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Canada. Parl. Senate. Standing
Comm.on Canadian Trade
Relations, 1947/48.
Proceedings.

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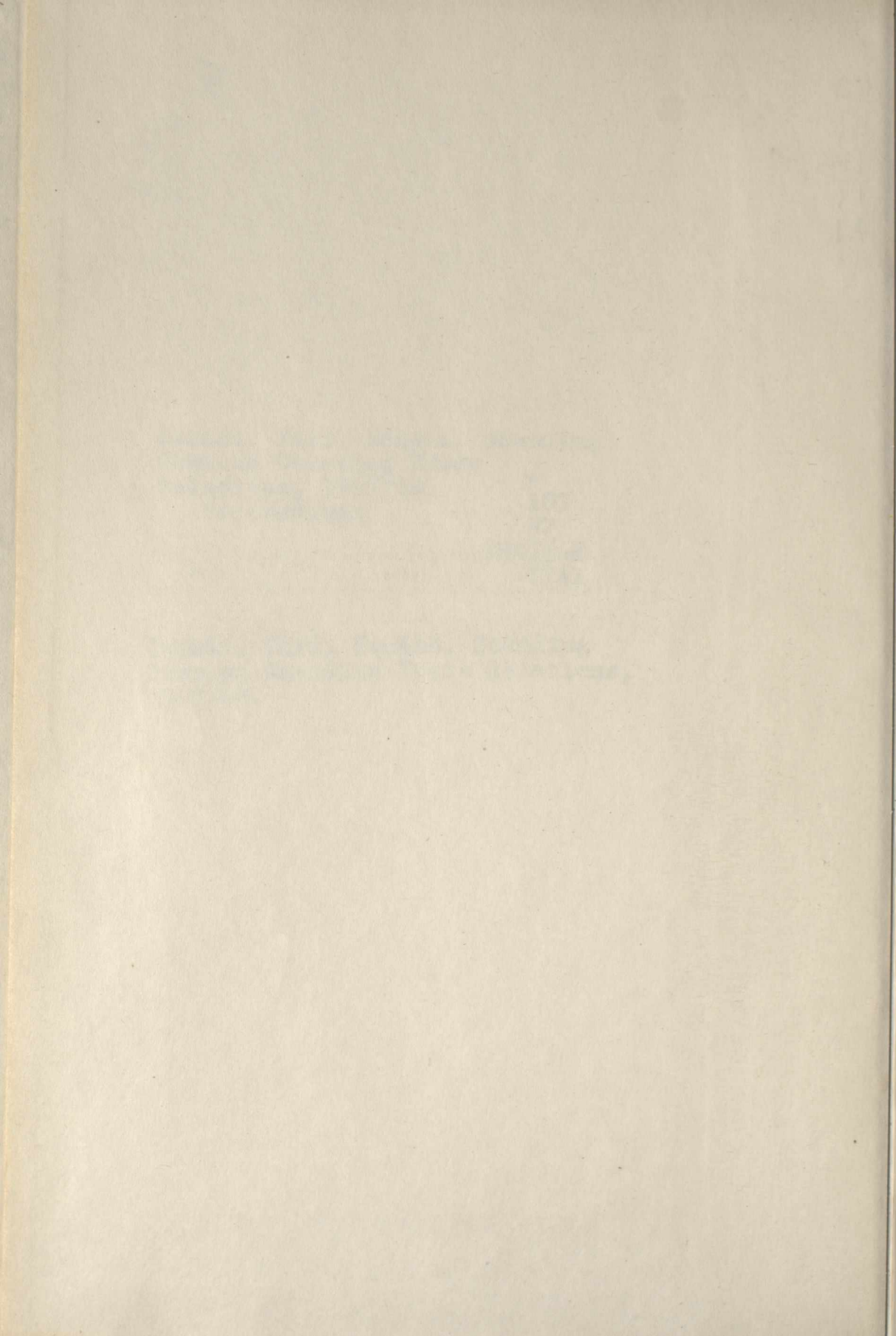
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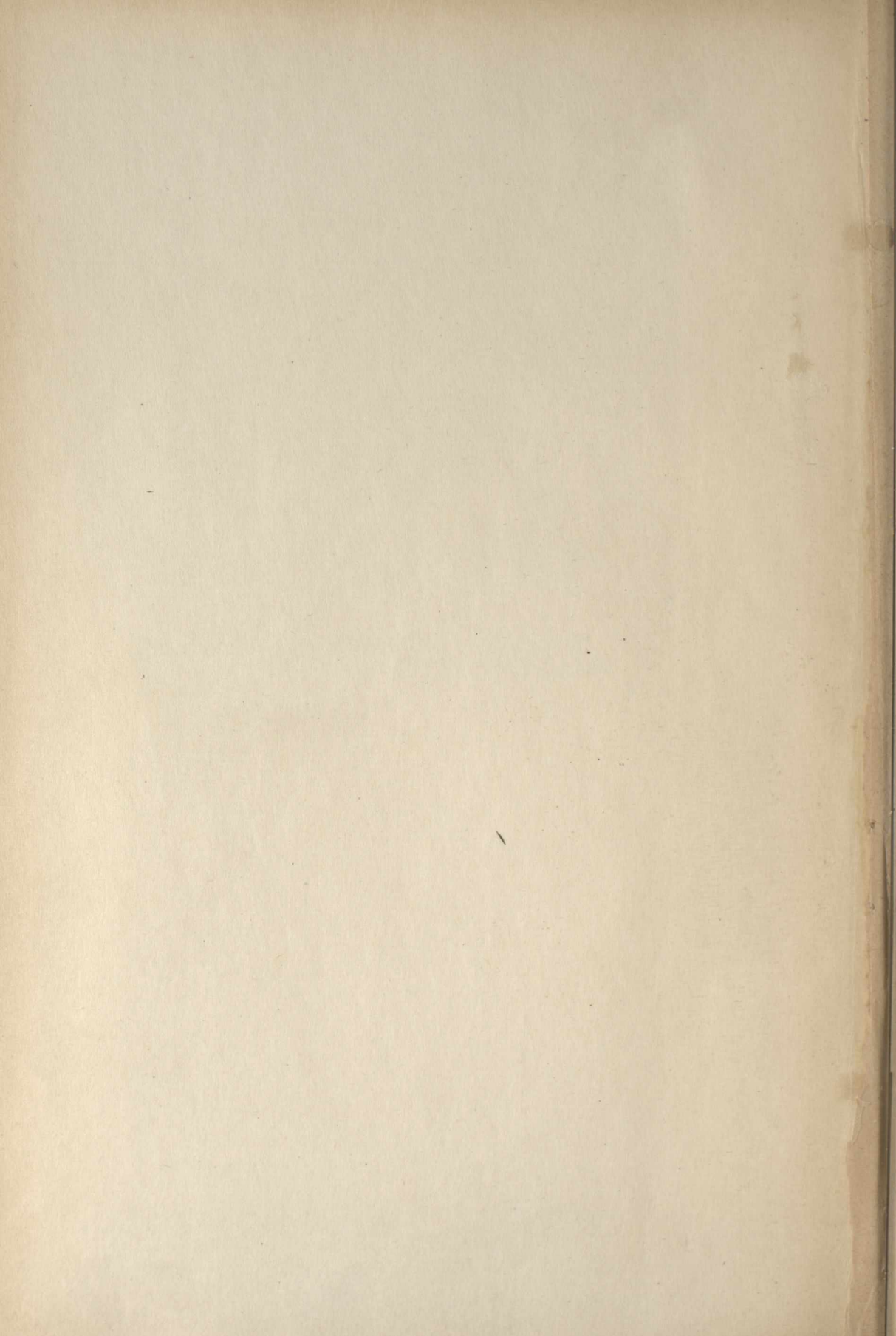
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THE SENATE OF CANADA



PROCEEDINGS

OF THE

STANDING COMMITTEE

ON

Canadian Trade Relations

To whom was referred the subject matter of the General Agreement on Tariffs and Trade, including the Protocol of Provisional Application thereof, annexed to the Final Act of the Second Session of the Preparatory Committee of the United Nations Conference on Trade and Employment held at Geneva from April 10 to October 30, 1947, together with the complementary agreements of October 30, 1947, between Canada and the United States of America and between Canada and the United Kingdom.

No. 1

TUESDAY, DECEMBER 16, 1947

CHAIRMAN

The Honourable W. D. Euler, P.C.

WITNESSES:

Mr. H. B. McKinnon, Chairman, Tariff Board.

Mr. J. J. Deutsch, Director of Economic Relations, Department of Finance.

ORDER OF REFERENCE

(*EXTRACT from the Minutes of the Proceedings of the Senate, 15 December, 1947.*)

The Honourable Senator Robertson, seconded by the Honourable Senator Copp moved—That the Standing Committee of the Senate on Canadian Trade Relations be directed to inquire into and report upon the subject matter of the General Agreement on Tariffs and Trade, including the Protocol of Provisional Application thereof, annexed to the Final Act of the Second Session of the Preparatory Committee of the United Nations Conference on Trade and Employment held at Geneva from April 10 to October 30, 1947, together with the complementary agreements of October 30, 1947, between Canada and the United States of America and between Canada and the United Kingdom.

That the said Committee be authorized to send for persons, papers and records.

After Debate, and—

The question being put on the said motion, it was—
Resolved in the affirmative.

L. C. MOYER,
Clerk of the Senate.

MEMBERS OF THE STANDING COMMITTEE ON CANADIAN TRADE RELATIONS

The Honourable W. D. Euler, P.C., *Chairman*

The Honourable Senators

Ballantyne	Dessureault	McLean
Beaubien	Duffus	Moraud
(Montarville)	Euler	Nicol
Bishop	Gouin	Paterson
Blais	Haig	Pirie
Buchanan	Howard	Riley
Burchill	Hushion	Robertson
Calder	Jones	Robicheau
Campbell	Kinley	Turgeon
Daigle	Macdonald (Cardigan)	Vaillancourt
Davies	MacLennan	White—(34).
Dennis	McKeen	

MINUTES OF PROCEEDINGS

TUESDAY, December 16, 1947.

Pursuant to adjournment and notice the Standing Committee on Canadian Trade Relations met this day at 10.30 a.m.

Present: The Honourable Senators:—Euler, Chairman; Ballantyne, Bishop, Blais, Burchill, Davies, Duffus, Haig, Howard, Kinley, MacLennan, McKeen, McLean, Nicol, Paterson, Robertson, Turgeon and White, 18.

Mr. J. F. MacNeill, K.C., Law Clerk and Parliamentary Counsel, the Senate, was in attendance.

The official reporters of the Senate were in attendance.

Pursuant to the order of reference of 15th December, 1947, the Committee proceeded to the consideration of the subject matter of the General Agreement on Tariffs and Trade, including the Protocol of Provisional Application thereof, annexed to the Final Act of the Second Session of the Preparatory Committee of the United Nations Conference on Trade and Employment held at Geneva from April 10 to October 30, 1947, together with the complementary agreements of October 30, 1947, between Canada and the United States of America and between Canada and the United Kingdom.

Mr. H. B. McKinnon, Chairman, Tariff Board, was heard in explanation of the manner in which the negotiations were conducted at Geneva, and was questioned.

Mr. J. J. Deutsch, Director of Economic Relations, Department of Finance, was heard in explanation of the preparation of the Draft Charter; gave a summary of the details of the Charter, and was questioned.

On motion of the Honourable Senator Howard, it was—

Resolved to report recommending that authority be granted for the printing of 1,000 copies in English and 200 copies in French of the evidence adduced before the Committee on the said subject matter, and that Rule 100 be suspended insofar as it relates to the said printing.

At 1 p.m. the Committee adjourned until tomorrow, Wednesday, 17th December, 1947, at 10.30 a.m.

ATTEST:

H. ARMSTRONG,
Clerk of the Committee.

REPORT OF PROCEEDINGS

OF THE

ANNUAL MEETING OF THE

AMERICAN

ASSOCIATION OF

PHYSIOLOGISTS

HELD AT

ST. LOUIS, MO.,

DECEMBER 29, 1906.

BY

THE ASSOCIATION OF

PHYSIOLOGISTS

OF THE

UNITED STATES

AND

CANADA

AND

THE

WEST INDIES

AND

THE

WESTERN HEMISPHERE

AND

THE

WESTERN ISLANDS

AND

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WESTERN OCEAN

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WESTERN ISLANDS

AND

MINUTES OF EVIDENCE

THE SENATE

TUESDAY, December 16, 1947.

Pursuant to the order of reference of December 15, 1947, the Standing Committee on Canadian Trade Relations met this day at 10.30 a.m., and proceeded to the consideration of the subject-matter of the General Agreement on tariffs and trade negotiated at the second session of the Preparatory Committee of the United Nations Conference on trade and employment, held at Geneva from April 10 to October 30, 1947.

Hon. Mr. EULER in the Chair.

The CHAIRMAN: Honourable senators, the committee is called, as you know, for the purpose of considering the subject-matter of the resolution in connection with the Geneva trade agreements. In order to assist us, we have with us today Mr. McKinnon, the Chairman of the Tariff Board, and Mr. Deutsch of the Department of Finance and Mr. Kemp of the Department of Trade and Commerce—I am sorry that I do not know just what their official titles are in these departments. Since we are uninformed as to these trade agreements—at least, I know I am—I was going to suggest that possibly all we can do today is to hear from these gentlemen, who were Canadian representatives at the negotiations upon which the agreements made at Geneva were founded. Before they speak I believe the leader of the government in the Senate, Senator Robertson, might care to make a few remarks.

Hon. Mr. ROBERTSON: Mr. Chairman, there is just one remark that I should like to make at the outset. Mr. McKinnon spoke to me and suggested that owing to the delicate position which he held as a negotiator of the agreement on behalf of Canada, and which he might hold again in future negotiations, it is quite possible that some questions might be asked which he might feel it difficult to answer because of the risk of prejudicing his position in the future. I spoke to the Chairman about it and suggested that Mr. McKinnon would have to be the judge as to whether or not he should answer any particular question, and if it does happen that he has to decline to answer any question I am sure the committee will appreciate his point of view. It will be a matter for the good judgment of all.

The CHAIRMAN: Perhaps it might be well to let Mr. McKinnon proceed with his statement without interruption, and have questions at the conclusion of his remarks. However, that is a matter for the committee. What is the desire of the committee?

Hon. Mr. BALLANTYNE: Have questions at the conclusion of his remarks.

Hon. Mr. KINLEY: Let him tell his story first.

The CHAIRMAN: I do not think I shall be very strict about it if a question is interjected. What is your wish, Mr. McKinnon.

Mr. MCKINNON: I have no prepared statement, Mr. Chairman, and whatever the committee wishes will suit me.

Hon. Mr. HAIG: Mr. Chairman, I want to register my dissent from the statement made by the leader of the government, Senator Robertson. What he suggested is the old policy that existed prior to the First World War, secret diplomacy. I do not think we should have any secret diplomacy at all. We

have nothing to hide, and there should be no secrecy about any negotiations that we have with the United States or with Russia or any other country. The sooner the world adopts the policy which a great many of us have advocated, open diplomacy, the better it will be for the world. I repeat that I want to register my protest against the leader's statement.

The CHAIRMAN: I doubt very much whether there will be any occasion for difference of opinion about this matter today. If it should happen that Mr. McKinnon feels that the answer to any question submitted by any member of the committee might be prejudicial to our national interests, we will leave it to Mr. McKinnon as to whether he will answer or not.

Hon. Mr. HAIG: That is fair enough.

Mr. HECTOR B. MCKINNON, Chairman of the Tariff Board: Mr. Chairman and honourable members, as I said a moment ago, I have no prepared statement. I think the move to have the agreement examined by a committee is a very sensible one, because it will undoubtedly lead to questions and answers, which is the quickest and clearest way of bringing out the salient facts regarding what is unquestionably a very complicated technical document.

Mr. Chairman, it might help the members of the committee if I said a few words about the manner in which the negotiations were conducted at Geneva.

The members of this committee will know that the Canadian delegation to Geneva was headed by the Honourable Dana Wilgress, Minister to Switzerland; but as Mr. Wilgress was made chairman of one of the important full-time committees of the conference he was necessarily removed almost entirely from the day to day routine work of our own delegation.

Our work fell into two divisions: First, the discussions regarding a charter, of which Mr. Deutsch of the Department of Finance took charge. It was generally agreed at Geneva, I believe, that probably only one other delegate was as thoroughly informed about the details of the charter as was Mr. Deutsch. When we come to discuss the charter itself, Mr. Deutsch has come prepared to answer all questions.

The second part of our work was the negotiating of the various trade agreements between Canada and other countries. It happened because of experience and age that I was put in charge of the negotiating team. Mr. Kemp, who is here this morning from the Department of Trade and Commerce, was the one responsible for asking for concessions in other countries, and for attempting to get all the concessions he could. In turn, it fell to me to recommend to the government how far we could go by way of paying for the concessions in respect to our own tariffs.

The draft charter that emerged from Geneva has now gone to a conference at Havana. There was a total of 23 nations at Geneva discussing the charter and negotiating trade agreements, but at Havana there are some 55 or 60 nations discussing it. It is possible that at Havana the charter may be so changed, emasculated or watered down as not to be very satisfactory to the original group at Geneva. In this case, as Mr. Deutsch will explain, we need not be greatly concerned. Although that situation would be lamentable, it would not necessarily be a calamity.

Because the important sections of the charter, all those sections necessary to the functioning of a code, have been carried into what has been called a General Agreement, that General Agreement may carry on among the countries who wish it carried on, even if there should be no charter at all. I wish to make that clear, Mr. Chairman, because there may be some confusion in the minds of some as to the difference between the General Agreement and the charter.

Hon. Mr. HAIG: Mr. Chairman, may I interrupt? I think Mr. McKinnon ought to explain the relationship between the agreement and the charter. I honestly do not know what he means by the charter.

The CHAIRMAN: I admit that I am in the same awkward position.

Mr. McKINNON: I am prepared to do that, but I think it would be better if Mr. Deutsch explained the charter and the Agreement.

Hon. Mr. HAIG: I am interested in the relationship between the two; I do not want to know what their terms are.

Mr. McKINNON: The Agreement is based on the charter in this way: the charter is a very elaborate document involving provisions respecting commercial policy in all its aspects, employment, economic development, use of quantitative restrictions, subsidies and so on; but there were extracted from the charter in its draft form a sufficient number of provisions to stand by themselves in case a charter should not finally emerge. The nations assembled at Geneva agreed upon those excerpts from the charter, if I may describe them in that way, which have become what is now known as the General Agreement.

Hon. Mr. HAIG: Thank you, I understand that explanation.

Mr. McKINNON: There are twenty tariff schedules to this General Agreement, numbered one to twenty. The Canadian schedule is number five. Most people will never see all the schedules, because they are most voluminous involving something in the neighbourhood of 45,000 tariff items, filling four quite large volumes printed by the United Nations. The one which is of chief interest to Canada from the point of view of Canadian tariffs is Schedule No. 5, which has been printed separately and distributed, I believe, Mr. Chairman, to all members of the committee.

Mr. Chairman, we are in the hands of the committee, and would like to know whether you would prefer to hear first about the general text of the Agreement, the concessions secured for Canada, or the reductions proposed in Canada tariff.

The CHAIRMAN: Will you explain first the text of the agreement?

Mr. McKINNON: Mr. Deutsch will do that.

The CHAIRMAN: What is the wish of the committee?

Hon. Mr. CRERAR: I would suggest, Mr. Chairman, that it might be interesting to the committee if Mr. McKinnon would in a general way give us some idea of the difficulties that had to be met in Geneva. In the little study I have been able to give this subject I have been impressed by the appearance of several escape clauses. I note, for instance, that the agreement is for a period of three years. Now, the thought naturally arises in one's mind that there might not be permanence to this, that there was a general feeling among the delegates at Geneva that this was a sort of trial and error business; and that led me further to wonder if there had been a lack of appreciation of the importance of the basic principles which underlie international trade. Now, while it may not be strictly germane to an examination of these particular schedules, I think it would be interesting to the committee if, out of his long experience, Mr. McKinnon could give us in a general way some of the difficulties that were encountered, and what the prospects are of a renewal or continuation after the three-year period is over.

Hon. Mr. BALLANTYNE: Would it not be of most interest if we heard first the Canadian changes, if that suits you?

The CHAIRMAN: It is just a question whether you want to get a description of the general picture, which it was in my mind that Mr. McKinnon or Mr. Deutsch could give us, or whether you want to proceed immediately to the particulars of the tariff changes.

Hon. Mr. BALLANTYNE: You are right.

The CHAIRMAN: All right. Mr. Deutsch?

Hon. Mr. CRERAR: I would like to have an expression of opinion from Mr. McKinnon as to whether he came from Geneva hopeful or discouraged.

The CHAIRMAN: I think Mr. McKinnon feels that Mr. Deutsch could speak with more knowledge about that than he can. I think Mr. McKinnon's particular job was the matter of making concessions to these other countries and, perhaps, declaring as to whether we could agree to give concessions. A general picture, I think, could be given by Mr. Deutsch. Is that correct?

Mr. MCKINNON: I am quite prepared to answer Senator Crerar's question. As regards the three years, that is the normal term, Senator Crerar, for commercial agreements into which Canada has entered in the past. As a general rule the fixed term is three years, subject to continuance thereafter unless denounced by any contracting party. As a general rule the provision is for six months' notice of denunciation. The agreement negotiated with the United States, for example, in 1938 was still running on when we went to Geneva in 1947: it was a three-year agreement with a six months' clause. Therefore it may follow—it does not follow necessarily—that the agreement will be terminable in three years: it may run on indefinitely. On the other hand it may prove that some members dislike its provisions and give six months' notice of denunciation.

As regards the general spirit prevailing at Geneva on our departure, about which you asked, I would say this. We began, I think, with a pretty general feeling that there would be a successful conclusion; but by the time we had been there three or four months, and it appeared that nothing was coming out of it in a very concrete form, the feeling of optimism gave way definitely to one of pessimism; and certainly some delegates felt that there would emerge neither a charter nor a series of trade agreements. But as so often happens, Mr. Chairman, that corner was turned, and in the last six weeks, in particular, the atmosphere changed completely. We found that some countries that had been either lackadaisical or indifferent about concluding an agreement with Canada were urging us to have more hearings, to conclude matters; and, as I say, the atmosphere changed completely. We were able to conclude negotiations successfully with some fourteen or fifteen countries. Twenty-three countries—that is, all at Geneva—signed the Final Act, including the General Agreement, and eight trading countries signed the Protocol of Provisional Application, which was merely an undertaking that, subject to later ratification by their constitutional bodies, they would bring it into effect provisionally on the 1st of January.

The CHAIRMAN: Was that pessimism the result of a feeling on the part of some of the countries that they did not wish to make tariff concessions, that is, remove the obstacles to trade which I understand was one of the chief principals of the gathering? Was that the feeling? Did the feeling of not wishing to make any concessions change?

Mr. MCKINNON: No, I do not think it was that so much, Mr. Chairman,—and this raises a point that might be embarrassing, in a sense, if given too great prominence in the press. At first there was a great feeling of disappointment because the original attitude of the United States in respect to a concession on wool was discouraging and disheartening; but a little later the United States came through with an offer on wool and while the Australians deemed it was not all they would have liked or indeed expected it to be, on the whole they appeared to regard it as pretty good having in mind the difficulties the United States faced in making it, and that was one of the positive factors, I think you will agree Mr. Deutsch, that helped us to regain an atmosphere of optimism. There were aspects of the charter discussions that indicated a feeling of frustration for a while, but they were finally cleared up—unless they are changed again at Havana.

HON. MR. KINLEY: How much finality is there to what was done at Geneva? I understand Havana can change the charter but not the schedules.

MR. MCKINNON: That is right. They may change the charter or drop it entirely but they cannot change the agreement or the schedules thereto.

THE CHAIRMAN: Does anyone wish to ask any further questions of Mr. McKinnon before we hear from Mr. Deutsch?

