

TRADE RELATIONS
BETWEEN
CANADA AND FRANCE

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A HISTORY OF TRADE RELATIONS
BETWEEN CANADA AND FRANCE.

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BY -

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FORWORD.

The object of this enquiry is to trace the history of trade relations between Canada and France. Commercial intercourse between these two countries extends back to the very origins of Canada as it was France who first began with the colonization of the part of North-America that is to-day called the Dominion of Canada. Lack of interest in a colony which, though the source of wealth to a few adventurous and corrupted officials, was a burden on the treasury of the French King coupled with the misfortune of a lost war caused the cession of Canada to England. The dislocation of trade between Canada and France was the immediate consequence of the change in political dependence. At the same time, the direction of Canada's trade into new channels revealed new and hopeful possibilities of commercial relations with the outside world. Freedom of trade with the United States, a concession soon granted by England to her new colony, and the later complementary nature of the economic development of Great Britain as an industrial country and of Canada as a producer of agricultural commodities reduced the trade between France and Canada to almost nothing during two-thirds of the 19th Century. In the course of this

enquiry it will be seen how the attempts of Canada to revive commercial relations with the Mother country of a considerable proportion of her population have been successful in achieving during the early eighteen hundred and sixties a resumption of trade between Canada and France. We shall endeavour to show to what extent the conclusion of trade agreements between the two countries have from then on affected the development of Franco-Canadian trade and what effect other events, restricted in their importance either to Canada or France alone or exerting an influence upon the world at large, have had on the exchange of commodities between France and Canada. An attempt will also be made to explain why, inspite of the bonds of friendship which undoubtedly exist between the two countries and which have been tightened during the world War, Franco-Canadian trade has never amounted to but a small percentage of the total trade of either France or Canada. A discussion of the possibilities and probable limits of a future development of trade between the two countries concludes the enquiry.

Acknowledgement is made to the French Trade Commissioner in Montreal, the Canadian Trade Commissioner in Paris and also to the staff of the Canadian legation in France for the valuable help which they have extended to the writer in the obtaining of the necessary official information in reference to the subject.

PART I.

THE ECONOMIC RELATIONS BETWEEN CANADA AND
FRANCE FROM THE DAYS OF THE FRENCH REGIME
TO THE FIRST FRANCO-CANADIAN TRADE CONVENTION
IN 1893.

CHAPTER I.

CHARACTER AND EXTENT OF CANADA'S TRADE UNDER THE FRENCH REGIME.

The exchange of goods between France and Canada began with the discovery of fur-bearing animals on the mainland of New France. Had there been no such valuable substitute for the precious metals, in the search of which the French explorers had by mere chance arrived in the Gulf of the St. Lawrence, little or nothing had probably ever become known of the most Northern parts of the North-American Continent, except the bleak coasts of Newfoundland and Labrador on which Europeans had dried their fish since the time of the Viking explorers. It is true that the desire to convert the savages and the wish to increase the territory of France to the glory of the King played their part in maintaining the interest of the French in that part of North America which later became Canada, but it is doubtful whether the basis for an interchange of goods could have been created without the possibilities of extensive gains through the trade in some particular merchandise. The fishing industry alone would not have been sufficient to create in New France a demand for the multitude of food products and manufactured articles which the Mother-country was to export to her Colony in North-America. Most of the fishing trade was moreover in the hands of the English who had recognized its value long before the French, and the

product of this trade can, therefore, not be considered as contributing in a large measure to the extent of the exchange of goods between Canada and France. It was the abundance of valuable furs, and the prospect of large profits which could be made through trading in them, which at last persuaded France and her merchants to establish themselves firmly in Canada. Later the fur trade itself became an obstacle to a sane colonial development and, therefore, an impediment to trade expansion. It remains, however, the cause for one of the fundamental motives for French colonization in Canada, a historical fact which in turn was naturally to have an everlasting influence upon Franco-Canadian trade relations.

Canada was a colony under the French regime; moreover,^{1.} for a long time it was considered as a colony of exploitation. Trade between Canada and France was thus similar to the trade of any over-sea possession of the 16th, 17th, and 18th Centuries with its corresponding Mother country. Paternalism and monopoly were the central features of this European^{2.} or Spanish system. The policy of conceding the sole rights of trade and the less definitely stipulated duties of colonization to large trading Companies was the only system in the late 16th and early 17th Century which could assure the French King-at that time - almost entirely occupied with European politics and the consolidation of his throne - of a reasonable possibility of success. It seemed far more

1. Renaud: "Les origines économiques du Canada",
Paris, p. 445.
2. Shortt: "Canada and its Provinces",
Toronto, V. ii, p.

advisable during that initial period of Colonization to appeal to private capital than to let the burden of the charges fall upon the budget of the State.^{1.} Within the first half of the seventeenth century, however, some of the faults of private monopoly began to be understood fully, and the creation of the Compagnie des Cent Associes in 1627 and of the West Indies Company in 1663 transfers all original rights back to the King who from then on rules in France through governor and intendant. A description of the political system by which New France was governed falls outside the scope of this account. The fact, however, that in respect to trade relations between Colony and Mothercountry, it was based upon mercantile principles, renders it of singular importance to the movement of goods leaving and entering Canada. Instead of France, as an example, furnishing the colony with manufactured goods, it would have been England which had in the absence of mercantile restrictions supplied New France with those articles in the production of which she occupied first place among the nations of Europe. The New England colonies which had developed their agricultural production long before New France began to grow all the grain she needed, could easily have shipped the, at certain times occurring surplus of wheat to their French neighbours to the North, had not its entry into New France been generally^{2.} prohibited. Indeed, the entire trade of New France was

1. Renaud, Idem. p. 93.

2. On certain occasions only the Army was allowed to be supplied by foreign articles of alimentation.

Renaud, Idem. p. 440.

modified by the political system which tied the colony to France and forced the exchange of goods to flow only in the directions considered by authority to be for the best interest of the Mother/country.

Notwithstanding this carefully worked out system with all its regulations to foster trade between France and her North-American Colony, the volume of trade between the two countries never reached the heights of the exchange of goods between England and her colonies in America. The essential factor which determined in this unfavourable way the trade between Old and New France during almost the entire period of French rule in Canada was the fact that for a long time the colony had only one single commodity to offer in payment for the articles which it needed from the Mother/country. There was no tobacco, rum, or cotton in Canada, products for which high prices were paid in Europe and on account of which the English colonies prospered. The sole source of wealth was furs. Since the supply of this merchandise is very irregular, the entire trade of the colony and with it its material well-being necessarily fluctuated continuously from good to bad times. The risks of the trade were very considerable and the
1.
needed credits not always forthcoming. The element of uncertainty prevailed and stable means of payment for exchange goods in the colony were lacking. Charlevoix, one of the
2.
early Historians of New France, wrote at the beginning of the

1. Renaud. Idem. p. 438.

2. Charlevoix, "L'histoire de la Nouvelle France",
Paris 1744, Tome III,
p. 91, 94.

eighteenth century: "Rien n'a peut-être plus contribué à le (le commerce) faire languir, que les changemens fréquens, qu'on y a faite dans les monnoyes" and "elle (la colonie) a toujours plus tiré de France qu'elle n'a pu payer ... par la son crédit est tombé, & en tombant, a causé la ruine de son commerce, qui, des l'année 1706, ne rouloit presque plus que sur les menues Pelleteries".

To what extent the colony depended still during the second half of the seventeenth century upon the fur trade as the saving element of its existence shows an excerpt from a letter written at Quebec in September of the year 1660.

"Depuis quelques mois les Outaouak sont venus avec un grand nombre de canot chargés de castors, ce qui relève nos marchands de leur partes passées, et accomode la plupart des habitants, car sous le commerce le pays ne vaut rien pour le temporel.

Il peut se passer de la France pour le vivre, mais il en depends entièrement pour le vêtement, pour les outils, pour le

vin, pour l'eau-de-vie, et pour une infinité de petites marchandises, et tout cela ne nous est apporté que par le

moyen du trafic"^{1.} At times the settlers were almost ready

to leave New France and to return to their old home when

pelts, the only source of their income, were lacking. The

piously thankful words quoted from another letter of the time

shows how great was the influence upon the entire trade of the

colony with France when, after a dark period, a new supply of

furs was available. "Cette bénédiction du ciel (les castors)

1. Innis: "Selected Documents in Canadian Economic History, 1497 - 1763". p. 287.

est arrivée, lorsque ces messieurs (les marchands) voulaient quitter ce pays, en croyant pas qu'il y eut plus rien à faire pour le commerce. S'ils eussent quitté, il nous eut fallu quitter avec eux; car sans les correspondances qui s'entretiennent à la faveur du commerce il ne serait pas possible^{1.} de subsister ici".

The fur trade which seems to have saved New France time and time again was, however, also the cause for the limited exports of the colony to France. The quick gains which could at times be made in it were not conducive to the development of agriculture, and it was only in exceptional years that Canada was able to export those products which much later were to become the chief source of her wealth. It is interesting to note, that, contrary to the ordinary state of things, New France produced in certain years near the end of the seventeenth century more grain than she needed; and that she was even able to export in one year (1685) 200,000 bags^{2.} of flour to France. Generally, however, and until the end of the French regime it was the Mother/country which supplied the colony with large amounts of wheat, flour, and other food products. In 1698, as an example, Frontenac asked for 300,000^{3.} bushels of flour and 100,000 pounds of bacon. Especially the maritime parts of New France seemed only seldom to have been

1. Lettres de la Reverende Mere Marie de l'Incarnation.
V. ii, p. 167.

2. Quoted from Salone, "La colonisation de la Nouvelle France", p. 330, Denonville au Ministre. 20 avert, 1685 (Paris. Arch. col. Canada. corr. gen. 7, 1635, fol. 69.

3. Innis, Ibid. p. 298. Can. Arch. C II A XV, 74-75.

able to produce the necessary grain for their population and continually we find outcries for help from France in the papers relating to the time.^{1.} Horses and cows, salt and sugar were also among the products which came from the Mother/country as late as 1715.^{2.} All these articles could easily have been produced in New France and their importation can only be explained by the fact that in spite of many encouragements by the authorities, the interest of the French settlers was almost entirely directed towards the fur-trade; which as it was practically always carried on illicitly, i.e., in disrespect of Company or Government Monopolies, offered besides speculative profits the added attraction of a daring and adventurous life. It was part of the ill fortune of France in America that the water routes of the fur-trade led the French to pass by that most fertile part of their realm, the Niagara Peninsula and what we to-day call Western Ontario, If that region, the climate of which is so similar to certain parts of France that even peaches can be grown there, could have been utilized by the French, trade between the Colony and Old France would probably have taken a very different course^{3.} of development. It is not surprising that manufactured goods such as, nails, ropes, copper, iron and tin containers, shoes

1. Innis, Ibid. p. 109, C II B, XIX, 50. Lettre de Messieurs de Bourville et Lenormaut, le 7, Gbre. 1737, a Louisbourg.
2. Innis, Ibid. p. 100, C II A, CXXIX, pt. 2, 367-372.
3. Salone, Ibid. p. 399, Hocquart.

and nets for fishers, spades and sickels, and such articles as wines and rhums were imported from France since the manufacture of the former was discouraged in the colony;^{1.} while the Canadian climate was little conducive to the production of the latter.

One of the attempts to stabilize the uncertainties of trade with New France, caused by the fluctuations of the fur trade, was the establishment of the three cornered trade, Canada - West Indies - France - Canada. The success of this system seems, however, to have been limited and the trade balance continued to be unfavourable to Canada as the following table, giving the amounts of exports and imports, for some typical years will show:-^{2.}

<u>Year</u>	<u>Imports</u>	<u>Exports</u>
1729	3,000,000 liv.	1,287,256
1735	2,307,662	1,705,698
1737	1,913,142	1,677,695
1739	1,827,081	1,760,917

Those years when New France sent more to the Mother/country^{1.} than she received were exceptional, which however, does not imply that the entire exports of the colony never reached higher amounts than those given here. Contraband trade played an important part in the commercial activities of New France and sometimes (1728) it is valued as high as 150 to 200,000 pounds.

1. Kalm, "Voyage de Kalm en Amerique, 1749". (French translation by G.W. Marchand, Montreal 1880, p.230.)
2. Innis, Ibid. p. 421.
Can. Arch. C II A LXXX 376-383, 1743.
Imports from France, 1,894,162 liv. 2s. 6d.
Exports to " 1,965,996 liv. 19s. 7d.

The intendant Hocquart reported home in 1737 that by far the major portion of the beavers trapped in New France went to the English in that year.^{1.} It would lead too far away from the subject matter of this study to treat in detail the manifold reasons for this illicit trade; suffice it to say that the contraband was doubtless one of the causes why the exports to France could persistently show a lower figure than the imports from that country. Towards the end of French rule in Canada this divergence of the amounts for exports and imports was aggravated more and more until during the period of the years 1749 to 1755 the imports from France were worth more than three times as much as the exports of the colony.^{2.} One of the contributing causes for this tremendous fall of exports to France was probably the decrease in the supply of beaver-skins about which Kalm, the Swedish naturalist who made a very extensive survey of Canada around the middle of the 18th Century, says the following: "Beaucoup de gens m'ont dit qu'ils se souviennent d'avoir vu, dans leur jeunesse, toutes les rivières près de Montréal, y compris la rivière St. Laurent, remplis de castors et de leur digues; mais à présent, il faut pénétrer a plusieurs milles dans l'intérieur pour en trouver un seul,^{3.} tant ils ont été détruits". At that time the Compagnie des

1. Salone: Ibid. p. 394.

2. Salone: Ibid. p. 399.

3. Kalm. Ibid. p. 226, 227.

The reason for the absence of the beaver lies in the fact that he shuns mankind; the result is the same.

Indes Occidentales still enjoyed a monopoly on the sale and purchase of beaver skins.⁴ All other furs could be traded in freely by license holders and very few of these furs seem to have gone to France - fashion did not favour them at the time and contraband trade was probably more profitable - so that beaver skins became the principal export to France and the lack of supply in them must have helped to produce in these later years the fall of exports to the Mother/country.

From this short analysis of the trade relations between New and Old France it can be seen that as long as there was little more than furs which Canada could send to France the prospects of a lively trade were very limited. Also, the nature of the fur trade tended to keep down the number of the population and without a large market there was naturally a comparatively small demand for the products which the Mother/country could have exported to the colony. On the other hand the fact that during the later days of the French regime, the imports were usually three times larger than the exports, shows that in violation of the regulations the colony had begun to trade extensively with England and her colonies to the south; for it is doubtful whether enough of the means with which to pay for imports exceeding to such a considerable degree the exports of New France, could have been secured through the trade with the French West-Indies and by virtue of the salaries received by the officials in C^anada. If, as seems probable, there was an increasing trade with England it had as its basis economic

1. Salone. Ibid. p. 399. Memoirs de Baucas, 1758.
Imports 8,000,000 Exports 2,500,000.

causes which, though modified considerably from time to time, have continued to influence unfavourably Franco-Canadian trade relations during the entire course of their history up to our own time. There was then and there is now a mass of manufactured products which England is able to furnish cheaper and sometimes better than France, due to her position as an industrial country - ^a state of things which began during the time under consideration - and there was and is in England a higher demand for the produce of Canada than in France. The contraband trade would not have developed in those early days to the extent it did had not the English paid higher prices, caused by a greater demand. For our own time, taking again Canada's most valuable single item of exports, we may substitute wheat for furs. England needs wheat and imports great quantities of it from Canada. France grows most of what she herself² consumes and is therefore not forced to import any from this country. This question of underlying causes limiting and modifying the volume of trade between Canada and France will again be dealt with at greater length at a more advanced stage of this account.

In the next chapter we propose to show the crushing effects on Franco-Canadian trade caused by the cession of Canada to the British, the comparative ease with which trade began to direct itself into new channels until, caused by Canada's economic development the "old tradition" was renewed after an almost complete interruption of direct commercial relations

which lasted for a century.

CHAPTER II.

THE DISLOCATION OF TRADE BETWEEN CANADA AND FRANCE.

The period which will be considered in the following pages, extends from the Treaty of Paris in 1763, over the closing years of the 18th, and over two-thirds of the 19th Century. It begins with the forced interruption of direct trade relation between Canada and France, the effects of which were to have an unfavourable influence on Franco-Canadian commerce until the last quarter of the 19th Century. The influence of this early prohibition of all direct commerce with France was indeed so thoroughgoing that it almost eliminated the possible favourable influence which was afforded by the racial and linguistic unity of a large part of the population of Canada with the people of France. During the period of Canada's economic development when this racial factor, on account of sheer majority of the French element in the composition of the Canadian people could probably have exerted a strong influence upon the development of a trade with France, political restrictions on the one hand and social causes such as poverty of the habitant and his exclusion from the wholesale and import and export trade on the other did much to direct Canadian external trade into its new channels: England and the British Colonies to the

South which soon became the United States of America. Once the British and the American trader had obtained a stronghold in the Canadian market and the Canadians had found a friendly recipient of their produce in England and the United States, the commerce with France dwindled to almost nothing. And it was only with the rising demand in Canada for typical French products, caused by the increased purchasing power of the Canadian people during their country's transition from the simple economic system of a colony - exporting raw materials and importing manufactured articles - to a more complex national economy, that trade began again between France and this country. The period under consideration would, therefore, seem at first sight almost devoid of any positive interest to this account; since, however, firstly the forced interruption of direct trade between France and Canada and secondly, the growth of the Canadian commerce with England and the United States modified any later development of Franco-Canadian trade relations and since moreover, even in the face of many unfavourable circumstances the exchange of goods, direct or indirect, did never cease entirely, it has been found advisable to retain an analysis of this period (1763 - 1862) within the bounds of this essay.

After the year 1763 all rights and privileges concerning the trade with Canada were conferred upon England. The new ruler adhering to the same mercantile policies which before had helped

to retain commerce in French hands, made sure that there be no leak in the system of a British trade monopoly, and the Navigation laws and other restrictions were equally applied to the newly added colonies as they had been to the other North-american possession. In the preceding Chapter we laid stress on the fact that contraband trade with England had to the detriment of France increased considerably during the closing stages of her rule in Canada. Basic economic causes had favoured this increase of commercial intercourse with Britain. There had, however, been built up between France and Canada an elaborate system of trade relations and although England was probably able to send to Canada the produce of her speedily developing manufactures at lower prices and of a more advanced quality than France, there must have been many articles which the people of Canada still desired to obtain from the country to whom they owed their existence. Partly due to economic conditions and partly by reason of trade regulations, the bulk of the imports and exports was directed into new channels; a certain amount of the trade of Canada continued, however, for some time to be derived from the old association with France.

In the year 1760 there were settled in New France 65,000 French and about 300 English. Although immediately after the conquest many English traders came into Canada from New York and Massachusetts, an immigration which raised the English proportion of the population to some extent, the total of the

English settlers constituted for a number of years only 5%^{1.} of the entire population. It is evident, therefore, that the demand for many French goods must have been quite extensive, if we consider that the vast majority of the people of Canada had remained accustomed to see most of their wants supplied by the country of their origin. This demand for French produce, such as articles of fashion, luxuries and high grade wines, would in fact, even after the British had taken over the reigns of Government, have been much greater, had not considerable emigration of the classes which used these articles most, taken place. As we are informed by writers of the time, most of the clothing, for example, that the French habitant^{2.} wore consisted of homespun, he did not drink high grade wines and lacked the means to procure luxuries. These articles had been imported to be used almost exclusively by the limited class of rich merchants and high government officials. The representatives of the French King from the tax-collector to the Gouverneur General had to leave New France after its cession to England; many of the seigneurs and the rich^{3.} merchants also returned to France, and thus it may easily be seen that the demand for these articles fell off after the cession of Canada to England to a greater extent than the composition of the population would seem at first sight to allow for. Nevertheless, trade between France and Canada, though illicit

1. Shortt, "Canada and its Provinces", Vol. III, p. 24.

2. Kalm, Ibid. p. 140

3. Shortt, "Ibid. Vol. IV (a), p. 521.

and limited, took place. Under French rule the problem of contraband trade concerned the commercial intercourse between New France and the British colonies to the South; now, after Canada had been joined to the possessions of the English crown it was the trade of the French Canadian merchants, who had remained in Canada, with St. Pierre and Miquelon, which troubled the authorities. The two islands had been left in the hands of the French by the Treaty of Paris. Situated not far from the Canadian mainland they offered an excellent basis of operation, to use a strategic term, for the French exporter who had been accustomed to derive large profits from the sale to the colony of these goods which did not suffer from British competition. This trade, in fact was large enough to worry the British authorities. Little more than six months after the Treaty of Paris had been signed, General Murray urged the establishing of revenue cutters in the Lower St. Lawrence to prevent the smuggling of liquors and other articles from the Islands of St. Pierre and Miquelon.¹ The efficacious patrolling of the Canadian coast was, of course, beyond all possibility, and French goods were brought into the country particularly¹ during the winter months.

