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CANADA AND JAPAN

Speech by the Secretary of State for
External Affairs, the Honourable Paul Martin,
to the Canada-Japan Trade Council, Calgary,
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... It is scarcely necessary for me to emphasize that Canadian relations with Japan are important. The presence here of many representatives of commercial concerns provides abundant evidence of the significance that is being attached in this province, as in other Western provinces, to the contacts and exchanges we have with our Japanese neighbours across the Pacific. For instance, Premier Manning, Mr. Patrick, the Minister of Industry and Development of Alberta, and Mayor Dantzer of Edmonton paid an official visit to Japan last May.

I should like, however, to underline some of the reasons why relations with this major industrial power are important to our national interest.

I think it would also be appropriate for me to take this occasion to review some of the questions discussed at the Canada-Japan Ministerial Committee meetings earlier this month.

Our relations with Japan must be considered against the whole background of world affairs, past and present. Only in that wider perspective can we appreciate how the course of events since 1945 has brought us, along with many elements of turbulence in international affairs, some welcome developments towards sane, peaceful and prosperous conditions in the world.

The fact that the most economically advanced nations of Western Europe and of North America are now linked to Japan by so many common interests and concepts, both political and economic, is one of the most encouraging developments of recent years.

These nations of three continents base their actions in the world on United Nations principles. They have pledged assistance to the developing nations. They have not relied on any exclusive associations between them; they are separately associated with Commonwealth nations, with the nations preserving special links of French language and culture, with Latin America and with Asia.

They have made clear to Communist nations that no irreconcilable interests or unnegotiable conflicts need prevent the firm establishment of peaceful conditions and mutually profitable contacts.

Japan is a major economic power and the only industrially-developed country in Asia. It has a leading role in working with friendly nations to achieve a world community in which peace and economic welfare are firmly established in a way they have never been before.

I fully expect our own relations with Japan to assume increasing importance within this international context.

There are several specific reasons on which I base my expectations:

- 1) Our direct contacts with Japan, official and unofficial, are increasing rapidly in volume and variety.
- 2) There are opportunities for further substantial increases in trade between the two countries.
- 3) Both Canada and Japan are major trading nations and have many common interests and preoccupations with respect to trade and economic arrangements in the world as a whole.
- 4) Canada and Japan assign a high priority to economic assistance to developing nations and they are associated in agencies which co-ordinate and concert international efforts in this field.
- 5) We have an identity of interests and attitudes with respect to several of the problems creating the greatest political tension in the world today.

Official Relations and General Contacts with Japan

The recent meeting of the Canada-Japan Ministerial Committee in Ottawa proved that these arrangements for contacts and discussions, first agreed upon in 1961, are serving a valuable purpose. They deepen our understanding of one another's viewpoints and strengthen relations in a number of fields.

I am glad that, in addition to attending the meetings in Ottawa, our Japanese visitors were able to develop wider impressions of Canada from visits in Eastern Canada and the West Coast. For our part, we appreciated the opportunity, in discussions of international affairs, to arrive at a better appreciation of Asian developments derived from listening to Asian viewpoints.

These meetings reflect the wide range of official contact and common interests between Canada and Japan. In Canada, the Japanese Government is represented by its Embassy and by Consulates-General or Consulates in Halifax, Montreal, Toronto, Vancouver and Winnipeg. I understand that Japan intends to open a Consulate in Edmonton on January 1, further illustrating the importance Japan assigns to its relations with this province. In Japan, Canada is represented by one of the oldest, largest and most active of our missions overseas.

Fifteen officers from five government departments are stationed in the Embassy in Tokyo to deal with political, economic, defence, trade and immigration questions. Separate offices in Tokyo are also maintained by the Canadian Wheat Board, the Canadian Travel Bureau and the Department of Manpower and Immigration.

These contacts are supplemented by an increasing number of visits, both official and unofficial. The development of rapid and direct air communications by Canadian Pacific Airlines and the awards of fellowships and scholarships for study in Canada and in Japan have played an important part in stimulating contacts.

