

TRANSPACIFIC NEIGHBOURS

CANADA'S TRADE WITH JAPAN

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problems are bound to arise in the years. In the same period Canadian sales to Japan have also shown a substantial increase for \$119 million to \$178 million.

"Concern has sometimes been expressed that trade between Japan and Canada is not in balance. I think the answer lies in the approach to international trade which is taken by both Canada and Japan. We believe in multilateral trade which has regard to overall balance and does not consider that the value of trade between two individual countries should be approximately equal.

"I should add that the experience of other countries shows that attempts to balance trade bilaterally usually mean balancing it at a low level, which could only result in the lowering of living standards.

"Canada buys from Japan textiles, clothing, toys, optical goods, radios, and other electrical items, plywood, footwear, canned fish, manufactured goods, -- virtually all of which compete with similar products made in Canada.

"Canada sells to Japan foodstuffs and industrial raw materials, wheat, barley, oil seeds, iron ore, copper, woodpulp, coal and other primary products, virtually all being used for processing in Japanese mills and factories, thus contributing to the expansion of Japan's industries. These facts would indicate that, in the composition of trade with Canada, Japan enjoys a significant advantage.

ADMITTANCE OF JAPANESE GOODS TO CANADA

"I think that it is generally agreed that Japanese goods enjoy freer access to the Canadian market than to the market of any other industrialized country in the world. Canada's tariffs are moderate and the only special safeguard for Canadian industry rests on a number of restraints on specific export being applied by Japan itself. Such restraints are in the interests of Japan's future markets and long-term economic well-being.

"It is of interest that Canada, with a population of 18 million people, buys more made-up textile products from Japan than does the whole of Western Europe, with over 200 million people. When industrial nations maintain severe restrictions on imports from Japan, problems of market disruption are bound to arise in Canada and other countries that do not maintain such restrictions.

"For that reason, Canada, in the meetings of the GATT and also in the North Atlantic Treaty Organization, has been urging the European countries to relax restrictions on imports from Japan.

"I believe that many of the problems encountered in our trade relations would not have arisen if all countries were taking reasonable and equitable quantities of exports from Japan.

"At the time the trade agreement between Canada and Japan was entered into, it was realized that Japanese exports could cause market disruption in Canada. Therefore a clause was included in the agreement whereby Canada was recognized to have the right to apply fixed values for duty in the event

of damage 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'S VOLUNTARY 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.

ORIGIN OF CANADA-JAPAN TRADE PROBLEMS

"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.

"With regard to sensitive commodities which compete directly with Canadian-made products, I hope that Japanese businessmen will remember