Direct trade with France was almost negligible on account of the Navigation Laws, but there are indications in the literature of the time that it did occur. A copy of a letter from the Committee of Merchants in London to the Merchants of

1. Shortt: Ibid. Vol. IV. p. 522, 523.

Quebec dated June 13th, 1767, which appeared in the Quebec
1.
Gazette, shows that some independant trade between Frances' old colony and France herself was still going on. The letter of adhortation couched in very paternal language reads in part as follows: "The consideration that every Degree of Intercourse between the British Colonies and the Manufacturing Countries of Europe, tends to strengthen their Navigation, and increase their Manufactures at the Expense of our own, will, we are sure, be a sufficient Motive to engage you heartily to carry into Execution the Clause of the Regulation Act, inhibiting that Intercourse; ... And we beg leave to recommend your avoiding hereafter any applications, which may be construed into the most distant means of interfering with the Manufactures of the Mothercountry, either by furnishing her Rivals with raw Materials, or by the Public Encouragement of similar Manufacturers among yourselves, no small strength having arisen to your Opponent, during the late struggles from each of those Topics". This letter signed by forty-eight principal merchants "trading to North America" indicates the existance of Canadian exports to France during that time, for with the exception of Holland, and to a very small extent Spain, there were at that time no other "Manufacturing Countries of Europe".

Barring occasional incidents of direct trade between France and Canada such intercourse must have been

very small, which does, however, not imply that no French articles entered Canada, or that no Canadian products were sent to France. It seems that the importation into Canada of French products through the indirect medium of the English merchants was very limited, since, as much as they were able to do so, the British traders favoured the producers of their own country. On the other hand the export of colonial produce to European countries, and among them to France played a more important part in British trade. In the letter, quoted above, we find the British merchant severely discouraging the export of raw materials from Quebec to France but about ten years later, in 1775, there is mention of the export of such products to European countries. A commerce, performed, however, by the British merchants themselves and not by possible Canadian or French rivals. In a "humble PETITION of the Merchants, Traders and others, of the city of London, concerned in the Commerce^{1.} of North-America" we may read "that our Petitioners receive circuitously ... from Italy, Spain, Portugal, France, Flanders, Germany, Holland and the East-Countries, by Bills of Exchange or Bullion, in Return for Wheat, Flour, Rice, Indian Corn, Fish and Lumber, exported from the British Colonies in North-America for the use of those Countries". By that time the possible strengthening of foreign manufactures through the influence of colonial exports of raw materials

1. Wnnis, Ibid, p. 502, Quebec Gazette, May 11th, 1775.

was no longer a cause for anxiety to the London merchants and we may safely assume that they profited from such trade until the time when in the early 20th Century, Canada began to take her foreign trade into her own hands.

After the cession of New France to England and until about the middle of the 19th Century practically the entire carrying trade between Canada and the European continent was done by British ships. Moreover, the merchandizing itself of the goods exported from Canada to Europe and of the articles which the European countries exported to Canada was in the hands of British traders. On account of these facts the major proportion of the goods which came from the European continent through the medium of Great Britain appeared in the existing trade statistics as imports from the Mothercountry. After the Canadian ports had been opened to the world at large there was, however, a small amount of direct trade with Europe, but the imports which entered Canada in this way were in the statistics of the day not arranged by the countries of origin. The only possibility, therefore, of eliminating the imports from France would be by means of the tonnage of French ships coming to Canada. There is, however, no evidence that any ships from France entered Canadian ports before the late eighteen hundred and sixties. Of the 176 foreign boats which came to the ports of Quebec and Montreal during the course of the year 1852, 73 flew the flag of the United States, 58 were of Norwegian origin, 32 came from

Prussia, 6 from Portugal, 3 from Sweden, 2 from Mecklenburg,
1. 1 from Hamburg, and 1 from Bremen. None had come from France.

in the same year Canada's trade with all foreign countries constituted only 2.5 per cent of her total trade, a percentage which was probably equal to the proportion of her trade with
2. the European countries.

The value of the imports from these foreign countries were more than three times larger than the value of the goods which Canada sent there, a situation which was very likely similar to the trade relations with France. In fact, Turcotte, in his work on the Provinces of
3. Canada, claims that until about the year 1859 France did

not buy anything at all from Canada and that the small amounts of merchandise which reached Canada from the former were never shipped directly but always through the medium of the British trader. The year 1855, during the course of which a world exhibition was held in Paris, marks the beginning of resumed commercial relations between France and Canada, and terminates thus the long period of the almost complete non-existence of Franco-Canadian trade relations. "L'exposition universelle de Paris", writes Turcotte", ...

1. A. Lillie, "Canada, Physical, Economic and Social", Toronto, 1855. p. 189.

2. A.Lillie: Ibid. p. 189 1852.

	IMPORTS:	s	d	EXPORTS:	
Great Britain	£2,667,783	3	6	£1,426,614	5 4
West Indies	1,278	13	1	3,490	6 9
N.Amer.Colonies	120,238	10	7	203,034	15 11
United States	2,119,423	6	4	1,571,130	8 8
Other Foreign	162,899	10	11	47,123	16 5
<u>Countires</u>					

3. L.Ph.Turcotte: "Le Canada sous l'union, 1841-1847", Quebec 1871-1872.

permit au Canada d'occuper une place distinguée^{1.} dans ce
deuxieme concours industriel et artistique des nations.
La variété de^{2.}ses productions agricoles, la beauté de ses
bois, la richesse de ses minéraux et de ses fourrures, fixa
specialment l'attention de la France". J.-C. Taché^{3.} was
Chairman of the Canadian commission at this exhibition,
and Robin in his *Historie de l'Exposition Universelle*
praising Taché for his work in Paris wrote at the time that:
"M. J.-C. Taché a deployé dans l'accomplissement de son
mandat un zèle et une activité vraiment meritoire; on peut
dire qu'il a popularisé le Canada en France, qu'il l'a fait
aimer en le faisant connaitre par les publications pleines
d'a-propos, qui ont été repandues par ses soins. ... Au
point de vue commercial, M. Taché a fait très-habilement
ressortire les avantages que les deux pays peuvent retirer
de transactions suivies, et cette propagande portera des
fruits; la beauté des produits du Canada nous en est un sur
garant". The favourable impression that Canada made at the
World Exhibition induced the French Government to send to
Canada M. de Belvèze, commander of "La Capricieuse", as
representative of France with the object of "establishing
commercial relations between France and Canada".^{4.} As a result

1. The first European Exhibition at which Canada had had an opportunity to demonstrate her wealth had been held at London in 1851.
2. Turcotte, Ibid. p. 266.
3. vide J.-C. Tache, "Report, Canada at the Universal Exhibition of 1855", Toronto 1856.
4. Turcotte, Ibidem. p. 267, 268.

of this mission the Canadian Government suggested to London to ask Napoleon III to establish a French consulate in Canada. France was, at first, not in favour of such a proposal, but in 1859 (four years later) Baron de Gandrée-Boileau was despatched to Canada as the first official representative of France to enter Canada after the Treaty of Paris. In the following Chapter it will be seen that these early endeavours to revive the exchange of the products of France and Canada did not bear fruit immediately after the formal resumption of friendly relations between the two countries, and that the real revival of franco-Canadian trade did not begin until in the early nineteen-hundred-and-eighties a group of French-Canadian statesmen directed all their efforts towards the development of closer commercial relations between Canada and the mère patrie of their ancestors.

CHAPTER III.

THE REVIVAL OF TRADE BETWEEN CANADA AND FRANCE.

The revival of trade relations between Canada and France which took place during the last third of the 19th Century, was part of the unprecedented development of Canada's foreign trade after Confederation. The energetic opening up of Canada's resources, the beginning of a national consciousness resulting in a definite commercial policy, and the influx of new settlers and fresh capital, all were undoubtedly at the basis of a development of trade with any particular country. Yet these underlying causes which favoured the growth of Canada's foreign trade as a whole did not influence the commercial relations with countries other than the United States and England as easily as might have been expected. It would probably be true to say that, had Canada not experienced the speedy economic development which she did during the last quarter of the 19th Century, the possibility of a trade revival with France would have been very small; on the other hand it will be seen that this increase in Canada's economic strength was, although a fundamental prerequisite, not the only cause for the renaissance of closer Franco-Canadian commercial relations. In the case of England and the United States trade increased readily on account of the established connection brought about mostly

by geographical proximity in the one case and by political attachment in the other. These forces which were strengthened by the presence of considerable financial interests in Canada, particularly on the part of England, had been at work for more than three-quarters of a century back and had, coupled with other, economic causes led to a stagnation of Canada's trade with France. In fact, Canada had become accustomed to see in the United States and in England the sole and natural furnishers of the products she needed from abroad and to consider these two countries as the almost exclusive recipients of her surplus goods. With England close commercial relations had existed since the Treaty of Paris and with the United States trade had grown after the signing of Jay's Treaty in 1794 until it was allowed to expand to its maximum possibilities under the reciprocity arrangement which had begun in 1854. There were few people in Canada who realized the possible danger of the too great dependence on the United States market, since there was no indication that it would not always be ready to receive Canada's products.

In the troubled period of the early eighteen-sixties, the unexpected happened for the first time after many years of liberal commercial intercourse. Canadian produce could not move freely across the border to the South, and it was then that we find an interest in the obtaining of new markets. "Naturally the first country to be considered was France, not merely because France was a second Mother/country to Canada, but

because the negotiation in 1860 of Cobdeau's Reciprocity Treaty between England and France had made it evident that friendlier relations between the two countries were beginning, and that France was disposed to depart to some extent from her rigid protectionism."¹ In the year 1862 Sir Alexander Galt, a Canadian Statesman, who was to become a pioneer in widening the scope of his country's foreign trade relations, declared in his Budget Speech: "At present there are practically but two markets to which our produce goes and from which we can obtain supplies. One of them is Great Britain, the other the United States. Now the cause of the suffering in this country at the present time has arisen from one of those markets being closed to our trade. How is it, on the other hand, that under circumstances hitherto unparalleled in regard to the want of the staple articles of cotton, Great Britain has maintained her position during the past winter? It is this, that although she is dependent on the United States for an article important to her manufacturers, the various branches of her industry are so diversified, and her connection with other countries is so intimate, that when one channel of trade is closed another opens and she is not depressed to anything like the extent we ourselves are ... We ought to endeavour to seek such commercial relations with other countries, as will not place

1. O.D.Skelton: "The Life and Times of Sir Alexander Tilloch Galt". Toronto, 1920, p. 332.

our merchants entirely at the mercy of one or two countries, and this recalls to my mind the liberal treatment we have received from the Government of France. The French Government have, with the utmost liberality admitted all Canadian produce almost free to their markets, and they have also extended to our shipping the same advantages which they have conferred^{1.} on that of England." The time to take up negotiations had, however, not yet come. Canada was still a colony and "no official correspondence could take place between a Colonial Government and the Government of a foreign country"^{1.} The only direct connection which existed between Canada and France was the presence of the French Consul in Quebec. Baron Boilleau of whom Galt speaks as "a gentleman of great intelligence and of almost universal knowledge, who has aided us in the development of our trade with France to such an extent as must make him and the country he represents^{2.} worthy of the warmest thanks of every Canadian", was at that time French Consul General for Canada. In the 1860 Treaty between England and France, Canada had not been included, but ^{Boilleau} ~~Britain~~ through an informal understanding the year after arranged that the reduced duties be also applied on certain articles coming from Canada. This understanding favoured particularly the Canadian shipping industry, lowering the

1. O.D.Skelton: Ibid. p. 332, 333.

2. O. D.Skelton: Ibid. p. 333.

duty on wooden ships, at that time Canada's chief export to
1.
France, from 40 frcs. a ton to 2 frcs. England, although she
had recognized the principal of fiscal autonomy of the province
of Canada as early as 1843, did not entirely favour such
"informal understandings" between the Consul of a foreign
power and her colonies, and when some time after, Boilbau went
to negotiate at St. John concerning similar tariff arrange-
2.
ments his recall was politely requested. Except for such
informal agreements, and occasional journeys through the
country of French publicists, Canada was again forgotten by
France. The temporary flickering of interest in Canada
which had been caused by the Canadian efforts during the
World Exhibition of 1855 had subsided. The investment of
French funds in Canada had not yet begun and the fact that
she was still a British colony did not, after the experience
of Boilleau, encourage the resumption of direct negotiations,
even if the interest in doing so had been stronger than in
reality it was. The attitude of France was not changed
materially by the fact that the group of British colonies on
the North-American Continent had, through the Act which
established Confederation, become one selfgoverning Dominion.
The letters of M. G. de Molinari, one of the few Frenchmen
of the time who realized the coming importance of Canada,
express astonishment at this disinterestedness of France as far

1. O. D. Skelton: "General Economic History of Canada
(1867-1912)", Toronto 1913. p. 177.
2. O. D. Skelton: "Life and Times of Sir Alexander
Tilloch Galt". p. 333.

as Canada was concerned: "Aussi longtemps que le vieux regime colonial a pesé sur le Canada, les relations entre les canadiens français et la France pouvaient rancontrer des obstacles serieux; mais aujourd'hui ces obstacles n'existent plus. Le Canada se gouverne lui-meme et son tarif douanier ne fait absolument aucune difference entre les produits français et les produits anglais. Pourquoi donc nos banques n'etablirent - elles pas des succursales a Québec, comme les banques anglaises en ont établi a Montreal? ... Pourquoi les produits français ne seraient-ils pas offerts sur le marché du Canada a l'égal des produits anglais? Pourquoi nos journaux et nos livres n'y viendraient-ils pas raviver les intelligences somnolentes et purifier la langue de ses solecismes anglo-americains? ... Les sympathies morales, qui ne se sont jamais brisées aideraient a renouer les relations intellectuelles et materielles".^{1.}

Tariff negotiations resulting in a reduction of customs duties on both sides would probably have increased the volume of trade; in 1868 it amounted to \$1,462,000., about 1.3 percent of Canada's total foreign trade; but the one important prerequisite for the development of a future trade between the two countries was that Canada be made known in France. With the exception of those interested in historical research there were very few people in France who were aware

1. G. de Molinari: "Lettres sur les etats-unis et le Canada". Paris, 1876.

of the existence of Canada. The great development of the United States during the second half of the 19th Century, with its hundreds of thousands of new immigrants every year, overshadowed the comparatively modest, but tenacious, efforts of the Canadian people in the opening up of their country.

The credit of achieving the difficult task of creating in old France an interest in the country which was once her largest colony is due almost entirely to the efforts of men like, A. Chapleau, who as a French-Canadian and one-time Prime-Minister of the Province of Quebec, was excellently suited for this activity. It was he who first conceived of the idea to establish in Paris a Commissariate of the Province of Quebec, which later (1882), under the direction of Senator Hector Fabre, played an important part in the movement of Franco-Canadian rapprochement. Through lectures and conferences, first before such gatherings as the Société des Etudes Maritimes et Coloniales and the Société de Géographie Commerciale and then upon the invitation of the Chambres of Commerce throughout France, Sir Hector Fabre gradually aroused considerable interest concerning Canada, thus fostering the cause of future trade and facilitating the subsequent tariff negotiations of Sir Alexander Galt and Sir Charles Tupper. The Canadian Commissariate in Paris was not established without criticism on the part of London and it seems that only through the good offices of Princess Louise, daughter of Queen Victoria, who spoke favourably about the Hon. Hector Fabre to Lord Leytton, at that time Ambassador in Paris, the

1.
Commissarrate was maintained.

The actual movement of goods during the period of 1868 to 1892, the year when the first Trade Convention between Canada and France was signed, shows as far as the Canadian side is concerned not only an absolute, but also a relative, increase of imports. The table below gives the percentages of imports from France in five year periods, as compared with Canada's total imports:

Proportion of Imports from France Into Canada
over Total Imports of Canada:

<u>Years</u>	<u>Percentage</u>
1868 - 1872	1.78%
1873 - 1877	1.68%
1878 - 1882	1.75%
1883 - 1887	1.87%
1888 - 1892	2.12%

This general trend of increasing imports from France during the twenty-five years from 1868 to 1892 was, however, not regular in its development as may be seen in greater detail from the Chart on page I of the Appendix to this Chapter. Until the year 1874 imports rose gradually with the general increase of Canada's foreign trade. No tariff changes had occurred until that year, but when as a retaliatory measure Canada raised her duties on a very important item of imports from France - wines and champagnes - and also increased her general tariff from 15% to 17½%, and even to 20%, in the case

1. Maurice Guenard-Hodent: "Les relations entre la France et le Canada depuis 60 années". Paris 1930. p. 6,7.

of luxuries such as silks and satins, France's exports fell immediately from \$2,302,500 in 1874 to \$1,941,300 the next year, and decreased steadily until in 1880 they were almost half of what they had been six years before. During the last twelve years of the period under consideration (1868-1892), circumstances arose which were favourable to a renewed rise of imports from France. General business conditions in Canada which had, after the depression of 1873 continued to move on^{1.} the downward path until the year 1879, were improving and at the same time, with the opening up of the Canadian West, French investment began in Canada. Under the leadership of Chapleau the Crédit Foncier Franco-Canadian was founded around 1882 with a capital of 25,000,000 frcs., After four years of activity of this Company Hector Fabre was able to say that "les prêts effectués par le Crédit Foncier franco-canadien ont été faits avec autant de sagesse que de bonheur, et les rentrées s'effectuent en conséquence avec une régularité parfaite"^{2.} An incident which did much to favour French Exports to Canada during that period of years was the creation of the French Chambre of Commerce in Montreal. The initiative was taken by Monsieur G. Dubail, Consul General of France, in May 1886 and in June of the same year its establishment was officially announced. Article 2 of the constitution explains the purpose of the organization: "The aim of the Chambre of Commerce is

1. O.D. Skelton: "General Economic History of Canada (1867 - 1912)", Toronto 1913, p.170.
2. Maurice Guenard-Hodent: Ibid. p. 14.

to collect and exchange with the merchants of the Mother/country, all kinds of information that may be useful in developing the commercial, industrial and financial relations between France and Canada". The membership of 10 in 1886 grew to 175 at the turn of the Century. With the establishment of the French Chambre of Commerce in Montreal imports from France into Canada increased appreciably, but as far as exports to the former were concerned the Chambre, inspite of the "exchange ... (of) ... all kinds of information" cannot be said to have had any influence.

Exports to France remained far below Canada's imports from that country during the entire period from the time of Confederation until the year 1892. Although the value itself increased somewhat more than sevenfold, in comparison with Canada's total exports, the percentage of exports to France was only increased slightly. Although at times (1879, 1880, 1881) the exports to France were almost half in value of the imports from that country, in 1892 they had only reached to be 15% of the French exports to Canada - in 1868 the percentage stood at 7.1% - a figure below which, with the exception of 1893, the percentage of Canadian exports to France, over French exports to Canada, did not sink again.

