

asures can be coordinated with existing schemes for regional economic expansion and the two policies, could, in fact, be mutually reinforcing.

98. With regard to the present lines of trade policy affecting the developing countries, it seems clear that the tariffs maintained by developed countries are much less important obstacles, in general, than are a wide range of "non-tariff barriers". Particularly formidable are the quantitative restrictions involved in formal import-quotas or "voluntary restraint" schemes. As a number of developing countries have demonstrated in the past, tariff barriers can be surmounted by exporters with a sufficient margin of extra efficiency, but a quantitative limit defies all the laws of economic competition. The Subcommittee is urgently concerned about the fact that rather than diminishing, trade barriers, and especially these quantitative trade controls, seem generally to be proliferating and tightening. Such a trend can only be deleterious in the long run to all trade-dependent nations (like Canada) and particularly so to the weakest among them, those in the developing world. Basically for these reasons, Professor Reuber told the Subcommittee,

"...I think that first priority in our trade policy vis-à-vis the L.D.C.'s (less developed countries) should be given to encouraging others through international action and by our own example to arrest the extension of quantitative and other non-tariff barriers to L.D.C. trade.

Second priority should be given to the reduction and elimination of the many non-tariff barriers that already exist."

99. Clearly, Canada cannot single-handedly reverse or even indefinitely withstand a world trend toward protectionism. Canada's own record in this area may be less protectionist than many other developed states. Nevertheless, it is manifestly in the Canadian interest to resist as strongly as possible, however, as it is in the vital interests of the developing countries. In those situations where it is felt essential to protect vulnerable Canadian industries from low-cost competition in the developing world, such protection should be made clearly contingent on the kind of re-structuring which will ensure the long-term viability of the Canadian producers.

100. In this context, the Subcommittee notes that the Canadian offer of a Generalized Preference System (G.P.S.) for manufactured and semi-manufactured products of developing countries, although not as generous as some others, would not involve tariff preference quotas or "indicative limits." While it does contain "safeguard procedures" for the withdrawal of preferences on sensitive imports, it also provides for prior consultation in such situations. In the spirit of the preceding sections it is to be hoped that these safeguard procedures will be implemented as rarely as possible and only when

absolutely crucial from the Canadian point of view. Imports currently under restraint, (and others restrained prior to implementation of the G.P.S.), would be excluded from the preferences from the outset. The present list contains a number of items (mainly textiles and clothing) which are of primary importance to developing countries. Clearly, if the scheme is to have any real impact in the short run, this list must be reduced whenever possible. Any additions (such as the "certain categories of footwear" mentioned in the revised Canadian offer) should be made only in cases of extreme need.

101. In general, the Canadian G.P.S. offer is a helpful response to the expressed wishes of the developing countries for this sort of scheme. It obviously should not be looked upon, however, as a panacea or as any kind of "total" solution to the trade problems of developing countries. As the Minister of Industry, Trade and Commerce has pointed out, Canada has already "completely eliminated tariffs on almost 70 per cent of imports from developing countries." The new preference scheme can be expected to stimulate a broader range of manufactured imports, but it would be wrong to expect a very dramatic, overnight influx. Nor is the G.P.S. without its own dangers. Great vigilance will be necessary to ensure: that it does not inhibit further multilateral liberalization; that the new preferences do not induce undesirable trade patterns or disrupt existing patterns; and that the "Safeguard" provisions not become easy "escape clauses".

102. A further concern with the G.P.S. relates to the timing of its implementation. In announcing the Canadian offer, the Government stated that it "will continue to participate constructively in international deliberations" aimed at bringing about early implementation. The Communiqué then added,

"However, it will wish, at the same time, to ensure that the scheme does not place an undue burden on Canada. As the preference system evolves, the Canadian position will be that Canada is ready to move in concert with other countries so that the burden of adjustment to the reduced tariffs, and the impact on the imports and exports of preference-giving countries will be equitably distributed."

103. Naturally the other preference-giving countries are taking a similar position, with the United States, (where Congressional approval will be required), being the primary source of uncertainty and delay. If other major preference-givers, (such as the EEC, Japan, the Scandinavian countries), are prepared to move ahead prior to U.S. action, the Subcommittee recommends that Canada join them in early implementation. The Subcommittee is aware that this would involve special risks for Canada because the North American market is rather homogeneous and Canada might be subject to extra export efforts by developing countries anxious to gain a