MR. J. J. DEUTSCH, Director, Economic Relations Division, Department of Finance: Mr. Chairman and honourable senators, Mr. McKinnon has already explained that there were two things done at Geneva. One was the negotiation of the detailed tariff agreements between the twenty-three separate countries that were present at Geneva. The second thing that was done was the preparation of what is called the draft charter for a world trade organization. Honourable senators will recall that the United States, I believe it was first in 1945, prepared a document that they called a draft charter for a world trade organization. This document was prepared by the United States originally as a result of discussions they had with the United Kingdom and with Canada at various times, but the document in the form in which it was presented was actually drawn up by United States officials. The United States was anxious to present this document for consideration by the nations of the world and in that connection the Economic and Social Council appointed eighteen countries to constitute themselves a preparatory committee to examine these proposals and to prepare a draft charter to be considered later by a world conference. This preparatory committee met in October and November of 1946 in London, England. At that meeting of the preparatory committee these eighteen countries went over the United States proposals in detail and as the result of some six weeks' discussion they prepared what was called this draft charter, based on the American proposals. The proposals, in the course of discussion, were altered and amended to meet the views of other countries. That draft was further examined at meetings in New York during January and February of this year and further changes and improvements were made. The results of the New York meeting were then put on the agenda for the meetings at Geneva which began in April of this year. Here again there were eighteen nations together with some five other countries including Ceylon, Burma and Southern Rhodesia. This draft was placed on the agenda at Geneva and throughout the summer it was gone over in great detail by these eighteen countries, plus the other countries that are part of the British Commonwealth and Empire. But the purpose of this discussion at Geneva so far as the charter was concerned was still to prepare a draft for submission to a world conference. The conference now meeting at Havana is the world conference for which this preparatory committee prepared the draft. All the trading countries of the world, all the United Nations and some others that are not members of the United Nations, were asked to attend this world conference at Geneva, and the draft charter is now under discussion there. If it is adopted, the results of this conference will lead to the establishment of a world trade organization.

That is, very briefly, the mechanics of the discussions that have taken place. The draft charter itself is a very detailed document, and it is undoubtedly the most comprehensive attempt that has ever been made to codify the rules of international trade. As you remember, efforts were made in the past at the achievement of something like this, but they have never succeeded. The last one of any importance was made at the conference of 1927 called by the League of Nations; but it did not succeed. The discussions of this particular draft charter so far have produced more results than anything else that has ever been attempted along this line.

I have already said that the charter itself is an extremely lengthy and detailed document. It would take a very long time to read over all these details

at this meeting, so I think perhaps at present it would be better to give a summary picture, Mr. Chairman, and then we could come back and look at the details. Each chapter by itself would take an hour or several hours to explain. The charter has provisions covering the conduct of the nations on a very large number of matters which affect international trade. In the first place there is a section called Employment and Economic Activity. It was argued by a number of countries that the level of international trade is dependent upon not only the height of tariffs, but also very much dependent on the general state of business activity. If employment is high and demand is high, international trade will be high. If employment is low, international trade will be low. Therefore it was argued that if we are going to have prosperous and expanding world trade we must also have a high level of business activity and of employment, and that in this field of business activity and employment there was room for co-operation between nations. While it was agreed that basically the governmental responsibility, in so far as there is any responsibility on governments, for the level of business activity was basically a national matter, there was room for international co-operation. Therefore there is placed in this charter an objective to which all the countries are asked to subscribe, namely, to maintain within their own borders as high a level of economic activity as possible. That is just an objective, and the countries have subscribed to it. Furthermore, it was also felt that whenever difficulties arise about the level of business activity in any country, whenever a depression sets in anywhere, something can be accomplished if the government of the country concerned would consult with other governments and try to work out ways and means of minimizing the effects of the depression. This charter gives the organization authority to initiate such consultations whenever difficulties arise because of decline in business activity and the beginning of a depression. Furthermore, it was felt that a really serious depression in one of the large industrial countries, such as United States or Great Britain, would have immediate and serious effects upon other countries and it would become very difficult for most countries to carry out the obligations and general aims of this charter. Therefore the onset of a depression in a major country was regarded as a very important thing from the standpoint of international economic co-operation, and if such a depression arose the governments of the world would have to use all their ingenuity and spirit of co-operation to prevent the harmful effects of the depression from breaking down all the efforts that were made for international economic co-operation. The hope is that this organization, which will be at least a forum for the discussion of the problem, will help to prevent the kind of spiral effects which occurred in the 30's as one country after another went down and all countries tended to become more and more self-sufficient, with the result that there was progressive reduction in international trade.

The CHAIRMAN: Did Russia at any time take part in these proceedings?

Mr. DEUTSCH: No, Mr. Chairman. Russia was named as one of the eighteen countries to prepare this draft charter, but Russia never attended any of the meetings.

Hon. Mr. TURGEON: Is Russia represented at Havana now?

Mr. DEUTSCH: No, Senator. She was invited to be present but she did not turn up.

The charter has a second chapter, on what is called economic development. One of the difficulties in these discussions revolved around the different stages of economic development in the various countries of the world. We had at these meetings the United States and the United Kingdom, which of course are the most highly industrialized and highly developed countries in the world. We also had countries which are just beginning their economic development,

which have very little industry and are still largely dependent upon primary production. The latter group of countries were very anxious that they should not be asked to undertake obligations which would prevent or hinder them in their efforts to become industrialized. This represents one of the outstanding problems in the discussions.

The charter is generally aimed at the removal of the barriers to international trade, but the countries which are anxious to promote their own industrialization, or at least some of them, felt that in order to achieve that end they must impose some barriers to imports. They felt that they could promote the development of their own industries by keeping imports out or at least under control.

A difficult problem was presented by these two points of view: the countries which wanted the maximum removal of barriers to trade, and those nations who wanted to use some of the barriers for the development of their own industries.

Hon. Mr. DAVIES: Were there many countries who wanted to keep the barriers up?

Mr. DEUTSCH: I should say, Mr. Senator, they wanted the right to use barriers which are designed to promote the development of their own industry.

Hon. Mr. DAVIES: But were there many countries who wanted to keep the barriers up?

Mr. DEUTSCH: I would say, speaking of the world as a whole, that from a numerical standpoint the countries who wanted the barriers kept up for the development of industry exceed the other countries. That again was one of our difficulties. We found a greater number of countries concerned with the promotion of their own economic development in their territories than were concerned with the maximum removal of trade barriers.

Every nation represented, including the United States, recognized that the aspirations of these countries were legitimate. It was made plain to them that there was no intention on the part of the more highly industrialized countries to prevent development of what has been referred to as the underdeveloped countries. It was pointed out to them that their aspirations to become industrialized were perfectly legitimate. The only concern was that the methods used should not be harmful to world trade; the problem was to find rules and obligations to enable these countries to carry out a programme of development which would not destroy world trade. The charter contains provisions which endeavour to meet that problem.

It should be said that there was a great deal of disagreement on this particular phase of the discussions, and it resulted in a compromise. I do not propose to go into the details of that compromise, because it would take us too far afield. I wish merely to indicate the kind of problems that arose. I believe it is agreed by many countries, including the more highly industrialized, that the final compromise was acceptable.

Thirdly, there is in the charter a long section called "Commercial Policy". That section sets down in detail the rules which countries are to observe in connection with their external trade. Many of them are standard rules of trade agreements in the past; some of them are new, and had not been codified in the past. The rule regarding most favoured nation treatment is a standard clause in most trade agreements of the past. Briefly, it provides that each nation will give the same tariff treatment to all other nations who sign these agreements; they will not discriminate between one another. In other words, all countries signing these agreements will each get the same tariff treatment as the other members.

One exception to the most favoured nation treatment rule concerns the British preferences. Members of the committee will know that a part of the

negotiations at Geneva were directed towards the reduction of preferences. It was agreed beforehand, and as a result of discussion and understandings arrived at during the war years, that the members of the British Commonwealth would undertake negotiations with the United States and other countries, directed towards the reduction and elimination of preferences. Those negotiations did not envisage unilateral reductions of preferences. The preferences were to be reduced in return for adequate concessions and compensations from other countries. That was part of the tariff negotiations at Geneva, which Mr. McKinnon will discuss in detail later. The charter has provisions which place obligations on countries that have preferences, to negotiate those preferences in return for tariff cuts from other countries.

The charter further provides that whatever preferences remain after the negotiations will be regarded as an exception to the most favoured nation rule. Preferences may be granted only to the countries listed which are countries of the British Commonwealth, and those preferences do not automatically extend to any other countries who sign this agreement. To put it briefly, the granting of preferences within the commonwealth is recognized in this document, and there is nothing in the charter which requires the automatic removal of those preferences; they are recognized as an exception to the most favoured nation treatment rule.

The charter goes on to state that with respect to a wide range of matters, such as taxation and various regulations concerning trade, countries must give the same treatment to foreign goods as they give to their own. There is a detailed section which lists the various types of taxation and regulations which may affect foreign trade, imports and exports.

Hon. Mr. BALLANTYNE: They certainly will run into a lot of trouble there.

Mr. DEUTSCH: Yes, that will require a good many changes on the part of many countries' practices at the present time. There are a number of exceptions made. I do not wish to go into details now, because it will take us pretty far afield. The broad purpose of these provisions is to bring about uniformity of treatment.

The CHAIRMAN: Will you give a concrete illustration, or would you not care to do that?

Mr. DEUTSCH: Yes, I will give a concrete illustration. Take this case. Suppose a government decides to raise revenue by putting on an excise tax. Take any article you like: take X: the duty on that item having been bound under our trade agreement, Schedule V. If a tax is placed on item X, you could not single out imports only for that tax and say, "We will only tax imports, we will not tax anything else; we will not tax the domestically-produced item". That would be ruled out by this charter. You would have to tax both. And similarly, if you applied some type of regulation to the import you would have to apply the same type of regulation to the domestically-produced item. That is in general. There are a lot of peculiarities and legitimate exceptions where you want to make some distinction between the domestic article and the imported article. There are a number of exceptions, recognizing some legitimate cases. I do not want to go into that now. Discrimination between imports and domestically-produced goods provides a great field for applying regulations and taxes and subsidies in effect constitute an indirect series of barriers to international trade. The attempt here was, not to remove them entirely, but to minimize these indirect types of barriers to international trade.

The next general section of commercial policy, which is extremely important, has to do with provisions regarding the use of quantitative restrictions on trade. As you know, since at least the latter part of the 1920s and throughout the 1930s there was an enormous increase in the direct control of trade. Previously the principal device which affected trade was the tariff, and the height of tariffs indicated roughly the degree of restrictions that was placed upon imports. But

in the last fifteen or twenty years tariffs have played a declining part as devices for controlling trade, and governments in many places have intervened directly; they have laid down quotas for imports, or they have laid down prohibitions, or they have laid down all sorts of regulations. This series of devices we call quantitative restrictions on trade, to distinguish them from tariffs. Particularly in Europe, South America and other places the use of these quantitative restrictions was very, very extensive, and in some places trade was practically entirely controlled by the use of these quantitative devices. Tariffs were purely incidental in many cases. Now, it was felt that if this problem of barriers to world trade was to be really tackled effectively, you had to set down certain rules, and a code of conduct regarding the use of these quantitative restrictions. The charter has quite lengthy sections on the rights and obligations of members respecting the use of these quantitative restrictions. Broadly speaking, quantitative restrictions are ruled out. That is the general object of these provisions—to reduce and eliminate the use of these quantitative devices.

Hon. Mr. CRERAR: Just there. I understood from what Mr. McKinnon said that these quantitative restrictions and, perhaps, arbitrary valuations and a multitude of other devices which every country, including Canada, practised over the last twenty years are really ruled out in the agreements that are made.

Mr. DEUTSCH: Yes.

Hon. Mr. CRERAR: And the ruling out of them is not dependent on what may be done by Canada. Is that correct?

Mr. DEUTSCH: Yes. I was going into that later.

Hon. Mr. BALLANTYNE: May I interject a question there and be allowed to make a personal allusion? I have been the greater part of my life associated with large industries, and during the depression, under the Bennett regime, goods were coming in from Europe at such low valuations that it was causing ruination here. Therefore he passed the necessary legislation and changed the tariffs to raise them up and prevent those goods coming in here to the detriment of Canada. If this agreement should pass, are we free to do the same thing again?

Mr. DEUTSCH: No. We will not be free to do all these things, senator. But of course there are certain things we can do. You are still permitted to apply anti-dumping duties, for instance.

Hon. Mr. TURGEON: To apply what?

Mr. DEUTSCH: To apply anti-dumping duties. There are still remedies for what you may call abuses of that kind. You will, if you sign these documents, be prevented from using certain types of devices.

Hon. Mr. HAIG: How do you get over the question of Britain buying stuff in bulk through the government? They will not allow anybody else to get any exchange to buy it. Is that covered in this agreement?

Mr. DEUTSCH: Yes, I was going to come to that.

Hon. Mr. HAIG: The same with the United States. Is that to be stopped?

Mr. DEUTSCH: There is a section in the charter dealing with what is called state trading and the rules which are to be observed under state trading.

The CHAIRMAN: Under the charter?

Mr. DEUTSCH: Under the charter, which must be observed. I was going to come to that.

The CHAIRMAN: There is another question I wanted to ask. Is it still possible under the charter for any country to absolutely ban the product of another country?

Hon. Mr. HAIG: No, but, Mr. Chairman, the governments do the buying. Suppose I want to buy American goods. I cannot do so. The government will not give me exchange. The government can buy them. Is there any protection against such practices?

Mr. DEUTSCH: Well, nothing in the charter to prevent that.

Hon. Mr. HAIG: Governments can just "crack right ahead"?

Mr. DEUTSCH: Yes, there is no rule in the charter which prohibits state trading. If governments decide they are going to trade by state-trading methods they are at liberty to do so, but if they do, they must observe certain rules.

Hon. Mr. HAIG: If I am a large butcher in London and want to buy bacon from Canada I cannot buy it, because I cannot get exchange from London to buy it with?

Mr. DEUTSCH: That is right.

Hon. Mr. HAIG: That is not changed under the charter?

Mr. DEUTSCH: That is for the British Government to decide.

Hon. Mr. HAIG: They can just shut out anything they like?

Hon. Mr. ROBERTSON: That is one of the problems which arises.

The CHAIRMAN: Is it still possible under the clauses of the charter to absolutely ban the product of another country?

Mr. DEUTSCH: No, apart from certain exceptions which are laid down here and which I am going to explain. Perhaps I had better carry on with this and explain some of these exceptions. As I said before, the general rule is that quantitative restrictions are prohibited, but I shall go on to say quickly there are what have been called exceptions or escape clauses.

Hon. Mr. HAIG: It is full of them.

Mr. DEUTSCH: The most general exception to this rule about the prohibition of quantitative restrictions has to do with the protection of balance of payments. Countries who are in a difficult balance of payments position or whose reserve of exchange has been depleted and is running out, may protect themselves by controlling imports. Certain tests have been laid down in the charter and if these countries under certain conditions and circumstances meet these tests, they may use quantitative restrictions to control imports for the purpose of meeting their balance of payments difficulties. They may impose under this balance of payment exception, quantitative restrictions on imports.

The CHAIRMAN: Tariff and so on?

Mr. DEUTSCH: Not tariff.

Hon. Mr. HAIG: Very close to it.

Mr. DEUTSCH: The tariffs are bound in the agreement, at least in so far as you have decided to bind them. If you bind the tariffs in the agreement you cannot change them. However, even though you have bound tariffs, you may impose quantitative restrictions or even a prohibition in order to safeguard your balance of payment if you are in a balance of payment difficulty.

The CHAIRMAN: If an item is not bound can you then impose a tariff?

Mr. DEUTSCH: Yes.

Hon. Mr. CRERAR: And the restrictions must be general in that regard.

Mr. DEUTSCH: Yes.

Hon. Mr. BALLANTYNE: You have coined a very good word in "quantitative." It reminds me of the old pool arrangements where certain people earned a certain total and you could not go beyond that. You do not call it that but you call it "quantitative."

Mr. DEUTSCH: That is the general phrase used.

Hon. Mr. BALLANTYNE: It sounds all right but you will have trouble galore.

Mr. DEUTSCH: Countries are not permitted to use balance of payment exceptions unless they can demonstrate that their balance of payment is in such a bad way that they have to use them.

Hon. Mr. CRERAR: To whom must that be demonstrated?

Mr. DEUTSCH: To the organization. I shall go on to explain that this charter provides for the setting up of a body to administer this agreement. The body will have an executive board and a staff. A country must demonstrate to this executive board of the organization that its internal financial position is such that it cannot go on importing everything that is coming into the country.

Hon. Mr. HAIG: Then it will apply to all the world except the United States?

Mr. DEUTSCH: In practice, sir, that is so. The United States will probably be the only country in the world that cannot use this balance of payment exception.

Mr. MCKINNON: And therefore cannot impose embargoes or prohibitions.

The CHAIRMAN: If an item is not bound what happens?

Mr. DEUTSCH: Then you can do what you like with respect to the tariff. Now, I think for balance of payment reasons countries will use this quantitative control exception rather than tariffs for the control of their imports. That is in effect what is going on now. There are very few countries in the world today outside the United States that do not use quantitative restrictions for the purposes of protecting their balance payments.

Hon. A. L. BEAUBIEN: Do I understand that this organization which is going to administer this charter has to give its approval before any country can employ a quantitative restriction?

Mr. DEUTSCH: Not strictly speaking. A country may decide for itself that its balance of payment has gotten into such a situation that they must do something about it. They may go ahead and put on the restrictions on their imports without prior approval, but they must be prepared to consult with the organization immediately thereafter to see whether or not the conditions are such to justify the use of these restrictions.

The CHAIRMAN: If they are not, what can be done about it?

Mr. DEUTSCH: The organization can recommend to that country that they withdraw or modify their restrictions. If the organization recommends to a country that it withdraw or modify its restrictions, on the ground that the balance of payments is not such as to justify the use of these restrictions, they must do so.

Hon. Mr. HAIG: Supposing that country will not do that?

Mr. DEUTSCH: Then the organization can empower other countries that are harmed by these restrictions to withdraw concessions from that country which has failed to carry out the recommendation of the organization. It can be seen then that there is a sanction.

Hon. Mr. HAIG: That does not seem very clear to me.

Mr. DEUTSCH: Perhaps I had better clarify my statement by saying that I do not mean they can withdraw from the organization, but they may withdraw concessions they have made. In other words, suppose country A refuses to carry out the recommendation of the organization, and country B is harmed by what country A is doing, then the organization may allow country B to withdraw certain tariff concessions it has made to country A, but country A cannot withdraw its concessions from country B. This has all been left very flexible. In

other words, if the organization felt that a very serious sanction should be brought on country A, they might request various other countries to withdraw their concessions.

Hon. Mr. TURGEON: You have said they might request. Is there any authority for them to order?

Mr. DEUTSCH: To order the withdrawal of concessions?

Hon. Mr. TURGEON: Yes.

Mr. DEUTSCH: It is assumed that the countries which are harmed by the action of another country will be willing to carry out the sanctions on their own account. If they are not harmed there is not much damage done and nobody cares very much. The sanctions of this body are all indirect, in this sense, that they may permit other countries to withdraw concessions from the countries that are offending. That is the general principle of the sanctions of this whole organization. I may say that certain conditions have to be met before these exceptions can be used. In other words, a country must demonstrate that its balance of payments is in difficulties.

Hon. Mr. HAIG: Let me give you a hypothetical case. We are in difficulties with our American exchange, and our government will not permit the export to the United States of certain products that that country wants to buy. Could your body compel our country to allow our products to go to the United States?

Mr. DEUTSCH: No, senator, it could not compel.

Hon. Mr. HAIG: Could it apply sanctions in any way?

Mr. DEUTSCH: No, senator. I think I should explain this point. The charter goes on to say that a country should not be required to change its domestic policies, its internal social or economic policies. In other words, this organization cannot say to any country, "We think that your social and economic policies are wrong, and if you would change those policies, you would not be in trouble". It can say that to a country, of course, because it can discuss anything with a country, but it cannot compel any country to change its social and economic policies.

Hon. Mr. TURGEON: Has it any authority with respect to depreciation of currency?

Mr. DEUTSCH: No, sir.

Hon. Mr. TURGEON: Was that a subject of discussion in your consultation?

Mr. DEUTSCH: Yes. Naturally at times the effect of currency depression and so on came up for discussion, but this whole field of currency and exchange is covered by the International Monetary Fund, and rules are laid down in the International Monetary Fund Agreement concerning the maintenance of exchange rates and so forth. This body does not deal with that subject.

Hon. Mr. TURGEON: In your agreement you refer, do you not, to certain provisions of the International Monetary Fund?

Mr. DEUTSCH: Yes.

Hon. Mr. TURGEON: Making them more or less obligatory?

Mr. DEUTSCH: Yes. I might say it is recommended that all countries that are going to sign this agreement should also be members of the International Monetary Fund, and if they are not members of that fund they have to sign an agreement similar to the International Monetary Fund Agreement. The whole business of exchange depreciation is covered by the International Monetary Fund and therefore is not dealt with here.

May I deal further with the question that was asked before? This body cannot compel any member to change its social and economic policies. Of course, it can discuss these policies with any country, if it wants to; it can

perhaps make informal recommendations and perhaps even point out the consequences of the country's policies, but in the last analysis it cannot compel the country to change them. The argument there was that, after all, each country is sovereign, and if it wants to choose a particular form of economic organization that should be its business and nobody else's. Of course all countries are very jealous of that right. It is made clear throughout this charter that countries cannot be compelled to adopt any particular form of economic policy, and I do not think there would be any chance of getting agreement on an organization if the right of compulsion were to be insisted upon.

Hon. A. L. BEAUBIEN: You would not have got anywhere with this organization if that had been insisted on.

Mr. DEUTSCH: No, senator.

Hon. Mr. HAIG: What bothers me is that all these things give a way out to member nations.

The CHAIRMAN: Perhaps there will be a development into one world after a while.

Hon. Mr. HAIG: You are an optimist, Mr. Chairman.

The CHAIRMAN: I said "perhaps".

Hon. Mr. HAIG: With a capital P.

Mr. DEUTSCH: One of the objects of this thing was to try to work out rules and methods of behaviour whereby countries with differing forms of social and economic organization could co-operate, and co-operate in a way which would produce an expanding world trade. Of course a lot of compromises had to be made between these countries with differing forms of social and economic organizations and policy. The thought was, whether rightly or wrongly, that it would be better to find ways of working together, even though they are compromises, than to have no agreement at all. It was frequently pointed out at Geneva that the absence of any agreement represented the law of the jungle, and the question was whether you wanted the law of the jungle or some form of co-operation.

The CHAIRMAN: Better half a loaf than no bread.

Mr. DEUTSCH: That was the general thought. Whether the thing will work out remains to be seen; it depends a great deal of course on the attitude and the spirit with which the countries co-operate.

Then there are some obvious exceptions to this rule of quantitative restrictions, having to do with the usual type of things, like the protection of public morals, the protection of exhaustible natural resources, and so on. There is also a temporary exception to allow countries to liquidate their wartime controls, to give these countries a period of time in which to make adjustments.

The CHAIRMAN: Supposing the reason for imposing a quantitative restriction was inequality of exchange, must the restriction be withdrawn if the reason disappears?

Mr. DEUTSCH: You mean, Mr. Chairman, if the balance of payments improves?

The CHAIRMAN: Yes.

Mr. DEUTSCH: Then the restriction must be withdrawn.

I might pass on to the general rules on subsidies. Subsidies in general are not prohibited.

Hon. Mr. HAIG: Hear, hear.

Hon. Mr. HOWARD: Did you say they were not prohibited?

Hon. Mr. HAIG: I thought he said they were not permitted.

Mr. DEUTSCH: Domestic subsidies are not prohibited, but export subsidies are prohibited, that is subsidies purely on exports. In other words, if a government decided to pay a subsidy on the production of, say, peanuts—

Hon. Mr. HAIG: Or on gold. Let us get nearer home.