Proportion of Exports to France Into Canada
Over Total Exports of Canada:

<u>Years</u>	<u>Percentage</u>
1868 - 1872	0.24%
1873 - 1877	0.38%
1878 - 1882	0.78%
1883 - 1887	0.54%
1887 - 1892	0.37%

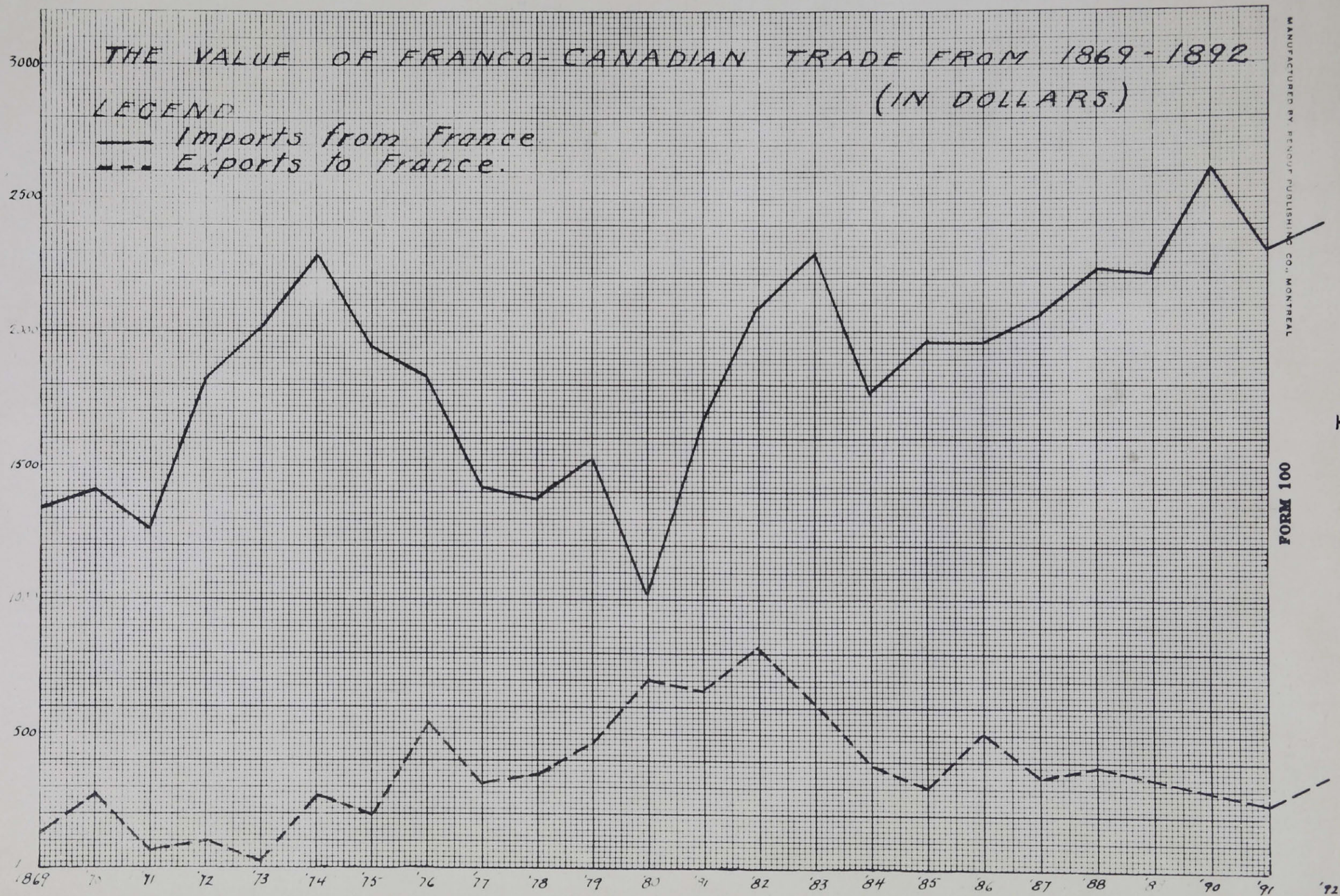
The main items of Canada's exports during that time were produce of the fisheries, animal products, and manufactures such as wooden ships and agricultural implements. Practically no cereals went to France as hard wheat, which was to become a very important export in later years, was not yet planted to any extent in Canada and since, moreover, France was able to supply her own needs in most agricultural products. The fact that during the years immediately after the Franco-Prussian War the exports to France did not increase but even reached their lowest point, shows clearly that France was in no way dependent on agricultural products from Canada. In a later Chapter it will be seen that after the World War the situation was entirely reversed and Canada's exports to France in 1920 and 1921 were far higher than they had ever been before. The application of the general tariff to Canadian goods in 1873 had no unfavourable effects upon French imports from Canada; in spite of it exports increased manyfold after the general rates had been applied which is explained by the fact that many of Canada's exports were on the free list. As the result of protection abroad and agricultural depression at home the French tariff was revised in 1881, to a generally higher level of customs duties. The free list was limited by this legislation and Canadian exports to France sank considerably during the following ten years. Another impediment to Canada's export trade with France was, an over-tax which, enacted in 1872, applied to all imports from over-seas countries not directly shipped to a French port from the export-

1. Economic Journal. Sept. 1896, No. 23, Vol. VII, p. 341.

ing country and which in the absence of a direct line between Canada and France discriminated against the former in favour of the United States. Much talk and money were washed during that period in the cause of establishing a direct line between the two countries. Such an enterprize was bound to fail, and did, indeed, not succeed until much later, in the absence of an extensive France-Canadian trade. The attempts were many but not of sufficient importance to warrant a more detailed description here, since even in the few cases where this or that subsidized line did establish a temporary service, no increase in trade due to such facilities could be detected.

On the Initiative of the Canadian Government direct negotiations between Canada, assisted by British diplomats, on the one hand and France on the other, were carried on at different occasions after Confederation. They did not, however, lead to any tangible results and as the Treaty of 1893 is based upon these earlier negotiations we propose to deal with them in the next Chapter which is devoted to an account of the circumstances leading up to the signing of the first Commercial Convention between Canada and France and to an appraisal of the effects of that agreement.

A-P-P-E-N-D-I-X.



PART II.

THE PERIOD OF TREATIES
(1893 - 1924).

CHAPTER I.

THE FIRST COMMERCIAL CONVENTION BETWEEN CANADA AND FRANCE IN 1893.

In the preceding Chapter we have seen that the volume of Franco-Canadian trade had, during the period from 1868 to 1892, increased at a rate slightly in advance of that of Canada's total foreign trade. The value of the commercial transactions between France and Canada was still very small, and it did in fact not increase until after the ratification of the first Franco-Canadian Trade Treaty in 1895. The tariff negotiations between the two countries, which preceded the conclusion of the final Treaty in 1893, were the result of particular events and, although there was, in Canada, the vague desire for closer commercial relations with France, they cannot be said to have been the outcome of a definite policy.

After the Franco-Prussian War and the resulting internal difficulties, the beginning of a protectionist reaction made itself felt in France.^{1.} During the days of a liberal commercial policy under the third Empire the benefits of the Anglo-French Treaty of 1861 had, through the medium of an unofficial understanding, been applied to Canada. According to this informal communication Canada and France traded with each other under the principle of the most-favoured-nation clause. In 1873, however, France found it expedient to adhere to the letter of the treaty announcing that from that time on the most-

1. O.D.Skelton: "Life & Times of Sir A.T.Galt". p. 519

-favoured-nation clause did no longer apply to Canada since the original treaty had been made with Great Britain alone. And when Canada saw that the duty on wooden ships which she was accustomed to sell to France was raised from 2 frcs. a ton to 40 frcs.^{1.} with the effect of killing the trade, she retaliated by charging French wines a 30% ad valorem tax in excess of the existing duty which applied to all wines and spirits imported into Canada. Nothing was undertaken to relieve this unfortunate situation, impeding, in both cases, the importation of commodities, the increased exchange of which would have benefited either country, until four years after the imposition of the higher duties.

During the winter of 1878 Sir Leonard Tilley was in London and had expected to carry on negotiations with the French government concerning tariff arrangements.^{2.} When, however, he was appointed to the post of Minister of Finance he wrote to Sir Michael Hicks-Beach, that he was obliged to return to Canada immediately to resume his new duties.^{2.} In his place Sir Alexander Galt was subsequently appointed to proceed to France and to open negotiations with the French Government. The machinery of negotiations between a British dependency and a foreign power was complicated. The first step which Canada had to undertake was to apply to the Colonial

1. O.D.Skelton: "Economic History of Canada". p. 177.
2. O.D.Skelton: "Life and Times of Sir A.T.Galt". p. 519.
3. "Sessional Papers 1880", No.104, Vol.XIII, 10, December 3rd, 1878.

Office. The Secretary of State for the Colonies, subsequently requested the Foreign Office to act, which in turn instructed Her Majesty's Ambassador to France "to put Sir Alexander into communication with the French Government". In other words the negotiations were officially carried on by the Imperial Government, the Ambassador signing all notes which were exchanged between the Canadian representative and the Commissioners of the French Republic. Thus, Lord Salisbury, at that time Foreign Secretary wrote in December 1878 to Lord Lyons, Ambassador at Paris: "The formal negotiations between the Government of this country and of France on the subject should be conducted by Your Excellency; the settlement of the details of the arrangements being delt with by Sir A. Galt"^{1.} The time for negotiations was not very suitable, particularly as tariff changes were contemplated in the Chambers. The French Government who did not seem entirely certain that their proposed changes would find the approval of the Houses were not anxious to make special concessions to any country, when the advisability of these concessions had not been fully discussed in Parliament, and which might, by postponing the vote, "place the whole Bill in jeopardy", as it was expressed by Monsieur Lepère, Minister of Commerce.^{2.} Galt realizing the difficulties which confronted him limited the discussion to the exchange of tariff reductions on ships on the French side, and on wines concerning Canada. The question of the most-favoured-nation treatment was post-

1. "Sessional Papers 1880", No.104, Vol.XIII, 10.

2. Ibid.

poned until a more favourable opportunity should offer itself. The Council of Ministers appeared in favour of Galt's proposal, and an interchange of formal diplomatic notes was proposed, stating that it would be mutually advantageous that Canada agree to the repeal of the 30% ad valorem duty on French wines while France reduced the duty on Canadian built ships from 40 frcs. to 2 frcs. a ton. This arrangement would have gone into effect had it not been for the sudden abrogation of an Austro-French Treaty upon which the 2 frcs. rate on wooden ships had been based, an occurrence which automatically raised the duty^{1.} to a much higher level. This incident interfered with the proposed exchange of notes, and although a modus vivendi with Austria was soon found, no clause referring to Canada was introduced into the bill before the Chambers. Consequently ~~in~~ in the Canadian tariff of 1879, the high ad valorem duties on French wines were carried on.

One year before the position of a Canadian High^{2.} Commissioner in London was created an Order in Council was passed at Ottawa "that it was expedient to appoint a Commissioner specially charged with the duty of conducting new negotiations with France"^{3.} It is possible that such a plenipotentiary would have been able to carry on negotiations without the delay that the constant referring to Imperial Authorities did necessarily bring about. On the other hand, it seems that

1. 20% a ton on ships. 10% a ton on wooden hulls.

2. 1880.

3. House of Commons Debates, 1885. p. 825.

a move of this nature on the part of Canada would have been premature since, when assisted by Imperial representatives in her negotiations, Canada was undoubtedly able to exert considerably more weight than she could have done without such help. The Colonial Office itself did not see fit to authorize the appointment of the proposed Commissioner to France but invited Canada "to select a person of trust, who would be connected with the English Commission". New parleys were entered upon in 1881, again with Sir A.T. Galt as Canadian representative. The first official meeting between the British representatives and those of the French Republic had not taken place, when Canada was given full satisfaction concerning her wish as to a reduction of the duties on ships; for in 1881 the French Chamber, while at the same time approving of a Shipping Bounties Bill, reduced the duty on Canadian boats to their^{1.} old level. Canada, however, did not as she had during the negotiations of 1879, proposed to do, reduce her tariff on wines. The failure to do so, after France had reduced her tariff on ships, was directly responsible for the unwillingness of the French Government to make further concessions to Canada during the subsequent negotiations which began officially in March 1882. In the course of these parleys, Galt again proposed to reduce the ad valorem duties on wines, if this time France would be willing to treat Canada according to the most-favoured-nation principle and if, moreover, she

1. Repeal of Article 5, No. 2, of a Law passed September 28th, 1872.

reduced the sur-tax which applied to all overseas goods not directly shipped to a French port. The Canadian offer was rejected by the French who, in addition to the repeal of the ad valorem duties on their wines, demanded tariff reductions on such imports as ready made clothing, woven silk, silk ribbon, and a lower duty on brandies and on olive oil.^{1.} Soon after, all negotiations came to a dead-lock when Galt was instructed to answer on behalf of Canada, that the latter was unable to make the reductions asked by France, since such action would involve like reductions on similar products from England,^{2.} Germany and Belgium, and would therefore reduce her revenues to too great an extent. A year later, a second Conference was called (May 10th 1883) during which the Canadian representative endeavoured to show Canada's desire for closer commercial relationship with France by drawing the attention of the French Commissioners to the fact that the Dominion had granted a subsidy of \$50,000 to a line of steamships to ply between a Canadian and a French port and that Canada had by treating French imports as favourable as those of any other country done her share towards the improvement of trade relations between the two countries to warrant similar treatment by France. But the attitude of the French Government had not changed from what it had been in 1882 and although the hope was expressed that a suitable arrangement might be found in the future no agreement was arrived at and official communication

1. House of Commons Debates 1885, p. 826 ff.

2. Treaties of 1865: German Zollverein
1862: Belgium.

between the two countries came to a standstill.

During the period which preceded the negotiations leading to the Treaty of 1893, Hector Fabre in his position as Canadian Commissioner in Paris continued to sound out French opinion and according to reports which he at times sent to Canada,^{1.} it appears that, had the latter reduced the ad valorem duty on French wines, France would by 1886 have been disposed to accord to Canada the desired most-favoured-nation treatment. A few members of the Canadian House of Commons made fervent appeals to the Government to resume negotiations with France,^{2.} but no communications took place until the new French tariff of 1892, and a commercial Treaty between the United States and France immediately after its application, demanded action on the part of Canada.

One of the purposes of the French tariff change of 1892, containing a maximum and a minimum schedule, was to create an instrument of negotiation. The minimum tariff, below which^{3.} the Government was not permitted to go, was reserved for those countries with which France expected to negotiate new commercial treaties - she had abrogated all old ones,^{4.} while the maximum tariff was to apply to the imports of countries which did not treat France in a favourable way. In this the French tariff

1. Sessional Papers 1887, #884
2. House of Commons Debates 1887, p. 819 ff.
3. The only time the French Government conceded reductions below the minimum tariff was during negotiations with Switzerland in 1895. (Annexe, Journal Officiel de la Republique Francaise, 1473; December 24th, 1932).
4. House of Commons Debates, March 13th, 1898.

was very similar to the later Canadian tariff of 1907. The United States, Canada's most dangerous competitor in the French market, had concluded a Treaty with France three months after the new tariff law had come into operation and it was now the aim of Canada to obtain for her products the same, if not better, conditions than the United States had obtained before Canada.^{1.} In the Order in Council authorizing the negotiations the opinion was expressed "that in placing certain United States products, imported into France, upon a more favourable basis than is accorded to similar products when imported from Canada, France has unjustly discriminated against Canadian trade and (that) the Minister of Finance can see no good reason why in consideration of Canada's treatment of French products she should not be given the benefit of the minimum tariff in that country". These were the premises upon which Sir Charles Tupper, at that time High Commissioner at London, was instructed to open communications with France. The Marquis de Dufferin, following the precedent that had been established under his predecessor Lord Lyons and introducing Sir Charles to Monsieur Gabriel Hanotaux, directeur des affaires Commerciales au Ministère des Affaires Etrangères, again left the negotiations themselves to the Canadian representative and shared in them only to the extent that involved the formal communications by means of notes.

Considering the fact^{that} at several occasions Canada and France had had the opportunity to become acquainted with

1. Sessional Papers 1893, 51, 51a-51c. 16.IV.1892.

each others' points of view concerning a commercial agreement it was not surprising that after a comparatively short time Tupper and Hanotaux were able to reach an accord which they signed on the 6th of February of the year 1893. Canada abolished the onerous ad valorem duties of 30% on wines, a tax which had been hampering France's most important export to Canada since 1874, granted a reduction of one-half the duty on castile soaps and fixed the duties on nuts, almonds, prunes and plums at two-thirds of their former level. These latter articles were by no means important exports of France into Canada and the tariff reduction did not increase shipments of them to any great extent. The reduction on wines, however, was considered valuable enough by the French commissioners to allow the minimum tariff among others on such Canadian imports as canned lobsters, building timber, and a number of wood manufactures, all articles which could be expected to be exported to France in considerable quantities. As far as tariff reductions themselves were concerned, Canada was undoubtedly treated more favourably than France, although one export article which was soon to occupy second place of all Canadian products sent to France - agricultural machinery - did not obtain the privilege of the French minimum tariff. The accompanying stipulations of the treaty, however, conceded definite advantages to France which Canada had not obtained. Thus, according to

Article II of the Treaty, Canada agrees to apply to imports from France and her colonies all tariff advantages granted to a third power, while France limited the most-favoured-nation treatment of Canada to articles enumerated in the Convention. Furthermore, in order that the Canadian products described in Article III may enter France under the minimum tariff, they had to be shipped directly from Canada to a French port; no corresponding obligation was imposed upon France.

It was around these clauses that the most fervent opposition against the ratification of the Treaty centered in the Houses of Commons of Canada, arousing a member of Parliament to exclamations such as this: "A more one-sided arrangement it would be impossible for anyone to negotiate, a more one-sided arrangement, I am perfectly sure any Government, not forced by conquest to do so has never submitted to any independent legislature"¹. The Treaty was not ratified until more than a year after it had been put before the House for the first time.² The delay was caused not only by the opposition of two diametrically opposed interests of the country - the wine growers on the one side and the prohibitionists on the other³ - but also by the fact that the Government of the day seemed itself very reluctant in asking Parliament to ratify the Treaty.⁴ Another factor which did everything to lengthen the discussions

1. House of Commons Debates 1894, p. 5613.

2. July 12th, 1894.

3. House of Commons Debates 1894, p.5577, II.

4. House of Commons Debates, March 30th, 1893.

on the acceptance by Parliament of the Franco-Canadian Treaty, originated from the stipulation which required Canada to ship her goods directly to France if she wanted to receive the benefit of the minimum tariff. For a long time it had been the policy of France to stimulate direct trade between herself and the countries with whom she had concluded commercial agreements, the sur-tax on trans-shipped overseas goods was one of the attempts to achieve this end. Similarly, during the negotiations between France and Canada in the winter months of 1892-1893, the former even attempted to insert a clause into the Treaty under discussion, which would have bound the Canadian Government to subsidize a direct line between Canada and France to the extent of £100,000. The inclusion of this clause had justly been refused by Tupper but the intention to do so was signified by him in a letter to M. Hanotaux.^{1.} Now, when the finished Treaty was before the House, several members, among whom Laurier,^{2.} was most decided upon the point, considered Canada to be in honour bound to carry through the necessary legislation to establish the proposed line. Parliament was not asked by the Government to vote on such a subsidy until after the Treaty^{3.} was ratified but the debates on the point whether Canada would be committing a breach of promise if she did not legislate accordingly before the Treaty was put into operation delayed the final passage of the French Treaty Bill.

11 Sessional Papers 1893, 51, 51a-51c.

2. House of Commons Debates 1894. p.5633 et. seq.

3. Subsidies granted before to such enterprizes were discontinued in 1890.

While the Senate in France held up the Treaty on the French side, objections were raised, by the Imperial Authorities in London, against its proclamation before Canada had assured the Foreign Office that all advantages conferred upon France by the new Commercial Convention, be also applied to all countries with whom Great Britain had before the year 1. 1882 concluded most-favoured-nation treaties and of which Canada had ipso facto become a party^{2.} Lord Ripon's note to the Dominion Government drawing its attention to the necessity that the old treaty arrangements had to be respected aggravated the situation and revived the opposition against the French Treaty.^{3.} And, had it not been for the influence of party discipline, the bill which authorized the Government to apply the French treaty rates and those of any treaty that Canada might make thereafter^{4.}, to countries with which Great Britain had in the past concluded commercial treaties and which had to be passed before Royal Assent could be given to the Franco-Canadian Treaty, this bill would probably never have received the necessary majority on July 4th, 1895. It was

1. From 1882 on, it had become the practice to permit the Dominions to become parties to Treaties concluded by Great Britain without the obligation to do so.

