

EXCHANGE OF LETTERS

(November 16, 1938)

1939

MODIFYING THE

TRADE AGREEMENT OF FEBRUARY 23, 1937

BETWEEN

CANADA

AND THE

UNITED KINGDOM

IN EFFECT JANUARY 1, 1939



OTTAWA
J. O. PATENAUDE, I.S.O.

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EXCHANGE OF LETTERS (NOVEMBER 16, 1938) MODIFYING THE
TRADE AGREEMENT OF FEBRUARY 23, 1937 BETWEEN CANADA
AND THE UNITED KINGDOM.

(I)

The High Commissioner for the United Kingdom at Ottawa to the Secretary of
State for External Affairs of Canada

OTTAWA, November 16, 1938.

SIR,

As you are aware, we are now approaching finality in our trade agreement negotiations with the United States, and it is expected that an Agreement may be signed in the near future.

2. In view of the willingness to facilitate these negotiations expressed by His Majesty's Government in Canada in accordance with Article 16 of the Trade Agreement of 23rd February, 1937, during preliminary discussion on this matter between His Majesty's Governments in the United Kingdom and in Canada, the Agreement will provide for reduced duties on imports into the United Kingdom of United States goods on which the Canadian Government have agreed to waive their rights under the United Kingdom-Canada Trade Agreement to the extent indicated below:—

EX SCHEDULE III OF THE UNITED KINGDOM-CANADA TRADE AGREEMENT
OF 1937

| | Rate of Duty on Goods the Growth, Produce or Manufacture of the United States |
|---|---|
| Wheat..... | Free |
| *Apples, raw..... | 3s. per cwt. (16th August to 15th April inclusive) |
| Pears, raw..... | 3s. per cwt. (1st August to 31st January inclusive) |
| Apples, preserved in syrup..... | 2s. 3d. per cwt. (In addition to the rates of duty in respect of sugar content) |
| Honey..... | 5s. per cwt. |
| Timber..... | ** |
| Chilled or frozen salmon..... | ¾d. per lb. |
| Patent leather not forming part of another article..... | 7½ p.c. ad valorem |

*Copy of Note to be addressed by the United States Secretary of State to His Majesty's Ambassador
Washington regarding the marketing of apples and citrus fruits is attached (Annex A).

**Rates of duty are set forth in Annex B.
(The reduced rates of duty referred to above, which have been the subject of discussion with the
Canadian Government will be included in Schedule I of the United Kingdom-United States Agreement.)

The Agreement will also provide for maximum preferential margins on
importation of the articles specified in Annex C (Ex Schedule VI of the United
Kingdom-Canada Trade Agreement of 1937) into the Colonies and Protectorates
mentioned in that Annex. (These reduced preferential margins will be included
in Schedule III of the United Kingdom-United States Agreement.)

3. It is understood that the consent accorded by the Canadian Government to the above-mentioned modifications of the United Kingdom-Canada Trade Agreement of 1937 is for the period during which the United Kingdom-United States Trade Agreement remains in force.

4. Similarly with a view to facilitating the negotiation of a further Trade Agreement between Canada and the United States, the United Kingdom Government agree to waive their rights under the United Kingdom-Canada Trade Agreement of 1937 to the extent necessary to permit of the inclusion in the forthcoming Canada-United States Trade Agreement, for the period during which the latter agreement is in force, of reduced duties, as indicated below, on imports of United States goods into Canada:—