Mr. DEUTSCH: That brings in another agreement, which I did not want to talk about here. Gold is dealt with by the International Monetary Fund and it is excepted from this document. That is the reason I did not think it was relevant here.

Hon. Mr. KINLEY: Take fish.

Mr. DEUTSCH: If the government desired to pay a subsidy on fish it could do so, provided it was both on fish that is consumed at home and fish that is exported. A subsidy on exported fish only would be prohibited.

Hon. Mr. KINLEY: Can a country countervail?

Mr. DEUTSCH: It can countervail, if it wishes, but under the charter export subsidies are not allowed. The reason for that is that export subsidies could become a form of trade competition and trade war, and of course in that type of competition the country with the longest purse gets the greatest advantage. It was felt that the subsidizing of exports was an unfair method of trade promotion. As I said before, subsidies may be applied to domestic production, or to both exports and imports, but you cannot single out exports alone and subsidize them. This rule does not go into effect for two years, that period being allowed for adjustment. A great many export subsidies are being paid at the present time, and it will take a little while for the governments of the countries concerned to adjust their respective programs.

Hon. Mr. TURGEON: Export subsidies are permitted for two years from the date of the agreement?

Mr. DEUTSCH: Yes, senator.

The next section on commercial policy has to do with state trading. As I said before, state trading is not prohibited in this charter. If a country decides to conduct its external trade by state trading methods, that is up to itself; and if a country decides to set up external trade monopolies, that is its own business. That touches upon a point that we discussed earlier, namely, the desire of each country to be unfettered in the determination of its own social and economic policy. If a country wishes to carry on its trade under government auspices, by state trading, state monopolies, that is something for domestic decision; but if it does so, it must observe certain rules. The charter provides that trade conducted by state trading organizations must be nondiscriminatory as between all the members of this organization.

Hon. Mr. HAIG: But Britain could buy bacon in Denmark, for instance, and that would not be discriminating against Canada, I presume? Is that so?

Mr. DEUTSCH: She cannot simply buy bacon from Denmark regardless of the prices and other conditions under which she can buy bacon from Canada or any other country. She must use commercial considerations in the purchase. Suppose, for example, that she can buy 100 million pounds of bacon from Denmark at 50 cents a pound for one year, and Canada offers to supply the same quantity at 40 cents a pound. Then if Britain persisted in buying from Denmark under those conditions she might be discriminating in favour of Denmark.

Hon. Mr. HAIG: Provided that the Canadian bacon was equal to the Danish bacon. Who decides that?

Hon. Mr. HOWARD: The fellow who eats it.

The CHAIRMAN: If Britain should happen to produce sufficient of a certain commodity at home she could, by refusing to buy from any other country, absolutely shut out the product of any other country. Take apples, for example.

I am told that Britain produces all the apples that she needs for her own purposes, and as a result she simply will not buy apples from Canada or any other country.

Mr. DEUTSCH: Yes, of course.

The CHAIRMAN: She could do that?

Mr. DEUTSCH: We have to take into account that the United Kingdom is now controlling imports for balance of payments purposes.

The CHAIRMAN: That is an escape?

Mr. DEUTSCH: That is an escape, in that instance. Because of her balance of payments difficulties she could decide not to buy apples.

Hon. Mr. HAIG: She has done so.

Mr. DEUTSCH: That is true, but it does not effect state trading.

Hon. Mr. KINLEY: Do you maintain that under this agreement one must buy on the cheapest market?

Mr. DEUTSCH: Yes.

Hon. Mr. KINLEY: For instance, if someone offers us a product at a lower price than another country we must buy from the cheaper country?

Mr. DEUTSCH: Yes, if you are employing state trading mechanism to do that.

Hon. Mr. KINLEY: But Canada does not employ state trading mechanism.

Mr. DEUTSCH: Taking into accounts tariffs and everything else, that is true.

Hon. Mr. McLEAN: That does not apply to private buyers?

Mr. DEUTSCH: No, it assumes that in the case of private buyers, acting purely on commercial considerations as they do, they would buy on the cheapest market. The charter goes on to say that if we substitute state trading devices for private buying, the state trader must act on the same considerations: he must buy on the cheapest market, taking into account the heights of the tariffs and so on.

Hon. Mr. HAIG: Let me put this proposition to you: Canada now sells wheat to Great Britain; Great Britain is now negotiating with Russia on certain things, one of which is said to be for a wheat agreement. If Russia charges \$2 a bushel for wheat, when Canada is selling at \$1.55, but Russia agrees to buy a quantity of British machinery if Britain buys her wheat, and Canada says that she does not want to buy British machinery, does the charter affect that situation?

Mr. DEUTSCH: Yes, it could, depending upon what the precise arrangements are.

Hon. Mr. HAIG: The arrangement is that Russia is charging \$2 a bushel for wheat while Canada is selling for \$1.55. Are we going to make Russia come down to \$1.55 or are we to ask that Britain stop trading with Russia?

Mr. DEUTSCH: I do not think that one can answer that question absolutely, because, in the first place, Russia is not in the agreement.

Hon. Mr. HAIG: What would happen if she were in the agreement?

Mr. McKINNON: The senator must also mean if Great Britain were not in balance of payments difficulties.

Hon. Mr. HAIG: Assuming that Great Britain was not in the balance of payments difficulties.

Mr. DEUTSCH: If the balance of payments difficulties were not prevailing, and assuming the two countries concerned were in the agreement, they would then be bound by these rules which would not permit them to discriminate in favour of the one country as against another. With respect to the wheat agree-

ment, it must be understood that it was agreed upon before this agreement at Geneva, and these considerations did not enter into it.

Hon. Mr. HAIG: I come from the west, and I know that is true.

Hon. Mr. KINLEY: Could you quote the rule?

Mr. DEUTSCH: Yes, the rule is on state trading.

Hon. Mr. TURGEON: At what page is it found?

Mr. DEUTSCH: I do not think it is in the agreement; I am talking about the charter now. I will read Article 30.

1. (a) Each Member undertakes that if it establishes or maintains a State enterprise, wherever located, or grants to any enterprise, formally or in effect, exclusive or special privileges, such enterprise shall, in its purchases or sales involving either imports or exports, act in a manner consistent with the general principles of non-discriminatory treatment applied in this Charter to governmental measures affecting imports or exports by private traders.

In other words, the same rules that govern the trade by private traders must be applied in the case of governmental organizations; they must conduct their operations in an undiscriminatory manner. Article 30 further reads:

(b) The provisions of sub-paragraph (a) of this paragraph shall be understood to require that such enterprises shall, having due regard to the other provisions of this Charter, make any such purchases or sales solely in accordance with commercial considerations, including prices, quality, availability, marketability, transportation and other conditions of purchase or sale, and shall afford the enterprises of the other Members adequate opportunity, in accordance with customary business practice, to compete for participation in such purchases or sales.

Hon. Mr. KINLEY: That is pretty narrow; it is only for spite.

Mr. DEUTSCH: The next question is, could this be enforced? Here we are entering into an untried field.

The CHAIRMAN: It is experimental.

Mr. DEUTSCH: That is so, and it was frankly admitted at Geneva that we would have to have some experience, and the hope was expressed that a system of case law could be built up on the detailed application of the rules.

The CHAIRMAN: That takes time.

Mr. DEUTSCH: We are entering a field where it is admitted that we do not know everything we should know at this time. As I say, it is hoped that we can build up a system of case law based on experience, and any member who feels himself injured by the action of another member, can complain to the organization; the organization will investigate the situation and give the recommendations. If it is found that injury has been done or discrimination practised, the organization may enforce the rule.

Hon. Mr. KING: Senator Haig mentioned the fact that Russia was negotiating with Great Britain. Since Russia is not a party to this agreement, what is Great Britain's position in that respect?

Mr. DEUTSCH: The question of the relationship of one member with a non-member is a matter which was not completed at Geneva. That was one of the items which was sent over to the Havana conference. It was felt at the Geneva conference that there were not enough countries represented to properly deal with that question; the problem was so big that it was decided to have it settled at Havana.

The CHAIRMAN: Are there any other non-member countries, other than Russia, to be represented at Havana?

Mr. DEUTSCH: Spain.

Hon. Mr. HAIG: Is Poland represented there?

Mr. DEUTSCH: Poland is there.

Hon. Mr. HAIG: Did she sign?

Mr. DEUTSCH: No, she has not signed.

Hon. Mr. HAIG: What about Yugoslavia?

Mr. DEUTSCH: Yugoslavia is not there.

Hon. Mr. HAIG: Ukraine?

Mr. DEUTSCH: No.

Hon. Mr. HAIG: Bulgaria?

Mr. DEUTSCH: No. They are not there.

Hon. Mr. TURGEON: Was Poland at Geneva?

Mr. DEUTSCH: Poland was there as an observer but not as a participant.

Hon. Mr. TURGEON: Was she a participant at Havana?

Mr. DEUTSCH: She is a participant.

Hon. Mr. TURGEON: What about Czechoslovakia?

Mr. DEUTSCH: Czechoslovakia was a participant at Geneva and also will be at Havana. We do not know that all the countries that will be at Havana will sign the agreement; we do not know how many will eventually sign.

Hon. Mr. TURGEON: Did Czechoslovakia sign at Geneva?

Mr. DEUTSCH: She signed the final act at Geneva but did not sign the protocol of provisional application; in other words, she has not undertaken to bring this agreement into effect on January 1st.

Hon. Mr. McKEEN: If a member country makes an agreement with a non-member country on better terms than are indicated by the agreement under the most favoured nation clause, would that arrangement apply to all nations?

Mr. DEUTSCH: This matter has not been settled, Mr. Senator, but I think I can say with fair assurance that the rules which will be drawn up will not permit any member to make a more favourable deal with a non-member than she has made with a member. I believe that problem will be taken care of.

Hon. Mr. McKEEN: In other words if the agreement between England and Russia concerning wheat and lumber were on a more favourable basis than the wheat and lumber agreement with Canada, would Canada then be entitled to the same terms as Russia?

Mr. DEUTSCH: I may say that it is likely that if Canada feels she has been discriminated against, or has not had a fair opportunity to trade she would have the right to complain, and to have an examination of the deal made.

Hon. Mr. DAVIES: If a country was at Geneva, and not at Havana, it could still, if so desired, ask to be allowed to join the organization?

Mr. DEUTSCH: That is correct; the organization would then have to decide whether or not it wanted that member.

Hon. Mr. DAVIES: Would it have to decide that question?

Mr. DEUTSCH: Yes.

Hon. Mr. KINLEY: But it can still get the same concessions as the other countries, but has no backing?

Mr. DEUTSCH: That is correct.

Hon. Mr. KINLEY: What is the feeling in respect to a bilateral agreement between Canada and the United States? Might it not be a good thing for Can-

ada and the United States, who are both big customers, to make an agreement of their own? How would that affect the organization?

Mr. DEUTSCH: Any concessions they made to one another would have to be made to all members. That is the purport of this most favoured nation clause.

In addition to these sections on quantitative restrictions, subsidies and state trading, there was a lengthy section on general commercial provisions, which has to do largely with customs administration. Honourable senators will know that customs practices vary widely; some of them constitute a whole system of protection and exclusion, quite apart from any tariff.

Hon. Mr. HAIG: The word is "blockade".

Mr. DEUTSCH: Blockade. It was obvious that unless definite provisions were laid down regarding customs practices, it was not enough simply to bind tariffs or deal with quantitative restrictions. We had to deal with customs practices. The charter contains detailed provisions on practices which should be observed by the member countries in the administration of their customs. In general the purpose of these provisions is to remove the artificial barriers which are imposed by various methods of administering customs.

The CHAIRMAN: For instance, the arbitrary delays at border crossing points?

Mr. DEUTSCH: That is correct: arbitrary delays and arbitrary regulations, the requirement of excessive documentation, exorbitant fees being charged and that sort of thing. They are dealt with here and ruled out. Finally, there is provided a precise method of valuing goods for duty purposes. The method of valuation of course is very important, because in some cases the matter of valuation constitutes a major barrier itself. The charter prohibits the abuses that have been employed in connection with valuations. We hope that these provisions will result in a general improvement in customs administration and will facilitate the movement of goods.

The CHAIRMAN: Pretty much would depend upon the spirit in which the provisions are carried out?

Mr. DEUTSCH: To some extent, but the most important thing was to lay down precise provisions which member countries must observe.

Hon. Mr. TURGEON: Did any question arise concerning the difference between the standards of living in export and import countries?

Mr. DEUTSCH: No. There was discussion of that nature, Mr. Senator. This charter does not pretend to deal with that problem.

Hon. Mr. DAVIES: With regard to this matter of customs, was there any discussion as to how far customs officials can go at international borders in the matter of personal search of people who are crossing the border? I do not refer to their searches of automobiles. But how far can they go legally, in the matter of personal search of individuals? Can they order men or women to completely undress?

Mr. DEUTSCH: Well, senator, this charter specifically does not deal with persons. This charter deals with goods and services only.

Hon. Mr. DAVIES: It does not touch that point?

Mr. DEUTSCH: It does not touch questions of the movement of persons. So I am afraid I cannot answer your question. The charter does not deal with it.

Hon. Mr. PATERSON: May I ask the witness what machinery is contemplated to take care of the innumerable complaints that will come in during the first year? Naturally everything will not be perfected by the time this agreement goes into effect.

Mr. DEUTSCH: I might say that the charter also provides for the establishment of the machinery by which it is to be enforced and carried out. Quite rightly, it will require some time to develop this machinery.

The CHAIRMAN: Can the individual make a complaint?

Mr. DEUTSCH: He must do it through his government.

The CHAIRMAN: He has got to do it through his government?

Mr. DEUTSCH: Yes. In that connection, the General Agreement does set up an informal committee which will start functioning in March of this year and begin to deal with some of the problems which arise. In other words, they will begin to accumulate experience very shortly, and it is hoped that the experience gained by the few countries that have signed this General Agreement will help when they come to set up this larger organization.

To move on. The charter then has chapters on what is called restrictive business practices and intergovernmental commodity arrangements. The chapter on restrictive business practices deals with what are commonly called international cartels. It was argued by some that international cartels are a device for controlling international trade, and that in these cartel agreements which are made between private business organizations, sometimes matters are decided affecting the movement of goods and exports and imports and so forth.

Hon. Mr. McLEAN: I would say, very often.

Mr. DEUTSCH: Very often, probably, senator. And if that is the case, there ought to be some machinery set up for avoiding the harmful results of those practices, either forbidding them or controlling them or supervising them or something. What is the use of governments adopting rules for the conduct of external trade if private organizations can come along and make agreements which nullify those rules? So the argument was that you must have something in the charter dealing with this matter, otherwise you are just breaking the rules by the back door. The charter does contain a section in some detail about the sort of practices which will no longer be permitted if this charter comes into effect. It provides for examining and dealing with complaints that are made regarding the practices of international cartels. A country which feels that it is hurt by some particular cartel can come to the organization, make its complaint, and the organization then will investigate that complaint. If it finds that the complaint is justified then the countries in which the cartel is located must take action to stop those offences. That, very briefly, is the structure.

Hon. Mr. TURGEON: Is there a penalty if a country does not take action?

Mr. DEUTSCH: Yes, there is a general penalty clause which applies throughout this charter. If the organization asks a country to carry out a certain obligation, and it does not carry it out, then the organization may allow other members to withdraw concessions. That sanction applies throughout the whole charter.

Hon. A. L. BEAUBIEN: When will the Geneva agreement come into effect? After the conference in Havana?

Mr. DEUTSCH: May I leave that question for a minute? Then there is the other section, on intergovernmental commodity agreements. In the past we have had a number of international agreements on commodities like wheat, rubber, sugar, tin and so forth.

Hon. Mr. HAIG: Oils?

Mr. DEUTSCH: Oils, and some others. There is a long list of them. Now it is quite clear that in these agreements it is possible to do things which are harmful to other countries. I mean that certain countries which control the production of a certain item can get together and say, "Let us control the exports of this item, and we will put the price high, and we will make a good thing out of it". That would be harmful to a lot of other countries, and it would indeed nullify many of the purposes which this organization is designed to achieve. So it was felt that there must be certain rules laid down regarding the nature of these agreements. The rules are laid down in considerable detail here, the purpose

of the rules being to prevent abuses in the field of intergovernmental commodity agreements. It recognizes that in some circumstances such agreements may be desirable, and it specifies the type of circumstance in which these agreements might be desirable. The circumstances are rather narrow and confined; and in these circumstances, if an agreement is thought desirable, that agreement must be drawn up along certain lines; it must be drawn up in a certain way so as to prevent the abuses which might otherwise occur.

That, in general, covers the substance.

Hon. Mr. HAIG: Regarding that last matter: if this charter had been in force, and we had signed it, the British wheat agreement could not have been made?

Mr. DEUTSCH: No, I would not say that, senator.

Hon. Mr. HAIG: What would you say?

Mr. DEUTSCH: It depends on the nature of the agreement. I do not say that you cannot make an agreement. You can still make agreements. The agreement must meet certain requirements, however.

Hon. Mr. HAIG: Well, what agreement would the requirements be?

Mr. DEUTSCH: Well, that agreement would be an agreement under the state trading sections, probably, because it would be an agreement made by our Wheat Board with the British import organization, and that would be a state trading transaction. It would not come under this section.

Hon. Mr. HAIG: And at \$1.55, when the world's markets were higher than that, and if other nations wanted to buy, would they object?

Mr. DEUTSCH: They could object if they wanted to.

Hon. Mr. HAIG: It would come under this document.

Mr. DEUTSCH: It could come under the charter. It would come under the state trading section.

Hon. Mr. HAIG: And provisions could be invoked against Great Britain and Canada for making that kind of deal?

Mr. DEUTSCH: If the organization agreed that those complaints were justified. I cannot say whether they would, of course.

Hon. Mr. HAIG: And nobody else can!

Mr. DEUTSCH: But if the complaints were justified of course the organization could make recommendations.

Hon. Mr. LAMBERT: Would you define this as an intergovernmental commodity agreement?

Mr. DEUTSCH: No. This particular transaction which is referred to would be a transaction under the state-trading section of this charter. The kind of intergovernmental commodity agreement referred to here is one which would have in it, say, fifteen or twenty countries. Take the case of rubber, on which there have been agreements in the past. The countries producing rubber are about four or five. Say that these countries and a number of the countries which consume rubber got together and drew up an agreement, and that they got together because there was some difficulty in the rubber business. Say the price was too low or there were surplus stocks, or something was wrong, and they got together and agreed to remedy this difficulty. They might agree to all sorts of things. They might say, "We will agree to sell at certain prices only, and all exporters agree that they will not sell at a price different from a certain fixed price." The importers might agree to accept that price, and they would lay down all the conditions necessary. They might agree to the control of exports.

Hon. Mr. LAMBERT: It assumes a group?

Mr. DEUTSCH: Yes. That is what is meant by an intergovernmental agreement.

Hon. Mr. LAMBERT: But the wheat agreement is merely a form of bilateral treaty, is it not?

Mr. DEUTSCH: An agreement simply for the purchase and sale of a commodity between two parties is not an intergovernmental commodity agreement within this section.

Hon. Mr. CRERAR: Well, let us explore the wheat agreement a little. Under the charter it would be possible for Canada to make a wheat agreement with Britain and, say, sell at \$1.55 and refuse a similar agreement to France?

Mr. DEUTSCH: Well, if France were prepared to meet all the conditions which the British were prepared to meet then the French could say, "Well, we are prepared to give the same terms, exactly the same terms with respect to price, amount, and the number of years of the contract"—if the French were prepared to make such an offer it would have to be considered.

Hon. Mr. CRERAR: Well, it might not be for the same amount, but it might be at the same price.

Mr. DEUTSCH: Yes.

Hon. Mr. CRERAR: I mean, it would not be so rigidly done that if you sold Britain a hundred million bushels at \$1.55 you could refuse France unless France were prepared to buy one hundred million bushels.

Mr. DEUTSCH: Let me put it this way: if the French were prepared to offer equivalent terms then they would have to be given the same opportunity as the British.

Hon. Mr. CRERAR: But that would not apply to the quantity?

Mr. DEUTSCH: Well, the quantity is a consideration. You see, if, I say, the French came along—I am just using this as an example, it is not designed to be a concrete case—and said, "We want to buy for X cents ten million bushels of wheat for two years," and the X cents is the same as appears in the British contract, and the British are prepared to buy one hundred and fifty million bushels for four years, the terms are not the same. That would be a commercial consideration; that would be something which any private trader would consider. In other words, a private trader might be prepared to meet certain price conditions for a certain quantity for a certain period which he would not be prepared to meet for a smaller quantity for a shorter period.

The CHAIRMAN: They could easily evade that by saying, "We will take the same quantity and will sell the surplus," the same as Britain has done.

Hon. Mr. HAIG: They would. They would sign quickly.

Mr. DEUTSCH: If they were prepared to offer the same terms, under this charter they would have to be given the same opportunity.

Hon. Mr. HAIG: That is what I understood.

Hon. Mr. HAYDEN: That must be predicated on the seller having enough wheat to meet all these agreements.

Mr. DEUTSCH: Oh, yes.

Hon. Mr. HAYDEN: You can always defeat that by contracting for the entire supply to one country.

Mr. DEUTSCH: Yes, but that would be a matter which other countries could ask the organization to consider.

Hon. Mr. HAYDEN: You mean, to break up the quantities you are contracting to sell?

Mr. DEUTSCH: I could not say beforehand how the organization would deal with such a case.

Hon. Mr. HAYDEN: There would be nothing left to sell, because there could not be any problem if you agreed to sell everything to one country.

Mr. DEUTSCH: Well, that is precisely one of the factors which would have to be considered. In other words, if other countries are prepared to make the same offer on exactly the same terms they must be given the same opportunity. If they are not the country has the right to complain to the organization.

Hon. Mr. TURGEON: Would that apply then to private trading? Supposing the wheat vendors of Canada were private traders instead of the state, could this proposed organization say that the private traders of Canada could not sell all their wheat to Liverpool, they must sell it to France, and so forth, in equal quantities?

Mr. DEUTSCH: No, I don't think so, senator.

Hon. Mr. TURGEON: I do not think so. I just wanted to see what you would say.

Mr. DEUTSCH: It is assumed that the private traders will act on commercial considerations.

Hon. Mr. HAIG: When the first section was discussed it was mentioned that the charter provides provisions for helping to prevent a depression. What were those provisions?

Mr. DEUTSCH: I probably did not make myself clear on that point. This would not necessarily help to prevent a depression. It simply provides for consultation between countries in order that they might explore what action they could take together.

Hon. Mr. HAIG: There is no formula.

Mr. DEUTSCH: No, it does not pretend to provide the answer of how a depression can be avoided.

Hon. Mr. HAIG: You have suggested that backward countries—not using the term in a derogatory sense—wanting to industrialize themselves could do so and so. What formula was to be used in doing that? How did they get around that? Let me help you a little. Put your mind back to 1878.

The CHAIRMAN: That is a long time ago.

Hon. Mr. HAIG: At that time we were a backward country and we put on tariffs against all the world and have kept them on ever since. What is the formula for these backward countries of today? We were a backward country then, and I would like to know what formula would be used to help these countries now.

Mr. DEUTSCH: In the first place a country was not obliged to bind any particular tariff. It could decide for itself which tariffs it would not bind, or if a country had in mind that it wanted to protect a certain series of industries by tariffs, it could simply refuse to bind those tariffs. So, in the future a country can raise the tariffs on those items it has not bound. That is one thing. However, I might explain also that a lot of these relatively undeveloped countries felt that the tariff was not an effective way of giving protection. They felt that whatever use other countries, such as the United States or the United Kingdom or Canada may have made of tariffs, for their particular position the tariffs were not adequate. That is the big complaint they had. They said, "It is true, you say to us we did not need to bind our tariffs, and if we don't bind them we can use them. But that is not good enough". That is the answer they gave.

Hon. Mr. HAIG: Why?

