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JAPAN AND CANADA, PACIFIC NEIGHBOURS

An address by Prime Minister John G. Diefenbaker to the Japan-Canada Trade Council, Tokyo, October 28, 1961.

I am honoured to have this opportunity to address a joint gathering of the Canada-Japan Society and the Canada-Japan Trade Council. These organizations personify Japanese friendship for Canada. You, Mr. Chairman, have maintained your sympathetic interest in my country since 1929, when you came to Ottawa as Japan's first Minister. On behalf of all Canadians I express appreciation to you and your associates for all that you are doing to promote the basic objective of closer relations between Canada and Japan - an objective that is fully shared by the Government of Canada.

Japan and Canada as neighbours across the Pacific should enjoy good relations and mutual respect. Canadians know and appreciate the admirable qualities of the Japanese people which have been transplanted to Canadian shores. Today 26,000 Canadians of the Japanese race are contributing to the enrichment of Canadian life.

Not only are we close neighbours and good neighbours, but we have things in common, although different in language and culture. Almost simultaneously Canada set out on its road to independent nationhood, and Japan burst forth from two centuries of isolation to become in a remarkably short time one of the most advanced nations in the world.

We derive a common benefit from trade among nations. We have a common dedication to the ideal and practice of parliamentary democracy. Both have made known their determination to preserve freedom in the face of peril.

Threat of Communism

Good relations, respect and trust between free nations are imperative. Japan and Canada and all free nations are threatened by the Communist leaders who prophesy the ultimate triumph of the Communist system. The burdens and responsibilities have become awesome and grave for free nations determined to preserve their freedom.

In Europe the Soviet Union has clapped the shackles of the Communist system and an alien military occupation on nations with proud traditions of freedom and independence. These nations, once free, still long for the fresh air of freedom and chafe under the alien rule which has been imposed upon them.

The Soviet leaders have created a crisis in Berlin out of which they hope to complete the enslavement of Eastern Europe. They have created the crisis, with brutal contempt for the fears of mankind that nuclear war with all its horrors will break out.

Frail Hope Dashed

The problems of peace and security have been vastly intensified by Soviet actions since September 1. On that date, the Soviet leaders unilaterally repudiated the moratorium on nuclear testing which had brought to mankind a frail hope that the world would be spared for present and future generations the incalculable dangers of radioactive fallout. I do not need to speak in Japan of these things, for I know that the Japanese people have reason to share a common dread of the massive experiments now unleashed with such cynical abandon by the U.S.S.R.

Japan and Canada have joined with other nations affected by the drift of radioactive debris, in an earnest and solemn appeal to the U.S.S.R. not to proceed with their fearful plan for detonating a 50-megaton super-bomb. The resolution urging the Soviet Union to abandon its plan to explode the super-bomb was approved in the United Nations two days ago by an overwhelming majority of 75 votes (including Canada and Japan), to 10 (the countries in the Soviet orbit), with one abstention.

We believe that there must be an end to nuclear testing, for the alternative is an accelerated armaments race in which all humanity will be the victim of the madness of a few.

As a beginning an immediate stop to further explosions and the achievement of a safeguarded international agreement on nuclear testing would be an important step.

Further than that the world must have a comprehensive programme of disarmament. An effective system of general and complete disarmament should be worked out and developed by stages until the final goal is reached.

Deeds to Match Words

A new and workable set of disarmament proposals is now before the United Nations. Canada played a part in the preparation of these proposals and it is hoped that they will receive constructive consideration by all nations at the General Assembly.

The fears of the world would be relieved if the U.S.S.R. would but match its words of peace with deeds of genuine co-operation in this regard.

Amid all these overhanging dangers, friendship and co-operation between Canada and Japan is imperative. Much has been done to strengthen that desirable objective.

There has been an increasing exchange of visits by Japanese and Canadians from all walks of life which has built up a fund of mutual appreciation and understanding.

It was my pleasure to welcome Japan's former Prime Minister, Mr. Kishi, to Canada in 1960 and to welcome Prime Minister Ikeda to Canada in June of this year.

Japan-Canada Ministerial Committee

I believe that visits between statesmen have had and will continue to have a beneficial effect on the relations between our countries. Prime Minister Ikeda and I agreed last summer to establish a Japan-Canada Ministerial Committee to facilitate the meetings of Canadian and Japanese Ministers from time to time, not to negotiate on problems, but to familiarize themselves with various aspects of each other's country. The first meeting of this Ministerial Committee will be held in Japan as soon as a convenient occasion arises. I am sure that a Ministerial meeting - a beginning of more to come - will be of great value in maintaining the close co-operation which our countries enjoy in many fields.

