

trade surpluses with the United States, Japan is under increasing pressure to divert purchases of key commodities away from Canada and other suppliers to help redress the imbalance with the United States.

Canada already enjoys a broad measure of access to the US market (80 per cent enters duty free) and as such should be perceived as an attractive place to invest. The Canada-United States Free Trade Agreement secures and enhances that access. In contrast to the relatively small amount of Japanese equity investment, portfolio investment in Canadian bonds by Japanese institutional investors has been disproportionately high. Several major Japanese investors hold more than 40 per cent of their foreign assets in Canadian dollar securities.

Japan is now in the forefront of technological innovation and application, particularly in new materials, micro-electronics, and advanced manufacturing technologies. Canadians traditionally have looked, not to Japan, but to networks of the United States and Europe for technology. However, Japan rapidly is becoming a provider rather than an extractor of technology. The Canada-Japan Industrial Cooperation Arrangement of 1985 and the Science and Technology Agreement of 1986 have helped focus more Canadian attention and resources on cooperation with Japan.

#### Themes for Prime Minister Takeshita's Visit to Canada

At a time when the world economy is experiencing a series of shocks, when instability in currency markets, distortion in trade balances, government fiscal policies, trade barriers (particularly in agriculture), and debt questions pervade the international agenda, it is especially important for countries to work together toward solutions.

Against this background and in view of the continuing efforts to strengthen the Canada-Japan relationship, the visit by the new Japanese Prime Minister Noboru Takeshita is propitious. His presence in Toronto offers the opportunity to explore increased bilateral links in trade, investment, science and technology, and cultural awareness and communications. Prime Ministers Mulroney and Takeshita will be able to review crucial international economic issues, including those which will be discussed at the Toronto Economic Summit; and address such vital issues as the Uruguay Round of the Multilateral Trade Negotiations (MTN), debt and agricultural protectionism.