Mr. DEUTSCH: Because they felt that putting on high tariffs, particularly in the case of a small country with a small population, would simply raise the prices to a very high level which would be very bad for their consumers, and even though they did raise those prices to a high level it might still not be suffi-

cient to start an industry. So what they wanted was a power to put on quantitative controls so that in the case of a certain industry they would either prohibit the import entirely or would put them under a strict quota, and under those circumstances there would then be the assurance necessary to the local producers to establish an industry. That is the power they wanted to have.

Hon. Mr. HAIG: Was that given to them?

Mr. DEUTSCH: It was given to them in this way: If they wanted to do that they had to go to the organization and say, "We have a program for establishing such and such an industry. We feel that tariffs are unsuitable or inadequate for our purposes. We feel that if we are going to establish this industry we must have the power to control imports". Then they have to explain why. If they can convince the organization that their cause is a good one, then the organization may give them the right to put on such quantitative restrictions. In other words, they have got to obtain prior approval from the organization.

Hon. Mr. HAIG: If they belong to it.

Mr. DEUTSCH: Yes. Another important point in the discussion was whether or not they should be required to obtain prior approval. A lot of these countries felt they should have the right to go ahead and put on these quantitative restrictions without prior approval and other countries felt they could not be permitted to do so.

The CHAIRMAN: That could be done even though conditions of exchange control did not exist.

Mr. DEUTSCH: That is right. This is entirely a question of development of industry, and the big issue was whether or not they should be allowed to use these quantitative controls for the purpose of establishing an industry with or without prior approval, and the charter now requires that there has to be prior approval.

Hon. Mr. HAYDEN: They can always put it on the basis of preserving their foreign exchange.

Mr. DEUTSCH: In the case of foreign exchange they must meet the necessary conditions, and if they use the exchange exception in such a way as to provide protection primarily, then I think it would be open to complaints from others.

Hon. Mr. HAYDEN: If they use the exchange for basis of prohibiting or establishing quantitative controls, and they establish industry in the country, they are using the development of industry as secondary to the primary objective.

Mr. DEUTSCH: That is right.

Hon. Mr. HAYDEN: They can do that without any reference to the executive?

Mr. DEUTSCH: Yes, but if other countries felt that the exchange controls were being used as a cloak for protection, those countries would have a right of complaint, and the organization would investigate to see if that was the case.

Hon. Mr. LAMBERT: You have emphasized the great importance of valuation. Does not that really boil down to the matter of exchange control? Suppose we devalue the currency in any one country, would not that then be interfering very drastically with these trade treaties?

Mr. DEUTSCH: The rights of a country to change the exchange rate must be cleared in accordance with obligations to the international monetary fund.

Hon. Mr. HAIG: I understand they can change their ten per cent without consent?

Mr. DEUTSCH: Yes, and beyond that amount they must have consent. That issue is covered elsewhere and is not dealt with here.

Mr. MCKINNON: It is only dealt with by cross reference.

Mr. DEUTSCH: I think I have covered the main substance of the charter. There are a lot of detailed sections here on the nature of the organization that

is to be established. These sections of the charter will be discussed in great detail in Havana, and I do not know whether it would be worthwhile going into them now.

Hon. Mr. HAIG: No, I do not think so because they may be changed at Havana.

Hon. Mr. McLEAN: What would you say as to the future of the old empire tariffs, as we called them, between the Commonwealth of Nations? Would their operations be altered in a major or minor way; that is, the preferences?

Mr. DEUTSCH: Well, the first round is already over, that is, the negotiations at Geneva where members having preferences undertook to negotiate for their reduction or their elimination. The results of the Geneva negotiations are now known in regard to preferences. I think Mr. McKinnon will agree that the preferential system has only been modified.

Hon. Mr. McLEAN: In a major way?

Mr. DEUTSCH: Not in a major way. I think it is correct to say seventy per cent of the preferential structure remains, and perhaps a little more than that.

Hon. Mr. KINLEY: Over-all?

Mr. DEUTSCH: Yes.

Hon. Mr. LAMBERT: In a very liquid form?

Mr. DEUTSCH: If any further negotiations are conducted in the future they may be modified further. Of course no country needs to modify the preferences unless it is satisfied that it gets adequate compensation for that. There is no obligation on any member to make any unilateral modification.

Hon. Mr. McLEAN: Well, we had preferences with, say, New Zealand and South Africa, and other nations will now practically just sit around the empire table and receive substantial preferences from those markets that we built up since 1933. Take, for instance, Norway in the fish business. Will they be allowed, without our consent, to enter the markets of South Africa and New Zealand on practically the same basis as we in Canada?

Mr. DEUTSCH: That depends entirely on what we have agreed to.

Hon. Mr. HAIG: Mr. McKinnon is the man to answer that question.

Mr. McKINNON: Senator McLean, that question would have to be answered in respect to each particular item that would be brought up. If it is a certain kind of fish in which Canada has had a preference of threepence a pound in New Zealand over Norway, and now if as a result of these negotiations that preference that we enjoyed has been reduced to twopence a pound in return for something we got, then to that extent, answering your question, Norway would get into the New Zealand market on better terms than she did before, but not on our preferential terms because we still maintain a residuum of the preference, and in some cases, we retain a very large percentage of the preference.

Hon. Mr. McLEAN: I have one other question that I should like to ask. Under these Geneva agreements, if we bar certain goods from the United States where we have to pay in dollars, are we obliged to put an embargo on the same kind of goods from the West Indies where we pay in pounds?

Mr. DEUTSCH: No, not at the present time. The charter, in general, provides against discrimination. In other words, the whole purpose of these provisions is to reduce discrimination in the world in general.

Hon. Mr. McLEAN: I understood that we started out to do that, but it may have been altered since. With regard to the importation of certain vegetables from the West Indies it seems that we are just getting in a vicious circle because the West Indies are as short of Canadian dollars as we are of American dollars.

Mr. DEUTSCH: The general purpose of this charter is to prevent discrimination. It was recognized, with the world as it is today, that for the next three or four years a lot of things may have to be done which are discriminatory, and for that reason the General Agreement provides that under certain circumstances you may discriminate. Indeed, for the year 1948 there is a clause in the agreement that says that all the rules in the balance of payments sections having to do with discrimination are not in effect. So, for the immediate future, if we are using balance of payment restrictions, we can discriminate.

The CHAIRMAN: Would we give up our preferences entirely in some circumstances?

Mr. DEUTSCH: In some instances, yes. At the moment, senator, if we wanted to prohibit something coming from the United States and to allow it in from the West Indies, as far as this agreement is concerned, we could do that.

Hon. Mr. McLEAN: I think that is sensible. I think some of our administrators have run off the track.

Hon. Mr. HAIG: With regard to tomatoes coming in from Barbadoes, that country does not want United States currency. They want Canadian currency.

Mr. DEUTSCH: That is so now.

Hon. Mr. HAIG: Not originally.

Mr. DEUTSCH: Not originally, but since then that has been changed. That does not break this agreement.

Hon. Mr. HAIG: Either way, that does not break the agreement.

Mr. DEUTSCH: No.

Hon. A. L. BEAUBIEN: When does the agreement come into force; after the Havana conference?

Mr. DEUTSCH: I might explain that, senator. The charter itself is not in effect as such. At Geneva it was decided that if we are going to bring these tariff agreements into effect it is necessary to take certain portions of this charter and put them into the tariff agreement. And that is what has been done. The parts of the charter that were put into the tariff agreements are in this document which is called the General Agreement on Tariffs and Trade. This General Agreement contains the general commercial policy provisions. It does not contain the chapter on employment, or the chapter on cartels, or the chapter on inter-governmental commodity agreements. But practically the whole of the remainder of the charter is in this General Agreement. It was felt that those sections were necessary to protect the tariff concessions. It was agreed by eight countries at Geneva that they would bring this General Agreement and the tariffs into effect on January 1. So far as the tariffs are concerned, they are to be made effective on January 1; and so far as the provisions of the General Agreement are concerned, the government undertakes to bring them into effect, in so far as it has legislative power to do so.

Hon. A. L. BEAUBIEN: In other words, most parts of the Geneva Agreement are included in those trade agreements between the eight countries?

Mr. DEUTSCH: Yes. In other words, what we commonly refer to as the Geneva Agreement, this General Agreement on Tariffs and Trade, contains large parts of the charter which were thought to be necessary to protect the tariff concessions, and those provisions are to be brought into effect on January 1, regardless of what happens at Havana. The tariffs are to be brought into effect on January 1, and the provisions of the General Agreement are to be brought into effect by the government, in so far as they have legislative power to do so.

Hon. Mr. KINLEY: By the signing nations?

Mr. DEUTSCH: Yes, by the United States, the United Kingdom, Canada, Holland, Belgium, Australia, Luxembourg and France.

Hon. Mr. KINLEY: Is Newfoundland included?

Mr. DEUTSCH: Yes, by virtue of the signature of the United Kingdom.

Hon. Mr. KINLEY: The United Kingdom signed on behalf of Newfoundland and the West Indies?

Mr. DEUTSCH: Yes.

Hon. Mr. McLEAN: What about the value of the dollar?

Mr. DEUTSCH: That is left to the International Monetary Fund.

Hon. Mr. LAMBERT: Does the International Organization propose to check on the carrying out of the rules relating to nondiscrimination?

Mr. DEUTSCH: Yes.

Hon. Mr. LAMBERT: That might become quite a job. Supposing that one member nation felt it had been discriminated against by two others, how would that be dealt with?

Mr. DEUTSCH: If some member felt that a provision of the agreement had been broken by two other nations, or that it had been hurt by what they had done, that member could complain about the action of the other two.

Hon. Mr. LAMBERT: That might take some time.

Mr. DEUTSCH: Yes. It depends upon how quickly the organization works. That is one of the unknowns.

Hon. Mr. WHITE: In the event of a country which is a party to the agreement violating any of the provisions of the charter; is there any provision whereby disciplinary action can be taken?

Mr. DEUTSCH: Yes. If a country violates a provision of the charter, any other member may bring that to the attention of the organization and make a complaint. The organization will then examine the situation and report upon it. If the organization finds that a provision has been broken, it presumably will recommend that the offending member should desist, and if the offending member does not carry out the recommendation the organization may then permit other members to withdraw concessions from that member.

Hon. Mr. WHITE: In the case of a flagrant violation is there any way whereby the guilty country could be expelled from the organization?

Mr. DEUTSCH: That is an unsettled question at the moment. One of the matters coming up at Havana is just what procedure, if any, should be adopted for expelling a country. The present procedure is this: the organization may apply sanctions by permitting certain members to withdraw concessions from the offending member, and if the offending member does not like that—in other words, if it feels aggrieved by the withdrawal of the concessions,—it may get out of the organization.

Hon. Mr. KING: That is, conditions may be made hard enough so that the offending member would itself decide to get out?

Mr. DEUTSCH: Yes, so that it would not be necessary to expel the member. That may be changed at Havana.

Hon. A. L. BEAUBIEN: Are there more nations represented at the Havana conference than there were at Geneva?

Mr. DEUTSCH: Yes, senator. The Geneva organization was purely a preparatory committee for the world conference. At Geneva there were twenty-three countries, including the British Commonwealth countries such as Ceylon, Burma, and so on. At Havana there are about fifty countries.

Mr. McKINNON: There are nearly three times as many countries represented at Havana as there were at Geneva.

Hon. A. L. BEAUBIEN: I suppose the provisions of the charter can be amended?

Mr. DEUTSCH: The amending of provisions of the charter is on the agenda of the Havana conference. If the conference amends any provisions, that would not automatically change the Geneva agreement, senator, for the countries which signed at Geneva would decide whether or not to accept any or all of the amendments. If any amendments were accepted by them, the Geneva agreement would be altered accordingly.

Hon. Mr. KINLEY: Only eight of the countries represented at Geneva signed this trade agreement?

Mr. DEUTSCH: They signed it for the purpose of bringing it into effect on January 1, but any other of the twenty-three nations may adhere to it at any time that they wish.

Hon. Mr. KINLEY: What is their position in the meantime, they having signed the charter but not the trade agreement?

Mr. DEUTSCH: Nobody has signed the charter, sir. All twenty-three signed this agreement technically, but the mere signing of the agreement does not obligate them to bring it into effect immediately; they can take some time to decide whether or not they will bring it into effect.

Hon. Mr. KINLEY: But they want to trade in the meantime.

Mr. DEUTSCH: They will carry on under their old arrangements. Eight of the countries agreed to sign another document, called a protocol of provisional application of the General Agreement on Tariffs and Trade, which means that they are prepared to bring this into effect on January 1.

The CHAIRMAN: Could that be done legally without legislative action?

Mr. DEUTSCH: Yes, by those eight countries, because they have power to bring the tariffs into effect. And they agreed to bring into effect the text of parts of the charter in so far as they had legislative power to do so, that is all.

The CHAIRMAN: What authority has the government of Canada to bring this into effect without authority of parliament?

Mr. McKINNON: Under section 11 of the Customs Tariff the Governor in Council may make concessions to other countries in return for concessions that they are making to Canada.

The CHAIRMAN: But he may not increase the tariff?

Mr. McKINNON: No, he cannot raise the rate of duty, but he can make reductions in the rate for other countries and bring them into effect by order-in-council, to be ratified later by parliament.

Hon. J. A. McDONALD (*King's*): Mr. Chairman, I have some questions to ask Mr. McKinnon about the British preferences. It seems that some answers have been given from what has been said today. I was wondering whether one of the gentlemen would like to give some information with respect to the elimination of British preferences, particularly as they apply to apples.

The CHAIRMAN: Might we postpone that subject until tomorrow?

Mr. McKINNON: Before we proceed to Senator McDonald's question, whether it be today or tomorrow, may I follow up Senator Kinley's comments? It should be made clear that although 23 nations were represented at Geneva and signed the agreement, only eight, as Mr. Deutsch has said, are bringing the program into effect on the 1st of January. It should be pointed out that with respect to some of the countries, the difficulty was not that they did not choose to bring the program into effect, but that their constitutional practice did not permit them to do so. In the cases of United States and Great Britain, they could do it, whereas certain other countries had to wait until parliament convened because they had no executive authority.

Hon. Mr. LAMBERT: There are, I believe, 17 trade treaties embodied in the agreement?

Mr. McKINNON: There are 20 completed schedules.

Hon. Mr. LAMBERT: But 17 of those treaties are to be put in operation after January 1.

Mr. DEUTSCH: Only eight are subject to operation after that particular date.

Mr. McKINNON: We may find that on January 3, the number may have increased by reason of the parliament having met in some country.

The CHAIRMAN: Gentlemen, I think it is time to adjourn, but before doing so may I voice the feeling of the committee in an expression of appreciation to Mr. Deutsch for his very clear, informative and comprehensive explanations.

We will adjourn now to meet again tomorrow morning at 10.30.

The Committee adjourned at one o'clock to meet again tomorrow, December 17, at 10.30 a.m.

1947-48

THE SENATE OF CANADA



PROCEEDINGS

OF THE

STANDING COMMITTEE

ON

Canadian Trade Relations

To whom was referred the subject matter of the General Agreement on Tariffs and Trade, including the Protocol of Provisional Application thereof, annexed to the Final Act of the Second Session of the Preparatory Committee of the United Nations Conference on Trade and Employment held at Geneva from April 10 to October 30, 1947, together with the Complementary agreements of October 30, 1947, between Canada and the United States of America and between Canada and the United Kingdom.

No. 2

WEDNESDAY, DECEMBER 17, 1947

CHAIRMAN

The Honourable W. D. Euler, P.C.

WITNESSES:

Mr. H. B. McKinnon, Chairman, Tariff Board;
Mr. J. J. Deutsch, Director of Economic Relations, Department of Finance;
Mr. H. R. Kemp, Director of Commercial Relations Division, Department of Trade and Commerce.

OTTAWA
EDMOND CLOUTIER, C.M.G., B.A., L.Ph.,
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
CONTROLLER OF STATIONERY
1947

ORDER OF REFERENCE

(EXTRACT from the Minutes of the Proceedings of the Senate 15
December, 1947)

The Honourable Senator Robertson, seconded by the Honourable Senator Copp moved—That the Standing Committee of the Senate on Canadian Trade Relations be directed to inquire into and report upon the subject matter of the General Agreement on Tariffs and Trade, including the Protocol of Provisional Application thereof, annexed to the Final Act of the Second Session of the Preparatory Committee of the United Nations Conference on Trade and Employment held at Geneva from April 10 to October 30, 1947, together with the complementary agreements of October 30, 1947, between Canada and the United States of America and between Canada and the United Kingdom.

That the said Committee be authorized to send for persons, papers and records.

After Debate, and—

The question being put on the said motion, it was—

Resolved in the affirmative.

L. C. MOYER,
Clerk of the Senate.

MEMBERS OF THE STANDING COMMITTEE ON CANADIAN TRADE RELATIONS

The Honourable W. D. EULER, P.C., *Chairman*

The Honourable Senators

Ballantyne	Dessureault	McLean
Beaubien (<i>Montarville</i>)	Duffus	Moraud
Bishop	Euler	Nicol
Blais	Gouin	Paterson
Buchanan	Haig	Pirie
Burchill	Howard	Riley
Calder	Hushion	Robertson
Campbell	Jones	Robicheau
Daigle	Kinley	Turgeon
Davies	Macdonald (<i>Cardigan</i>)	Vaillancourt
Dennis	MacLennan	White—(34).
	McKeen	

MINUTES OF PROCEEDINGS

WEDNESDAY, December 17, 1947.

Pursuant to adjournment and notice the Standing Committee on Canadian Trade Relations met this day at 10.30 a.m.

Present: The Honourable Senators:—Euler, Chairman; Ballantyne, Bishop, Campbell, Davies, Duffus, Gouin, Haig, Howard, Hushion, Kinley, MacLennan, McKeen, McLean, Moraud, Nicol, Paterson, Robertson, Turgeon, Vaillancourt and White, 21.

Mr. J. F. MacNeill, K.C., Law Clerk and Parliamentary Counsel, the Senate, was in attendance.

The official reporters of the Senate, were in attendance.

The Committee resumed consideration of the subject-matter of the General Agreement on Tariffs and Trade, including the Protocol of Provisional Application thereof, annexed to the Final Act of the Second Session of the Preparatory Committee of the United Nations Conference on Trade and Employment held at Geneva from April 10 to October 30, 1947, together with the complementary agreements of October 30, 1947, between Canada and the United States of America and between Canada and the United Kingdom.

Mr. J. J. Deutsch, Director of Economic Relations, Department of Finance, was again heard and questioned.

Mr. H. B. McKinnon, Chairman, Tariff Board, was again heard; gave an outline of the manner in which the negotiations for tariff concessions were conducted at Geneva, and was questioned.

Mr. H. R. Kemp, Director of Commercial Relations Division, Department of Trade and Commerce, was heard with respect to the details of the agreement, and was questioned.

At 12.45 p.m. the Committee adjourned until tomorrow, Thursday, 18th December, 1947, at 10.30 a.m.

Attest.

H. ARMSTRONG,
Clerk of the Committee.

MINUTES OF EVIDENCE

THE SENATE

WEDNESDAY, December 17, 1947.

The Standing Committee on Canadian Trade Relations resumed this day at 10.30 a.m.

Hon. Mr. EULER in the Chair.

The CHAIRMAN: Gentlemen, we now have a quorum. Please come to order. Mr. Deutsch gave a complete statement yesterday on the information he has to offer; however, he tells me that he did not say all he could have said. Unless there are further questions the committee members wish to ask him, we will now let him retire and call on Mr. McKinnon. First, are there any further questions to be asked Mr. Deutsch? If there are, will you please ask them now.

Hon. Mr. KINLEY: Mr. Chairman, one question which occurred to me yesterday was that of non-discrimination. I believe Mr. Deutsch conveyed the opinion that if two countries were offering a product for sale, and they were in the agreement, that the lower price had to be accepted; in other words, a country had to give an order on a tender, as it were, to the lowest bidder. It seems to me that is going farther than free enterprise has ever gone, in the way of binding anyone to buy at the place where the price is the only controlling factor. I could not find that the charter went that far. Perhaps Mr. Deutsch a little later might tell us how definite he can be on that point.

The CHAIRMAN: Would you answer that question now, Mr. Deutsch?

Mr. DEUTSCH: Mr. Senator, I did not intend to convey the impression that the charter required a country to sell to the lowest bidder, taking only the price into consideration.

Hon. Mr. KINLEY: I think you said, Mr. Deutsch, taking the price as a major factor.

Mr. DEUTSCH: If I did leave that impression, I did not intend to do so, and I am incorrect. What I meant, Mr. Senator, was taking everything into account, of which price is one of the factors; in other words, it is a proposition of taking into account the price, terms, length of period over which the sale is transacted, quality and all those things. If a government is making a sale through a state trading organization, it is required to act in the same way that a private seller would act, taking into account the question of price, terms of sale, quality and all those relevant things; in other words, they are commercial considerations which include more than the price, but of which the question of price is one of the factors.

Hon. Mr. KINLEY: Who is the judge of that?

Mr. DEUTSCH: In the first instance of course the parties to the agreement, to the sale, are the judges; but if a state trading transaction is made and some other member country feels that transaction was not made on commercial considerations, that country may then complain and ask for an investigation of the transaction. If that complaint is sustained, it has certain remedies.

Hon. Mr. KINLEY: I have just one more question, Mr. Chairman. How much will this general agreement cramp our style if we desire to make a bilateral agreement with the United States?

Mr. DEUTSCH: You mean by that a tariff agreement?

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

confined to the items in which those two countries were one another's chief suppliers, and therefore of course they were the ones principally interested in that particular concession.

Hon. Mr. KINLEY: To what extent does the United States release hold on Cuba?

Mr. DEUTSCH: I think Mr. McKinnon could answer that question.

Hon. Mr. KINLEY: They are in the same position with Cuba as we are with the British Empire?

Mr. DEUTSCH: Exactly.

Hon. Mr. KINLEY: And, really, with the Philippines too?

Mr. DEUTSCH: The Philippines are slightly different. In the case of the Philippines there is a treaty with the United States, I understand, whereby the preferential treatment given to the Philippines is being reduced gradually over a period of years so that finally all preferences will disappear.

Hon. Mr. KINLEY: I have just one more question that I wish to ask. Is there a provision in this charter that existing laws must be respected?

Mr. DEUTSCH: Do you mean generally throughout, senator?

Hon. Mr. KINLEY: Well, that the existing laws of countries must be respected. It does not cancel any?

Mr. DEUTSCH: It is not strictly so. In a number of cases existing regulations and existing requirements are allowed to be maintained, but no new ones may be introduced. What you have said is true in some instances but in other cases where existing laws conflict with the obligations, those laws have to be changed. That is particularly so in the case of customs administration. Many countries will have to change their customs laws. It is not a general rule but it applies in many cases. For instance, I believe it is true that a number of countries have mixing requirements where they require that the domestic manufacturer must use a certain proportion of the domestic raw material. That was particularly true in respect to wheat in Europe. Flour millers were required to use a certain proportion of home grown wheat. In that case the existing mixing requirements may be retained, but the country must be prepared to negotiate those existing mixing requirements and it cannot impose any new mixing requirements. What you say is true to a certain extent but in other cases existing laws have to be changed, particularly in respect to customs administration.

Hon. Mr. KINLEY: You said something yesterday that seemed rather new to me with regard to the bonus of subsidies. If you were to give your subsidy generally, that is, for home consumption and export, it would be all right; but if you only gave it for export you would be going against it.

Mr. DEUTSCH: Yes.

Hon. Mr. DAVIES: This schedule was made as a result of a lot of negotiation?

Mr. DEUTSCH: Yes.

Hon. Mr. DAVIES: What percentage of the duties was lowered and what percentage was increased?

Mr. DEUTSCH: That comes under Mr. McKinnon. He was in charge of the tariff negotiations.

The CHAIRMAN: Honourable senators, unless there are further questions I think we may regard that we have had a complete discussion on the charter.

Hon. Mr. CAMPBELL: What is the position with respect to oleomargarine?

The CHAIRMAN: Order.