EX SCHEDULE V OF THE UNITED KINGDOM-CANADA TRADE AGREEMENT
OF 1937

| No. of Canadian Tariff Item | — | Rate of Duty on Goods the Growth, Produce or Manufacture of the United States |
|-----------------------------|---|---|
| ex 208t | All chemicals and drugs, when of a kind not produced in Canada, which were on Aug. 20, 1932, dutiable at rates of 15, 25, and 25% under Tariff Item 711— | |
| | Bicarbonate of soda..... | 12½ p.c. |
| | Remainder of item..... | 17½ p.c. |
| ex 210 | Bichromate, sulphite and chlorate of soda..... | 12½ p.c. |
| 383 | Sheets, plates, hoop, band or strip, of iron or steel:— (b) Coated with tin, n.o.p..... | 17½ p.c. |
| | (c) Coated with zinc, n.o.p..... | 17½ p.c. |
| 385a | Sheets, plates, hoop, band or strip, of rust, acid or heat resisting steels, hot or cold rolled, polished or not, valued at not less than five cents per pound..... | 17½ p.c. |
| 386 | (m) (ii) Sheets, hoop, band or strip, of iron or steel, hot rolled, when imported by manufacturers for use exclusively in the manufacture of sheets, hoop, band or strip, coated with zinc or other metal or metals, not including tin, in their own factories..... | 17½ p.c. |
| 393 | Tires, of steel, in the rough, not drilled or machined in any manner, for railway vehicles, including locomotives and tenders..... | 7½ p.c. |
| 427b | Ball and roller bearings..... | 17½ p.c. |
| ex 428e | Diesel and semi-diesel engines and complete parts thereof.... | 20 p.c. |
| 438g | Motor cycles or side cars thereof, and complete parts of the foregoing..... | 17½ p.c. |
| 440j | Trawls, trawling spoons, fly hooks, sinkers, swivels, sportsmen's fishing reels, bait, hooks, and fishing tackle, n.o.p. | 20 p.c. |
| ex 440l | Complete parts of aircraft..... | 15 p.c. |
| 476 | (ii) Dental instruments of any material; surgical needles, X-ray apparatus; microscopes valued at not less than \$50 each, retail; complete parts of all the foregoing..... | Free |

EX SCHEDULE VII OF THE UNITED KINGDOM-CANADA TRADE AGREEMENT OF 1937

| No. of Canadian Tariff Item | — | Rate of Duty on Goods the Growth, Produce or Manufacture of the United States |
|-----------------------------|-------------------|---|
| ex 87 | (n) Tomatoes..... | 1½ cents per pound |

(The rates of duty referred to above will be included in Schedule I of the Canada-United States Trade Agreement.)

5. I should be glad to receive as soon as possible formal confirmation that the Canadian Government concur in the foregoing arrangements.

I have, etc.,

GERALD CAMPBELL

The Hon. Gerald Campbell, Secretary of State of the United States of America, note to His Majesty's Ambassador in Washington on November 17, 1933.

ANNEX A*

(See paragraph 2)

Apples and Citrus Fruits

*Copy of Note to be addressed by the United States Secretary of State to
His Majesty's Ambassador at Washington*

EXCELLENCY:

During the course of the negotiation of the Trade Agreement signed this day, it has been explained that the fruit growers of certain parts of the British Commonwealth, together with the United Kingdom producers, have for some time past cooperated in an organization called the Empire Fruits Council, which has made arrangements concerning the shipment of apples to the United Kingdom market from overseas, with the object of maintaining a stable and remunerative market in the interests of all concerned and of avoiding, in so far as possible, temporary periods either of oversupply or of shortage. It is understood that British Empire producers of citrus fruits are also represented in this Council.

It has been represented to me that the cooperation of the exporting interests in the United States, which is the only other major apple-exporting country, would be of great assistance in securing the orderly marketing of the crop and would be of no less benefit to them than to the other suppliers. I have the honor to inform you that the Government of the United States inclines to the view that it is in the general interest that the shipment of apples to the United Kingdom market should be so planned as to avoid excessive variations in supplies and prices, and that it will call the attention of United States exporting interests to the desirability of their cooperating with the Empire Fruits Council in such arrangements as may be feasible to assure the orderly supply of apples to the United Kingdom market.

In the foregoing connection, your attention is invited to legislation in effect (Public No. 39, 73rd Congress, approved June 10, 1933) which provides for the regulation of exports of apples (and pears) from the United States on the basis of grade or quality. Under this Act, the Department of Agriculture has issued regulations which require that all apples (and pears) shipped to foreign countries meet certain export standards. The effect of these regulations is to make large shipments of low-quality fruit to British or other foreign markets impossible.

