

state for the information of your government that it is the intention of His Majesty's government in Canada to invite parliament at its next session to enact legislation amending the provisions of the Customs Act presently fixing the methods of determining the value of merchandise for duty purposes, as a step toward the realization of their declared objective of eliminating arbitrary executive interference with the normal courses of trade. They propose, at the first opportunity, to press forward with the reform of the administrative provisions of the Customs Act with this end in view, and believe that the modifications which they have had in mind and which have been discussed with representatives of your government will stabilize and safeguard the value of the mutual concessions in rates of duty incorporated in to-day's agreement.

In revising the methods of determining the value of merchandise for duty purposes the following principles, among others, will be incorporated in the contemplated amendments to the Customs Act of Canada:

(a) The value for duty established under authority of section 36 (2) will not include an advance for selling cost or profit greater than that which in the ordinary course of business under normal conditions of trade, is added, in the case of goods similar to the particular goods under consideration, by manufacturers or producers of goods of the same class or kind in the country of export.

(b) No rate of discount established under section 37 will operate to increase the value for duty of any goods beyond the price at which such or similar goods are freely offered for sale to purchasers at the time and place of shipment in the country of export, in the usual quantities and in the ordinary course of trade.

(c) In the case of any value for duty which may be established under authority of section 43, other than those provided for in schedule I of the trade agreement signed to-day, opportunity will be afforded for appeal to the tariff board respecting any such value in order to ascertain and make public the finding whether, to what extent, and for what period, such value may be required to prevent the importation of the goods into Canada from prejudicially or injuriously affecting the interests of Canadian manufacturers and producers.

Pursuant to these undertakings the amendments in the bill are placed before the house for consideration and approval. There will be an amendment to section 36(2). May I explain that section 36 of the Customs Act is that section which provides that the value for duty purposes of goods imported into Canada shall not be less than the cost of production in the country from whence imported, together with a reasonable advance for selling cost and profit. Exporters in the United States and importers in Canada have complained during the past few years that in determining the cost of production in the country of origin and a reasonable advance for selling cost and profit the Department of National Revenue have arrived at an unreasonably high value for duty purposes, the result

being that if an ad valorem rate were applicable it worked out to too large an amount. Also, provisions of section 6 of the Customs tariff were brought into play, with the result that a special or dumping duty was payable. We propose to amend section 36(2) so that in future the advance added to the cost of production for selling cost and profit will not be unreasonable. Specifically it will not be greater than that amount which in the ordinary course of business and under normal conditions of trade is added in the case of goods similar to the particular goods under consideration, by manufacturers or producers of goods of the same class or kind in the country of export.

Section 37 of the customs tariff is the section which provides that the governor in council may fix a discount from the published or list price. Discounts were fixed in the case of three commodities, automobiles, radios and softwood doors. The discounts were smaller than the discounts which were allowed in the country of origin in these cases, with the result that the manufacturers of these articles in this country were given a higher degree of protection than the tariff schedules contemplated. This provision will make that impossible in the future. In fact, the amendment to the Customs Act which I will lay before the house is for the repeal of section 37. It is proposed to eliminate it from the Customs Act altogether.

The other amendment namely to section 43 is very important. I may say that not only in the trade agreement with the United States did we undertake to propose these amendments but we did the same thing in the settlement of the trade dispute between this country and Japan. In the letter from the Prime Minister of Canada to the Japanese government appear these words in clause 5:

Opportunity will be afforded for appeal to the Tariff Board of Canada respecting any value for duty which may in future be established under section 43 of the Customs Act. In the event of such an appeal the value for duty in force will, upon the expiration of three months after the date of appeal, cease to have any force or effect unless the tariff board, following a public inquiry, finds that such value or some lower value is required to prevent the importation of the goods into Canada from prejudicially or injuriously affecting the interests of Canadian producers or manufacturers. If a lower value is found by the tariff board to be appropriate, such lower value will promptly be made effective.

The amendment before the house implements this undertaking as well as that given to the United States of America. These three amendments are perhaps the most important provisions of the bill, the second reading of which is now being moved.