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Japan's Innovation Power: Why the Canadian R&D Community Must Engage June, 2013

Paul Thoppil, Minister (Commercial)
Embassy of Canada in Japan



Government of Canada
Trade Commissioner Service

Gouvernement du Canada
Service des délégués commerciaux

Canada

Agenda

- Canada-Japan Relationship: An Overview
- Japanese Economic Environment
 - Advantages/Prospects
 - Challenges
- Japanese Technological Environment
- The Way Forward

Canada-Japan Relationship: An Overview

- 84 years of diplomatic relations
- Members of G8, G20 and other multilateral fora
- Strong people to people links (JETs, working holiday visa programs, sister city relationships, academic links, tourism)
- Alignment of values/shared interests
- Proximity to large neighbour

Canada-Japan Relationship: An Overview

- Significant trade and investment ties
 - Japan is Canada's 4th largest export market and largest Asian investor to Canada (3rd overall*)
 - Canada is Japan's 3rd largest agricultural supplier and potential significant supplier of energy (BC shale gas)
- S&T cooperation on many levels
(stem cells, nanotechnology, space, environment, sustainable technologies, arctic research, brain science, science communication)
- Canada-Japan EPA and TPP negotiations mark a potential new and exciting chapter in relationship

Japanese Economic Environment

- Advantages/Prospects
 - World's third largest economy, profitable domestic market, high profit margins
 - Production expected to expand due to falling yen
 - Economy expected to grow as result of “Abenomics” stimulus worth almost \$150B
 - High domestic consumption (83.5% of GDP)
 - Strong growth in Japanese acquisitions overseas

Japanese Economic Environment

2013 GDP Forecast:

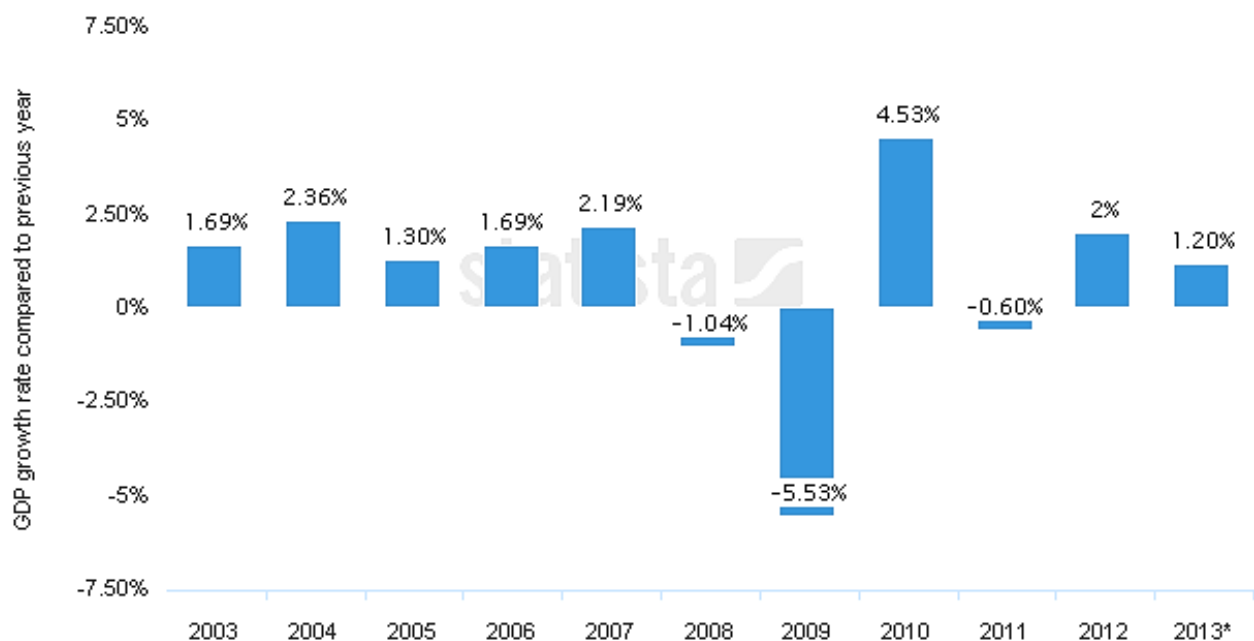
- Forecast growth of 1.6% in 2013
- 2nd Highest in G7 (behind U.S.)



