In addition, canals in the St. Lawrence River system make it possible to ship goods from almost 2,000 miles inland down to the sea. The inland water system is used principally to move grain to the seaboard in the fall of the year and to move coal and iron ore from the United States into Canada during the summer season. For shipping on these inland waters, Canada has a shallow draft fleet of 650,000 tons. For deep-sea carrying there is a merchant fleet of about 1,000,000 gross tons, placing Canada fourth among the world's maritime countries.

The water-borne movement of goods in Canada is conditioned to a considerable extent by climate. Of six major Canadian ports, three are ice-bound for five months of the year. Ice conditions also restrict utilization of the shortest route to Europe through Churchill on the Hudson Bay.

## Canadian Tariff Structure

As in most countries with a mixed economy Canada's trade policy has been marked by a conflict between low-tariff and protectionist views. Two interests in Canada have had to be considered. The food and raw material export industries (agriculture, lumbering, mining, fishing, etc.) desire freedom to import low-cost machinery, equipment, clothing and consumer goods. The developing secondary industries have sought protection against the competition of the large-scale established industries of the United States and Great Britain.

Canadian tariff policy has to a considerable degree been influenced by American tariff policy. There has been a tendency to increase tariff rates when the Americans have done so while attempting repeatedly to bring about reciprocal trading with the United States. For the ten years prior to Confederation in 1867 there was a free exchange of goods with the United States, but the treaty was not renewed by the United States. At Confederation, the prevailing tariff rate was about 15 per cent. Rates increased irregularly and substantially during the 1870's and 1880's and were lowered somewhat in the 1890's.

In 1897, Canada introduced a preferential tariff in favour of Empire countries. From then until 1930 the tariff level proved very stable, in spite of numerous changes in individual rates. Fairly extensive revisions of rates took place in 1903 and 1907. In the latter year, intermediate tariff rates were introduced but these have not been applied widely. The present tariff structure and the classification of commodities for duty purposes in use today is basically the one provided in 1907. The only substantial change in the tariff level until 1930 was during World War I when rates were raised temporarily for revenue purposes.

From 1930 to 1933, tariff rates increased sharply. In part this was a reaction to the depression and in part a retaliation against the increased rates applied by the United States in the Smoot-Hawley tariff of 1930. In 1932, as a result of a Commonwealth trade conference, there was a substantial widening of the margins of preference in favour of Commonwealth countries accomplished in many cases by raising rates applicable to non-Commonwealth countries. In 1935 and again in 1939, the general tariff level was lowered as the result of the successful negotiation of reciprocal trade treaties with the United States on a most-favoured-nation basis. The trade treaty of 1935 was the first with the United States since the reciprocal trade treaty of 1855 was abrogated in 1866. In spite of the absence of a treaty, the trade between the two countries had become the greatest in the world between two countries, and each was the other's best single customer.

Canada has pursued a policy of differentiated tariff rate. The rate on each article has been fixed with a view to the amount of fabrication performed in Canada, the extent and character of the market, the

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