Hon. Mr. HAIG: That will come under Mr. McKinnon also. He will answer that better.

Mr. DEUTSCH: As I explained yesterday, under the text of the general agreement there is a general provision that quantitative restrictions, in general, are prohibited and that includes, of course, any direct controls on exports or imports and also includes any prohibitions, and under this charter, prohibitions are not permitted.

Hon. Mr. HAIG: If they are in existence.

Mr. DEUTSCH: Even if they are in existence.

Hon. Mr. KINLEY: But the charter provides many reasons why it can be prohibited, especially with regard to articles of the forest, farm and the sea. For health and many other reasons there are a large number of escape clauses so that there is no danger. I mean to say, the escape clauses of this treaty just give a nation the right to do as it pretty well likes.

Mr. DEUTSCH: I do not think that is true, sir.

Hon. Mr. KINLEY: As long as they do not interfere with the right of the other fellow.

The CHAIRMAN: Is this not the situation with regard to oleomargarine, in which I am only slightly interested: the prohibition against the importation of margarine will have to be removed.

Mr. DEUTSCH: That is right.

The CHAIRMAN: But Canada has the right—and I am told it will be exercised—to put a prohibitive tariff against oleomargarine.

Mr. DEUTSCH: The rate on oleomargarine was not bound and therefore we are free to do what the government decides about the rate on margarine, but so far as the prohibition is concerned, this general agreement will not permit the continuance of the prohibition on oleomargarine.

The CHAIRMAN: Taking off the ban, as we must and imposing a duty, which in effect is exactly the same, is that in harmony with the spirit of the charter?

Mr. DEUTSCH: Since we have not bound the rate on margarine, it is quite within the spirit of the charter to put whatever rate we wish to put on margarine.

The CHAIRMAN: Even though it has the same effect as the removal of the ban?

Mr. DEUTSCH: Yes, even though it could have the same effect. In other words, it is understood by all the countries who participate in this agreement that where a nation does not bind a particular tariff, it can put on whatever rate it wishes to.

The CHAIRMAN: Then I misunderstood you yesterday. I thought you could do it only if it had to do with a difference in the exchange.

Mr. DEUTSCH: No, if you do not bind a tariff you are perfectly free to put that tariff in any position you wish, and all the countries know and understand that situation.

Hon. Mr. DUFFUS: Will the mixing arrangement work out to the advantage of agriculture in Canada in so far as fertilizer is concerned?

Mr. DEUTSCH: Well, senator, if we have any mixing regulations at the present time, before this agreement goes into effect, we may continue those particular regulations, but we cannot add any new ones. And we must be prepared to negotiate for the elimination of those regulations if other countries ask us to negotiate.

Hon. Mr. KINLEY: Mr. Chairman, may I refer the witness to article XI on page 26 of this pamphlet entitled "Final Act"? It is headed "General elimination of quantitative restrictions", and it seems to give pretty wide powers.

Mr. DEUTSCH: I must make clear to honourable senators that yesterday I covered the charter in a very general and summary form, without going into all the details. I do not want to create the impression that I covered everything, for I did not.

Hon. Mr. KINLEY: I was simply suggesting that article XI gives ample power to deal with the question that we were discussing.

Mr. DEUTSCH: Yes, article XI could possibly provide a way out, but I think it is not within the spirit of this agreement to use the article in that way.

Hon. Mr. KINLEY: The letter of the law is the thing that counts when you are interpreting a contract.

Hon. Mr. BISHOP: I suppose that at Geneva the delegates ate oleo-margarine?

Mr. DEUTSCH: Yes, I think we did.

Hon. Mr. BISHOP: And you all came back all right.

Hon. Mr. BOUFFARD: Is there anything in the agreement that would prevent a province from imposing a direct tax on an imported product?

Mr. DEUTSCH: That is partly an internal constitutional question, senator. There is no doubt that a province can impose a sales tax on both domestic and imported products. But if a province attempted to tax imports as such it would run into domestic constitutional difficulties, quite aside from any question of obligations under this charter. A province could not tax an article which was imported and of which there was no domestic production. There is a clause in the charter which says that you must not use this device as an indirect way of giving protection.

Hon. Mr. BOUFFARD: How would you prevent a province from taxing imports?

Mr. DEUTSCH: Some other country would complain, and you would be brought before the organization and asked to explain why you were not observing the provisions of this agreement.

Hon. Mr. BOUFFARD: The provinces are not a party to the agreement.

Hon. Mr. HOWARD: The provinces have not got power to put a tax on imports.

Mr. DEUTSCH: That is a federal matter.

Hon. Mr. MORAUD: A province can impose a sales tax on goods, whether they are imported or not. That is not a tax on imports; it is a regular sales tax.

Mr. DEUTSCH: In cases where the tax falls on both the domestic and imported goods there would be no difficulties, Mr. Senator, but if the imports only were picked out and made subject to tax there would be difficulties.

Hon. Mr. MORAUD: What would be the difficulties? The province has the right to do that.

Mr. DEUTSCH: Has the province the right to tax imports only?

Hon. Mr. MORAUD: If it desires to impose a tax on commodities not manufactured in Canada, it may do so.

Mr. DEUTSCH: Then in that case other countries could complain that we are using this device as a direct way of keeping out imports, and Canada would have to explain why she is not adhering to this agreement.

The CHAIRMAN: Could not the problem be answered in this way, Mr. Deutsch: Supposing one province, and for argument purposes we will take the province of Quebec, puts a tax on imports from the United States. The United

States could still export those goods to the province of Ontario, and Ontario could in turn freely send them into the province of Quebec. In that way I should think they could evade the tax.

Mr. DEUTSCH: That is one way.

Hon. Mr. BOUFFARD: There is nothing to prevent the province imposing a tax on commodities now coming from the province of Ontario.

Hon. Mr. MORAUD: It goes to a question of an interpretation of the B.N.A. Act. We have the absolute right to impose sales tax, whether it be on domestic goods or not; we would still have that right, regardless of whether another nation might launch a complaint to the federal government.

Mr. DEUTSCH: Mr. Senator, if a case like that arose, I think another country would complain and Canada would be required to explain why this was being done. If the organization felt that Canada should stop taxing in that way, then it would be a matter to be settled between the dominion and the province. As to how it would be settled, I cannot say.

Hon. Mr. MORAUD: We are now taxing gasoline, and a good many other things.

Mr. DEUTSCH: There is no question, Mr. Senator, but that the province has the right to apply the sales tax. We are not questioning that.

Hon. Mr. KINLEY: That is direct taxation.

Mr. DEUTSCH: Yes. In the case of gasoline, the province is not making a distinction between imported and domestic gasoline. Under those circumstances that is permitted, and there is no difficulty about it.

The CHAIRMAN: If there are no further questions to be asked of Mr. Deutsch, we will drop the matter so far as the charter is concerned. We have the agreements themselves to deal with; Mr. McKinnon will give us information as to the tariff concessions Canada is making, and Mr. Kemp, of the Department of Trade and Commerce, as to the concessions which we are receiving. Is that correct, Mr. McKinnon?

Mr. MCKINNON: That is right.

The CHAIRMAN: In accordance with the wish of Mr. McKinnon, I should say at the outset that he will make a brief statement.

Mr. MCKINNON: Mr. Chairman and honourable senators, Mr. Deutsch has explained the meaning and terms of the charter, which of course as he stated yesterday is a draft charter; it will remain a draft charter until it is disposed of one way or another at Havana. Mr. Deutsch also made clear a most important point in the charter, namely, the relationship of the charter itself to the abridged but very useful edition thereof, known as the General Agreement; in other words, he has explained the law in the matter as it exists at the moment, and as I understand the wish of the committee, it is to examine now the application of the law in detail. It might make it easier for the committee to decide upon the method of technique in questioning if I said a few words about the manner in which the tariff negotiations as such were conducted in Geneva.

While the draft charter and general agreement to which Mr. Deutsch alluded yesterday and again today, were being hammered out, so to speak, in various committee rooms, the detailed tariff negotiations among the countries represented at Geneva were also taking place. Each delegation representing the countries comprised officials who gave their time entirely to the charter and the text of the agreement; there were also officials who put their entire time on the matter of negotiating tariff arrangements with other countries. A word or two about the atmosphere might be useful.

Many of the larger countries had quite big delegations and had a considerable number of tariff negotiating teams, by reason of which they could negotiate

with several countries at one time. I think the United States, for instance, was able to negotiate at one time with some ten or twelve countries. Other countries with smaller delegations had perhaps two or three tariff teams. Canada had one tariff team, and while that meant very intensive and steady work in connection with the tariff negotiations, it had the advantage that the team was a cohesive unit and we at least did not have to have a meeting each night to see what each other had received or given away during the day. We worked together all day, every day.

For the most part the negotiations were conducted in English, but naturally certain negotiations with France and the French colonies, and to some extent with the countries of what is now known as "Benelux" which is the customs union of Belgium, Luxembourg and the Netherlands, French was used as much as English. With respect to one or two South American countries, we used English part of the time, French part of the time, and Spanish in circumstances where the other team was not able to use French or English, particularly as to the technical language of tariff items.

Just as you have now examined Mr. Deutsch regarding the text of the agreement, and now wish to examine Mr. Kemp and myself regarding the details, it might be well to keep in mind that within our own delegation there was just a two-way division of responsibility and labour. I emphasized yesterday in my opening remarks that I was regarded as the chief of the negotiating team because of age and experience; it was Mr. Kemp's responsibility and that of his colleagues from the Department of Trade and Commerce, as representing the branch of government interested in securing exports for Canada, to determine what our team should ask for, from whom and by how much. Naturally, in making his decision about what we should ask for in any particular commodity from any particular country he had also the advice of specialists from such departments as the Department of Agriculture and the Department of Fisheries. Once he had decided what he would ask for, and had presented his case, it then lay upon us as a team to decide at the end of the day how far the other country had been forthcoming in meeting Mr. Kemp's request, and to appraise the result generally, and then it fell to my side of the team to determine how Canada would pay for the concession that we were receiving; in other words, what reduction should be made in the Canadian tariff as a quid pro quo for what we were receiving either on that particular commodity or in general if we looked at the agreement as a whole.

Now, sir, since this is in a sense horse-trading, one could not always put his whole case on the table before the other team. Both sides had to use the trading instinct, and each had to make up its own mind when it had pushed a request as far as was reasonably possible and practicable to push it; and when that point was reached, decide how much if anything should be given in return. As a general rule, the technique of all negotiating teams was to press their demands upon the other country first, and consider what they would give in payment only after they had heard the reply of the other country. I think that would be the technique followed by most traders, Mr. Chairman, in dealing with any commodity, or even in trading horses. You want to know first what you may get. There is sometimes the disposition to make the offer first. If you make the offer first, then of course the onus is on you of immediately deciding what the situation is when you get the reply to the offer. I mention that because of the fact that the United States technique, as I think is pretty well understood, was to make offers. I should explain that the reason that was the case with the United States more than with any other country was that their teams were definitely restricted in the extent to which they could or might go, no matter what they might get; because the President himself is limited in the extent to which he can make a concession to another country, regardless of the concession

he is getting in return. In other words, he may not transfer an item from the dutiable list to the free list, nor may he give a reduction of more than 50 per cent.

The CHAIRMAN: Could not they tentatively reduce further than 50 per cent in the hope that Congress would ratify?

Mr. MCKINNON: No, not under their Act, Mr. Euler. They are restricted to 50 per cent. Therefore the United States was in the position of being able to say before they ever went to Geneva, "Well, we have certain powers, certain discretion, but only certain discretion. We may as well make an offer." Other countries, not similarly inhibited, naturally used the trading instinct and asked for what they wanted first, and only when they knew what they were getting were they prepared to make an offer in return.

The CHAIRMAN: Would they be apt to make an offer any greater than 50 per cent since the United States could give only 50 per cent?

Mr. MCKINNON: No, except in the odd case. I will come to some instances where it cost little or nothing to make an offer better than 50 per cent but where that concession was deemed to be most important by the other country.

Now, that having been the technique in the bargaining, it might be the desire of the committee to approach this detailed examination by somewhat the same method. In other words, what I am suggesting before we start to go into the heart of the situation item by item is this, that the committee might like to know what we got first, in detail, and then ascertain what we paid for it, in detail; or, as Senator Ballantyne, I think it was, suggested yesterday, might prefer to ascertain first what we paid and later ascertain what we received? Mr. Kemp and I are in the hands of the committee on that, but it will greatly facilitate discussions if the direction is one way or the other.

The CHAIRMAN: I do not think it makes very much difference.

Hon. Mr. HOWARD: I think we had better get what we received.

Hon. Mr. HAIG: I think we had better get what they offered us, and then what we paid for it. That, as I understand it, is the technique which was followed.

The CHAIRMAN: Is that the wish of the committee? Carried. No opposition.

Mr. MCKINNON: I presume, Mr. Chairman, the members of the committee will probably in most instances refer to a certain commodity and ask what happened on that, and from whom we got concession, and how much.

Hon. Mr. CRERAR: While I am not a member of the committee, Mr. Chairman—I thought I was, yesterday—I presume I am permitted to say a word.

The CHAIRMAN: You are quite in order.

Hon. Mr. CRERAR: We might hear from Mr. McKinnon or Mr. Kemp perhaps in a somewhat general way the concessions we have received, especially from the United States, and what we have been obliged to surrender to reach an agreement.

The CHAIRMAN: You mean, in a general way, without particular items?

Hon. Mr. CRERAR: A general statement, without going at the moment into detailed items.

Mr. MCKINNON: Might I, as chief of the team, just say a word, and then let Mr. Kemp take over in detail? We went to Geneva under instructions to get the maximum possible concessions from every country represented there, and we never lost that as our objective. In most cases we asked for the sky, on the ground that he who shoots at the sky will hit higher far than the man who shoots at a tree. We did not always get everything we wanted, but, if we take the United States concessions first, we were fortunate in being able to secure either substantial or in many cases the maximum reduction on almost

every agricultural export of any substantial importance to Canada. That is to say, all the grains, including wheat—Mr. Kemp will go into detail about the duty and the removal of the quota—all the coarse grains, all the bran, shorts, middlings and mill feeds, practically all the seeds, the enlargement of the quota on cattle, enlargement of the quota on calves, further reduction of the duty on milk and cream, maximum reduction on all live poultry, which is now becoming a big trade with the United States; maximum reduction on practically all dressed poultry, the only item excluded being turkeys; maximum reduction, for the third time, a 50 per cent reduction if I remember correctly—certainly the third reduction—on table turnips.

The CHAIRMAN: May I ask you something right there? The President of the United States is limited to a reduction of 50 per cent. Can he make that repeatedly?

Mr. MCKINNON: Yes.

The CHAIRMAN: He can reduce it practically to nothing by that process?

Mr. MCKINNON: I could illustrate that by referring to those beautiful table turnips, senator, which come from the Maritimes, and also from Wellington and Grey counties, Ontario, which go over dipped in wax, and which represented last year some three million dollars worth of exports from this country. In 1935 we negotiated with the United States and got the duty reduced from 25 to 12½ per cent. It was later reduced to eight, if I remember correctly, and we have now cut it down to six and one-quarter cents. Reference was made to a further negotiation. If there ever should be such, it would be competent unless the United States law was changed to make a further reduction of fifty per cent. In other words, sir, the fifty per cent is limited to the one occasion. It is not that the pitcher will go to the well only once, but on each going it will fill only fifty per cent.

Hon. Mr. MCKEEN: Does there have to be a session of congress in between?

Mr. MCKINNON: No.

Hon. Mr. TURGEON: Would the first concession made have to be adopted by congress before the second was made?

Mr. MCKINNON: No, sir.

Hon. J. A. McDONALD (*King's*): Ordinarily there would not be more than one reduction a year?

Mr. MCKINNON: I think not. Two negotiations may be held within a twelve-months period, but I doubt if their law has ever envisaged such a situation, and there is no suggestion that any particular length of time must elapse between one reduction and another.

Hon. Mr. DUFFUS: Why was there not a reduction on turkeys?

Mr. MCKINNON: In reference to this matter possibly the press might not use the name of the country because it might embarrass the United States. Turkeys were excluded from our negotiations on the ground that we are not the principal supplier. The principal supplier is another country and in the expectation and hope that that country will ultimately join the negotiating countries, the United States naturally withheld the reduction on turkeys because it would be of major importance to the other country and if and when it gets the reduction we will share in the benefit. That, by and large, Senator Crerar, was the picture on agriculture. As regards forest products, we get a maximum reduction practically all the way through the list in the United States, and in most cases this was the second, if not the third, reduction on most of the lumber in which we are interested as exporters. In base metals we get the maximum reduction on most of them including nickel, copper, tantalum, cadmium, tungsten and practically all the aluminum. It included all the base materials excepting lead. Again lead is reserved because another country, whom perhaps I should

not name, is the chief supplier and no doubt will be negotiating with the United States in this respect, and therefore they reserved lead for the purposes of these negotiations.

In fisheries products—and here I know a number of the members of the committee are particularly interested inasmuch as reference was made to fish several times yesterday—although we secured very substantial concessions from the United States in 1935 and 1938 on both salt and fresh water fish, we were able again this time to get reductions across the board, and in many cases, the maximum reduction on almost every type of fresh water fish.

Hon. Mr. McKEEN: What reduction did they get on canned fish?

Mr. McKINNON: I think you are referring to one type of canned fish, are you?

Mr. McKEEN: Yes, canned salmon.

Mr. McKINNON: We received no reduction on canned salmon and we gave none. The situation back of that will be brought out by Mr. Kemp.

Hon. Mr. McKEEN: The reason I raise the question is that it created a serious situation on the Pacific Coast because the fish they use for canned salmon will now probably go out of the country on a lower duty and the cannery has the high barrier against them in trying to sell the product in the United States, and that works to the disadvantage of the cannery.

Mr. McKINNON: I think I might say, Senator McKeen, that we are aware of the situation you have referred to. But since the premium paid by the United States canneries has been from eight to twelve cents above the Canadian price, I do not think we could quite say that the reduction of one-half cent in the duty has been the cause of the situation. It may not have done anything to alleviate it, Senator McKeen, but when they already were paying a premium of eight to ten or twelve cents for our fish, the mere fact we got the duty reduced a further half cent has hardly a causative effect on the situation.

Hon. Mr. McKEEN: What you say is right, but the situation has been aggravated.

Mr. McKINNON: We shall discuss the situation in greater detail when we come to the salmon item. There is a second reduction now on all the fresh water fish, particularly that of Western Canada. Western Canada is becoming a tremendous exporter of fresh water fish.

Hon. Mr. HAIG: Principally Manitoba.

Mr. McKINNON: That is right, sir, and in pressing for a reduction on fresh water fish we were getting an advantage for the prairie provinces in what should be a great potential market. I have now mentioned agricultural and forest products, minerals and fisheries.

Hon. Mr. CRERAR: May I ask a question at this time which might have to be answered by Mr. Deutsch? In the shipment of fresh water fish from Western Canada to the United States, on more than one occasion—one occasion at least—such shipment or shipments were prohibited because of parasites in some of the fish.

Mr. McKINNON: That is right.

Hon. Mr. CRERAR: The discrimination against our fish was undoubtedly a protective measure. Will that be likely to arise in the future?

Mr. McKINNON: That is really under the agreement rather than the schedule.

Mr. DEUTSCH: In the future, Senator Crerar, they could keep our products out on the grounds of health but I do not think they would be permitted to use that as a cover for protection. As a matter of fact, the charter states specifically

that you can regulate imports on the grounds of health, but you cannot use that as a cover for protection. Therefore, if we felt that they were doing so we would have grounds for complaint.

Hon. Mr. KINLEY: This is a very perishable product and it has got to be good. You cannot ask people to take fish that is not good.

Mr. McKINNON: That raises an interesting point, Senator Kinley. A product that is going into the United States from your part of the country and contiguous territories must be of pretty good quality. I am referring particularly to the fillets. If I remember correctly, the consumption of our fillets in the United States was 40 million pounds last year and this fish was being trucked inland as far as Chicago, and it was the very fact that our producers had reached and exceeded their quota that made them so anxious to get the ex-quota rate bound. We were told by the United States negotiators that that was a complete impossibility because, having exceeded the quota, they felt the most they could do was let us maintain the quota position but not bind the ex-quota rate. In the end we were very fortunate in being able to maintain, not only our quota and the quota rate on this tremendous trade on cod fillets, but to get the ex-quota rate bound as well.

Hon. Mr. KINLEY: That has been a very important problem, and with regard to the present quality of fillets they are now subject to a very minute inspection by light, and I think the inspection on the other side is pretty severe also.

Mr. McKINNON: I should imagine they are very strict.

Hon. Mr. BISHOP: May I ask, do these concessions with the United States require the consent of Congress?

Mr. McKINNON: No, it is under the executive authority, Senator Bishop.

Hon. Mr. BISHOP: If there is a new agreement with the United States along the line indicated by Mr. Abbott yesterday, that would be made by the same authority?

Mr. McKINNON: I was not in the house when Mr. Abbott spoke yesterday and I have not had the advantage of reading what he said. Mr. Deutsch may know what the Minister said.

Mr. DEUTSCH: If we sought to make with the United States a new agreement which would involve transferring American items to the free list, we could not operate under the existing authority. It would be necessary to go to Congress then.

Hon. Mr. BISHOP: But if there is simply a reduction of duty, that can be taken care of under the existing authority?

Mr. DEUTSCH: If it is simply a reduction of duty by not more than 50 per cent, it can be done under the administration's powers, but any reduction beyond that could not be made without authorization by Congress.

Hon. Mr. KINLEY: The charter that we are dealing with now must pass the United States Senate, must it not?

Mr. DEUTSCH: Yes, senator, because in order to implement the charter the United States would have to change a number of its laws, and that can only be done by Congress.

Hon. Mr. KINLEY: But the schedule is brought into operation by the President?

Mr. DEUTSCH: Yes.

Mr. McKINNON: In my answer to Senator Crerar's question I used the United States as a general illustration, but what I said about the United States might be said about most of the other countries to which we have referred.

Hon. Mr. SINCLAIR: Mr. McKinnon, you got some concession on potatoes?

Mr. McKINNON: Yes, senator.

Hon. Mr. SINCLAIR: Would you describe them to the committee?

Mr. McKINNON: Very briefly, senator, I may say that we got no change at all in the quota for table potatoes.

Hon. Mr. SINCLAIR: No change in the duty?

Mr. McKINNON: No, sir.

Hon. Mr. SINCLAIR: But was there not a change in the quota?

Mr. McKINNON: Not on table potatoes. And quite frankly, sir, we did not press too far on the table stock, because we felt that we should put the weight of our fire on seed potatoes instead, so as to try to get a substantial betterment in the treatment of seed stock, of which we are becoming now so important a source of supply. As you know, we did get the quota on seed potatoes increased from one and a half million to two and a half million bushels.

Hon. Mr. SINCLAIR: Did you get a further concession on seasonal duties?

Mr. McKINNON: On seed potatoes or on table potatoes?

Hon. Mr. SINCLAIR: On both.

Mr. McKINNON: No, sir, there is no change in the duty of 37½ cents on seed potatoes, but the quota is enlarged from one and a half million to two and a half million bushels. There is a small change in the duty on table stock. The 60 cents seasonal rate was dropped, and the rate of 37½ cents within the quota of one million bushels is now applicable throughout the year. Beyond the quota the rate remains at 75 cents per hundred pounds.

Hon. Mr. SINCLAIR: Newspaper reports some weeks ago were that the seasonal duty of 60 cents per 100 pounds from the 1st of December to the last of February was cancelled. Is that right?

Mr. McKINNON: That is right.

Mr. KEMP: Yes, the 60 cents duty disappears.

Hon. Mr. SINCLAIR: Would that be done by executive order?

Mr. McKINNON: Yes.

Hon. Mr. SINCLAIR: They cancelled the whole duty.

Mr. McKINNON: I think we had better let that wait until we come to the details on the potatoes item.