In recent years the broad expanse of the North Pacific has served to link us closer in co-operative endeavours to develop the valuable resources of salmon, herring, halibut and other fish. The fishery resources of the North Pacific Ocean are important to Canada as they are to Japan. The International Convention for High Seas Fisheries of the North Pacific continues to be a valuable instrument to conserve these resources. The International North Pacific Fisheries Commission, which is holding its eighth annual meeting in Tokyo at the present time, has shown enterprise in developing the implementing programmes of scientific research which have contributed significantly to a knowledge of the fisheries of the North Pacific Ocean. It serves also as an example of three nations - Canada, Japan, and the United States - working constructively in international concert to gain scientific knowledge whereby the protection and expansion of common resources may be ensured.

It is the hope of the Canadian Government that this Convention will continue because we believe that international co-operation based on mutual interest and respect is essential in matters pertaining to fisheries as in other fields.

Japanese Investment in Canada

When Prime Minister Ikeda was in Ottawa last June, he raised with me the Japanese interest in the possible establishment and development of Japanese investments in Canada. I indicated to the Prime Minister at that time that mutually satisfactory arrangements would be made for the entry to Canada of Japanese nationals required in connection with certain of the operations of these enterprises.

The Canadian Government has now agreed to a plan in respect thereof, as follows:

- (a) Non-immigrant managerial, supervisory and technical personnel for specified Japanese-owned enterprises in Canada will be admitted to Canada for periods of three years each, subject to annual renewal of status which will be granted automatically if the original conditions of entry still exist.
- (b) Permanent admission will be granted to limited numbers of key managerial, supervisory or technical personnel of Japanese mining and manufacturing enterprises establishing in Canada provided such personnel are shown to be essential to the enterprise and needed on a long-term basis, and that the enterprise will employ a majority of Canadian citizens or persons already resident in Canada.

Many members of this audience are businessmen with a direct interest in trade between Japan and Canada and I shall now speak of that phase of our relations.

Canada-Japan Trade Agreement

The trade agreement of 1954 between Japan and Canada was signed before Japan became a party to the General Agreement on Tariffs and Trade. By the trade agreement Canada was one of the first countries in the post-war period to accord to Japan the full benefits of the most-favoured-nation tariff. Canada was a strong supporter of Japanese accession to the GATT. In various other international bodies Canada has taken a stand in support of Japan being accorded its rightful opportunity to participate on a basis of equality in international trade.

A significant and mutually beneficial expansion in trade has taken place under the stimulus of the trade agreement. In 1953, the last year preceding the agreements, Japanese exports to Canada amounted to \$14 million. By 1960 exports had increased to \$110 million, an eightfold increase in less than eight years. In the same period Canadian sales to Japan have also shown a substantial increase from \$119 million to \$178 million.

Concern has sometimes been expressed that trade between Japan and Canada is not in balance. I think the answer lies in the approach to international trade which is taken by both Canada

and Japan. We believe in multilateral trade which has regard to overall balance and does not consider that the value of trade between two individual countries should be approximately equal.

I should add that the experience of other countries shows that attempts to balance trade bilaterally usually mean balancing it at a low level which could only result in the lowering of living standards.

Canada buys from Japan - textiles, clothing, toys, optical goods, radios, and other electrical items, plywood, footwear, canned fish, manufactured goods -- virtually all of which compete with similar products made in Canada.

Canada sells to Japan, foodstuffs and industrial raw materials - wheat, barley, oil seeds, iron ore, copper, woodpulp, coal and other primary products, virtually all being used for processing in Japanese mills and factories, thus contributing to the expansion of Japan's industries. These facts would indicate that, in the composition of trade with Canada, Japan enjoys a significant advantage.

Entry of Japanese Goods

I think that it is generally agreed that Japanese goods enjoy freer access to the Canadian market than to the market of any other industrialized country in the world. Canada's tariffs are moderate and the only special safeguard for Canadian industry rests on a number of restraints on specific exports being applied by Japan itself. Such restraints are in the interests of Japan's future markets and long-term economic well-being.