2. Treaties existed between Great Britain and -
Argentina 1825 Columbia 1866 Sweden 1826
Austria-Hungary 1876 Germany 1865 Uruguay 1881
Belgium 1862 Russia 1859 Chile 1854
Salvador 1862. (House of Commons Debates 1895, May 5th).

3. House of Commons Debates, June 28th, 1895.

4. Vic. 58 - 59, c.3.

not until the end of that year that the formal notes of ratification were exchanged between Great Britain, Canada and France.

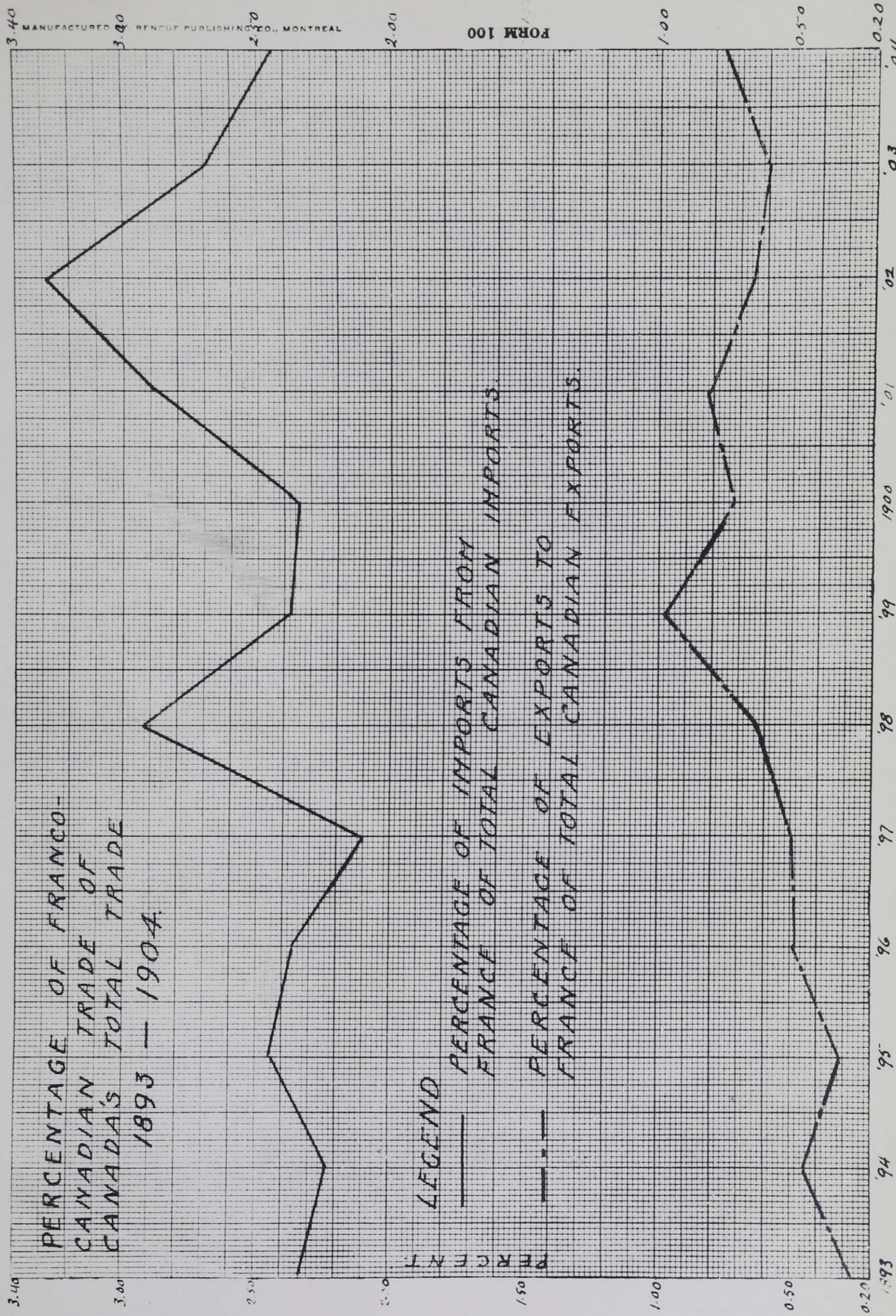
The influence of the first independent Commercial Convention between France and Canada on the trade relations between the two countries was on the whole beneficial. In proportion to Canada's total foreign trade her trade with France increased, as it had done in the preceding period (1868-1892) at a somewhat quicker rate, as may be seen on the Chart on page I of the Appendix to this Chapter. This trend is particularly noticeable in the case of Canada's exports to France. The imports from France only increased during the third year after the Treaty had been ratified, which was due to the remarkable fact that the importation of wines despite the lowered duty did not increase until the year 1898. Woollen goods, on the other hand, an article which as early as 1896 began to occupy first place in the Canadian import statistics for France, came to Canada in greater quantities after the Treaty rates had come into operation, although no provision had been made for a reduction of duty on this article. Canadian canned lobsters, which had been Canada's chief export to France for some years even before they were admitted into France under the minimum tariff, were exported in ever increasing quantities; the same may be said about lumber and wood manufactures, Canadian produce which also enjoyed the French minimum tariff by virtue of the Treaty

of 1893.

On page II of the Appendix (to this Chapter) the actual values as they appear in the Canadian Statistics of Canada's imports to France and of her exports to that country are found.

We have attempted to trace in this Chapter the development of Franco-Canadian trade relations until the year 1903. This year has been chosen as a basic point since any change in the volume of Franco-Canadian trade which might take place after 1903 could no longer be attributed to the effects of the Treaty of 1893, but had to be sought in other causes. Among these causes the sudden application of a sur-tax on products from Germany was one of major importance. That the application of a sur-tax on German goods imported into Canada must needs have influenced the imports from France is explained by the fact that since about the year ~~of~~ 1884 France and Germany had been competitors in the Canadian market. It is the purpose of the following Chapter to inquire into the conditions of this rivalry between France and Germany and to show its influence upon the development of trade relations between Canada and the former.

A-P-P-E-N-D-I-X



APPENDIX TO Chapter I, Part II.

VALUE OF TRADE BETWEEN FRANCE AND CANADA
1892 - 1904.

Year:	Imports from France into Canada:	Exports from Canada to France:
1892	\$2,402,634	\$ 367,539
1893	2,832,117	264,047
1894	2,536,964	544,986
1895	2,585,174	335,282
1896	2,810,942	581,540
1897	2,601,351	690,096
1898	3,975,351	1,025,262
1899	3,889,295	1,557,722
1900	4,368,502	1,374,770
1901	5,398,021	1,581,331
1902	6,672,194	1,388,848
1903	6,580,029	1,341,618
1904	6,206,525	1,597,928

CHAPTER II.

THE RIVALRY BETWEEN FRANCE AND GERMANY IN THE CANADIAN MARKET AND THE SECOND FRANCO-CANADIAN TRADE CONVENTION OF 1907.

An attempt has been made in the preceding Chapters to show to what extent Franco-Canadian trade relations have been influenced by contemplated action such as the Canadian trade propaganda in France during the eighties of last Century and the Franco-Canadian trade Convention of 1893. If we consider, however, that France, although the foremost, was not the only country of the European continent with which trade relations had experienced a revival after Confederation and if in contradistinction to England and the United States all continental countries may be considered to be on the same basis of competition concerning the Canadian market, then it seems clear that such trade with the countries of Europe proper, other than France, must have effected Franco-Canadian commercial relations. This indirect influence upon the trade between Canada and France was exerted above all by Germany, and during the whole period from the beginning of this Century up to the World War, the rivalry between France and Germany determined to quite an extent the volume of Franco-Canadian trade. "La rivalité commerciale de la France et de l'Allemagne", writes Michel Laglenne, conseiller du Commerce Extérieur in 1912, "apparaîtra peut-être plus manifestement au Canada

que nulle part ailleurs, dans ce pays où des affinités de race, des souvenirs historiques et les facilités que donne l'Entente Cordiale devraient nous créer une situation privilégiée par rapport à nos voisins d'Oltre-Rhin".^{1.} The total trade with France had until the year 1884 been larger than that with any other European country apart from England. In that year, however, the value of Canada's trade with Germany equalled for the first time the value of that with France, and while ten years later (1894) the value of Canada's total trade with the European continent was more than four times greater than of that with France alone, half of the European trade was done with Germany. There was, as there is now, a number of articles in reference to which France and Germany did not enter into competition. The wines and many of the silk products of France did not suffer under German competition, nor had the machines, paints and dyes of Germany to fear the rivalry of France. These articles did not, however, make up the bulk of the imports into Canada from the two countries but constituted only a fraction, more or less small, of them so that in general we may say that the decreased or stationary importation of the bulk of the products from one country were usually caused by an opposite development^{2.} of imports from the other. The Canadian import statistics

1. M. Laglenne: "La Rivalité Commerciale de la France et de l'Allemagne au Canada". Paris 1902. p. 15.
2. According to "France-Canada, 1886-1911", Jubilee volume of the bulletins of the Chambre de Commerce Française of Montreal, some of the most important imports into Canada in reference to which France and Germany competed were: Textiles (cloths, woollen goods, linens) gloves, laces, furs and manufactures thereof, toys, woollen clothing and china ware.

bear out this assumption. Thus, while the imports from Germany are on an increase from 1895 to 1897 we see the imports from France remain almost stationary, which, considering the general upward trend of the Canadian import trade, may be said to amount to a virtual decrease. In the year 1898 the situation is reversed and the fact that French imports went up to almost the same extent as German imports decreased seems further evidence of the complementary influence of the trade movements of the two countries. During the five years after 1898 this trend is not as strikingly visible as before but it is still apparent.

The quicker rise until 1903 of Franco-Canadian trade in comparison with Canada's trade with other countries had been explained by the beneficial effects of the Convention of 1893. From the year 1904, on, however, the value of this trade rose on account of a new stimulus given to imports from France after a sur-tax of $33\frac{1}{2}\%$ of the regular duty had been levied on all goods coming from Germany. The Chart on Page I of the Appendix to this Chapter giving the imports from France as compared with those of Germany from 1903 to 1914, shows quite clearly the effect of the imposition of the added duty of $33\frac{1}{2}\%$ on German goods which in turn gave a new impetus to French exports to Canada.

The circumstances which led to the action of the Canadian Government in discriminating unfavourably against imports from Germany are of some importance for this inquiry. By raising the question of Canada's status within the Empire

concerning her tariff policy, the differences with Germany arising from the misinterpretation by the latter of the relations and duties of Canada towards the British Commonwealth of Nations as opposed to foreign countries, led to the inclusion of clauses in the Franco-Canadian Trade Treaty of 1907 which clarified the policy that the Dominion as part of the Empire was forthwith to follow in reference to trade agreements. In order that Canada might be able to extend to Great Britain a customs preference it was necessary that the Mother country denounced the two most-favoured-nation clauses in the Treaties of 1862 and 1865 with Belgium and the German Zollverein (later extended to the German Empire). Canada had endeavoured repeatedly to persuade the Imperial Government to abrogate these Treaties and in one of the petitions which the Dominion sent to London it was declared that, "Your memorialists consider that these provisions (the most-favoured-nation clauses) in Treaties with foreign powers subsequently conferred by the B.N.A. Act upon the Parliament of Canada, for the regulation of the trade and commerce of the Dominion and that their continuance in force tends to produce complications and embarrassments in such an Empire as that under the rule of your Majesty, wherein the self-governing colonies are recognized as possessing the right to define their respective fiscal relations to all foreign nations, to the Mother country and to each other"^{1.}, The Imperial

1. Petition sent in 1891. House of Commons Debates 1895, p. 3831.

Authorities were, however, not prepared to take such a step until the year 1897, when Lord Salisbury complied with the wishes of Canada. Consequently Canada was able to extend British preferences, and since there was no special Treaty between Germany and Canada, the German general tariff began to apply to Canadian imports into Germany. To this action of the German Government Canada objected. Negotiations were carried on in 1901 but failed since Germany, insisting upon the letter of the law, did not agree to Canada's contention that any tariff concessions that the latter might give to the Mother country, or other countries in the British Empire would in no way deprive her of the right to receive the same favourable condition for her exports to foreign countries as before the application of such British preferences. Although Germany was probably right from the purely legal point of view her action of placing Canada on the general tariff, resulting from a disregard of inter-Empire obligations, was an unfortunate one, particularly as by a law of 17th April 1903, Canada proceeded to apply to German goods the above mentioned sur-tax of $33\frac{1}{2}\%$ ^{1.}. In order that similar occurrences

1. A German Economist, Anton Fleck, in his work - "Kanada, volkswirtschaftliche Grundlagen und weltwirtschaftliche Beziehungen". Jena 1912. p.310., commented thus in 1912: "Unter dem Gesichtspunkt tunlichster Förderung der wirtschaftlichen Beziehungen zwischen Deutschland und Kanada kann --- das deutsche Vorgehen nicht als besonders glücklich hezeichnet werden. Deutschland blieb auch das einzige Land, das Einspruch gegen die einseitige kanadische Praferentialpolitik erhob; alle übrigen im Verhältniss der Meistbegünstigung mit Kanada stehenden Staaten billigten das kanadische Vorgehen stillschweigend". And further on page 312 he continues: "Es ist ohne weiteres einleuchtend, dass Deutschland in diesem Zollkriege der leidende Teil war".

as the tariff war with Germany resulting in a reduction of trade and the loss of good will would be avoided in the future and that Canada would in no way be obliged to take cognizance of her trade agreements with foreign countries when she saw fit to make special inter-Empire concessions, important clauses to which we will refer later were inserted in the 1907 Treaty with France.

When German imports which in 1903 had amounted to roughly \$12,300,000, while the value of imports from France was only about half that sum, were thus handicapped by the action of the Canadian Government they fell during the next year to less than two thirds of their former value until they, decreasing year by year, reached their lowest point in 1907. The influence of this decrease in the trade with Germany on the exports of France to Canada was extraordinary. It seems that during those years of rapidly falling imports from Germany, France was able to get a hold on the Canadian market which she did not lose again. Germany, on the other hand, although she had by 1914 again caught up to her rival, did not recover from the loss of many of her Canadian customers, a circumstance which was the natural result of the increased prices of her products caused by the additional tax on them. Not even when the tariff war between Canada and Germany was terminated in 1910 and the former differences were allayed by a new agreement was Germany able to export greater quantities than France to Canada, until four years after the end of the

tariff war. That there was very little of an unfavourable influence upon Franco-Canadian trade after Canada and Germany had recommended friendly commercial relations ~~and~~ which resulted in a sharp increase of trade with the latter may be to a considerable extent accounted for by two factors which exerted a counter influence to a development which without these factors might well have taken place. The widening of France's market in Canada at the initial stages of the tariff war with Germany, an expansion which was also favoured by good business conditions at the time, and secondly the conclusion of a new trade Convention between France and Canada, both counteracted the partly successful German efforts to regain the lost ground.

The second trade Convention between France and Canada which was signed in September 1907, and ratified by the two parties in February 1910, marked a definite improvement over the first agreement of 1893. As early as 1902 Sir Wilfrid Laurier, while in France, attempted to negotiate with the French Government concerning an extension of the old treaty but his endeavours remained unsuccessful. This failure to modify the 1893 Convention so as to include a greater list of articles on both sides was particularly unfortunate from the Canadian point of view, as during the same year the United States were able to obtain from France the entrance of many of her products on the minimum tariff. Canadian efforts to foster the commercial rapprochement between the Dominion

and France were, however, continued in Paris. Before the World War, during the course of which France really discovered Canada, this constant activity of commercial, sentimental, and intellectual propaganda on the part of Canada was a necessity if trade relations were to develop to a greater extent than in the past. The French businessman of the time does not seem to have shown as much interest in the development of foreign trade relations as did his German and British rivals. The French home market was secure and many of the products of France went into the different parts of the world without the necessity of much pressure on the part of the seller as everywhere these products were readily accepted as those which had always come from France and in the production of which France excelled. Laglenne writes of this certain disinterestedness of the French merchants in foreign trade of the time saying that "nos negociants se laissant trop souvent absorber par le détail de leurs affaires en France et ne trouvent pas le loisir d'un voyage, ni même le temps d'étudier les conditions du négoce à l'étranger. C'est pourtant la une peine qu'il est indispensable qu'ils prennent".^{1.} Although there was, therefore, probably not much general interest in developing a trade with Canada certain groups formed themselves in France around 1902 which had as their aim the improvement of relations with the Dominion. Among these the association "La Canadienne" deserves to be

1. Laglenne: Ibid. p. 33.

mentioned. This group published, under the leadership of Monsieur J. Lionnet, Monsieur G. Audiat, Professor at the Sorbonne, and Monsieur M. Hodont, a review under the same name which did very valuable work in the interests of Franco-Canadian trade until the year 1914. While th^uas~~e~~ in France public opinion was being prepared for a future Franco-Canadian commercial Treaty, the adoption of a new tariff scheme in Canada brought matters to a point where negotiations with France seemed opportune, as one of the purposes of this tariff was to give Canada more bargaining power in the negotiation of trade treaties with foreign countries^{1.} by establishing a general, an intermediate and a preferential schedule.

The negotiations for a new agreement began in July of 1907 with Hon. W. Fielding and Hon. L. P. Brodeur as Canadian representatives. The constitutional machinery which enabled Canada to carry on trade negotiations with foreign countries had not changed materially. The formal communications between France and Canada were still, exactly as in 1893, carried on by His Majesty's Ambassador in the name of the King. A draft treaty was, as before, not only subject to the approval of the Foreign and the Colonial Offices but also to that of the British Board of Trade, as was again emphasized by Earl Grey himself in a letter to Fielding in August 1907.^{2.} While, however, in 1893 Sir Joseph Crowe, commercial attaché at the British Embassy had actively assisted Sir Charles Tupper,

1. Budget Speech 1907.

2. Sessional Papers 1907-1908. 10b. No. 6, Vol. XLII.

this time Fielding and Brodeur carried on the negotiations without any help from a British representative. Although in 1893 Sir Charles Tupper had nothing but been assisted by Sir Joseph Crowe who had not been appointed a plenipotentiary and had thus to all intents and purposes conducted the negotiations himself, Lord Ripon, Colonial Secretary issued a dispatch in 1895 which tightened the regulations concerning the limits of the dominions' treaty making power. After this setback from the point of view of Dominion autonomy, Earl Grey reverted back to the older principle when in 1907 he wrote^{1.} to the British Ambassador in Paris: "You are doubtless cognizant of the Marquis of Ripon's dispatch of June 28th, 1895, to the Governors of the principal British colonies in which it was laid down that commercial negotiations of this nature being between His Majesty and the Sovereign of the foreign State, should be conducted by His Majesty's representative at the court of the foreign power. I do not, however, think it necessary to adhere in the present case to the strict letter of this regulation ... The selection of the negotiator is principally a matter of convenience and, in the present circumstances, it will obviously be more practical that the negotiations should be left to Sir Wilfrid Laurier, and to the Canadian Minister of Finance or the Canadian Ministers, who will doubtless keep you informed of their progress. If the negotiations are brought to a conclusion at Paris, you should

1. Sessional Papers. Ibid.

sign the agreement jointly with the Canadian negotiator, who would be given full powers for the purpose". There was thus very little difference between the position of Sir Charles Tupper and that of the two Canadian Ministers in 1907.