Canada has welcomed the fact that Japan will be a major exhibitor at Expo '67, and will itself participate in the next major international exposition, in Osaka in 1970.

Asian and World Problems

Both Canada and Japan attribute the highest importance to their membership in the United Nations and to the resulting obligations to support peaceful solutions to conflicts and to promote economic growth through co-operative international action.

The Canadian Government has expressed concern on many occasions about the conflict in Vietnam, in which it has a particular interest because of Canadian membership in the International Control Commission. We have also given particular attention to the question of mainland China's relations with Asian nations and with the rest of the world. In these and related political questions in Asia and in the promotion of economic growth there we see many of the principal problems affecting world peace and stability.

We have found it particularly helpful, therefore, to review these questions with Japanese representatives. They, too, are convinced that the issues at stake in the Vietnam conflict can be resolved only by recourse to negotiation. The Japanese Government considers that the central issue involved is the right of a country -- in this case South Vietnam -- to conduct its own affairs free from outside interference.

I am pleased that during the recent Ministerial meeting, the Japanese delegation expressed satisfaction with Canada's efforts to promote a settlement in Vietnam. They indicated that they were equally determined to find ways, appropriate to their own international role, to help resolve the conflict.

The Japanese delegation thought, as we do, that China must be encouraged to follow a more constructive course. We agreed that contacts and exchanges with that nation could play an important role in leading to international co-operation on a wider scale.

Japan has manifested its interest in peaceful progress in a number of ways. The normalization of relations with the Republic of Korea achieved recently, in spite of long-standing and deeply-rooted problems existing between the two nations, has been an important step forward towards stability in the Pacific. Japan has given encouragement to the Government of Indonesia in its

new course of seeking peaceful relations with its neighbours and of resuming international co-operation through the United Nations. On the initiative of the Japanese Government, a multi-nation conference was held in Tokyo recently to consider ways of solving Indonesia's problems of external debt.

Japan has played a leading role in the formation of the Asian Development Bank, has held a conference earlier this year on economic development in Southeast Asia and will hold a conference in Tokyo later this year on agricultural development in the same area. In this way, Japan is doing its part to work together with Asian nations for common stability and well-being, regardless of past differences.

It is important to note the contribution which Japan can make from its experience to the efforts of less-developed Asian nations. It provides a leading example of successful economic modernization. Japan has limited area and natural resources and a large population. In spite of these conditions Japan has, during the past 100 years, transformed itself from an isolated feudal state to one of the world's most advanced economic powers.

In the post-war period, it has combined the consolidation of a democratic society with the highly successful pursuit of economic development, which may already have brought it to the rank of the world's third largest industrial nation. The Japanese have shown a remarkable capacity to master industrial and commercial techniques, to adapt them to their specific needs and, increasingly, to develop, improve and extend technology from which others can benefit. In a cultural and social sense, too, they wish a synthesis of modern and traditional, of Oriental and Western, in order to develop the society best suited to their own circumstances.

With their creative vitality and working diligence, the Japanese have shown that rapid economic development, drawing eclectically on the experience of others, need not mean any weakening of their independent development of a unique way of life but rather a reinforcement of that independence. Surely, in essence, this is what we hope will happen in the whole process of economic development through international co-operation.

Aid to Developing Countries

The Canada-Japan Ministerial Committee reviewed the expanding programmes of both countries in the field of development assistance. The Ministers of both Governments stressed the urgent need for accelerated economic development in the developing areas.

I reported an increase in the Canadian programme, which will reach a level of about \$300 million this year. Subject to economic and other relevant circumstances, our programme will continue to expand. We are making good progress towards the aid target of 1 per cent of national income. In April of this year, Japan formally pledged itself to do the same.

We paid special attention to plans for the second United Nations Conference on Trade and Development, to be held next fall. We agreed that it was vital to ensure the success of that Conference. It is clear that special

efforts to promote a more rapid expansion of trade and industrial growth of the developing countries are also essential ingredients in the development process. It will be very important to focus attention on particular issues, on which practical results might be achieved.

