

I am told that Britain produces all the apples that she needs for her own purposes, and as a result she simply will not buy apples from Canada or any other country.

Mr. DEUTSCH: Yes, of course.

The CHAIRMAN: She could do that?

Mr. DEUTSCH: We have to take into account that the United Kingdom is now controlling imports for balance of payments purposes.

The CHAIRMAN: That is an escape?

Mr. DEUTSCH: That is an escape, in that instance. Because of her balance of payments difficulties she could decide not to buy apples.

Hon. Mr. HAIG: She has done so.

Mr. DEUTSCH: That is true, but it does not effect state trading.

Hon. Mr. KINLEY: Do you maintain that under this agreement one must buy on the cheapest market?

Mr. DEUTSCH: Yes.

Hon. Mr. KINLEY: For instance, if someone offers us a product at a lower price than another country we must buy from the cheaper country?

Mr. DEUTSCH: Yes, if you are employing state trading mechanism to do that.

Hon. Mr. KINLEY: But Canada does not employ state trading mechanism.

Mr. DEUTSCH: Taking into accounts tariffs and everything else, that is true.

Hon. Mr. McLEAN: That does not apply to private buyers?

Mr. DEUTSCH: No, it assumes that in the case of private buyers, acting purely on commercial considerations as they do, they would buy on the cheapest market. The charter goes on to say that if we substitute state trading devices for private buying, the state trader must act on the same considerations: he must buy on the cheapest market, taking into account the heights of the tariffs and so on.

Hon. Mr. HAIG: Let me put this proposition to you: Canada now sells wheat to Great Britain; Great Britain is now negotiating with Russia on certain things, one of which is said to be for a wheat agreement. If Russia charges \$2 a bushel for wheat, when Canada is selling at \$1.55, but Russia agrees to buy a quantity of British machinery if Britain buys her wheat, and Canada says that she does not want to buy British machinery, does the charter affect that situation?

Mr. DEUTSCH: Yes, it could, depending upon what the precise arrangements are.

Hon. Mr. HAIG: The arrangement is that Russia is charging \$2 a bushel for wheat while Canada is selling for \$1.55. Are we going to make Russia come down to \$1.55 or are we to ask that Britain stop trading with Russia?

Mr. DEUTSCH: I do not think that one can answer that question absolutely, because, in the first place, Russia is not in the agreement.

Hon. Mr. HAIG: What would happen if she were in the agreement?

Mr. McKINNON: The senator must also mean if Great Britain were not in balance of payments difficulties.

Hon. Mr. HAIG: Assuming that Great Britain was not in the balance of payments difficulties.

Mr. DEUTSCH: If the balance of payments difficulties were not prevailing, and assuming the two countries concerned were in the agreement, they would then be bound by these rules which would not permit them to discriminate in favour of the one country as against another. With respect to the wheat agree-