

for External Affairs underlined the importance of the relationship by visiting Japan very soon after the inauguration of the Mulroney government to exchange views with Prime Minister Nakasone and other members of the Japanese government and to outline the government's new trade and investment policies and their potential implications for Japan. During his visit, he re-emphasized the government's commitment to the promotion of Canadian studies in Japan by announcing the establishment of an annual research award worth \$50 000 to be granted to Japanese academics or institutions doing original research on Canada-Japan relations.

In February, the Minister for International Trade visited Tokyo to discuss specific elements of the Canada-Japan commercial and economic relationship and to emphasize the government's commitment to enhancing the already strong commercial links which exist between the two countries.

Prime Minister Mulroney and Prime Minister Nakasone engaged in bilateral discussions in Moscow when both attended the funeral of Soviet leader Konstantin Chernenko. They reviewed various international issues of mutual interest as well as aspects of the bilateral relationship.

Canadian exports to Japan in 1984 grew by 19 per cent over 1983 to \$5.6 billion, a sharp increase over the entire 1979-83 period when exports rose by only 19 per cent. Fully half of the 1984 increase was accounted for by coal, sales of which were up 53 per cent over 1983. Imports from Japan increased by 29 per cent over 1983 to \$5.7 billion. The major increases in imports were in consumer goods, with a sizable surge in audiovisual consumer products. In 1984, Canada ranked eleventh in importance as a market for Japanese exports, and seventh among Japan's importers.

While 1984 registered a satisfying increase in bilateral trade, the steady decline in the traditional Canadian trade surplus with Japan continued. For the first time in over a decade, Canada experienced a deficit in 1984 which reached \$80 million. This trend reflects, in part, the continuing structural adjustment in the Japanese economy away from energy-intensive industries towards knowledge-intensive industries.

In 1984, the Tokyo capital market increased in importance for Canada, with 11 separate loans offered for a total of \$1.2 billion. Canadian governments and institutions were the most significant international borrowers in Tokyo last year, accounting for 13 per cent of all overseas yen loans.

There are 14 consultative forums which have been established by Canada and Japan to manage the many aspects of the bilateral relationship more effectively. In 1984, the intensification of the fisheries relationship was marked by two working group meetings in addition to the usual bilateral consultations. The science and technology consultations held in December 1984 identified over 75 new or continuing proposals for inclusion under the consultations' auspices, including important initiatives in microelectronics, biotechnology, energy, new materials and agriculture.

China

Political contact between Canada and China was maintained in 1984 by a series of high-level visits: those to Canada by the Chinese Ministers of Defence, Coal and Metallurgy and the President of the Bank of China, and those to China by a large delegation of Canadian parliamentarians, three provincial Premiers and the Minister of State for Fitness and

Amateur Sport, who signed a Memorandum of Understanding on bilateral sports exchanges which should lead *inter alia* to co-operation on the 1988 Olympics.

Although Canadian exports to China declined in 1984 to \$1.27 billion from \$1.6 billion the previous year, largely as a result of decreased sales of wheat in the face of bumper Chinese harvests, other items showed a substantial increase, and exports of manufactured products more than doubled. China remained Canada's second-largest market in Asia (and fifth worldwide). Chinese exports to Canada increased in 1984 to \$331 million, from the 1983 total of \$246 million.

Recent Canadian marketing efforts have focused on China's modernization program, drawing in part on foreign technology and foreign credits. To this end, the Export Development Corporation, in October 1984, concluded an agreement with the Bank of China extending a \$2 billion financing facility to China to support the purchase of Canadian services and equipment. Private Canadian banks have also extended facilities to the Bank of China for import financing. As a result of improvements in China's foreign reserves position and the recognition that significant infrastructure difficulties exist which hamper modernization, there has been increasing Chinese interest in the import of equipment in the fields of energy, transport, communications, natural resource exploitation and selective industrial modernization. This interest was reflected in the previously mentioned visits to Canada of the Ministers of Coal and Metallurgy, and of the President of the China National Petrochemical Corporation (SINOPEC).

The Canada-China Trade Council continued to assist Canadian business people, both exporters and importers, in doing business with China. Private sector initiatives, in conjunction with ministerial-level missions and other government-supported activities, remain part of a continuing effort to expand the commercial relationship between Canada and China.

Other major developments during the period included the opening of a new Chinese consulate general in Toronto in December 1984, the twinning agreement between Saskatchewan and Jilin province in China's northeast and the signing of five bilateral animal quarantine agreements which should promote greater trade in live animals and related products.

About 2 200 Chinese immigrants came to Canada in 1984, making a total of over 20 000 since 1979. At the beginning of 1985, approximately 2 200 Chinese students were studying in Canada. Cultural relations continued to expand, marked by the highly successful tour of Les Grands Ballets Canadiens, an exhibition of paintings by Alex Colville in China, and the visits of the Shandong Ballet Troupe and the Shanghai Conservatory Ensemble to Canada.

Republic of Korea and Hong Kong

Canada's relations with the Republic of Korea grew stronger and demonstrated new maturity during 1984 and in the early months of 1985. The Minister for International Trade visited Seoul for the Eighth Canada-Korea Trade Ministers' Meeting, while the Minister of State for Fitness and Amateur Sport concluded a sports agreement with his Korean counterpart during a visit to the Republic of Korea. These high-level visits provided opportunities for the new Canadian government to outline its programs and priorities to the leaders of