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SECRETARY OF STATE FOR EXTERNA AFFAIRS.

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TO THE JAPANESE PRESS CLUB, JUNE 25, 1975

"Towards a New Japan-Canada Partnership" On the occasion of the Seventh Canada-Japan Ministerial Meeting, I am very glad to address the Japanese Press Club. The Canadian Delegation that I lead has had very promising discussions with Japanese Ministers and officials, as most of you will have learned from the final communiqué issued yesterday. These discussions enabled us to explain to your Government how we, Canadians, hope to broaden and deepen the relationship between Japan and Canada, as agreed by the then Prime Minister of Japan and Prime Minister Trudeau when they met in Ottawa last September.

What we have in mind is quite ambitious and can certainly not be accomplished by governments alone. It will need the understanding and support of the people of both countries: that is why I was pleased to accept your invitation to speak to you today. In democratic societies, policies can be developed and implemented only with the active participation of all citizens. Citizens must therefore be informed -- and well informed. The news media accordingly perform vital functions: they collect, transmit and analyze information for the benefit of the general public. Canadians often complain that they are misunderstood abroad; but they do not often take the liberty to explain themselves. With your permission, I will try today to explain Canada.

There are many misconceptions and misunderstandings which subsist about our respective countries. Some of them have serious implications, for they involve the perceptions that businessmen, journalists, public servants and politicians have of the economy and society of Japan and Canada. These misconceptions therefore affect the development of bilateral relations; and it is imperative that we correct them if we want to broaden and deepen these relations, as would otherwise be desirable and possible. I deplore, for example, that many Canadians have still not realized what tremendous economic strides Japan has made in the last twenty years and what potential your country represented for Canada as an economic But today, here in Tokyo, I must address myself to partner. the unfortunate misconceptions which also exist in Japan about our country.

Too many of our foreign friends -- even among our closest neighbours -- still hold a stereotyped image of Canada which has been long outdated. Talking to them, we get the impression that these friends look upon Canada as a vast expanse of territory bordered by three oceans, almost empty

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of people, but covered with endless forests and wheatfields and endowed with inexhaustible supplies of all minerals. Apart from these coveted resources, the country is perceived as a cold and inhospitable land to which the visitor journeys at his peril, fully expecting to be stranded for weeks in a snowstorm. Foreigners understand that there are a few towns here and there in Canada but they believe that they exist almost exclusively to collect and ship abroad the rocks and the logs and the wheat which they believe Canadians are always ready to sell to the first foreign buyer. The political system of that exotic country seems so complex that many foreigners have long ago given up hope of ever understanding how it operates: there is not one but eleven governments, seeming to be always arguing with each other and never able, it seems, to agree on anything. I imagine that many Japanese believe that the United States exerts upon this mythical Canada a mysterious influence, so pervasive that it does not really matter whether or not these eleven governments agree on anything; and to maintain their own good relations with the United States, some Japanese probably think it is highly preferable that the Japanese not involve themselves too deeply with Canadians -except when it is absolutely necessary to obtain rocks and logs and wheat at a good price. Oh yes, the Japanese know, of course, that these Canadians conveniently buy quite a lot of Japanese manufactured products, which is helpful in paying for raw materials; but they tend to believe that Canadians manufacture hardly anything which sophisticated firms and consumers in Japan might need.

An exaggeration? Of course it is. Your businessmen and your officials are too shrewd to entertain today such simplistic notions about Canada. But this caricature will help you understand, I hope, the frustrations which we Canadians feel when we are dealing with you.

It is true that Canada is about thirty times as large as Japan and that it is much better endowed with agricultural land and mineral resources; but our population, although much smaller than that of Japan, constitutes also a substantial market for industrial products because of its high average income and growth rate. In fact, Canada has the fastest growing labour force of all industrialized countries; and we often feel that the Japanese forget that there are a lot of people -- in fact entire cities and communities -- involved in our agricultural and mineral industries which simply cannot generate, at the primary stage, enough jobs to maintain full employment. Few Japanese seem to realize that only a small proportion of our Gross National Product of approximately 42,000 billion yen

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(\$140 billion) originates in the agricultural and mineral Canada may export a lot of raw materials, but most sector. Canadians carn their living in the secondary and tertiary sectors; and quite a number of Canadian industries are at the forefront of technological progress. We are one of only five countries, for example, to have developed independently our own nuclear generating system -- Candu -- and the only one to have done so within the framework of an exclusively peaceful nuclear research programme. We were the second country in the world to build our own communications satellite -evidence of the sophistication of our aerospace and electronic We have similarly developed original and industries. technically competitive products or techniques in mining and forestry equipment, high-voltage electric transmission and construction, to list only a few examples.

