter is located in the arrival lobby, in front of the exit from the Customs area. Buses wait in front of the arrival lobby. The estimated travelling time in normal traffic conditions is 90 minutes, although in off-hours the trip can be made in one hour.

When departing Japan, it is best to check in at the downtown terminal three hours before departure.

Hotels

Hotel accommodation is both ample and central. Listed below are the main hotels in the larger cities. The list is not exhaustive but includes those hotels where most Western visitors stay:

Kita-kyushu	—	Kokura Nikkatsu Hotel
Kobe	—	Kobe International Hotel
	—	Oriental Hotel
Nagoya	—	Nagoya Castle Hotel
	—	International Hotel Nagoya
	—	Nagoya Miyako Hotel
Osaka	—	Hotel New Hankyu
	—	Osaka Miyako Hotel
	—	Osaka Royal Hotel
	—	Osaka Grand Hotel
	—	Plaza Hotel
Sapporo	—	Sapporo Grand Hotel
	—	Sapporo Park Hotel
Tokyo	—	Hilton Hotel
	—	Imperial Hotel
	—	Marunouchi Hotel
	—	Okura Hotel
	—	Hotel New Otani
	—	Palace Hotel
	—	Grand Palace Hotel
	—	Tokyo Prince Hotel
	—	Keio Plaza Hotel

Passports and Visas

Businessmen who hold valid Canadian passports do not require visas to visit Japan unless they wish to remain for more than three months or take up employment. * However, the period of stay

granted to those not holding visas will be decided by the Japanese immigration authorities at the time and point of entry. Applications for extension of the initial period of stay will be considered by the Japanese authorities.

Full details about Japanese visa requirements may be obtained from Japanese Consular offices in Canada (see list Section VII).

*NB. Canadian businessmen holding other passports, including U.S. and Australian, do need visas and should consult the nearest Japanese Consulate for details.

Clothing

In all seasons, it is better to have rainwear of some sort. For summer, light tropical clothing is essential, particularly because Tokyo society makes few concessions to the semi-tropical summer weather and men are required to wear shirts, ties and jackets at all times. For winter, a light overcoat is enough protection.

Health Regulations and Precautions

Visitors arriving from Canada do not require a vaccination against smallpox. Smallpox, typhoid and cholera certificates may be required if visitors arrive from infected countries; i.e., most Asian countries. Airline and shipping companies should be consulted when making travel arrangements.

Japan is a healthy country. Modern medical facilities are available in the large cities and the services of English-speaking doctors and dentists can be obtained at most international hotels. The water is safe to drink anywhere in the country and one need take no more precautions over food than would be considered prudent in any major Canadian city.

III. DOING BUSINESS IN JAPAN

Merchandising and Distribution

Japanese trading firms account for about 70 per cent of the country's import trade. These trading companies have their roots in ancient Japanese social development and have proved to be a most efficient commercial link between Japan and the rest of the world.

The leading trading firms play a dominant role in the Japanese economic process: they gather and disseminate vast amounts of commercial intelligence; act as intermediaries within Japan's complex system of industrial financing; are heavily involved in domestic and third-country trade; and they are increasingly active in the planning and management of immense industrial projects. These companies handle a large number of different products and offer services for all phases of importing, including insurance, storage, transportation, distribution and servicing. The top four or five maintain more than 100 overseas offices and Canadian exporters can approach these firms through their branches in Canada (see list Section VII).

In selecting a trading company with which to tie in, close attention should be paid to the Japanese distribution channel for the product involved. In many cases, it is advantageous to forego the wider connections of one of the giant trading firms in favour of a smaller, specialized firm which is often prepared to give more personalized attention and put greater effort into the

promotion of products where the potential turnover is small. The Canadian exporter of manufactured products is sometimes best advised to deal with this kind of company. The Commercial Section of the Canadian Embassy in Japan will be pleased to assist you in locating a suitable representative.

Product distribution in Japan can be highly complicated — as in the case of consumer goods — or relatively simple, as in the case of industrial products with a limited number of end users. In approaching this system, the exporter must assess his own market by determining: where and in what quantities his product or similar products are being sold; the usual channels of distribution; the wholesalers with access to the largest share of the retail sector; and the suitability of the product for the Japanese taste. Again, the Commercial Section of the Embassy can help. Whichever approach is selected, the exporter should maintain close personal contact with his agent, trading company or wholesaler through frequent visits to Japan. The social aspects of marketing in Japan are unique and require careful handling to avoid misunderstandings that will reduce the impact of the exporter's promotional activities.

Correspondence and Trade Literature

Correspondence in English is acceptable since in practice it is Japan's foreign trade language. Trade literature should be translated into Japanese once business is to be done. This can usually be done through, or with the co-operation of, the Japanese importer.

Advertising and Promotion

Advertising in Japan, to be effective, must be in Japanese. Japanese firms increasingly use television, press, radio, cinema, neon signs and posters as advertising media mainly for consumer goods. The cost for advertising can be prohibitively expensive for a company initially entering the market. Before any commitments are made it is best to discuss this subject with the Commercial Division of the Canadian Embassy which can provide detailed information on the use of various media.

Price Quotations

Prices should be quoted c.i.f. but it is useful if f.o.b. prices are quoted as well. It is preferable to quote prices in United States dollars.

Usual Terms and Methods of Payment

Imports into Japan can be paid for either by irrevocable letters of credit or by normal trade terms (up to one year) on either a documents-against-payment or a documents-against-acceptance basis. Exporters should investigate the credit standing of their customers before transacting business. Where capital equipment is involved the importer will probably ask for extended terms. In these cases, permission must be obtained from the Ministry of Finance for each individual transaction (see also Section V).

Banking Services

In Japan, commercial banks play an important role in financing the growth of the economy by direct investment in industry. The Bank of Tokyo for historical reasons has a special position in matters of foreign exchange. To serve domestic needs, there are about 15 large "city" banks

(each with 100 to 200 branches throughout Japan) and 63 "local" banks (each with about 60 branches). In addition, there are 18 resident foreign banks plus one specialized foreign exchange bank which are all clients of the Bank of Japan in conjunction with the Ministry of Finance. Following is a list of the major banks authorized to deal in foreign exchange transactions.

The Dai-ichi Kangyo Bank, Ltd.
6-2, Marunouchi 1-chome
Chiyoda-ku, Tokyo 100
Tel: 216-1111

The Daiwa Bank, Ltd.
21, Bingomachi 2-chome
Higashi-ku, Osaka 541
Tel: (06) 271-1221

The Hokkaido Takushoku Bank, Ltd.
7, Odori Nishi 3-chome
Chuo-ku, Sapporo 060
Tel: (011) 271-2111

The Sanwa Bank, Ltd.
10, Fushimimachi 4-chome
Higashi-ku, Osaka 541
Tel: (06) 202-2281

The Bank of Tokyo, Ltd.
1-1, Nihombashi Muromachi 2-chome
Chuo-ku, Tokyo 103
Tel: 270-8111

The Tokai Bank, Ltd.
21-24, Nishiki 3-chome
Naka-ku, Nagoya 460
Tel: (052) 211-1111

The Mitsubishi Bank, Ltd.
7-1, Marunouchi 2-chome
Chiyoda-ku, Tokyo 100
Tel: 216-2211

The Kyowa Bank, Ltd.
5-1, Marunouchi 1-chome
Chioda-ku, Tokyo 100
Tel: 212-0211

The Fuji Bank, Ltd.
5-5, Otemachi 1-chome
Chiyoda-ku, Tokyo 100
Tel: 216-2211

The Saitama Bank, Ltd.
9-15, Takasago 2-chome
Urawa-shi, Saitama-ken 336
Tel: (0488) 29-2111

The Sumitomo Bank, Ltd.
22, Kitahama 5-chome
Higashi-ku, Osaka 541
Tel: (06) 227-2111

The Industrial Bank of Japan, Ltd.
3-3 Marunouchi 1-chome
Chiyoda-ku, Tokyo 100
Tel: 214-1111

The Long-Term Credit Bank of Japan Ltd.
2-4, Otemachi 1-chome
Chiyoda-ku, Tokyo 100
Tel: 211-5111

The Export/Import Bank is an independent Japanese government agency and the principal institution for financing long-term export credits, raw material imports and investments in overseas enterprises (including joint ventures with foreign firms). Repayment terms are in principle up to five years for export and import and up to 10 years for overseas investment.

