

Hong Kong cultural and academic exchanges with Canada continued to grow, highlighted by the visits of the Montreal Symphony and the National Arts Centre Orchestra.

### **Indochina**

Canada's relations with the three countries (Cambodia, Laos and Vietnam) of Indochina remain dominated by political objections to the continued military occupation of Cambodia by Vietnam. Canada continues to support the ASEAN position on Cambodia and to encourage a peaceful solution to this problem. A refugee program for the Vietnamese remains active. Trade contacts are minimal. Bilateral development assistance is not provided to any of these countries.

### **Japan**

Canada's relations with Japan have grown in importance in the past decade to the point where Japan is now our second-largest trading partner and an increasingly important partner in bilateral and multilateral affairs. Japan is the world's second-largest free-market economy. It enjoys a growing share of world trade, is on the leading edge of technological developments, and is the world's largest capital exporter. In light of its economic strength and strategic location, Japan has begun to play an increasing role in world affairs. This increasing role and influence have presented Canada with a number of new opportunities and challenges over the past year.

Prime Minister Nakasone's visit to Canada in January was a highlight of the year and stimulated the development of closer relations, particularly between the Prime Ministers. During their meetings in Toronto and Ottawa, the Prime Ministers reviewed East-West issues, endorsed multilateral and bilateral initiatives to liberalize trade, signalled a closer partnership in Pacific development, consulted on the Tokyo Economic Summit preparations and advanced a number of bilateral agreements.

In 1985, Canadian exports to Japan totalled \$5.7 billion and two-way trade reached \$11.8 billion. The largest increase over 1984 levels of exports was in basic resources, such as coal, which grew 37 per cent. The major increases in imports from Japan shifted from consumer electronic goods to industrial goods, especially steel pipe and industrial machinery. Canada increased its importance to Japan as a market for Japanese exports, moving to tenth rank from eleventh in 1984. The period under review has also seen a significant increase in technological co-operation. The Pacific Trade Initiative, the addition of an Investment Canada Counsellor at our Embassy in Tokyo, and the expanded science and technology program all combine to increase the value to Canada of the entire trading relationship. A significant milestone was the Industrial Co-operation Arrangement, signed in September 1985, which facilitated a series of business missions from Canada in advanced industrial machinery, advanced manufacturing technology, micro-electronics, and biotechnology.

Other highlights of 1985-86 include consultations on arms control and disarmament, aid, and terrorism. Canadian businesses interested in industrial co-operation and technology acquisition are being assisted through industrial exchange agreements and the assignment of a science and technology officer to the Embassy in Tokyo. Finally, the year saw the announcement of the opening of a Canadian Consulate General in Osaka.

### **Australia and New Zealand**

Canada's close bilateral relationships with Australia and New Zealand were highlighted by a series of ministerial visits and continued close consultations and co-operation in a number of bilateral and multilateral forums.

The Right Honourable Joe Clark, Secretary of State for External Affairs, held bilateral discussions with Australian Foreign Minister William Hayden in June 1985. The Honourable James Kelleher, Minister for International Trade, led a trade mission to Australia and New Zealand in November 1985. The Honourable Charles Mayer, Minister of State Responsible for the Canadian Wheat Board, also visited Australia and New Zealand during December and January 1985-86. Ministerial visits to Canada included the Honourable Geoffrey Palmer, New Zealand Deputy Prime Minister in September 1985, the Honourable Richard Prebble, New Zealand Minister of Transport, also in September, the Honourable Gareth Evans, Australian Minister of Resources and Energy, in January 1986, and the Honourable Colin Moyle, New Zealand Minister of Agriculture and Fisheries in March, 1986. The third Canada-Australia Policy Consultations took place in Canberra in February. Close co-operation and consultation between the Canadian, Australian and New Zealand delegations also continued at the United Nations and other multilateral forums, particularly on arms control and multilateral trade matters.

Australia and New Zealand remain important markets for Canadian exports, especially for semi- and fully manufactured goods. Exports to Australia grew in 1985, moving up to \$738.0 million from the 1984 level of \$657.8 million. This trend continued in 1986, as first-quarter statistics for the year show Canadian exports at \$170.2 million, as compared to \$146.6 million for the same period in 1985. After the 1984 surge, however, exports to New Zealand dropped slightly in 1985, from \$193.8 million to \$190.9 million. Total bilateral trade between Canada and Australia-New Zealand exceeded \$1.4 billion (all figures are in Canadian dollars). The National Trade Strategy resources have enhanced our co-operation with the region in such areas as market studies. Lastly, a trade office was opened in Auckland last year to further enhance our economic relations.

Developments that were initiated in the service sector last year have begun to bear fruit in 1985-86. The Canada-New Zealand Agreement on Air Transport which was announced in November 1984 became a reality in November 1985 when International Trade Minister Kelleher took the inaugural Canadian Pacific Air flight to Auckland. The Royal Bank of Canada, which was granted a banking licence as part of Australia's liberalization of financial services in 1984-85, announced the formation of a joint venture with the National Mutual Bank of Australia.

Public affairs programs in Australia and New Zealand have continued to be active in the past year. In March 1986, the Consulate General in Sydney organized a very successful "Canada Week" featuring leading Canadian artists, the RCMP Band and Canadian dignitaries. As well, the Canadian Studies Program continued to expand and preparations were made to send a large Canadian contingent to the third Biennial Conference of the Association of Canadian Studies in Australia and New Zealand, scheduled for Griffith University, Queensland, Australia, in May 1986.