

Canadian Trade with Japan

Trade between Canada and Japan is, of course, at the centre of many of our discussions with Japanese representatives. It is very satisfying that this trade is already extensive and that there are reasonable prospects for its continuing to increase fairly quickly. Exports and imports will total about \$600 million this year.

In large measure, of course, the two economies are complementary. There has been an impressive increase in trade between the two countries during the period 1954-1965. Canadian exports to Japan increased more than three times and imports from Japan increased 12 times. Japan has become our third largest single export market and our fourth largest supplier. We should hope that, in addition to other factors stimulating trade, Expo '67 and the World Exposition in Osaka in 1970 would make their contribution to expansion.

Possibilities of Improvement

It is natural that, with trade being conducted at very high levels by nations with as strong a desire for commercial expansion as Canada and Japan, there should be areas requiring discussion, some difficulties, and various promising possibilities of improvement.

I believe that there are four points with respect to which we might look for improvement or solution to some problems: 1) rate of growth; 2) make-up of our trade; 3) barriers to trade; 4) capital investment.

Rate of Growth

In spite of the impressive increase in our trade with Japan during the last 10 years, it has recently been growing at a slower rate than our trade with the United States and some of our other major trading partners.

This may be owing primarily to a period of stagnation in Japan's domestic growth during 1965 and we are looking forward to a resumption of a higher rate of growth in our trade with the currently more favourable conditions in Japan.

Make-Up of Canada-Japan Trade

We are concerned that our exports to Japan are largely composed of raw materials with little if any processing, whereas our imports from Japan are made up of highly manufactured goods.

Canada values its traditional exports to Japan, such as wheat, primarily foodstuffs and industrial materials, and we are glad to provide a continuing and dependable source of supply for many of the essential requirements of the Japanese economy. However, we are also interested in more rapidly developing our trade in manufactured goods, and we have found it particularly difficult to increase our manufactured exports to Japan, despite the fact that we have made striking progress in doing so in other highly competitive markets, such as the United States.