

Mr. DEUTSCH: Domestic subsidies are not prohibited, but export subsidies are prohibited, that is subsidies purely on exports. In other words, if a government decided to pay a subsidy on the production of, say, peanuts—

Hon. Mr. HAIG: Or on gold. Let us get nearer home.

Mr. DEUTSCH: That brings in another agreement, which I did not want to talk about here. Gold is dealt with by the International Monetary Fund and it is excepted from this document. That is the reason I did not think it was relevant here.

Hon. Mr. KINLEY: Take fish.

Mr. DEUTSCH: If the government desired to pay a subsidy on fish it could do so, provided it was both on fish that is consumed at home and fish that is exported. A subsidy on exported fish only would be prohibited.

Hon. Mr. KINLEY: Can a country countervail?

Mr. DEUTSCH: It can countervail, if it wishes, but under the charter export subsidies are not allowed. The reason for that is that export subsidies could become a form of trade competition and trade war, and of course in that type of competition the country with the longest purse gets the greatest advantage. It was felt that the subsidizing of exports was an unfair method of trade promotion. As I said before, subsidies may be applied to domestic production, or to both exports and imports, but you cannot single out exports alone and subsidize them. This rule does not go into effect for two years, that period being allowed for adjustment. A great many export subsidies are being paid at the present time, and it will take a little while for the governments of the countries concerned to adjust their respective programs.

Hon. Mr. TURGEON: Export subsidies are permitted for two years from the date of the agreement?

Mr. DEUTSCH: Yes, senator.

The next section on commercial policy has to do with state trading. As I said before, state trading is not prohibited in this charter. If a country decides to conduct its external trade by state trading methods, that is up to itself; and if a country decides to set up external trade monopolies, that is its own business. That touches upon a point that we discussed earlier, namely, the desire of each country to be unfettered in the determination of its own social and economic policy. If a country wishes to carry on its trade under government auspices, by state trading, state monopolies, that is something for domestic decision; but if it does so, it must observe certain rules. The charter provides that trade conducted by state trading organizations must be nondiscriminatory as between all the members of this organization.

Hon. Mr. HAIG: But Britain could buy bacon in Denmark, for instance, and that would not be discriminating against Canada, I presume? Is that so?

Mr. DEUTSCH: She cannot simply buy bacon from Denmark regardless of the prices and other conditions under which she can buy bacon from Canada or any other country. She must use commercial considerations in the purchase. Suppose, for example, that she can buy 100 million pounds of bacon from Denmark at 50 cents a pound for one year, and Canada offers to supply the same quantity at 40 cents a pound. Then if Britain persisted in buying from Denmark under those conditions she might be discriminating in favour of Denmark.

Hon. Mr. HAIG: Provided that the Canadian bacon was equal to the Danish bacon. Who decides that?

Hon. Mr. HOWARD: The fellow who eats it.

The CHAIRMAN: If Britain should happen to produce sufficient of a certain commodity at home she could, by refusing to buy from any other country, absolutely shut out the product of any other country. Take apples, for example.