

action by industries concerned and by governments at all levels. The federal role will be particularly important in pressing for uniform legislation and in negotiating general improvements with the Japanese Government.

57. A concerted Canadian approach would allow this country to take full advantage of its very considerable bargaining assets: a highly stable economic and political climate to guarantee that the Japanese requirements for assured supplies will be met; abundant resources and reserves in certain commodities; and a proven record in relations with Japanese enterprises.

58. With respect to diversification of Canadian exports, the Committee has heard conflicting testimony about the gravity of Canada's problem, and its causes. With less than 3 per cent of Canadian exports to Japan in the form of end-products, the Committee believes that there is unquestionably a serious problem. There is not, however, any one simple explanation. It is to be expected, of course, given the structure of the Japanese economy, that a very large proportion of that country's total imports would be in the form of raw or semi-processed materials. However, among the industrialized countries, Japan imports the lowest proportion of its total imports in manufactured goods (15 per cent). This figure lends credence to the view, expressed by the Honourable Jean-Luc Pepin, that "in Japan, tariff and non-tariff barriers have tended to work excessively to control imports of manufactured products and to limit to a marked degree import competition."* It was stressed by other witnesses that Japan has made considerable progress in liberalizing its tariff restrictions, but the Committee believes that the Canadian Government is justified in pressing for acceleration of this process and for the elimination of Japan's "non-tariff barriers" which include import-licensing policies and quantitative import restrictions.

59. These Japanese controls, however, do not explain the fact that Canada lags so far behind the average in the proportion of its exports to Japan in manufactured form. The Canada-Japan Trade Council asserted that "markets in Japan for Canadian manufactured goods exist. More imaginative, dynamic and persistent Canadian salesmanship could probably have changed our trade 'mix' before now." (11:22). There have been several suggestions that this is attributable to a lack of "imagination and aggressiveness" on the part of Canadian businessmen, and the Committee has concluded that this criticism is basically valid. As mentioned in Chapter I, it relates to a general lack of familiarity with the Pacific area and its potential. Perhaps a more deep-rooted, and alarming cause however, was identified by Professor K. A. J. Hay:

... at the end of the 1960's the market for manufactured exports to Japan . . . was equal to \$15 billion . . . If one looks at the structure of that market one finds that it is dominated by three suppliers who have been supplying the market for 15 years, the United States, West Germany and the United Kingdom.

... The reason why the Japanese concentrated on these three suppliers is again very simple to understand: those three countries lead the world in investment in research and development and they are, in order, those countries which produce the largest number of patents, new ideas and new technology each year.

* Speech to the Annual Meeting of the Pacific Basin Economic Cooperation Council, Vancouver, May 14, 1971 (p. 8)