(IMF, World Economic Outlook)

Japanese Economic Environment

Real gross domestic Product (GDP) growth rate from 2003 to 2013 (over previous year)

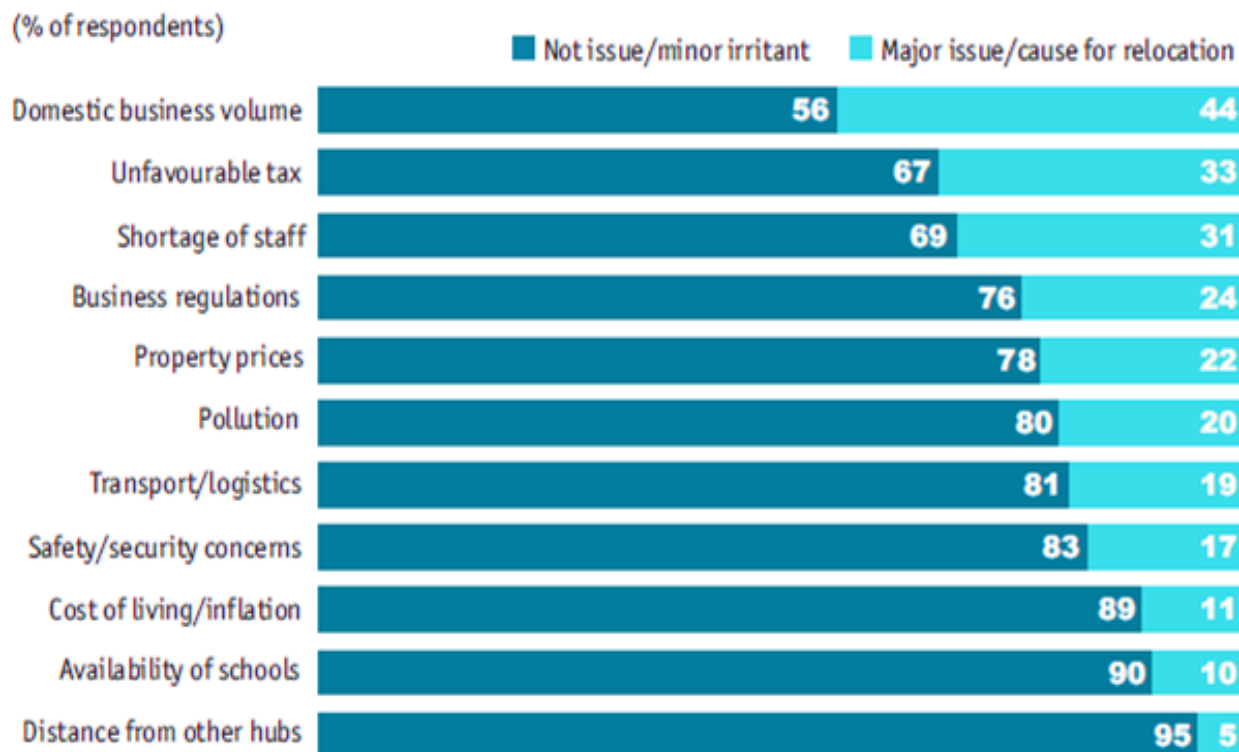


 Japan; International Monetary Fund

Source: IMF

Japanese Economic Environment

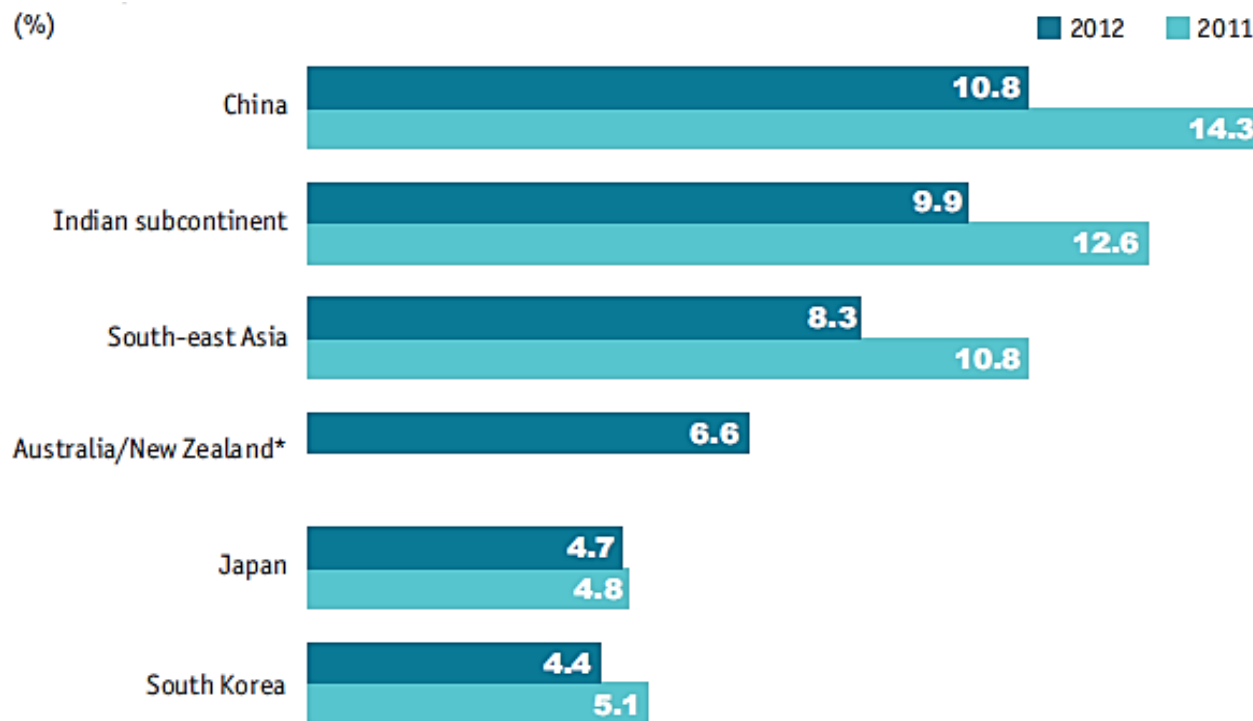
Issues that Impact the Operations/Location of Companies' Asian HQ
Responses from Companies with a regional HQ in Tokyo



Source: Economist Corporate Network ABOS 2013

Japanese Economic Environment

Staff Turnover, by Country



* No data for Australia and New Zealand for 2011

Source: Economist Corporate Network ABOS 2013

Japanese Economic Environment

Macro-economic Challenges:

- Demographic Burden
- Strong competition with low production-cost countries
- Deflation
- High public debt
- Forecast: Shrinking GDP margin within Asia's GDP
- Outstanding structural reforms
- Tokyo & Osaka the world's most expensive cities

Market-Entry Challenges:

