

Mr. GOTT: That explains the whole thing. I am perfectly satisfied now, but before I was not.

Mr. ELLIOTT: There is no doubt that this margin of preference need not be retained if Great Britain sees fit to reduce or abandon it. Am I correct in that?

Mr. STEVENS: I must respectfully decline to have words put into my mouth. I would rather express it in my own way. I will repeat what I said before. Since 1925 the duty on tobacco has been from 9/6d. up to 10/6½d. per pound, depending on the moisture content, and for eight years we have enjoyed a preference of 2/0½d. per pound, or roughly 49 cents. There has been no question about it whatsoever. Under this article that preference is continued, but the reservation is made that should the British parliament reduce the duty on tobacco to a point below 2/0½d. the margin of preference to Canada and empire countries will be simply the remaining full amount of duty whatever it may be.

Mr. ELLIOTT: That is exactly as I heard the minister the first time, but it does not answer my question at all. I suppose the question does not need an answer because I take it, and I just wanted the minister's confirmation of my interpretation if he thinks I am correct, that there is nothing whatever in this section to prevent the government of the United Kingdom from reducing the margin of preference from 2/0½d. or 49 cents per pound, or from wiping it out altogether. But if there is anything to prevent that to which the minister can direct my attention, I shall be very glad if he will do so.

Mr. STEVENS: There is nothing specifically stated in the article to prevent them doing it, but there is the history of the taxation of tobacco in Great Britain which stands behind the article. From time immemorial tobacco has been one of the chief sources of revenue for Great Britain, and it is wholly unlikely that they will reduce the duty from 9/6d. to below 2/- per pound. Furthermore, this applies not only to Canada but to all parts of the empire, to South Africa, Southern Rhodesia and other empire countries, all of which are equally interested with ourselves.

Mr. ELLIOTT: I take it that my hon. friend feels that the government of this country is reasonably safe in trusting the government of the United Kingdom not to reduce this margin of preference.

[Mr. Stevens.]

Mr. STEVENS: Quite.

Mr. ELLIOTT: Then I should like to ask why the government of this country were not able apparently to induce the British government to take for granted that this government could be relied on not to reduce the preferences given in schedule E and referred to in article 9. Apparently the government of this country is bound hard and fast not to reduce those margins of preference. Why the distinction? In the one case it seems that it was necessary to have this government bound absolutely tight not to reduce the margin of preference, while in the other this government apparently seemed to think they could take it for granted that Great Britain would not reduce the margin of preference, and they did not bind Great Britain in the agreement. What is the reason for the distinction?

Mr. STEVENS: There is no difficulty, none whatever, in answering that question if we are permitted, Mr. Chairman, to proceed to the discussion of schedule E.

Mr. ELLIOTT: I would prefer the minister to answer it now because the question arises properly out of the construction of this article.

Mr. STEVENS: There is no difficulty whatsoever in answering it, Mr. Chairman. I am simply pointing out to the chairman that we would be wandering; that is all, and I do not wish to wander without the house knowing that I am quite aware of it. The answer can be stated very simply and clearly. In schedule E there are some 223 items, and speaking offhand about half of them involve the imposition of duties—

Mr. MACKENZIE (Vancouver): More than half.

Mr. STEVENS: My hon. friend can state the proportion as he sees fit; we will not dispute over that. In another proportion of the items there are decreases. Consequently a more specific declaration was required than is required in this instance. Furthermore, as I have said at least three times already, we are here dealing with a duty which has been in force for approximately eight years, and under this agreement we are simply carrying forward into another extended period of ten years what we have been enjoying for a period of eight years. We had therefore no hesitation whatsoever in accepting the position as outlined in article 7.

Mr. ELLIOTT: I think I understand the minister clearly, that it was necessary in regard to the items mentioned in schedule E, numbering several hundred, that a definite