

Mr. KEMP: Yes. We think it comes under that general item.

Hon. Mr. McLEAN: It would be helpful if it could be taken out of the basket clause and made a separate clause because it has a large potential future.

Mr. KEMP: It would be very helpful to us, sir, perhaps not necessarily in the presence of the whole committee, but if some time we could talk technically about it and clear up with you whether that is really the item because we are not without hope that something could still be done. We want to be sure that we are dealing with the right item if we have another chance to do something about it.

Hon. Mr. CAMPBELL: May I ask a question at this point? What procedure would be followed to change some of these items? Assuming that parliament felt that there should be some changes made, would it be a matter of re-negotiating?

Mr. McKINNON: Do you mean a change, Senator Campbell, in an item in the schedule?

Hon. Mr. CAMPBELL: Yes.

Mr. McKINNON: No, that would not be possible as regards this particular agreement and these schedules. They must be either adopted or rejected, but I think Mr. Kemp had in mind—

Hon. Mr. CAMPBELL: Negotiations?

Mr. McKINNON: —well, under the consultation clause of this agreement, subsequent to their adoption and putting into force, either side can bring up any difficulties or any misinterpretations that may have arisen. If either side feels it is not getting exactly what it bargained for, under the consultation clause these things can be taken up at any time.

Hon. Mr. CAMPBELL: But no changes can be made at any time at all.

Mr. KEMP: If I may return for a moment and refer to the kippered snack question: there was another point raised by Senator McLean which is of general interest, and quite apart from this particular fish item I should like to do my best to clear it up. He spoke of the 8 per cent sales tax which is imposed in Canada on this product, and pointed out that when the product is exported to the United States some cognizance is taken of that 8 per cent sales tax in arriving at the United States value for duty. The United States customs authorities do not actually add the 8 per cent sales tax to the duty, but they add that tax to the Canadian value in order to arrive at the United States value for duty, even though the sales tax is not levied on fish or anything else exported to the United States. That is a point of great importance which is applicable not only to Senator McLean's fish but also to all other products that we export to the United States.

Hon. Mr. McLEAN: Whether they manufacture them or not.

Mr. KEMP: Whether they manufacture them or not.

The CHAIRMAN: Or whether there is a sales tax imposed in Canada on those exportable items.

Mr. KEMP: That is right, sir.

The CHAIRMAN: They simply add it to the value for duty?

Mr. KEMP: Yes. So in this case if we are paying 12½ per cent duty on these kippered snacks, we are paying it not on the export price but on the export price increased by 8 per cent, which is the amount of our sales tax.

The CHAIRMAN: But the sales tax is not imposed.

Mr. KEMP: The sales tax is not imposed. We exempt our exports from sales tax, but the United States customs officials are obliged by their law to require that the 8 per cent be declared as part of the value for duty.