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It is true that many of our cities are located on our coasts and were originally developed as major ports for the shipment of our raw materials. But this era is long past; and the economic well-being of Canadian metropolitan centres now depends upon sophisticated manufacturing, financial and other service industries. Of course, none of these cities rivals Tokyo in size. But Montreal and Toronto are now almost as large as Osaka and larger than Nagoya and Yokohama; while Vancouver is expected to reach in a few years the size of Kobe. Fortunately for us, the problems of urban and industrial congestion have not yet become as acute in our cities as elsewhere; and we are now devising a comprehensive regional development policy to cope with problems which, although they are less acute, are essentially the same as those that your municipal administrations must resolve.

In other words, despite obvious differences in the size of their territory and population and in their resource endowment, Japan and Canada have both become in this century mature industrialized economies. The history and culture of the two countries are quite different; and since these are major determinants of social and economic development, one can expect the two societies to follow somewhat different courses in the future. But there again, I suspect that both Japanese and Canadians tend to exaggerate these differences; for there are striking coincidences as well historical similarities.

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The history of modern Canada begins in 1608, when the French explorer Samuel de Champlain founded the first permanent European settlement at Quebec; and the foundation of Quebec coincides with the beginning of the Edo period in Japanese history, during which the first sporadic contacts between Japanese and Western cultures occurred. Japan had almost a thousand years of history behind her when Tokogawa leyasu was appointed Shogun by the Emperor, in 1603; but it can be argued that the French and British settlers who came to Canada in the last three centuries brought with them the cultural heritage of Europe, which is also thousands of years old.

Perhaps a more important date in Japanese history is the Meiji restoration of imperial rule, in 1868, which is generally recognized as the start of the process of moderniza-tion and industrialization in Japan. By another strange coincidence, 1867, the previous year, is also a most important date in the history of Canada: it is the year of Confederation, when the four founding British colonies of North America joined to establish a new federal sovereignty from the Atlantic to the Pacific Coast. In spite of the substantial differences between our two societies at that time, it must be recognized that the historical tasks undertaken by the Federal Government of Canada were quite similar to those of the Meiji Government the establishment of a centralized administration, in Japan: the improvement of communications through the building of railways, the expansion of agricultural production, the development of manufacturing industries and modern financial institutions, and so on.

Another striking similarity between the recent history of Canada and Japan is that both of our countries have been exposed to substantial and sustained influence from the United States of America. When Commodore Matthew Perry entered Tokyo Bay, in 1853, to negotiate Japan's first treaty of friendship and trade with a western country, the Canadian provinces were pinning their hopes for economic development on the negotiation of a reciprocity treaty with the United States; and even if that treaty soon had to be forgotten, the prosperity of the Canadian economy has always been closely linked, since then, to that of the United States. Of course the relationship of our two countries with the United States Of course. evolved quite differently in the first half of the twentieth century. But in the last thirty years; the foreign policy of both Japan and Canada has been based on close relations with the United States; and our two societies have been profoundly

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influenced by these relations. In your case, American influence has centred mainly, perhaps, on social and political institutions; while in our case, that influence was mostly economic and cultural.

