

manufactures and textiles, as well as new commodities, including certain metals. The Chinese authorities look forward to increases in their exports to Canada and do not anticipate any serious problems in this mutually-beneficial trade relationship.

76. Since the first major wheat sales in 1961, China has each year provided a substantial outlet for Canadian grains, and therefore a continuing stimulus for the economy of the prairie region. While uncertainty has been a characteristic of most export markets for Canadian grains, China has been a reliable buyer, and now shows every indication of remaining one. Chinese planners have apparently determined that it will be beneficial to continue importing some proportion of the country's cereal needs. Canada has fared well in vigorous competition for this market and is now regarded as the priority grain supplier. In recent years it appears that political considerations have been a factor, with Canada's early initiative for recognition conferring a distinct advantage. As the normalization of China's relations with other Western countries progresses, Canada can expect increasing competition for the Chinese market in most products. Assuming that the present basis of good relations is maintained, however, the Committee believes that the Chinese will continue to be favourably disposed toward Canadian exports in general and will stand by their assurance that first consideration will be given to Canadian grains.

77. The Canadian Government was right in not expecting that diplomatic recognition would lead to a sudden upsurge in exports but there are signs that new types of opportunities are opening up. Forest products and minerals are now being bought, and the Chinese have agreed to consider Canadian machine products and transportation and communication equipment. They will also consider imports of Canadian technology—heavy machinery or perhaps complete plants—and have accepted the possibility of Canadian experts travelling to China to work temporarily in the installation and development phases. In general, the Committee has concluded that there is expanding scope for valuable economic relationships, both immediate and long-term, between Canada and China.

Australia and New Zealand

78. Canadians too often underestimate the importance of their economic relations with Australia and New Zealand. In 1970, Australia was Canada's sixth largest customer. Canadian exports were valued at \$197.7 million. Australia ranked well ahead of such countries as France, China and U.S.S.R. It is significant that 40 per cent of those exports were fully manufactured end products, providing extensive employment and other benefits to the Canadian economy. On a per capita basis, New Zealand has long been one of Canada's best customers. Imports from Canada (amounting to \$42.7 million) are largely manufactured and semi-manufactured goods.

79. Both of these countries, and particularly New Zealand, are confronted by an uncertain economic outlook because of British entry into the E.E.C. It will be important, for all concerned, to maintain the present preferential arrangements