

pete on equal terms with imports from other countries in the most-favoured-nation category.

Under the agreement, Canada also receives most-favoured-nation treatment from the U.S.S.R. The meaning of this undertaking is quite different in a state trading country than it is in a private enterprise country such as ours. Soviet purchases and sales abroad are made within a framework of governmental policy by officials of state trading organizations. Accordingly, the agreement includes a general undertaking whereby each government accords most-favoured-nation treatment with respect to sales or purchases involving exports or imports. This clause offers to Canadian exporters a prospect of competing on commercial terms for sales to Soviet state trading organizations.

## Escape Clauses

Certain escape clauses are included in the agreement, to be used if unanticipated difficulties should arise. These escape clauses are comparable in their effect with those contained in the General Agreement on Tariffs and Trade. For example, provision is made for the imposition of import restrictions, even on a discriminatory basis if necessary, in the event of balance of payment difficulties. In this connection, I should also mention the letter from the Canadian government which forms a part of the agreement, reserving the right to establish values for import duty if any Russian products should enter Canada in such increased quantities as to cause serious injury to domestic producers. This letter is similar in purpose to the multilateral escape clause which is included in the GATT and it is similar in its terms to a letter which forms part of our separate trade agreement with Japan.

When I first announced this new agreement, I made clear that it will not affect our strategic export controls. A provision is included which recognizes that either government may apply prohibitions or restrictions of any kind for the protection of its essential security interests. This provision would take precedence, if necessary, over any other provision of the agreement.

One of the clauses in the agreement refers to the treatment of merchant ships. This clause was studied very carefully before we agreed to include it. The practical effect is to give a continuing assurance to the Russians, for a period of three years, that their ships will continue to enjoy in our seaports such as Vancouver as favourable treatment as the ships of other countries. In other words, the provision simply confirms the kind of treatment which has been available all along to ships of U.S.S.R. registry.

I should also say something about the provisions which refer to the legal status of persons, access to courts and arbitration. These do not establish any new procedures for settling disputes that might arise in the conduct of trade between Canada and the U.S.S.R. They merely indicate the facilities that are available if any such disputes should arise. These provisions will, no doubt, be recognized as useful to traders and trading organizations in both countries. There is nothing in this agreement that might force Canadians to go before Russian courts, rather than to Canadian courts, nor force them to choose arbitration for the settlement of disputes. I mention this because there might otherwise be some misunderstanding about these particular provisions on the part of people who may not have had an opportunity to examine the legal problems which are involved.

From the Canadian point of view, by far the most important part of this agreement is the letter by which the Government of the U.S.S.R. guarantees to purchase and take delivery from Canada, during the three years of the agreement, a total between 1,200,000 and 1,500,000 metric tons, i.e. between 44.1