

do for their export industry in bananas. Like most other Latin American countries they have their balance of payments difficulties, and must reserve the right to restrict imports to conserve foreign exchange. They are receiving a good deal of help from the United States of the P.F.¹⁰ character, and it is perhaps not surprising that they have chosen in the past to give exceptionally favourable treatment to the United States.

In the original Ecuadorean draft *modus vivendi* which as you remember had been promised for months but was not delivered until the end of September, they wished to make it an affair of lists of commodities, free trade in bananas, bi-lateral balancing of payments, etc. They do not have any m.f.n. treaties at the present time, so far as we can learn, except one with Chile, and m.f.n. agreements are not a part of their present trade philosophy. We found that the officials with whom we have held discussions, and their Ministers, so far as they had given thought to the matter, were inclined to believe that Ecuador had nothing to lose by refraining from making a m.f.n. agreement with Canada, and nothing to gain by making one. Even in our most recent meeting held on Nov. 1st, the Minister of Economic Affairs still expressed the opinion that Canada as a member of GATT was obligated to grant m.f.n. treatment to all countries in the world, whether members of GATT or not, and when we assured him that such was not the case, he said that, at least, there was an agreement among the members of GATT that they would not discriminate against any non-member before 1952, if then. One of the officials in the Ecuadorean Delegation supported him in this statement; we naturally did our best to correct this impression.

These observations will help to explain the state of ignorance and misunderstanding which we have found here, and which has been one of the obstacles to arriving at an agreement. It should be added that these points of view were not immediately disclosed in the first half hour of discussion, but only gradually came to light in the progress of meetings lasting over the first week.

It should also be noted that the officials whom we met, having themselves presumably been responsible for drafting the Articles which are unacceptable to us, naturally felt a certain annoyance at seeing the product of their efforts firmly rejected from the Canadian side, and were not disposed to go back to the type of agreement negotiated in 1941 which they had already denounced on the ground that it was not suited to modern conditions and that it had not worked to the benefit of Ecuador.

At the close of the first week, the Canadian delegation, feeling that not much progress had been made, decided that it would be appropriate to prepare a general statement of the advantages to be obtained by both countries under a new m.f.n. agreement, this statement to be used in the next negotiating meeting (Oct. 30) and if necessary in the form of a letter to the Minister of External Affairs. This statement was prepared and delivered at the meeting, with apparent good effect, except on our principal opponent, who unfortunately happened to be absent on account of

¹⁰ Note marginale:/Marginal note:

Point Four. [Author unidentified] (The term refers to the United States' technical assistance program).