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.