

agreement should be arrived at, but that with regard to the one item referred to here it was apparently not considered necessary to have a definite agreement with the United Kingdom. I want to say that although the minister has given the same explanation three times, which was not an answer to the question that was asked, each time that he gives it I find it a little more difficult to understand why one country should be bound and the other not be bound to maintain a certain margin in preference.

Mr. MACKENZIE KING: The minister seems very loath to give any credit whatsoever to what took place at the economic conference of 1923.

Mr. STEVENS: Not at all.

Mr. MACKENZIE KING: But I am afraid in this instance at least he will have to give some credit.

Mr. STEVENS: Very gladly, if it is due.

Mr. MACKENZIE KING: I have in my hand the Summary of Conclusions of the economic conference of 1923, and the paragraph which relates to tobacco reads as follows:

At present the duty on tobacco varies according to kind, being of course higher on cigars than on unmanufactured tobaccos. On the latter it is about 8s. 2d. per pound, on which the empire enjoys a preference of one-sixth or, say, on raw tobacco of 1s. 4d.

That was as long ago as 1923. The British government was then giving a preference to the other parts of the empire of its own volition, and had been doing so for some time previously because it suited its own purposes. It did so under its own fiscal system without being bound in any way. The paragraph continues:

His Majesty's government would be prepared to adopt the course proposed in regard to sugar, i.e., to stabilize the existing preference for a term of years or alternatively they are prepared to increase the preference to one-quarter, i.e., to about 2s. on unmanufactured tobacco at present rates, the amount of the preference of course varying as the basis varies.

As a result of consultation with the overseas representatives concerned, it has been decided to adopt the second alternative, that is to say, to raise the preference from one-sixth to one-quarter.

So that it was at the conference of 1923 that the decision was made by the British government of its own free will to make the preference what it is at the present time. Legislation was introduced in the British parliament after the conference in accordance with what the British government of the day

said it would do and it was approved by the British parliament. They fixed the rates after consultation. At the present time I understand, as the result of this conference, they are continuing the preference in accordance with the terms of the article in the agreement we have just read.

There is the difference however—and it serves to illustrate a point I have been trying all along to make—between a system of consultation between different governments of the empire, being each free to act upon its own position, and a system of bargaining which binds governments for a term of years to maintain tariffs at certain levels. The relative merits of the two methods is, I think, apparent. In 1923 the British government took the course which served its own interests, but which after conference it believed would best further the interests, also, of the empire and has maintained that course without having any question arise as to whether or not it was bound and restricted in its fiscal freedom by virtue of some agreement with the dominions, to maintain certain duties against the interests and will of the British people. The British government has kept the duties on because it served its interests and those of the empire so to do.

Now we come to this year's plan, and we find that the moment discussion on the article respecting tobacco is opened, a difference of opinion arises as to whether or not in this clause the British freedom in fiscal matters is not being restricted in some degree, as a consequence of the agreements signed at the recent conference. In other words in consequence of fixed duties, or duties purporting to be fixed for a term of years, one begins to sense at once the feeling of restriction and restraint. In one quarter it is asserted, on the other hand in another we have doubts and misgivings as to whether or not the conditions set forth will be carried on for the period mentioned. I believe it is wholly advantageous to the British government to do as it pleases with its own fiscal policy, just as we who are on this side desire to do with respect to the articles under schedule E in the agreement. Certainly, from the point of view of Canada, it is much better that producers here should not be led by any false hopes or false beliefs into embarking upon a scale of production which, later on, they may find has not been justified, in view of action which the British government may take are perfectly free to take in the matter of reducing duties, or, if they so wish, of eliminating them altogether.

Article 7 agreed to.