

... Unless we concentrate a little more on developing highly sophisticated specialized manufactured goods it will be difficult for us to get back a substantial portion of the Japanese market for manufactures . . . (11:13, 14).

60. This problem, of course, relates to one of the main national concerns about Canada's general economic situation, and one which has been extensively studied by another Senate Committee. Canada's position in the highly competitive Japanese market appears to be yet another indication of the central importance of scientific and technological innovation to this country's vital trade interests.

61. An encouraging demonstration of the Canadian Government's determination, in co-operation with the business community, to attack these problems and promote the growth of mutually-beneficial economic relations with Japan, was the despatch of the Canadian Economic Mission to Japan in January, 1972. This mission, headed by the Minister of Industry, Trade and Commerce, was the largest Canadian mission of its kind ever sent anywhere in the world. It led to a full discussion of outstanding bilateral issues, and the initiation of important new contacts between Canadian and Japanese businessmen. The participants in this mission also indicated their firm intention to carry out all the necessary "follow-up", in order to achieve the most effective and lasting results.

Areas of Concern for Japan

62. Two kinds of Japanese concern have been referred to: dissatisfaction about the general balance of trade in Canada's favour; and complaints about access for specific products in the Canadian market.

63. The general concern has been dealt with in previous sections. There is no reason to believe that the total volume of bilateral trade should be in perfect balance, especially when 96 per cent of Japanese exports to Canada are end products, while only 3 per cent of Japanese imports from Canada are in this category. In 1971, in fact, the overall trade balance was suddenly and dramatically reversed. Japanese sales to Canada increased approximately 38% while Canadian exports to Japan actually declined slightly. It is not yet clear whether these developments represent the beginning of new trends, or are results of temporary circumstances. As Mr. Pepin told the Japanese Press Club on 24 January, 1972, "We hope that our exports decline is temporary, you hope that your exports leap is permanent". Whatever its duration, however, the Committee hopes that this changed balance of Canada-Japan trade will shift the focus of discussion from the overall dollar-volume of trade to the more pressing and relevant questions about the "quality" of that trade.

64. Specific Japanese complaints about bilateral trade with Canada relate especially to "anti-dumping" actions and procedures relating to the voluntary restraints system by which the Japanese agree to limit exports of certain goods in order to avoid disruption of the Canadian market. The range of Japanese exports to which restraints apply, however, has narrowed progressively, leaving only textiles as the real point of contention. The textile issue is, of course, part of a