Senator Crerar asked about furs. We already had exceptionally good treatment on most furs, and it was largely a case of binding the existing free entry or low rates, which we were able to do. What I have said about the United States applies in general to all the countries, particularly in Europe. In Europe we got concessions on such agricultural products as wheat, grain seeds, apples, apple juice, dried apples, and canned apples, and on several of the base metals, not only in the primary form but on the rolling mill products which we are becoming more and more equipped to make, and on quite a number of manufactured goods.

There is one particularly interesting feature about negotiations with several of the European countries, and this relates to Mr. Deutsch's explanation of yesterday regarding state trading, Mr. Chairman. As he said yesterday, in the past Canadian exporters of wheat to most of the European countries were faced with a formidable if not insurmountable barrier, particularly during the last ten, twelve or fifteen years. In many countries this was comprised of not only a customs tariff, which is a known factor, but a trading margin by the state monopoly on top of the customs tariff, and the trading margin was a completely unknown factor. We might illustrate it by the case of France, where the

customs duty was 50 per cent. That was on the books, a matter of record, and a Canadian shipping wheat to France knew that the duty was 50 per cent. But on top of that was the trading margin exacted by the state monopoly. The monopoly might buy Canadian wheat at, let us say for purposes of illustration, \$1 a bushel, and decide to sell it to its own millers at \$2.50 a bushel, thereby artificially enhancing the price of domestically grown wheat in that country. Now, there was no control over the monopoly in any shape or form, because at that time there was no draft charter, and no item in any agreement dealt with it. Therefore we could not do much by way of complaining. We did know that instead of our wheat having to mount a customs tariff wall of 50 per cent, it was actually faced with a barrier of 150 per cent or more.

Mr. KEMP: It ranged from 90 per cent to 180 per cent.

Mr. MCKINNON: That was by reason of the combination of the duty and the trading charge or profit of the monopoly. We felt at Geneva that we should attempt to attack the state trading technique in so far as it affected our exports. We had to make clear to the countries concerned that the Canadian delegation was not suggesting for one minute that they should change their method of doing business. We said: "We are not attempting to interfere. We are not suggesting that, if you want to grow the maximum possible amount of wheat for security or other reasons, you should not do so. All we are asking is that you let it be clearly known just exactly what the impediment to the importation of wheat is." With France, Belgium, the Netherlands and Norway we were successful in getting not only a reduction in the customs tariff, if any, but also a most substantial reduction in the monopoly charge to be levied by the state monopoly. These things are now agreed to and bound by our schedules, so in future we shall know exactly the total amount that intervenes between the landed cost of imported wheat and the selling cost of that wheat to millers in the country concerned.

Hon. Mr. HAIG: How much is that.

Mr. MCKINNON: It varies with the different countries, sir. Mr. Kemp can show what it is when we get to the schedules, in respect of France, Norway, Belgium and the Netherlands. You see, sir, in one country it may be so many florins; in another country, it is a percentage rate and so on.

Hon. Mr. TURGEON: Do the import countries maintain the right to increase that margin charge so long as they notify the export country.

Mr. MCKINNON: No, they cannot increase it at all. I could illustrate, for instance, in the case of France—subject to correction by Mr. Kemp—that the combination of customs duty and monopoly exaction annually ranged from 90 per cent to 180 per cent. Now we have the duty bound at 30 per cent and the monopoly charge at 15 per cent, or a total of 45 per cent, as against anything from 90 to 180 per cent. Of course the burden of 45 per cent depends upon the price of wheat, but it is better to know that even with dollar wheat, the duty is 45 cents than to export it with the possibility that on arrival in France it might pay 180 per cent.

Hon. Mr. MICHAUD: What portion of our wheat went to the particular countries mentioned before the 1932 agreement?

Hon. Mr. HAIG: Before the 1946 agreement.

Mr. MCKINNON: Mr. Kemp will have to take you back over a considerable number of years with respect to our trade in wheat with the continent.

Hon. Mr. MORAUD: I do not mean with the continent, but with France and the other countries mentioned.

Mr. MCKINNON: Czechoslovakia, Belgium, the Netherlands.

Hon. Mr. MORAUD: Czechoslovakia is out.

Mr. McKINNON: It was not only wheat, sir; flour followed wheat and in respect of flour we had a very substantial trade. As the result of this agreement, having got the wheat duty down, the duty charged on flour has been reduced in the same proportion, to retain the relativity between the raw material and the flour. In most cases the compensatory duty on flour is now down to an almost insubstantial tax.

The CHAIRMAN: Is the rate on flour 50 per cent, the same as on wheat?

Mr. McKINNON: It varies with every country, Senator Euler.

The CHAIRMAN: I am referring to France. Do not bother with that detail now. We can get it later.

Mr. McKINNON: If the committee would accept what I have said as a statement of what we got in general terms they may now wish to question Mr. Kemp as to the details on the various commodities.

The CHAIRMAN: Is the committee ready to hear Mr. Kemp?

Hon. Mr. CRERAR: I should like to know what we gave in return for all that we have received.

Mr. McKINNON: Perhaps having summarized it the one way, Mr. Chairman, it is quite in order to summarize it the other way.

Hon. Mr. PATERSON: Mr. McKinnon, before leaving the wheat question, may I ask you if we can ship our oats, wheat and barley to the United States as soon as this agreement goes into effect?

Mr. McKINNON: As far as the United States goes, the duties are down to 21 cents on wheat, four cents on oats, seven and a half cents on barley and six cents on rye. That is the only barrier as far as the United States is concerned.

Hon. Mr. HAIG: I would like to ask the senator from Thunder Bay to go to the government and get them to cut off the prohibition, and let our grain go to the United States.

Hon. Mr. PATERSON: I should like to find out if this agreement cancels the Canadian government regulations.

Hon. Mr. HAIG: No, they do not. You do not need to ask Mr. McKinnon that question—ask me.

Mr. McKINNON: Mr. Senator, my reply was that in so far as the United States regulations are concerned, those are the duties after the 1st of January.

Hon. Mr. HAIG: Being a small-town lawyer, Mr. McKinnon, I know the regulations; we cannot send our stuff over there because our government won't let us.

Hon. Mr. CRERAR: That is a different question from the one Mr. McKinnon was explaining.

The CHAIRMAN: We are now getting into a matter of policy.

Hon. Mr. HAIG: Senator Paterson asked a question, and we wanted to help a young man who is trying to make a living and get along in the world.

Hon. Mr. McDONALD (*King's*): Could Mr. McKinnon tell us something about the apple preferences?

Mr. McKINNON: I would prefer to leave apples, *qua apples*, to Mr. Kemp, but to answer Senator Crerar's question and yours in a general way: We paid for these concessions we got from fourteen or fifteen countries in two ways—either by impairment of the margin of preference that we enjoyed in some other commonwealth country or by reduction in our own tariff. Speaking generally with respect to the elimination of the margins of preference that we enjoyed in other commonwealth countries, they were extremely few in numbers, the most important elimination being, as Senator McDonald has stated, that of the apple preference in the United Kingdom.

Hon. Mr. HAIG: Has that preference gone?

Mr. McKINNON: The apple preference in the United Kingdom has gone.

Hon. Mr. DAVIES: What did it amount to?

Mr. McKINNON: The delegation was guided by certain considerations, such as this: That at the present time and probably for some time in the foreseeable future, the United Kingdom might not have the dollars to buy apples, even Canadian apples; secondly, that during the past decade or two the United Kingdom has become a tremendous producer of apples. I would not say positively to what extent, but I should not be surprised if to-day the United Kingdom was a greater producer of apples than Canada. Certainly there are in that country orchards that exceed by far the acreage of anything I have seen in Canada.

The CHAIRMAN: Are they able to produce enough for their own use?

Mr. McKINNON: I believe that they could produce this year all their requirements; they would not need to import a single apple. Apart altogether from considerations of exchange and trade agreements, they would not need to import an apple for their own use this year. The extent to which the orchards in Devon, Cornwall, Somerset and Norfolk have been developed is simply amazing. We had to keep in mind the consideration that we were dealing, as Mr. Deutsch intimated yesterday, with the livelihood of our people. The fact was that the United Kingdom market was becoming not only less attractive in that sense, but probably less real as regards the benefit of the preference; that is, in view particularly of the fact, in the short term, that she had no money with which to buy apples; and, in the long term, that it seems to be her policy to become self-sufficient in apples.

We had therefore to face, Senator McDonald, the question whether or not the preference was, in the light of all the concessions we were getting, worth retaining at any cost. We came to the conclusion, in the light of all the developments, that the best we could do was to attempt to get new markets for apples and to get as many concessions in other countries as we could.

Hon. Mr. McDONALD (*King's*): Just on that point, Mr. McKinnon, was there any pressure by the United States or any other nation as to the elimination of this particular preference?

Mr. McKINNON: No more pressure than was brought to bear by the United States in respect to many preferences. When we began negotiations the United States sought the elimination of all preferences. As that became obviously impossible, they demanded a substantial elimination of preferences, and then finally came to a demand for reduction of preferences. Naturally, in the trading they put emphasis on particular preferences and this was one of eight or ten which received special consideration. The negotiators having decided that this was one preference we might have to let go—and of course these terms are still subject to consideration by parliament, and our judgment may not be confirmed—we attempted to get as many concessions for apples as we could.

Hon. Mr. HAIG: In other countries?

Mr. McKINNON: Yes, in other countries. We got the duty reduced in the United States from 15 cents to 12½ cents. That does not sound very substantial. I could make it more pretentious by giving it in percentage.

The CHAIRMAN: That is per one hundred pounds?

Mr. McKINNON: Per bushel of 50 pounds. Since this reduction, our tariff is three times the United States duty. It does not seem that 12½ cents on fresh apples is a very substantial barrier with respect to exports from Canada to that market. In addition, we secured a reduction in the duty on fresh apples in

France, where we also got a reduction in the duty on canned apples, dried apples and apple juice. We also secured a reduction in the duty on fresh and dried apples in Belgium and the Netherlands, and on fresh apples in Norway. That applies, according to my memory, also to Czechoslovakia.

Hon. Mr. McDONALD (*King's*): The United States gave only a reduction of 15 to 12½ cents.

Mr. McKINNON: In respect to fresh apples, but keeping in mind the importance of apples to the maritime provinces, we naturally placed great emphasis on reductions with respect to other maritime province commodities, such as seed potatoes and turnips. We did this knowing that a reduction in the apple preference might be regarded as having a serious effect in the maritimes.

Hon. Mr. BISHOP: Were the British authorities quite ready to modify the preference in respect to apples?

Mr. McKINNON: The British authorities manifested no particular diffidence about seeing that preference go. I think that is obvious from the fact that the United Kingdom has become self-sufficient with respect to apples.

Hon. Mr. BISHOP: What was their attitude about preferences in general?

Mr. McKINNON: Their attitude about preferences in general was that under the circumstances in which we were meeting at Geneva, preferences were generally negotiable; and they felt, as did we, that if they could get paid enough for reducing or eliminating preferences, they were quite prepared to negotiate them. In the end, they were willing to reduce or eliminate as Canada did.

Hon. Mr. DAVIES: What duty is paid on apples going into the United Kingdom?

Mr. McKINNON: They are duty-free. Our position has not changed, Mr. Senator; it is just that the preference we had over other countries is removed. I should probably bring out the point that for many years our goods have gone into the United Kingdom free, with very few exceptions. That is still the case; duties have not been imposed on Canadian products.

The CHAIRMAN: Did they have any serious objection to reduction of preferences which they had in our own country?

Mr. McKINNON: Well; naturally, Senator Euler. And believe me, sir, they were consulted on every single one. There was not a preference given up by, shall we say, Britain, that we have enjoyed, without consultation with us; there was not a single preference in the Canadian tariff reduced or eliminated without consultation with either the United Kingdom, South Africa, Australia, or whatever country enjoyed the preference. Naturally, just as we for some time sought for the retention of as much as we could of the apple preference in their market, they argued as long and as vigorously as they could against any impairment of their margins here. But in the end, the entire result appeared to all parties to be sufficiently good on the whole that the present agreements were accepted.

Hon. Mr. McDONALD (*King's*): The only thing that might be said in defence of the apple grower here is this, that the apple grower, especially in the Annapolis Valley, is chiefly an apple grower; that is, he is not engaged in enough other branches of farming to enjoy the benefits which you got on some other agricultural products going into the States.

Mr. McKINNON: That is true, senator, in the sense that he had all his eggs in one basket; but for reasons beyond the control of every one of us that particular customer found himself unable to buy apples, and also had equipped himself to the point where he could supply his own apples. We do think that

the new United States duty on apples is not a barrier that any Canadian exporter could regard as in any way formidable. In fact, as I said, it is only one-third of our own duty.

Hon. Mr. CRERAR: What is the duty against foreign apples coming into Canada? Is it as low as the American duty against our apples going in there?

Hon. Mr. HAIG: It is about three times as high.

Hon. Mr. CRERAR: Three times as high?

Mr. McKINNON: Yes. Answering your question precisely, although that is getting into details, foreign apples, if any, coming into Canada, which would be mostly United States apples, will be free for a period of about six or eight weeks just prior to the coming into the market of our own product; thereafter, three-quarters of a cent a pound.

Hon. Mr. HOWARD: Three-quarters of a cent a pound?

Mr. McKINNON: Yes. It is still three times the height of the American duty on apples since we got the latter reduced.

Hon. Mr. LAMBERT: While we are on the subject of apples, may I mention processing. There is some new provision for processing enabling our apple growers to process apples and sell them to better advantage.

Mr. McKINNON: Well, as I mentioned, we got a reduction on more than fresh apples. We got it on dried apples, on canned apples; and if you have in mind—

Hon. Mr. LAMBERT: I was thinking of the Annapolis Valley apples. They are accustomed to shipping them in bulk. Now they have the chance of processing them.

Mr. McKINNON: I think that before you came in, Senator Lambert, I mentioned that the duty on fresh apples was reduced from 15 cents to 12½ cents, on dried apples from 2 cents to 1 cent, and on apples in all other forms, from 2½ to 1¼ cents.

Hon. A. L. BEAUBIEN: That is in the United States market.

Mr. McKINNON: That is in the United States market. There is a 50 per cent reduction on processed apples.

Hon. Mr. CAMPBELL: I wonder if Mr. McKinnon could deal with manufactured goods. He said there was a maximum reduction on natural products to the United States. I should like to hear something about manufactured products.

Mr. McKINNON: It just depends how far back we go, Senator Campbell, before we determine that a thing is manufactured. If you include chemicals—I do not know whether you do—as manufactured goods—

Hon. Mr. CAMPBELL: Yes, I do.

Mr. McKINNON: We did get substantial reductions in United States duties on a lot of the heavier chemicals, such as acetic acid. In fact we got substantial reductions on fifteen or twenty chemical products going into the United States. As regards base metals, I might illustrate by referring to aluminum ingots, blocks and bars, on which the duty was reduced from 3 to 2 cents; and from 6 to 3 cents on the rolling mill forms, which are, of course, quite highly manufactured products. The same thing applies in respect of nickel and zinc. In wood products, which Canada ought to be peculiarly able to make in large volume at fair prices, there is a list of some ten or fifteen manufactured products of wood.

The CHAIRMAN: And newsprint is free?

Mr. McKINNON: Newsprint is bound free, of course. There are a considerable number of reductions on paper, a quite considerable list of reductions on wood products, two or three very substantial reductions on metal products. Manufactures of metal, not otherwise provided for, constitute of course, a basket item that might include a thousand types of metal products. Also synthetic rubber. Can you think of any others particularly, Mr. Kemp?

Mr. KEMP: Electrical items.

Mr. McKINNON: Electrical goods; any commodity containing an electric element, pretty close to a 50 per cent reduction. On electric stoves, etcetera, a reduction from 17½ to 10 per cent. These descriptions sound somewhat general but we have heard since we came back from Geneva of one concern alone in a town in Quebec that has obtained an order for nearly a million and a half dollars' worth of a certain type of stove. I am trying to be general so that I do not mention any firm by name. These stoves were for sale in the Middle West. They happen to be a product in which a year or two ago we had no trade whatever with the United States.

Hon. A. L. BEAUBIEN: Would that be an electric stove?

Mr. McKINNON: No, this particular one is not, although I can give you later a similar illustration in the electric field. I was speaking of a product made in Canada on which a couple of years ago there was no trade with the United States, but on which now, as Mr. Kemp says, the producers have in prospect, and indeed under firm order. I believe, between a million and a million and a half dollars' worth, and on which it just happens that under this agreement the duty has been reduced. I can think of another Senator Beaubien, an electric product, in which a year or so ago the producers made an experimental shipment of six or eight; the next order was for fifteen hundred. The product is appreciated there; has gained consumer acceptance; it is something we never thought of exporting to the United States, nor would one think of it in the ordinary way, because over there they are such great producers of electrical goods. But this product has gained consumer acceptance; and, again, it just happens that that item, although we know nothing about the product, has had a very substantial reduction in duty under this agreement. I mention those two to show the potentialities of some of these reductions, even though, when we negotiated the relevant items, we could not always pick out any particular commodity and say, "This is the one we are after". Instead of that we had to say, "We are after this whole tariff item because it covers a lot of things."

Hon. A. L. BEAUBIEN: And our lower cost of production—

Mr. McKINNON: —should give us an advantage.

Hon. Mr. CAMPBELL: When you speak of wood products, does that include sporting goods such as tennis rackets?

Mr. McKINNON: Mr. Kemp can give you that in detail. There is quite a group of reductions, covering skiing, hockey, tennis and similar equipment.

Hon. Mr. KINLEY: Have they touched yachts again?

Mr. McKINNON: Yes, there is another 50 per cent reduction, if I remember correctly.

Mr. KEMP: They divide them into two categories.

Hon. Mr. BISHOP: I think there is some confusion as to when these concessions will come into effect, and what is the condition precedent. Do they all hinge upon the Havana conference?

Mr. McKINNON: Not at all, Senator Bishop, not the tariff changes. Let me put it this way: as Mr. Deutsch said yesterday, twenty-three nations signed

at Geneva the agreement on tariffs and trade; eight undertook to bring it into effect immediately, that is the 1st of January; others will come along from time to time.

Hon. Mr. BISHOP: Is the United States in that eight?

Mr. MCKINNON: The United States is in that eight; so is the United Kingdom; so is Canada; so is France; so are Belgium, and Holland. Therefore all these concessions on the several thousand items with these countries, in so far as the United States are concerned, become immediately and fully effective on the 1st of January.

Hon. Mr. BISHOP: And of course any concessions we make reciprocally?

Mr. MCKINNON: To them? Yes, because the intention of the government is to bring the tariff changes into effect by order in council. Of course, the agreement has to be ratified by Parliament. But it can operate by order in council from the first day of January.

The CHAIRMAN: How about the countries other than the eight? When will they probably come in?

Mr. MCKINNON: The difficulty in some cases was purely a matter of their constitutional practice and procedure: that they do not have the power to do it by executive action and have to await the assembling of their parliaments. Others are probably watching the situation at Havana very closely, and if what emerges there is not entirely to their liking they might be slower in bringing it into effect.

The CHAIRMAN: Still, they have signed the agreement.

Mr. MCKINNON: Yes, they have signed the agreement. The January 1st situation is a matter of provisional application in advance of ratification by the constitutional authorities.

Hon. Mr. LAMBERT: These eight represent, I suppose, a very large percentage of our foreign trade?

Mr. MCKINNON: I should think, 70 or 80 per cent of our foreign trade.

Hon. Mr. LAMBERT: As it has been in the past?

Mr. MCKINNON: Yes; I would say so, probably close to 80 per cent.

Hon. Mr. LAMBERT: These concessions, then, should increase it?

Mr. MCKINNON: Oh yes, undoubtedly should, unless some unforeseen calamitous condition develops.

Hon. Mr. LAMBERT: Of course this trade agreement will be subject as far as Canada is concerned to the reservations that were discussed yesterday?

Mr. MCKINNON: That is right.

Hon. Mr. DAVIES: When is it expected that the Havana conference will be concluded?

Mr. MCKINNON: Well, having been eight months at Geneva, my own guess would be that it will probably be a minimum of three months. I think we read the other day that there have been some eight hundred amendments moved to the charter to date, and even if they disposed of these by a ye and nay vote, it would take quite a long time to get through with them. However, as Mr. Deutsch emphasized yesterday, the vital thing is this: the abridged edition of the charter called the Agreement can stand on its own feet. It contains all the vital elements for a trade agreement; and even though the charter should be vitiated, or even though there should emerge no charter at all, the original group have got something quite good enough to go ahead on in the General Agreement. It can stand on its own feet and it is not subject to the vicissitudes of the discussions at Havana among some sixty nations.

Hon. Mr. CAMPBELL: What did you get with respect to farm machinery going to the United States?

Mr. McKINNON: We are now getting into detail; but farm machinery was already admitted free to the United States. There was one slight fly in the ointment: if I remember correctly, the United States duty on cream separators depends on the value of the separator. Over a certain value it had a certain duty, under a certain value it had a different duty; and it just happened that in respect of the single dutiable item our exporters found themselves sometimes in the wrong value bracket.

We were able to get a very substantial adjustment on that with the result that I think we have the situation on separators amended today to a much greater advantage of Canadian exporters.

The CHAIRMAN: That is reciprocal.

Mr. McKINNON: That is right.

The CHAIRMAN: Are there any further questions to be asked of Mr. McKinnon before Mr. Kemp takes over?

Mr. KEMP, (Director of Commercial Relations Division, Department of Trade and Commerce): Mr. Chairman and honourable senators, a good many of the general remarks that I might have made have been so adequately covered by Mr. Deutsch and Mr. McKinnon that I shall try to cut short what I might have said so as to avoid repetition. However, I should like to make a few general observations.

Among the countries with which we had to deal the most important, of course, from the point of view of the volume of trade involved, was the United States. The United States was also a country which was characterized by a relatively high tariff before the beginning of these negotiations, and from both of these points of view, it had a good deal to offer to us and was naturally in a strong position to ask for concessions in return. It was therefore necessary to make concessions, not only in regard to Canadian tariff rates, but also with regard to preferences enjoyed in various other countries. It was quite obvious that it was necessary for some preferences to be completely eliminated and for others to be cut in order to persuade the United States that it was getting enough out of the agreement, and to make it worthwhile for the United States to make the concessions which it in turn made. I think we have all felt that the concessions made by that country have been very well worthwhile from our point of view.

Mr. McKinnon has pointed out certain restrictions under which the United States negotiators were operating. In the first place there was a restriction that they could not reduce any duty by more than fifty per cent of the amount of the duty in existence on January 1, 1945. Now, if they have already made a reduction of fifty per cent in that rate of duty, I do not believe it would be possible for them to come back under existing legislation and make a further reduction at the present time. Their powers under the existing law were exhausted when they reduced the rate to fifty per cent of that existing at the beginning of 1945.

The CHAIRMAN: Do you mean that there would have to be further legislation in the United States before they could make any further reductions?

Mr. KEMP: I understand that is the case—that fifty per cent of the January 1945 duty was the greatest reduction possible under the existing legislation.

Mr. McKINNON: Perhaps you should add that according to their statutes their temporary power runs out in June of this year. It is not for us to say what they may later do, but the power under which the president has carried on with, say, Canada, in three successive agreements, runs out in June of this year.

Mr. KEMP: The second restriction to which they were subject was that they were not allowed to transfer any item from the dutiable list to the free list. We have occasionally been asked why we did not succeed in getting some duty, which was already low, wiped out altogether. The answer is that however willing the negotiators might have been to wipe out the duty altogether, they were not allowed to transfer anything to the free list. I think it is possible that there are some low duties that are hardly worth the cost of collection.

Mr. McKINNON: My memory is that there is one that is two per cent ad valorem now but they could not put it on the free list because their powers did not provide for doing that.

Mr. KEMP: In the case of Christmas trees the duty at the present time is only five per cent, and when many of these Christmas trees go into the United States they are valued at only ten or fifteen cents apiece. I am quite sure that that is a duty which does not pay the cost of collection. Nevertheless, our American friends were not permitted by their existing legislation to wipe out that duty, even though they might have been disposed to do so.

