agreed to an unconditional cut of 20 p.c. in response to a 50-p.c. cut by the United States. It also offered a further reduction of 30 p.c., should the United States Congress repeal the ASP system. Conditional on this, Belgium, France and Italy agreed to modify "road-use" taxes, which tended to discriminate against cars with larger engines, and Britain agreed to reduce its margin of preference on tobacco imports.

Although the gains from the Kennedy Round in the direction of trade liberalization are larger than any made during the past two decades, the tariff reductions do not cover all products and are relatively small for some. There are many commodities (heavy trucks and aluminum for the EEC and crude oil for the United States, among others) on which tariffs are not being cut at all. There are many others (cotton textiles and leather products) on which reductions are relatively small. Again, there remains a whole set of non-tariff barriers to trade, such as special administrative provisions, quota requirements and others, which are no less an obstacle to trade than the tariff rate structure itself. Thus, despite substantial gains in many areas, the Kennedy Round has not ushered the world economy on to the threshold of a millennium of completely free trade.

**Implications for Canada's Trade**

What do the Kennedy Round results mean for Canada's external trade? It is possible to answer this question only in very general terms. For one thing, the event is still too recent to permit assessment of its full implications. Secondly, the agreements will become effective only gradually over the next four years,* so that final adjustments will not take place before Jan. 1, 1972. Thus, Canadian industry has four years to make any necessary adjustments which, for a technologically advanced country like Canada, should be adequate.

There are, however, other problems involved in the precise assessment of the impact that the Kennedy Round might have on Canada's trade. The concessions that Canada has received are also available to third countries under the most-favoured-nation clause of the GATT. Even if equal tariff cuts had been made by all (which is by no means the case), the effects on trade of these cuts would be different for different countries because of various factors influencing the results, such as short-run effects as contrasted to long-run effects, the level of the original tariff, the changes made in the rates of tariff, the demand and supply elasticities, the elasticity of substitution between domestic and foreign goods, the quality changes that occur, changes in tastes and preferences of consumers, technological changes, the degree of competition, the production mix and the scale of operations.†

It is difficult to say then with any degree of certainty what will happen with respect to each industry and each commodity. The whole problem can best be viewed in the context of both the opportunity and the challenge that the Kennedy Round offers to the Canadian economy in general and the export industries in particular. There is no doubt that a general lowering of trade barriers—tariff as well as non-tariff—is in the interest of the world as a whole to the extent that it will help expand trade.

**Impact on Exports to the U.S.‡**—Of the $3,000,000,000 of Canada's export trade to benefit from the Kennedy Round tariff reductions, almost two thirds is with the United States. Duties, now 5 p.c. or less, will be abolished on $557,600,000 of Canadian exports. Of this, $387,100,000 pertains to the lumber and paper group, $91,500,000 to the fisheries products group, $28,600,000 to agriculture and $50,400,000 to other products. A 50-p.c. reduction will be made on exports of $1,060,000,000 and smaller reductions on another $298,300,000.

* Canada and the United States made their first of five equal annual reductions Jan. 1, 1968; the EEC, Japan, Britain and other European countries begin July 1, 1968, with two fifths of the agreed reduction.

† It may be well to note here that even though the percentage cuts in the tariffs of the countries concerned are not the same, they are applicable in equal measure to all countries eligible for most-favoured-nation treatment. Similarly, the period allowed for adjustment to change is also generally the same for all countries although in this case two slightly different time schedules have been provided for.

‡ The export figures mentioned in this section are based on United States imports from Canada in 1966 (the last complete year before the agreement) and are in U.S. dollars. Source: *Foreign Trade*, July 1, 1967, Department of Trade and Commerce, Ottawa.