

mechanical and engineering defects in automobiles previously delivered in a partial shipment as the reason for the collapse of the transaction. GM representatives, however, do not accept the reasons offered by Iraq for cancellation as valid and have filed a \$65 million claim with the federal Export Development Corporation, which insured the sale. Should the EDC determine to grant GM's claim, the large amount involved would exceed the Corporation's annual provision for claim payments and necessitate drawing on a portion of accumulated profits.

The Hon. Edward Lumley *Minister of State for International Trade* regretted that this first effort by Canada at mass selling a fully manufactured Canadian car to a foreign buyer should have fallen through, noting that the loss might damage the prospects for future contracts which would probably have been forthcoming otherwise. (*Le Devoir*, 30 March)

ISRAEL

Canada-Israel Health agreement

Canada and Israel signed on March 16 a Memorandum of Understanding affirming the intent of their respective governments to cooperate in the health field, according to a departmental release. Based on equality, reciprocity and mutual benefit, the Memorandum signifies an agreement to share the results of experience in health services, administration and biomedical research. Exchanges on such matters as primary health care, care of the elderly, mental health, quality control programs and production of drugs, biologicals and pharmaceuticals are subject to the availability of funds from regular budgets.

JAPAN

Car Imports

According to news reports (*Globe and Mail*, March 10), the one year quota agreement between Canada and Japan restricting car imports into Canada significantly reduced domestic sales of imported cars. With the agreement expiring at month's end, auto parts manufacturers and labour unions are pressing the federal government to negotiate tough content proposals during meetings with Japanese representatives this month. Of the four Japanese exporters, only Nissan Automobile Co. Ltd. experienced a rise in Canadian sales over February 1981, the others, Toyota Canada Inc., Honda Canada Inc., and Subaru Auto Canada Ltd. all experiencing a drop in sales. While these auto manufacturers reduced shipments in January to their lowest levels in two years to meet the agreement, they still achieved a 28.3 percent segment of January's new car market.

The government was presented by the automotive and labour representatives with a proposal package designed to limit the effects of Japanese imports, the proposal recommending a restriction of total sales (both cars

and trucks), increased Canadian-content requirements or Canadian assembly. The scheme would be initiated by a two-year phase-in period during which a restraint program would limit Japanese imports to 15 percent of total car sales and require a purchase of parts equal to 25 percent of their average annual cost of sales, the purpose being to increase both parts sales and labour opportunities.

International Trade Minister Ed Lumley, visiting Japan on a Trade Mission in March sought to determine that Japan, Canada's second largest trading partner, was not using non-tariff barriers — lengthy customs delays, tough import product standards, quotas and bans on certain imports — to block Canadian exports of high technology, forest, agriculture and fish products. Canada hopes to take advantage of Japan's trade liberalization measures in order to expand our penetration of the export market. While Mr. Lumley seeks a Japanese commitment to increased investment in jobs and auto production in return for access to the Canadian market, Japanese authorities themselves find unsympathetic the restrictions laid down by Canada's Foreign Investment Review Agency (FIRA).

In a speech delivered to the Canadian Chamber of Commerce in Japan, in Tokyo on March 19, Mr. Lumley outlined the dangers resulting from the pressures of an international recession. Governments must show sensitivity in the search for mutually-satisfactory solutions to alleviate such pressures, if nations are to avoid the imposition of unilateral restrictive trade measures. Japan's position of economic strength creates responsibilities for the continued health of the open world trading system, making of vital concern Japan's import liberalization plans and the opening and expansion of its trading market. Mr. Lumley regretted the Japanese rejection of the Canadian government's proposals for a voluntary restraint system to be followed by the commencement of discussions concerning a content arrangement for the future. The fact that Japan exports to Canada \$1.5 billion of motor vehicles and parts, while Canada returns only \$8 million in automotive parts to Japan, was presented as unacceptable in a time of declining markets and severe in its consequences on the Canadian economy and labour force. Canada must continue to aggressively upgrade exports to Japan, concentrating more intensively on fully manufactured products rather than relying on unprocessed resources. Despite this call for continuing and increased efforts, Mr. Lumley expressed his "profound disappointment concerning the lack of any concrete response to the few requests" made during the visit.

The Hon. Mark MacGuigan *Secretary of State for External Affairs*, responding in Parliament March 22 to questions from Mr. Edward Broadbent (NDP Oshawa), acknowledged that no agreement with the Japanese had been concluded to replace the one expiring on April 1. However, he stated that the reason for this was the fact that Canada "was not satisfied with the kind of arrangement which is available and we are negotiating for a better arrangement". Any agreement, when reached, "will begin on April 1, and since it will be a year long agreement, the shipping of automobiles in the early months will, of course, be taken into account in the over-all figures for the year".

The possibility that Japan will remain intransigent in its position of refusing to accept Canadian proposals for continued voluntary restraint in automotive exports, raises the spectre of potentially inflammatory protectionist retaliatory