

STATEMENTS AND SPEECHES

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No. 56/40 "JAPAN -- OUR NEIGHBOUR ON THE PACIFIC"

An Address by the Rt. Hon. C.D. Howe, P.C., M.P.
Minister of Trade and Commerce to The Women's
Canadian Club, Montreal, December 3, 1956.

Madame President and ladies, I thank you for your invitation to speak to you today. Yours is the first invitation I have ever received to speak to a non-political group of ladies, so this occasion is something of a milestone in my more than 21 years in public life.

I believe that the Department of Trade and Commerce is the most interesting portfolio for its Minister in the government. The Department has various responsibilities, but perhaps its principal one is to develop trade relations with other countries. For this purpose, we have a staff of more than 100 Trade Commissioners, one or more of whom are located in every country in the world. Through this staff, the Department keeps in touch with trade possibilities in every country, and is constantly seeking outlets for commodities that are surplus to our own requirements. Of these surpluses, the most difficult to dispose of are wheat and barley, although we must also keep open markets for our lumber and newsprint, our metals, our fish, and certain of our manufactured goods. We must be familiar with changes in the commercial outlook of each country, and be ready to take advantage of any change favourable to Canada. At the same time, we must be ready to find alternative markets where changes are less favourable.

For some years, I have been greatly interested in the Japanese situation. Since the war ended, Canada has followed a steady policy of promoting good relations with Japan. Japan is an island country, with a present population of 90 million people, which has increased by more than the population of Canada in the period I refer to. Every arable square inch of the country is being cultivated, and yet Japan now must import 40 per cent of its foodstuffs. That in itself is a matter of great interest to Canada, with its surpluses of wheat and barley. The fact that Canada and Japan are neighbours across the Pacific indicates trade possibilities that must deserve our careful attention.

Before the Second World War, trade between Canada and Japan was small and relatively unimportant. There was very little

we produced in Canada of interest to the people and industry of Japan. On the other hand, the Canadian market did not represent much of an outlet for Japanese merchandise. Even more important, perhaps, there was a prejudice amongst Canadians against Japanese produce, which was not always of the best quality and against Japanese trading practices, which were sometimes rather doubtful.

Before the last war, the fact that Canada and Japan were both washed by the Pacific meant very little. We were thousands of miles apart and distance was a tremendous barrier to intercourse. The other day, I left Vancouver at dinner time and arrived in Tokyo seventeen hours later. It will not be long before the Pacific can be crossed in much less time than seventeen hours. However, shrinkage in distance, brought about by the air age, is not the only reason why Japan and Canada should cultivate closer relations. The two countries, in fact, are becoming more and more dependent upon each other.

At the end of the second war, Japan suddenly emerged as a major market for Canadian produce. The question then arose -- was this a temporary situation, or did it hold promise of permanence and growth?

The Canadian Government considered the position carefully and came to the conclusion that if Japan could find sufficient export markets, she would probably continue to be a most important market for Canadian produce.

The next question, of course, was whether Japan should be offered an opportunity of selling her goods in Canada on equal terms with other countries. Canada had been applying higher tariffs against Japanese goods than, for example, against United States or German goods. Could the tariff against Japanese goods safely be lowered to the most-favoured-nation rate?

Because of the pre-war prejudice against Japanese goods and Japanese trading practices, this question received prolonged study. Finally the Government decided to offer a most-favoured-nation agreement to Japan, subject to certain safeguards. After the usual bargaining and negotiation, mutually acceptable terms were agreed upon and signature took place in January 1954.

The essence of this Agreement is that both countries accord to the other treatment not less favourable than is accorded to any other country. That is the meaning, of course, of a most-favoured-nation agreement. Specifically, Canada brought her tariffs against Japanese goods down to the same level as against other non-Commonwealth countries. As you probably know, in all trade agreements Canada makes an exception of the Commonwealth preferential tariffs which on some goods are lower than non-Commonwealth rates.

