

Secretary of State for Economic Affairs, at the Bilderberg Conference in Quebec several weeks ago. They envisage an arrangement whereby importing countries which at present permit very little importation of low-cost goods from the Orient would agree to take a more equitable share, and exporting countries would in return agree to exercise voluntary restraints on their shipments. They are proposing to use existing international organizations, including the GATT and the OECD, to carry on the necessary discussions. As a first step, however, they are proposing tripartite discussions with Canada and the United Kingdom in London following the meetings about Hong Kong. Mr. George Ball will be attending these tripartite discussions and is urging Ministerial representation for at least part of the talks. It is not yet clear whether the United Kingdom would be represented by a Minister, although present indications are that they may be represented by Mr. Erroll, Minister of State, Board of Trade.

It appears desirable that Canada should accept the invitation to attend both meetings. We have had indications that the United States' objective at the meeting on the Hong Kong problem will be the establishment of a system of export controls by Hong Kong which would provide for substantial reductions in the level of the Colony's exports of certain products to the United States. The United Kingdom already has an agreement between its own textile industry and the Hong Kong industry which provides for voluntary export controls. The agreement comes up for re-negotiation this year. It may be that at a meeting of the kind now proposed the pressure of the United States for the adoption of a voluntary system by Hong Kong would make it possible for us to attain some or all of our objectives. The meeting would also afford an opportunity to demonstrate to the United Kingdom the relationship between the Hong Kong problem and the problems which we have been facing for some time in respect of imports from Japan, problems which have been aggravated by the unwillingness of the United Kingdom and other European countries to take a reasonable share of Japan's exports. Finally, if the meeting does not result in the establishment of an acceptable voluntary system by Hong Kong, then it will have constituted the further consultations which the United Kingdom wanted us to enter into before taking action in Canada affecting Hong Kong.

Since this meeting is less than two weeks away, it would seem undesirable to take action in Canada to restrict imports from Hong Kong prior to the meeting. Moreover, in the latest months for which statistics are available imports from Hong Kong of the sensitive products in question, after rising very rapidly early in 1960, have shown some decline.

As regards the second meeting on the broader problem of low-cost imports, it is not yet clear what specific proposals the United States will put forward. It should not be assumed that it will be easy to find an international solution acceptable to the importing and exporting countries, because past efforts have not met with much success. However, Canada has consistently supported previous attempts to find a comprehensive international solution to these problems, and it would clearly be in our interest to support fresh efforts in this direction. This would be without prejudice to Canada's freedom of action under our trade agreements to take measures to avoid injury to particular Canadian industries during the period when a broad international settlement is being negotiated.

*It is Recommended that:*

- (1) Canada accept the invitations to be represented at both London meetings;
- (2) Canada be represented at the May 15th-16th meeting on the Hong Kong problem by a delegation led by Mr. S.S. Reisman, Department of Finance, and composed of officials from Finance, Trade and Commerce, External Affairs and National Revenue; and unless it is decided that a Canadian Minister should attend the second meeting on the broader problem of low-cost imports, that the same delegation should represent Canada;