

Mr. DEUTSCH: As I explained yesterday, under the text of the general agreement there is a general provision that quantitative restrictions, in general, are prohibited and that includes, of course, any direct controls on exports or imports and also includes any prohibitions, and under this charter, prohibitions are not permitted.

Hon. Mr. HAIG: If they are in existence.

Mr. DEUTSCH: Even if they are in existence.

Hon. Mr. KINLEY: But the charter provides many reasons why it can be prohibited, especially with regard to articles of the forest, farm and the sea. For health and many other reasons there are a large number of escape clauses so that there is no danger. I mean to say, the escape clauses of this treaty just give a nation the right to do as it pretty well likes.

Mr. DEUTSCH: I do not think that is true, sir.

Hon. Mr. KINLEY: As long as they do not interfere with the right of the other fellow.

The CHAIRMAN: Is this not the situation with regard to oleomargarine, in which I am only slightly interested: the prohibition against the importation of margarine will have to be removed.

Mr. DEUTSCH: That is right.

The CHAIRMAN: But Canada has the right—and I am told it will be exercised—to put a prohibitive tariff against oleomargarine.

Mr. DEUTSCH: The rate on oleomargarine was not bound and therefore we are free to do what the government decides about the rate on margarine, but so far as the prohibition is concerned, this general agreement will not permit the continuance of the prohibition on oleomargarine.

The CHAIRMAN: Taking off the ban, as we must and imposing a duty, which in effect is exactly the same, is that in harmony with the spirit of the charter?

Mr. DEUTSCH: Since we have not bound the rate on margarine, it is quite within the spirit of the charter to put whatever rate we wish to put on margarine.

The CHAIRMAN: Even though it has the same effect as the removal of the ban?

Mr. DEUTSCH: Yes, even though it could have the same effect. In other words, it is understood by all the countries who participate in this agreement that where a nation does not bind a particular tariff, it can put on whatever rate it wishes to.

The CHAIRMAN: Then I misunderstood you yesterday. I thought you could do it only if it had to do with a difference in the exchange.

Mr. DEUTSCH: No, if you do not bind a tariff you are perfectly free to put that tariff in any position you wish, and all the countries know and understand that situation.

Hon. Mr. DUFFUS: Will the mixing arrangement work out to the advantage of agriculture in Canada in so far as fertilizer is concerned?

Mr. DEUTSCH: Well, senator, if we have any mixing regulations at the present time, before this agreement goes into effect, we may continue those particular regulations, but we cannot add any new ones. And we must be prepared to negotiate for the elimination of those regulations if other countries ask us to negotiate.

Hon. Mr. KINLEY: Mr. Chairman, may I refer the witness to article XI on page 26 of this pamphlet entitled "Final Act"? It is headed "General elimination of quantitative restrictions", and it seems to give pretty wide powers.