There are also several other banks with official status including: the Japan Development Bank, the Agricultural Finance Corporation and the Small Business Finance Corporation.

Five Canadian banks have representatives in Tokyo:

Bank of Montreal
Representative Office
Room 419, Shin Tokyo Building
3-3-1, Marunouchi
Chiyoda-ku, Tokyo
Tel: 211-8884

Bank of Nova Scotia
Tokyo Representative Office
Palace Building 6th Floor
1-1-1, Marunouchi
Chiyoda-ku, Tokyo
Tel: 213-2766/8

Royal Bank of Canada
Representative Office
Suite 442, Kokusai Building
3-1-1, Marunouchi
Chiyoda-ku, Tokyo
Tel: 214-6863/4

Canadian Imperial Bank of Commerce
Tokyo Representative Office
Room 910, Kokusai Building
3-1-1, Marunouchi
Chiyoda-ku, Tokyo
Tel: 214-2028

Toronto-Dominion Bank
Japan Representative Office
Room 406, Fuji Building
3-2-3, Marunouchi
Chiyoda-ku, Tokyo
Tel: 214-4485

These are representative offices only and do not engage in normal banking operations. Three Canadian investment dealers have offices or representatives in Tokyo. They are: A. E. Ames & Co. Ltd., Richardson Securities of Canada and Wood Gundy Ltd.

Debt Collection

Arbitration facilities exist. There are no collection agencies as Canadians know them. Parties in a trade dispute can obtain assistance from the Japan Commercial Arbitration Association situated in Tokyo at the Tokyo Chamber of Commerce Building, 2-2, 3-chome, Marunouchi, Chiyoda-ku, with offices in Kobe, Nagoya, Osaka and Yokohama, or through the Arbitration facilities of the International Chamber of Commerce in Paris, France. Resorting to legal assistance is expensive and not normally done in Japan unless all other avenues for reconciliation have been exhausted.

Shipping Services

Air Cargo

CP Air has five regular air cargo flights to Tokyo each week. Japan Airlines (JAL) schedules three air cargo flights weekly from Tokyo to Vancouver. In addition Air Canada and Concord Freight System Ltd. offer air/ sea services from Japan worldwide.

Steamship Services

All major Canadian ports on east and west coasts, as well as the Great Lakes, are serviced by numerous Japanese and other foreign steamship lines. Detailed information on schedules and ports of discharge can be obtained from the office of the Transportation Policy Adviser, Department of Industry, Trade and Commerce, Ottawa, Tel: (613) 995-8308.

Technical Assistance Contracts and Joint Ventures

Import of technology (licensing) has been for the most part liberalized. In general, licensing agreements are subject to automatic authorization by the Bank of Japan (BOJ), where the contract term exceeds one year. Where the contract term is less than one year, no authorization is required; prior notification will suffice.

Licensing of technology in certain areas (aircraft, arms, explosives, atomic energy, aerospace development, and electronic computers), however, is subject to review where the amount of the contract exceeds \$100,000. The government has also reserved the right to designate certain other areas (next generation computer electronics, laser processing and light communications equipment, radically new types of materials, aluminum refining, non-mercury methods of table salt electrolysis, seabed oil development, leather tanning and leather products) where an agreement exceeding \$300,000 would be subject to review.

For agreements subject to review, when the competent minister does not raise an objection within two weeks (extendable to one month under special circumstances), the BOJ will approve the transaction.

Investment and Joint Ventures

Japanese industry has traditionally relied heavily on banks for the financing of their capital requirements. The level of self-financing from retained earnings or proceeds of debentures or stocks is rather small as the following table illustrates:

TABLE VIII

Sources of Japanese Business Funds — 1977
(Japanese Yen 100 Millions)

Private financial institutions	115,122
Depreciation and retained profits (1976)	182,021
Equity shares	10,804
Bonds	6,887
Government financial institutions	17,039

Other government sources	3,195
Net addition from foreign investment	1,302

U.S.\$ = Y 258 (average in 1977)

Sources: Annual Statistics Department, Bank of Japan.

Recently, the securities market has become more important in the supply of long-term equity capital and now more than 60 million Japanese are shareholders. Mutual funds and other institutional investment have also increased in importance.

The extent of foreign investment in Japan is less than in the developed countries of North America and Europe. By and large, the Japanese government encouraged licensing and the sale of technology by foreign firms but discouraged, through legislation and guidance, the establishment of joint ventures where foreign ownership exceeded 50 per cent. However, in the face of pressure from foreign countries, the Japanese government has largely liberalized capital investment. This capital liberalization has been a gradual process and in May 1973, the fifth (and final) stage was announced. At that time, all but 22 industries were opened to 100 per cent foreign investment and the government announced that of the remainder, 17 would be liberalized by May 1976. The program was completed on schedule with the liberalization of fruit juice and photo-sensitized materials producing industries May 1, 1976. Retail trade, which was not intended for liberalization at the time when the fifth capital liberalization program was announced, was decontrolled in 1976.

While decontrol theoretically opens all these industry sectors to foreign investment, control is still exerted through administrative guidance in situations where the responsible government ministry believes an investment would not be in the best interest of a particular region or industrial sector. Japanese production standards or health, sanitation and similar regulations may also limit or preclude certain types of investment. The system is administered, in accordance with the Foreign Exchange and Foreign Trade Control Law and with the Law Concerning Foreign Investment, by the Bank of Japan, the Ministry of International Trade and Industry and by other ministries having responsibility for specific sectors, e.g., Health and Welfare for the pharmaceutical industry.

Non-liberalized industry sectors, where foreign investment is subject to case-by-case scrutiny are as follows:

- (a) primary industry related to agriculture, forestry and fisheries
- (b) mining (50 per cent liberalized)
- (c) petroleum
- (d) leather and leather products manufacturing

Investment may take the form of a wholly-owned subsidiary, a joint venture with a Japanese firm, acquisition of stock in an existing Japanese firm, establishment of a branch office or the setting up of a liaison office (which may not, however, conduct business).

While technical assistance contracts and joint ventures have been largely liberalized as described above, the Japanese government, in the form of the Fair Trade Commission, occasionally raises objections over clauses in agreements which violate Japanese anti-monopoly legislation. Therefore it is useful for the Canadian partner in a joint venture negotiation to be aware of published guidelines of the Fair Trade Commission regarding licensing agreements and provisions of the legislation dealing with international agreements.

