

great bulk (as much as 65%) of Canadian exports to be shipped to Japan, as the Policy Paper says, "in their rawest transportable and least profitable form."

The time has come for Canada to begin redressing this imbalance. A concerted national effort will be required, however, and the Committee considers this an urgent priority for action by industries concerned and by governments at all levels.

With respect to the serious problem represented by the unsatisfactory level of Canada's manufactured exports to Japan (less than 3% of the total), the Committee believes that the Canadian Government is justified in pressing for further tariff liberalization by Japan and for the elimination of its many "non-tariff barriers". Other clear needs, however, are to overcome the lack of familiarity, imagination and aggressiveness on the part of Canadian businessmen in the area, and to attack the general problem of lagging scientific and technical innovation in Canadian industry.

In view of the vast discrepancy in the level of processing involved in Canadian and Japanese exports, the Committee found no basic inequity in the past in the overall dollar-imbalance in Canada's favour. Since Japan achieved a surplus in its 1971 trade with Canada there are now even more compelling reasons to focus on the "quality" rather than the gross volume of trade.

There have also been expressions of Japanese concern about Canadian limitations on certain types of imports. The Committee takes the view that Canada has a relatively open market in the textile field and that the voluntary restraint system, tied to rationalization plans, is a good one. Nor does it appear that the instrument of "anti-dumping" actions has been abused.

The increasing flow of private investment, in both directions, between Canada and Japan promises growing mutual benefit. Japanese investment in Canada represents a healthy diversification of Canada's sources of development capital, and seems to be sensitive and responsive to the conditions now prevailing for foreign investment in Canada.

Another increasingly important area of co-operation with Japan is that of scientific and technological exchanges. With the important Canadian mission of March 1972, a good beginning has been made in this field, and the Committee believes that Canadians can look forward to expanding, and highly beneficial, contacts in the future.

CHINA

Canada's trade with the People's Republic of China has been significant for more than a decade and shows considerable potential for further growth.

However, the present large imbalance of trade in Canada's favour cannot be sustained indefinitely. The main obstacle to increased exports from China to Canada in the past seems to have been the limited Chinese supplies of the goods of interest to Canadian importers. The general opinion, based on recent trade