

Then, in 1866, the United States repealed the reciprocity pact, bringing considerable adverse influences to bear on Canada's trade and on investment in Canada.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 while, at the same time, providing protection for home-grown industry.

Thus, in 1907, partly for bargaining purposes, Canada adopted a tariff structure which 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 evident, 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 Agreement, which is both a trade treaty and an institution for trade negotiation, adaptation and settling of disputes. The GATT, in effect, has become Canada's main commercial treaty -- for Canada's commercial policy cannot be considered apart from trends in the world trading community. There have been difficulties for Canada, however.

These include: restrictions on trade in agricultural products; the level of protection to be adopted by countries participating in regional free-trade pacts; increasing mutually beneficial trade with the developing countries; and trade with the Communist countries, where tariffs are not particularly meaningful as commercial instruments.

Now comes the Kennedy Round -- the latest and greatest of GATT achievements, surpassing in scope and effect all five preceding rounds of GATT negotiations and bearing on trade exchanges valued at approximately \$40,000 million among some 50 countries. Canada was among the most active of the negotiators, with about \$5,500 million 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.