1948. Some 80 countries today subscribe to the GATT, which is both a trade treaty and an institution for trade negotiation, adaptation and settlement of disputes. The agreement has, in effect, become Canada's main commercial treaty -- for Canada's commercial policy cannot be considered apart from trends in the world trading community.

Since the implementation of the GATT, there have been six rounds of tariff negotiations, which have resulted in a significant reduction in barriers to trade. The most recent negotiation, the Kennedy Round, the final stages of whose tariff cuts were implemented in 1972, was the most far-reaching and involved trade exchanges valued at approximately $45,000 million among some 50 countries. Canada was among the most active of the negotiators, with about $5,500-million worth of trade involved. Freer access to world markets was gained by Canada on exports worth some $3,000 million annually and Canadian tariffs were reduced on imports worth about $2,500 million annually. Canada participated in these negotiations on agreement by the other parties, as a country with special trade problems, and agreed to grant reciprocity for concessions received, though not entirely across the board.

Since the Kennedy Round, there has been a gradual build-up of protectionist pressure in the absence of initiatives for further trade liberalization. The American surcharge and other measures in August 1971 raised many questions about the durability of the existing international trade system and of Canada's vulnerability to changes in the international environment. Some solutions may be achieved, however, as a result of further GATT negotiations in 1973 and 1974. It is hoped that substantial progress will be made in reducing tariffs and non-tariff barriers on both agricultural and industrial products. A move to freer trade should open up new markets for Canadian exports, increase production and employment and provide opportunities for Canada to diversify trade with its major trading partners.

Foreign investment capital

External capital has always played a significant role in Canada because the scarcity of domestic capital has often put limits on the pace of development and expansion. Thus, in the early years, since Canada is a country where transportation facilities were a major necessity, a considerable part of non-resident capital was used to finance canals, roads, railways and similar installations. In more recent years, external capital has also helped to finance new industries, mines and sources of power and to expand such industries as pulp-and-paper, non-ferrous smelting and refining, chemicals and petroleum.

To an increasing extent, external capital coming into Canada has been in the form of direct investment and often through the medium