Mr. DONNELLY: If I buy goods in the United States to the value of $100 American money, they would be worth $110 in Canadian money, our dollar being at a discount. Would I have to pay this tax on the $100 or the $110?

Mr. RHODES: It would be paid upon the invoice value of the goods in Canadian dollars.

Mr. MACKENZIE KING: Does the minister not think that in connection with the forthcoming conference it would be a helpful gesture to decide at once to abolish this tax so far as trade within the empire is concerned, indicating that the government's real desire is trade within the empire? Has the ministry considered that, or would the minister be prepared to make a statement before parliament prorogues?

Mr. RHODES: I think that the representatives of the other British nations will be the first to realize our necessities and recognize that this tax is a tax for revenue purposes only.

Mr. MACKENZIE KING: I cannot altogether agree with my hon. friend. Great Britain, for example, with whom we shall be chiefly negotiating, recognizing our necessities and, I believe, the need of our sceuring markets in that country, has imposed practically no duties against Canada. In November next the new British tariff becomes applicable to the dominions unless in the interval by way of negotiation something is arrived at which will encourage trade. My point is that it would be a helpful indication of the government's attitude and a real encouragement of trade within the empire if an announcement were at once made by the minister that this three per cent excise tax would not apply against goods entering Canada from the other parts of the empire. Moreover it would be adopting towards Great Britain an attitude similar to that which she is adopting towards Canada.

Mr. RHODES: My answer to that is this: We have been giving a preference to Great Britain for a quarter of a century. So far as this excise tax on imports is concerned, it is applicable to the whole world, including the British dominions. Therefore we are in precisely the same position with respect to the preference as we were before the imposition of this tax. As regards its bearing upon interdominion trade, it may be a subject for discussion, but, if so, it would be a subject for the conference. It is not one upon which it would be wise or seemly for us to make an announcement in advance.

Mr. MACKENZIE KING: The preference with Great Britain is by no means what it has hitherto been. As my hon. friend knows, the first action on the part of the new Conservative administration was to raise the duty against Britain as well as against other parts of the world, and the preference was made distinctly less than it had previously been. It is not to-day anything like what it was in 1930. That, I think, is true so far as the preference to Britain is concerned. However, if it is preferences within the empire we are talking about, here is a real opportunity for Canada to show that she wants to encourage trade within the empire, by saying that, while she now has a tax that relates to the whole world, as respects trade within the empire she will not apply this three per cent impost. If my hon. friend is anxious to proceed along the lines on which Britain has set the example with respect to trade with Canada, he would consider that suggestion very carefully.

My hon. friend speaks about our having given Britain the preference. That preference has been as much of an advantage to Canada as to Great Britain. The idea that the only country which benefits by a preference is the one that sells and not the one that buys, is a mistake. No trade would ensue at all unless the arrangement were beneficial both ways. Trade in itself is exchange, and exchange in itself is valuable or it would not take place. It is wrong to argue that because we have given Britain the preference, she has been the only one to gain an advantage. We have gained because we have procured from Great Britain commodities we desired at a rate at which it would not have been possible to obtain them had the preference not existed. We have also another benefit because of the preference; we have been able to keep down the cost of living and some of the costs of production, and thus have helped our producers in the great basic industries, and have, in regard to our great export production, been better able to compete and hold our own in foreign markets. The preference, therefore, has been as much of a benefit from the Canadian point of view as it has been from the British point of view.

It should also be noted in this connection that, after all, Britain has not for the most part imposed any tax against us. She has given us in her markets the same opportunities as have her own producers or manufacturers. That is a large concession, very different from that which we give Great Britain, whose goods are taxed before they come into this country at all. All these points are matters of importance, particularly on the eve of a conference.

I again would suggest to the minister that he make some gesture showing that we wish