

The two-way trade between Canada and Japan is progressing rapidly. In 1985, trade between Japan and Canada totalled \$11.8 billion Canadian. In the first eight months of 1986, Canada's exports to Japan increased by more than 8% to \$4 billion. Imports from Japan were worth \$5 billion, an increase of 32% over the previous year.

The current composition of our exports to Japan is oriented to resources -- lumber, coal, minerals and agricultural products. We will continue to be reliable, secure, and competitive suppliers of these commodities. Canadians have invested heavily in this long-term relationship. We are determined to remain a significant factor in your marketplace.

Our manufactured goods, which Mr. Kanao and the economic mission noted during their visit to Canada, are not as well known as they might be in your market. We look to Japanese industry to assess our manufactured and processed products on a fair and competitive basis to begin the process of diversifying the composition of our current trade. We are making, and will continue to make, strong efforts to promote our finished and technology products in your market.

Most importantly, we look to your industries which have been able to develop lucrative export positions in our economy to invest in production facilities in Canada. This would enable you to be close to your customers and markets.

We recognize that the strengthened yen provides a strong, direct inducement for your export-oriented manufactures to invest in production facilities in Canada in order to retain a competitive edge with North American consumers.

Canada has already experienced some effects from your desire to locate manufacturing plants in our market. Toyota's recent decision to invest \$400 million in an automobile plant and Honda's move to double the size of its initial plant, are proof of these developments. We expect these leaders in the interchange of capital, technology, and managerial expertise to be followed by other Japanese manufacturing firms conscious of maintaining and expanding their competitive position in our market.

Follow your exports in determining your future investments. This is a key element in constructing a stable and harmonious relationship. It is an essential ingredient if you are to remain confident of your market position in our economy.

The timing has never been better.