

when it is generally desirable to increase our imports from Great Britain do you prohibit the import of any goods from that country? Why, when the whole programme of restrictions is frankly designed to save U.S. dollars do you not confine them entirely to dollar countries? There is a very strong reason for applying this non-discriminatory principle. It checks the possible abuse of restrictive practices in that it does not permit the country concerned to treat the import of a particular product in differing ways for different countries. It is a sound principle of international trade which it is most important to us to have generally accepted and which is included in the draft charter for the International Trade Organization. It is a principle which our neighbours in the United States also regard as very important. The restrictive programme is of course designed to cut our imports from that country and is anything but welcome to many of their exporters. The longer-term constructive programme depends greatly on the co-operation with the United States. Knowing their views and subscribing to the same principle ourselves, it was only reasonable that we should make a special effort to avoid direct discriminatory practices.

THE IMPORT PROHIBITIONS

The prohibited list - Schedule I of the Bill - covers a wide variety of consumer goods and certain other articles which the government has decided can no longer be permitted to draw on Canada's reserves of foreign exchange. The list includes a number of items of a luxury or non-essential character. It also includes a good many things which are important in themselves but which are produced in Canada in substantial quantities and which are frequently of such a nature that their purchase may be postponed.

All the items on the list have been selected with a view to saving U.S. dollar exchange - in other words they are goods which are imported entirely or largely from the United States. Since the principle of non-discrimination involved application of the prohibitions to all countries, the list naturally does not include items which are of considerable importance to countries to which we have been extending credits. Thus there are no restrictions on the import of some luxury goods, as for example, sterling silverware and certain classes of perfumes.

NON-ESSENTIAL ITEMS

There are a large number of non-essential and luxury items on the prohibited list. These include such things as cut flowers, some fancy foods, novelties, comic and "pulp" periodicals, pleasure boats, fur coats, jewellery, paintings, and various amusement devices.

The greater part of the list, however, is comprised of items that could not be described as luxuries. These are largely goods which are produced in substantial quantities in Canada or for which adequate Canadian substitutes are

available. In respect to foods, for example, the import of meat, poultry and eggs is prohibited. Imports of fresh fruits, except citrus fruits, bananas, and apples, of fresh vegetables, except potatoes and onions, and of dried fruits, except pitted dates, figs, prunes and raisins, are no longer permitted. Hon. members will note that the exceptions are very important. The prohibitions mean, however, that we shall have to go without the usual supplies of out of season vegetables and put up with a less varied but still adequate vegetable diet. The fact is that we cannot now afford to spend scarce U.S. dollars on these additional amenities. Cigars, cigarettes, toilet soaps, and cosmetics are also prohibited because we produce a sufficient supply of these things in Canada.

The prohibitions also extend to most household electrical appliances, including refrigerators, washing machines, stoves, sewing machines and toasters. Canadian production of these articles is large and has been increasing sharply. For example, our production of domestic electrical refrigerators was more than three times as great as our imports in the twelve months ended in June of this year. Our output of electric washing machines at 133,000 was four times our imports, and in the case of stoves the domestic production accounted for 95% or more of the total supply. The ban on imports of radios would have kept out less than 50,000 sets in the twelve months ending in June when our domestic production was 720,000 sets.

The other significant items on the prohibited list include a number of paper products, furniture, certain building materials and household supplies, passenger automobile tires, cameras, typewriters and certain other business machines. In most of these cases there is a large Canadian production. Imports of automobiles have been temporarily banned, but a restrictive quota is being worked out and its detailed provisions will be announced as soon as possible.

FIVE QUOTA GROUPS

The imports subject to quota are listed in Schedule II of the Bill and are classified into five quota groups. A description of each of these quota groups will give a much better idea of what the system is and how it works than any explanation in general terms. The first group includes the following fruits and vegetables - oranges, grapefruit, lemons, limes, fruit juices, apples, potatoes and onions. As I noted earlier, most other fruits and vegetables are on the prohibited list except for bananas, raisins, figs, prunes and pitted dates which are left unrestricted. Imports of the fruits and vegetables listed in this group amounted to \$10 million per year for scheduled countries and \$1½ million for non-scheduled countries in the pre-war period of 1937-39. The quota which has been set for this group is 200% of pre-war which means that about \$20 million of these goods can be

imported from scheduled countries in the next twelve months, and about \$2½ million from non-scheduled countries. During the twelve months ended June 30th, 1947, such imports from scheduled countries were not far from \$40 million while those from non-scheduled countries were less than \$700,000. This means that such imports from the United States and other scheduled countries will be cut to about 50% of the actual imports in the twelve months ended last June. On the other hand, imports from non-scheduled countries could be increased three and a half times without exceeding the quota.

