

In reply, Canada placed particular emphasis on the adverse effect on Canada-Britain trade of British incentives for encouraging domestic agricultural and industrial production to the detriment of external trade. These policies did, however, help to achieve a significant improvement in the British balance-of-payments position. Not unrelated was a substantial increase in British exports to Canada in 1969, coupled with a decline in Canadian exports to Britain that resulted in a decrease in Britain's trade deficit with Canada. With increasing prospects for British membership in the EEC, the Government's view was reiterated that the ultimate decision would be Britain's alone, but that entry would, nevertheless, create important trade problems for Canada. Canadian representatives stressed that the impact of the Common Market's common agricultural policy would be harmful to Canadian trade if adopted without change by Britain.

On October 9 and 10, a major development in Canada-EEC relations took place. Delegations from the Commission and the Canadian Government met in Ottawa to review a broad range of matters of mutual interest and to lay the basis for closer and more frequent consultations at senior level with the EEC Commission. The delegations exchanged views on world trade prospects and initiatives that could be taken to promote further trade liberalization. They examined practical problems involved in trade and financial relations both bilaterally and with third countries, including those arising from the development of the Community and its possible enlargement to include other European countries. Contrary to previous trends in Canada's trade with the European Community, Canadian exports of secondary manufactured goods declined as a percentage of Canada's exports to the EEC, which, however, continued to climb overall. Imports from the Community increased considerably and as a result our trade in the area is now almost balanced. West Germany continued as Canada's most important West European market, while France held fifth position. Canada continued to develop closer corporate and financial links with Western Europe in general and substantial Canadian borrowings were made in West Germany during the year.

The growing importance of Canada's relations with Japan was brought into sharp focus in April at the fifth meeting in Tokyo of the Canada-Japan Ministerial Committee. The ministers noted the continuing growth in Canada-Japan trade (Japan is now Canada's third largest trading partner) and the useful role played by increasing Japanese investment, which, totalling an estimated \$100 million, has been directed especially towards Canadian natural resource industries -- wood products, mineral deposits and allied manufacturing. At the Committee meeting, Canadian ministers expressed their strong interest in diversifying Canadian exports to Japan which were heavily concentrated in primary foodstuffs and industrial raw materials. While welcoming the Japanese Government's announcement of plans for the gradual elimination of import restrictions, they urged Japanese ministers to take careful and early account of Canadian interests in liberalization of particular products now under restriction. The Japanese, for their part, stressed that voluntary restraints they applied to the export of certain goods to Canada should, by mutual consent, be kept to a minimum and removed as soon as possible.