

*Customs Act—Drawbacks*

And there is a provision at the end of the section which is important:

Provided that such drawback shall not be allowed unless a like quantity of materials of the same class, whether imported or of domestic manufacture or production was used in, wrought into or attached to articles manufactured in Canada and exported.

Mr. BENNETT: The reason for pig iron being the subject matter of the section is well known. We have no iron ore in the country capable of producing steel and we import iron ore from which we do produce a type of steel. Pig iron is an article that enters so largely into the industrial life of the country that a special provision was made for it. I say frankly to the minister that this is capable of the greatest possible abuse. I wonder if he will just concentrate on what it means. It means the mixing of material brought into the country with material in the country and claiming a rebate with respect to that material which comes in, after it has been wrought up, on the assumption that it is exported. How can you clearly and without question separate the export goods and the domestic goods when you have a mixing of the imported pig iron and the domestically produced ingots for the production of the steel that is used? It is a wholly wrong principle to expand it beyond pig iron. There was a very great effort made with respect to that—I think Mr. Fielding did it—and it was done with extreme reluctance for reasons I think the minister will appreciate at once.

Just look at it. You bring in some raw copper on which you pay duty. Then you mix that copper with domestic copper, and you have a product which is used for both domestic requirements and for export, but the duty is rebated only on the part of the material that was imported and subsequently exported. Then the proviso is that such drawback shall not be allowed unless a like quantity of materials of the same class, whether imported or of domestic manufacture or production, was used in, wrought into or attached to articles manufactured in Canada and exported. That is, fifty per cent of the resultant product must be Canadian and must be used with fifty per cent imported for the purpose of permitting the drawback to apply to that part of the resultant product that is exported. In the name of heaven how can that be done successfully? Pig iron was capable of being traced, but other materials beyond that cannot be traced. That action was taken in connection with pig iron for the reason that it resulted in steel being produced by industries in Canada. But take chemicals.

[Mr. Ilesley.]

You see, it is putting a premium on lessening Canadian production or maintaining it at its present level. It means an increase in imports if you are going to have one-half of all the material that is utilized in the production of a given commodity imported, thereby securing a rebate on exported goods. Instead of the whole production being carried on in Canada only one-half is contemplated as being made in Canada. That is the effect of it. The action in connection with pig iron was taken because we had no iron ore in this country with which to make the better qualities of steel; ore from Newfoundland was the only iron ore we had that was capable of producing the type of steel required in industrial activity.

Mr. ILSLEY: I am informed that there will be no difficulty in administration in connection with the provisions of this section; in fact I was under the impression that this was being done now. If it were necessary to identify the raw materials in the finished products as exported with the raw materials imported, that would not be possible in a good many instances where the manufacturer buys half of his raw material in Canada and imports half of his raw material. It may be that in the finished product which is exported some of the raw material domestically produced and some of the raw material imported will be used, but so long as the manufacturer exports sufficient to use up a quantity equivalent to that imported, why should he not have a drawback on what he imported? It seems to me only fair and just and in accordance with the principles underlying the drawback system. Otherwise he would have to separate his manufacture in some way into what he manufactured for export and what he manufactured for domestic consumption, and he would have to separate his raw material and use the imported part in what he exported, in order to get a drawback. There is no reason why he should not buy part of his raw material in Canada and import part of it, use the raw material in his manufacture and get a drawback on what he imported provided he exports enough to use up the quantity which he imported.

Mr. BENNETT: It goes a bit further than that; he must use a like quantity of materials of the same class. That is going a good deal further than we have gone previously in this country, and it is fraught with great racket possibilities.

Section agreed to.