

international obligations, and the indication we have had that the United Kingdom would prefer a solution which does not involve restrictive measures by the importing country. In the unlikely event that Hong Kong should be willing to deal with the problem through a system of export restraints, the delegation should have as its objective the imposition by Hong Kong of export controls at roughly the 1959 level of exports to Canada for sensitive products. The main commodities which should be the subject of consultation are as follows:

- Shirts, not knitted,
- Nightwear, not knitted
- Blouses, women's, not knit
- Slacks, shorts, jeans, trousers, not knit
- Outer-garments, not knit, children's
- Gloves and mittens, textile fabric
- Cotton dish towels
- Rubber-soled footwear with canvas or other fabric uppers.

By 1959 Hong Kong had established substantial levels of trade in these commodities. However, in 1960 there were rapid increases for almost all of them, concentrated on items in respect of which the Japanese export quotas in 1960 provided for stability or reduced shipments. This is why it is suggested that the 1959 level provides an appropriate basis for export restraints.

It is unlikely that the purpose of the delegation's visit to Hong Kong could be kept secret; accordingly it would be desirable for a brief public announcement to be made when the delegation leaves.

Recommendations

(a) That a delegation should proceed to Hong Kong at the beginning of March to consult with the Hong Kong authorities. The delegation should be composed of the following officials from Ottawa:

- S.S. Reisman, Head of Delegation
- C.G. Dodman, Department of National Revenue
- J.A. Hayes, Department of Finance

and, from the Canadian Government office in Hong Kong:

- C.J. Small, Department of External Affairs.

The delegation should be assisted as appropriate by the office of the Trade Commissioner in Hong Kong.

(b) That in the course of the consultations the delegation ascertain whether Hong Kong is willing to impose effective voluntary export restraints for the year 1961 on certain sensitive commodities being shipped to Canada.