

In the long run, Brazil could well become the most important expanding market in Latin America, and one based on an increasingly stable and diversified economy.

The increased industrialization of Brazil may cause a shift in the traditional composition of Canadian exports to that market, but it is possible that future exports will be at even higher levels than in the past.

3. *Canadian Trade Policy Towards Brazil*

Present Canadian trade policy towards Brazil is governed by the GATT, to which both countries subscribe. Canada and Brazil exchange most-favoured-nation treatment in all tariff and trade matters under the Trade Agreement between the two countries dated October 17, 1941.¹ Canada and Brazil are both bound under the GATT to non-discriminatory application of import restrictions.

Brazil's import restrictions conform to the balance of payments escape clauses of the GATT since they are directed against all hard-currency countries and not against Canadian products as such.

The Department of Trade and Commerce has facilitated private compensation or barter transactions undertaken by Canadian firms. Such private barter transactions have been carried out by Canadian codfish exporters, for example. The difficulties inherent in such complicated dealings have been made even greater by the Brazilian Government's limitations on the range of products available for barter. Only "surplus products", difficult to sell in the dollar markets, have been permitted for barter by Brazil. Under new Brazilian regulations, only those barter transactions approved before February 1951 are now permitted, thus practically eliminating any possibility of arranging further private barter deals for the present.

The suitability of our present trade policy to deal with the serious situation for our exports in Brazil, was questioned by the Canadian Ambassador, Mr. J. Scott Macdonald, in his report of April 3, 1950 and again in November 1950. In these reports, the Ambassador urged that the advisability of entering into a *bilateral trade agreement* with Brazil be seriously considered.

Following a detailed study of the various measures that could be taken by Canada, (see: ISCETP Document No. 51-3, circulated to all Trade Commissioners under Circular Letter M1725),[†] the Canadian Ambassador was advised as follows:

"A bilateral agreement with Brazil would appear to be neither desirable nor feasible under present conditions. It would represent a major change in Canadian trade policy, requiring the imposition of discriminatory trade controls in contravention of GATT, and would react unfavourably on Canada's commercial relations with other countries.

"Measures of a retaliatory nature whether under GATT or outside GATT, are strictly limited in number, and would likely cause more harm than good for our total trade. Such measures should be employed only as a last resort.

"In view of Canada's strong economic position at present, and of Brazil's improving exchange position, it would appear advisable to adopt a policy of

¹ Voir Canada, *Recueil des traités*, 1941, N^o. 18./See Canada, *Treaty Series*, 1941, No. 18.