Any individual importer shares in the group quota in accordance with his share of the trade during the twelve months from July 1946, to June 1947 inclusive. In other words, an importer simply reports to the government the total of his actual imports of the goods in the particular quota group from the scheduled countries for this period, and his permitted imports for the next twelve months are calculated by applying the appropriate percentage. In the case of the fruit and vegetable quota, this percentage, as noted above, is 50% of the actual imports from scheduled countries in the twelve months ended June 1947. For the time being, open permits are being issued for imports from non-scheduled countries since actual imports are so far below the amounts permitted under the quota system. The annual quotas will normally be administered on a quarterly basis.

The quota on fruits and vegetables will mean some reduction in our imports of citrus fruits. I am advised, however, that prices for oranges in the United States are considerably below those prevailing a year ago and the total quantity that may be imported with half last year's dollar expenditure is likely to be very much more than half last year's physical volume, and certainly more than before the war.

LARGEST QUOTA GROUP

The second, and largest quota group, relates to textiles. It includes almost all textile products advanced beyond the yarn stage - fabrics, knitted goods, clothing and other finished goods. It does not include textile fibres and yarns on which no restrictions have been placed. Because of the shift in sources of supply, our heavy dependence on imports of cotton goods, and the much increased level of textile prices, it was necessary to set the quota at 400% of pre-war. Even at this figure the quota system will sharply restrict imports from scheduled countries though it will give wide latitude for increasing our purchases from non-scheduled countries.

In the pre-war period, imports from scheduled countries of the textile products now subject to quota averaged only about \$10 million. However, during the twelve months ended June 1947, imports from these same countries were nearly \$130 million. With the total quota at \$40 million, i.e. 400% of pre-war, this means that importers are now only permitted to pur-

chase up to 32% of the amounts which they imported from scheduled countries in the period from July 1946 to June 1947.

The position in regard to non-scheduled countries is almost the complete reverse. In the pre-war period, imports of the textiles now under this quota from Britain and the other non-scheduled countries amounted to \$30 million. The quota is thus \$120 million. Actual imports during the twelve months ended June, 1947 were only \$52 million and the result is that we could more than double our purchases from non-scheduled countries before reaching the quota limit.

IMPORTS OF WOOLLEN GOODS

Since most of our imports of woollen goods come from the United Kingdom and since we have a large and generally adequate rayon production of our own, hon. members will appreciate that the main effects of this textile quota will be felt in the sphere of cotton goods. There will be a sharp reduction in our purchases of cotton fabrics from the United States and we hope a substantial and continuing increase in our purchases from Great Britain. In 1946 we imported more than 200 million yards of broad-woven cotton fabrics from the United States and only 5 million yards from the United Kingdom. This is a complete reversal of the pre-war trade pattern, when our average imports from the United States were less than 25 million yards and those from the United Kingdom were 70 million yards. Since the quota from scheduled countries is only 32% of the recent rate of import, our imports of cotton fabrics from the United States are likely to be reduced by from 125 to 150 million yards during the next twelve months.

The adequacy of the total supply of cotton fabrics will therefore depend on obtaining much larger supplies from the United Kingdom and to a lesser degree on increasing our domestic production. From the discussions we have had recently with British Government officials, we are confident that a pronounced increase in imports from that source can be expected. If actual shipments approach expectations, our total supply of cotton fabrics will be quite sufficient for our needs. Taking our estimated domestic production, the much expanded imports from the United Kingdom which we expect, and the sharply reduced imports from the United States, our total supply in 1948 should work out to somewhere in the neighbourhood of 450 million yards. This is somewhat less than the very high figure of 1946 - about 490 million yards - but much more than our average pre-war supply which was around 350 million yards. While there will be difficulties in this readjustment of sources of supply and while the total supply will be somewhat less plentiful than in the last year or two, the Canadian people are still going to have a sufficient supply of cotton goods.

The third quota group includes leather, footwear, gloves and mitts, leather garments, luggage and purses. The quota is 200% of pre-