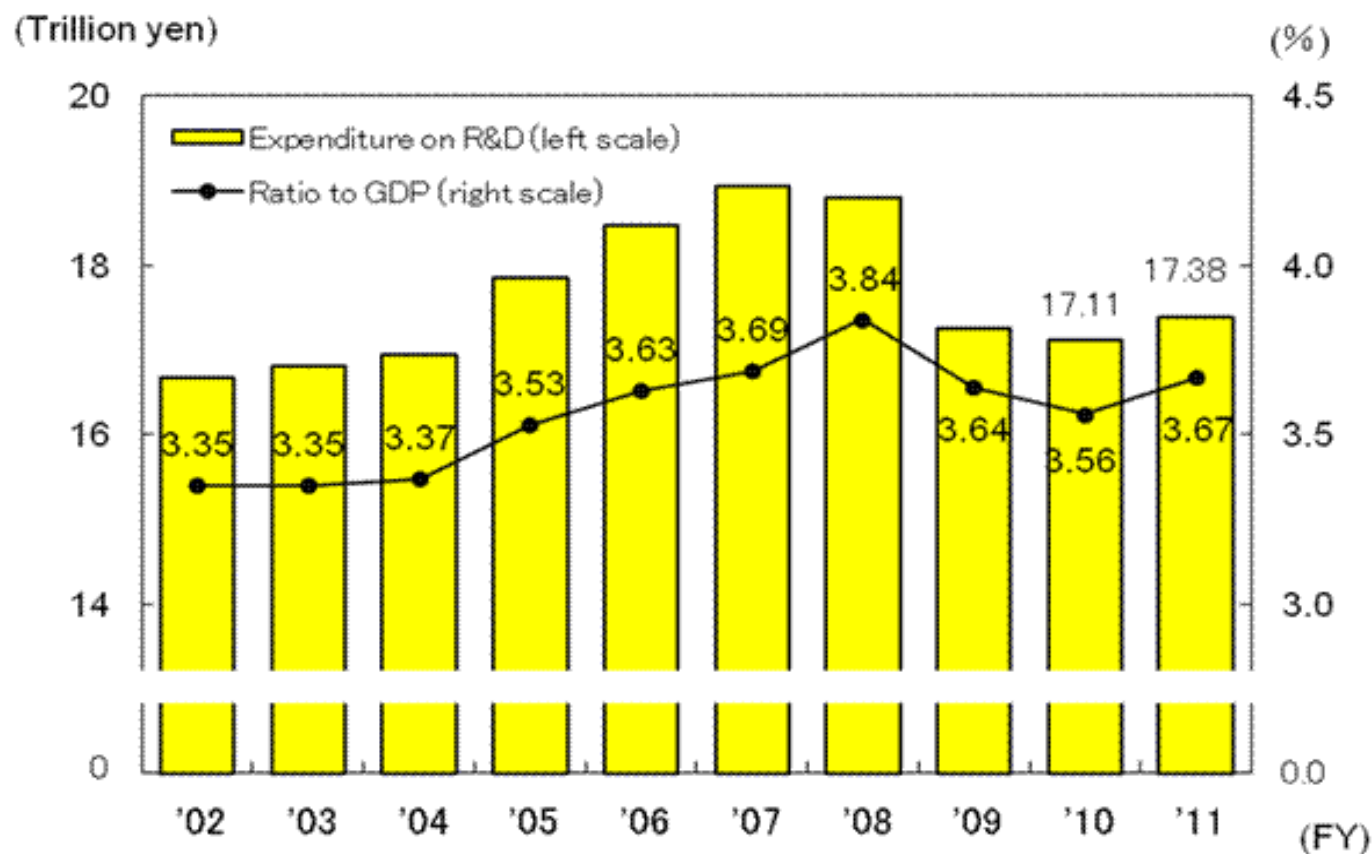
- Access to market-specific information
- Establishing a company
- Lack of knowledge of regulatory environment
- Language barrier
- Cultural and language challenges
- Identifying right partners and establishing networks
- Establishing supplier/distributor connections

Japanese Technological Environment

- Advanced infrastructure
- Highly educated workforce
- Reliable Legal Landscape
- Protection of Intellectual Property
- Attractive location for developing new technology and products (high proportion of GDP spent on R&D, high number of researchers)
- Home of the “Davos” of Science – the STS Forum in Kyoto
- Significant track record of winning Nobel Science Prizes
- Crucial test market (customers with high expectations of quality and service)