Both our countries recognize today that on the whole this influence was beneficial; at the same time, I think we both realize that such influence -- or that of any other country for that matter -- must not be allowed to become too pervasive if we want to maintain the autonomy of our social and cultural development. Perhaps Canada must be more vigilant than Japan in this respect. We have not had the benefit of a long history to develop a strong, homogenous culture. Canada is a young country, built by several native groups and successive generations of immigrants from many lands, all of them attached to their cultural traditions. We have retained as official languages the idiom of the two larger groups of immigrants, French and English. Our country is so vast that once settled in a particular region or province, immigrants of very diverse origins have developed a common regional or provincial identity. I wonder whether the Japanese feel the need to identify themselves as "Shikokuans" or "Kyushuans" as much as Canadians tend to identify themselves as Québecois or Westerners, Nova Scotians or British Columbians. In short. our national culture -- or multiculture, as we call it -is founded on diversity rather than similarity; and the political integration of Canada is not only recent, in historical terms, but it must accommodate itself to the several regional identities and provincial loyalties of Canadians. This largely explains the complexity of our federal system of government, which probably befuddles so many Japanese. To a certain extent, one could compare the socio-cultural make-up of contemporary Canada to that of Japan during the Heian period, almost a thousand years ago, when your ancestors began to emanicipate themselves from Chinese influence, proceeded to assimilate cultural and technical imports from the mainland and, in so doing, developed the characteristics of Japanese civilization. Japan was then quite vulnerable to foreign influence, especially from the most advanced civilization of that period; Canada is similarly vulnerable today.

Consequently, the determination to preserve the social,cultural and economic autonomy of Canada is the basic political motivation behind the new foreign policies developed lately by our government and which we are now actively pursuing.

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As you know, these policies have been known in Canada as "the Third Option", because they have been selected after two other alternatives had been successively examined and rejected: the first of these alternatives was the maintenance of our post-war economic relationship with the United States with minimal policy adjustments; the second deliberately to seek economic integration with the United States. These two options were rejected because we felt they would be incompatible, in the long run, with the maintenance of Canada as a politically independent and culturally autonomous society. But we also felt that they were not viable alternatives, since any government which chose to pursue them would be faced with strong resistance from the Canadian public which would place much greater strains upon our relationship with the United States than the "Third Option".

My predecessor described this option as "a comprehensive, long-term strategy to develop and strenthen the Canadian economy and other aspects of our national life". The key element of this long-term strategy is the diversification of our international economic relations.

Some of you may be aware that, in some quarters, Canada's new foreign policies have been interpreted as being directed "against" the United States. In fact, the reverse is true: it is because our government wishes to preserve in the future a sound political basis for our close and friendly relations with the United States that we are seeking diversification: for we are convinced that continued economic cooperation with our great neighbour will only be acceptable to the Canadian public in the long run if it is balanced by closer links with other regions of the world. Indeed, our new policies have generally been received with understanding and sympathy by the Government of the United States. Thus, our new foreign policies are quite similar to your Takaku Gaiko -that is, your own "diplomacy for diversification". I stress that it is a new departure: the overall policy has been worked out, but the manner of execution has not been formulated in all details. Furthermore, we are only beginning to implement these policies and, evidently, the extent to which we will be successful depends crucially upon our principal economic partners after the United States: Japan and Europe.

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In this respect, I must say that our initial approaches to Europe have been quite encouraging. As you know, the Prime Minister of Canada has recently visited all member states of the European Community as well as the Commission in Brussels. Discussions between officials have sufficiently advanced to enable the Commission to recommend to the Council of Ministers the negotiation of an agreement between the Community and Canada. For this reason, and although the main instrument for the strengthening of our economic links with Europe will remain in the foreseeable future bilateral industrial co-operation with each member state, our objective has become known as the negotiation of a "contractual link" with Europe.

I can assure you, on behalf of the Canadian Government, that our new foreign policy outlook places equal emphasis on the intensification of our relations with Japan. I already noted, at the beginning of my remarks, the political commitment which our two Prime Ministers jointly made in the communiqué issued after the visit to Canada, last September of then Prime Minister Tanaka. I can now say that the Seventh Meeting of the Canada/Japan Ministerial Committee, which ended yesterday, has been most encouraging and will lead to a series of exploratory talks between officials of our two governments on a wide range of subjects: industrial co-operation, resource and energy development, agricultural co-operation, scientific and technological projects, among others.

This deeper and broader relationship must be peaceful, because both of our countries seek to maintain friendly relations with all countries and have renounced the use of nuclear arms. It must be a true partnership, going much beyond bilateral trade, which nevertheless will benefit greatly from it; and it would focus mainly on the Pacific region, given the geopolitical situation of our two countries. Furthermore, we would expect that our partnership would extend to other regions of the world and will be of benefit to many other countries.

