

IX

ECONOMIC AFFAIRS

By the spring of 1954 the slight decline in economic activity which had taken place in the latter half of 1953, principally in the United States, was halted, and during the balance of the year trade and general economic activity remained at a relatively high level in most parts of the world. The balance of payments position of many countries improved, foreign exchange reserves continued to expand, and some further progress was made in moving toward a freer system of trade and the convertibility of major currencies. Prices of many of the important primary commodities entering international trade remained at generally satisfactory levels although marketing problems associated with surpluses largely accumulated in previous years existed for certain agricultural products. During the year, Canada was represented at a number of major conferences where international economic problems were discussed. Among these, and in addition to those dealt with below, were the Meeting of the Commonwealth Finance Ministers held in Sydney early in the year, meetings of the International Monetary Fund held in Washington in the fall, and continuing discussions in the Organization for European Economic Co-operation, of which both Canada and the United States are associate members.

1. General Agreement on Tariffs and Trade

At Geneva, in November, a review session of the Contracting Parties to the General Agreement on Tariffs and Trade (GATT) was convened to examine the operation of the agreement and to formulate generally acceptable and more permanent rules of trade. During the seven-year period the General Agreement on Tariffs and Trade has been in existence, world tariffs have been reduced and stabilized, most favoured nation treatment has been generalized and extended to GATT members, and a common code of commercial conduct has been formulated with increasing clarity and with increasing acceptance throughout the trading world. Many items of special importance to Canada were dealt with at the review session. The Canadian delegation gave support to proposals designed to carry forward the liberalization of world trade; it opposed the application of unnecessary quantitative restrictions, particularly those of a discriminatory character, and stressed the importance of each member government being willing to submit its trade measures to the scrutiny and to the rules of the Contracting Parties. At the year's end, the exact nature of the review session's impact on GATT remained uncertain. Many divergent approaches remained unsettled; and, in some spheres, reconciliation of national interests with GATT obligations appeared difficult. Nevertheless, it was expected that a revised and reorganized GATT would emerge from the session of the Contracting Parties.