Administrative Procedures

Whether or not an industry has been liberalized, application must be made by all foreign investors. These are directed in the first instance to the Bank of Japan. If the application relates to an industry not liberalized, it is then referred to the Ministry of Finance and to the ministry which has jurisdiction over the enterprise, often the Ministry of International Trade and Industry. Where a major industry is involved, such as one of the basic industries in Japan or an industry where the economic effects of foreign ownership are likely to be substantial, the matter is referred to the Foreign Investment Council, a distinguished group of businessmen, scholars and government officials, for deliberation and decision. If applications are approved, either under "automatic approval" or after "case-by-case" screening, the Bank of Japan issues a certificate of validation which may be conditional upon a host of particular restrictions.

While there are no requirements that a decision be taken within a specified time, efforts are made to expedite processing of an application.

IV. ECONOMY AND FOREIGN TRADE

General

Japan's postwar economy grew at unprecedented rates with GNP from 1961-1970 increasing at an average of more than 10 per cent per year in real terms. This unparalleled performance, surpassing all other major industrial countries, ended abruptly in late 1973 as inflationary pressures and heavy deficits in the balance of payments caused Japan's most severe recession since World War II. The tripling of oil prices created particular difficulties for the economy since Japan depends on imports for 99.7 per cent of its oil requirements.

The recovery from this recession has been slow and gradual. Real growth in GNP was 6.5 per cent in 1973, 0 or negative in 1974, 3.2 per cent in 1975, 5.8 per cent in 1976 and about 5.5 per cent in 1977. Unemployment is high by Japanese standards (2.2 per cent in 1977) with operating capacity only about 86 per cent and investment well below the level of the early 1970s. Inflation rates have decreased from about 10 per cent in 1975 to about four per cent in 1977. Consumer spending has not shown significant improvement in response to the deceleration in inflation. In fact, the Japanese have one of the world's highest levels of consumer savings (mainly to compensate for inadequate pension funds) and consumer confidence is only now beginning to return. Mainly due to this stagnant domestic economy, the index of production for mining and manufacturing industries was only 115.7 in 1977 and has not yet recovered to the 117.00 level of 1973 (100 = 1975). Most Japanese industry has high debt-equity ratios and a system of lifetime employment which require continued high production levels to service debts and cover fixed costs including labour. To maintain production levels while domestic markets were stagnant, Japanese industry had to rely on export sales.

Trade and Economic Policy

Japan's industry is among the world's leaders in such fields as automobiles, steel, electronics and chemicals. These industries depend on imported raw materials and energy. To earn the foreign exchange necessary to pay for these raw materials as well as for a large proportion of Japan's food requirements, Japanese industry must export and must remain efficient and competitive. In fact, the ability of these industries to increase their exports while the domestic economy was immersed in a long recession helped to pull the rest of the economy out of this decline.

However, in the last few years, this surge in exports has resulted in a large and growing balance-of-trade surplus. The concentration of Japan's exports to the U.S. and E.C. in sensitive sectors (in particular steel, automotive, electronic goods) has caused serious dislocations and provoked strong criticisms and threats of protectionism. The strength of Japan's export drive began to be reflected in the exchange value of the yen in mid-1976 with an appreciation of about 45 per cent against the Canadian dollar by mid-1978. Initially, the cost (in yen terms) of Japan's raw material imports had fallen and offset the higher value of Japanese exports. However, since imported materials are only one of the factor inputs and the value of Japanese labour and other domestic inputs have increased, Japanese exporters have gradually been forced to reflect the high yen value in export prices. Institutional restraints such as Japan's multi-layered distribution systems have restricted the immediate reduction of prices for imported goods.

In an effort to speed up this adjustment, the Japanese government has introduced measures to stimulate imports such as tariff and non-tariff barrier liberalization, advance purchases of materials for stockpiling and expansion of import financing facilities. However, the most effective method of increasing imports and reducing exports is to expand the domestic demand for all goods, foreign or domestic. Stimulatory budget measures, reductions in interest rates and other measures have been undertaken with the immediate goal of reaching a growth target of seven per cent in 1978.

Future Prospects

The government's "Medium-Term Plan for 1976-80" indicates an acceptance of a stable growth rate (about five per cent) as the country seeks out a different allocation of economic resources. The plan calls for reduced unemployment and inflation, a balance in the overall external accounts by 1980, and an extension of social security benefits. The 1978 "White Paper on International Trade" advocates a major effort to upgrade the quality of life in future economic policies. This study states that "Japan has undeniably failed to see the merits of increased imports" in encouraging a shift in domestic industry to those of higher added-value and greater international efficiency. Japan will be reorienting its economy from heavy industrial production towards more high technology and service industries.

Transportation

Land

The Japanese narrow gauge railway network covers 26,866 km (14,120 miles), the majority of which is operated by the Japanese National Railway (JNR). Private companies operate only 5,594 km (3,356 miles) of the network, mostly as commuter lines surrounding the major cities. Railways are an extremely important means of transporting people in this densely populated country and Japan has some of the most advanced railway technology in the world. The most famous example is the high-speed Shinkansen lines (bullet trains) which cover 1,435 km (861 miles) from Tokyo to Hakata on the Inland Sea. The long-term plan is for all four of the main Japanese islands to be linked by an 8,700 km (5,400 mile), high-speed rail system by 1985.

However in the case of freight 81 per cent (tonnage basis) is moved by truck, the balance by rail and coastal shipping. On a ton/km basis, rail accounts for 14 per cent, truck 35 per cent and coastal shipping 51 per cent.

Sea

In 1976, Japan's maritime trade volume was 71.0 million metric tons in exports, of which 20.6 per cent was carried by Japanese ships, and 576 million metric tons in imports, of which 4.7 per

cent was carried by Japanese ships, indicative of the enormous Japanese demand for water transportation. To develop the industry, the Japanese government encouraged the shipping industry through investing government funds and providing subsidies for interest on shipbuilding loans. The shipping industry strengthened and expanded the merchant fleet through internal reorganization, merging the major shipping firms into six groups and regrouping 81 lesser concerns. By mid-1974, Japan's merchant fleet totalled 38.7 million tons (compared with 23.5 million tons in 1969) and accounted for 12.4 per cent of the world's tonnage. This made Japan the second largest shipowner in the world after Liberia (whose merchant fleet, however, consists largely of foreign ships registered as Liberian for convenience). More recently, tanker and tramp ship operations have faced a serious slump forcing Japanese shipping companies to cut back expenses, sell ships and cancel plans for new ship construction. The government has responded to these difficulties with a plan to use idle tankers to stockpile crude oil. The plan calls for the government to hire about 25 mammoth tankers to hold 5 million kilolitres of crude oil.

Air

Civil aviation has expanded rapidly in Japan during the last 20 years. However, as a result of increased oil prices, growth in Japanese air travel, particularly overseas, has slowed in comparison with earlier growth rates. In 1951, Japan's international airline, Japan Airlines, was organized as a quasi-government corporation. Fifty per cent of the stock is held by private interests. There are in addition two major, privately-owned domestic airlines — All Nippon Airways and Toa Domestic Airlines. In 1977, 35 million passengers were carried over domestic air routes (14.7 million in 1970) and 4.3 million over international routes (1.6 million in 1970).

