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### CANADA'S INTEREST IN GENEVA TRADE CONFERENCE

Canada is among some eighteen countries to be represented at the international trade conference opening in Geneva April 10. At this second session of the Preparatory Committee of the International Conference on Trade and Employment, reciprocal negotiations aiming at reduction of tariffs will take place. Canada has announced her intention to negotiate on the basis of the Canadian customs tariff as in effect July 1, 1939.

In view of the impending tariff negotiations, Canada's War Exchange Conservation Act, 1940, will be terminated June 30, 1947. Under the terms of this Act, many British preferential rates were either eliminated or reduced substantially below 1939 levels. The future tariff relations of Canada with the United Kingdom and the other countries participating in the Geneva trade conference will be determined in the light of the outcome of the negotiations.

#### Canada and International Trade

With about one-half of one percent of the world's population, Canada is the third trading nation of the world. As the result of abundant, but specialized resources, Canada has large export surpluses of certain commodities (including wheat, forest products, base metals, fish, meat and cheese) and large import requirements of certain others (including petroleum, coal, citrus fruits, steel products and textiles). With an economy thus highly dependent upon trade, periods of prosperity within Canada have always been associated with periods of a high volume of international trade. One-third of the national income in Canada is derived from foreign trade.

The war intensified the significance of international trade for Canada. In response to wartime demands, all branches of the Canadian economy were greatly expanded. The growth of Canadian trade since 1939 reflects the expansion of Canadian production: total trade during 1946 was valued at \$4,266,445,249 -- as compared with a 1935-39 average of \$1,581,636,378. Canadian exports during 1946 were valued at \$2,312,000,000 -- more than two and one-half times the average for the five pre-war years.

Despite the increase of Canadian manufactures during the war, foreign demand for Canadian goods was still concentrated in the output of the primary industries: nine out of the ten leading exports in 1946, which accounted for more than one-half of the total value of exports, were products of Canada's farms, forests, mines and fisheries.

#### Canadian Tariffs

There are four levels:

1. British preference rates apply to all Empire countries. In addition, individual trade agreements between Canada and the United Kingdom, Eire, Australia, New Zealand, the Union of South Africa, and the British West Indies have established more favorable rates for certain specified products.

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2. Intermediate rates apply to the goods from countries with which Canada has trade agreements.

3. Most-favored-nation rates, in some cases lower than the intermediate rates, are extended to countries with which Canada has most-favored-nation agreements.

4. General rates apply to the goods from all non-Empire countries with which Canada has no trade agreements.

Trade agreements, conventions of commerce or similar arrangements are in force between Canada and the following countries: Argentina, Belgium, and Luxembourg and Belgian colonies, Bolivia, Brazil, Chile, China, Colombia, Costa Rica, Czechoslovakia, Denmark, Dominican Republic, Ecuador, France and French colonies, Guatemala, Haiti, Mexico, Netherlands, Nicaragua, Norway, Panama, Paraguay, Poland, Portugal, Salvador, Spain, Sweden, Switzerland, United States, Uruguay, Venezuela, Yugoslavia.

Canada's tariff relations with the United States are determined by the trade agreement of 1938, which replaced an earlier one concluded in 1935 -- the first since the abrogation of the reciprocal trade treaty of 1854 in 1866. There is at present a mutual exchange of most-favored-nation treatment, and reduced or fixed rates on scheduled goods are granted by both countries. Canadian-United States trade is the greatest in the world between two countries, with each the other's best single customer. During 1946, total trade between Canada and the United States approximated \$2,250 million.

#### Pattern of Canada's International Trade

Before the war Canada's international trade had two outstanding features:

1. Its pattern was primarily triangular -- the bulk of trade was carried on within the Canada-United States-United Kingdom and sterling area triangle.
2. In the balance of international payments there was a characteristic disequilibrium with both the sterling area and the United States. Canada had large credit balances with the sterling area (from an excess of exports over imports) and large current account deficits with the United States (from an excess of imports over exports and large payments of income on U.S. investments in Canada).

Despite the post-war development of Canada's trade with Latin America (total value of Canadian exports to Latin America during 1946 exceeded \$90 million, a figure five times the 1937-39 average), Canadian trade remains basically triangular in pattern, and with the wartime increase of Canadian imports from the United States, the disequilibrium is greater than ever before. Before the war, the free conversion of sterling income permitted Canada to meet current deficits in the U.S. account with credit balances in the sterling area. This was not possible during the war.

During the war, Canada's shortage of U.S. dollars was successfully met chiefly by exchange control measures, by increased sales of war goods to the United States following the Hyde Park Agreement in 1941, by unusually large sales of grain to the United States, by an increase in the sale of Canadian bonds to U.S. investors, and by American defence expenditures in Canada.

Since the end of the war, Canadian imports from the United States have continued to run at very high levels (valued at \$1,405,297,000 during 1946 as compared with \$472,000,000 in 1939) and heavy adverse balances on merchandise trade with the United States have reappeared. Surplus sterling arising out of current transactions with the sterling area and certain countries outside of the sterling area has again been made convertible into U.S. funds since January 1, 1947, under an agreement between Canada and the United Kingdom. In accordance with the U.S. - U. K. Loan agreement, the United Kingdom has undertaken to make all sterling on current account freely convertible by July, 1947.

During the period, however, when the United Kingdom is financing its deficit with Canada from the Canadian loan (\$1,250 million) it is not expected that Canada will have much surplus sterling for conversion into U.S. funds. In addition to the British loan, Canada has authorized \$750 million for export credits to other countries now restoring war-shattered economies. The repayment of these loans will, of course, be significantly affected by the volume of Canadian imports from the United Kingdom and Western European countries in the future.

Canada is thus vitally interested in the possible re-establishment of world trade on a multilateral basis -- and the Geneva Conference aiming toward the removal of some of the restrictions to freer world trade will be followed with great interest in Canada.

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