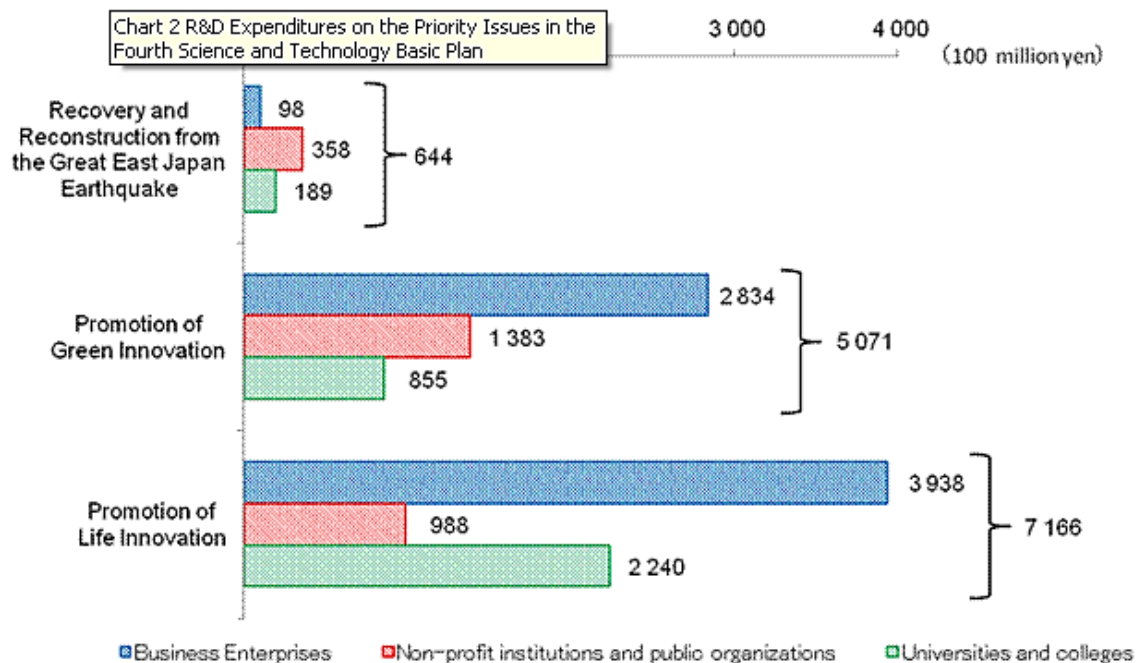
Japanese Technological Environment

Growth of R&D Expenditures



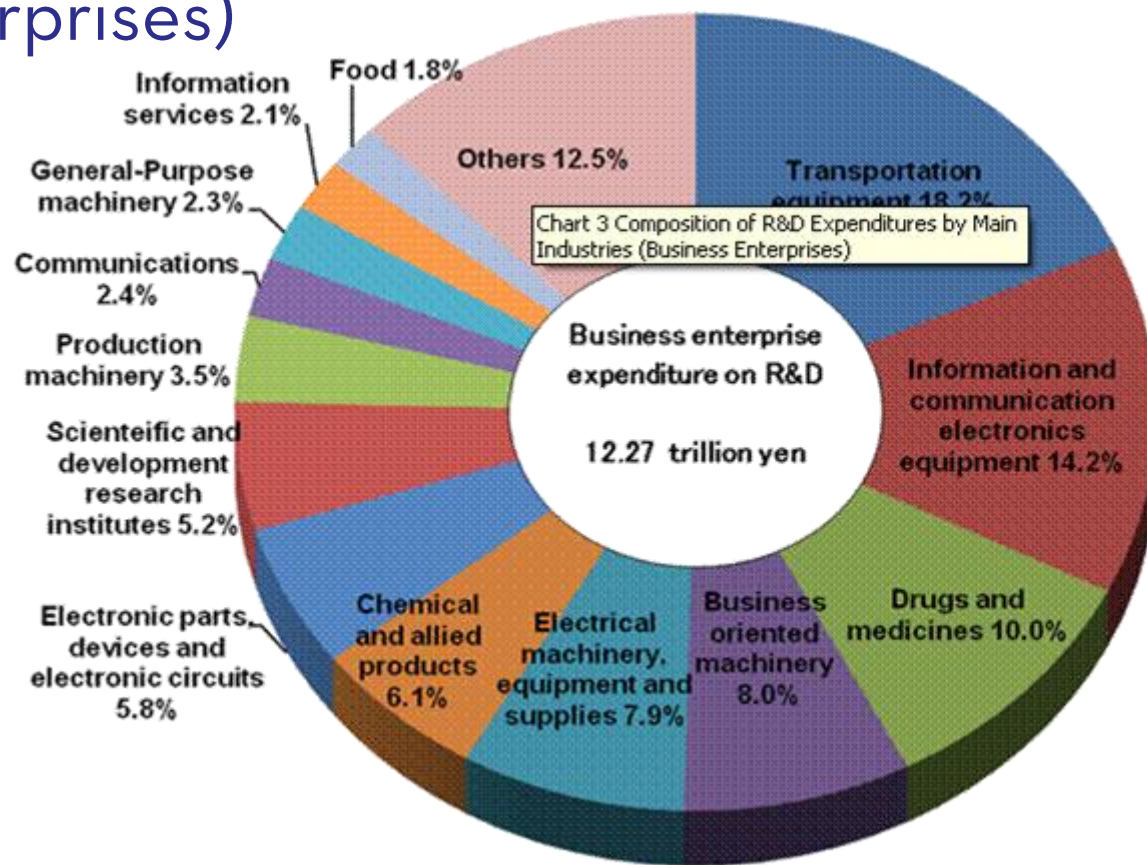
Japanese Technological Environment

R&D Expenditures on the Priority Issues in the Fourth Science and Technology Basic Plan