In return, Japan bound herself to give the same kind of treatment to Canadian goods. But in this connection a serious

problem arose. In order to conserve dollars, Japan applies restrictions against imports from Canada, the United States and other hard currency countries. Canada, on the other hand, has no such restrictions on trade with any country.

The Canadian Government therefore insisted on two additional undertakings by Japan. The first was an undertaking that there would be no discrimination against Canada in favour of any other dollar country. The second was that there would be no discrimination whatever for any reason against major commodities exported by Canada to Japan -- wheat, barley, flax-seed, wood pulp and so forth.

In other words, if Canada is able to offer these commodities of the right quality at the best price, Canada gets the business.

The other important safeguard is a provision which gives Canada the right to raise the value of Japanese goods for tariff purposes if these goods are offered at such low prices and in such large quantities as to threaten Canadian industry.

I think you will agree that this was a good agreement from Canada's point of view. It gave Japan an opportunity of increasing her export earnings at a time when Japan needed encouragement of this kind. At the same time, the agreement included reasonable safeguards in case there were serious adverse developments in trade. I believe, too, that it was a good agreement from the Japanese point of view. The agreement with Canada paved the way for other trade agreements and the safeguards which Canada insisted upon were equally advantageous to Japan.

Japan can only benefit from buying in the cheapest and best market, particularly foodstuffs and raw materials of the kind supplied by Canada. Japan can only benefit from offering her goods in Canada at reasonable prices and avoiding dumping.

This Trade Agreement was signed in 1954. In the previous year, Canada had exported to Japan produce valued at \$119 million and had imported from Japan produce valued at \$14 million, a ratio of 1 to 12. In 1956, our exports to Japan will be about the same as in 1953, and our imports from Japan in excess of \$50 million.

So I think our trade agreement has, so far, worked out very satisfactorily. We have retained our market in Japan. In fact, Japan is now our third largest market, ranking next after the United States and the United Kingdom. On the other hand Japan has enlarged her market in Canada four times in less than three years, bringing about a more tolerable balance in trade between the two countries.

I went to Japan on October 21st, at the invitation of the Japanese Government. This invitation had been extended to me on several occasions, but until this fall I felt that I could not leave Canada for an extended period. It had also been borne

in upon me that the time had come for a representative Canadian to visit Japan, to return the visits of Japanese public men, and to meet business men who were buying Canadian goods, and who were selling Japanese goods to Canada.

I went, you might say, as an Ambassador of good will. But I also wished to take advantage of the opportunity to give some advice to Japanese manufacturers and merchants about how and what to sell in Canada, and to see if I could give a boost to Canadian exports to Japan.

I had expected to be welcomed with customary Japanese courtesy. What happened far exceeded my expectations. I can only conclude that the Japanese people are genuinely interested in Canadians and that the Japanese Government wished to show me that they valued very highly indeed the friendship and support of Canada.

I was told how grateful the Japanese Government and people were for Canada's willingness to conclude a most-favoured-nation agreement with them. I was told how grateful they were for Canada's support for Japanese membership in the General Agreement on Tariffs and Trade and the Colombo Plan. Most of all, I think they appreciated the efforts which Canada made to get Japan into the United Nations, efforts which unfortunately were frustrated by Russia. When I left the airport in Tokyo, the Foreign Minister's last words to me were about the Middle East crisis, and about the confidence that the Japanese Government placed in Canada and in our Secretary of State for External Affairs, Mr. Pearson.

Even more tangible were the assurances that Japan would continue to be a big market for Canadian produce, and that we could look forward to a steady development of our sales to that country.

I shall not attempt to give a travelogue of my sixteen days in Japan, but let me try to give you a few impressions. Before I left Canada, I was asked to approve the itinerary. To me it looked impossible to see so much, and to travel so far, in sixteen days, but since the Japanese authorities thought that it was possible, I agreed, although with some misgivings.

Impossible it might be to see so much and to do so much in any other country, but in Japan when it comes to organization apparently nothing is impossible. We adhered strictly to that itinerary, except that we managed to fit in a number of additional visits, and we were never late by five minutes for any appointment. At the same time there was no rush. We always seemed to have time for a cup of tea.

