SWEEPING IMPORT RESTRICTIONS

CORRECTING U.S. DOLLAR SHORTAGE: The Dominion Government announced Nov. 17 severe emergency measures to correct Canada's shortage of United States dollars. The announcement followed, at few hours interval, disclosure of details of the General Agreement on Tariffs and Trade concluded at Geneva in the Summer.

Broadcasting from London, the Prime Minister Mr. Mackenzie King recognized that Canadians would read the news with mixed feeling. The seeming contradiction between emergency and long-terms policies was, however, confronting, in some degree, nearly every country in the world.

You will, the Prime Minister continued, be greatly pleased to learn of the vastly enlarged opportunities for Canadian trade. You will be disappointed to learn of the necessity for immediate though temporary restrictions to prevent a too rapid depletion of our reserves of United States dollars.

TRADE AGREEMENT'S WIDE SCOPE

The Prime Minister spoke of the General Agreement on Tariffs and Trade as the widest measure of agreement for the freeing of world trade that the nations have ever achieved. He continued: Canada has joined with other nations of the British Commonwealth, with the United States, and with many countries of Europe and Latin America, in this great effort to promote peace by prosperity and economic co-operation. The Agreement clearly charts our long-run course. It confirms, on a world scale, the objectives towards which our country's trade policies have been steadily directed, at least for so long as it has been my privilege to be associated with their guidance. The new Agreement contains a firm promise of real reciprocity in tariff reductions. It paves the way for full international co-operation in maintaining high levels of employment and expanding economic activity. It opens up to Canadian exports a larger and more equal access to the markets of the world than they have ever enjoyed. By virtue of these larger export opportunities, it will permit us, as a country, to concentrate our efforts on the production of those things that we can best produce or manufacture, and so secure the highest level of real national prosperity.

TAKING A SHARP DETOUR

At the very moment when the goal towards which we have worked over the years is at last coming in sight, we are unfortunately compelled to take a sharp detour over what I fear we shall find to be rough and difficult ground. This action is rendered necessary by the facts of our balance of payments position.

Precisely because we are compelled, in the short-run, to take measures which cut directly across our fundamental trade policies, it is especially important that we keep these policies directed towards the long-range objectives of the General Agreement on Tariffs and Trade. As a nation, our stake and interest lie in the fullest co-operation with like-minded countries in a programme of freer and ever expanding trade. But to play our part properly in this great forward movement, we must be able to stand on our own feet, carry our own burdens, and pay our debts as they fall due.

Subsequent to the Prime Minister's broadcast, the Minister of Finance, Mr. Abbott, after outlining the terms of the new international agreements, gave some details of the programme designed to correct Canada's position in foreign exchange. Necessity for immediate action was emphasized when Mr. Abbott revealed that, as of Thursday of last week, Canada's supply of gold and U.S. dollars had fallen to $500 million, a reduction of approximately $745 million since the end of 1946.

PROPOSALS IN BRIEF

He announced:

Sweeping restrictions (prohibitions and quotas) on imports and pleasure travel. Main feature of travel restrictions will be fixing of annual ration for pleasure travel of $150 in U.S. currency.

$300 million credit from the United States.

Twenty-five per cent excise tax, effective immediately, imposed on a wide range of durable consumer goods containing high percentage of parts or materials from the United States. Present ten cent tax on automobiles raised to 25 per cent on the first $1200 and to higher rates on amounts above.

Gold production stimulated. Government intends to defray for three years cost of additional gold production above the amounts produced in the years ended June 30, 1947, to the extent of $7 for each fine ounce of additional production.

No depreciation of Canadian dollar.

Tax reductions designed to lower prices of some essential goods are:

Removal of the one cent per pound excise tax on sugar.

Removal of the import duty on tea imported from principal sources.

Reduction of the duty on coffee.

Elimination of the sales tax of eight per cent on electricity and gas used for domestic purposes.

