

to Japan as one of the few markets in the world which has been opened to substantial and growing imports of Japanese goods. The Japanese may also feel somewhat isolated as a far-eastern country which is committed to the western democratic camp but which does not have the regular contacts and consultations which flow from membership in such groups as the Commonwealth, NATO, or the OECD.

4. A serious possible danger in agreeing to such a ministerial committee would be that the Japanese might attempt to take up in the committee detailed proposals relating to controls on Japanese exports to Canada. The present arrangement is that these controls are worked out between the Japanese Embassy here and an interdepartmental committee which is headed by a senior official of the Department of Finance and which reports to the Minister of Finance. Any attempt to transfer this detailed negotiation to a ministerial committee or to reopen there agreements already reached would have to be ruled out. A related danger would be that when serious difficulties arose in the negotiations with the Japanese they might try to delay decisions on the excuse that the issues were so important as to require Ministerial discussion in the committee.

5. On the positive side, such a committee might provide a useful occasion for a regular discussion with Japanese Ministers of the broad aspects of our economic relations and of economic problems in general. Japan is already an important Canadian market and could develop into a still more important market for Canadian exports. While the Japanese resent restraints of any kind on their own exports, they are by no means without their own controls and limitations against imports into Japan. Japan's trade liberalization programme has made rather slow progress to date and many of the principal items of interest to Canada still face restrictions. There is also in prospect a new Japanese tariff which may increase the duties on a number of items of interest to Canada. If the Japanese were to use a ministerial committee in part as an occasion to press for greater access to the Canadian market, there would also be quite adequate scope for similar representations by Canadian Ministers with respect to the Japanese market.

6. It also seems certain that the process of annual negotiations on Japanese imports must continue for some years; regular Ministerial talks, which kept clear of the actual negotiations, could make a contribution to fuller understanding, by both Governments, of the problems which each has to face, and might help to improve the atmosphere for practical solutions of particular difficulties which are bound to arise.

7. If the Japanese Prime Minister should raise this question it would be reasonable to indicate to him that the Canadian Government would be prepared to give the proposal careful study. The desirability of more frequent visits by Canadian Ministers to Tokyo and Japanese Ministers to Ottawa is recognized and it would be a matter for further consideration whether formal machinery for this purpose together with formal commitments as to the timing of such visits is necessarily the best method of achieving this.