"But why do you suddenly wish to have closer relations with us?" some of our Japanese friends ask sometimes. Quite aside from the fundamental political motivation which I have just explained, the reasons why Canada should strive to broaden and deepen her relations with Japan are so numerous that I can only recount a few of them today. Your country has become, in the last ten years, the third largest industrialized economy in the world, ranking immediately behind the United States and the Soviet Union. Your annual GNP is now very close to \$400 billion and I am fully confident that as we reach the point of recovery in the present economic cycle, growth will resume in Japan at a high rate, even if the fantastic performance of the sixties does not repeat itself. Japan is also the second largest trading entity in the world; her shipping interests are considerable: her major industries have reached very high levels of efficiency and technical development. In short, your country has all the characteristics which make it a most attractive economic partner for Canada.

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I wish to remind you also that Canada's interest in the development of her "Japanese connection" has not been all that sudden. Bilateral trade relations between our two countries have been expanding rapidly and regularly in the past twenty years. In 1954, Canadian exports to Japan were valued at less than \$100 million; last year they totalled over \$2.2 billion -- a more than twentyfold increase. The growth of Canadian imports from Japan has been even more remarkable: from less than \$20 million in 1954, the value of Japanese products shipped to Canada reached last year more than \$1.4 billion -- 75 times more than two decades ago. The same trends can be found in the fields of investment, tourism and other exchanges. It is not surprising, therefore, that Japan has become in recent years Canada's second largest trading partner.

I should add that, more recently, political consultations between our two governments have become much more frequent and cover a wider range of questions of mutual interest. We value very highly these consultations, especially in these troubled times, when relations between developed and developing countries are evolving in a direction as yet difficult to foresee. We consider the views and the initiatives of the Japanese Government on these questions and on many others of paramount importance, especially as we are developing our own approach to the "new world economic order", prior to the next special session of the United Nations on development. In this respect, we are well aware that Japan is the only industrialized power whose foreign trade is almost evenly balanced between developed and developing countries and the largest single importer of industrial raw materials and agricultural commodities in the world.

But it may be more relevant to ask why the Japanese people should develop with Canadians this peaceful partnership in the Pacific which I outlined earlier. The first word which comes to your mind is probably "resources". But at the risk of shocking you, I maintain that natural resources are not the most valuable thing which Japan can import from Canada, nor what your country needs the most in the long run. What Canada has in greatest abundance is not energy, not minerals, not even agricultural products; but space. And Japan's most vital need, as its economy continues to expand, is not going to be resources but space.

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The Japanese people could gradually reclaim the scarce territory in their islands which has been absorbed by the rapid industrialization of recent decades by arranging for the gradual transfer to Canada of those industries which are the most space-extensive. How can Japan import space from Canada? In my view, long-term arrangements between our two countries to that effect could be the foundation of the partership which we Canadians wish to develop with your country.

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I am referring, of course, to those heavy industries which process raw materials, especially the refining and primary transformation of metals, such as iron, copper, zinc and aluminum, the processing of agricultural products and the manufacture of pulp and paper. These industries need space because they tend to be polluting and must therefore be widely dispersed if the most advanced techniques of pollution control are to be used.

Canada has all the space necessary for the efficient deployment of these advanced anti-pollution techniques. These industries also require large tracts of land to site bulkly plants, to stockpile raw materials and finished products. For these reasons, most are better located far from large metropolitan centres. In short, these industries are ideally suited to the large expanses which we have in Canada where, in 'addition, water and energy are abundant.

I might add that bilateral arrangements for the gradual migration of these industrial activities to Canada would bring about substantial savings in energy and shipping costs for Japanese industry. Furthermore, it would be easier, within this framework, to ensure secure supplies of industrial materials for Japanese industry and, reciprocally, assured access to markets for Canadian producers of the same. We have accumulated considerable experience and expertise in most primary processing activities and we would be prepared to welcome additional enterprises of this sort in Canada as joint ventures between Japanese and Canadian interests, which would provide a profitable outlet for Japanese investors. I hardly need to point out that the political stability and steady economic growth of Canada would guarantee the longterm profitability of these investments.

A second area where a closer partnership between Japan and Canada would be mutually advantageous, in our view, is industrial co-operation.

