

There followed many years of seeking to maintain a delicate balance between measures to expand export trade, while at the same time 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 1948. Some 80 countries today subscribe to the GATT, which is both a trade treaty and an institution for trade negotiation, adaptation and settling 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 has been a series of six rounds of tariff negotiations which have resulted in a significant reduction in barriers to trade. The most recent negotiation, the Kennedy Round, of which the final stages of the 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 viability of the existing international trade system and of Canada's vulnerability to changes in the international environment. Some solutions are presenting themselves, however, in the form of growing support for further GATT negotiations in 1973 and 1974. It is 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.