

and investment remained in a depressed condition. For those who may still believe that Canada can isolate itself and prosper, the experience of the early 'thirties provides more than adequate evidence of the unfortunate consequences of such a policy. Canada cannot live unto itself alone and hope to maintain anything like its present living standards.

The Empire Trade Agreements of 1932 were designed to mitigate some of the handicaps suffered by the export industries as a result of the restriction of trade in other directions. While these attempts to secure exclusive outlets in the Commonwealth were in part effective, I believe that they were too rigid and too short-sighted. They failed to recognize that no one market can provide adequate outlets for Canadian production.

In 1935, the then Prime Minister, Mr. Mackenzie King, enunciated the policy that Canada should "promote trade with all nations and negotiate trade agreements with any country willing to trade with Canada on a reciprocal basis." The fulfilment of that purpose has been a consistent feature of Canada's tariff policy to this day.

In the few years before the outbreak of war a number of important trade agreements were successfully concluded which greatly expanded the markets for our exports and had the effect of reducing our tariff on both British and foreign goods very sharply from the extreme levels of 1930-1935. The most important of these were the two agreements negotiated with the United States in 1935 and in 1938 and the agreement with the United Kingdom negotiated in 1937. The 1935 agreement was the first real reconciliation with the United States on commercial matters since the end of Reciprocity in 1866. It marked the beginning of a new era of economic co-operation between ourselves and our great neighbour to the South.

The 1938 negotiations were really a three-way arrangement between Canada, the United States and the United Kingdom. Canada as a half-way house between her two great trading partners, with important interests in both areas, sometimes played the role of conciliator and interpreter-- a role which was to become increasingly important both during the war and in the post-war years. The successful conclusion of the 1938 agreements proved that growing trade relations between Canada and the United States are not inconsistent with the promotion of greater trade with the Commonwealth.

In Europe, however, commercial relations were developing along less satisfactory lines. Under the threat of war new devices to control trade, more ingenious and more restrictive than ever before, were introduced. The system of relatively open markets based on commercial considerations disappeared from a large part of the world.

Of the war period itself I need only say that whatever was left of normal trading relations gave way to special arrangements designed to serve the prosecution of the war. There was, however, a firm determination to work for a postwar trading system which would avoid the errors of the 'thirties. As early as 1942 Canada joined with the United States and the United Kingdom in an undertaking "open to all countries of like mind, for the reduction of tariff and other trade barriers, and the elimination of discriminatory treatment