

The only exceptions to this general rule shall be in the case of the sanitary or other prohibitions occasioned by the necessity of securing the safety of persons, or of cattle, or of plants useful to agriculture, and of the measures applicable to the territories of either of the contracting parties to articles enjoying a direct or indirect bounty in the territories of the other contracting party.

In this connection it is desired to point out that under this Treaty Spanish goods are accorded the benefits of most-favoured-nation treatment in Canada, i.e., the rates of the Intermediate Tariff, which are very considerably lower than the General Tariff, and on a wide range of products the special rates lower than the Intermediate Tariff accorded to particular countries as a result of treaty negotiations. Spanish products, moreover, are not subjected to any import quotas whatever in Canada.

The Canadian Government appreciates the difficulties arising from the deficit in the commercial balance and in the balance of payments to which the Spanish Government refer. They cannot regard, however, the establishment of a quota for Canadian motor cars at ten per cent of the imports for a similar period of the previous year as a satisfactory one or as constituting fair and equitable treatment for Canadian motor cars, more especially when, as they are informed, quotas of one hundred per cent are accorded to the United Kingdom, the United States and Germany.

It is true that for the past three years Canadian exports to Spain have considerably exceeded Spanish exports to Canada. During the past half century Spanish exports to Canada have, with the exception of a very few years, greatly exceeded Canadian exports to Spain. The Canadian Government, however, have never raised any objection to this situation nor ventured to penalize Spanish products for the disequilibrium. Moreover—and to this fact the Canadian Government attach great importance—both Germany and the United States also exported more to Spain during the past three years than Spain exported to them and in the case of the latter country the disparity is both absolutely and relatively greater than in the case of Canada. The Canadian Government trust, therefore, that after reviewing the situation and giving consideration to these circumstances the Spanish Government will be prepared to make some addition to the extremely restricted quota now accorded to Canadian motor cars.

There is a further consideration in connection with the quota situation which the Canadian Government desire to bring to the attention of the Government of Spain. When the Decree was promulgated on May 22nd last limiting the Canadian quota to ten per cent of the amount imported in the corresponding period of 1934 Canadian factories had unfilled orders from their agents in Spain amounting, we are informed, to 372 passenger motor cars. All the material required to build these cars had been ordered and they were in various stages of manufacture when the quota was applied. These passenger cars being specially built for Spanish requirements differ in many substantial respects from those intended for the domestic or for other export markets. It would not be practicable, therefore, to dispose of them in any other market than the Spanish market without a very substantial financial loss.