

to Canada continued recent growth, rising from \$566 million in 1986 to \$770 million in 1987, an increase of 36 per cent.

The Canadian Embassy in Beijing and the Consulate General in Shanghai, which opened in the autumn of 1986, increased their efforts to promote Canadian goods and services in promising sectors such as agriculture, energy (both hydro power and oil and gas), transportation, telecommunications and resources. Under its trade promotion program, the Department organized Canadian industry participation at Aviation Expo in October 1987, and at Ag China in November and is sponsoring specialized seminars in the oil and gas, telecommunications and agricultural sectors in 1988.

Japan

Efforts to improve the bilateral relationship with Japan reflect the importance of this Pacific nation to Canada. In addition to its being Canada's second largest trading nation, Japan's economic successes have led to expectation that it will assume a larger role in resolving international political and economic issues.

In recognition of Japan's economic importance and its growing role in international political issues, the Department concentrated in the past year on implementing the "Canadian Strategy for Japan," approved by Cabinet in 1986. The results included obtaining concessions on Japanese building codes and fish quotas, improved access for financial institutions, better understanding in Japan of the Free Trade Agreement, and an enhanced dialogue on international economic issues. A new program to develop relations with the Japanese Diet was launched.

Contact was strengthened on international economic issues, particularly at the Economic Summit and the Uruguay MTN Round. New efforts were made to enhance science and technology links including technology inflow and awareness. A complementarity study was designed to identify the best areas for future co-operation.

The visit to Toronto in January by Prime Minister Takeshita enabled Prime Minister Mulroney to establish a personal rapport with the new Japanese leader. The visit culminated with the announcement of the creation of Prime Minister's Awards, designed to encourage cultural understanding, and to promote greater awareness of Canada among the Japanese. Other visits to Japan during the year included 3 by cabinet ministers, 3 by provincial premiers, and 20 by provincial ministers. Canadian and Japanese officials met throughout the year under the auspices of the formalized consultative mechanisms that facilitate exchanges of views. Chief among these were the Financial, Telecommunications, Policy Planning and Nuclear consultations and an inaugural set of Aid Policy consultations. Encouragement was given to increasing Canadian awareness of Japan.

The bilateral relationship continued to be dominated by trade. Major structural changes taking place in Japan have provided new trade opportunities. Resources of the National Trade Strategy were used to support a substantial program of technology acquisition, industrial co-operation and market information-gathering in the microelectronics, fine ceramics, automotive, fisheries, forestry, computer and software, and electrical sectors. Canadian exports to Japan increased by \$1 billion (19 per cent), reaching \$7 billion. This, combined with a slight reduction in imports, contri-

buted to reducing Canada's trade deficit with Japan to \$500 million, less than one-third its previous size. An active tourism promotion program aided Canada's current account by encouraging a 30 per cent increase in Japanese tourism to Canada for the second consecutive year.

The composition of Canadian exports, led by forest, mineral, fishery and agriculture products has not substantially changed. The proportion of fully manufactured products in Canada's exports to Japan is still only 5 per cent.

To take advantage of opportunities arising out of the new economic situation in Japan, particularly in the manufactured goods sector, a series of sectoral studies is being undertaken under the auspices of the National Trade Strategy. During the year the Department sponsored some 16 trade missions and participation in 10 trade fairs in Japan.

Japan has become the world's largest creditor nation and capital exporter and substantial resources continue to be devoted to attracting Japanese investment to Canada. Two investment missions from Japan visited Canada and a number of investment seminars were held in Japan. High-level seminars were organized in both Tokyo and Osaka to explain the Canada-U.S. Free Trade Agreement to Japanese government and business circles and to stress the improvements in the Canadian investment climate. The positive reaction of Japanese business circles is expected to result in more new investment in Canada in addition to recent announcements in the automotive assembly and parts, electronics, paper and industrial components sectors.

Direct investment in Canada by Japan represents a promising area for greater co-operation. In 1987, total Japanese direct investment in Canada totalled some \$3.8 billion, and portfolio investment in excess of \$35 billion.

Southeast Asia and ASEAN

Relations with the nations of Southeast Asia continued to strengthen during the past year. There were a number of exchanges with ASEAN nations (Brunei, Indonesia, Malaysia, the Philippines, Singapore and Thailand). The Secretary of State for External Affairs attended the ASEAN Mission Ministerial Conference in Singapore in June 1987 at which he reaffirmed the importance Canada attaches to its relations with the ASEAN countries and supported the ASEAN position on Kampuchea.

In addition there were a number of individual ministerial and senior-level visits to Southeast Asia. Minister of Transport John Crosbie visited Thailand in February 1988 in connection with several transportation-related matters, including the Bangkok light rail transit system. In January 1988 International Trade Minister Pat Carney visited Indonesia to participate in a multilateral meeting on GATT and MTN, and to support a number of Canadian commercial interests, which resulted in the signing of contracts for the supply of Canadian locomotives and rolling stock. Chief of Defence Staff General Paul Manson visited Brunei, Thailand, Malaysia, Singapore and the Philippines in December 1987.

There were also several parliamentary visits to the region. A combined delegation of federal and provincial members led by Lloyd Crouse participated at the Commonwealth Parliamentary Association meetings in Malaysia in late August and early September 1987 and