

Kingdom's freedom of action as regards possible economic retaliation against Japan makes it probable that they will prefer, if they decide to do anything, to hold the Treaty voided.

(4) The voiding or termination of the Treaty would affect Japanese-Canadian commercial relations quite differently from the way it would affect United Kingdom-Japanese relations. In the latter case it would not automatically involve any change in the customs treatment of Japanese goods imported into the United Kingdom. The United Kingdom would simply become free to impose specific disabilities on Japanese trade, e.g. they would then be free to impose special punitive tariffs, establish restrictive quotas, curtail financial credits or prohibit the export to Japan of essential war materials. None of these consequences, however, would follow unless the United Kingdom Government were determined to take specific action on one or more of these lines.

(5) The Canadian position, however, would be quite different as a result of the essential differences between the structure of our customs tariff and that of the United Kingdom. Once the Anglo-Japanese Treaty came to an end most favoured nation treatment would automatically be withdrawn from Japanese imports which would then become subject to the rates of duty of the General Tariff which are in almost all cases substantially higher than the most favoured nation rates now applicable to Japanese goods. At the same time, imports from Japan would become subject to the 3% special excise tax which remains in force on goods imported under the General Tariff. It will be seen, therefore, that termination of the Anglo-Japanese Trade Agreement would set in train quite a different set of consequences in Canada from

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