There is a third limitation that has not been mentioned by my colleagues that I might call to your attention. Before the Geneva conference began, the authorities of the United States prepared what we call a statutory list, of which I have a copy in this gray book of products on which possible tariff concessions might be considered in reciprocal trade negotiations. Unless an item was found on this list, which had been drawn up with great care in Washington, the negotiators in Geneva were not allowed to do anything about it. Quite possibly when you come to ask questions about individual items later on, we may have to reply that this item or that item could not be dealt with because it was not on the statutory list.

Mr. McKinnon has given you one of the principal reasons why items were left off the statutory list, and this was the fact that the United States preferred to negotiate in each case with the principal supplier of a particular article. When the principal supplier was a country that was not going to be represented at Geneva, they very often decided to leave that particular article off the statutory list so that there was nothing that either they or we could do about it until the time comes when they are in a position to negotiate with the principal supplier.

Hon. Mr. TURGEON: Was that statutory list made under congressional authority or by executive authority?

Mr. KEMP: It is prepared by the Interdepartmental Trade Agreements Organization representing the Departments of State, Commerce, Agriculture, Treasury, War, Navy and the United States Tariff Commission.

The CHAIRMAN: Was it ratified by legislation?

Mr. KEMP: It is made under authority which has been given to this body by legislation.

There is still one other restriction that I should like to mention to you as illustrating some of the difficulties of negotiating. The representatives with whom we negotiated did not have the final word when it came to offering a concession or refusing one. They themselves had to go back to the Tariff Agreements Committee. We never met the Tariff Agreements Committee although we met some individual members of it. We did not have an opportunity to negotiate with the committee. On the committee there were represented the organizations of which I have spoken: the Departments of State, Commerce, Agriculture, Treasury, War, Navy and the Tariff Commission. Occasionally it happened that the people with whom we negotiated showed some sympathy with a request that we made but they found on applying to this committee that one

or other of the departments that I have mentioned would not feel willing to make the concession in question, and it sometimes happened we were not able to get any further.

These were the formal restrictions under which the United States was operating and it is not necessary to add that even though an item was on the statutory list it did not necessarily follow that the negotiating team or the committee would be willing to make a concession. There were some instances in which they had to acknowledge regretfully that they did not feel that a concession on a particular item would be acceptable.

Another principle used in the United States negotiations was the most-favoured-nation principle with which you are familiar. That is, whatever concession they gave to any one country they had to give to all the other countries which might become members of the organization. Perhaps I might add that our American friends regard tariff discrimination as a very undesirable thing, and having protested against it themselves on many occasions they were particularly careful to avoid embarking upon it themselves. Consequently if any particular country had asked them to give it a concession in some way which would prevent the concession from being applicable to a competitor, that was not the sort of request that could have been expected to be favourably entertained. Generally speaking it is only fair to say that our experience with the United States negotiators was that they showed themselves very anxious to avoid anything that might possibly be interpreted as being unfair to one country as against another, or discriminatory either for or against another country.

Hon. Mr. NICOL: Do you consider that the representatives of the United States had less power to negotiate than the representatives of Canada at that conference?

Mr. KEMP: Yes, I am sure that is the case because they had, to begin with, these form restrictions that they could not reduce the rate of duty more than fifty per cent, they could not transfer any item from the dutiable list to the free list, and the items which they were free to negotiate were limited to those in this published list.

Hon. Mr. NICOL: Canada gave more power to its representatives than the United States gave to their representatives?

Mr. KEMP: Perhaps one should say that the restrictions upon the Canadian representatives were a little bit different. They were not quite so cut and dried; they were not to be found in a printed document. Nevertheless, they were there in the consciousness, which our representatives had, that some day or other they would be meeting a body like this one and would have to justify what they had done.

Mr. McKINNON: Might I add that there is the further difference that the United States negotiating results become effective without any reference to congress at all. In our case they can be brought into effect provisionally by order in council—

Hon. Mr. NICOL: How long can they remain in effect by order in council?

Mr. McKINNON: There is no period of time named at all in the statutory authority under which they are brought into effect by order in council.

Hon. Mr. TURGEON: If parliament decided not to sustain it, it could not go beyond the session.

Hon. Mr. NICOL: If no act had been presented it could go on forever under order in council.

Mr. McKINNON: That is a possible situation, sir, but the results of our negotiations with the United States, in 1935, were brought into effect by order in council and later submitted to parliament. In 1938 they were brought into

effect by order in council and later submitted to parliament. The intention, so far as I know, is to bring this into effect on January 1 and then as the whole agreement presumably would be submitted to parliament along with all the schedules of tariff changes.

Hon. Mr. McKEEN: In each case it has been the succeeding parliament that has dealt with it if any change was made.

Mr. McKINNON: That is right, the succeeding session.

Hon. Mr. KING: Under the Customs tariff a change in the tariff may be made by order in council?

Mr. McKINNON: Yes, sir.

Hon. Mr. KING: And that has been so for years?

Mr. McKINNON: Yes, sir.

Hon. Mr. BALLANTYNE: I think we can say that the change would remain in effect so long as it was not disapproved by parliament.

Hon. Mr. KING: That would of course be so.

The CHAIRMAN: Supposing parliament did not deal with it at all, would it still remain in effect?

Mr. McKINNON: There is nothing in the statutory legislation as to the length of time a tariff change made by order in council may remain in effect.

Hon. A. L. BEAUBIEN: If parliament rejects an order in council it becomes null and void, does it not? That would seem to be common sense.

The CHAIRMAN: Legal sense and common sense are different things.

Hon. Mr. CRERAR: I understand, Mr. Chairman, that for many years it has been the law that any Canadian government can reduce duties by order in council, but cannot increase them.

Mr. McKINNON: Yes.

Hon. Mr. CRERAR: Any increase that is made must be approved by parliament. If any change made by the government is challenged in parliament, the government has to stand or fall by what parliament decides.

Mr. McKINNON: I think that is quite right, Senator Crerar, that in the past these things have been done provisionally by orders in council, which in due course have been submitted to parliament for approval.

The CHAIRMAN: But there is no need to ask parliament to approve of a reduction in the tariff, because the government has power to make a reduction by order in council.

Hon. Mr. BALLANTYNE: In the past, tariff changes have been dealt with in the budget.

Mr. McKINNON: In the past, sir, when there was any agreement such as we are considering now there was a separate resolution in the house and a separate bill, apart altogether from the budget.

Hon. Mr. LAMBERT: I have a question which I think is very pertinent, but there may be some political implications to it, and if so I will not press it. Without prejudicing what was done at Geneva would it have been possible, say at the beginning of 1946, to have negotiated with United States some or all of the advantages that are included in this agreement? It seems to me that the movement that was made at Geneva towards facilitating international trade was initiated by the United States in December, 1945.

Mr. McKINNON: That is right.

Hon. Mr. LAMBERT: That is, the idea of a multilateral treaty affecting the trade of the world. Would it have prejudiced the outcome so far as Canada is

concerned if some of the benefits to our exchange situation that are supposed to emanate from this arrangement had been negotiated earlier in a bilateral agreement with the United States?

Mr. McKINNON: Perhaps Mr. Deutsch can answer that.

Mr. DEUTSCH: In the past it has been the practice to generalize among the countries that we have treated as most favoured nations. And so far as the United States is concerned, it would have extended its benefits to its own most favoured nations.

The CHAIRMAN: It would have to do that.

Mr. DEUTSCH: Yes, so there would have been no possibility of making a purely bilateral treaty with the United States. Whatever arrangement was made with the United States would automatically extend to the countries that were represented at Geneva, anyway. Furthermore, I think it would have been difficult to negotiate a treaty prior to Geneva, because ever since 1945 and indeed earlier the United States has had this project in mind and has been working actively on preparations for these negotiations. I do not think the United States would have been very receptive to a suggestion by Canada that we get off somewhere by ourselves and make our own arrangement. That country was doing its best to bring about a conference as quickly as possible, and the earliest time that could be arranged was this summer.

The CHAIRMAN: The United States would probably have declined to negotiate a bilateral agreement, in view of what it was planning to do as soon as possible.

Mr. DEUTSCH: I cannot make a definite reply, but my guess is that the United States would have discouraged such an approach from us.

Mr. KEMP: I might perhaps add that since the middle of 1945 our department has in fact made representations to the United States authorities with regard to certain items on which we felt that there were situations that might be corrected or improved, and each time we have done that they have replied that they recognized that something might be done but they would prefer not to touch it until the general negotiations began. After we had that experience a few times we realized there was no use in trying to take up individual cases in advance of the general negotiations.

The CHAIRMAN: Did you get pretty well what you wanted in those cases when the negotiations were begun?

Mr. KEMP: In some cases we did, sir, and in some we did not.

The CHAIRMAN: Does the committee desire to go into these schedules now, before adjournment?

Hon. Mr. HAIG: I do not think so, Mr. Chairman.

Mr. KEMP: Mr. Chairman, I had some thought of saying a few words about other countries.

The CHAIRMAN: Then you may proceed, Mr. Kemp.

Mr. KEMP: I mentioned the United States first, because it is the country with which our export trade was largest, but from some points of view I should perhaps have begun by saying something about the British Empire. The United Kingdom is of course our traditional export market for many important commodities. Besides, it has suffered very greatly from the effects of the war. We had every reason, therefore, for desiring to improve our trade relations with the United Kingdom. Notwithstanding that, there were very great restrictions upon any trade agreement that we might make on this occasion with the United Kingdom. To begin with, they themselves had accepted the principle that there should be no new preferences, no widening of existing preferences, and that in fact there should be negotiations for the narrowing of existing preferences.

They had accepted this obligation in connection with the loan which they negotiated with the United States about the end of 1945. Therefore they were not able to give us any new preferences, even if they had wished to do so. Actually, the great majority of our products already entered the United Kingdom duty free, so that was a second reason why there was not very much that they could have done for us. We in turn became obligated not to concede to them any new preferences or to widen any existing ones. These restrictions meant that if the United Kingdom reduced any duties in our favour they had to make the same reduction for all the most favoured nations; and similarly, if we reduced any duties in favour of the United Kingdom we had to make an equal reduction for all the most favoured nations.

These restrictions on our possible negotiations with the United Kingdom were also applicable to Australia, New Zealand, South Africa, India and Pakistan. While we were at Geneva, India was bisected and we found that instead of dealing only with India we were dealing with Pakistan also. Pakistan was regarded as an inheritor of the Indian preferential position, and now enjoys preferential treatment, as does India. During our stay in Geneva, Burma also took steps toward separation, and it is regarded as a separate country for these purposes. So are the British West Indies, with which we have a separate agreement, and Newfoundland.

In all these cases we were unable to give them any preferences that we did not already give, and we were unable to get from them any preferences that we did not already receive.

I will now pass on to the other countries and say a brief word about each. France is a country with which we were very anxious to make a favourable trade agreement, an agreement favourable to both sides. It is a country that has strong traditional ties with our own country, and they have been reinforced by the experience of two wars. There is much in common between the culture of the two countries. We did our very best to arrive at favourable results with France, and I think she reciprocated. It is a country in which agriculture is very important, both economically and politically; and agricultural protection is deeply rooted in her history and institutions. Notwithstanding that, we did get some important agricultural concessions from France.

One feature of French trading is that their exports depend to a considerable extent upon what we are apt to consider luxury lines, including such things as wines, spirits, perfumes, fine textiles, embroidery, jewellery, some of the expensive kinds of cheese, *pâte de foie gras*, and so on. These were among the things that they were particularly anxious to sell to us.

France is also a country which goes in very extensively for the system of state monopolies which Mr. McKinnon has discussed, and in our negotiations with France it was just as necessary to make agreements about state monopolies as about the tariff itself. France has also some monopolies which are not state monopolies, but are organizations of importers which have been given a concession to be sole importers of various articles. We had to give some consideration to the operations of these organizations.

Mr. McKinnon has mentioned the importance of Benelux in our trade negotiations. This new customs union, which is in the process of being set up, covers a population of some 17 million; they are energetic and vigorous people, recovering rapidly from the devastation of war, and we found them extremely friendly to Canada.

The CHAIRMAN: Benelux refers to the three countries, the Netherlands, Belgium and Luxembourg, but does it mean that those countries have no tariffs whatsoever against each other and that they have the same tariffs against all outsiders?

Mr. KEMP: That is the situation.

Hon. Mr. LAMBERT: Did the credit which this country extended to France have any bearing on our negotiations with that country?

Mr. KEMP: Yes, it did.

Hon. Mr. LAMBERT: It would make it easier to negotiate with that country.

Mr. KEMP: It was frequently quoted to us as a reason why we should reduce the duties against them. But quite apart from that, sir, it was obviously regarded by the French people with whom we were dealing as a mark of friendship on the part of Canada, and I am sure it had an important effect in helping along our negotiations, as indeed did the loans that we have made to several other countries. We experienced a substantial sense of gratitude which was not, I am sure, limited to words only.

Hon. Mr. HAIG: France did not suggest to you that we should give them reductions so that she could pay back her debt to us?

Mr. KEMP: That was the argument.

Hon. Mr. HAIG: That is what I thought the argument would be. They are like certain fellows in Winnipeg who when you lend them some money want you to cut the rate so that they can pay it back.

Hon. Mr. CRERAR: It is not an unreasonable argument.

Hon. Mr. HAIG: It is a human argument.

Hon. Mr. BEAUBIEN: It is the only way they can pay back the loan.

Mr. KEMP: Referring again to Benelux, we found that the countries desired to make concessions to us, as well as to receive them from us; we have actually got some concessions which are well worthwhile, and some have also been extended by the colonies and dependencies of the Netherlands and Belgium. We succeeded in making an agreement with Czechoslovakia on various items. Perhaps it was not so extensive as in some other cases, but nevertheless worthwhile. Norway has a small population and a number of her industries are competitive with our own, such as fish, fur, lumber, paper and so on. But even with Norway we were able to obtain some concessions, as to agricultural products, wheat and other things, and we received some other worthwhile concessions from them.

There were three Latin American countries represented at the conference. First, Cuba was of particular interest to us because it is a country that receives preferences from the United States and grants them in turn to the United States. Although we were in a sense on the defensive with regard to preferences exchanged with the British Commonwealth, as to Cuba we were endeavouring to obtain a narrowing of the existing margins of preferences. We were successful, notably with regard to fish and flour items, of which the details can be given when you are ready to take them up.

Hon. Mr. LAMBERT: Did we not at one time ship a good deal of flour to Cuba?

Mr. KEMP: Yes, we did.

Hon. Mr. LAMBERT: That had been interfered with considerably by a sugar agreement between the United States and Cuba. Is that still in effect?

Mr. KEMP: They have consented to narrowing considerably the margin of preference which they gave to the United States on flour, but they have not wiped it out entirely.

Hon. Mr. LAMBERT: Is that not due to the special agreement or understanding in connection with sugar control?

Mr. KEMP: I do not think it is specifically tied to that by law, but no doubt that was one of the factors which led them to concede it.

Brazil is a large country on the other side of the equator, with which we have felt that we ought to be able to improve our trade. We have obtained

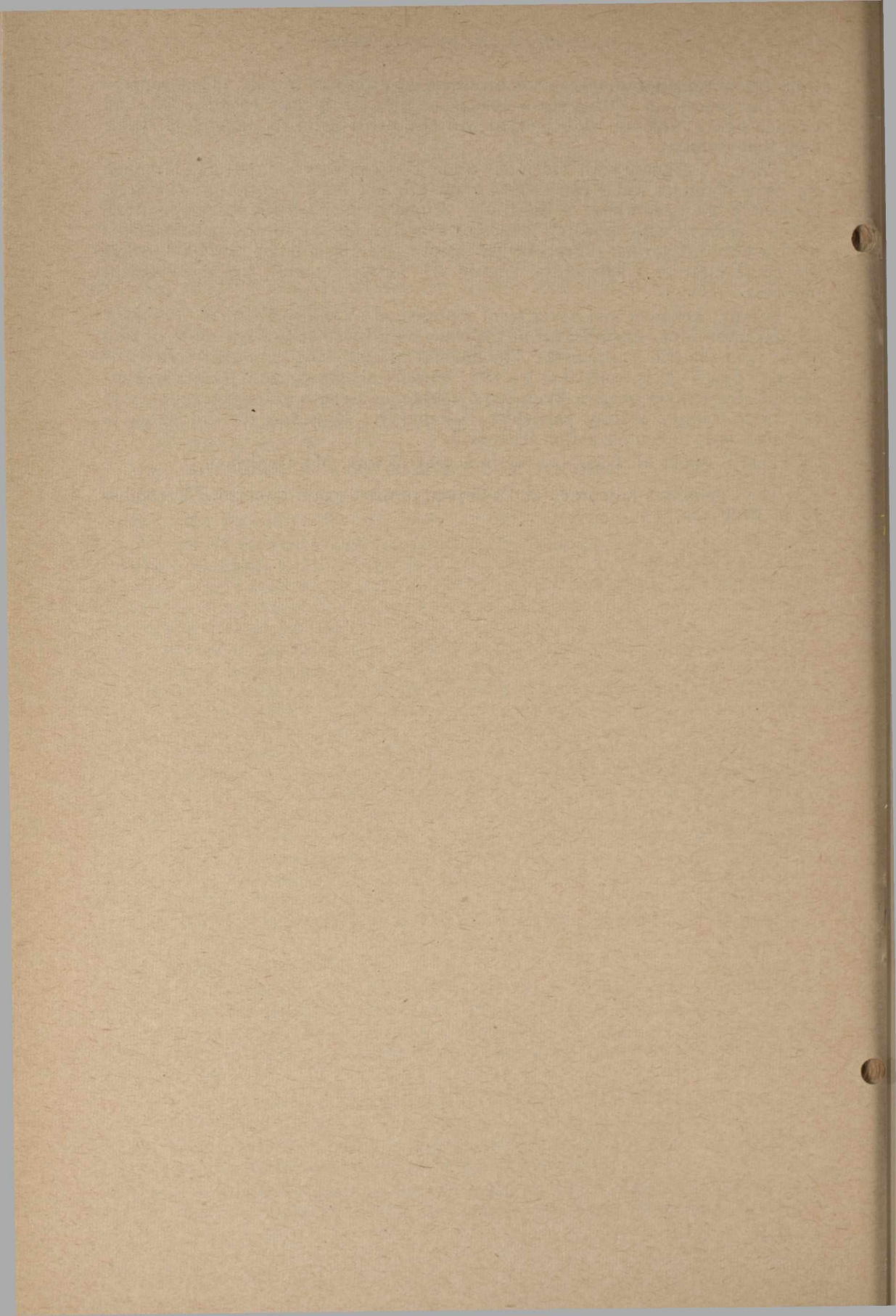
from Brazil some quite valuable concessions with respect to fish. That country is in the process of setting up a system of direct shipment between Rio and Canada's eastern ports; we hope that will also assist us in developing our trade with that country.

Chile is a country with which our trade has been very limited; and although we have obtained some concessions they are not of a substantial character because of the narrowness of the trade. China is in much the same condition. She is a country with probably great potentialities for the future, but up to the present time neither her exports or her imports have been large. Probably what she needs most is a substantial supply of foreign capital for development purposes.

Finally, Lebanon and Syria were represented at the conference. Probably all that most of us remember about the trade with Lebanon is what we have read about it in the Old Testament. The amount of our trade with that country is so small that I am not sure that we were actually able to get any particular concessions from them or give them any; neither of us is a principal supplier to the other country in any particular commodity. However, we did agree to exchange most favoured nation treatment.

That is about all I wish to say in a general way, Mr. Chairman.

The Committee adjourned at 12.45 p.m. to meet again tomorrow, December 18, at 10.30 a.m.



THE SENATE OF CANADA



PROCEEDINGS

OF THE

STANDING COMMITTEE

ON

Canadian Trade Relations

To whom was referred the subject matter of the General Agreement on Tariffs and Trade, including the Protocol of Provisional Application thereof, annexed to the Final Act of the Second Session of the Preparatory Committee of the United Nations Conference on Trade and Employment held at Geneva from April 10 to October 30, 1947, together with the Complementary agreements of October 30, 1947, between Canada and the United States of America and between Canada and the United Kingdom.

No. 3

THURSDAY, DECEMBER 18, 1947

CHAIRMAN

The Honourable W. D. Euler, P.C.

WITNESSES

Mr. H. B. McKinnon, Chairman, Tariff Board.

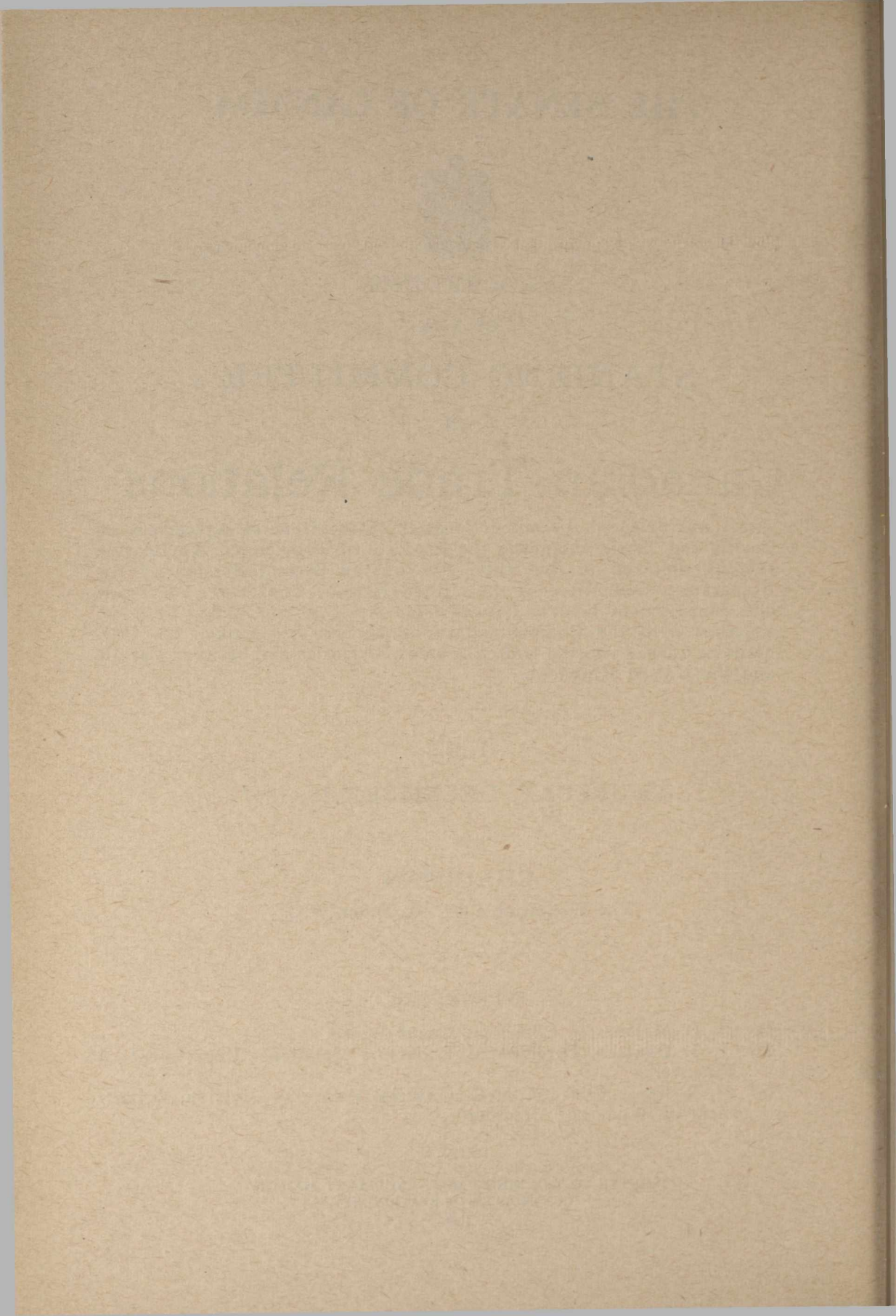
Mr. J. J. Deutsch, Director of Economic Relations, Department of Finance.

