

tions with the People's Republic of China but trade prospects with that country were uncertain and admittedly limited - China imports only about \$2-billion worth of goods. A mission was therefore set up to discuss with the Chinese authorities the trade prospects and methods of doing business and obtaining the best possible lines of communication and terms of entry.

As a result of the June-July 1971 mission, the Chinese agreed to look to Canada first as a source for wheat. This agreement has been honoured since then by two purchases, the first in September 1971, valued at \$30 million, and another last December for wheat to be delivered in 1972 and valued at nearly \$200 million.

In addition, I might mention *inter alia*:

- There will be a Canadian solo trade fair in Peking, August 21 to September 2, 1972, which will be the largest Canadian industrial exhibition ever to be held abroad. Some 250 Canadian companies have indicated an interest in participating. The Chinese will be coming to the CNE in Toronto this summer with a major exhibition.
- The Chinese Minister of Foreign Trade, Mr. Pai Hsiangkuo, is expected to visit Canada this year; a Canadian minister will represent the Canadian Government at the trade exposition in Peking.
- Both sides agreed to hold formal trade consultations each year. The first such meeting took place in Peking in December 1971, at which time the Chinese gave the Canadian side an indication of their import needs for 1972. This information has been made available to members of the Canadian business community and will serve as the basis for Canadian trade promotional activity in the coming year (at Canton and at Peking). The Canadian delegation reviewed Canadian export capabilities in great detail for the benefit of Chinese state trading companies.

It is expected that during 1972 there will be a broadening of the range of Canadian exports to China to include manufactured and sophisticated items in addition to the continuing sales of wheat.

Canada's trade with China is important. 1971 exports were valued at approximately \$204 million and imports at \$23.3 million. In addition to wheat, Canada exported to China, wood pulp (\$2.1 million), tire fabric (\$730 thousand), tallow (\$2.0 million), aluminum ingots (\$2.2 million), nickel anodes (\$743 thousand) and X-ray equipment (\$236 thousand), some of those sales resulting directly from the mission.

MISSION TO JAPAN

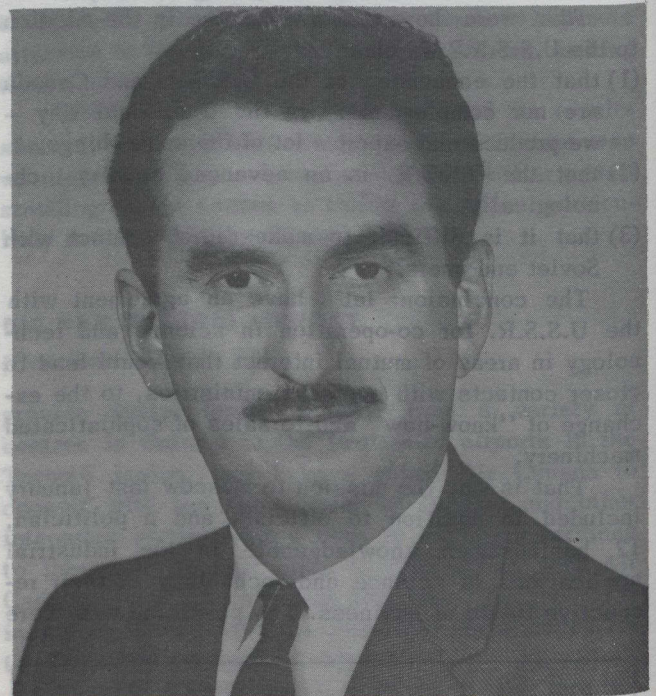
Of all the ministerial economic missions organized these past few years, the one which I led to Japan a few weeks ago may well be the most important in trading terms. It was the largest economic mission

Canada has ever sent anywhere in the world. It was subject to a very extensive and thorough preparation and the effects have already been most encouraging, as you will see.

Japan is Canada's third largest market and may very soon displace Britain as our second most important market. In 1965, two-way trade between our two countries totalled \$456 million, and Canada had a surplus of almost \$100 million. By 1971, trade had more than tripled, reaching \$1.6 billion (about \$800 million each way).

What was "the problem"?

While on the surface things appeared to be going very well, Canada had for some time been concerned with the composition of its exports to Japan, that is their degree of fabrication. In 1971, fully 97 per cent of our imports from Japan were in the category of manufactured products, which contrasted very sharply with our exports of end products to Japan, which account for less than 3 per cent of the total. This compared poorly with our performance in other markets. As a simple example, about 45 per cent of our total exports to the U.S.A. are fully manufactured. In the Philippines, over 60 per cent of our sales are in manufactured form.



Mr. Jean-Luc Pepin,
Minister of Industry, Trade and Commerce

Our purpose in going to Japan was to try to remedy the situation, to try and add a new dimension to our exports to Japan. We had suggested that part of the problem lay with Japanese import controls and administrative procedures, which are too restrictive and do not allow the free movement of goods. On the