By exploiting so successfully your own large domestic market and the opportunities of international trade, your businessmen have developed a wide range of efficient and sophisticated industries, whose marketing ability and competitiveness have become world-famous. Similarly, although on a smaller scale and with a much greater concentration on one foreign market -- namely that of the United States --Canada has broadened and consolidated her industrial structure. It is unquestionable that the international economic environment of the fifties and sixties has been favourable to both our countries and that the commercial and industrial strategies pursued by our respective business and government leaders have met with a large degree of success.

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Why not stick with these strategies, then? Why search for new forms of international economic relations? Why should Japan and Canada actively consider a programme of industrial co-operation?

The short answer is that the policies of the past, no matter how successful, are not likely to be the most appropriate for the future. The structure of the world economy is constantly changing. The changes have been particularly dramatic, in the last few years, in the field of energy and resources; but we expect the need for policy changes to be as great in other fields of industrial activity, even if it will be possible -- hopefully -- to introduce them more gradually. The call of developing countries for a "new world economic order", for example, may not immediately threaten the competitiveness of our industries; but one way or another, it is bound to bring about eventually a greater penetration of our markets by third world producers of consumer goods.

Accordingly, we believe that higher energy costs, scarcer resources and stronger competition from low-wage developing economies will force countries like Japan and Canada to alter regularly their commercial and industrial strategies in the years to come. Greater efficiency in manufacturing will have to be achieved through larger-scale operations and constant improvements in production processes; still more specialization and more integration of industrial production will become necessary, this time on a world scale. To bring about these adjustments, industrialized economies will have to undertake a great variety of technological developments and massive capital investment programmes. No doubt a large economy like that of Japan, perhaps even a fair-sized economy like that of Canada, could afford to undertake these adjustments on their own and in an unco-ordinated fashion; but unquestionably, this would be the most costly and wasteful way to go about it. The more rational alternative is international co-ordination; and this is why the Canadian Government is attempting to work out programmes of industrial co-operation with Canada's principal economic partners. The discussions we have had in recent months with a number of European countries, particularly Germany, France and Sweden, have been most encouraging; and we hope that our proposals will be equally well received by the Japanese authorities.

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More precisely, we hope to begin with the Japanese Government, in the next few months, a multi-phased exploration of potential areas of bilateral economic and industrial co-operation between our two countries. In the first phase, officials will indentify the industries which should be given priority in a programme of bilateral industrial co-operation, either because they correspond to the national priorities of one or the other country, or else because they are the areas where Canada-Japanese co-operation is likely to be the most promising. The second phase would consist of indepth examination of those priority areas; after which specific plans and projects could be worked out, taking into account the capabilities and requirements of both countries, in close co-ordination with the Japanese and Canadian private sectors.

I should stress, in this respect that although governments would of necessity initiate, stimulate and facilitate the process, actual co-operation could only be achieved through the active involvement of Japanese and Canadian industrial concerns and trading houses. Industrial co-operation would be fruitless if it remained an abstraction: it must lead to bilateral investments, exchanges of technology and intercorporate relationships -- particularly joint ventures -between Japan and Canada.

In our view, the potential benefits of such cooperation are enormous. But of course it will take time for them to materialize, and too many short cuts could well lead to failure. In a sense, what we must do is to knit, stitch by stitch, the optimal interface between the Japanese and Canadian industrial structures; and to miss a stitch would weaken the whole fabric. Regular contacts, meetings, discussions between officials, industrial planners, businessmen, financiers of the two countries will take time; no matter how well prepared, we cannot hope that they will result at the outset in the negotiation of concrete agreements. But we must be prepared to "invest" right now in contacts of this nature, if we want to reap the benefits of industrial co-operation in the near future.

In conclusion, I should like to comment briefly on two of the major difficulties that we will have to overcome in order to develop a programme of mutually beneficial industrial co-operation between our two countries.

The first has to do with our somewhat different patterns of economic development. Japan was in the past a traditionally protectionist economy which has undergone a process of liberalization; Canada was a traditionally liberal economy which has felt the need, in recent years -- not to become protectionist, but rather to acquire a number of new instruments to control more efficiently her economic development. This difference, which can be easily explained by our very different economic histories, often leads to misunderstandings.

