

downturn in the industrialized countries and its consequent effects on the Third World. The Brandt Report, released in early 1980, highlighted the interdependence of the economies of the North and the South and demonstrated that there was a mutuality of interest between both groups in coming to grips with the complex economic problems that confronted them. In recognition of the need for pragmatic progress in the North-South dialogue, Canada supported international efforts to come to a mutually acceptable agreement on the launching of the proposed UN round of global negotiations, both in preparatory sessions and at the eleventh special session of the UN General Assembly which was held in late August/early September. The Venice Summit in June also recognized the importance of North-South relations and, in preparation for Canada's hosting of the 1981 Economic Summit, the Prime Minister undertook in November a first round of visits to key developed and developing countries, including Saudi Arabia.

### Commercial policy

Trade in goods and services forms an integral part of Canada's economic development. Roughly 25 per cent of this country's gross national product continues to be derived from exports and approximately one half of its manufactured goods is sold abroad. As the only major industrialized nation without duty-free access to a market of at least 100 million people, Canada has a vital interest in the maintenance of open world markets. Stagnation in the economic growth of most countries over the past year, however, has made it more difficult for countries to resist calls for protectionist measures—measures that in the long run could well be detrimental to all trading nations. Against this background, Canadian trade policy in 1980 reflected the need to maintain the integrity of the international trading system as manifested in the GATT and to enhance the adjustment of the system to accommodate new economic trends.

As the year began, the thrust of the Tokyo round of the Multilateral Trade Negotiations (MTN) passed from negotiation to implementation. The first of eight equal and annual reductions in the tariff rates agreed to in the MTN was introduced on January 1. With the exception of the *Dairy agreement*, which Canada has not signed, Canadian representatives also participated actively in the work of each of the committees established to administer the implementation and operation of the MTN non-tariff-barrier codes that came into effect in 1980. Negotiations were concluded on the *Government procurement code*, enabling Canada to sign the agreement on December 30, 1980, prior to its entry into force. In the course of the year, a record 13 panels established under the newly strengthened GATT dispute settlement procedures were active. Three of these panels involved Canadian complaints concerning particular trade practices in the United States, the European Community and Japan. As a result of the efforts of this last panel, agreement was reached between Canada and Japan on Japanese restrictions on imports of leather goods.

Following Canada's commitment to implement the MTN *Customs valuation agreement* no later than January 1, 1985, the

Canadian Tariff Board was directed in August to undertake a review of draft legislation on customs valuation and to study the impact of the proposed legislation on Canadian customs duties. As well, a discussion paper was issued proposing changes to Canadian import legislation in areas such as anti-dumping regulations and countervailing duties. Finally, the Tariff Board began a review of the general preferential tariff (GPT) with a view to studying the impact on Canadian production of including additional products under the GPT and of providing free entry for certain products.

In the textile and clothing sector, nearly all clothing imports and a significant range of textiles continued to enter Canada under restraint arrangements negotiated within the framework of the *GATT Arrangement regarding international trade in textiles*. A report by the Textiles and Clothing Board tabled in Parliament in August called for continued protection of these sectors throughout the 1980s. Canada's global quota action under Article XIX of the GATT on imports of footwear was extended for a further year and the matter was referred to the Anti-Dumping Tribunal for determination on whether, in the absence of quotas, imports would continue to cause injury to domestic producers.

In June 1980, in recognition of the many problems facing the world trade community, the OECD governments adopted a declaration on trade policy reaffirming objectives to achieve the highest sustainable economic growth and employment, to promote the expansion of world trade and to work to remove obstacles to trade. This declaration asserted, *inter alia*, the determination of member countries to maintain and improve the open and multilateral trading system and the role of the GATT in this system, and to strengthen trade relations with developing countries.

### Energy

The international oil market continued to be buffeted in 1980 by major uncertainties including rising oil prices, the possibility of an oil supply shortage following the Iraq-Iran war and ongoing important changes in the structure of the international oil market.

International oil prices increased during 1980 to an average of \$35/bbl (US) in December from \$26 in January, with some members of the Organization of Petroleum Exporting Countries (OPEC) charging as much as \$41/bbl (US). In September, a modest oil supply surplus was terminated when the outbreak of hostilities between Iran and Iraq resulted in a sudden loss of about 4 billion/bbls/day to the world market.

Developed consumer-country governments responded to these international developments by formulating stronger measures within the IEA, the European Community and at the Venice Summit to ease market pressures. These measures included reductions in oil import demand and longer term commitments to restructure energy economies through strengthened energy conservation measures, substitution away from oil and accelerated development of alternative energy technologies and sources, especially coal and nuclear energy. Increasing attention was also paid to the need to find ways of