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and would not be hard to defend. Unfortunately this is a product of which both Japan and Italy are very important actual and potential suppliers and a certain nervousness about what the effect might be of extending the benefit of a lower rate of duty to those countries has so far prevented any serious tariff discussions with the Netherlands Government.

Germany

The Payments and Provisional Trade Agreements with Germany concluded in November 1936 remain in force. Their operation has made possible a larger and more balanced trade between the two countries than obtained in the three or four preceding years, although in volume it is far short of the trade between Canada and Germany in pre-depression years.

Politically these Agreements are a liability because: (i) the principle of exact bilateral balancing of trade which they exemplify is at cross purposes with the more liberal commercial policies which it is in Canada's general interest to have prevail as widely as possibly; (ii) they point up a rather conspicuous contrast between Canadian and United States commercial policies and one about which Mr. Secretary Hull is, perhaps unreasonably, too conscious; (iii) the extension of most-favoured-nation treatment to Germany which will include the benefits of the lower rates of duty accorded United States goods under the new Agreement and of the remission of the 3 p.c. special excise will undoubtedly be one of the Opposition's chief

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