Because the Tokyo International Airport at Haneda had been unable to accommodate heavy international and domestic traffic, a Tokyo International Airport was built at Narita to alleviate congestion. Due to public opposition on environmental grounds, the airport opening was delayed until 1978 and security is tight. Important airports are also located in Osaka, Fukuoka, Nagoya, Chitose and most other medium and large-sized cities.

Canada-Japan Trade

Canada-Japan trade relations are based on the General Agreement on Tariffs and Trade (GATT) and the Canada-Japan Agreement on Commerce of 1954. Between 1964 and 1974, Canadian-Japanese trade increased seven times from \$505 million to \$3,647 million.

The development of Canada-Japan trade and economic relations has been largely attributable to natural economic forces: Canada has an abundance of resources needed by Japan and offers an attractive market for the products of Japanese industry. Despite continued widespread recession among the advanced countries of the world, bilateral trade continued to set new records in 1977, exceeding \$4.3 billion. The ten-fold increase in bilateral trade over the past decade has not, however, reflected Canada's industrial capability nor encompassed the related areas of capital and technology flows to the degree one would expect in economic relations between two industrialized countries.

Efforts to develop the full potential of our bilateral relations include: setting a positive climate by means of the concept of Economic Co-operation and a mutual commitment to the objectives of the Tokyo Round and the London and Bonn Economic Summits; increasing trade and industrial promotion activities and resources to improve awareness of the needs and capabilities of both countries; support for the formation of a businessmen's group, the Canada-Japan Business Co-operation Committee, to develop closer private sector trade links which first met in May, 1978 in Tokyo.

Economic Co-operation

The Canadian and Japanese Governments, seeking to bring greater breadth and maturity to bilateral trade and economic relations, have agreed to adopt an essentially positive and forward-looking approach to economic co-operation, as a means of dealing with problems and issues and creating a favourable climate and better dialogue. This concept is embodied in the Framework for Economic Co-operation which as an indication of the mutual political commitment was signed by Prime Ministers Trudeau and Miki in October 1976. It envisages: closer private sector contacts; co-operation in the development and marketing of resources and manufactured goods, including those with a high technology content; greater stability in the production and supply of agricultural products; and increased mutually beneficial investments.

The Framework for Economic Co-operation provided for the creation of a Joint Economic Committee (JEC) to keep under review the development of economic co-operation. In June 1977 the first meeting of the JEC was held in Vancouver. The Canadian delegation was led by the Secretary of State for External Affairs, Mr. Jamieson, while the Japanese side was headed by the former Foreign Minister of Japan, Mr. Hatoyama. Views were exchanged on a variety of multi-lateral issues, on current economic conditions in each country and on bilateral trade and economic relations. Specific priorities and new opportunities for co-operation were discussed in four working groups: Agriculture, Resources and Energy, Forestry and Secondary Manufactures.

Since 1973, Japan has been the most important customer for Canadian exports after the United States. Following a slight decline in 1975, total bilateral trade in 1976 reached record levels as Canadian exports to Japan grew 13 per cent to \$2.4 billion while imports from Japan increased by 26 per cent to \$1.5 billion. This peak was exceeded in 1977 by about 10 per cent as exports grew to \$2.5 billion while imports reached \$1.8 billion.

Canada was Japan's seventh largest trading partner in 1977. If petroleum imports are excluded, Canada was Japan's fourth largest trading partner after the United States, Australia and Korea.

In terms of composition of trade, 35 per cent of our exports to Japan in 1977 were agricultural products (including grains), 21 per cent were fabricated materials and end products, and the bulk of the remainder were industrial materials including coal (21 per cent), copper (8 per cent), softwood lumber (97 per cent), and wood pulp (6 per cent). At approximately \$870 million, Japan is now Canada's largest single export market for agricultural products, taking 90 per cent of total rapeseed exports, 24 per cent of barley exports, 93 per cent of pork exports and 15 per cent of wheat exports.

On the industrial materials side, Japan is Canada's leading market for coal (taking 93 per cent of total coal exports), copper ore and concentrates (74 per cent), lead ore concentrates (57 per cent), molybdenum (36 per cent) and Canada's second largest market for pulp (8 per cent), zinc (19 per cent), and aluminum (15 per cent). Conversely, Japan relies heavily on Canada as a major, stable supplier of these commodities.

On the import side, 95 per cent of Japanese sales to Canada were manufactured and processed products, with automobiles and consumer electronics the key items.

LEADING CANADIAN EXPORTS TO JAPAN
(Cdn. \$'000)

	<u>1975</u>	<u>1976</u>	<u>1977</u>
Coal	455,001	519,566	529,225
Rapeseed	193,587	166,675	227,622
Copper	225,180	223,334	206,061
Wheat	250,780	281,539	174,399
Wood pulp	149,333	165,865	145,725
Lumber, softwood	89,103	145,374	180,000
Fish roe	31,112	68,653	101,502
Barley	125,462	131,092	94,285
Pork	61,789	63,270	78,182
Iron ore	47,366	59,253	54,075
Zinc (ore and concentrates)	75,292	45,155	43,709
Aluminum (pigs, ingots)	28,215	7,991	42,552
Molybdenum (ores and concentrates)	19,115	31,035	41,739
Asbestos	13,733	39,017	38,416
Propane (liquefied)	23,681	28,634	32,716
Lead (ore and concentrates)	32,348	17,952	31,315
Potash	17,063	29,762	30,741
Logs, softwood	16,766	17,226	28,846
Flaxseed	23,470	25,053	22,784
Malt	17,490	19,620	22,740
Ham (not cured or cooked)	5,948	11,577	20,610
Nickel	30,656	35,765	19,008
Alfalfa, dehydrated	6,937	13,632	18,403
Rye	6,123	4,805	15,855
Wrapping paper	6,915	14,519	14,744
Silver (ore and concentrates)	19,710	11,546	13,702
Gold (ore and concentrates)	— — —	10,035	12,415
Chemical elements, n.e.s.	635	1,088	12,330
Wheat bran	4,235	6,923	10,583
Tallow	3,601	6,129	10,432
	<u>1,980,646</u>	<u>2,202,085</u>	<u>2,274,716</u>
Others	134,447	184,105	228,289
Total	<u>2,115,093</u>	<u>2,386,190</u>	<u>2,503,005</u>

LEADING CANADIAN IMPORTS FROM JAPAN
(Cdn. \$'000)

	<u>1975</u>	<u>1976</u>	<u>1977</u>
Motor vehicles, new	134,046	229,523	269,183
Televisions, radios, phonographs	82,060	148,307	154,798
Telecommunications and related equipment	76,128	131,026	158,027
Motor vehicles, other	46,302	50,484	82,702
Photographic goods	40,164	53,912	79,198
Plate, sheet and strip steel	57,677	51,343	59,122
Transportation equipment, other	35,065	46,226	54,795
Office machines and equipment	38,389	32,202	44,616
Pipes and tubes, iron and steel	51,833	28,786	43,657
Station wagons, new	23,364	39,793	36,344
Trucks, truck tractors and chassis	25,629	31,509	32,279