The great hopes after 1904 in reference to the negotiations of trade treaties with foreign countries led Canada to ask: "that the benefit of the French minimum tariff ... be given on all articles of Canadian origin not included in Article III of the Treaty of 1893"^{1.} and to propose to extend in exchange her intermediate tariff on all imports from France which had not been included in the old Convention. In the hopes, however, that had been placed on the bargaining power of the intermediate tariff the Canadian representatives were disappointed when it was answered by France that she could not agree to the proposition "because the law of the 11th January 1892, section I, subsection 2, authorizes granting of the minimum tariff only to countries granting to French products their lowest tariff rates, and the Canadian intermediate tariff cannot be recognized as of this character". Furthermore, the French Government suggested "that the convention of the 6th February 1893, without changing its principles would furnish the best basis for negotiations (and that) it would be sufficient to extent its scope"^{2.} This suggestion was accepted by the Canadian delegates, and negotiations proceeding upon this basis came to a successful

1. Ibid.

2. Ibid.

end when, in September of 1907, the second commercial convention between France and Canada was signed. As expressed by Fielding during the debates on the Treaty in the Canadian Parliament, the first purpose which the Canadian delegation tried to keep in view during the negotiations in France was "to remove the inequalities ... of the treaty and to make the conditions^{1.} fairly reciprocal". It will be remembered that under the 1893 Convention, Canada had been obliged to give to France most-favoured-nation treatment in any tariff concession that she might give to a third power, while France conceded such treatment to Canada only concerning the articles enumerated in the Treaty. This situation was righted by stipulating in 1907 that in either case the most-favoured-nation clause only applied to the products which were mentioned in the Convention. Also as far as the necessity of direct shipment from one country to the other was concerned, equal treatment was assumed by the new Convention. Before, only Canada had to ship her goods directly if she wanted to benefit from the minimum tariff, now France was under the same obligation^{2.} concerning her exports to Canada. Care was taken that Canada would retain all liberty of action concerning tariff concessions within the British Empire. It may be said here, that even to this day, other nations have great difficulty in understanding fully the conception which underly that political paradox of unity and independence, the British Empire. There

1. House of Commons Debates 1907-08. p.1224.

2. Article VIII of French Treaty Act, 1908.

was Canada, with full autonomy of fiscal policy and yet considering herself at the same time as part of a whole to which she owed allegiance concerning that same fiscal autonomy which apparently gave her complete liberty of action. The misunderstanding of this "free obligation" had led to the tariff war with Germany, and as there was no reason why not in the future a difficulty of a like nature should arise, it was made clear in the Treaty with France in 1907 that the Dominion was in no way bound to treat imperial preference as coming under the principles of the most-favour-^{1.}ed-nation clause.

The Convention of 1907 was an extension of the 1893 agreement based, however, on the new triple division of the Canadian tariff. Section A included Canada's most important export articles to France which were to enter the latter under the minimum tariff.^{2.} In the old Treaty practically none of Canada's agricultural products were included but now such articles as cheese, butter, wheat and other grains, vegetables,^{3.} fodder, animals and fresh, salted or preserved meat were added to the list. Copper, nickel and antimony were some of the more important metals to the inclusion of which, under the minimum tariff the French representatives had agreed.

1. Wherever necessary the words "foreign power" were substituted for the words "third power".
2. 152 Articles -
for 17 of these the minimum tariff equalled the general tariff. 22 of these had been included in the old Treaty.
3. The minimum tariff on all grains (wheat, oats, rye, corn, buckwheat, bran) equalled the general tariff. The inclusion of these products was useful, since any tariff reduction concerning them would automatically have to be applied to Canada.

1.

Agricultural machinery, which had within the last few years preceding the negotiations risen to second place in the Canadian exports to France were also to come in under the lowest tariff. Mention should also be made of the over-optimistic inclusion of such articles as locomotives and organs which, according to Fielding, "though we may not now export them, we may reasonably hope to export them in the

2.

future".

The main objections in the French Chambre of Deputies centered against the low tariffs on agricultural machines, nickel, and salted, fresh and live meat. These objections were ably answered by Monsieur Jules Siegfried in the report which he delivered before the Chambre in

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January 1908. According to Siegfried the importation of agricultural machinery from Canada was not large enough to warrant fear on the part of the French manufacturers.

A comparison of the following figures will help to illustrate Siegfried's point:

1. Motors not included.
2. House of Commons Debates 1907 - 1908. VI. p. 1215.
3. No. 1441, Chambre des Deputes. Annexe au procès-verbal de la seance du 16 janvier 1908; Rapport fait au nom de la commission de Douanes chargé d'examiner le projet de loi portant approbation de la convention de commerce entre la France et le Canada.

Importation of Agricultural Machinery
into France, expressed in Francs:

From	United States	28,056,780
	England	2,613,950
	Germany	1,674,180
	Belgium	319,585
	Switzerland	70,495
	Other countries	213,535
	Canada	4,485 l.

Moreover, certain special types of agricultural machinery, which were in demand by the agriculturalists of the country were not made in France and had, therefore, to be imported. Nickel of the nature in which Canada exported it to France was exempt from duty under both the minimum and the general tariff, so that the expected objections of French-New-Caledonia became groundless. The fear that American packing companies would profit to the detriment of the French producers by exporting meat products to France by way of Canada was unjustified since Article IX of the Treaty stipulated expressly that all products had to show their Canadian origin if they were to receive the benefit of the minimum tariff. In good times, Siegfried explained, the duty on pigs and salt pork would be high enough to protect French agriculture adequately and that the added competition - England, the Netherlands, and Serbia also enjoyed the minimum tariff on these products - during abnormally lean years could only be beneficial. Soon after the Siegfried report, the bill

1. The Canadian Statistics give 1,500,000 frcs. as the value of agricultural machinery exported to France. The discrepancy between the French and the Canadian figures is explained by the fact that many Canadian machines reached France by way of England, which also enjoyed the minimum tariff on agricultural machinery.
2. 15 frcs. per 220 lbs.

in reference to the Franco-Canadian Convention passed the Chambre of Deputies, but other difficulties resulting in a postponement of the final ratification until February 1910, intervened.

1.

Another section of the Convention, enumerates the French products which were to get the benefit of the Canadian Intermediate tariff; many new products were added to the old list of 1893, notably perfumes, glasswares, gloves, and women's and children's dress wares. Not much importance was

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attached to this section by the French negotiators in compari-

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son with⁴ⁿ other lists of special fixed rates, lower than the intermediate tariff on products which had already enjoyed an extensive market in Canada and among which some were considered

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5.

as French specialties. Wines, olive oils, embroideries, velvets, and silk products came under this schedule and it can easily be seen why, especially as the rates were fixed, France considered this schedule the most valuable part of the Treaty.

When the Convention came before the Canadian House

1. Section B.
2. House of Commons Debates 1907-1908. p. 4322.
3. Schedule "C".
4. Ibid. p. 1234.
5. Not sparkling:
 - (a) Containing 20% or less proof spirit Gallon 15¢.
(or 11 6 by centesimal alcoholometer).
 - (b) Containing more than 20% and not more than 23% proof spirit Gallon 20¢.
(or 13 3 by c.a.).
 - (c) Containing more than 23% and not more than 26% proof spirit Gallon 25¢.
For each degree in excess of 26% of proof spirit until strength reached 40% of proof spirit 3¢.

of Commons to be ratified similar objections against it were voiced as against the agreement of 1893. Again there were the interests of wine manufacturers and fruit growers which feared the competition of French light wines. Petition after petition was sent to the Minister of Finance, asking, "that the clauses referring to the reduction of duty on light French wines be not ratified"^{1.} The new tariffs on wines and medical preparations, as mentioned in the treaty,^{2.} appeared to be lower than the preferential tariff on these articles and much opposition was aroused against the Treaty on that account, but when it was shown that any new concessions that might be given to France through the Treaty would automatically be applied to all countries within the British Empire these objections lost their force and the bill which had in general been well received by the House of Commons^{3.} was passed in March 1908.

In France the final ratification was again held up by the Senate on account of difficulties which had arisen in reference to an Anglo-Swiss Treaty. This delay by the French Senate caused a considerable amount of bad feeling in Canada and in Parliament members began to ask the Government whether it intended to "take steps to ask the Imperial Government to denounce the old Treaty ... French"^{4.}

1. Ibid. p.3543. (Feb. 20th, 1908).

2. Schedule "C".

3. 7 - 8, Edward VII, c.28; By most-favoured-nation clauses the French Treaty rates applied to Argentine, Austria-Hungary, Bolivia, Columbia, Denmark, Japan, Russia, Spain, Sweden, Venezuela, Switzerland, Norway & Persia. Only in as far as the importation of Japanese silk products was concerned did this application of the most-favoured-nation clause have any noticeable effect.

public opinion began to be alarmed at the questions raised in the Dominion Parliament and M. Hodent wrote in "La Canadienne"^{1.} "Le traité de Commerce sur lequel nous avons fondé de grandes esperances ... menace au contraire de faire naître de graves dissentiments et ce serait un tel désastre pour la politique que nous defendons que nous voulons espérer un grand effort de bon vouloir de part et d'autre pour éviter cette catastrophe". The Senate only yielded after considerable pressure had been brought to bear upon that body by Monsieur Cruppi, Minister of Commerce, who had been convinced by the Canadian Senator Dandurant of the advantages the Treaty could confer upon France, and the formal ratifications were exchanged in Paris in February of the year 1910.

After the Treaty had been ratified, a marked trade increase between France and Canada was the immediate result, a development which was above all due to the increased importation of French wines into Canada. The value of Franco-Canadian trade rose from \$11,700,000 in 1908 to \$14,400,000 in 1911, which in comparison with Canada's total trade means a rise from 1.89 per cent to 1.93 per cent during the same lapse of time. Taking the period from 1903 to 1914 in its entirety, however, Franco-

1. July 1908. p. 36.

(Continued from footnote on P.66)

3. In 1909 a supplementary agreement (9-10 Edward VII c) was signed referring to live animals at the period of fattening.

4. House of Commons Debates 1907-1908. p. 12651.

Canadian trade which from Confederation until 1903 had increased at a quicker rate than Canada's total external trade did not continue to show the same accelerated development as before. In fact the reverse movement had taken place and by 1914 the percentage of Canada's trade with France had decreased from 1.72 percent in 1903 to 1.68 percent of the total. This decrease can in part be explained by the fact that during the period under consideration, Canada's trade with other European countries such as Belgium and Italy and also with Japan had begun to develop in the same way as with France and Germany at an earlier time. It is difficult to say if, in the absence of the 1907 Convention, Franco-Canadian trade would have decreased to an even greater extent than it did, statistical evidence, however, leads us to believe that that would probably have been the case, particularly since practically all other countries enjoyed the French minimum tariff in whole or in part. Furthermore, although the percentage of imports from France decreased in comparison with Canada's total imports (from 2.81 in 1908 to 2.30 in 1914) Canadian exports to France^{1.} showed a marked rise as compared with the total Canadian exports, due to the admittance of certain Canadian agricultural products into France under the new low tariff and above all to the increased importation of agricultural machinery from Canada for which article the latter had become

1. For exact values (Can. Statistics) see Appendix to Chapter II, Part II, p. II.

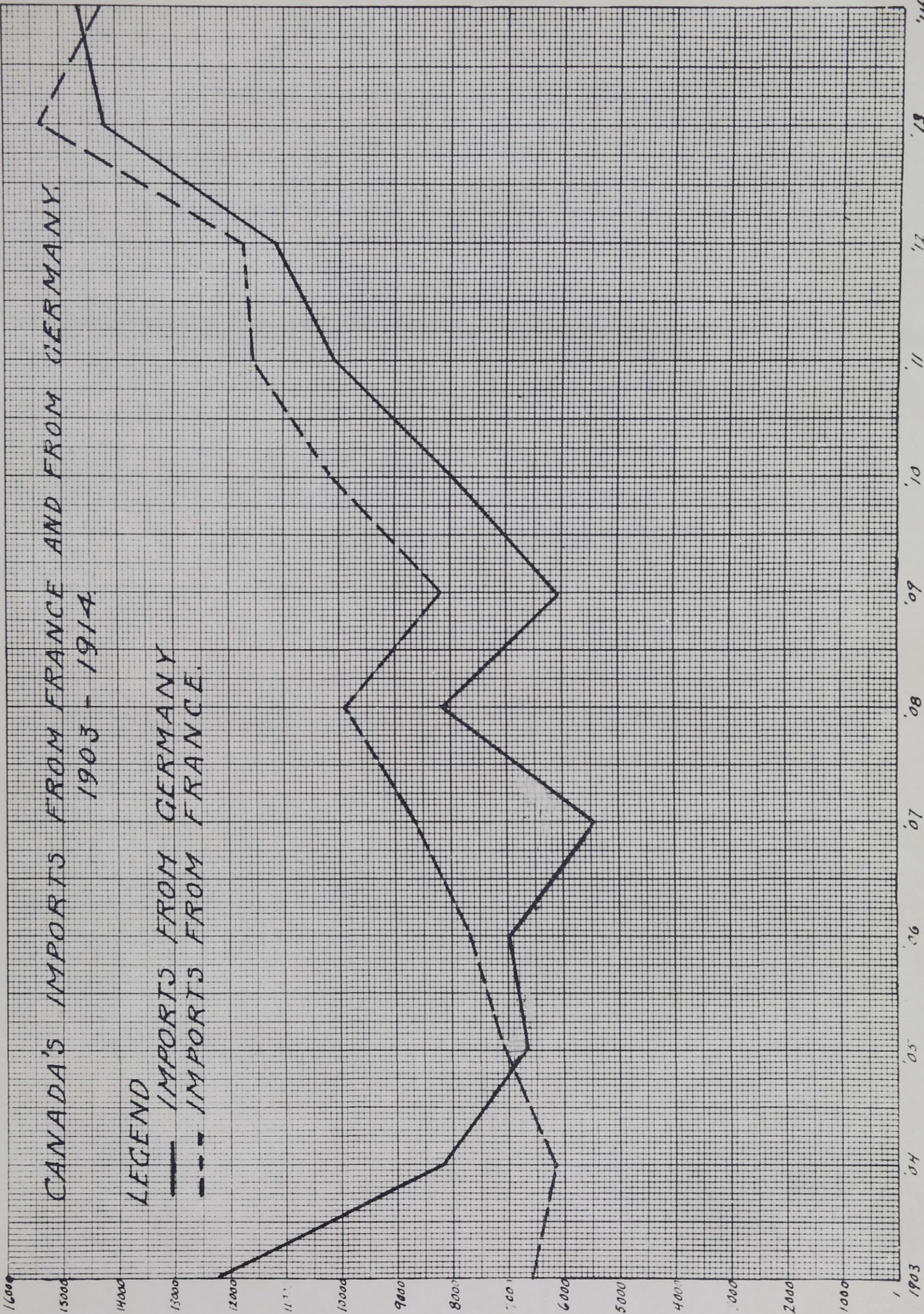
1.

France's second largest supplier. The great staples of cereals and grains had not yet begun to move from Canada to France and such countries as the Argentine, Germany, Russia and Australia exported wheat in quantities frequently up to twenty-five times greater than Canada. The World War changed this situation materially and it was during that abnormal period that Canada conquered the French market for one of her most important export articles, leaving her finally as the largest foreign supplier of wheat to France.

1. Importation of agricultural machinery into France
(1913) (Thousands of metric quintals).

United States	211,830
Canada	51,803
Germany	29,400
Great Britain	29,077.

A-P-P-E-N-D-I-X-.



APPENDIX TO Chapter II, Part II.

VALUE OF FRANCO-CANADIAN TRADE FROM 1903-1914.
(Canadian Statistics)

Year:	Imports from France into Canada:	Exports of Canada to France:
1903	\$ 6,580,029	\$ 1,316,713
1904	6,206,511	1,539,462
1905	7,058,743	1,479,999
1906	7,667,697	2,110,440
1. 1907	8,647,514	1,982,322
1908	9,901,909	1,762,832
1909	8,197,435	2,341,507
1910	10,109,544	2,601,097
1911	11,563,677	2,782,092
1912	11,744,664	2,123,705
1913	15,375,874	2,357,154
1914	14,276,535	3,632,440

1. 9 months.

CHAPTER III.

THE INFLUENCE OF THE WAR OF 1914-1918 UPON FRANCO-CANADIAN TRADE AND THE THIRD COMMERCIAL CONVENTION BETWEEN CANADA AND FRANCE IN 1922.

The entirely abnormal conditions of world trade which were created by the war of 1914-1918 did not fail to exert an extraordinary influence upon Franco-Canadian trade. The tremendous increase of Canadian exports to France^{1.} and the simultaneous although less striking fall of French exports to Canada (from \$14,276,535 in 1914 to \$5,274,064 in 1918) were the result of the unnatural conditions that prevailed during those years. The causes for France's necessity to import food products in ever-increasing quantities and the reasons for Canada's falling demand for most of the products of France during the same period of time need no explanation. For this inquiry the quantitative development of trade between the two countries during the war is of little importance as it was caused by abnormal conditions which were by necessity of a temporary character. The qualitative changes, on the other hand, in the character of Canada's exports to France which occurred during that time are of considerable interest on account of the influence these changes had upon the post-war development of Franco-Canadian trade relations. There had been changes in the composition of Canadian exports to France before 1914.

1. Exports of Canadian produce to France (Can. Stat.)			
Can. Wholesale prices (1913=100)			
1914 ...	\$	3,632,440	102.3
1916 ...		33,703,183	131.6
1918 ...		201,526,290	199.0

After the 1907 Treaty agricultural machinery began to gain preponderance over preserved fish, canned lobsters, and manufacturers of wood, articles which had since the late nineteen-hundred and eighties been at the head of the list of Canadian exports to France. The change, however, which took place during the war years was of a more fundamental nature as it affected not only the composition but the character itself of Canada's exports to France. Before the war the major portion of Canada's exports to France consisted of manufactured and semi-manufactured products. As a result of war conditions France was in dire need of raw materials and above all of food products. Wheat and other grains from Canada helped to fill the gap. This was the first time that Canadian wheat was shipped to France in appreciable quantities with the result that the French millers became to be accustomed to use it. Moreover, it was found that a mixture of Canadian wheat of a special quality with the wheat of France produced a flour particularly suitable for the making of bread and certain wheat products which necessitate a high content of gluten, both articles which are probably used more in France than in any other country of the world. Until the year 1913, when it reached 14 percent, the proportion of wheat and other grains of the total Canadian exports to France was negligibly small. After the war wheat and other grains constituted in the average 58 percent^{1.} and in some years (1927 and 1931) as much as three-quarters or more of the

1. Average of the period 1922 to 1932 calculated from the French import statistics.

total value of Canada's exports to France. Thus the major portion of the commodities which Canada began to send to France after the war consisted of raw materials, while before 1914 fully or partly manufactured products had made up the bulk of the former's exports to France. Considering the fact that these raw materials were almost entirely composed of agricultural products the demand for and the supply of which tends to be irregular, it may be said that in general therefore the exports of Canada to France are inclined to show a certain instability, caused directly by their character. This inherent instability of Canada's exports to France was accentuated by the wheat policy of France as will be seen in a later chapter of this study. The war, then, had a twofold influence upon Franco-Canadian trade. Through creating the necessity of French importation of foreign food products it made Canadian wheat and other Canadian grains known in France, a fact which led to much increased Canadian exports to France equalizing thereby incidentally the imports from France to Canada and the latter's exports to France. Secondly, by changing the character of Canadian exports to France from a preponderance of manufactured articles to a preponderance of agricultural produce the war introduced an element of instability which had not existed before.

The necessity of a reconstruction of her national economy after the war had led France to denounce all existing commercial treaties some month before hostilities had terminated. ^{1.}

1. 23rd April, 1918 (Rapport Conseil national économique 1473, 24th December, 1932).

1.

Canada was given notice of this decision in May 1918, the French government expressing the desire, however, that the Convention of 1907-09 should remain in force on a three months notice. The Canadian government accepted the proposal and in November of the succeeding year a bill was passed which changed the required time of notice in the case of abrogation of the Convention from the former twelve months to a three months period. This arrangement remained in force until March 1920 when Canada in turn abrogated the 1907-09 Convention in its entirety. One of the main reasons for this action was the necessity for

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revenue. By former most-favoured nation agreements the treaty rates of 1907 had been applied to a number of other foreign countries and it began to be apparent that France, who in spite of higher prices exported to Canada in 1919 only three and a half million dollars worth of goods, was not getting the benefit of the rates. Canada on the other hand was losing the revenue from customs duties which in the absence of the French Treaty rates would have been collected on the imports from Japan and Switzerland, countries which moreover had given no reciprocal concessions to the exports of Canada. In the words of Sir George Foster, the convention was abrogated on account of the fact that "in view of the possible denunciation of the Treaty on three months notice, it was not possible to carry on business more time being required in the usual making of contracts and

1. House of Commons Debates 1918, p. 225f.

2. House of Commons Debates, 1921, p. 2125.

arrangements for the interchange of produce between the two countries^{1.} However true this statement may have been it can only be considered as a subterfuge particularly as in the next following agreement the period of notice was fixed at a period not longer than four months. While denouncing the Convention, the Canadian government had pledged itself to take up negotiations at an early "opportune" time and on the 29th January, 1921, a new Convention was signed which was not officially called a modus vivendi agreement but which was considered as such de facto. In its main features this temporary treaty resembled the old Convention of 1907-09 with the exception that France^{2.} gave up the list of special rates which had been granted to her and that Canada lost the benefit of the minimum tariff on certain articles which had under the old treaty been included. The rates were limited to France alone, excluding her possessions and colonies and it was again expressly stated that Canada was not bound to give to France any concessions which the former might hereafter make to the United Kingdom or to any other country within the British Empire.

