

2. The Hong Kong Government representatives explained the nature of the Canadian approach and the reasons for it in detail, as described to them by the Canadian officials on the 6th and 7th March.

3. The representatives of industry and commerce unanimously agreed that although they appreciated Canada's difficulties and the friendly spirit in which the Canadian approach had been made, Hong Kong should not enter into discussions leading to the limitations of its exports of these products to Canada. They requested the Hong Kong Government to put the following considerations before the Canadian officials:

(1) The Colony has had to accommodate over one million refugees from China for whom employment and a livelihood must be found. Given the small area of the Colony and its complete lack of natural resources, only the growth of secondary industries has enabled this to be done. There is a very limited home market and these industries must therefore export to survive.

(2) Unlike Japan, Hong Kong is largely dependent on its textile industry: in Japan, industry is more broadly based.

(3) Hong Kong is a British Colony and the Commonwealth connection with Canada should count for something despite the fact that it does not receive preference in the Canada tariff.

(4) Canada has accepted the obligations of the G.A.T.T. in its relations with Hong Kong and it is not believed that Canada would act contrary to these obligations.

(5) The representatives of industry and commerce do not accept the interpretation that Hong Kong has taken over a trade from Japan which would have remained with the latter but for her restraint.

(6) It is objectionable that Japan should bring indirect pressure on Hong Kong to restrict its exports to Canada by making that a condition of the continuance of her own restrictions.

(7) Since September 1960, there has in fact been a considerable fall-off in Canadian imports of Hong Kong garments.

4. The representatives of industry and commerce in Hong Kong expressed confidence that, in the light of these considerations the Canadian Government would seriously consider refraining from precipitate action to restrict imports from Hong Kong.

5. In the course of discussions, the representatives of the Hong Kong Government informed the representatives of industry and commerce that the Canadian officials had not asked to meet them, but were very ready to do so if requested. The representatives of industry and commerce welcomed this approach, but did not consider that such a meeting was necessary since the Canadian case had been presented to them very fully by the Hong Kong Government. They were content that the Hong Kong Government should convey their views to the Canadian officials.