It has been the Japanese experience, as it has been our own, that international discussions (notably in UNCTAD) are leading to an improved understanding of the magnitude and complexity of these development problems and of the directions in which more vigorous national and international efforts might proceed.

It is our hope that discussions in the "Kennedy round" of tariff negotiations will make an important contribution to the expansion of trade in products of special interest to developing countries.

Canadian and Japanese Ministers were particularly interested in prospects for the newly-created Asian Development Bank. This is likely to be an institution of major importance. Japan has taken a primary part in planning the operations of the Bank and has contributed \$200 million, a sum equal to that of the U.S.A. Canada has also made a substantial subscription of \$25 million to this new institution. This is over and above the significant Canadian aid programme under the Colombo Plan for countries in this area.

International Trade and Economic Relations

Canada and Japan have common interests also in fields affecting their own well-being as major world traders. They have a vital interest, for example, in reducing international trade barriers.

The "Kennedy round" provides the first real opportunity for broad tariff and trade negotiations between Canada and Japan within a multilateral context. It could thus constitute a major step in a further strengthening the trade relations between Canada and Japan and increasing and diversifying trade in both directions.

Both delegations at the Ministerial meeting emphasized the importance of obtaining significant improvements in access to each other's markets in the tariff negotiations. There will be difficulties, of course, in achieving agreement, but we hope, nevertheless, that there may be sufficient flexibility in the Japanese position to permit successful negotiation.

Canada and Japan also participate in the Organization for Economic Co-operation and Development, along with the United States and the countries of Western Europe. They support its objective of expanding world trade on a non-discriminatory basis, of achieving the highest sustainable rate of economic growth and of contributing to sound economic expansion in developing countries.

I believe that our views on another subject of current interest to the chief trading nations - that of trade with Communist nations - are close to those held by the Japanese. We believe, of course, that there are good economic and political reasons for engaging in this trade, provided that respective interests are reasonably balanced.

Canadian Trade with Japan

Trade between Canada and Japan is, of course, at the centre of many of our discussions with Japanese representatives. It is very satisfying that this trade is already extensive and that there are reasonable prospects for its continuing to increase fairly quickly. Exports and imports will total about \$600 million this year.

In large measure, of course, the two economies are complementary. There has been an impressive increase in trade between the two countries during the period 1954-1965. Canadian exports to Japan increased more than three times and imports from Japan increased 12 times. Japan has become our third largest single export market and our fourth largest supplier. We should hope that, in addition to other factors stimulating trade, Expo '67 and the World Exposition in Osaka in 1970 would make their contribution to expansion.

Possibilities of Improvement

It is natural that, with trade being conducted at very high levels by nations with as strong a desire for commercial expansion as Canada and Japan, there should be areas requiring discussion, some difficulties, and various promising possibilities of improvement.

I believe that there are four points with respect to which we might look for improvement or solution to some problems: 1) rate of growth; 2) make-up of our trade; 3) barriers to trade; 4) capital investment.

Rate of Growth

In spite of the impressive increase in our trade with Japan during the last 10 years, it has recently been growing at a slower rate than our trade with the United States and some of our other major trading partners.

This may be owing primarily to a period of stagnation in Japan's domestic growth during 1965 and we are looking forward to a resumption of a higher rate of growth in our trade with the currently more favourable conditions in Japan.

Make-Up of Canada-Japan Trade

We are concerned that our exports to Japan are largely composed of raw materials with little if any processing, whereas our imports from Japan are made up of highly manufactured goods.

Canada values its traditional exports to Japan, such as wheat, primarily foodstuffs and industrial materials, and we are glad to provide a continuing and dependable source of supply for many of the essential requirements of the Japanese economy. However, we are also interested in more rapidly developing our trade in manufactured goods, and we have found it particularly difficult to increase our manufactured exports to Japan, despite the fact that we have made striking progress in doing so in other highly competitive markets, such as the United States.