It is of interest that Canada, with a population of 18 million people, buys more made-up textile products from Japan than does the whole of Western Europe with over 200 million people. When industrial nations maintain severe restrictions on imports from Japan, problems of market disruption are bound to arise in Canada and other countries that do not maintain such restrictions.

For that reason, Canada, in the meetings of the GATT and also in the North Atlantic Treaty Organization, has been urging the European countries to relax restrictions on imports from Japan.

I believe that many of the problems encountered in our trade relations would not have arisen if all countries were taking reasonable and equitable quantities of exports from Japan.

At the time the trade agreement between Canada and Japan was entered into, it was realized that Japanese exports could cause market disruption in Canada. Therefore a clause was included in the agreement whereby Canada was recognized to have the right to apply fixed values for duty in the event of damage

to Canadian industry resulting from imports from Japan. In the seven years which have elapsed, this special clause has never been used. Our problems to date have been met through consultation and by the adoption of voluntary restraints by Japan designed to avoid damage to a market which holds much promise for the future.

Japan Initiates Quotas

Japan first took the initiative in introducing quotas on a number of textile exports to Canada in 1956. Since then the range of quotas has been progressively increased, but in 1959 the quota levels became a subject of consultation between governments. In that year it became evident that an extraordinary increase was taking place in Japan's exports to Canada, with a heavy concentration in a narrow range of products.

The quotas established covered not only a wide range of textiles but also hardwood, plywood, and stainless steel flatware. In the years 1960 and 1961 the scope of these quotas was extended to include several other products. Despite these necessary measures two-thirds of Japan's total exports to Canada are free from export restraints of any kind.

The Canadian Government accepts the principle of orderly growth of Japanese exports to Canada. Let me make it clear that by orderly growth we have in mind that individual products which are competitive with Canadian production should be allowed to increase by about 5 to 10 per cent in years when the Canadian economy is buoyant, when the level of unemployment is not above normal levels and when demand for the products in question is rising.

In what I have said I would not wish to leave the impression that imports should automatically increase by this amount in products where the Canadian market has already been flooded or that in extreme cases some cut-back should not be considered. On the other hand, this does not exclude larger increases for products where Canadian industries are not experiencing difficulties.

Canadians have followed with much interest the development of the Japanese Government's intention to double its national income within ten years. The growth of Japan's export trade will obviously have an important role to play in the realization of this objective.

I should point out that the difficulties which have arisen in Canada as regards trade, result not from the total level of imports from Japan but from a concentration in particularly sensitive lines such as textiles and other consumer products. I suggest that Japanese businessmen should make detailed first-hand studies of the Canadian market and try to diversify Japan's exports to Canada over a wider range of commodities. Japanese exporters might explore the opportunities for exporting to Canada capital equipment, machinery, and semi-finished products, especially goods of a kind not made in Canada.

With regard to sensitive commodities which compete directly with Canadian-made products, I hope that Japanese businessmen will remember that Canadian manufacturing industries are small compared with those of some other countries and can suffer severe damage or even be destroyed by a flood of very low-priced imported merchandise.

Canada attaches major importance to Japan as a large and growing market for Canadian exports, particularly for exports of foodstuffs and industrial materials, as well as for a modest range of manufactured goods.

Canadians have been following with approval Japan's plans for the progressive liberalization of imports. The implementation of these plans, coupled with the removal of restrictions which remain on certain Canadian exports to Japan, will be welcomed by the Government and by Canadian businessmen.

Principle of Orderly Marketing

When Prime Minister Ikeda visited Canada earlier this year we agreed on the principle of orderly marketing, and we saw good prospects for the expansion of trade on an orderly basis.

I am optimistic about the future development of mutual trade between Canada and Japan. Trade is essential to both Japan and Canada, and it is in the long-term interest of both nations that the trade between us should develop on a basis of mutual agreement and understanding.

Problems are bound to arise from time to time, but with good will on both sides, and a readiness to understand each other's difficulties, I feel sure that solutions will be found consistent with the expansion of two-way trade.

As partners in the community of freedom and as neighbours across the Pacific, we cannot afford to allow commercial difficulties to obscure the paramount need for co-operation in free mankind's never-ending search for peace and world stability.

To summarize I would like to say that the Canadian Government considers that there is no reason why Japan's exports to Canada should not enjoy a large measure of growth in the next ten years, provided that this trade develops on the basis of orderly marketing.