After the abnormal conditions of the war period had come to an end, Canadian exports to France decreased appreciably and at the end of the year 1919 the value of France's imports from Canada had fallen by nearly one half of what it had been in 1918. On the other hand the flow of goods from France to Canada which had been seriously handicapped during the war years

1. House of Commons Debates 1920 p. 3425, 3426.

2. Schedule C of 1907-09 Convention.

began again to expand, especially when various Acts of the Canadian provinces which had prohibited the sale of alcoholic beverages were repealed soon after the war, and in 1921 in spite of the business depression the exports of France to Canada had in comparison with 1919 increased more than five times in value (\$3,631,000 in 1919 and \$19,761,000 in 1921). In the year 1922, however, two years before the new Convention between Canada and France came into force, the total value of Franco-Canadian trade had shrunk again below its prewar level, if the rise of wholesale prices which had begun during the war is taken into consideration. In 1913 the aggregate trade between the two countries had amounted to roughly \$18,000,000 (1.72 percent of Canada's total trade) and in 1922 to about \$26,400,000 (1.6 percent of Canada's total trade) which, as prices in that year were about double of what they had been during the last prewar year does not actually indicate an increase but a decrease of trade. The fact that the volume of Franco-Canadian trade had in 1922 decreased to a greater extent than that of Canada's trade with all countries was mainly due to the influence of two different factors. The first of these lies in the very nature of the trade relations between the two countries. Canada's imports from France consist largely of luxuries and it is therefore evident that in a time of business depression such as the years 1921-22 the demand for goods other than for the necessities of life must have fallen considerably. The second influence concerned the imports of France from

Canada and was of a financial nature. The value of the franc, which in 1920 and 1921 had fluctuated around the equivalent of 8.63 Canadian cents fell in 1922 to 7.4 in terms of ^{1.} Canadian currency. This decrease in the value of the franc with its effect of curtailing French purchasing power was also instrumental in bringing about a relatively greater decrease of Canada's trade with France than with other countries. The possible result of increased Canadian purchases in France on account of the very fall of the French currency was probably neutralized by the effects of the 1921-22 trade slump.

Shortly after the war a new element in the Canadian point of view concerning the commercial relations between the Dominion and France began to have a modifying influence on the development of Franco-Canadian trade during a number of years. This new element consisted in the desire to help France in the reconstruction of her national economy after the ravages of the war. During the initial stages of the post-war period the extent of trade relations between the two countries was again not entirely determined by material considerations as they are naturally in the case of Canada's trade with other foreign countries, but in a sense sentiment played a part in influencing Franco-Canadian trade. While during the late 19th century the initiative and interest to foster closer Franco-Canadian relations had been almost exclusively confined to a few French-Canadian statesmen, the wish to continue in the assistance

1. All information concerning currency quotations was obtained through the courtesy of the Royal Bank of Canada, Foreign Trade Department.

of France after the war was extended over the whole of Canada's population. The effects of this new spirit towards France was particularly apparent during the negotiations which led² to the signing of the Commercial Convention of 1922, when the Canadian representatives seem to have gladly granted advantages to France without receiving in some cases equally valuable concessions in return. Also, the Canadian Government's invitation in 1921 to France to show her products to prospective Canadian customers by means of a train-exhibition showed the desire of Canada to assist France in the rebuilding of her commerce. A Canadian exhibition train, also, went through France after the Treaty of 1922 was signed; the fact remains, however, that it was Canada who had again taken the initiative in attempting to increase Franco-Canadian trade as a whole instead of only her own exports to France. There can be no doubt that mutual advertizing of the countries' product such as was carried on by France and Canada in 1921-23 tended to increase the volume of trade between the two countries to some extent. In reality the visible effect of these efforts was so small as to be almost negligible. The activities to encourage trade between France and Canada by appealing to sentiment are, however, characteristic for the commercial relations between the two countries and it is on account of that reason that we mention them here. In the early days after Confederation when Chapleau and Fabre went to France it was believed that the existence of the forgotten French brothers in Canada would only have to be impressed upon

France in order that trade might flourish. The success was not overwhelming. In 1912 Laglenne, commercial councillor of France, declared that on account of the Entente Cordiale French goods were occupying a privileged position in the Canadian market. The Entente Cordiale between France and the British Empire did not prevent the success and final victory of Germany's merchants before 1914. After the war, the wish to help France was not less sincere than the Canadian efforts during the late nineteenth century and as we have seen it actually induced the Canadian Government to endeavour to develop and to facilitate trade with France at its own expense. But again the result of its actions was not as encouraging as might have been expected. To no other foreign country did Canada show such good will and friendly interest concerning the development of trade relations as to France and it is therefore all the more remarkable that the proportion of Canada's trade with France did never, except during the abnormal period of the war, rise much above 2 percent of her total foreign trade. We do not want to suggest that all activity which aimed to develop Franco-Canadian trade by means of appealing to historical connections, political friendship and altruistic motives was without any effect, but rather that despite this favourable attitude of both countries towards each other there remains the fact that from Confederation until the present day Franco-Canadian trade, although absolutely it increased manyfold has expanded at a rate only very slightly in advance of that of the growth of Canada's total trade. Without encouragement, then,

and relying only on the play of economic forces Franco-Canadian trade might therefore not even have attained its present volume.

Before we proceed to analyse Franco-Canadian trade as it has developed during the last four years and to enquire into the bases upon which it rests to-day it will be necessary to give an account of the third Commercial Convention (15th December, 1922) between Canada and France and of the influence which that Convention has exerted upon the trade relations between the two countries during the succeeding years. According^{1.} to the provisional agreement of 1921 Canada and France were to enter into further negotiations for a larger and more permanent treaty at an early favourable time. The temporary agreement had been concluded in January but two months later the French government saw fit to increase the maximum rates^{2.} on manufactured articles. Goods coming from the United States were, however, by the same decree exempted from the higher^{3.} duties. The unfavourable influence of this discrimination against Canadian manufacturers was felt particularly by the exporters of agricultural machinery and as a result the Canadian Manufacturers Association waited upon the Prime Minister in February 1922 explaining the situation and urging upon the Government the necessity of pressing for the immediate removal of

1. See Part II, Chap. 3, p. 74

2. 28th March, 1921.

3. A law of 16th May, 1916, had given the French Government power over customs matters, a privilege which it did not lose until 31st Dec. 1922 (1474 J.O. Annexe, 24th December, 1932).

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the said tariff discrimination. The promise in 1921 to resume negotiations after the enactment of the provisional agreement coupled with the pressure of certain manufacturing interests in Canada and the representations of the French Consul in Montreal led² to renewed parleys in the fall of 1922. Fielding, as Minister of Finance, and Ernest Lapointe, Minister of Marine and Fisheries, were commissioned to carry on the negotiations in Paris with the French delegation which was headed by Monsieur Lucien Dior, Minister of Commerce. The chief object of the Canadians in these pourparlers was to obtain the same treatment as the United States concerning exports to France. Especially in the case of agricultural products of all kinds the United States were Canada's most dangerous competitor in the European markets, and it was therefore essential that, even if more favourable conditions could not be obtained from France, Canada should at least be on the same footing as the United States in the French market. The Canadian efforts to secure this equality with the United States were entirely successful and thus in the main Canada's representatives obtained the concessions which they desired from France. The price for these concessions was a high one. Canada had to agree to fix her tariff rates on a number of important French exports and to pledge herself not to change the difference between the intermediate and the General Tariff concerning another series of articles on the duty of which France

1. House of Commons Debates 1923 p. 2001.

had obtained percentage reductions. Thus, in order to be placed upon the same basis of competition as the United States in a comparatively small market, Canada gave up a part of her fiscal liberty. The treaty was signed on 5th December, 1922 - the usual method of signature with the British representatives^{1.}

at Paris was followed - and after it had been debated for two months and a half in the Canadian Parliament it was finally^{2.} ratified by the two Houses at the beginning of May 1923.

Canada granted the benefit of the Intermediate Tariff to all imports from France. In addition to this general concession three further schedules assured French imports of particularly^{3.} favourable treatment. Similarly as in 1907 the French representatives were able to obtain concessions on exports of singular importance to their country. A discount of 10 percent of the duty of the Canadian Intermediate Tariff was granted on such articles as cognac, champagnes, nuts and cheese. Clocks and all kinds of iron and steel manufacturers, cottons, flannels and buttons came under the same schedule. On three different kinds of textiles, most of them finished products such as womens' and childrens' dress goods, coat linings and ready made clothing composed wholly or in part of wool, worsted or tweeds a discount of 15 percent of the regular Intermediate Tariff was also conceded to France and it was in reference to the goods

1. H.B. Keith: "The Sovereignty of the British Dominions" London 1923, p. 370.
2. Statute number 13-14 George V, c.14.
3. Schedules D, E and F.

enumerated in these two schedules that Canada agreed to maintain the difference between the Intermediate and the General tariff rates. Again, as in 1907, a list containing a series of articles was included in the treaty upon which, when imported into Canada from France the rates were fixed. This^{1.} list included, similar to schedule C of the old treaty, the products of France which did not compete directly with British goods, and the tariff rates on them were in many cases as low^{2.} as that of the Preferential Tariff. The articles receiving this special benefit of comparatively low and fixed duties are very numerous and therefore only those of special importance can be mentioned here. The list included silk fabrics of a certain size, velvets, embroideries, lace, ribbons and gloves, such food products as olive oils and certain canned vegetables, and above all wines. In the case of the latter nothing had been changed and the same rates as in 1907 continued to apply^{3.} to French wines with the exception that wines containing more than 26 percent proof spirit had to pay an additional duty of \$0.55 per gallon. Considering the fact, however, that there are practically no French wines with as high an alcohol content this increased duty had no effect on the imports of wines originating in France. When, after the elections of 28th July, 1930,

1. Schedule D.
2. On olive oils certain canned vegetables, trees, some manufactures of silk, novels and works of fiction, music, printed and for mechanical player pianos, and moving picture films, the French Treaty rates were the same as the rates of the British Preferential Tariff.
3. See reference No. 5 p. 65.

The Canadian tariff policy underwent a decided change and the duties on many articles included in schedule D of the French Treaty of 1922 were raised first in September 1930 and again in June 1931 the definite advantages to France of the fixed rates became to be apparent.

The French minimum tariff was applied to Canada's^{1.} most essential exports, such as wheat and other grains, pulp, minerals and agricultural machinery with the important exception of canned salmon, condensed milk and salted meat, all of which had enjoyed the benefit of the lowest French tariff rates under the old treaty. At the time when the treaty was negotiated the minimum tariff on wheat still equalled the general tariff levied on it; the inclusion under the minimum tariff proved, however, to be of great benefit to Canada when later in July 1931 a difference between the two tariffs was established and the general tariff on wheat raised from about \$1.00 to \$2.00 a bushel. The somewhat increased duty on preserved fish, (consisting mostly of canned salmon), salted meat and condensed milk, tariff raises which met with violent objections in the Canadian^{2.} House of Commons did not have as much of an unfavourable effect as might have been expected, and the imports from Canada of^{3.} condensed milk and salted meat showed an increase in 1924.

The Canadian representatives in Paris had obtained the

1. Schedule "A".
2. House of Commons Debates 1923, pp. 445, 1977, 2005.
3. Canadian exports to France of -

	<u>1923.</u>	<u>1924.</u>
Condensed milk	\$ - -	\$119,405
Salted meats	\$ 4,049	\$ 6,696
Canned salmon	\$1,806	\$1,533,089
	(Canadian statistics).0	

same tariff rates which applied to American goods at the time. It was, however, equally essential for the development of Canada's export trade to France to make sure that this condition of equality with the United States should remain intact in the future. On account of this necessity from the Canadian point of view Canada's representatives were less anxious to obtain from France complete most-favoured-nation treatment but rather to secure by the insertion of suitable clauses the guaranty that all tariff changes which might in the future be made in favour of the United States should automatically apply to Canada also. The French negotiators gave the Canadians satisfaction in this matter and accordingly Article II of the treaty stipulates that in reference to schedule A (list of Canadian articles which receive ~~the~~ benefit of the French minimum tariff) the most-favoured-nation-clause shall apply to Canada with the exception of tariff concessions which France may see fit to grant to her colonies, protectorates and to border states or of those "which France may grant for products the importation of which is designed to facilitate financial settlements with those countries that were at war with France during the years 1914-1918". Concerning the products which under schedule B receive percentage reductions of the difference between the French maximum and minimum tariff France agreed that if "at any time (she should) grant to the United States of America . . . percentages more favourable than those mentioned in the schedule, or the benefit of the minimum tariff, the same or similar

products originating in and coming from Canada shall immediately and unconditionally enjoy the benefit of the said concessions"¹. For products not listed in schedules A and B Canada had obtained the rates of the General tariff of 1910, i.e. she had by virtue of the new Convention been exempted from the increase of the rates which had taken place in 1921, a benefit which had previously been accorded to the United States.² In reference to these rates, the future treatment of Canada in the case of a change in the French tariff policy was again linked to that of the United States, and Article V of the 1922 Convention states that "if the United States of America should at any time cease to enjoy the benefit of the French decree of March 28th, 1921, products of Canada, other than those enumerated in schedules A and B to this Convention shall enjoy a reduction of 25 percent on the difference between the French general and minimum tariff, whatever these tariffs may be". In general, then, the French representatives had agreed to apply to Canadian goods any tariff reduction that the United States might receive from France in the future. There is, however, one notable exception, which in addition to its particular importance to Franco-Canadian trade relations shows also a new interpretation of the whole conception of the most-favoured-nation clause. The principle of this clause has usually been that if a country should grant tariff reductions to any other country these reductions would automatically, i.e. without new concessions, apply to the products

1. Article IV.

2. See above Part II, Chapter 3. p.79.

of that country with whom a most-favoured-nation treaty had been made. In the 1922 Convention between Canada and France, however, the provision has been included that Canada would in reference to products not mentioned in the schedules A and B be entitled to the benefit of future tariff reductions concerning products coming from the United States only in return for^{1.} "a reasonable and equivalent concession". Had there been any tariff reductions in favour of the United States after 1923, the inclusion of this clause could have been of decided advantage to Canada, as the French government had pledged itself to notify Canada immediately and to make known its wishes concerning such "reasonable and equivalent concession".

The third Franco-Canadian Commercial Convention which had been signed in December 1922 went into effect on 5th September, 1923. An analysis of its results concerning the trade between Canada and France is rendered difficult on account of the fact that as early as 1925 another factor - ^{the} depreciation of the French currency - began to have a determining influence on Franco-Canadian trade which over-shadowed that of the Convention. Solely the trade statistics of as short a period as that of a single year (1924) are therefore of any avail in judging the immediate effects of the Convention. The value of both the exports of Canadian produce to France and of French exports to Canada increased somewhat during the year after the Convention was signed. In the case of Canadian exports to France the higher

1. Article V, 82.

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value was due entirely to increased French imports of Canadian wheat, an article which had not been affected by the treaty. The increase in the value of French exports to Canada, on the other hand, may safely be attributed to the influence of tariff reductions which by virtue of the Convention Canada had conceded to France on textiles and perfumery.^{2.}

The French Franc which during the period from 1922 to 1924 had in terms of Canadian currency been fluctuating with a slight downward trend around \$0.07 fell during the course of the year 1925 from \$0.⁰54 in January to \$0.037 in December. It continued its sharp decline during the first seven months of the year 1926 until on 20th July of that year it had reached the low value of \$0.019. For the year 1926 as a whole the average value of the franc may be said to have stood at \$0.032. The effect of this depreciation of the French currency made itself felt by a sharp decline of France's import figures which in the case of Canada decreased by almost one half, i.e. from \$22,346,000 in 1924 to \$12,120,000 ^{3.} in 1926. As could be expected Canada's imports increased immediately, the Canadian purchaser having the advantage of the increased purchasing power of the dollar in terms of French currency on his side. French prices

1. \$20,077,000 in 1923 and \$22,346,000 in 1924. These figures as all succeeding values for French imports of Canadian produce are arrived at by converting the values given in francs in the French import statistics into Canadian dollars.
2. The higher value of imports from France (\$2,673,000 in 1923 and \$15,935,000 in 1924) was due mainly to increased import of these products.
3. Contrary to the usual state of things the French import statistics of 1926 give a lower figure than the Canadian export statistics. This discrepancy can probably be explained by the fall in the value of the franc during the time of shipment.

did not rise immediately when the franc went down and only by the end of 1925 they were 12.5 percent higher than in 1924, although the currency had depreciated by about 40 percent. France's exports to Canada, in spite of the fact that the demand for most of the commodities which the former sends to Canada could be called elastic did not rise in exact inverse proportion with the fall of the franc as quoted in the foreign exchange market but only by 16.4 percent, that is from \$15,935,000 in 1924 to \$18,560,000 in 1925.¹ Since the German inflation there has existed in Canada a law which gives power to the Government to consider for the purpose of customs valuation "goods, the manufacture or produce of a foreign country, the currency of which is substantially depreciated" to be of the same value as "similar goods manufactured or produced in the United Kingdom and imported from that country".² After repeated questions in Parliament³ the Government decided to apply this amendment of the Customs Act to France on the 15th February, 1926. France objected to the action of the Canadian Government on account of the fact that the application of the depreciated currency clause would be left to the discretion of customs officials and that, moreover, since in many cases no "similar goods" were

1. One of the reasons why Canadian imports from France did not rise as much in 1925 as the depreciation of the Franc would have warranted, was the fact that for the purpose of customs valuation the Franc was not considered at as low a level as it was officially quoted.
2. Revised Statutes of Canada 1927 v. VII c.42, s. 35. (An Act to amend the Customs Act and the Department of Customs and Excise Act, June 28th, 1922).
3. House of Commons Debates 1926, pp. 1201, 1491.

manufactured or produced in Great Britain, the higher valuation^{1.} of French products would be unjust. As a result of the French representations it was agreed to raise all prices on invoices by 20 percent and to add no percentage on goods which are not produced in England. On account of this legislative action on the part of the Canadian Government and secondly by reason of the rise of the level of French wholesale prices which began to adjust itself to the depreciated currency during the early^{2.} months of 1926. Canadian imports of French produce increased only slightly from 1925(\$18,560,000) to 1926 (\$19,243,000) although the franc fell from \$0.045 in 1925 to \$0.03 (average) in 1926. The French currency was not officially stabilized on a gold basis until the 24th June, 1928; from December 1926 on and all through the year 1927 the franc had, however, remained at the level of 25.64 to the Canadian Dollar (frs. 1.00 = \$0.0392). This de facto stabilization, restoring the confidence of the French importer, lead to a great increase in the total value of Canada's exports to France. This increase from \$17,129,000 in 1926 to \$27,857,000 in 1927 was due entirely to larger shipments of Canadian wheat to France. In spite of the somewhat higher value of the franc French exports to Canada also expanded after 1926 a development which may in part be

1. Publications of the Comite "France-Amerique" August 1926.
2. French wholesale prices (base period 1901-1910 = 100)

1924 ...	564.7	1926 ...	812.2
1925 ...	635.6	1927 ...	713.4

explained by the repeal of prohibition laws in the Provinces of New Brunswick and Ontario and also by the effect of tariff reductions by virtue of the 1922 Convention. The following table shows the movements and extent of Franco-Canadian trade from 1927 to 1931

	<u>Canadian Imports</u> <u>from France.</u>	<u>French Imports</u> <u>from Canada.</u>
1927	\$24,263,000	\$27,857,000
1928	26,647,000	23,860,000
1929	26,389,000	32,824,000
1930	25,225,000	17,540,000
1931	19,041,000	36,078,000

The fact that in contradistinction to French exports to Canada which show a remarkable stability during that period of time Canadian exports to France have fluctuated greatly from year to year, is explained by the character of Canada's exports to France, a circumstance to which we have alluded above.^{1.}

1. See Part II, Chapter 3, p.72.

PART III.