I think it natural that we should not want to see this situation continue indefinitely. Canadian representatives have expressed the view that both countries have a large potential for increased trade. They have also expressed the wish that this trade should increasingly take the form of exchanges of processed goods.

In some instances, of course, the reason for Canadian difficulties in selling manufactured goods lies in highly competitive production in Japan. In other instances, high tariffs or quantitative import restrictions have adversely affected exports. It is in this latter field that we should hope progress could be made.

Barriers to Trade

The Ministerial meeting gave a good deal of attention to what representatives of the two countries considered to be the main barriers or restrictions to trade moving in either direction. It is some indication of the friendly spirit of the meeting that we could discuss frankly and in very specific terms the views of the two sides on these problems.

Canadian representatives described tariff barriers, quantitative restrictions and a variety of technical and administrative obstacles encountered by Canadian exporters. We naturally laid stress on our hope that ways would be found to overcome these obstacles, both in the multilateral context of the "Kennedy round" and in our bilateral discussions with Japan.

On the Japanese side, emphasis was placed on the difficulties which they have encountered in exporting to Canada, in particular the effects of the voluntary export restraint system.

We recognize that there are difficulties for the Japanese in applying export restraints of this kind, but have pointed out in our conversations with them that this system has unquestionably allowed a greater volume of sensitive imports into Canada than would have been feasible if Canada had had to set up import quotas. We have also pointed out that, in practice, Canada accords more liberal terms of access of imports of sensitive goods from Japan than does any other industrialized country.

Furthermore, the percentage of Japanese exports to Canada affected by these measures has rapidly decreased and now amounts to only 10 to 15 per cent of Japanese sales here. We are prepared to agree to the lifting of the remaining restraints as soon as they are no longer necessary to prevent disruption of Canadian markets - for example, in 1966 Canada agreed to the removal of transistor radios and certain textile items from the list of restraints.

I should add that there has been no question of restraints at all on an important range of exports from Japan developed during the last few years, where sales have increased very rapidly -- including such sophisticated products as cars, motor-cycles and cameras. I believe the recent Ministerial meeting was useful in clarifying the facts and our point of view on this whole problem.

Capital Investment

The Canadian representatives pointed out that we very much welcomed Japanese investment, which had been particularly evident on the West Coast. There had, however, been some disadvantageous features about the flow of funds between the two countries.

One of our concerns is that Japan's controls have encouraged the flow of borrowed funds rather than equity capital into Japan and that investment authorizations are too often subject to lengthy delays. Thus Canadian companies investing in Japan have all too often been unable to secure what we would regard as an appropriate voice in the control over their investments in Japan. This is in striking contrast to the position of Japanese investors in Canada, who are free to invest here in any form they wish.

The Canadian delegation expressed the hope that the remaining restrictions on Canadian investment in Japan would be lifted as soon as possible and also that Japanese investors in Canada would take into account the desirability of increasing the degree of processing in their exports from Canada. The Japanese are now fully aware of our views on this matter and we are confident that they will be giving thought to these problems.

Conclusion

I have pointed only to the highlights of the discussions on trade matters at the Ministerial Committee meeting. I cannot hope to suggest in this speech the detailed answers to many questions which may arise in the minds of some of those here today. I wanted, rather, to emphasize the wide range of commercial questions which, along with other economic and with political matters, are a normal part of Canada-Japan consultations.

One point which is particularly noteworthy is the obvious determination of our two countries to tackle trade problems in a spirit of goodwill and to adapt and improve the patterns of our trade which are so important to both of us. This determination is based on friendship between our two nations and a confidence in each other as trading partners.

I believe that this friendship and confidence provide evidence of the distance we have travelled from some of the unhappy periods in international relations in the past. On mutual confidence and on continuing efforts towards the effective solution of trading and development problems involving many countries, we can build the political trust which is the essential ingredient of world peace.

This is the path to which Japan and Canada are now committed.
