

controls, and there will be increasing scope for certain types of investment from Canada—although this is unlikely to reach large proportions. It is clear that joint venture arrangements in Japan will be almost essential for most types of Canadian investors.

Scientific and Technological Co-operation

70. Of all the Pacific countries, Japan, in particular, offers exciting scope for new co-operation in the scientific and technological fields. The March, 1972, Canadian Scientific and Technological Mission to Japan, headed by the Minister of State for Science and Technology, represents the beginning of an important new stage in this process of co-operation. The Committee believes that Canadians can now look forward to expanding and highly beneficial contacts in the future.

China

71. Intense interest has been generated in Canadian trade with China by the exchange of diplomatic recognition in October 1970, the opening of embassies and the successful visit of the trade mission headed by the Honourable Jean-Luc Pepin (in June & July 1971) and of visits by other Canadian leaders and business groups.

72. There are two striking characteristics of Canada-China trade: the heavy balance in Canada's favour (the value of exports was more than seven times that of imports in 1970), and the importance of grain sales as a proportion of Canadian exports, (well over 80% for the past decade).

73. Reporting on his discussions in Peking, Mr. Pepin noted that the Chinese did not insist on "balancing trade between China and Canada, which was a very important point for me." While it would not be reasonable to expect that perfect balance could be achieved, the extent of the present imbalance is understandably a matter of concern to China. The dollar-imbalance is not offset, as in the case of Japan, by a high volume of manufactured exports to Canada. China's foreign exchange is limited. To sustain imports at their present levels they will seek new opportunities to earn exchange with exports to Canada.

74. Chinese exports to Canada include a very wide range of products. The total volume has been growing significantly and an appreciable proportion of Canada's imports from Hong Kong—\$78 million in 1970—probably consists of re-exports from China. Restraint arrangements have been required on certain types of textiles and footwear, but here again the Chinese appear to have adopted an understanding approach to the problem of disruption of Canadian industry by low-cost imports. It is likely that there will continue to be increasing scope for Chinese exports to Canada, particularly as contacts widen through two-way travel and trade exhibitions.

75. It has been mentioned several times in testimony that 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 fairs, seems to be that these shortages are now being rectified. Thus increases may be expected in a wide range of light