Broad woven fabrics, mixed fabrics	7,233	13,950	27,399
Watches, clocks, jewelry, silverware	6,798	12,975	25,853
Fish and marine animals	22,160	26,185	25,043
Bars and rods, steel	29,265	24,596	24,655
Kitchen utensils, cutlery and tableware	17,202	15,870	23,931
Motor vehicle parts, except engines	16,829	19,712	23,610
Broad woven fabrics, man-made	17,860	21,421	22,427
Hand tools and cutlery	12,685	15,330	22,022
Unexposed photo film and plates	8,190	12,774	18,546
Organic chemicals	9,205	13,333	14,205
Track-laying tractors and used tractors	19,415	16,244	13,986
Oranges, mandarins, tangerines, fresh	7,797	11,312	13,646
Bearings	19,001	11,824	13,274
Sporting and recreational equipment	7,914	20,303	12,255
Ships and boats	---	---	12,236
Basic hardware, nails, fasteners, etc.	5,419	10,082	11,261
Structural shapes, steel and steel piling	5,040	16,336	10,948
Sub-total	822,670	1,105,358	1,330,018
Others	383,646	418,369	472,457
Total	1,206,316	1,523,727	1,802,475

Japanese Exports by Principal Commodity, 1977

	\$U.S. Million (f.o.b.)	Per Cent
Machinery and equipment	49,744	61.8
Metals	14,084	17.5
Textiles	4,700	5.8
Chemicals	4,300	5.3
Non-metallic manufactures	1,145	1.4
Foodstuffs	870	1.1
Others	5,651	7.0
Total	80,494	

Source: Statistics Department of the Bank of Japan — "Economic Statistics Monthly",
March 1978

Japanese Imports by Principal Commodity, 1977

	\$U.S. Million (c.i.f.)	Per Cent
Mineral fuels	31,149	43.9
Foodstuffs	10,105	14.3
Raw materials	7,563	10.7
Machinery	4,891	6.9
Metal ores	4,777	6.7
Chemicals	3,003	4.3
Textile materials	2,002	2.8
Others	7,318	10.3
Total	70,808	

Source: Statistics Department of the Bank of Japan — "Economic Statistics Monthly",
March 1978

Japanese Exports by Principal Countries and Areas, 1977

	\$U.S. Million (f.o.b.)	Per Cent
United States	19,717	24.5
European Community	8,735	10.9
— Federal Republic of Germany	(2,782)	(3.5)
— Britain	(1,950)	(2.4)
Republic of Korea	4,080	5.1
Saudi Arabia and Kuwait	3,278	4.1
Liberia	2,487	3.1
Taiwan	2,553	3.2
Australia	2,330	2.9
Hong Kong	2,320	2.9
People's Republic of China	1,939	2.4
U.S.S.R.	1,934	2.4
Iran	1,926	2.4
Canada	1,708	2.1
Others	<u>27,487</u>	34.1
Total	80,494	

Source: Statistics Department of the Bank of Japan — "Economic Statistics Monthly",
March 1978

Japanese Imports by Principal Countries and Areas, 1977

	\$U.S. Million (c.i.f.)	Per Cent
United States	12,396	17.5
Saudi Arabia and Kuwait	10,993	15.5
Australia	5,287	7.5
Indonesia	4,996	7.1
Iran	4,243	6.0
European Community	4,195	5.9
— Federal Republic of Germany	(1,496)	(2.1)
— Britain	(959)	(1.3)
Canada	2,881	4.1
Republic of Korea	2,113	3.0
People's Republic of China	1,547	2.2
U.S.S.R.	1,422	2.0
Taiwan	1,288	1.8
Others	<u>19,447</u>	27.5
Total	70,808	

V. CUSTOMS AND EXCHANGE REGULATIONS

Currency and Exchange Controls

The monetary unit is the yen (Y). Bank of Japan notes in circulation are in denominations of 500, 1,000, 5,000 and 10,000 yen and occasionally 100-yen notes. Coins in general use are 1, 5, 10, 50 and 100 yen.

The exchange rate of the yen has been floating since 1973. From a rate of about 300 yen to the Canadian dollar in July 1976, the yen has appreciated to about 160 to the Canadian dollar on November 1, 1978.

Trade Transactions

Authority for the approval of exchange transactions associated with normal trading activities has been delegated by the Ministry of Finance and the Bank of Japan to authorized foreign exchange banks. Imports of most products are no longer subject to direct control but an importer is required to file an "import declaration" with an authorized foreign exchange bank. The bank must confirm that the product is not subject to quantitative restrictions and that payment will be made by a standard "method of settlement" before validating the declaration and releasing foreign exchange for the purchase. These "methods of settlement" basically include: —

- (a) payment upon receipt of the goods or documents or within six months of customs clearance;
- (b) payment within one year after receipt of machinery, consumer durables and merchandise imported under consignment;
- (c) payment up to one year in advance of receipt of the goods or documents.

Payment by methods other than standard must have the prior approval of the Ministry of Finance and the Ministry of International Trade and Industry (MITI).

Terms of Payment

Imports can be paid for by either an irrevocable letter of credit (often the preferred method of Japanese firms) or by normal usance terms up to one year on a documents-against-payment or documents-against-acceptance basis. Exporters should check the credit standing of their customers before transacting business. The Commercial Division of the Canadian Embassy can assist in obtaining information on the standing of Japanese firms.

Import Controls

As stated earlier most imports enter freely, the only requirement being the filing of an "import declaration" with an authorized foreign exchange bank. However, some goods are still subject to quota restrictions (primarily agriculture and fisheries products), and exporters should make sure their product does not run afoul of government safety standards; such as: the Food Sanitation Law, High Pressure Gas Law, etc. (See sections below on standards.)

For items under quota restrictions the importers must apply for a quota allotment from the MITI (quotas are generally set and applications accepted twice a year), and, armed with an Import Quota certificate, will be issued an import licence by an Authorized Foreign Exchange Bank.

Quotas are often issued against past performance and so the Canadian exporter of products under quota restriction would be wise to locate an importer already holding a quota allotment. Imports must clear customs during the validity period of this licence, usually six months.

Customs Tariff

Japan's Customs Tariff is administered by the Minister of Finance through its Customs Bureau. Japan uses the Customs Co-operation Council Nomenclature (CCCN). The Customs Tariff has four columns: a General rate for non-GATT countries, the GATT rate, the Temporary rate which is usually a unilateral reduction below the GATT rate, and the Preferential rate for designated developing countries. As a member of the GATT, Japan accords Most-Favoured-Nation tariff treatment to Canada. The structure of Japanese tariff rates is such that most raw materials are duty free, while processed and fully-manufactured goods face increasingly higher tariffs.

Duty is assessed on the "normal" price of the imported product plus insurance and freight (c.i.f.) in accordance with the BTN Customs Valuation Convention. Advance tariff rulings on products may be obtained from the Customs Bureau by submission of samples, photographs, specifications and/or descriptive literature. An indication of the probable tariff and other trade barriers can be obtained from the Pacific Division of the Pacific, Asia and Africa Bureau, Department of Industry, Trade and Commerce, Ottawa.

Commodity Taxes

Eighteen groups of commodities of a luxury or semi-luxury type are subject to indirect commodity taxes. The commodity tax is applicable to both imported and domestic goods and ranges from 30 per cent to five per cent. Products include jewellery, precious stones, fur products, carpets, motor vehicles, boats, sporting equipment, home appliances, televisions, sound equipment, musical instruments, photographic equipment, furniture, clocks and watches, cosmetics and beverages. The tax base for imported commodities is the c.i.f. value plus duty.

