

*Capitalizing on Natural Synergies;
towards an EPA between Canada & Japan*

Joint-Study Private Sector Roundtable

Canadian Chamber of Commerce
in Japan
July 13, 2011

Agenda

- Introductions
- CCCJ Overview
- Canadian Business Presence in Japan
- Bilateral Economic Relationship Trends
 - What does Japan mean to Canadian business?
- Bilateral Opportunities: Sector specific analysis
- CCCJ supports early conclusion of EPA
- How CCCJ can support negotiations

Introductions

- Eric De Groot, President, CCCJ – Forbo Flooring, Country Manager
- Shawn Lawlor, Chair, EPA Trade Policy Committee, Board Member, CCCJ – Director, Japan Operations, Canada Wood
- David Anderson, Executive Director, CCCJ
- Monika Merz, Representative Director, President & CEO, Toys “R” Us Japan, Ltd.
- Ken Sakai, Managing Director, Linamar Japan, Inc.
- Ushio Tsuda, President, Tsuda Sangyo Co., Ltd.
- Kimiaki Ueno, Managing Director, Research in Motion Japan Ltd.

CCCJ Overview

- Longest serving Canadian Chamber in Asia
- Voice of Canadian business community in Japan since 1975
- Roughly 300 members including largest Canadian corporations operating in Japan as well as numerous SMEs across 35 business sectors
- On-the-ground expertise on bilateral business developments and trends

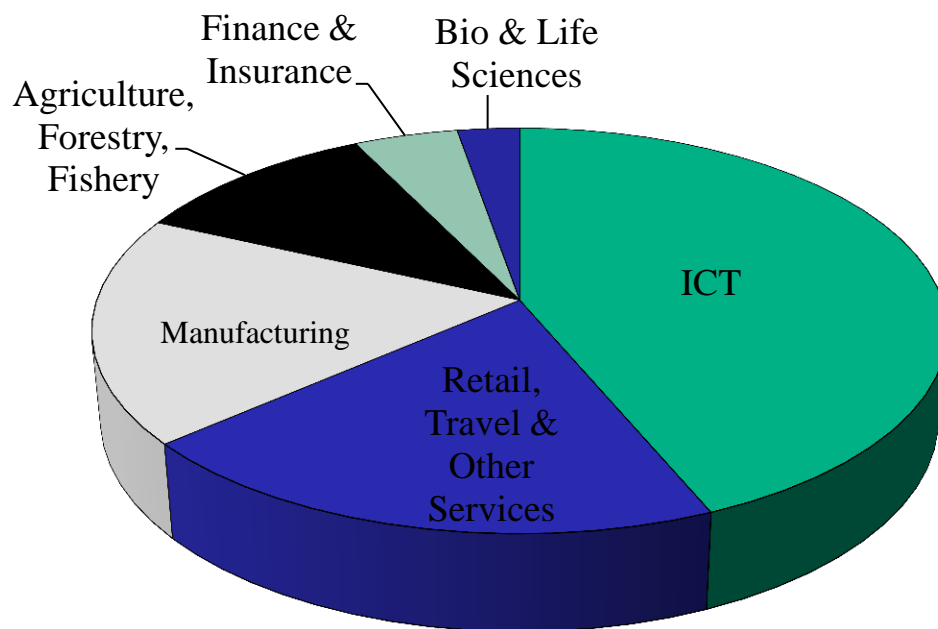
CCCJ Role

- Strengthen commercial relations between Canada and Japan through;
 - Communication
 - Publications, Member updates, Guest Speakers
 - Networking
 - 30 events per year attracting roughly 2,000 guests.
 - CCCJ works with like-mandated organizations including other foreign Chambers in Japan, CCC, CCCE, Keidanren, etc.
 - Advocacy
 - Voice of Canadian Business in Japan to Canadian and Japanese Government Officials
 - EPA as well as other Social and Economic Policy initiatives

