

## MESSAGE FROM CONSUL-GENERAL SASAYAMA TAKUYA

February 2022

As a punishingly cold winter continues in Toronto and Ontario, I hope everyone is keeping well. Infections from the Omicron variant appear to have finally peaked, and health restrictions are being lifted in stages. Days are getting longer while light grows brighter.



With respect to National Day, when we celebrate the birthday of His Majesty the Emperor of Japan, we regretfully had to abandon the idea of an in-person reception given current conditions. On February 23, we will instead ask the City of Toronto to raise Japan's national flag at City Hall.

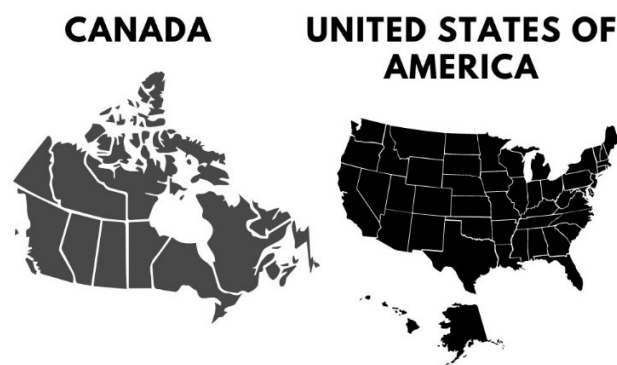
This month, I would like to report on the current state of the economy in Ontario. As the Consulate-General of Japan, we also would like to provide some information which might be of interest to those of you thinking of investing or doing business here from Japan or elsewhere.

The Canadian economy overall appears to have grown by around 4.5% last year. (The official announcement will come after March.) The jobless rate also is returning to the level it was before the pandemic. However, unemployment unfortunately increased in January due to the Omicron variant, and the impact of general increases in prices is also drawing attention. Some have described the situation under COVID as "A Tale of Two Cities". While restaurants, entertainment, travel, and others in the hospitality sector were severely affected, some industries fortunately performed well even during the pandemic. A variety of dramas are now unfolding.

According to our research, there are 350 Japanese companies currently operating in Ontario. We are very fortunate to be able to communicate with various Japanese business representatives, including members of the Shokokai (Toronto Japanese Association of Commerce & Industry). Speaking once to the Consul-General of Germany last year, I explained to him that Japanese corporations in Canada are often under the control of

their affiliates in the US which oversee operations across the Americas. He looked at me strangely, as German companies in Canada apparently report directly to their headquarters in Germany. Various responsibilities are held solely by the affiliates in Canada. He felt this was only natural when considering Canada as a specific, separate market.

It may seem obvious that the key to improving business performance in Canada is to “know the characteristics of the Canadian market”. However, this also entails “recognizing the differences between the Canadian and American markets” and knowing that “Canada follows different strategies from the US”.



Many Japanese companies are growing their businesses in Canada, and I feel all of them have captured the distinct characteristics of the Canadian market. Subaru produces television commercials tailored specifically for the Canadian market and has seen significant growth in sales in recent years. Kubota, the farm equipment company, has established its own dealership network in Canada and sales operations will soon be headquartered in the Greater Toronto Area. In the IT industry, Col-Sol operates a 24-hour database maintenance service that makes use of the time difference with Japan.

Canada’s industries share a border with the US and also have strong ties with Europe. It is therefore rare for a company to operate just within Canada. The concept of “borders” does not weigh heavily in their thinking when it comes to business, which, on the contrary, is usually premised on overseas expansion. I reported last month on the promotion of exports of Japanese agriculture, forestry and fisheries products, and a similar outlook is necessary in export promotion in general.



I give an overview of the characteristics and possible future developments of the Ontario market in the attached PowerPoint. One key attribute of Toronto and its surrounding regions – especially the so-called “Golden Horseshoe” – is that 60% of its residents were born outside of Canada. This cultivates acceptance of consumer products and activities that are unfamiliar and, indeed, encourages becoming familiar with them. This is how so many different cultures co-exist in Toronto. The population here is expected to increase by about 100,000 every year. You will see around Toronto that the rush to build new high-rise condominiums and commercial facilities continue unabated by the pandemic. So many developments in the heart of the city is not something often seen in other urban centres in North America. Redevelopment of former industrial sites are underway, and railway development is also currently being planned. One difference with the American Market is that online shopping’s share of the market is not as big here. Surprisingly, in-person shopping is still preferred, according to some reports. International brands such as Uniqlo and MUJI are also doing well.

Link to the PowerPoint: <https://www.toronto.ca.emb-japan.go.jp/files/100302917.pdf>

Of course, not everything is rosy in Canadian markets. Specific regulations and poor cross-provincial coordination under the federal system can be causes for problems. Although Canada is a member of CPTPP with emphasis on Asia and economic diversification, its ties with the Indo-Pacific cannot yet be described as sufficient. Nonetheless, it is important to recognize and engage with the Canada as a unique economic region and not lump it together with the entire North American market.