

cient to start an industry. So what they wanted was a power to put on quantitative controls so that in the case of a certain industry they would either prohibit the import entirely or would put them under a strict quota, and under those circumstances there would then be the assurance necessary to the local producers to establish an industry. That is the power they wanted to have.

Hon. Mr. HAIG: Was that given to them?

Mr. DEUTSCH: It was given to them in this way: If they wanted to do that they had to go to the organization and say, "We have a program for establishing such and such an industry. We feel that tariffs are unsuitable or inadequate for our purposes. We feel that if we are going to establish this industry we must have the power to control imports". Then they have to explain why. If they can convince the organization that their cause is a good one, then the organization may give them the right to put on such quantitative restrictions. In other words, they have got to obtain prior approval from the organization.

Hon. Mr. HAIG: If they belong to it.

Mr. DEUTSCH: Yes. Another important point in the discussion was whether or not they should be required to obtain prior approval. A lot of these countries felt they should have the right to go ahead and put on these quantitative restrictions without prior approval and other countries felt they could not be permitted to do so.

The CHAIRMAN: That could be done even though conditions of exchange control did not exist.

Mr. DEUTSCH: That is right. This is entirely a question of development of industry, and the big issue was whether or not they should be allowed to use these quantitative controls for the purpose of establishing an industry with or without prior approval, and the charter now requires that there has to be prior approval.

Hon. Mr. HAYDEN: They can always put it on the basis of preserving their foreign exchange.

Mr. DEUTSCH: In the case of foreign exchange they must meet the necessary conditions, and if they use the exchange exception in such a way as to provide protection primarily, then I think it would be open to complaints from others.

Hon. Mr. HAYDEN: If they use the exchange for basis of prohibiting or establishing quantitative controls, and they establish industry in the country, they are using the development of industry as secondary to the primary objective.

Mr. DEUTSCH: That is right.

Hon. Mr. HAYDEN: They can do that without any reference to the executive?

Mr. DEUTSCH: Yes, but if other countries felt that the exchange controls were being used as a cloak for protection, those countries would have a right of complaint, and the organization would investigate to see if that was the case.

Hon. Mr. LAMBERT: You have emphasized the great importance of valuation. Does not that really boil down to the matter of exchange control? Suppose we devalue the currency in any one country, would not that then be interfering very drastically with these trade treaties?

Mr. DEUTSCH: The rights of a country to change the exchange rate must be cleared in accordance with obligations to the international monetary fund.

Hon. Mr. HAIG: I understand they can change their ten per cent without consent?

Mr. DEUTSCH: Yes, and beyond that amount they must have consent. That issue is covered elsewhere and is not dealt with here.

Mr. MCKINNON: It is only dealt with by cross reference.

Mr. DEUTSCH: I think I have covered the main substance of the charter. There are a lot of detailed sections here on the nature of the organization that