Documentation

Goods for which conventional or beneficial rates of duty are claimed require certificates of origin; e.g., Canadian goods which are entitled to GATT or Most-Favoured-Nation rates of duty. They are ordinarily issued by a Japanese consulate but may also be issued by Canada Customs authorities and the Canadian Chambers of Commerce. The certificate of origin, which must be personally signed, certified and dated, should include the place of origin of the goods, marks, number and description of goods, number of packages, quantity and value of merchandise.

For a shipment to clear Customs, two copies of the commercial invoice are essential. No special form is required but it must describe the mark, number, name description, quality and value of the goods, the CCCN tariff number, place and date of the invoice, names and addresses of the consignor and consignee and conditions of contract relating to the value of the goods. For goods subject to ad valorem duties, the cost of packing, freight, insurance, commission and other shipping charges should be indicated. Invoices must be personally signed by the exporter or approved representative.

Packing, Marking and Labelling

The use of straw packing materials is prohibited. Proposed packaging should be checked with the importer who may have definite preferences. Goods should be marked according to normal

commercial practice. However, certain goods such as foods, pharmaceuticals and electrical household products must comply with specific regulations. False or mistaken marks of origin are prohibited and the importer must either correct the indication of origin or return the goods within the period specified by the Customs notification. There are no special regulations for the marking of packages.

Commercial Samples

Canadian businessmen are advised to make use of the ATA Carnet system when importing commercial samples, advertising materials including film and medical or other professional equipment into Japan for a limited time. The Carnet is a Customs document which eliminates extensive Customs procedures for temporary imports which are not for sale or will be re-exported, allowing such goods to be imported without the payment of duty and tax, or the provision of additional security. The Carnet can be obtained from: Carnet Canada, The Canadian Chamber of Commerce, 1080 Beaver Hall Hill, Montreal, Quebec, H2Z 1T2, Tel: (514) 866-4334.

Samples brought in for display at trade fairs may be entered in bond, providing they are re-exported at the end of the show. Japanese Customs procedures also allow the duty-free import of samples having "no commercial value" (but it is the Customs officer who decides value), and provide for the duty-free import of samples with commercial value for up to one year, after which they must be re-exported (procedure is complicated, and requires assistance of competent Customs agent). Because of possible complications and difficulties, however, exporters would be well-advised to use the ATA Carnet, except perhaps in case of trade fairs where no off-site display of product is anticipated.

Phytosanitary Requirements

Japanese health and sanitary regulations are quite restrictive and strictly enforced. Food products may contain only the additives permitted in the Food Sanitation Law, and all imported plants and soils, animals, meat and viscera of animals must be accompanied by a phytosanitary inspection certificate issued by the government of the exporting country and are subject to Japanese quarantine inspection as well as Customs inspection.

Plants, animals and products thereof from certain areas of the world are banned if the presence of certain insects or diseases is found. For example, fresh fruits from Canada containing even minute quantities of the codling moth are prohibited. The Japanese maintain a zero tolerance level for prohibited insects while Canadian export inspection certificates often indicate the product is "substantially free" from the insect.

Since beef imports are subject to quotas while live animals are not, imports of live animals from Canada have been increasing. However, these animals must pass quarantine inspection after a period of detention. The import of live animals is thus subject to the limits of the quarantine space. When exporting plant and animal products, it is advisable to contact the Health of Animals Branch or the Plant Protection Division, Agriculture Canada.

The Food Sanitation Law regulates the bacterial content, chemical content and packaging of food. All imports of foodstuffs, food additives, tools, containers, packaging and toys are subject to inspection. Samples are drawn from a shipment and tested for bacterial content, chemical content (especially food additives) and visually inspected for spoilage, mold, etc. Special labelling, packaging and marking standards for certain foods and pharmaceuticals must also be met. Specific regulations govern the allowable chemicals used in cosmetics and pharmaceuticals.

The main difficulty facing food exporters to Japan is the prohibition of many food additives common in Western foods. The additive regulations follow a positive list approach which indicates only those which are permitted and thus prohibits all other additives including some commonly used in Western foods. Exporters of food products, especially those using numerous additives or dyes such as confectionery, are advised to check complete product contents with the Japanese Food Sanitation Inspection service prior to any shipments. The Commercial Section of our Embassy in Tokyo may also be able to advise exporters.

Patents and Trademarks

Manufacturers and traders who intend to export their goods to Japan are strongly advised to patent their inventions and register their trademarks in Japan. Japan follows the "first application principle" rather than the "first inventor principle" so that if the product, process, or trademark becomes known in Japan, it is the "first to apply" not the "first to invent" who gets industrial property protection. Japan subscribes to the 1883 Paris Convention on the protection on industrial property rights. Application must be made through a Japanese patent or trademark agent/attorney. Application should be made as soon as possible to protect oneself from the "first application principle" and before the invention loses its novelty, as noted below. Because of a considerable backlog at the Japanese Patent Office it may take four years to have a patent granted, but in the interim some protection is provided.

Applications for a patent may be made by the inventor or his assignee, whether an individual, firm or corporation. An application should be filed before the invention has become publicly known, has been used in public in Japan and before it has been described in any publication available in Japan so that the "novelty" requirement for a patent is maintained. Application, taking certain prescribed procedures, within six months of the date of loss of novelty will still be acceptable. The applicant for patent can claim priority as the "first applicant" in Japan back to the date, within one year, of a previous application in another member country of the Paris Convention. Thus, if date of application in Canada is within one year of date of application in Japan, then the Canadian date is taken as the effective application date in Japan. Patents are granted for a term of 15 years from the date of publication of the application subject to the payment of annual renewal fees. However, the life of a patent cannot be extended beyond 20 years from the date of application. If the patented invention is not worked in Japan for a period of three years or more, the patentee may be required to grant licences.

For trademarks, the first applicant is the only one entitled to registration. The "first applicant" principle has resulted in the registration of some prominent foreign trademarks by Japanese firms. However, an original user of a widely-known trademark may be permitted to continue its use concurrent to its registration by a Japanese firm under a "right of prior use". Registration is valid for 10 years with an application for renewal required three to six months prior to the expiration of the registration. The registration may be cancelled if there has been no bona fide use of the trademark for a period of three years.

Standards

The Japanese government, to promote standardization, has pushed the establishment and use of the Japan Industrial Standard (JIS), and the Japan Agricultural Standard (JAS). While there is no legal compulsion for products to carry the JIS or JAS marks, the consumer associates these marks with quality, and some users do specify JIS or JAS standards. For example; housing, to get mortgage financing must use JAS timbers; and the government requires JIS for goods it procures (although we are assured JIS equivalent would be acceptable for imported goods). At the moment, because of inspection requirements, foreign products cannot receive the JIS

mark, but MITI is reportedly working out arrangements whereby foreign products can carry the JIS mark if they conform to the standard.

While JIS and JAS are important to the exporter, more important are the standards based on consumer protection laws, labour safety laws, etc., which are legal requirements that must be met before products can be sold in Japan. In many cases the product must undergo inspection in Japan before it is judged to meet the required standard. The most important of these laws and some of the products affected are:

1. Food Sanitation Law — Spells out restrictions on additives, and labelling and packaging requirements (all food products)
2. Electrical Apparatus Control Law and the Law Concerning Labelling of Home Appliances — Set standards and labelling requirements (all domestic appliances, all industrial electrical machines)
3. Pharmaceutical Law — Sets standards, labelling requirements (drugs, cosmetics, medical equipment)
4. Household Goods Labelling Law (clothing, textile products, plastic containers, detergents, umbrellas, etc.)
5. Labour Safety and Sanitation Law (metalworking machinery, cranes, pressure vessels, etc.)
6. High Pressure Gas Control Law (gas canisters, etc.)

