

put the Canadian position firmly on record at the Canada-Japan society luncheon, leaving no repeat no opportunity for the Japanese side to reply. After consulting Mr. Diefenbaker I assured Ambassador Ushiba that the Prime Minister would be delighted to see Mr. Ikeda again. At the Prime Minister's dinner at the residence (October 30) it was arranged that there would be a special meeting in the afternoon of Tuesday, October 31 to discuss trade matters.

2. Mr. Ikeda opened the discussion by congratulating Mr. Diefenbaker on his speech at the Canada-Japan society luncheon (October 28), stating that there were many points with which the Japanese side could agree but also pointing out that there were some points of difference. At this time he asked the Foreign Minister to put forward suggestions which some of his officials had raised.

3. Mr. Kosaka referred first to the question of trade balances and pointed out that Japan had to view trade balances on a global basis and that with North America there was a \$500 million deficit, while Japan enjoyed a favourable balance vis-à-vis Southeast Asia, of \$200 million. Mr. Kosaka said that Japan received many complaints from Southeast Asian countries as a result of this and that Japan must view the matter from both a political and economic point of view. He referred to the political importance of the economic treatment Japan gave to Southeast Asian countries. He said he would like all these factors taken into consideration when the matter of trade balances between Canada and Japan was discussed.

4. Mr. Ikeda said that he was happy to see trade develop between Canada and Japan but referred to the fact that a considerable amount of Japanese exports were under voluntary restraints. He mentioned specifically the reduction in the quota on stainless steel flatware which he said was a shock to the industry in Japan and to polyvinyl buttons, the restraint on which had raised a great amount of doubt in Japan because of the small value of the trade involved. He mentioned the difficulty which the Japanese Government had in convincing industry of the necessity for some of these quotas, and he spoke of the internal political implications. He expressed the need for exploring avenues for the expansion of trade on an orderly basis in terms of national interests. Mr. Kosaka then went on to say that when specific terms were being discussed, because of the necessity to convince the Japanese manufacturers and exporters, officials must be fully fortified with data, sometimes in great detail. Mr. Diefenbaker assured Mr. Kosaka that Canada would supply the fullest information.

5. Mr. Kosaka then made the remark that what he had said reflected Mr. Ikeda's sentiments and went on to make what I consider to be a most significant statement when he said that Ambassador Ushiba, who is an expert on trade matters and has a great understanding of the problems involved, was being entrusted with the negotiations with the Canadian Government. The implication was that Mr. Ushiba was being given far more freedom of action than Mr. Hagiwara his predecessor, and that Mr. Ikeda and Mr. Kosaka had full confidence in the actions and decisions he might take.

(a) (Mr. Ikeda has also told us personally that he chose Mr. Ushiba for this position.)

(b) At the end of the meeting Mr. Diefenbaker said that he would discuss with his Cabinet colleagues the points that had been raised.

[W.F.] BULL