FRANCO-CANADIAN TRADE OF THE PRESENT TIME.

CHAPTER I.

THE ECONOMIC BASES OF FRANCO-CANADIAN TRADE.

In the preceeding Chapters we have traced the history of Franco-Canadian trade from its beginning in the 17th Century up to our own times. In giving this account of the historical développement of trade relations between Canada and France we have endeavoured to show to what extent particular events, the effects of which were restricted to varying periods of time, have influenced the progress of commerce between the two countries. The cession of New France to England which dislocated Franco-Canadian trade for almost a century, the World War which was the cause for abnormally large Canadian exports to France until 1919, the depression of 1921-1922 which brought about a sharp decline in the volume of Franco-Canadian trade, and finally the depreciation of the franc with its subsequent curtailment of French purchasing power resulting in greatly decreased imports from Canada, are all events of this kind. The respective effects of three trade treaties disigned to facilitate the exchange of produce between Canada and France have been analysed and particular stress has been laid on activities, undertaken in the majority of cases by Canada, which attempted to foster Franco-Canadian trade by an appeal to considerations other than those of a purely material nature. Thus, the object which was kept in view throughout

the first and second part of this essay has been to give an account of the development in the character and extent of the trade itself rather than to enquire into the economic conditions which lie at the basis of an exchange of goods between Canada and France. In consideration of the fact, however, that these economic conditions have on the whole remained unchanged during the last fifty years and that therefore the validity of the results at which we may arrive through a study of present day conditions extends also into the past, it has been found advisable to postpone an enquiry of this nature to this advanced stage of our study.

The one characteristic element which stands out above all others when we look back over the history of Franco-Canadian trade is the fact that the share in Canada's total trade which is allotted to her trade with France has always been exceedingly small. It is true that during the first thirty-five years after the resumption of friendly commercial relations between the two countries Franco-Canadian trade had expanded at a rate slightly in advance of the rate of progress followed by Canada's total trade. This accelerated expansion of Canada's trade with France as compared with the former's trade with all other countries was, however, only of a temporary character. It seems that, once commercial relations had been resumed between the two countries, Canada's trade with France progressed at a quicker pace than Canada's total trade only until it had

reached its maximum proportion of Canada's trade with the rest of the world during normal years, i.e., 2 percent. We think to be justified in considering the proportion of 2 percent to lie very near the maximum of the share in Canada's total trade that will go to the trade with the French Republic, as during a period of 29 years (1903-1932) there has, with the exception of the abnormal period from 1914-1919, been^{1.} no increase in this percentage. We have seen that with the exception of the temporary reciprocity arrangement with the United States and the later granting of Imperial Preferences France has practically always enjoyed the best terms conceded to any foreign countries~~ies~~ in reference to imports into Canada. Furthermore, from 1855 on the most friendly relations possible have existed between the two countries, a condition which without doubt tended also to increase the trade between Canada and France in as much as sentiment could be said to have any influence on commercial relations. The question, therefore, why Canada's trade with France has remained to be of such limited extent demands an answer.

Canada and France are not complementary countries from the standpoint of international trade. The necessary conditions of an exchange on a large scale, as they are ~~at~~ present in the case of Canada and the United Kingdom, do not exist in the case of Canada and France. France is an almost

1. In 1931, the percentage of Franco-Canadian trade over the total external trade of Canada was 3.19%. This higher figure cannot be considered as normal on account of the abnormal fall of Canadian exports to other countries on account of the business depression.

self-sufficient country. She produces 80 percent of her total consumption and 90 percent of her total requirements^{1.} of food-stuffs. The latter proportion varies, of course, according to crops and the yield of the rest of France's agricultural production but never falls very much below the percentage quoted. The ability of France to absorb foreign food products is therefore very limited in comparison with the necessity of Great Britain to import large quantities of such commodities. The possibility of an exchange of produce^{2.} with Canada among whose most important exports are food-stuffs and of whose total exports more than half consist of agricultural products must of necessity be small. Canada finds in Great Britain a ready market for the major portion of her^{3.} exports of agricultural produce a fact which in creating a basis of exchange enables Canada to buy a great part of her requirements in iron and steel manufactures and textiles from that country. The exchange of goods between the United States and

1. In 1930 the total agricultural production of France was valued at \$3,943,600,000 and her imports of food products amounted to only \$472,800,000, while her exports of this kind of commodities reached the value of \$235,440,000
2. In 1930 roughly one-third of Canada's total exports (\$1,120,300,000) consisted of food products (\$387,800,000)
3. Of a total of -

\$517,644,806	Exports of (Agricultural products) 1930.
\$227,195,371	went to the United Kingdom.
\$115,520,673	" " " " States.
\$174,928,962	" " other countries.

Canada may be taken for granted in this inquiry. The conditions of geographical proximity, similarity of business methods and general unity of language and race, factors which are responsible for the fact that the major portion^{1.} of Canadas total external trade is carried on with the United States are too evident to need an explanation here. Seeing, then, that France is not in a position which would oblige her to import large quantities of Canada's most essential exports no basis of exchange is created which would induce Canada to obtain from France her necessary imports of textiles and other manufactures. The real obstacle, therefore, apart from tariff differences to increased imports from France of these articles does not lie in any disability of France to supply them. It is to be sought in the fact that, since France imports only comparatively small quantities of Canada's essential export products, Canadian imports from France tend to remain equally limited.

Trade between the two countries is on account of this major reason reduced to the exchange of articles in the production of which both countries excell by virtue either of the physiographical and climatic conditions of the country or on account of a natural inclination of the people. Practically all the commodities that France imports from Canada are raw materials and semi-manufactured goods derived from produce of a particular quality caused directly by the

1. In 1930, 57.92%.

nature of Canada's soil and climate. Among these, wheat has since the war occupied first place. During the last five years (1927-1932) it has made up on an average 73percent^{1.} of the value of Canada's total exports to France. France imports Canadian wheat not because she needs it to supplement deficits of her own crops but on account of its quality. It is used mostly for bread and to a smaller extent for certain wheat products, socalled pâtes alimentaires. Canadian wheat does not owe its demand in France to its particular^{2.} hardness but rather to its intermediary quality which distinguishes it from the native soft wheat and the hard^{3.} wheat of Algeria. Of late France has been able to produce^{4.} herself all the wheat she needs. The wheats that she imports are only used to step up the quality of the flour. The habit of mixing the native product with foreign wheats of a different quality is in France often alluded to as being of the nature of a fashion that will pass away. The validity of this point of view seems to be disproved by the fact that after a downward trend during the three years from 1928 - 1930 France has in 1931 again imported a comparatively large quantity of foreign wheat, i.e., 78,987,000 bushels or

1. Percentage of Wheat of total Canadian exports to France:
1927 - 74% 1929 - 70% 1931 - 82%
1928 - 67% 1930 - 60% 1932 - 87%.
2. In the French Statistics Canadian wheat comes under the heading of "blé tendre".
3. Called "blé dur" in the French Statistics.
4. L'Economiste. 12, Nov., 1932. p. 616.

about 22 percent of her total consumption. The United States were, until 1927, the largest suppliers of foreign wheat to France. From 1928 on that country has been replaced by Canada and the latter's exports of wheat to France have since then been usually a little more than one-third of the France's¹ total wheat imports. A comparison of the figures given in the table below shows that there is no relation between the extent of the annual production of wheat in France and the amounts of foreign wheat imports. -

Year:	Production of Wheat in France (metric quintals):	Total Imports of Foreign wheat (incl. Colonies):	Imports of Canadian Wheat:
1927	75.150.000	20.756.000	3.231.000
1928	76.554.000	11.628.000	4.767.000
1929	91.786.000	16.149.000	5.012.000
1930	62.901.000	7.916.000	2.362.000
1931	74.424.000	21.348.000	8.602.000

Under present conditions, then, wheat of the Manitoba type is only imported on account of its quality to improve the flour used in the making of bread and certain other wheat products, and not in order to supplement insufficient wheat crops.

So far we have taken the ability of France to supply her own needs of wheat for granted in order to show

1. Percentage of wheat imported from Canada of total French imports of wheat:

1928	-	41%	1930	-	29%
1929	-	31%	1931	-	40%
Average for 1928 to 1931			- 35%.		

that there is the physical possibility of such self-sufficiency. The fact, however, that this physical possibility is utilized to its fullest extent is due entirely to a policy of legislation which has the purpose to assure to the wheat grower a remunerative price for his product. The cost of production of wheat is considerably higher in France than in the great wheat producing countries. The impossibility of applying the methods of large scale production on account of the physical condition of the country and the system of ownership in small lots are the main reasons for this fact. In the absence of legislation with the purpose of protecting the French farmer, the major portion of the requirements of wheat would soon be filled by foreign wheat of a lower price than the native product with the final result that only very little wheat would be grown in France. Such a development would necessitate a readjustment of Frances entire national economy. Apart from the fact that this readjustment would take a long time and would in reality be wellnigh impossible, France justly sees in the existence of her large and prosperous farming population an element of order and security and the essential prerequisite of a balanced condition of her national economy. Since the days of Meline every French government has remained faithful to this point of view and gradually from 1885 to the present day the extent of protection granted to the French

1. L'Economiste, 3 Sept., 1932. p. 289.

farmers has been increased with the fall of the cost of production of wheat in the important wheat producing countries. Bank in 1894 the duty on foreign wheat amounted to about 38¢ a bushel, a rate at which it was kept until after the War. By 1930 the duty had been raised to 54¢, thus maintaining the price of wheat in France at about \$1.80 a bushel. When the world price of wheat fell in 1931 below its 1930 level the French duty on foreign wheat was increased to about \$1.00 a bushel in July 1931. At the same time a difference was established between the minimum and the general tariff and the latter was raised to about \$2.00 a bushel, a measure which seems to have been aimed at Russia. Within the last two years legislative regulations other than the tariff were introduced with the purpose of further preventing imports of foreign wheat, which would have^{had} the result of depressing the French price. The most important of these regulations are the decrees which limit the percentage of foreign wheat which the millers are permitted to mix with the native product in the making of bread flour. From 1930 on this percentage has varied between 3% and 30% according to the extent of surpluses left over from the preceeding years' crops which had still to be sold. These decrees had a very noticeable influence on the imports of Canadian wheat. When in the course of 1931 the percentage of foreign wheat allowed in the milling of flour was raised

1. Rate calculated on the prewar gold value of the franc.

France's imports of Canadian wheat increased in almost
exactly the same proportion.^{1.} It may be said, then, that
under present conditions the wheat exports from Canada
to France are determined in the first place by the opinions
of the French bakers as to what percentage of foreign
wheat in the flour constitutes the best mixture and
secondly by the extent to which legislation limits this
percentage in the rare cases of a surplus of native wheat.

Three quarters or more of Canada's exports to
France to-day consist of wheat, the rest is made up of
minerals (on the average about 5 percent), preserved fish
(about 4.5 percent), wood pulp (about 4.00 percent) and
finally of a number of other animal and vegetable products
among which canned lobsters, raw pelts and table fruits
are the most important. France's imports of copper and
lead from Canada usually amount to about 7 percent of her
total imports of these minerals. Most of the copper imported
by France comes from the United States and Chili. The small
amount of the imports of this metal from Canada seems to
be the result of a difference in price.^{2.} The chief supplier
of lead to France is Spain. Lower cost in the production of
this metal and geographical proximity enables the latter to

- | 1. | Average percentage
of foreign wheat
allowed in the flour: | Quantity of wheat
imported from Canada: |
|------|---|--|
| 1930 | 6.5% | 10,000,000 bushels. |
| 1931 | 20% | 32,000,000 " |
2. Report of the Canadian Government Trade Commissioner
in Paris, 1929.

command the French market in competition with Mexico, Tunis and Canada. As far as zinc is concerned Canada is in a better position in the French market and of late about one-sixth to one-fifth of France's total imports of zinc have come from Canada. Only a very small quantity of wood pulp is exported from Canada to France who gets practically all her pulp for the manufacture of paper and newsprint from the Skandiavian and Baltic countries, Germany and Czechoslovakia. The major portion of the 4 percent of the total French imports of wood pulp which come from Canada is made up of a pulp of special quality which is used exclusively in the manufacture of artificial silk.

2.
The exports of Canadian fish, 90 to 95 percent of it consisting of canned salmon, have since 1929 not been able to withstand the competition of Japan in this article, and have decreased substantially from that year on. Although it is a generally accepted fact in France that Japanese salmon is of a lower quality than the Canadian product, Japan's exports of canned salmon have increased steadily since 1929 on account of a lower price than the Canadian article; and for the reason that the Japanese product is admitted under the French minimum tariff. Seven years ago Canada's most

1. Total French imports of wood pulp in 1932:)
179,939.6 tons (metr.)) French
Imports of wood pulp from Canada in 1932:) Statistics.
7.553.5 tons (metr.))

2. Report of Canadian Government Trade Commissioner,
Paris, 1929.

1.

important export to France was agricultural machinery. To-day the value of this article has fallen to less than 1 percent of the total value of Canada's exports to France. The fact that some years ago one of the firms which had been shipping large numbers of agricultural machines to France, has established a factory in France itself is one of the causes for this remarkable decrease. Furthermore, the reduced duties for German agricultural machinery after the Franco-German Trade Treaty of 1928 have helped to increase the imports of the article from Germany where the producers have specialized in the smaller types of mowers and binders, which are the only kind that can be used in continental Europe with the exception of the Danubian plains and Eastern Prussia. By this decrease in the exports of agricultural machinery the proportion of manufactured articles in comparison with Canada's total exports to France was reduced to almost nothing.

Only a small portion of France's exports to Canada consists of produce derived from the peculiar conditions of the French soil and climate. Wines, some fruit and nuts are the sole articles of this kind, making up generally about 10 percent of the total exports to Canada.² The small extent of Canada's imports of wine from France is the result

1. In 1926 the value of agricultural machinery exported to France from Canada amounted to about 20 percent of Canada's total exports to the former.
2. Percentage of the imports of wines of the total imports from France into Canada: 1927 - 7%; 1928 - 8%; 1929 - 12%; 1930 - 10%; 1931 - 9%; 1932 - 8%.

of different influences. Apart from the opposition of the Canadian grape-growers and wine manufactures to low tariffs on light French wines, their comparatively high price resulting from the Government monopoly of the distribution of alcoholic beverages discourages a wide consumption of this article. The main reason for Canada's limited imports of French wines is, however, the fact that the majority of the Canadian people are as little in the habit of drinking light wines as other Anglo-Saxon communities. The bulk of Canada's imports from France is made up of textiles consisting almost exclusively of finished products of natural silk, wool and cotton. The imports of manufactures of silk, although the latter are still the most important of Frances exports to Canada, have since 1927 declined steadily on account of competition from the United States and of increased Canadian home¹ production. The silk products imported by Canada from Japan compete only to a small extent with the French articles, since the Japanese products are becoming more and more articles of mass production and are usually of a lower quality than those originating in France. In 1927 France supplied 18 percent of Canada's total imports of natural silk products. To-day the proportion has fallen to 7 percent, while during the same interval of time the percentage of silk products

1. Canadian imports of silk products from France:)		
1927 - \$5,362,052	1930 - \$4,113,844) Canadian
1928 - 4,076,991	1931 - 1,902,042) Statistics.
1929 - 3,729,176	1932 - 300,000)

imported from the United States had risen from 28 percent^{1.} to 60 percent (1932). The reason for this fall in the proportion of French silk products lied in the fact that the United States article is usually offered at a lower price and probably also in a certain indifference of the majority of the Canadian buyers in reference to the degree of variety and workmanhsip in which latter qualities the French products excell. Manufacturers of wool largely made up of women's and children's dress goods, constitute the^{2.} second largest item among Canada's imports from France. These articles have been able to withstand British competition on account of low production costs in an industry which had to be almost entirely reconstructed after the war, and which, therefore, may be said to possess a more modern and more efficient equipment than most of the older British manufacturers of wool. In an analysis of the composition of Canada's imports from France to-day another list of products consisting of soaps and perfumes - in value generally about 2 to 3 percent of the total - deserves to be mentioned. In the exports of these articles to Canada France is only second to the United States, the latter supplying about half of

1. See Chart on Page I in the Appendix to this Chapter, for comparative development of silk imports into Canada from France, U.S.A., Japan, Great Britain, and Switzerland.
2. Usually about 15 percent of all of Canada's imports from France.

1.
Canada's requirements of perfumes and cosmetics. The major portion of those of Canada's imports from France which we have mentioned so far are luxuries, which, on account, of their high price are only accessible to a few. Until 1928 these products (manufactures of silk, wool and cotton, wines, perfumery, and fancy goods) have made up three-quarters of Canada's total imports from France. However, since 1929/30 the proportion of a mass of other articles, which could not be called luxuries, such as medicines, chemicals, books, paper, earthenware, leather goods, and fruits, has increased somewhat, a development which was to a great extent caused by the last business depression curtailing the demand for luxuries more than that for other articles. In order to show the great variety of the products which France sends annually to Canada as opposed to the comparatively few but bulky exports of Canada to France, typical pages of the French and Canadian import statistics are found on Pages II, III and IV of the Appendix to this Chapter.

In the following and concluding Chapter of the enquiry we propose to give a brief account of Canada's denunciation of the Franco-Canadian Trade Convention of 1922, under the provisions of which the trade between the two countries had been carried on for almost ten years. The detectable effects of the abrogation of the French Treaty on the extent of the trade between France and Canada will be dealt with and in conclusion the limits and possibilities of future Franco-Canadian trade will be discussed.

1. Canada's imports of Perfumery and Cosmetics (1930):

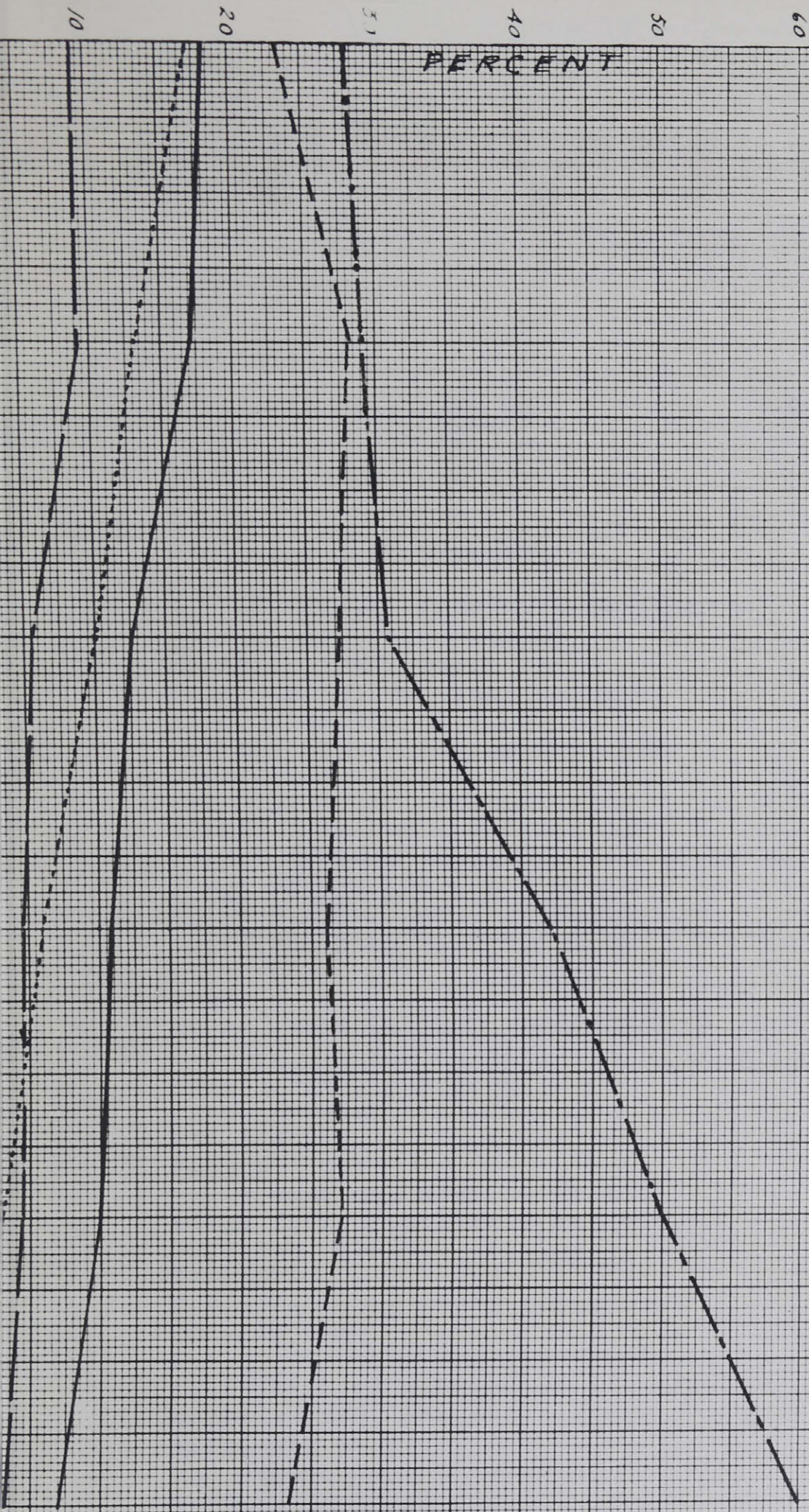
United States	-	\$762,900
France	-	349,926
United Kingdom	-	301,350
Total inc. other countries	-----	\$1,450,318.

