

(3) The Canadian delegation at the meeting on the Hong Kong problem should seek the establishment by Hong Kong of export quotas at roughly the 1959 levels of shipment, with provision for gradual increases in the quotas in the light of economic conditions in Canada, in respect of exports to Canada of certain textile products and rubber-soled canvas footwear;

(4) No restrictive action be taken by Canada in relation to Hong Kong before the results of this meeting are known; and

(5) The Canadian delegation support the United States initiative to seek a broader international settlement to the problems associated with low-cost competition from the Orient.⁷⁷

[J.G. DIEFENBAKER]
Prime Minister and
Acting Secretary of State for
External Affairs

[D.M. FLEMING]
Minister of Finance

[G. HEES]
Minister of Trade and Commerce

[G. NOWLAN]
Minister of National Revenue

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*Note du sous-secrétaire d'État aux Affaires extérieures
pour le premier ministre*

*Memorandum from Under-Secretary of State for External Affairs
to Prime Minister*

RESTRICTED

[Ottawa], June 14, 1961

LOW COST IMPORTS

You might care to have a brief report on developments since the meeting in London last May 15 and 16 between representatives of Canada, the United Kingdom, the United States and Hong Kong on the problem of low cost Hong Kong textile exports, which was followed by a Canada-United States-United Kingdom meeting on the new United States initiative looking towards a broadly-based international solution to the textile problem. You will recall that Mr. Fleming reported to the House on those meetings on May 23.

2. The most recent news from Hong Kong is not encouraging. Early this month the three leading textile associations, whose members provide practically all the cotton cloth shipped to the United Kingdom, boycotted the Hong Kong Government's call for negotiations with the United Kingdom and the United States on textile export quotas. The colony is worried about the probable move of the United Kingdom into the Common Market and the loss of their most important competitive advantage, the British Preference, and appear to be in no mood to go along with a piecemeal erosion, as they see it, of their textile markets in North America, the United Kingdom, and elsewhere. The present prospects for a Canadian-Hong Kong settlement, as part of a larger one, are therefore not bright. However, the pressure from Hong Kong imports on the Canadian market diminished in the first half of this year.

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Approuvé par le Cabinet le 11 mai 1961./Approved by Cabinet on May 11, 1961.