The Japanese Foreign Office did a masterly job. Automobiles were always on hand to pick us up. As if by magic, seats appeared on crowded trains, vacated by Japanese who must have been holding them for our party. The same thing happened in theatres. At every railway station, the station master appeared

to greet us and took us to his quarters for a cup of tea. Our hotels were decorated with Canadian flags. Special menus were printed in our honour.

The efficiency shown in the organization of our visit was apparent in the industries we visited. Before the war, Japan was an important industrial nation, but it suffered a great setback as a result of war damage and dislocation and post-war developments. In some industries, such as steel, Japan has still a long way to go before it is back at pre-war levels. But the steel plant we visited, which was typical of the industry, was modern and efficient. I saw a shipyard with enormous ships on the ways, destined for countries the world over, including Canada. I visited a textile mill, as modern as any in Europe or the United States. I visited a plant producing cameras, so highly regarded throughout the world that it could not keep up with the demand. I visited a bakery, where the bread was never touched by hand from the time the flour--made almost entirely from Canadian wheat--was put into the dough mixers until the bread was loaded onto the delivery wagons, sliced and wrapped.

I saw, too, some of the beauty of Japan. The rice crop was being harvested when we were there, the farmers with their families carefully cutting and tying up the rice to dry. Every square foot of arable land is cultivated. In the mountains, the maples were turning colour, and I was reminded of the autumn scenes in the Laurentian and the Gatineau Hills of Quebec. I saw Mount Fuji Yama standing up above the surrounding mountains like an inverted fan. Outside the cities, Japan is a very beautiful country, and we saw it to best advantage in those two weeks at the end of October and beginning of November, when the weather is neither too warm nor too cold.

The natural beauty of Japan is reflected in her art and culture. This is a field in which I have no claim to knowledge or taste. It is impossible, however, to be in Japan for even sixteen days without coming under the spell of the ancient customs, arts and crafts of this talented people. Fortunately, we were able to spend a number of days away from Tokyo in industrial cities, such as Yokohama, Osaka, and Kobe, and in the ancient capitals of Nara and Kyoto. These last mentioned cities, which contain so many magnificent temples and shrines, were mercifully spared from the bombing which devastated the industrial centres.

I had the great privilege of visiting Nikko, some miles north of Tokyo, in the company of Prince Tokugawa, one of whose ancestors built its magnificent shrine centuries ago when he ruled Japan as Shogun. Prince Tokugawa, you may recall, was Japan's first Minister to Canada back in the late 1920's.

I had the privilege of meeting the Emperor, the Prime Minister and a number of Ministers of the Japanese Government. When I arrived in Tokyo, the Prime Minister was negotiating a

peace treaty in Russia, but immediately on his return he invited me to dine with his wife and himself at a hotel in the country, where he was resting from his trip. I was able to accept his invitation and had a very interesting talk with him and some of his colleagues on that occasion. You will of course understand that nearly all my talks in Japan were conducted through an interpreter.

I was greatly impressed by living conditions in Japan. The homes are of light frame construction, which would be totally unsuitable for our climate, but suits Japan. The rooms are sparsely furnished, since the Japanese people prefer the floor to a chair. The floors are covered with straw matting and no one would think of entering his or any one else's house before first removing his shoes. While there, I got so used to removing my shoes that it became automatic with me. Cleanliness seemed to be a cardinal principle in Japanese life. Washing, either with a steaming cloth which is served you on all occasions, or at the washing facilities located outside each home, is a frequent ritual. The only difference one could detect in the homes of well-off people and poor people was the size and number of rooms. Otherwise, the houses seem to be more or less standard for everyone.

Another feature that impressed me was the interest of the Japanese people in their children. There were swarms of children everywhere, usually in charge of a teacher or a parent. The children were invariably well-dressed, even though the parents were less so.

