

considered and appraised. Negotiations are concluded on the basis that the United States, or the Dominican Republic, or Belgium offers a parcel of tariff concessions, in return for a parcel of tariff concessions offered by Canada. The negotiators concerned finally agree that the concessions are of equivalent value and satisfactory to both governments. The resulting tariff rates are then contractually bound under the Trade Agreement, with the approval of governments. The favourable results are extended at the same time to all the countries which participate in GATT, through the operation of the most-favoured-nation rule.

The GATT also contains rules to avoid discrimination, and to limit the use of quantitative restrictions, quotas, and other barriers to trade. These rules, you may say, appear to have been more honoured in the breach than in the observance. In spite of the GATT, discrimination has, in fact, been practised against dollar goods, and quantitative restrictions have been imposed against Canadian exports. The reason, of course, is the existence of balance of payments difficulties in most of the countries of the sterling area and of continental Europe.

These GATT rules have not been as effective as Canadians would like. This will be generally admitted. None of us are inclined to question the financial necessities of the postwar world which originally led to the widespread imposition of import restrictions. As an aftermath of the Second World War, many countries suffered from a shortage of production, and a consequent shortage of purchasing power. Under such conditions, such measures of emergency first aid became imperative, as a means of preserving national solvency. With the general improvement of world economic conditions, however, many, if not most, of these restrictive measures have out-grown both their usefulness and their original purpose.

Now it is one thing to assert that the GATT has not been as effective in eliminating trade restrictions as Canada would have wished. It is quite another to say that for that reason the GATT is a failure and is not in Canada's interest. What would have happened had there been no GATT? Would there have been less discrimination, and fewer restrictions, against Canadian exports during the post-war period? To me the answer to that question is obvious. Whatever its weaknesses, the GATT did require member countries to justify their deviations from the normal trading rules. As countries are getting out of exchange difficulties, the GATT is serving to put pressure on them to get rid of discrimination and quantitative restrictions. The liberalization of trade that has taken place in recent months is attributable in part at least to the fact that countries are trying to live up to their GATT obligations.

This brings me to the recent session of the Contracting Parties, which concluded in Geneva about two weeks ago. After seven years experience, a number of the member countries decided that the time had come