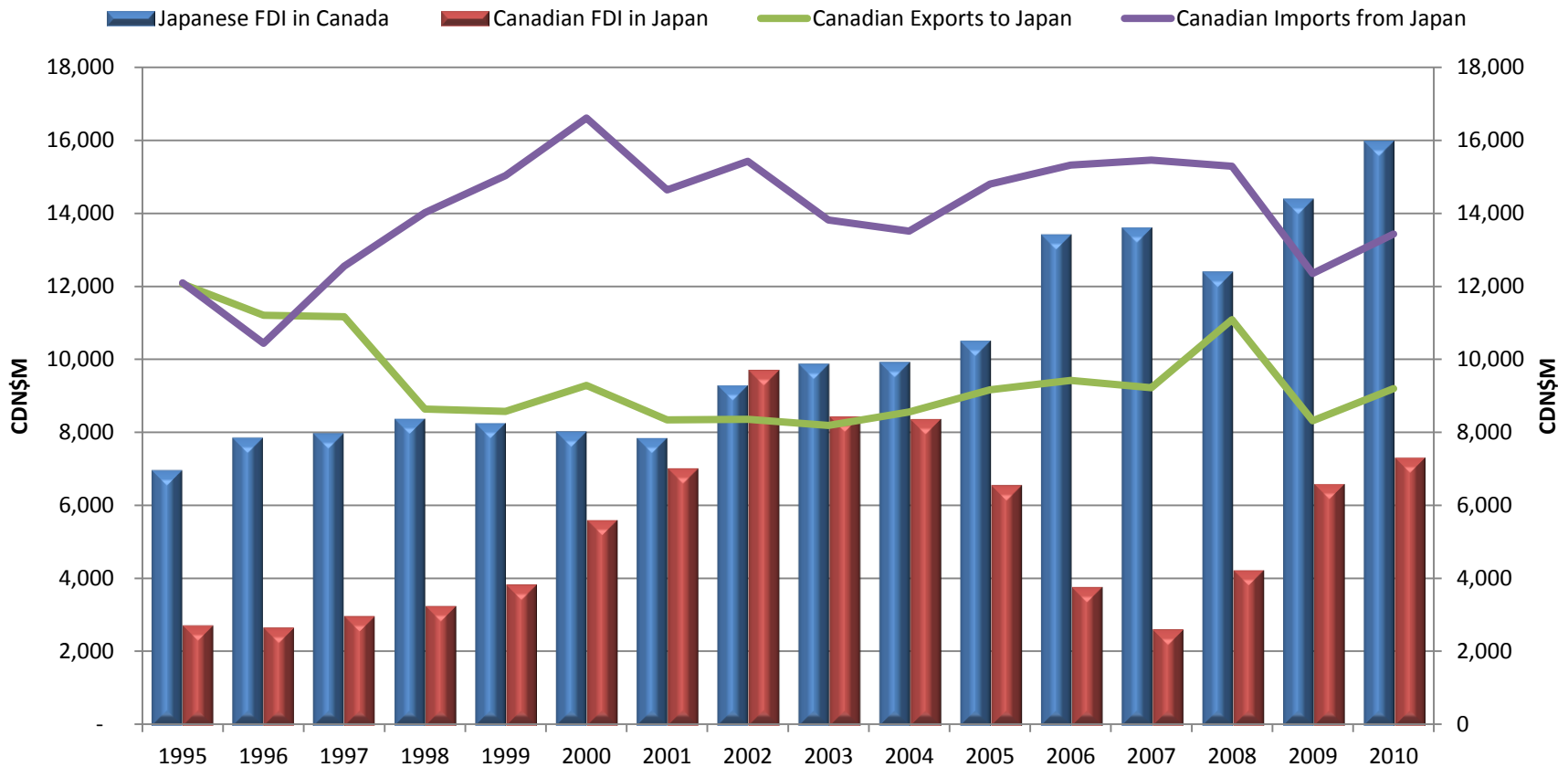
Canadian Presence in Japan

- Roughly 110 Canadian Companies with tangible presence in Japan representing C\$7.3B of Capital stock

- 48 ICT
- 22 Retail, Travel and Other Service
- 20 Manufacturing
- 12 Agriculture, Forestry and Fishery Industries
- 5 Finance and Insurance
- 3 Bio & Life Sciences