VI. SERVICES FOR EXPORTERS

Export Development Corporation

Of vital importance to Canadian businessmen is the Export Development Corporation (EDC), a Crown corporation that reports to Parliament through the Minister of Industry, Trade and Commerce. Its purpose is to encourage, facilitate and develop Canadian export trade by providing export credit insurance, guarantees, loans and other financial assistance to enable exporters to meet international competition. The main functions of EDC are:

1. to ensure the Canadian exporter against non-payment due to credit or political risks beyond the control of either the exporter or the buyer when export sales are made on normal credit terms. Almost all export transactions are insurable, not only those involving goods or technical services, but also those involving "invisible" exports such as managerial services, advertising programs, the licensing or sale of patents, trademarks, copyrights, etc.;
2. to issue appropriate guarantees to chartered banks or to any person providing non-recourse supplier financing in respect of an export sale. Guarantees may also be issued in connection with a loan made to a foreign buyer for the purchase of Canadian goods and services;
3. to finance foreign buyers of Canadian capital goods and related services when extended credit terms are necessary and are not available from commercial lenders. Major engineering and other technical services (but not feasibility studies) may be financed, even when such sales are not related to the export of goods;
4. to ensure Canadian investments abroad against non-commercial risks such as loss through confiscation, expropriation, war or revolution or the inability to repatriate capital or earnings.

EDC, which succeeded the Export Credit Insurance Corporation in October 1969, has its head office in Ottawa (mailing address: P.O. Box 655, Ottawa, Ontario K1P 5T9). Branch offices are located in Montreal, Toronto and Vancouver. EDC is also represented by regional offices of the Department of Industry, Trade and Commerce in Halifax, Fredericton, Winnipeg, Regina and Edmonton.

Export Promotion Programs

The Office of International Marketing, including the former Fairs and Missions Branch and the Enterprise Development Branch including the Program for Export Market Development (PEMD), is responsible for planning and administering the department's two major trade promotional programs, namely:

1. The Promotional Projects Program (PPP) where the department initiates, plans, selects the participants and implements all aspects of each of the following promotion programs:
 - a. participation in trade fairs outside Canada;
 - b. in-store promotions;
 - c. incoming and outgoing trade missions;
 - d. trade visitors (including incoming buyers).

2. The Program for Export Market Development (PEMD) in which the initiative rests with Canadian companies operating either individually or collectively in their particular marketing endeavours. Briefly, financial assistance is provided to cover:
 - a. precontractual and bidding costs for specific and capital projects;
 - b. travel and related costs in market identification and market adjustment;
 - c. costs of individual participation in foreign trade fairs;
 - d. specified costs of bringing foreign buyers to Canada
 - e. feasibility study and initial operation of export consortia.

For further information on these programs, you should contact the nearest Regional Office of the department listed in Section VII.

Business Centre

A toll-free call from anywhere in Canada will put you in touch with the Business Centre maintained by the Department of Industry, Trade and Commerce specifically to provide information on Government of Canada programs affecting your business. Ask your long distance operator for:

ZENITH 0-3200

The Business Centre is located at:

Level 01 (Central area)
 235 Queen Street
 Ottawa, Ontario
 K1A 0H5
 Tel: (613) 995-5771

Publicity

The department's bi-monthly publications, Canada Commerce in English and Commerce Canada in French, contain articles and reports on export opportunities; government services to industry, international market conditions and terms of access; industrial developments; and joint industry-government efficiency studies.

Another, recently-produced department publication "Canadians Succeed in Japan", printed in English and French, provides in-depth information about business opportunities and examples of successful ventures in the Japanese market by Canadian entrepreneurs and businessmen.

Canada Courier, a full-colour, tabloid-size newspaper, gives international exposure to products and services that Canadian firms have for export. Published in English, French, German, Spanish and Japanese (as Tsusho News), its 28 issues a year are read by 200,000 potential customers around the world. For further information, write to:

The Editor
 Canada Courier
 Department of Industry, Trade and Commerce
 Ottawa, Ontario
 K1A 0H5

International Bureaux

The International Bureaux of the Department of Industry, Trade and Commerce are the central contact point on matters affecting Canada's trade and economic relations with other countries and areas. They are the central source of intelligence for developing trade relations and export marketing strategies. The Bureaux can provide: market and distribution information, market access information such as tariffs, health regulations, import licensing, product standards, etc.; as well as departmental and media publications. For information on specific aspects of exporting to Japan, contact the Pacific Division of the Pacific, Asia and Africa Bureau (see address in Section VII).

VII. USEFUL ADDRESSES

In Japan, the Canadian Embassy:

Minister (Economic/ Commercial)
 Embassy of Canada
 Akasaka Post Office
 Tokyo 107, Japan
 Tel: 408-2101 / 8
 Telex: Domcan TK 2218

In Canada: The Department of Industry, Trade and Commerce:

Pacific Division
 Pacific, Asia and Africa Bureau (28)
 Department of Industry, Trade and Commerce
 235 Queen Street
 Ottawa, Ontario
 K1A 0H5
 Tel: (613) 996-5381

Japanese Embassy and Consulates in Canada

Commercial Counsellor
 Embassy of Japan
 255 Sussex Drive
 Ottawa, Ontario
 K1N 9E6

Consul General
 Consulate General of Japan
 Toronto-Dominion Centre
 Suite 1803
 P.O. Box 10
 Toronto, Ontario
 M5K 1A1

Consul General
 Consulate General of Japan
 Suite 1210, 1177 West Hastings Street
 Vancouver, British Columbia
 V6E 2K9

Consul General
 Consulate General of Japan
 Suite 500
 Three Lakeview Square
 185 Carleton Street
 Winnipeg, Manitoba
 R3C 3J1

Consul General
 Consulate General of Japan
 Suite 2701
 C.I.B.C. Building
 1155 Dorchester Boulevard West
 Montreal, Quebec
 H3B 2K9

Consul
 Consulate of Japan
 Suite 2600
 10020-100th Street
 Edmonton, Alberta
 T5J 0N4

List of Leading Japanese Trading Companies and Their Canadian Offices

Home Office

Mitsui & Co., Ltd.
 2-9, 1-chome, Nishi Shimbashi
 Minato-ku, Tokyo

Mitsubishi Corporation
 6-3, 2-chome, Marunouchi
 Chiyoda-ku, Tokyo

Marubeni Corporation
 3, 3-chome, Honmachi
 Higashi-ku, Osaka

C. Itoh & Co., Ltd.
 4, 2-chome
 Nihombashi Honcho
 Chuo-ku, Tokyo

Nissho-Iwai Co., Ltd.
 30, 3-chome Imabashi
 Higashi-ku, Osaka

Nichimen Co., Ltd.
 15, 2-chome, Nakanoshima
 Kita-ku, Osaka

In Canada

Mitsui & Co. (Canada) Ltd.
 Royal Trust Tower
 Suite 3304
 Toronto, Ontario

Mitsubishi Canada Limited
 2800-200 Granville Street
 Vancouver, British Columbia
 V6J 1O6