The women of Japan have recently been given the vote. Although the women work with the men in the fields, their position seems to be in no way inferior to that of the men. Western dress for women has been gaining ground in recent years, and on the city streets you see about half Japanese costume and half Western dress. Personally, I preferred the appearance of Japanese dress.

A country like this, with its dense population and its limited area, is, in many respects, the natural trading partner of Canada with our small population and large area. Japan must trade to live. It must import most of its raw materials and a large proportion of its food, and to pay for these essential requirements it must export manufactured goods. Canada, too, must trade to live. But, as you know, Canada finds it economical to produce large surpluses of raw materials and foodstuffs with which to pay for the large quantities of imported produce and manufactured goods.

This natural trading relationship has existed for many years, but since the end of the war a number of factors have worked together to increase trade between Canada and Japan. The most important of these is the emergence of Japan as an important wheat-eating country. In part, this is a result of the U.S.

occupation but, in addition, the consumption of wheat is being encouraged by the Japanese Government. When I was in Japan, I learned, for example, that every day a sandwich lunch is served to $7\frac{1}{2}$ million Japanese school children at a nominal charge.

I am glad to say that the Japanese prefer Canadian wheat for bread-making purposes. When I was in Japan, I ate excellent bread made almost wholly of flour milled from Canadian wheat. Last year, Japan was Canada's third largest customer for wheat. 99 cargoes of wheat were loaded at Canadian Pacific Coast ports for Japan. Some day Japan may well become our largest market for wheat.

We are also selling Japan substantial quantities of wood pulp for the making of synthetic fibres, iron ore, metals, lumber and a wide variety of other raw materials.

As I said at the outset of these remarks, Japanese exports to Canada have been rising rapidly, and the wide gap in our trade balance is being eliminated. When I was in Japan, I gave some advice to Japanese manufacturers and exporters selling to Canada. I pointed out to them that Canada is the largest import market in the world for manufactured goods, and therefore presents a great opportunity for Japanese manufacturers and merchants. I emphasized three points, however:

1. Canada is a quality market;
2. Canada is a highly competitive market;
3. Canada is a sensitive market.

For all these reasons I advised the use of care and restraint. In particular, I advised against flooding the Canadian market with merchandise of a kind being produced in Canada, such as textiles. I believe that this advice fell on receptive ears. In fact, there has been little to complain about in Japanese selling practices in Canada, and I am sure that Japanese manufacturers and exporters are anxious not to spoil their growing Canadian outlet.

This visit to Japan was a memorable experience for me, and I hope and believe that it helped to promote better understanding between Canada and Japan.

To conclude, let me refer to two incidents during the trip that to me had more than ordinary significance. One was the visit we made to the Canadian Academy, a school founded many years ago by Canadian missionaries and recently reopened. It is recognized to be one of the finest schools in Japan, and children of all nationalities are to be found among its students. It was remarkable to me that such a school, located in the centre of Japan, should have been founded by Canadians and maintained essentially as a Canadian school, following the Ontario school curriculum. Can one imagine a more important centre of Canadian influence and prestige? May I add in passing that, although it is highly regarded in Japan, Canadians have well nigh forgotten

the existence of the Canadian Academy and provide practically nothing by way of financial support, which it badly needs.

The other incident was the visit we paid, just a few hours before leaving Japan, and on very short notice, to the Kabuki Theatre in Tokyo. The entrance was decorated with Canadian flags. The manager took us back stage to meet the cast, and as we entered the theatre to take our seats the strains of "O Canada" burst forth. The audience rose and applauded. It was a friendly gesture of the kind we had grown accustomed to, but it left a deep impression on our minds of the high regard which the Japanese people have for Canadians.

I returned from my visit to Japan more than ever convinced that our policy of cultivating good relations with Japan and of promoting trade between our two countries is the right policy and will pay rich dividends in both political and economic terms. I brought back an appreciation of the beauty of the country and a high opinion of the energy with which the people are working to restore Japan's shattered economy. I recommend it as a country well worth visiting, and one full of interest for Canadians.

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