I understand that up to the present no arrangements have been made for planning shipments of citrus fruits to the United Kingdom market, but that certain British Empire producers have expressed a desire for some form of arrangement for the orderly marketing of citrus fruits in the United Kingdom with a view to avoiding disturbances resulting from sudden fluctuations in supplies. I have the honor to inform you that, in the event the principal supplying countries (including foreign countries) should agree to cooperate in arrangements for the orderly supply of citrus fruits to the United Kingdom market, the Government of the United States would call the attention of the United States exporters to the desirability of cooperating in any feasible arrangements to this end.

*The Hon. Cordell Hull, Secretary of State of the United States of America, signed this note to His Majesty's Ambassador in Washington on November 17, 1938.

ANNEX B

(See paragraph 2)

Rate of duty on certain kinds of sawn timber, the produce of the United States of America, provided for in Schedule I of the Trade Agreement between the United Kingdom and the United States of America.

Wood and timber of coniferous species, other than box-boards, railway sleepers and sleeper blocks, square sawn but not further prepared or manufactured:

Eleven inches or more in width throughout its length... 16s. per standard*

Other:

valued at £18 0s. 0d. or more per standard..... 16s. per standard

valued at £17 0s. 0d. or more per standard but less

than £18 0s. 0d. per standard..... 10 per cent *ad valorem* less one per cent *ad valorem* for each four shillings by which the value exceeds £16 16s. 0d. per standard.

Provided that if the Government of the United States notifies the Government of the United Kingdom that the tax imposed on the importation of lumber into the United States under Section 601 (c) (6) of the Revenue Act of 1932, as amended, has been removed; then, for so long as imports into the United States of lumber and timber described in Paragraph 401 of the Tariff Act of 1930 and originating in Canada are exempt from ordinary customs duties and charges in excess of 50 cents per thousand board feet, imports into the United Kingdom of wood and timber of coniferous species originating in the United States of America shall be accorded customs treatment as follows instead of that provided for above:—

Wood and timber of coniferous species, other than box-boards, railway sleepers and sleeper blocks, square sawn but not further prepared or manufactured:

Nine inches or more in width throughout its length and 15 feet or more in length..... Free

Other:

valued at £18 0s. 0d. or more per standard..... Free

valued at £16 4s. 0d. or more, but less than

£18 0s. 0d. per standard..... 10 per cent *ad valorem* less one per cent *ad valorem* for each four shillings by which the value exceeds £16 0s. 0d. per standard.

Provided further that, whenever for a period of any four consecutive months the average value of the imports into the United Kingdom from all countries of sawn softwoods (exclusive of planed or dressed softwoods), as shown in the monthly Trade Returns of the United Kingdom under that heading, either exceeds £14 0s. 0d. per standard or is less than £10 0s. 0d. per standard; then, after consultation with the Government of the United States each of the value limitations set forth in all of the above concessions relating to wood and timber by £1 0s. 0d. per standard for each complete pound sterling by which such average value exceeds £13 0s. 0d. per standard or may be decreased in the other case by £1 0s. 0d. per standard for each complete pound sterling by which such average value is less than £11 0s. 0d. per standard; but the value limitations set forth in the above concessions shall be restored as soon as possible after the conditions which gave rise to these modifications no longer exist.

*The standard referred to throughout this paragraph is the standard of 165 cubic feet.

ANNEX C

(See paragraph 2)

