

Throughout these meetings Canada maintained its position that the Canadian dollar exchange-rate should be allowed to continue floating, and in the final settlement gained acceptance of this position by the Group. All other members repegged their currency, most at a substantially higher level in terms of the U.S. dollar.

Canada played an active role in the 1971 annual meetings of Commonwealth finance ministers in the Bahamas from September 21 to 24 and of the International Monetary Fund in Washington from September 27 to October 1.

The U.S. economic measures also stimulated the international process of re-examination of trade policies and practices. This is taking place partly in rounds of bilateral discussions between the United States and its major trading partners -- notably Canada, the European Economic Community (EEC) and Japan -- and also on a multilateral basis in the GATT, the OECD, and the UNCTAD.

Throughout 1971, negotiations proceeded between the EEC and the four applicants for membership -- Britain, Denmark, Ireland, and Norway. Though protracted and difficult, these negotiations were ultimately successful and the consequent enlargement of the EEC from six to ten will have significant consequences for world trading patterns and the multilateral trading framework. The EEC will now be by far the world's largest trading entity and the fact that a majority of the members of the GATT have ties with the EEC, either by association, commercial agreement or preferential agreement, will undoubtedly have implications for the General Agreement itself. In addition to these developments, the EEC is now negotiating with those members of the European Free Trade Association (EFTA) which did not seek full membership in the Community at this time (i.e. Sweden, Finland, Iceland, Portugal and Switzerland) in the hope of arriving at an industrial free trade area with those countries. It is expected that these developments will contribute to a stable, prosperous and dynamic Europe, and in this respect they are welcomed. At the same time, these changed circumstances will require adjustments in trading terms for third countries like Canada, which will find their access to the British market adversely affected.

The implications of EEC enlargement for the world trading system were obviously very much on the minds of delegates to the twenty-seventh GATT session, held in November 1971. The Contracting Parties were particularly concerned over the possible consequences of these developments for further trade liberalization. While the GATT Work Program, adopted in 1967 to foster further progress in trade liberalization, is going forward, the unsettled situation with regard to EEC enlargement, complicated by the U.S. economic measures of August 15, made it difficult to achieve substantial progress during the session. On enlargement itself, EEC members indicated that they were prepared to abide fully by their obligations to the GATT in terms of bringing the accession agreement of the new members for examination by the GATT but, despite the urging of a number of countries, including Canada, were not prepared to do so upon signature of these agreements. The EEC took the view that notification by members of the Community under their GATT obligations rather than signature should trigger the necessary consultations. The twenty-seventh session also took action to establish a study on preferential trade flows.