

**2. Note from the Secretary of State of the United States to the
Canadian Minister, Washington**

DEPARTMENT OF STATE,

WASHINGTON, December 27, 1934.

SIR:

I have the honour to acknowledge the receipt of your note of November 14, 1934, in which you review the trade and financial relations between the United States and Canada, and advise me that your Government proposes the early initiation of negotiations looking to a trade agreement between our two countries.

I have given careful consideration to your note. I fully subscribe to the views which you express in regard to the importance to each of our countries of its trade with the other, and I am happy to note the willingness of your Government to undertake negotiations looking to an increase in trade in both directions. It is not necessary to comment in detail on your statements respecting the balance of payments as between our countries. As you are aware, international balances are settled on many fronts, and it would be a serious setback to world trade if countries undertook to achieve balances with individual countries.

I am happy also to take this occasion to express my appreciation of the unflinching determination with which the Dominion and Provincial Governments have met their loan obligations.

When the Trade Agreements Act, 1934, was enacted, this Government took immediate steps to create an organization to undertake negotiations for trade agreements. One agreement has been concluded; negotiations for several others are now in progress; and intensive preparations are well under way for similar negotiations with a number of other countries.

I believe that a point has now been reached when an exchange of views on this subject with Canada should be undertaken, and I am, therefore, gratified to learn that your Government is of the same mind. Whatever the desirability of the freest possible exchange of natural products, and indeed other products, between the United States and Canada as an ultimate goal, the United States Government must in any negotiations undertaken at this time restrict itself to measures authorized by the Trade Agreements Act, 1934, of which I enclose a copy.

The outline which you suggest as a possible basis for discussions has been noted. You mention several specific products upon which your Government proposes to seek reductions in existing rates of duty in this country. In communicating to you the willingness of the Government of the United States to enter upon negotiations with your Government looking to a trade agreement calculated to increase trade in both directions, I must, of course, make it clear that in advance of negotiations this Gov-