EX SCHEDULE VI OF THE UNITED KINGDOM-CANADA TRADE AGREEMENT

| | Maximum margin of preference |
|--|------------------------------|
| CEYLON—Motor cars (including engines and chassis)..... | 7½ p.c. <i>ad valorem</i> |
| Motor lorries, vans, omnibuses and tractors, (including engines and chassis)..... | 7½ p.c. <i>ad valorem</i> |
| Other parts for motor cars and motor lorries, etc., except magnetos and splash proof accumulators..... | 7½ p.c. <i>ad valorem</i> |
| HONG KONG—Motor cars..... | 15 p.c. <i>ad valorem</i> |
| ALL TERRITORIES COMPRISED IN BRITISH MALAYA—Motor cars..... | 15 p.c. <i>ad valorem</i> |
| ALL TERRITORIES COMPRISED IN BRITISH MALAYA (EXCEPT STRAITS SETTLEMENTS AND KEDAH)—Canned salmon, red, sockeye or blueback and silver..... | 7½ p.c. <i>ad valorem</i> |
| MALTA—Motor cars (valued at over £100)..... | 15 p.c. <i>ad valorem</i> |
| Chassis of automobiles imported without bodies for industrial purposes (exclusive of parts)..... | 15 p.c. <i>ad valorem</i> |
| Parts and accessories for motor cars..... | 15 p.c. <i>ad valorem</i> |
| THE BAHAMAS—Paints..... | 6½ p.c. <i>ad valorem</i> |
| Vegetables, canned..... | 6½ p.c. <i>ad valorem</i> |
| Oil, lubricating..... | 4d. per gal. |
| Grease, lubricating..... | 6½ p.c. <i>ad valorem</i> |
| Fresh fruit (except apples and fruits charged with duties under Schedule II of the Tariff Act, 1936)..... | 6½ p.c. <i>ad valorem</i> |
| Dried fruit..... | 6½ p.c. <i>ad valorem</i> |
| Jams, jellies and preserved fruit..... | 6½ p.c. <i>ad valorem</i> |
| Soap, common, washing..... | ½d. per lb. |
| Stationery..... | 6½ p.c. <i>ad valorem</i> |
| Toilet preparations including toilet soaps..... | 6½ p.c. <i>ad valorem</i> |
| Shingles..... | 2d. per 1,000 linear inches |
| Motor cars and trucks..... | 15 p.c. <i>ad valorem</i> |
| Parts for motor cars and trucks (except tires)..... | 15 p.c. <i>ad valorem</i> |
| Self-contained air conditioning machines comprising elements for cooling, control of humidity, cleaning and circulating of air..... | 5 p.c. <i>ad valorem</i> |
| BARBADOS—Electrical apparatus and appliances..... | 10 p.c. <i>ad valorem</i> |
| Motor cars, trucks and vans and parts thereof (except tires)..... | 15 p.c. <i>ad valorem</i> |
| Lumber..... | \$2 per 1,000 ft. |
| BERMUDA—Hardware..... | 7½ p.c. <i>ad valorem</i> |
| Electrical supplies..... | 10 p.c. <i>ad valorem</i> |
| Eggs..... | 1½d. per doz. |
| Radios and accessories..... | 10 p.c. <i>ad valorem</i> |
| Bacon and hams..... | 2½ p.c. <i>ad valorem</i> |

ANNEX C—*Conc.*

(See paragraph 2)

EX SCHEDULE VI OF THE UNITED KINGDOM-CANADA TRADE AGREEMENT—*Conc.*

| | Maximum margin of preference |
|--|---------------------------------|
| BRITISH GUIANA—Lumber..... | \$2 per 1,000 ft. |
| BRITISH HONDURAS—Motor cars..... | 15 p.c. <i>ad valorem</i> |
| Parts for motor cars..... | 15 p.c. <i>ad valorem</i> |
| JAMAICA—Lumber..... | \$2 per 1,000 ft. |
| ANTIGUA—Lumber..... | \$2 per 1,000 ft. |
| TRINIDAD AND TOBAGO—Telegraph and telephone apparatus..... | 10 p.c. <i>ad valorem</i> |
| Wireless goods and apparatus..... | 10 p.c. <i>ad valorem</i> |
| Lumber..... | \$2 per 1,000 ft. |
| BARBADOES—Motor cars and parts thereof..... | 15 p.c. <i>ad valorem</i> |

(II)

The Secretary of State for External Affairs of Canada to the High Commissioner
for the United Kingdom at Ottawa

OTTAWA, November 16, 1938.

