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*Note du premier ministre,
du ministre des Finances, du ministre du Commerce,
et du ministre du Revenu national
pour le Cabinet*

*Memorandum from Prime Minister,
Minister of Finance, Minister of Trade and Commerce,
and Minister of National Revenue
to Cabinet*

CABINET DOCUMENT NO. 196-61

[Ottawa], May 9, 1961

CONFIDENTIAL

LOW-COST IMPORTS FROM HONG KONG — LONDON MEETINGS

Imports of certain textile garments from Hong Kong showed rapid increases in the early part of last year, rising to levels which threatened injury to Canadian producers. In addition to causing problems for Canadian industry this expansion in imports from Hong Kong may have an adverse effect on the willingness of Japan to maintain a system of voluntary export controls on these products. The Japanese have made it clear that they cannot be expected to restrain their exports if exports from Hong Kong to Canada increase as a result of Japan's restraints.

On February 24th the Cabinet directed that a delegation of Government officials consult with the Hong Kong Government with a view to the imposition by Hong Kong of voluntary quotas, similar to those now being applied by Japan, on exports to Canada of certain sensitive commodities. The Cabinet directed that if Hong Kong were prepared to impose such restraints, the delegation should negotiate for restrictions at roughly the 1959 levels of shipment.

Consultations were held in Hong Kong between March 6th and 13th. As it turned out, Hong Kong was unwilling to set up a system of restraints on exports to Canada. One of the principal reasons was that establishing quotas on exports to Canada would compromise the Colony's position as regards export quotas in its relations with the United States and the United Kingdom, two of Hong Kong's major trading partners.

In the light of this situation the Interdepartmental Committee on Low-Cost Imports came to the conclusion that it should recommend the application of fixed values for duty on imports of trousers and shorts, shirts, blouses, and possibly rubber-soled canvas footwear, but at levels low enough to permit a reasonable amount of trade from Hong Kong to continue. Imports from Japan would be exempted from the application of these fixed values if by that time an agreement had been reached between Japan and Canada on the Japanese export quotas for 1961.

However, when Prime Minister Macmillan visited Ottawa last month, he proposed that representatives of the United Kingdom, United States, and Canadian Governments should meet to explore possible solutions to the problem of Hong Kong textile exports. This proposal has now been followed up by an invitation to the Canadian and United States Governments to participate in a meeting to take place in London on May 15th and 16th. The United States has accepted the invitation to attend these meetings, and at the same time has proposed that further meetings be held on May 17th and 18th to consider a broader United States initiative to find an international solution to the problem of low-cost textile imports.

The United States Government has now decided to seek an international settlement between the principal exporting and importing countries of textile products along the lines of an approach discussed between the Canadian Minister of Finance and Mr. George Ball, Under