

everywhere in the advanced countries. The onset of the Depression, the resulting surge in unemployment and business failures, led governments to resort to protectionism by imposing additional restrictions on imports. Here in Canada, Prime Minister Bennett boasted about blasting his way into foreign markets by raising tariffs. The United States enacted the infamous Smoot-Hawley tariffs, the highest level of protection in the history of that country, counterpart of American isolationist philosophy then prevailing. Although the Depression was less severe in Britain and European countries, their governments bowed to popular demands by imposing new barriers to imports.

In retrospect, it is evident that the protectionist measures designed to alleviate the effects of the Depression had the opposite effect; they prolonged it. To some extent, this adverse effect was recognized before the outbreak of the war. The exchange of trade preferences in 1932 among the countries of the British Empire, while discriminatory, did mark a small break in the pattern of rising protectionism. R. B. Bennett opened negotiations with the United States and Mackenzie King completed them when he returned to office in 1935, for a series of tariff reductions with the United States which were extended to all countries with which Canada had most-favoured-nation trade agreements. Before the war broke out in 1939, the average level of tariff protection around Canada was between 25 and 30 per cent, amongst the highest of any Western country, particularly with respect to manufactured goods, and comparable to the United States. Canadians were still, before the war, enamoured with John A. Macdonald's National Policy.

The post-war financial reformers, including some distinguished Canadians like Louis Rasminsky, met in Bretton Woods in 1944 to restore confidence in currencies and to provide funds for investment in underdeveloped countries, leading to the formation of the International Monetary Fund and the World Bank. The reformers on the trade side, including Dana Wilgress and John Deutsch, met a few years later in Havana and Geneva to promote the formation of an international trade organization designed to restore order in trade relations disrupted by the war, and to provide a framework for negotiations among member countries to lower trade barriers.

The United States rejected the concept of an international trade organization. So the Canadian delegation had to settle for a General Agreement on Tariffs and Trade, which turned out to be one of the most effective, as well as the least bureaucratic, post-war instruments of economic reform.

The GATT became the instrument by which the governments of the advanced countries of the free world (as they were then called) traded concessions and dismantled step by step the barriers to trade they had erected in the bad old days of the 1930's.

In a series of seven rounds of negotiations over nearly five decades among the member countries, tariffs were steadily eliminated and reduced. When the reductions of the last round – the Uruguay Round – are completed, the average level of most-favoured-nation tariffs imposed by the United States, by the European Community and by Canada, will be of the order of 2 or 3 per cent. Very few individual tariffs will be above 5 per cent. Exceptions occur because some quantitative restrictions will be replaced by tariffs, unfortunately at very high levels. And, of course, some quantitative restrictions remain in effect, particularly around the European Union, which are important to Canada.