SIR,
I have the honour to acknowledge your letter of to-day's date setting forth the understanding of His Majesty's Government in the United Kingdom of the arrangements discussed between His Majesty's Governments in Canada and in the United Kingdom for the modification of the terms of the Canada-United Kingdom Trade Agreement of 1937, in accordance with the provisions of Article 17 thereof, with a view to facilitating the conclusion of Trade Agreements between the United States of America and the United Kingdom and between the United States and Canada. I desire on behalf of His Majesty's Government in Canada to confirm their agreement with the arrangements indicated in your letter and its enclosures.

I should be glad to receive the United Kingdom Government's formal confirmation of our understanding that they have waived until August 20th, 1940, their rights under Schedule I of the Canada-United Kingdom Trade Agreement of February 23rd, 1937, to impose a duty on eggs, poultry, butter, cheese and other milk products produced in and imported from Canada. At the same time I understand that they agree that no quantitative restrictions will be imposed on the importation into the United Kingdom of such products from Canada, unless imports should be such as to lead to instability in the market for those products in the United Kingdom.

I have, etc.,

W. L. MACKENZIE KING

(III)

The High Commissioner for the United Kingdom at Ottawa to the Secretary of State for External Affairs of Canada

OTTAWA, November 16, 1938.

SIR,

In acknowledging the receipt of your letter of to-day's date in regard to the United States trade negotiations I wish on behalf of His Majesty's Government in the United Kingdom to express their agreement with what is stated therein.

I have, etc.,

GERALD CAMPBELL

(IV)

The High Commissioner for the United Kingdom at Ottawa to the Secretary of State for External Affairs of Canada

OTTAWA, November 16, 1938.

SIR,

In my letter of to-day's date I referred to certain modifications of the United Kingdom-Canada Trade Agreement which His Majesty's Governments in the United Kingdom and in Canada have agreed to make in order to facilitate the conclusion of Trade Agreements between the United States and Canada and between the United States and the United Kingdom.

Apart from these modifications, which relate to United States goods specified in the schedules of the two Agreements about to be concluded, the negotiations have suggested the desirability of two further modifications of the United Kingdom-Canada Trade Agreement.

The United Kingdom Government understand that the Canadian Government would appreciate release from the obligation to maintain a fixed margin of preference on wrought iron (Item 377e—formerly ex 377a *et al.*) which appears to complicate unnecessarily the wording of a number of iron and steel items to be included in the Canada-United States Agreement. The United Kingdom Government for their part are accordingly prepared to agree to the deletion of this item from Schedule V to the United Kingdom-Canada Trade Agreement of 1937.

At the same time the United Kingdom Government, with a view to maintaining a proper relationship between sawn timber and the logs from which it may be sawn, would appreciate your consent to the extension to logs of certain dimensions of the rates of duty on wood and timber of coniferous species for which provision is to be made in Schedule I of the Trade Agreement between the United Kingdom and the United States of America. They accordingly propose to reduce the duty on wood and timber of coniferous species in logs neither end of which is less than 14 inches in mean diameter to 16s. per standard as from the date on which the Trade Agreement is to become effective (1st January, 1939). In the eventuality contemplated in the proviso to the concession (removal of the import excise tax on lumber imported into the United States of America) the United Kingdom Government propose to accord free entry to wood and timber of coniferous species in logs neither end of which is less than 12 inches in mean diameter and which are 15 feet or more in length.

I should be glad if you would be so good as to advise me whether the Canadian Government concur in the arrangements outlined above.

I have, etc.,

GERALD CAMPBELL



The Secretary of State for External Affairs of Canada to the High Commissioner for the United Kingdom at Ottawa

OTTAWA, November 16, 1938.

SIR,
I have the honour to acknowledge the receipt of your letter of to-day's date enquiring whether His Majesty's Government in Canada concur in the arrangements outlined therein with regard to the modification of existing preferences on wrought iron and on wood and timber of coniferous species in logs of certain dimensions. I am glad to inform you in reply that the Canadian Government concur in the proposed arrangements.

I have, etc.,

W. L. MACKENZIE KING

CANADA

UNION OF SOUTH AFRICA

IN EFFECT JANUARY 1, 1938