A-P-P-E-N-D-I-X

CANADA'S IMPORTS OF SILK PRODUCTS FROM DIFFERENT COUNTRIES, 1927-1932. (PERCENTAGES)

- LEGEND
- FRANCE
 - JAPAN
 - SWITZERLAND
 - UNITED STATES
 - GREAT BRITAIN

PERCENT



APPENDIX TO Chapter I, Part III.

IMPORTS INTO CANADA FROM FRANCE (1930).
(Canadian Statistics).

Article:	Value:
Walnuts, shelled or not.	\$ 698,103
Vegetables, canned	182,192
Beans	161
Olive oil, edible	152,636
Brandy	2,666,809
Cordials, liqueurs, etc.	271,317
Wines	1,817,424
Essential oils (except peppermint)	122,371
Peanut oil, for refining	- - -
Plants, trees, etc.	119,956
Furs, undressed (incl. marine)	12,879
Furs, dressed	448,927
Hatters' furs, not on the skin	,085
Gloves, of leather	823,682
Gelatine	79,211
Cotton, crochet and knitting	115,418
Cotton fabrics, dyed	104,820
Woven fabrics with cut pile	83,600
Lace, net and mfrs. of (cotton)	155,685
Clothing of cotton	102,508
Flax, hemp, jute, products	147,628
Ribbons, silk, not ex. 12 ins. wide	125,215
Woven silk fabrics, unfinished	511,068
Velvets & plush, silk or artif. silk	604,272
Other silk piece goods	1,180,494
Silk clothing	926,795
Worsted tops	158,738
Woollen yarns	95,382
Woven fabrics, wool, unfinished	362,464
Woven fabrics, not ex. 5 oz; n.p.p.	223,823
Worsted, serges, coatings	1,146,946
Tweeds	94,611
Woven fabrics, wool, n.o.p.	673,278
Carpets, wool	201,593
Artificial silk, rovings, yarns, warps	24,167
Artificial silk, fabrics and mfrs.	1,536,230
Embroideries, lace, etc. mixed	303,516
Hats, all kinds	238,342
Hat shapes, and materials	71,026
Garments, knitted, mixed	92,983
Gloves and mitts, textile	141,891
Furniture, wood	111,486
Paper and mfrs. of	414,216
Books and printed matter	369,170
Iron, in pigs, ingots, blooms, billets	13,777

Continued.

Articles:	Values:
Iron, rolled in bars, n.o.p. cwt.	\$ 23,893
Wire rods	90,765
Rolling-mill products, other	93,962
Wire, iron	67
Pen knives, jackknives, etc.	9,810
Scissors and shears	1,467
Machinery	129,168
Tools and hand implements	10,960
Guns, rifles, etc.	1,211
Aluminium and mfrs. of	16,009
Brass and mfrs of	131,222
Nickel and mfrs of	81,038
Zinc sheets and plates	61
Clocks and watches	37,987
Electric apparatus	50,539
Tableware of china, and etc.	454,381
Glass, carboys, bottles, etc.	53,279
Glass tableware	44,640
Common window glass, sq.ft.	2,278
Plate glass not over 7 sq.ft.	25,677
Plate glass, 7 to 25 sq.ft.	9,274
Plate glass, n.o.p. not bevelled nor bent	18,899
Diamonds, unset	56,225
Acids	14,408
Drugs and medicinal preps.	495,941
Dyes, aniline	7,806
Blast-furnace and basic slag, ground	23,565
Potash, muriate, of, crude	124,358
Perfumery	349,926
Soap	132,780
Glycerine for explosives	6 6 =
Dolls	4,497
Toys	40,126
Containers, n.o.p. (packages)	279,098
Combs	10,019
Jewellery	121,449
Pocketbooks, etc.	167,960
Tobacco, pipes, cigar holders, etc.	198,646
Mineral Waters	132,491
Musical instruments	46,619
Scientific apparatus, etc.	121,593
Works of art	274,871
Feathers, etc., artificial, for hats	34,110
Boxes, fancy, ornamental cases, etc.	65,427
Pencils, lead	1,853
Precious stones, n.o.p.	<u>77,307</u>
TOTAL	<u>\$25,158,207</u>

APPENDIX TO Chapter I, Part III.

IMPORTS INTO FRANCE FROM CANADA (1931):
(French Statistics):

Article:		Value:
Horses (salughter)	Frcs.	764,000
Raw pelts and skins		6,422,000
Wool and wool waste		104,000
Cheese		165,000
Fish: frozen		1,884,000
dry or tinned		21,564,000
Lobster		6,822,000
Cereals (wheat,oats,rye, etc.)		682,604,000
Groats and semolinas		3,465,000
Table fruits		3,633,000
Seeds		456,000
Common wood		1,793,000
Bran		1,233,000
Wood pulp		17,531,000
Stones and earths		10,937,000
Copper		13,969,000
Lead		15,177,000
Zinc		10,710,000
Ores		10,557,000
Chemicals		6,251,000
Jute Fabrics		265,000
Dressed pelts		508,000
Machinery		4,710,000
Spare parts		193,000
Tools and hardward		288,000
Woodenware		362,000
Boats		202,000
Rubber goods		2,819,000
Other goods		4,306,000
TOTAL ..Fr.		<u><u>829,694,000</u></u>

CHAPTER II.

THE ABROGATION OF THE FRANCO-CANADIAN COMMERCIAL CONVENTION OF 1922 AND THE LIMITS OF A FUTURE DEVELOPMENT OF TRADE BETWEEN CANADA AND FRANCE.

After the de facto stabilization of the French currency in December 1926 the balance of trade between Canada and France has usually been in favour of Canada as may be seen from the table on page 90. This fact is, however, only revealed when the French statistics are taken into consideration. The discrepancy between the Canadian export and French import statistics is enormous and amounts at times to 100 percent, ^tThe French returns practically always showing a higher figure for the imports from Canada than the amounts given in the Canadian export statistics. The major cause of the discrepancy lies in the fact that the destination of Canadian wheat is not always known before it leaves port and that in the case of doubt the customs officials are in the habit of crediting Great Britain with such shipments. Similarly, shipments which are actually destined for England are often re-routed to France after they have left the Canadian port, a change which does not appear in the returns of the Department of Customs. When these shipments arrive in France their origin is easily ascertained and we are therefore justified in treating the French import statistics ^{1.} as containing the correct amounts. As far as France's exports

1. For comparison of French import statistics and Canadian export statistics see page II of the Appendix to this Chapter.

to Canada are concerned a discrepancy between the French export and the Canadian import statistics exists also, but here the difference is not as striking. Again the statistics of the importing country show the higher figures. The fact that French products which originate in the Eastern parts of France and which may use the water route of the Rhine are shipped to Canada through the port of Antwerp and thus treated as exports^{1.} to Belgium, accounts for the difference. Again the import statistics are probably more trustworthy than the export figures and for that reason we have all through this inquiry used the Canadian import statistics in the case of exports from France to Canada.

From the exclusive study of the Canadian export statistics it would seem that the balance of trade between Canada and France has after 1926 been continually in favour of France, although in reality such was only the case in 1928 and 1930, while in the years 1927, 1929, 1931 and 1932 the balance was decidedly in favour of Canada. On account of ignorance concerning the actual state of affairs much opposition was voiced in Canada against the treaty ever since its enactment as it appeared to have favoured only the imports from France

1. Discrepancy in the available statistics for France's exports to Canada -

	<u>Can. Import Statistics.</u>	<u>French Export Stats.</u>
1926 ...	\$19,243,000	\$16,918,000
1927 ...	24,263,000	27,086,000
1928 ...	26,647,000	26,364,000
1929 ...	26,389,000	23,006,000
1930 ...	25,225,000	18,000,000
1931 ...	19,041,000	14,033,000

into Canada without improving Canada's exports to France. This unfavourable opinion concerning the French treaty was accentuated after the business depression had set in in 1930. The Government was in need of revenue and the impossibility of raising the tariff on many articles of luxury on account of the fixed duties of the 1922 Convention increased the desire on the part of the Canadian Government to replace the old treaty by a new agreement which would enable Canada to raise her tariff where and whenever she saw fit. This point of view was justified in as much as it remained faithful to the principle of taxing luxuries first in the case of a financial emergency. The duties on similar articles imported from Japan, Belgium, Switzerland, Italy and Czechoslovakia had also to be maintained at the level of the French Treaty rates by most-favoured-nation agreement and it is possible that by a small raise in the tariff on these articles of luxury the revenue derived from the customs duties might have been increased. Considerations of this nature coupled with the desire not to have her hands tied in any way at the coming Imperial Conference at Ottawa induced Canada to give notice of the abrogation of the French Treaty of 1922. The application by France on 9th December, 1931, of a special tax levied on goods originating in a country with a depreciated currency^{1.}, to the imports of Canada seems to have precipitated matters and on 16th December the Franco-Canadian

1. Decree of 13th Nov. 1931 and previously applied to imports from Great Britain, Australia, Denmark, Sweden and Mexico.

Commercial Convention was denounced by Canada without the usual informal agreement that the treaty rates remain in force until a new Convention be substituted. Canada's failure to include in her notice of abrogation a provision of this kind caused considerable astonishment in Paris, particularly as such provision would have avoided a break in the commercial relations with France without curtailing Canada's liberty of action at the Ottawa Conference.¹ The omission can, however, be explained by Canada's need for revenue from all possible sources. During the first months after the denunciation of the French Treaty neither party showed any enthusiasm to re-open negotiations. All interest was concentrated upon the Imperial Conference in Canada and on the Budget Problem in France. However, when shortly before the six months period of notice had run out the French Government officially signified its desire to avoid an interruption of Franco-Canadian trade relations,² Canada answered the French initiative with the proposal of a new agreement on 20th May, 1932. This Canadian proposal suggesting the concession to France of the Intermediate tariff on all of the latter's exports to Canada in return for the French minimum tariff was, as a similar proposal in 1907, rejected by France. The subsequent offer of France to forego the benefit of the fixed duties on certain articles with the exception of champagnes,

1. Publications of the Comité France-Amerique, No. 252 "France-Canada", Dec. 1932, p. 351 et sequ.
2. Publications of the Comité France-Amerique, ibid.

cognacs and textiles was in turn refused by the Canadian Government and on account of the failure of both countries to come to an agreement before 16th June, 1932, the rates of the respective general tariffs began to be applied both to the exports of France to Canada and to the latter's imports from France. For Canada's exports to France the abrogation of the Treaty meant tariff increases of from 100 percent to as much as 400 percent, while the duties on French goods entering Canada have on an average only been raised by 20 percent. The fact that in the course of 1932 Canada's imports from France have decreased by 50 percent, while in spite of the much greater increase of customs duties, France's imports from Canada have only decreased by 36 percent is explained by the continued fall in the price of most of the articles that Canada sends to France, and which have, therefore, been able to enter France even under the higher tariffs. As far as Canada's imports from France are concerned it may be said that the effects of the business depression have in 1932 been equally as unfavourable as the higher tariffs on French goods. The imports of wines and brandies decreased by about 70 percent and of ^{those} textiles by about two-thirds of their weight and value of 1931. As far as can be judged after only six months of the application of higher duties in both countries the exports of Canada to France seem to have been affected less unfavourably than France's exports to Canada. Even without the imposition of higher tariffs on imports from France, the

1. See page I of Appendix to this Chapter for comparisons of former and present tariffs on Canada's most essential exports to France.

latter would probably have decreased more than the shipments of Canadian goods to France, as the natural consequence of the prolonged business depression.

After the Ottawa Conference Canada began to resume negotiations for a new Treaty with France. The parleys were first carried on in Paris but the final exception of a new agreement was delayed by a change in the French Government. At the present time (April 1933) the negotiations with France take place in Ottawa. The willingness of France to extend larger concessions to Canada than she had granted to the latter in 1922 is greatly reduced by the fact that Canada pledged herself at ^{1.} Ottawa to maintain the margin between her intermediate and her preferential tariff on a number of articles, some of which are of particular interest to France. Thus Canada will not be able, as she had always done before, to extend a special preference to French wines, cognacs and olive oil nor to perfumes and soaps, ^{2.} or to velvets and laces. These articles could well have been left out of the agreements signed by Canada with the United Kingdom and the Union of South Africa, as they clearly constitute French specialties, and a substantial reduction on them would probably have enabled Canada to obtain valuable tariff reductions on some of her essential exports to France. At present it cannot be said what the outcome of the negotiations with France will be, it seems probable, however, that the concessions that

1. United Kingdom - Canadian Agreement, Article 9.
2. On womens' dress gloves, elbow length, the Intermediate tariff is 35 percent, while under the British preference schedule they enter Canada free. The article is a specialty of Grenoble, France.

will be granted to each other by the two countries will on the whole be of a less extensive nature than under the Commercial Convention of 1922. An increase over the amount of 1931 in the value of Franco-Canadian trade does not therefore seem to be an immediate prospect.

An improvement of business conditions will most certainly favour the imports of Canada from France. It is highly probable, however, that concerning the latter's most important export to France, i.e. manufacturers of natural silk, the United States and Canada herself will supply the Canadian requirements of this article to an increasing extent and that in the future only the very highly priced silk products of exceptional quality, will come to Canada from France. The increased tariff preferences resulting from substantial reduction of specific duties at the Ottawa Conference on certain woollen goods coming from England might harm imports of such articles from France, particularly in the case of flannels. Whether in the future Canada's imports of French wines will be increased depends largely on the policy followed by the Provincial Governments in the method of liquor distribution. At present only the Province of Quebec, undoubtedly influenced by the wishes of the French-Canadian population sells light French wines through its Liquor Commission and permits hotels and restaurants to serve them. In the case that other Canadian provinces should introduce the same comparatively reasonable system of liquor control, as they in all probability will do in the not too distant future,

there seems to be little doubt that France's exports of wine to Canada will increase, which would tend to make up for the possible falling off of her exports of textiles.

France will always be a market for Canadian wheat, on account of its quality, even if from time to time there will be a surplus of the native product. Lately, however, increasing quantities of wheat, similar to the Canadian type have been imported into France from Algeria, Tunis and Morocco. In 1932, while the imports of Canadian wheat into France decreased by 30 percent, the imports of this commodity from the French colonies^{1.} doubled. Whether this increase in the imports of African wheat is only due to the temporarily high duty on the Canadian product or whether it indicates the trend of actual conditions cannot yet be stated definitely. But if wheat imports from the colonies will increase in the future, the comparatively small loss to Canada in her aggregate exports to France, which could result from such increased imports from the French dependencies, will very likely be made up to some extent by increased shipments to the latter of copper if the present (1932) very low price of Canadian^{2.} copper does not rise substantially. The decrease in the volume of

1. Wheat imports (ble tendre) into France from Canada compared with wheat imports from the Colonies. (metric tons)

	<u>Canada</u>	<u>Algeria</u>	<u>Tunis</u>	<u>Morocco</u>
1931	7.766.428	362.871	761.229	942.312
1932	6.272.511	1.472.616	1.355.993	1.164.516

2. In 1932 France imported 5,371.1 metric tons of copper from Canada as opposed to 3,007.9 metric tons in 1931, while all the quantity of other metals exported from Canada to France decreased by more than 50 percent.

Canada's total exports to France, which would be the possible consequence of reduced French purchases of Canadian wheat might also be neutralized by larger imports of France of Canadian table fruits, an article which has of late gained a stronger position in the French market where the very large sizes of some Canadian fruits are in greater demand than in England. The production costs of wheat will probably never fall to the same level in France as in the countries which, on account of the possibility of large scale farming, are particularly suited for the production of this commodity. There is, therefore, no reason to believe that the Canadian wheat will ever be permitted to enter the French market in free competition with the native product. The extent of France's imports of Canadian wheat will therefore be determined in the future by the same factors that regulate it today, as France will very likely continue to import a certain amount of her requirements of wheat from the United States and the Argentine.

It may be said, then, that unless very substantial tariff reductions are made on Canadian goods imported into France and on French articles imported into Canada - an event not likely to happen - the percentage of Canada's trade with France of her total foreign trade will not rise very much in the near future. Even in the case of such tariff reductions the economic obstacles to a large expansion of Franco-Canadian trade will prove stronger than the possible favourable influence that mutual reductions of customs duties will have on the extent of an

exchange of goods between France and Canada.

Today, as in days past, much of the importation of French articles into Canada and of the export of Canadian produce to France is in British or American hands. It is not possible to estimate the extent of such indirect trade between Canada and France but there can be no doubt that if the entire exchange of commodities between the two countries would take place directly between Canada and France the aggregate volume of Franco-Canadian trade would expand to some extent. Additional profits which now go to the British or American merchant could be eliminated, prices thereby reduced, and the demand in either country for the products of the other would in turn be stimulated. We have seen that the possibilities of expansion of Franco-Canadian trade are definitely limited by virtue of basic economic causes; whether the maximum of these limited possibilities is reached depends largely on the extent to which that proportion of the total exchange of goods between the two countries decreases, which is at present neither in French nor in Canadian hands.

A-P-P-E-N-D-I-X

APPENDIX TO Chapter II, Part III.

COMPARISON OF FRENCH CONVENTION RATES WITH
THE FRENCH GENERAL TARIFF RATES, APPLIED
TO IMPORTS FROM CANADA AFTER 16TH June 1932:

Article:		Convention Rate:	General Tariff:
Wheat	per 100 Kilos	Frs. 80.00	Frcs. 160.00
Fish (frozen)	" " " (river)	17.00	68.00
	" " " (sea)	50.00	240.00
Wood pulp	" " " (mech.)	1.50	10.00
	" " " (chem.)	3.00	16.00
Lead	" " "	12.00	48.00
Zinc	" " "	14.00	56.00
Rubber	per 100 pairs (footwear)	19.60	38.00
	" " " (tennis boots)	78.40	112.00
Asbestos		Free	Free
Raw pelts		Free	Free.

APPENDIX TO CHAPTER II, Part III.

COMPARISON OF CANADIAN EXPORT AND FRENCH IMPORT
STATISTICS CONCERNING FRENCH IMPORTS FROM CANADA:

Year:	Canadian Statistics:	French Statistics:
1927	\$ 18,173,756	\$ 27,857,000
1928	11,648,325	23,860,000
1929	18,056,184	32,824,000
1930	18,676,112	17,540,000 ^{1.}
1931	14,286,760	36,078,000

1. The lower French figure in 1930 can be explained by the fact that orders of Canadian wheat had to be cancelled after they had left Canada on account of a sudden decree of the French Government limiting the imports of foreign wheat.

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