

to Canadian industry resulting from imports from Japan. In the seven years which have elapsed, this special clause has never been used. Our problems to date have been met through consultation and by the adoption of voluntary restraints by Japan designed to avoid damage to a market which holds much promise for the future.

Japan Initiates Quotas

Japan first took the initiative in introducing quotas on a number of textile exports to Canada in 1956. Since then the range of quotas has been progressively increased, but in 1959 the quota levels became a subject of consultation between governments. In that year it became evident that an extraordinary increase was taking place in Japan's exports to Canada, with a heavy concentration in a narrow range of products.

The quotas established covered not only a wide range of textiles but also hardwood, plywood, and stainless steel flatware. In the years 1960 and 1961 the scope of these quotas was extended to include several other products. Despite these necessary measures two-thirds of Japan's total exports to Canada are free from export restraints of any kind.

The Canadian Government accepts the principle of orderly growth of Japanese exports to Canada. Let me make it clear that by orderly growth we have in mind that individual products which are competitive with Canadian production should be allowed to increase by about 5 to 10 per cent in years when the Canadian economy is buoyant, when the level of unemployment is not above normal levels and when demand for the products in question is rising.

In what I have said I would not wish to leave the impression that imports should automatically increase by this amount in products where the Canadian market has already been flooded or that in extreme cases some cut-back should not be considered. On the other hand, this does not exclude larger increases for products where Canadian industries are not experiencing difficulties.

Canadians have followed with much interest the development of the Japanese Government's intention to double its national income within ten years. The growth of Japan's export trade will obviously have an important role to play in the realization of this objective.

I should point out that the difficulties which have arisen in Canada as regards trade, result not from the total level of imports from Japan but from a concentration in particularly sensitive lines such as textiles and other consumer products. I suggest that Japanese businessmen should make detailed first-hand studies of the Canadian market and try to diversify Japan's exports to Canada over a wider range of commodities. Japanese exporters might explore the opportunities for exporting to Canada capital equipment, machinery, and semi-finished products, especially goods of a kind not made in Canada.