

suppliers and the strong interest that Canadian firms have shown.

The main prospect in improving the product mix of our exports to Japan appears to lie in the further upgrading of resource products. A Working Group on Resource Processing established under the main inter-governmental mechanism, the Joint Economic Committee, is concentrating on this area. For the near future, petrochemicals, forest products and high energy intensive products such as aluminum and ferro alloys show the most promise. Similar potential could exist in the agricultural and fisheries sectors (rapeseed crushing, pork production), where Japan is Canada's largest export market.

A major attraction for Japan is Canada's abundant energy resources. Coking coal has been the main export to date, but the Japanese are keen to develop hydrocarbons from the oil sands and in the Arctic (in the hope that we may have an exportable surplus), and have a strong interest in purchasing thermal coal, LNG and possibly the products of coal liquefaction plants.

Prospects for Japanese investments in Canada are excellent in the resources sector and somewhat less promising in manufacturing. The announcement late last year by Toyota of a significant investment in an aluminum wheel plant in British Columbia was a very welcome development and is hopefully the precursor of further investment in this sector. To date, however, the level of Japanese investment in Canada (US \$1.087 billion as of March 31, 1982) is relatively very low -- less than 1% of total foreign investment in Canada. There is thus much room for growth, and there are signs that the Japanese are ready for a significant growth in investment activity, particularly where joint ventures with Canadian firms are possible.

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