Marubeni Canada Ltd.
 Suite 2700, 401 Bay Street
 Toronto, Ontario
 M5H 2Y4

C. Itoh & Co. (Canada) Ltd.
 Commerce Court West Building
 Suite 4181
 P.O. Box 277
 Toronto, Ontario
 M5L 1E9

Nissho-Iwai Canada Ltd.
 100 University Avenue
 Toronto, Ontario
 M5J 1V6

Nichimen Co., Inc.
 Montreal Branch
 Room 920, City Centre Building
 1450 City Councillors Street
 Montreal, Quebec
 H3A 2E6

Home Office

Toyo Menka Kaisha, Ltd.
64, 2-chome, Kawara-machi
Higashi-ku, Osaka

Sumitomo Shoji Kaisha, Ltd.
15, 5-chome, Kitahama
Higashi-ku, Osaka

Kanematsu-Gosho Ltd.
119, Ito-Machi
Ikuta-ku, Kob

Chori Co., Ltd.
32, 4-chome, Azuchi-machi
Higashi-ku, Osaka

In Canada

Toyo Menka Inc.
Montreal Branch
Suite 350
Place Cremazie Building
110 Cremazie Boulevard West
Montreal, Quebec
H2P 1B9

Sumitomo Shoji (Canada) Ltd.
Suite 2301
Commerce Court West
Toronto, Ontario
M5L 1E9

Kanematsu-Gosho (Canada) Ltd.
188 University Avenue
Suite 401
Toronto, Ontario
M5H 3C3

Chori Canada Ltd.
Suite 203
20 Holly Street
Toronto, Ontario
M4S 2E8

VIII. READING LIST

Some books and periodicals of possible interest to businessmen visiting Japan.

General

Paul Norbury, ed., *Introducing Japan* (Paul Norbury Publications, Tenterden, Kent, 1977, and distributed by Kodansha International Ltd.)

Edwin O. Reischauer, *The Japanese* (Cambridge: Belknap Press of Harvard University Press, 1977.)

Frank Gibney, *Japan: The Fragile Superpower* (W.W. Norton, New York, 1975.)

Industry and Trade

Robert J. Ballon, ed., *Marketing in Japan* (Sophia/Kodansha, Tokyo, 1973.)

Robert J. Ballon, ed., *Doing Business in Japan* (Sophia/Tuttle, Tokyo, 1968.)

Ministry of International Trade and Industry, Japan, *Foreign Trade of Japan* (Annual) (Available from Japan External Trade Organization, Tokyo.)

Japan Economic Year Book, The Oriental Economist, 1-4 Hongoku-cho, Nihombashi, Chuo-ku, Tokyo

The Oriental Economist (Monthly), The Oriental Economist, 1-4 Hongoku-cho, Nihombashi, Chuo-ku, Tokyo.

Japan Economic Journal (Weekly), Nihon Keizai Shimbun Inc., 1-9-5 Otemachi, Chiyoda-ku, Tokyo 100.

Edward F. Denison and William K. Chung, *How Japan's Economy Grew so Fast: The Sources of Postwar Expansion* (The Brookings Institution, 1775 Massachusetts Ave., N.W., Washington, D.C. 20336, U.S.)

The Japan Center of International Exchange, ed., *White Paper on Japanese Trade 1978* (Business Intercommunications Inc., C.P.O. Box 587, Tokyo 100-91.)

Yoshio Kishimoto, Takashi Takeuchi and Yoshiaki Kitayama, *How to Apply for Patents and Trademark Registrations in Japan Under the New Laws: 1976* (The Knowledge Industry of Japan, Ltd., Ebisu Awaza Bldg., 506, 5-21, Itachibori Kita-dori, Nishiku, Osaka, Japan.)

Yoshio Kishimoto, Takashi Takeuchi and Yoshiaki Kitayama, *Handbook on Merchandise Distribution In Japan* (Business Intercommunications Inc., C.P.O. Box 587, Tokyo, Japan.)

Richard E. Caves and Masu Uekusa, *Industrial Organization In Japan* (The Brookings Institution, 1775 Massachusetts Ave., N.W., Washington, D.C. 20036 U.S.)

Henry Stokes, *The Japanese Competitor* (The Financial Times, Ltd., Business Enterprises Division, 10 Bolt Court, Fleet Street, London EC4A 3HL, England. Distributed by Overseas Courier Service Inc., 2-9 Shibaura, Minatoku, Tokyo.)

Jetro Marketing Series 1-17

Japan's Import System 1978 — Exporters' Guide (JETRO)

Japan's Tariff System and Customs Procedures — Exporters' Guide (JETRO)

Richard W. Wright, *Canadian Joint Ventures In Japan* (The Business Quarter), School of Business Administration, University of Western Ontario, London, Ontario, Canada N6A 9Z9.

Statistics

Japan Exports and Imports (Monthly), Japan Tariff Association, Kojimach; Jibiki, 2nd Building, Tokyo.

Japan Statistical Yearbook, Bureau of Statistics, Office of the Prime Minister, 95 Wakamatsu-cho, Shinjuku, Tokyo.

Statistical Survey of Economy of Japan (Annual), Ministry of Foreign Affairs, Japan.

Trade of Japan (Annual), 2 vols. Commodity by Country and Country by Commodity. Japan Tariff Association, 114 Uchisaiwai-cho, Chiyoda-ku, Tokyo.

REGIONAL OFFICES

If you have not previously marketed abroad, contact any regional office of the Department of Industry, Trade and Commerce at the addresses listed below.

NEWFOUNDLAND LABRADOR	210 Water Street St. John's, Newfoundland A1C 1A9	Tel: (709) 737-5511 Telex: 016-4749
NOVA SCOTIA	Suite 1124 Duke Tower 5251 Duke Street, Scotia Square Halifax, Nova Scotia B3J 1N9	Tel: (902) 426-7540 Telex: 019-21829
NEW BRUNSWICK	Suite 642, 440 King Street Fredericton, New Brunswick E3B 5H8	Tel: (506) 454-9707 Telex: 014-46140
PRINCE EDWARD ISLAND	P.O. Box 2289 Dominion Building 97 Queen Street Charlottetown, Prince Edward Island C1A 8C1	Tel: (902) 892-1211 Telex: 014-44129
QUEBEC	Bureau 2124, Place Victoria C.P. 257, Tour de la Bourse Montréal (Québec) H4Z 1J5	Tél: (418) 283-6254 Télex: 055-60768
	Suite 620, 2, Place Québec Québec (Québec) G1R 2B5	Tél: (418) 694-4726 Télex: 051-3312
ONTARIO	51st Floor Commerce Court West P.O. Box 325 Toronto, Ontario M5L 1G1	Tel: (416) 369-3711 Telex: 065-24378

MANITOBA	507 Manulife House 386 Broadway Avenue Winnipeg, Manitoba R3C 3R6	Tel: (204) 985-2381 Telex: 075-7624
SASKATCHEWAN	Room 980, 2002 Victoria Avenue Regina, Saskatchewan S4P 0R7	Tel: (306) 569-5020 Telex: 071-2745
ALBERTA NORTHWEST TERRITORIES	500 Macdonald Place 9939 Jasper Avenue Edmonton, Alberta T5J 2W8	Tel: (403) 425-6330 Telex: 037-2762
BRITISH COLUMBIA YUKON	P.O. Box 49178, Suite 2743 Bentall Centre, Tower III 595 Burrard Street Vancouver, British Columbia V7X 1K8	Tel: (604) 666-1434 Telex: 04-51191

