

3. The Committee considered the question of quantitative import restrictions to deal with the problem and noted that there was no legislative basis for taking such action. Aside from this, the difficulties in administering such a system are very great indeed.⁷⁵

DONALD M. FLEMING

806.

PCO

*Note du secrétaire d'État aux Affaires extérieures,
du ministre des Finances, du ministre du Commerce,
et du ministre du Revenu national
pour le Cabinet*

*Memorandum from Secretary of State for External Affairs,
Minister of Finance, Minister of Trade and Commerce,
and Minister of National Revenue
to Cabinet*

CABINET DOCUMENT NO. 78-61

[Ottawa], February 20, 1961

CONFIDENTIAL

IMPORTS OF TEXTILES AND RUBBER FOOTWEAR FROM HONG KONG

In January, the Cabinet directed that the United Kingdom be approached formally about the problem of the rapidly-increasing imports of certain products from Hong Kong, particularly those which are now subject to Japanese voluntary export controls. These imports from Hong Kong have not only had a detrimental effect on Canadian production, but they have also hindered the current quota negotiations with the Japanese who, quite justifiably, contend that certain Hong Kong goods enter Canada under the shelter of Japanese export restraints.

We have now been informed that Hong Kong is prepared to receive Canadian officials to discuss this problem. It is therefore proposed that a delegation should be sent to Hong Kong to arrive at the beginning of March.

The principal purpose of the delegation would be to establish whether Hong Kong is able and willing to impose effective export restraints on the shipment of certain sensitive products to Canada.

The United Kingdom would not wish to see Canada impose restrictive measures of its own against imports from Hong Kong. In February 1959 the colony's textile industry made a commitment to the Cotton Board in the United Kingdom to restrict exports to that country for three years. While this was formally an arrangement between the two industries it was strongly encouraged by the United Kingdom Government and we understand the Hong Kong Government helps to enforce it. However, the Hong Kong industry has become increasingly restive about this arrangement and has publicly stated that it will seek abrogation of its voluntary undertaking when it expires next February. The United States Government made a strong effort to persuade Hong Kong to impose restraints on exports of textiles to the United States about a year ago, but this has not led to actual measures.

Against this background it is probable that the Canadian delegation will be unable to persuade Hong Kong to impose effective export restraints on the commodities in question; nonetheless it is essential to make the effort, having in mind the Government's policy of trying to solve these problems through voluntary controls on the part of the exporting country, our

⁷⁵ Approuvé par le Cabinet le 5 janvier 1961./Approved by Cabinet on January 5, 1961.