

resource-based exports have a fundamental bearing on our relations with other countries. Success in implementing such policies could depend in large measure on our ability to discern accurately the external environment in which they are applied. In conjunction with the other economic departments, External Affairs has participated actively in these studies.

Against this background, a great deal of movement occurred on the multilateral plane in 1972. Canada rapidly associated itself early in 1972 with the announcements by the USA, the EEC and Japan to enter into multilateral trade and tariff negotiations to begin in 1973, and participated fully in the preparatory work in GATT during the course of the year. As this round of negotiations is expected to include removal or reduction or non-tariff barriers to trade as well as tariffs, the prospect exists that this could be the most significant round to date. These preparations have taken place against a background of serious monetary disruptions and a further erosion in 1972 of the U.S. balance of payments. Canadian representatives participated actively in international efforts to meet a series of exchange crises; and Canada, as a member of the newly formed Committee of Twenty, was deeply involved in discussions of the reform of the monetary system.

Reviewing Canada's relations by regions, its trade and economic relations with the USA (with their enormous impact on the state of our political relations) remained unsettled, although in an improving climate. The U.S. continued to be, by far, our most important trading partner, importing \$13.5 billion of Canadian exports (about 69 percent of the total), and exporting \$12.9 billion to Canada (about 25 percent of their total exports). Meanwhile, a strenuous effort was made to strengthen our longer-term substantive relations with the EEC, both in order to offset the short-term but significant negative effect on Canadian trade of Britain's entry into the Community and to realize longer-term considerations of mutual trade and industrial interest. In mid-1972, a group of senior Canadian officials visited Brussels and informally proposed to the EEC that Canada and the Community explore whether a comprehensive agreement (on a MFN basis) on trade and economic questions could assist the development of

Canada-EEC relations. A dialogue was initiated on this prospect and further meetings are planned for 1973. Our rapidly developing economic relations with Japan also received increasing attention, given Japan's importance as a trading partner for Canada and its prominence in international trade and payments questions. Relations with other major trading partners such as Australia, New Zealand, China and the USSR also assumed new importance. Although Canadian trade with developing countries represents a relatively small proportion of the total, these relations continued to absorb their share of attention. During 1972, Canada took the first legislative steps (completed in 1973) towards implementing its General Preference Scheme which, in common with those of other industrialized countries, will provide improved access to the Canadian market for a wide range of products from developing countries.

UNCTAD

Perhaps the single event which most sharply focused world attention on development questions in 1972 was the Third United Nations Conference on Trade and Development, held in Santiago, Chile, during April and May. The conference adopted a comprehensive action programme for the least advanced of the developing countries; and it was agreed that the voice of developing countries must be strengthened in decisions on monetary reform and that special arrangements should be made to facilitate their participation in the forthcoming GATT round.

Other subjects of vital interest for the developing countries at UNCTAD III included terms of trade, commodity agreements, tariffs, and the transfer of technology. Many of these issues continue to be discussed both in UNCTAD and in other appropriate international agencies. 1972 saw the successful negotiation of an International Cocoa Agreement, designed to stabilize the world cocoa market, which has been marked in the past by wide fluctuations in price and supply. During the year, preparations were made for the negotiation of the International Sugar Agreement and, in the shipping field, agreement was reached to proceed towards a Code of Conduct for Liner Conferences.