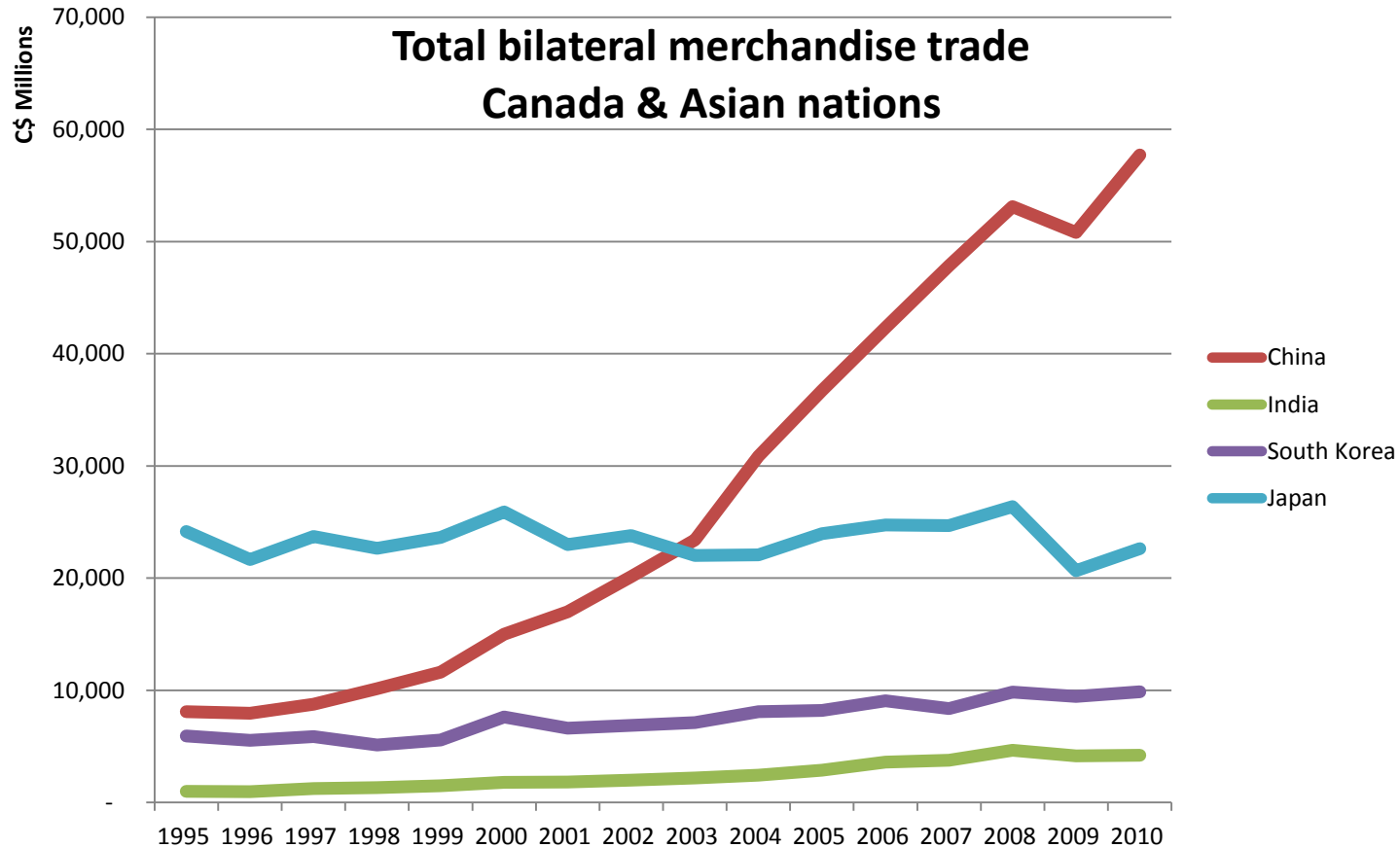


Canada-Japan Bilateral Trade & Investment



- Japan was Canada’s 3rd largest merchandise trading partner in 2008, however as of 2010, Japan has dropped to 5th largest
- In 2001, Canadian Direct Investment in Japan represented 1.8% of Canada’s total Direct Investment globally, however this has slipped to 1.2% in 2010
 - Canadian Investment stock in Japan is roughly same level, while total Canadian Direct Investment globally has risen by 55% over the decade

Trends in bilateral Canada-Asia trade



- Impressive rebound in bilateral trade and investment volumes in 2010, however bilateral trade with Japan is falling in relative terms as other markets (China, South Korea, India, etc.) grow

Past decade

- Stagnant growth in bilateral trade
- No major issues of contention, however not much bilateral excitement
- Canadian business going elsewhere in Asia
 - CDIA moving to other Asian nations
- Investment flows into Canada coming from elsewhere in Asia
 - Japan still major investor in Canada, however other Asian nations are catching up – notably in resource sectors

What does Japan mean to Canadian business?