PROPOSED TAX MEASURES

CURB ON LESS ESSENTIAL PURCHASES: In connection with the tax measures proposed to supplement the programme of import restrictions Mr. Abbott stated:-

Import restrictions alone will not be enough to keep down our use of goods which contain a high proportion of parts or materials from the United States. Many of these goods are produced on a large scale in Canada and we cannot

properly limit and ration the imported parts and materials. I am, therefore, proposing to use the same fiscal devices as we used during the war to restrict purchases of this type of goods. The Government will ask Parliament to place an excise tax of 25% on a wide range of these durable consumer goods, the purchase of which can normally be postponed by the average family if necessary and most of which are of a less essential character. This tax will apply to sporting goods, outboard motors, pleasure launches, firearms, oil burners, motor cycles, musical instruments, cameras, radios, phonographs and to most types of electrical home appliances. In some cases there is already a 10% tax that is to be increased to 25%. In the case of automobiles, the present 10% tax is to be increased to 25% on the value up to $1,200 with 50% applying to the additional value up to $2,000 and 75% on the excess over $2,000. These taxes of course will apply on the manufacturer's price not the retail price.

TAXES DESIGNED TO LIMIT PURCHASES

These new or additional taxes are not being proposed for the purpose of raising revenue. Their purpose is to limit expenditures on these goods and thereby on the steel and other imported materials or parts which they contain. We should partially defeat our objective if, after banning many such imports, domestic production of the same type of articles were to expand to fill the gap at the cost of further substantial imports of components and materials.

TAX REDUCTIONS

While the cold facts of our dollar position make it necessary to impose these special types of taxes, we are proposing to remove or reduce certain other taxes in cases where this should result in a lowering of the prices of essential goods which have to be purchased by all Canadian families. With this in mind I am proposing that the excise tax of one cent a pound on sugar be removed, that the import duty on tea from the normal sources be removed, that the duty on coffee be reduced, and that electricity and gas used in dwellings be exempt from the 8% sales tax.

Now that the Government's proposals have been announced, we propose to follow the usual budgetary practice of asking Parliament to make them effective from the time of announcement, and taxes at the new rates will therefore be collected on all sales by manufacturers and on imports, beginning tomorrow morning.

NOTE: Estimated annual revenue loss from tax reductions is estimated at about $21,000,000, as follows:-

Sugar	$13,000,000
Gas and Electricity	6,000,000
Tea	1,500,000
Coffee	500,000
	$21,000,000

IMPORT RESTRICTIONS

EXPLANATORY NOTE: The Government has placed a wide range of goods under import control by an Order in Council passed November 12. These goods are classified in three groups, which will likely become known to importers and businessmen as the Prohibited List, the Quota List and the Capital Goods List. The Order in Council came into force on November 18, 1947.

The Prohibited List covers a wide variety of commodities and consumer goods which the Government has decided can no longer be permitted to draw on Canada's reserves of foreign exchange. For this reason imports of these goods are banned.

The Quota List includes another large group, mainly consumer goods, for which import permits will be granted on a "quota" basis. Current imports of these goods have risen to abnormal levels, yet it is not considered practical to prohibit them completely. This list is sub-divided into four groups and a separate "quota" will be established for each group.

The Capital Goods List covers metals and their manufactures, (mainly industrial machinery) which may be prohibited or restricted on the direction of the Minister of Reconstruction and Supply. This list also includes motion picture films but does not include machinery or equipment for use in farming or fishing.

PROHIBITED LIST: The goods covered by this list for which no import permits will be available includes the following items:

Fresh fruits. All fresh fruits except citrus fruits, apples and bananas. (The "Quota List" provides for a quota of 200% of pre-war imports by value on citrus fruits and apples. Imports of bananas are not restricted.)

All fresh vegetables except potatoes and onions. (Potatoes and onions are limited by quota to 200% of pre-war.)

Unpitted dates and such dried fruits as pears, apricots and peaches. (There is no restriction on pitted dates, figs, prunes or raisins.)

Poultry, eggs, meat and meat extracts.

Most canned and packaged foods, including canned fruits, canned vegetables, breakfast foods, condensed milk, pickles, manufactured spices and roasted coffee. (There is no restriction on imports of coffee beans or tea imported directly from the country of origin.)

Beans, peas, cleaned rice, and peanut butter.

Cocoa products (but not cocoa beans) candy, candied peels and confectionery of all kinds.

Nuts in the shell (but not including peanuts, nuts for the manufacture of oil and shelled nuts).

Oysters and canned crabs, clams and shrimps.

Honey, molasses and syrups.

Cut flowers.

Cigars and cigarettes.

Comic and "pulp" periodicals. The prohibited item is similar to that in effect from 1940