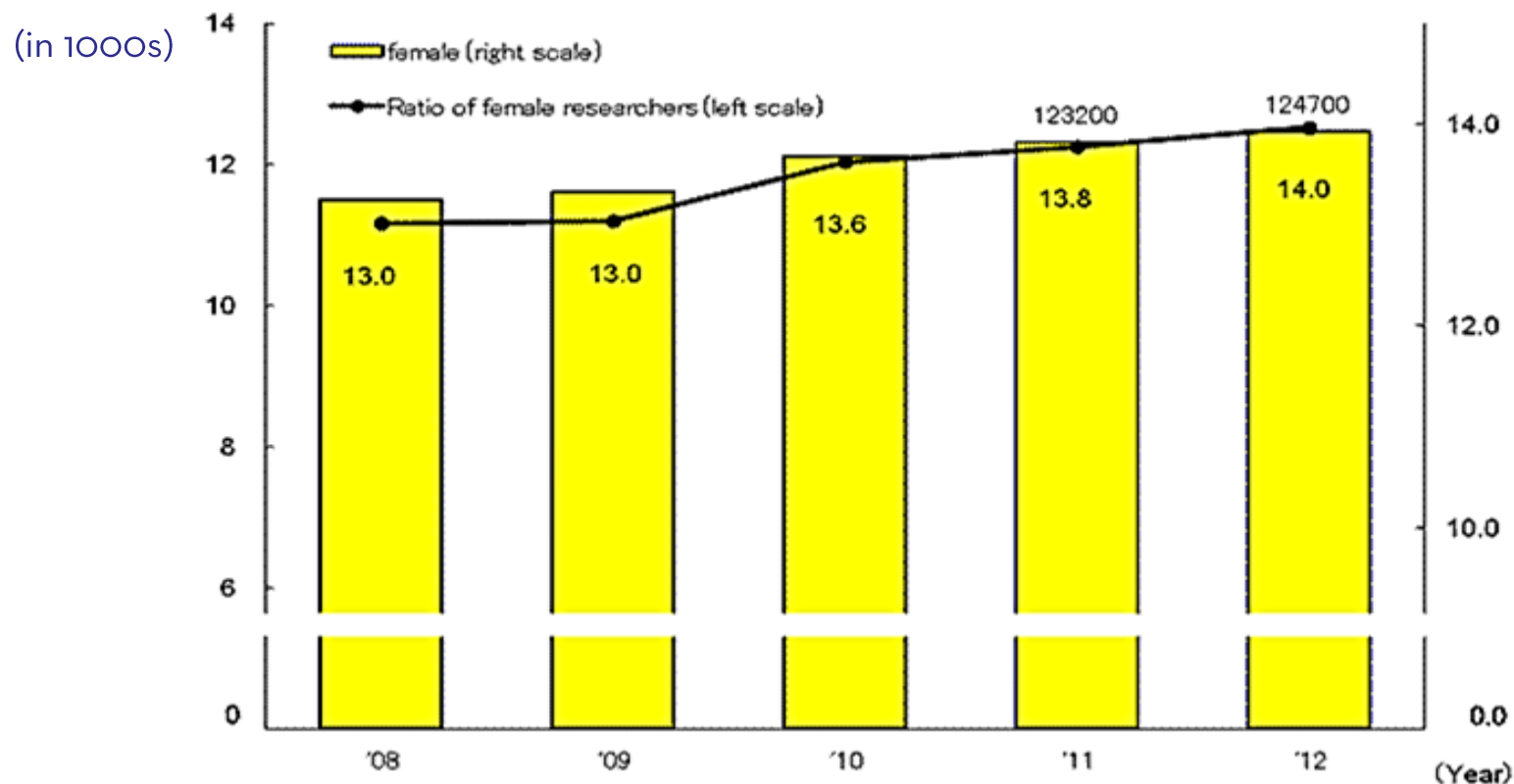
Japanese Technological Environment

Composition of R&D Expenditures by Main Industries (Business Enterprises)



