

quotas equal to the habitual amount of Canada's exports, but the grave economic situation arising from the continued existence of a considerable deficit both in the commercial balance and in the balance of payments compels the Government of the Republic to develop the quota policy to the fullest degree and to find itself unable to comply with the wishes of the Government of Canada in so far as regards the quota of motorcars.

The Spanish Government hopes that the Government of Canada will appreciate the reasons for this procedure and will consequently refrain from adopting measures against Spanish exports, the only result of which would be to aggravate still further the deficit against Spain and the interchange of Spanish and Canadian commercial products. Further, the Spanish Government considers that it should be possible at any time to reach an understanding between the two countries which would permit a reciprocal increase in the exports of genuine products of the two countries.

Madrid, June 25, 1935

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*Le secrétaire d'État aux Affaires extérieures à l'ambassadeur  
de Grande-Bretagne en Espagne*

*Secretary of State for External Affairs  
to British Ambassador in Spain*

Ottawa, July 30, 1935

Sir,

I have the honour to acknowledge the receipt of your communication of June 28th transmitting a translation of the Note Verbale received from the Spanish Ministry of State in reply to the representations made, through His Majesty's Embassy, by the Canadian Government in their telegram of May 28th concerning the quota allotted to motor cars of Canadian origin, and wish to thank you for your co-operation in the matter.

The reply of the Spanish Ministry of State in their Note Verbale under reference raises some points which appear to require further consideration and discussion. In the opinion of the Canadian Government the Spanish contention that the most-favoured-nation clause is not applicable to quotas is difficult to justify in view of the express provisions of Article VII of the Treaty of Commerce and Navigation between the United Kingdom and Spain of October 31st, 1922, to which Canada is a party. This article provides as follows:

No prohibition or restriction shall be maintained or imposed on the importation of any article the produce or manufacture of the territories of either of the contracting parties into the territories of the other, from whatever place arriving, which shall not equally extend to the importation of the like articles being the produce or manufacture of any other foreign country.