

47. These facts, however, fail to show the full impact of Canada-Japan trade on the Canadian economy. The great bulk of Canadian exports to Japan are in a few large commodity groups and their production is heavily concentrated in one geographic area. Thus, in 1969, 76% of Canada's exports were made up of: copper & copper products (21.8%); lumber & lumber products (20.2%); grains (13.4%) and other agricultural products (10.7%); aluminum and primary aluminum products (9.7%). In the same year, Western Canada accounted for almost 80% of Canada's total exports to Japan, comprising British Columbia, Yukon and the Northwest Territories (52.5%), Saskatchewan (13.4%), Alberta (10.8%) and Manitoba (3.0%). Thus if Japanese trade is important to the Canadian economy as a whole, it is crucial to the western provinces and territories.

48. In contrast with this export picture, in which the bulk of Canadian exports move in the crudest form (with only 3 per cent in the form of finished products), more than 96 per cent of Japanese sales to Canada are accounted for by a diversified range of processed and manufactured goods. The geographical distribution of Canadian imports from Japan is also markedly different from that of exports. Western Canada receives 26.4% of the total. Ontario and Quebec together take 67%.

49. The Committee believes that these basic factors of composition and distribution must be borne in mind in any discussion of Canada's overall trade balance with Japan. As the Minister of Industry, Trade and Commerce told the Committee, "we are very pleased about" the high volume of raw materials sales to Japan, but in view of the high job-producing manufactured content of Japanese sales to Canada, "this is a typical case of where asking for balance of trade between two countries is obviously not logical or acceptable."

50. These questions relate to some of the main policy issues at stake in Canada-Japan economic relations. Specifically, these include: the Canadian desire to up-grade the level of processing of existing exports and to sell a broader range of end-products; Japanese dissatisfaction about the total imbalance of trade and restrictions on access to the Canadian markets for some of their major exports; and varied concerns about the two-way flow of investment.

Upgrading and diversification of Canadian exports

51.

The Japanese ideal—and this is not criticism of the Japanese—is to send a steam shovel built in Japan, in a Japanese bottom, to Canada; ship it—all right—on a Canadian railroad to the mining site; put one Canadian at the controls; dig up the real estate; ship it out in Japanese bottoms to Japan—the minimum of Canadian participation, the minimum of Canadian value added. This is not, in my view, very advantageous to Canada. I agree that it is very advantageous to Japan. (p. 9:17)

52. This colourful illustration, from the testimony of Mr. T. J. Pope, a former Canadian Foreign Service Officer in Japan, depicts one of the perennial problems involved in resource industries. Issues of processing, like those of price, terms and delivery, are central to the bargaining process. Governments are concerned, because of the employment and economic "spin-offs" derived from processing. At