

Hon. Mr. KINLEY: I mean, if we want to make an agreement. You notice that in the House of Commons yesterday the Minister spoke of making a new trade agreement with the United States. We are controlled by the General Agreement in anything we do together?

Mr. DEUTSCH: Whatever further agreement is made with the United States, if such further agreement is made, it would have to conform to the requirements of the General Agreement, and any tariff concessions and reductions that are made by either country would have to be given to all the other countries whose representatives signed the General Agreement. The most-favoured-nation treatment rule would require that. Of course, in making such an agreement one would keep in mind that the benefits would have to be given to all other countries, and you would select the items in such a way that the benefits would go, of course, as largely as possible to the two countries which made the agreement.

The CHAIRMAN: Would that apply as well if Canada made certain agreements with other members of the British Commonwealth?

Mr. DEUTSCH: If Canada made agreements with other members of the British Commonwealth, you would be bound by the provisions laid down in the General Agreement concerning preferences. Under those provisions we cannot do anything which will widen any preference—

The CHAIRMAN: —that exists now?

Mr. DEUTSCH: —that exists now. That is one of the obligations in the General Agreement. Existing preferences may be maintained.

The CHAIRMAN: But nothing beyond that.

Mr. DEUTSCH: They cannot be widened or extended. That of course would affect any arrangement you made with any Commonwealth country, so if you reduced any rates with other Commonwealth countries you would have to bring down the m.f.n. rate by the same amount, so as not to widen the preference.

Hon. Mr. KINLEY: Is the preference affected on things that have not yet been thought of; that is, if there is a new item?

Mr. DEUTSCH: No new preference is allowed, senator.

Hon. Mr. KINLEY: Therefore this agreement wipes out preferences. For instance, with the United States: we are their best customers and they are our best customers. Naturally, for Canada, preference is better than lowering the tariff, because you get preference over your competitor. That is wiped out?

Mr. DEUTSCH: Yes, you cannot establish new preferences.

Hon. Mr. KINLEY: For instance, they gave us a preference over Norway in respect of fish, and also preference over some countries which have a low standard of living. But that is wiped out now?

Mr. DEUTSCH: You are referring, senator, to the 1911 proposals?

Hon. Mr. KINLEY: Yes.

Mr. DEUTSCH: Well, that would not be permitted now. We could not make reductions which apply only to Canada and the United States. Under the most-favoured-nation rule you would have to give those same reductions to all other countries that signed the agreement. But as I said before, you would select your items, naturally. We would select the items which would be the major ones concerning ourselves and the United States but which might not be of very much concern to the other countries. By selecting your items in such a way you could get something which would be of benefit to the two countries.

Hon. Mr. KINLEY: Of course the arrangement is always made with the country that is the chief supplier?

Mr. DEUTSCH: That has been the general rule. At Geneva, I think Mr. McKinnon explained, negotiations between any two pairs of countries were