Strong, Stable, Long-term Partner in the East

- 3rd largest economy/2nd largest developed economy
- Only G7 Country in Asia
- Complementary Economies

Major Supplier of:

- Motor Vehicles/Machinery
- ICT & Precision
- Rubber
- Iron/Steel
- Plastics

Major Buyer of:

- Mineral fuels, Oils, fruit, grain
- Wood, Wood pulp, Ores
- Seafood
- Aluminum
- Aircrafts

Bilateral Economic Opportunities

- Natural synergies
 - Japan has capital, technological leadership
 - Canada has resources, technology
- Canada is making progress in diversifying trade. Opportunity is now to strengthen Canada-Japan economic relations.
- Current bilateral merchandise trade with Japan accounts for only 2.8% of Canada's global total. For trade with the world's 3rd largest economy, this should be higher
- 2008 bilateral service trade with Japan accounts for only 1.7% of Canada's global total. For trade with the world's 3rd largest economy, this should be higher

An EPA is key to Revitalizing Mutual Economic Growth, Competitiveness & Prosperity

Opportunities by Sector

Forest and Building Products:

- Canada is a long standing number one supplier of sustainable & legal forest products (\$1 billion+ in Annual Exports)
- Supporting Housing Industry Innovation & Product Development: Cumulative 2 Million 2 x 4 Housing Starts
- Opportunities to Enhance Technical Innovation & Competitiveness of Building Industry

Forest & Building Products



Canadian Participation in Temporary Relief Housing in Kesennuma,
Miyagi Prefecture

Opportunities by Sector

Energy

- Canada is a world leader in energy production and will continue to be.
- Canada is open to Japanese investment in the energy sector
- Canada can provide Japan with secure & stable long term energy supply
 - Recent Shale Gas Investment a sign of things to come!
- Japan is currently being outpaced in FDI aggressiveness in Canada's energy sector by other Asian nations; China, South Korea

EPA will attract more attention to Opportunities in Canada's Energy Sector – growth in FDI will also increase exports of heavy equipment from Japan to develop projects

Opportunities by Sector

ICT

- ICT contributes ~ \$60B to the Canadian economy/year
- Nearly 50% of the CDN Companies in Japan are in the field of ICT.
 - Research in Motion, OpenText, Celestica, QNX Software, etc
- Both Governments recognize ICT as a key growth industry moving forward

An EPA will help enhance cooperation in ICT sector, bringing these two global leaders closer together

Opportunities by Sector

Food & Agriculture

- Complementary strategic alignment
- Minimal Competitive Issues: Canada does not export rice to Japan
- Collaboration & Commitment to Food Safety Standards
- Enhanced access to stable supply source in a world of increasing shortages
- Canada is already a leading supplier of agricultural products to Japan
- Canada understands Japan's sensitivities in agricultural sector better than other potential free trade partners

CCCJ supports early conclusion of Canada-Japan EPA

- CCCJ urges both governments to pursue EPA as matter of priority
- Negotiations will help raise profile of bilateral trade relationship
- Others are pursuing EPAs or expanded trade – we can't afford to fall behind
- Both government and private sector benefit when foundation exists for active dialogue

Benefits of EPA

- Healthy trade relationship depends on government policies that promote open markets, investment & innovation: key to revitalizing economic growth post 3.11
- Tariffs already low in most areas, but non-tariff barriers remain
- EPA allows governments to identify priorities of greatest interest to business communities in more timely manner

EPA Advantages

- Japan/Canada EPA will:
 - Open new markets for goods and services
 - Promote innovation and competition
 - Enhance living standards
 - Secure access to resources, technology and investment
 - Promote transparency
 - Increase flows of people

Risk of Failure

- Many nations and regions looking to new trading arrangements
- Lack of Canada-Japan EPA risks compromising access to mutually beneficial flow of bilateral trade and investment
- May also result in diminished competitiveness
- Multiple failures damages credibility of bi-national engagement

Ready to Participate

- The CCCJ is ready, willing and able to actively participate in EPA negotiations, bringing the voice and desires of the Canadian Business Community in Japan to the attention of negotiating officials

Thank You

Questions?

Eric De Groot, President, CCCJ

Shawn Lawlor, Chair, EPA Trade Policy Committee, CCCJ

David Anderson, Executive Director, CCCJ