

Mr. OLIVER: I quite understand that, but what is the purpose to be achieved by the change? I presume it was not altered merely for the sake of making a change.

Mr. WHITE: The section is not flexible, and we are of the view that it should be flexible. I admit that a surtax should be sparingly and reluctantly applied, but we are of the view that it should be in the discretion of the Government to impose the surtax up to 20 per cent ad valorem.

Mr. OLIVER: I believe there are times when it is right and proper to impose a surtax, and when the time comes it is to be done as a war measure—reluctantly, of course, but still effectively. Is the 20 per cent limit considered as severe a retaliatory measure as the one-third tax would be?

Mr. WHITE: The twenty per cent is not a fixed amount, it is the maximum.

Mr. OLIVER: Is that maximum equal, on the average, to the amount that existed before?

Mr. WHITE: Assuming that our average tariff upon dutiable goods is twenty-six per cent, one-third of that would be eight per cent. On the other hand this does not admit of any surtax upon goods that are free. It is difficult to compare the two. When the matter was under consideration it was suggested that we should fix a maximum higher than twenty per cent. For myself, I should be exceedingly reluctant to enforce a surtax, but I thought that the provision should exist in our legislation and finally settled on twenty per cent as a reasonable maximum with the idea that it would be seldom, if ever, invoked. Of course, the Government might impose five per cent or ten per cent, but no more than twenty per cent. In the case of some other countries, whose legislation I have examined in this regard, the maximum is much higher. For example in the case of Germany it is the amount of the tariff rate on dutiable goods. Free goods may be taxed with a duty not exceeding fifty per cent ad valorem; in Italy goods proceeding from countries in which Italian vessels and products are subject to a differential regime, may be burdened with an increase of frontier duties up to fifty per centum of the duty inscribed in the general tariff. In the case of goods duty-free under the tariff, the same may be burdened with an import duty up to twenty-five per cent of their official marked values. In Japan with respect to articles the produce or manufacture of a country in which vessels or produce or

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manufacture of Japan are subjected to less favourable treatment than those of other countries the articles of such country may be designated by Imperial Ordinance, which shall be liable to customs duties not exceeding in amount the value of such articles in addition to the duties prescribed in the tariff.

I only instance those as illustrations from which my hon. friend may deduce that we have fixed a reasonable maximum erring, if at all, on the low side.

Mr. OLIVER: If you have to take retaliatory measures it is desirable that they should be effective. It must always be understood that retaliation does not hurt only the other fellow, it hurts yourself too. I gather that a serious difference between this proposal and the regulations formerly on the statute book is that under the former tory measure did not increase it seriously, and if the goods were free there was no retaliation. Under this legislation my hon. friend has power to establish a duty against imported goods where no duty formerly existed, and under other circumstances to impose a duty against goods coming in under a low tariff, which could not have been levelled against them under the former regulations.

As a matter of fact, while my hon. friend speaks of a mild measure of retaliation, I gather that the effect of the legislation is that it is more drastic, or might be more drastic, against the home consumer than the former Legislation could have been made.

Mr. WHITE: I think not necessarily so as I shall be able to point out.

Mr. OLIVER: Not necessarily so, but still it might be.

Mr. WHITE: Take the case of a duty of 30 per cent; under the surtax provision of the present customs tariff the amount of the surtax would be fixed at 10 per cent but you might not desire to enforce a surtax as high as 10 per cent ad valorem. That is a very serious increase. The Government might be satisfied that the end would be served by increasing the duty one, or two, or five per cent ad valorem. Under the present customs tariff that would not be possible. Under the amendment it would be possible. I had a case like that in view, not a specific case, but a case of that nature, and my intention was not to increase the surtax but to make the surtax more flexible so that it might