

History of trade relations

In the years immediately before 1867, the colonies that then joined together in Confederation had enjoyed free trade with the United States in primary products. This had been sought by the colonies as an offset to earlier losses of preference in the British market; it had been negotiated by Britain in 1854 in the belief that it would promote economic viability in these British territories and thus help to avoid political union with the United States.

In 1866 the United States repealed the reciprocity pact, bringing considerable adverse influence to bear on Canada's trade and on investment in Canada. Confederation was, in part, a response to this situation, and the new nation immediately set about seeking better terms of access to the United States and British markets.

The results of these efforts were disappointing and so, in 1879, Canada adopted the high-tariff policy then in vogue in most trading countries other than Britain. This policy was aimed at fostering the growth of manufacturing industry in Canada and increasing revenues to finance new transportation facilities and general economic development. The system suffered, however, from a conflict between the two objectives, for it became evident that internal development hinged significantly on the ability to compete in export markets. There followed many years of seeking to maintain a delicate balance between measures to expand export trade and those providing protection for home-grown industry.

Thus, in 1907, partly for bargaining purposes, Canada adopted a tariff structure that provided for three levels of duty -- preferential (favouring British and Commonwealth imports), intermediate, and general. A renewed effort to obtain reciprocity with the United States was rejected in the Canadian election of 1911.

In the light of large tariff increases in many countries following the depression of the 1930s and the serious international economic strains then in evidence, Britain, Canada and other members of the Commonwealth adopted a systematic, widespread plan of tariff preferences. In 1937-38, in return for United States tariff reductions, Canada and Britain also reduced tariffs and removed some preferences.

The disruption of the world financial and trading system in the 1930s and 1940s convinced many countries of the need for a fresh start. The result was the General Agreement on Tariffs and Trade, which Canada has strongly supported since its ratification in