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Japanese businessmen often ask us, for example: "Why is it that, after pressing so long for Japan to open up its domestic economy to imports and foreign investment, you Canadians should now subject us to a screening process when we want to invest in your country?"

Their Canadian counterparts are likely to reply: "Why is it that you Japanese find it so difficult to understand why we should attempt to assess and guide more effectively foreign investment in our country, when your own development has benefited so much from the controls exercised by the Bank of Japan and other government agencies?"

I am convinced that through more frequent contacts and discussions, it will be realized that although we are moving in different directions, we are aiming at the same goal. In dealing with foreign investment and other economic processes, Canada has tended in the past to be too liberal and Japan has tended to be too protective; and our respective governments are now attempting to achieve a better balance between private and public interests, as well as between government planning and business initiative.

To engage in mutually beneficial industrial co-operation, we will also have to dispel misunderstandings caused by the substantial differences between our governmental institutions. Canadian businessmen are often discouraged by the high degree of centralization of your government and by the very close co-operation which has developed between Japanese industries and government agencies. Too frequently, they conclude that the common front presented by what has come to be known in the West as "Japan Incorporated" is impenetrable; that Japanese markets are protected not only by the aggressiveness and competitiveness of Japanese firms, but by administrative rulings; and that for similar reasons, it is hopelessly difficult to negotiate ventures and other industrial agreements with the Japanese. Yet a number of successful Canadian-Japanese joint ventures in Japan prove that these impressions do not necessarily correspond to the facts of business life in Japan.

On the other hand, Japanese businessmen are often mystified by Canada's federal system of government which must sometimes appear to them quite anarchic. Why must there be eleven governments? Which of the two levels of government -the federal or the provincial -- should be contacted to discuss a commercial or investment project? How should Japanese firms go about finding a business partner in Canada, when Canadian business leaders are not willing to listen to government counsels? Most Japanese doing business in Canada have faced these difficulties, and perhaps we have not been helpful enough in resolving them. Certainly to a Japanese, used to the quietness with which consensus is achieved in his country, the outspoken way in which Canadians work out their own consensus must be puzzling; but it is not anarchy. The Federal Government and the provinces may have discussed energy matters at great length and even quarrelled about them in the last two years; but they have nevertheless been able to resolve most of their disagreements and to develop a new energy policy. I might add that we could not have proceeded in any other way, because the energy interests of our various regions were quite different and could only be reconciled after extensive negotiations.

In fact, the basic reason why we have two levels of government is that in many fields, such as education, social policy and many aspects of economic affairs, it is simply not possible to arrive at a national consensus; so that each province is left free to define its own policies in certain fields, with the Fedral Government enjoying paramount jurisdiction in other fields or exercising a national coordination function. Accordingly, when a Japanese firm wants to do business in Canada, it can safely assume that it will have to deal with both federal and provincial governments; but since the authority of the Federal Government on international economic relations is paramount, it is generally more efficient to contact Ottawa before the provincial capitals.

But if you do come to Canada, you will find that we are not overly concerned about where you choose to land first. I urge you to come, to discover the real country, the country of the real people. You will find that Canadians are gentle and hospitable, sympathetic towards Japan and eager to learn more about their new partner.

For I repeat that the success of the parnership we hope will develop between Canada and Japan depends ultimately upon greater understanding between our two peoples. This is why the Canadian Government attaches great importance to what could be called "people's diplomacy". We are pleased that the number of Japanese tourists coming to Canada is steadily increasing and could reach 100,000 this year. We are negotiating with your government a new agreement to expand bilateral cultural exchanges, and our two governments are already committed to allocate approximately 300 million yen each (one million dollars) to the promotion of Canadian studies in Japan and of Japanese studies in Canada. this very moment, a Japanese parliamentary delegation is in Canada to lay the groundwork for regular parliamentary exchanges between our two countries. In the same vein, we cordially invite the Japanese media to establish permanent offices in Canada, to report more regularly on the kind of society we are and we hope to become, as well as to alert the Japanese public to the numerous opportunities for greater co-operation in all fields between Japan and Canada.

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I am told that in Japanese, Kanata means far away in the distance: I sincerely hope that, with your assistance, Canada will soon come to mean close partnership in spite of the distance.

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