

*Canada-U.S. Trade Agreement*

Mr. STEVENS: In regard to this article and other articles of a similar character, I should like to ask whether it is clearly understood that it does not include concessions of arrangements between Canada and other countries in the British empire?

Mr. MACKENZIE KING: Yes.

Mr. DUNNING: That is covered by article XIII.

Mr. STEVENS: I know, but I want to make it abundantly clear that that applies in all these articles.

Mr. DUNNING: Yes.

Mr. CAHAN: Is it clear as a matter of construction that article XIII does all that is suggested? It seems to me it would be better drafting if in article I and article II an exception were made and a reference to article XIII inserted, for the sake of clarity; "except as in this agreement otherwise provided." Here it says "like products having their origin in any third country," without specific exception.

Mr. MACKENZIE KING: The understanding on which the entire agreement was made is that as far as the British empire is concerned, rights within the empire are entirely a matter of our own business, and that nothing in this agreement shall affect any existing relationships between one part of the empire and another with respect to duties or anything else. The whole agreement is based on that understanding.

Mr. BENNETT: Article II introduces for the first time recognition of a quota system being applied in Canada. We have not heretofore generally accepted that as a governing principle in connection with our tariff legislation. This article recognizes that quantitative restrictions may be made by Canada in connection with our tariff legislation. Leaving that for the moment, there is a question I desire to ask which is a vital one in view of our experience in connection with quotas under the French agreement. The year that is to be fixed as the basic year is all important. This agreement does not specify that a given year shall be taken, but it says:

—a share equivalent to the proportion of the trade which is enjoyed in a previous representative period prior to the establishment of such quantitative restrictions.

In other words the period has to be hereafter fixed. On what principle is that period to be fixed? Did we arrive at any conclusion as to whether it would be a three year or a five year period? It would make a very great deal of difference if the period were

[Mr. Mackenzie King.]

a five year period prior to 1935 or a five year period prior to 1930. In the discussions that took place in connection with the quantitative restrictions under the French agreement we had some little difficulty in arriving at a year, but we finally arrived at a year which was applied to all countries, not to Canada alone, and that year having been applied to all countries our exports to France were based upon the application of a percentage rate to the figure for that year. It becomes a matter of tremendous importance, having regard to the discrepancies between the import figures of France and the export figures of Canada, for example. I suppose hon. gentlemen saw the last monthly bulletin of the Royal Bank of Canada in which attention was directed to the fact that according to French statistics the imports from Canada into France amounted to something over \$16,000,000, whereas the exports from Canada to France were shown as something between \$5,000,000 and \$6,000,000. In other words commodities shipped from Canada to the continent had been, probably during the progress of the voyage, directed to go to France. One of the notable items was wheat. In dealing with the question of quantitative restrictions we must exercise such extreme care in arriving at the basis upon which our percentages are predicated that I would ask the right hon. gentleman whether or not he has any information to communicate to the committee with respect to that matter.

Mr. DUNNING: The provision in article II was designed to cover any quantitative restrictions which might be imposed by either country in the future. The difficulty my right hon. friend points out is a very real one, but unfortunately it is impossible to decide now what a representative period would be with respect to each type of commodity concerned.

Mr. BENNETT: They do not do it that way.

Mr. DUNNING: After careful examination from the point of view of both countries it was thought that it would have to be left open to negotiation and arrangement in the spirit of the treaty itself, when such contingencies arise.

Mr. BENNETT: I am afraid that does not go far in answering my question. In the first place it is an incorrect statement, if I may be pardoned for making that observation, to say that you must take up each item in each year. You must have a given period. That period may be a year or a term of years, but once the period is arrived at the percentage of the imports during that year that shall be free to be utilized by Canada or the