countries are generally smaller. Canada made reductions generally by 2½ percentage points, although in some cases reductions reached 5 percentage points and even (knitted goods) 7½ percentage points. Some reductions were made in leather, less in the case of shoes and boots. There is a 50-p.c. reduction in duty on natural crude and synthetic rubber, bringing the rate down to 2½ p.c. On rubber shoes and boots and on rubber manufactures including tires and tubes, the reductions are smaller. Lower duties on watches and cameras will also assist the consumer. Duties have also been reduced or eliminated on a number of miscellaneous products.

Impact on Imports.—Picking up the thread of the earlier argument about the possibility of expansion of Canadian exports as a result of the Kennedy Round, the implications of the reductions offered by Canada in import duties may now be considered. Although it is true that the level of protection to certain industries would be reduced, it is equally true that the cuts would result in imported materials being available at cheaper prices. This would help reduce costs where imported components are used in the production of goods. On the other hand, it will expose Canadian industry to increased foreign competition in the domestic market and could in some instances require it to reorganize production toward greater specialization, longer production runs and other economies of scale made possible by an expanding world market. Again, to the extent lower costs in imported materials are passed along, reduced prices will tend to increase domestic demand for the products of industry. Thus, both producers and consumers could in the long run gain from the lowering of duties.

It is true, of course, that the short-run effects of a reduction in duties are clearly different from the long-run effects. In the short run, a reduction may force an industry into losses and result in some unemployment. But, in the case of Canada at least, there appears to be little danger of any industry being wiped out, although some marginal units within an industry may be eliminated, permitting the re-allocation of resources to more productive uses. Thus, in the long run, intensified foreign competition could require progressive revisions in Canadian industry practices which would far outweigh the relatively minor adverse effects in the short run.

Export Potential.—The concessions that can accrue to Canada's export trade from the tariff reductions agreed to will apply to all most-favoured-nation countries, including some that are not party to the GATT. It follows that international competition for world markets will become more keen and every country will make vigorous efforts to take advantage of the Kennedy Round results.

With tariffs reduced on $3,000,000,000 (almost a third) of Canadian exports, it is obvious that larger markets will now open up for Canadian industry. Almost $2,000,000,000 worth of these exports go to the United States market and over half of this trade will benefit from a 50-p.c. reduction in rates. This will inevitably further increase trade with the United States, intensifying the existing trend of expanding trade to the south in a market itself ten times the size of the Canadian domestic market. Increased competition in the British market and the effect of reduced margins of preference in Britain will accentuate this trend. In addition, the Kennedy Round will open up, at least to a limited extent, the hitherto restricted EEC market. Gains can be expected also in the Japanese market and in that of the EFTA countries. Canadian exports in general have shown a highly encouraging degree of buoyancy, particularly in the 1960s, and have in recent years grown at a rate faster than that of world trade as a whole. If anything, reduced tariffs should accelerate this trend.

Conclusion

As already remarked, these gains should materialize if certain conditions obtain—important conditions on which could depend to a significant degree the success or failure