Japanese Technological Environment

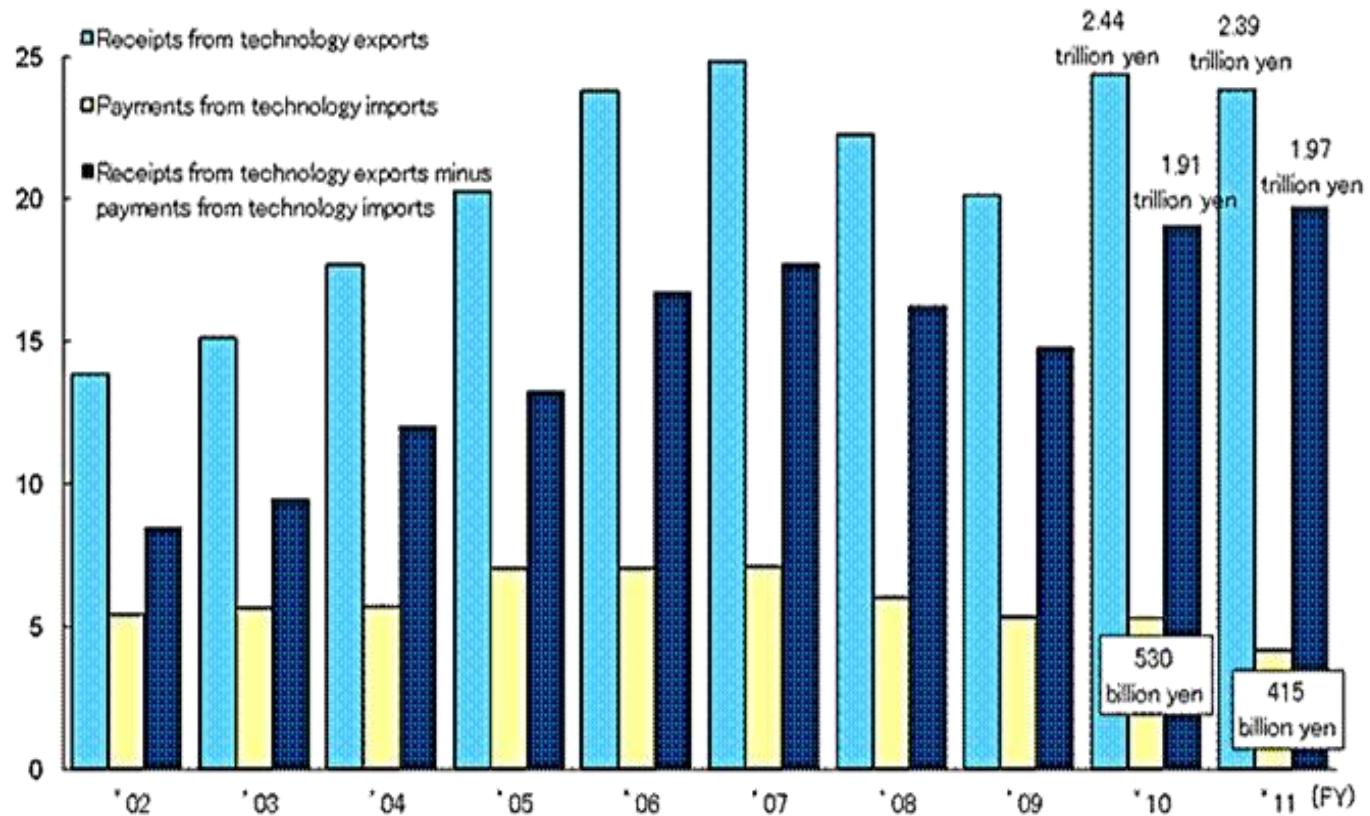
Number of Female Researchers (Head Count)



Japanese Technological Environment

Technology Balance of Payments

(100 billion yen)



Japanese Technological Environment

Additional backdrop

- Gateway to fast growing markets in Asia
- Fastest aging society on earth: opportunity to adapt to demographic changes in other industrialized countries
- High safety and health standards
- Ranks second only to the US in the number of international patent applications filed
- 5 Japanese corporates rank among world's top 15 international patent filers (Panasonic, Sharp, NEC, Toyota, Mitsubishi Electric) in 2011 (source: WIPO)
- 7 Japanese universities among world's top 50 educational institutions for international patent filings in 2011 (source: WIPO)

Japanese Technological Environment

Japan maintains top position in global innovation ranking

	2002-06		2004-08		Change in rank 2004-08/2002-06
	Index	Rank	Index	Rank	
Japan	10.00	1	10.00	1	0
Switzerland	9.71	2	9.71	2	0
Finland	9.43	5	9.50	3	2
US	9.48	3	9.50	4	-1
Sweden	9.45	4	9.44	5	-1
Germany	9.38	6	9.40	6	0
Taiwan	9.28	8	9.37	7	1
Netherlands	9.12	9	9.16	8	1
Israel	9.10	10	9.13	9	1
Denmark	9.29	7	9.08	10	-3
South Korea	8.78	15	8.94	11	4
Austria	8.91	11	8.93	12	-1
France	8.90	12	8.88	13	-1
Canada	8.84	13	8.87	14	-1
Belgium	8.80	14	8.79	15	-1
Singapore	8.72	17	8.76	16	1
Norway	8.73	16	8.73	17	-1
UK	8.72	18	8.72	18	0
Ireland	8.46	19	8.50	19	0
Australia	8.37	21	8.50	20	1
Hong Kong	8.16	23	8.44	21	2
Italy	8.41	20	8.44	22	-2
New Zealand	8.17	22	8.24	23	-1
Slovenia	7.68	24	7.74	24	0
Cyprus	7.34	26	7.62	25	1

Japanese Technological Environment

Japan's Competitiveness

Japan ranks 10th (2011: 9th, 2010: 6th) out of 144 countries:

business sophistication	1
buyer sophistication	1
technological readiness	1
capacity for innovation	1
health	1
availability of scientists and engineers	2
value chain breadth	2
local supplier quality	3
well-developed markets	4

(WEF Global Competitiveness Index 2012/2013)

The Way Forward

- Japan as springboard for:
 - R&D cooperation internationally;
 - Engagement with other markets in Asia.
- Use Canadian Trade Commissioner Service, JETRO, & the Canadian Chamber of Commerce in Japan.
- Conclusion of a Canada-Japan EPA could:
 - deliver Canadian GDP gains up to \$3.8 billion and exports to Japan can increase by up to 67%, (approx. \$7 billion);
 - deliver Japanese GDP gains up to \$9.0 billion and exports to Canada can increase by up to 37%, (or about \$11 billion).

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For more information

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