Mr. H. R. Kemp, Director of Commercial Relations Division, Department of Trade and Commerce.

OTTAWA

EDMOND CLOUTIER, C.M.G., B.A., L.Ph.

PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
CONTROLLER OF STATIONERY



ORDER OF REFERENCE

(Extract from the Minutes of the Proceedings of the Senate, December 15, 1947.)

The Honourable Senator Robertson, seconded by the Honourable Senator Copp moved—That the Standing Committee of the Senate on Canadian Trade Relations be directed to inquire into and report upon the subject matter of the General Agreement on Tariffs and Trade, including the Protocol of Provisional Application thereof, annexed to the Final Act of the Second Session of the Preparatory Committee of the United Nations Conference on Trade and Employment held at Geneva from April 10 to October 30, 1947, together with the complementary agreements of October 30, 1947, between Canada and the United States of America and between Canada and the United Kingdom.

That the said Committee be authorized to send for persons, papers and records.

After Debate, and—

The question being put on the said motion, it was—

Resolved in the affirmative.

L. C. MOYER,
Clerk of the Senate.

MEMBERS OF THE STANDING COMMITTEE ON CANADIAN TRADE RELATIONS

The Honourable W. D. EULER, P.C., Chairman

The Honourable Senators

Ballantyne,	Dessureault,	McLean,
Beaubien (<i>Montarville</i>),	Duffus,	Moraud,
Bishop,	Euler,	Nicol,
Blais,	Gouin,	Paterson,
Buchanan,	Haig,	Pirie,
Burchill,	Howard,	Riley,
Calder,	Hushion,	Robertson,
Campbell,	Jones,	Robicheau,
Crerar,	Kinley,	Turgeon,
Daigle,	Macdonald (<i>Cardigan</i>),	Vaillancourt,
Davies,	MacLennan,	White—(35).
Dennis,	McKeen,	

MINUTES OF PROCEEDINGS

THURSDAY, December 18, 1947.

Pursuant to adjournment and notice the Standing Committee on Canadian Trade Relations met this day at 10.30 a.m.

Present: The Honourable Senators—Euler, Chairman; Bishop, Campbell, Crerar, Daigle, Davies, Dessureault, Duffus, Gouin, Haig, Howard, MacLennan, McKeen, McLean, Moraud, Robertson, Turgeon, Vaillancourt and White—(19).

The Official reporters of the Senate were in attendance.

The Committee resumed consideration of the subject matter of the General Agreement on Tariffs and Trade, including the Protocol of Provisional Application thereof, annexed to the Final Act of the Second Session of the Preparatory Committee of the United Nations Conference on Trade and Employment held at Geneva from April 10 to October 30, 1947, together with the complementary agreements of October 30, 1947, between Canada and the United States of America and between Canada and the United Kingdom.

Mr. H. R. Kemp, Director of Commercial Relations Division, Department of Trade and Commerce, was again heard with respect to the details of the agreement, and was again questioned.

Mr. H. B. McKinnon, Chairman, Tariff Board, was again heard and questioned.

Mr. J. J. Deutsch, Director of Economic Relations, Department of Finance, was again heard.

On motion of the Honourable Senator Haig, seconded by the Honourable Senator Campbell, the Committee adjourned at 12.15 p.m., to the call of the Chairman.

Attest.

H. ARMSTRONG,

Clerk of the Committee.

MINUTES OF EVIDENCE

THE SENATE, THURSDAY, December 18, 1947.

The Standing Committee on Canadian Trade Relations resumed this day at 10.30 a.m.

Hon. Mr. EULER in the Chair.

The CHAIRMAN: Gentlemen, will the committee come to order? Mr. Kemp, of the Department of Trade and Commerce, tells me, as I think you know, that he had pretty well completed what he calls his voluntary statement yesterday, but of course we realize that members of the committee may have been sleeping on it and thinking about it and may have other questions in their minds that they wish to ask now. If so, let them do so and for ever after hold their peace. When that general questioning and examination is completed, as it may be now, it is then a question for the committee to decide whether it desires to begin today a consideration or examination of the various details of tariff changes, which of course are very extensive. I do not imagine there is any possibility of completing it today, and it remains to be decided whether in that case we want to go on with it now, or withhold it until after the recess. Are there any further questions you want to ask?

Hon. Mr. HAIG: Senator McLean started in to ask questions, and I was going to suggest, why not let him ask those questions this morning?

The CHAIRMAN: That is on the general statement?

Hon. Mr. McLEAN: No, Mr. Chairman; it was on the fish end of the business that I was going to ask questions.

The CHAIRMAN: I see no particular objection to your asking those questions.

Hon. Mr. McLEAN: Mr. Chairman, Mr. Kemp, I have been going over the details of the Agreement as far as the fish business is concerned, and I must admit that you have done very well in so far as I can see, in respect of fresh, frozen and filleted fish, but on the other hand the canning industry is a very important industry on both coasts. The canning of fish, as you know, provides for a lot more labour, and it reaches out for steel, and boxes, and so forth; and in the salmon industry, the sardine industry, and different industries on both coasts it is quite important. I might ask a question or two in relation to salmon, although I am not in the business, nor is any salmon canned on our coast. I notice that, while the duty remains the same on canned salmon going into the United States—25 per cent ad valorem, I think it is—on the other hand the duty on raw fish going into the United States, which would not bring nearly so much money as the fish would after it is canned, has been cut 50 per cent. Am I correct in that? And then the preference in the markets which British Columbia had, such as Australia and New Zealand, has been reduced 30 per cent. In other words it opens up the markets, possibly, later on for Russian and Japanese, and right away for United States competition. This to my mind puts the British Columbia salmon industry, which is a great industry out there on the coast, at a disadvantage. On the other hand, what compensation does the industry get for what we have given away, say on the Pacific coast, in connection with the salmon industry?

Mr. KEMP: To begin with, senator, I think I should say that we made an effort to get a maximum reduction of the United States duty, both on the raw fish and on the canned fish.

Hon. Mr. McLEAN: A little louder, please.

Mr. KEMP: We made an effort to get the maximum reduction of the United States duty on both the raw fish and the canned fish.

The CHAIRMAN: Did you get it?

Mr. KEMP: We got it on the raw, we did not get it on the canned; and we think we know the reason why our American friends were not willing to give it on the canned. They considered that the potential chief suppliers of canned salmon to the United States market are two Asiatic countries, and neither of these countries was represented at the Geneva conference. The general principle upon which the United States has been operating is that it prefers not to make a concession unless through negotiation with the principal supplier. Now it is quite true that we have in the past been principal suppliers; but they probably regarded these two countries as being the potential principal suppliers, and probably wanted to reserve that item for the time when they will be negotiating with those two countries.

Hon. Mr. McLEAN: In the meantime, however, it is unquestionable that the British Columbia salmon industry is going to go through a period of transition or disadvantage, I would say, because the raw fish will go out at a low rate of duty which will be paid on the raw fish but it will not be nearly as much as it would be if the article were canned. During the war we used embargoes at times but in peacetime they are difficult to handle. I have had experience in that respect and I know it is difficult to have embargoes in the fish business. Although I am not in the salmon business I believe a lot of fish will go to the United States for canning on this low duty, and this fish will pass by the British Columbia factories and then be canned in the United States where the price is higher but not high enough to overcome one-quarter of the value which the duty on the canned article will be.

Hon. Mr. McKEEN: May I interrupt Senator McLean to ask a question here.

Hon. Mr. McLEAN: Yes, I would welcome any questions from British Columbia senators.

Hon. Mr. McKEEN: I may say in regard to this question that there is a great deal of concern on the coast for several reasons. In the first place, I have received a wire from the Vancouver Board of Trade which I should like to read in order to let other honourable senators know the situation which prevails out there. This telegram ties right in with what Senator McLean was saying. That is why I have interjected at this point. The wire reads as follows:

British Columbia salmon canning industries representing investment of approximately 23 million dollars with an annual pack of about 17,500,000 and employing ten thousand persons is placed in jeopardy as a result of the Geneva agreements encouraging export of fresh fish. Stop. Urgently request further consideration be given adoption of measures designed to ensure that this important business of the fishing industry representing about forty per cent of the total commercial fish production of British Columbia will have an available supply of raw material on an economic basis.

That was brought out because there was a prohibition on the export of raw fish this year, which was put into effect about July 1. The canneries operated until that went off on October 15. The supply of fish was cut off on October 15 and the canneries had to close down, except for what they had on hand at the moment. From that time on enough fish went over to the United States to pack 150,000 cases of salmon. The Americans paid approximately eight cents a pound more than the Canadians could for the fish. The reason for that was they were getting from \$8.00 to \$10.00 a case more for their canned salmon in their own market which represented an increase of at least \$2.00 to \$4.00 more

profit to them on the fish after paying the higher price than the Canadian canneries would have. In other words, the extra price paid for the fish amounted to about \$6.00 a case, and the extra price they got for the case was \$8.00 to \$10.00 on the top grade fish. If the fish were going over to the United States as processed fish to be sold on the fresh fish market, I do not think there would be the same objection. However, the canned salmon industry is an important part of the fishing industry on the coast, I would say it is at least 75 per cent of the total salmon business. You have to build your volume up to a certain figure to take care of overhead for operating the canneries for the season. If they go below that figure and do not reach their target then the cost of the production of each case is higher than the original estimate, and the selling price is based on a certain pack and that shows them a loss which may force them to shut down the canning industry entirely. In all other industries we are trying to process to the last degree in Canada and to get the highest price out of the product. In this particular case in selling fresh fish, this fish could be used for canning purposes. This would not apply to prairie fish that is not generally used for canning purposes, or eastern fish which are sold as a finished product. But in the case of sockeye salmon, which is used principally for canning, there should be some protection for this business in Canada, especially when we have given away concessions in the other markets because we must be in a position to compete with the United States and other countries of the world. So in this case serious injury has been done to one particular industry without any offsetting advantage to it. You mentioned that the duty on fresh fish had been reduced by one-half. I will just quote the figures for 1945 and 1946, the last available figures that I have. The landings of sockeye salmon and a variety of canned salmon in 1945 was 170,164,000 pounds, and in 1946 it was 149,676,000 pounds. In 1945 76 per cent of the fish, or 130,000,000 pounds, were used for canning purposes; and in 1946 the percentage canned was 67 per cent, or 101,000,000 pounds. The exports of fresh fish amounted to only 5,000,000 pounds in 1945 and 8,000,000 pounds in 1946.

You can see the situation of the American packer. He fixes his target, just as the Canadian packer does, to pack, for example, 100,000 cases. On that basis he charges all of his overhead, and the only costs that he has to bear on any quantity packed in addition to that are the costs of labour, material and cans. So the cost of whatever number of cases he produces above 100,000 is cheaper per case than his original estimate. If instead of 100,000 cases he can pack 200,000 cases, for the fish that he uses in the extra 100,000 cases he can afford to pay more than the Canadian cannery can up to the point of his pack. Also on the American side they have the advantage of using seines and traps, which are a cheaper method of fishing than gill netting that is used in Canada. The individual fisherman says that when the cannery uses the traps it cuts down his production and the amount he gets out of the fish. I do not know whether we can give it to them both ways, use the most expensive method of fishing and still let them sell the fish out of our market and deprive us of the advantage that we would get from it in Canada.

I want to put this on the record so that the situation would be clear to all honourable senators, in the hope that some concession might be made to the industry that would allow it to continue over the next few years till it gets established in new markets to take the place of those it is losing.

The CHAIRMAN: Would it help if the Canadian methods of fishing were made the same as those in the United States?

Hon. Mr. McKEEN: It would be very helpful, but I do not think it would be politically possible to do that. As a matter of fact, one cannery out there has a trap, and the fishermen have been fighting for the last fifteen or twenty years to get it removed.

Hon. Mr. HAIG: What suggestion have you to make to the department for solving the problem? Could you state your suggestion, so that the department could make its answer?

Hon. Mr. McKEEN: I wanted to know whether the department had any solution to suggest.

The CHAIRMAN: It is a matter of policy.

Hon. Mr. McKEEN: British Columbia's preferred position in the fishing industry has been traded away. Now, what has the department in mind to get back as an advantage for that industry?

Mr. KEMP: I realize that much of what you have said is for the consideration of the Department of Fisheries, senator, and covers matters with which the Geneva delegation could not have dealt; but I am right in recollecting from what you said that the American canners have been paying about 8 cents a pound more for raw fish than the Canadian canners have been paying?

Hon. Mr. McKEEN: They have been this year, but not always. There was a time up to 1935, I believe, that there was a prohibition. At that time the Canadian price of fish was higher than the American price, so the prohibition was removed. There was very little change in that situation up to about 1939. It has not always been that the Americans have paid more, but at the moment they are doing so. That is why I ask that something be done to overcome the situations that may arise at the present.

Mr. KEMP: In recent months the Americans have been paying about eight cents a pound more.

Mr. McKEEN: When prohibition came off they were paying eight cents a pound more on high grade fish.

Mr. KEMP: That is right. As a result of the Geneva conference the Americans have reduced the duty on fresh fish about one-half cent a pound. Is that right?

Mr. McKEEN: That is right.

Mr. KEMP: So that it is not really that reduction of a half cent a pound that is the cause of our difficulty in getting and retaining the raw material on this side?

Mr. McKEEN: Not altogether; but we had to put a prohibition on in July in order to retain sufficient for packing. That half cent does not do it. The way that it works out is this: The half cent means that on 75 pounds of fish going into the United States in the form of fresh fish there is a duty of 37½ cents, but on the same quantity of fish going in as canned salmon the duty is 25 per cent ad valorem and each case is worth, I believe, approximately \$25, making the duty about \$6.25 a case. The difference in duty on 75 pounds of canned fish against the same quantity of fresh fish would be \$5.92 per case.

Mr. KEMP: The main complaint about Geneva is not that the duty was reduced half a cent a pound on fresh fish, but that it was not reduced 12½ per cent on canned fish.

Hon. Mr. McKEEN: And that it was not reduced half on canned fish.

Mr. KEMP: That is correct.

Hon. Mr. McKEEN: I am free to state that I doubt that that would have solved the problem for the canners; I do not think that even a 50 per cent reduction in canned fish would give us the fish.

Mr. McKINNON: I think at this point I might remark that we as officials should be, in my personal opinion, indebted to Senator McKeen for the purely objective way in which he has stated a very difficult problem. He has made it clear and has not attempted to slant in one way or another the fact that this premium was being paid by American users of fish prior to the announcement

of the Geneva decision. He even admits that it was not necessarily the half cent reduction on raw fish which has created the situation, or even, greatly worsened it; but, as he has stated yesterday, and again very fairly, that reduction had not done anything to alleviate the situation.

I believe that Senator McKeen has made a very fair statement—one that I would have made myself, had I been under examination—that in the face of the premium that obtains in the United States on raw materials, I doubt very much, as he has stated that, even a 50 per cent reduction in the canned product in the American tariff would have remedied the situation. There are so many circumstances involved, as Senator McKeen has said, such as the different methods of fishing, the price levels in the two countries and so on, that this reduction of a half cent a pound on raw material—which we secured simply because we were doing our utmost to get a 50 per cent reduction on everything, thinking only in terms of tariff and trade, and keeping out of our minds other temporary factors that apply at the present time or from time to time—is an important factor in the situation.

Hon. Mr. McKEEN: Of course on your approximately 20 million dollar inland fisheries' fish that amount may represent a real advantage at some future time. At the moment I think all the fish can be sold, but maybe there will be some advantage there in the future.

Hon. Mr. HAIG: Could an embargo be placed on Canadian raw fish going to the United States?

Mr. McKINNON: That is a perfectly fair question, Senator Haig, and since it would relate not to the tariff schedules at all but to the general principles in the Agreement, I think Mr. Deutsch would probably care to answer you on that point.

Mr. DEUTSCH: Senator, it is possible that for a temporary period we probably could embargo the salmon; that is, for perhaps a year or two, because there are a number of exceptions in the charter that take care of the problems of post-war transition; and under that heading we might be able to continue to embargo the salmon. I must say, however, that as a permanent policy, I am afraid, the charter would not permit it.

Hon. Mr. McKEEN: Well, Mr. Deutsch, regarding that, if we put the embargo in there to retain fish enough to take care of our minimum requirements of canning, and then released the fish after that, would that be a form of embargo that would be prohibited under the charter?

Mr. DEUTSCH: I am afraid it would, senator, yes.

Hon. Mr. McKEEN: Even though it was going to put our canning industry out of business we still could not do it under the charter?

Mr. DEUTSCH: No, not under this charter, sir. I should say that the charter does permit countries to discuss problems with other countries and to try to work out some scheme which will meet our problems, and if it was decided that we should try to do that, we could use the consultation provisions of the charter. I am not sure what the result would be. We would have to go to the United States and say, "we have got this difficulty—"

Hon. Mr. HAIG: Let me put this supplementary question before you finish. Has the price of 8 cents for the raw fish in the United States market anything to do with the general cost of living of meat and food of that character in the United States? Is that one of the basic reasons?

Mr. McKINNON: I think maybe Senator McKeen could answer that better than I, but my inclination would be to believe it was a reflection of the high cost of foods generally.

Hon. Mr. McKEEN: It is reflected in your canned fish.

THE CHAIRMAN: Gentlemen, Senator McLean has been very kind in yielding his place, and I think we ought to allow him to go on.

Hon. Mr. McLEAN: I think we have covered the west coast salmon industry.

Hon. Mr. HAIG: You have not found a solution.

Hon. Mr. CAMPBELL: There is a very simple solution, and that is for the canners to pay a price equal to what they pay in the United States.

Hon. Mr. McKEEN: They could not sell their products.

Hon. Mr. McLEAN: There are one or two items which affect the east coast for which I can see a very much larger market in the United States. I notice that a duty is still left of the item called kippered snacks. Kippered snacks is the poor man's food, used for the lunch pail, very considerably, in the United States and Canada, and there was a considerable market in the United States during the war. Of course, other countries have been cut off. That is an item which the United States, to my knowledge, has never put up, has never manufactured. I think there is every reason why the duty should be reduced. It is the poor man's food, and it is not manufactured in the United States. They want to get their cost of living down, and yet at this time the minute it reaches the border there is 12½ per cent slammed on it, and then the 8 per cent sales tax. I do not know why the sales tax is put on, because they do not manufacture this article in the United States, and there is nobody to protect. So I think all the arguments are in favour of getting that duty cut in two. If that were done there would be a large market in the United States for that item.

Mr. KEMP: Would you like me to deal with kippered snacks while you are on that point?

Hon. Mr. McLEAN: No. I think you might take notes and answer later. The next item I would like to refer to is clams. There is a shortage of clams in the eastern States, so they come over to Canada buying what they call shucked clams. They take the raw material over the border, and, very ingeniously, it goes into the United States free. I do not think they have conserved their beds in the eastern States the way we have in Eastern Canada. It was just a case of taking the clams from the beds, shucking them, and wasting the juice, which we know is nearly as valuable as the clams, and taking them over there free. When we come to put the clams in the cans to preserve a certain amount of juice, there is a 35 per cent duty. Years ago it used to be free, but in one of these new tariffs they have slammed on 35 per cent on clam juice, which in fact is used in hospitals because doctors say it is full of vitamins, of iodine and mineral matter. When the clams are shucked the juice is wasted. We refine the juice. I feel that a very considerable market could be built up for clam juice in the United States. As I say, they have a 35 per cent duty on clam juice. Whom they are protecting I don't know, because there is a big shortage of clam juice over there.

The next item which is important business in the East is sardines. We have, of course, in Eastern Canada the largest factories in the business. The duty was cut, according to the last figures, 25 per cent, on sardines coming into Canada.

Mr. McKINNON: Our duty. Not quite. Do you wish me to answer you as you go along?

Hon. Mr. McLEAN: Perhaps under the French treaty there was 10 per cent off.

Mr. McKINNON: The exact duties that on the type of sardine that you are interested in and talking about—

Hon. Mr. McLEAN: The 8 or under.

Mr. McKINNON: The 8 ounces or under, the duty was 1.6 cents under the French treaty, and it is reduced to 1.5 cents under this treaty.

Hon. Mr. McLEAN: Did Norway get the benefit of the French treaty?

Mr. McKINNON: Norway got the benefits of the French treaty, and now gets the benefit of the new rate,—1.5 instead of 1.6.

Hon. Mr. McLEAN: It has been a long hard road to work the sardine business up in Australia, New Zealand and South Africa. You all know the trouble we had over the word "sardine". After very many years Canada was able to build up a very large market in Australia, New Zealand, South Africa and different parts of the Empire. As I understand it, our preference is also cut in those markets on sardines the same as on salmon.

Mr. McKINNON: Mr. Kemp will have to answer that. It differs in each market.

Hon. Mr. McLEAN: Our preference has been lessened quite an amount, I understand, in these markets, and as I stated, you can seek new markets, of course, but the markets we had were built up over many years for the sardine business and also for the salmon business, and it is going to be difficult to go over that long hard road and find other markets to replace those which you have given away. I might ask, with these concessions that you have given to other countries in the sardine industry, what do we get in return, either for the industry or probably some other branches of the fish business? I know this, that the duty has been raised to the United States on one part of the sardine industry, but that does not count at all, I won't bring that into the situation, but it has been cut in two, 15 per cent; but the duty has very little effect as far as the United States and ourselves are concerned. The duty is down to 15 per cent now between the United States and Canada.

In the Bay of Fundy, where the herring are found, I would say that 85 per cent of the fish are on the Canadian side of the Bay and 15 per cent are on the American side of the Bay. The factories being just a few miles apart, there is very little difference in the cost; and if fish are going to go back and forth between Canada and the United States it would be more on account of inefficient operation, I would say, than of cost. During the war the price of fish was fixed there at \$15. After the exchange was changed, or the dollar was brought up to the American dollar in 1946, that was never recognized by the Canadian buyers in the Bay: they paid then, and have ever since, \$16.50 a hogshead, against \$15 paid on the American side. During the war we had to pay \$16.50 for sardine herrings on our side to equal the \$15.00 on the American side. That situation still prevails. The difference in the exchange has not been recognized. Now, the cost of fish to the canneries in Canada is 10 per cent more, at their own free will, than the cost of fish to Americans. The cost of labour in the United States is probably a little more. I admit that, but they may pay a higher hourly rate and they may cut workers off at a certain time in the afternoon whereas on the Canadian side they try to give every man a day's work. The result is that the earnings on the Canadian side are probably more on a yearly basis. I do not think it would be a very big concession to put sardines back on a 15 per cent duty basis, on the East Coast. During the last ten or fifteen years we have worked up a large trade elsewhere and I do not think we are going to get anything in the way of a very substantial benefit back from the United States. Concessions have been given with regard to other industries and the fish industry should be the same. You cannot improve on nature. The canneries' job is to maintain what nature has given or to leave nature alone. There would not be much object in shipping fish back and forth across the line. I think that is about all the points I wish to cover this morning as far as the canning industry is concerned. Like the salmon people I should like to know what benefits we may receive in return for what we have given away in the industry.

The CHAIRMAN: I suppose you will answer these questions Mr. Kemp.

Mr. KEMP: The first point that Senator McLean raised was in connection with kippered snacks, and I believe they are perhaps put up in different ways. Can you tell me, Senator McLean, whether they are put up in oil?

Hon. Mr. McLEAN: No, the kippered snack as a rule is put up in a long, narrow standard can in their own oil. Some may be put in oil but I have been interested in this matter for many years and I know there is enough oil in the fish that they do not have to be put up in oil.

Mr. KEMP: The rate of duty would be different in the United States according to whether or not the fish was put up in oil.

Hon. Mr. McLEAN: I would say that 90 per cent of this fish would be without oil.

Mr. KEMP: If put up in oil, the duty has been reduced apparently from 30 to 15 per cent.

Hon. Mr. McLEAN: I would say that would not affect more than 10 per cent. If those fish are the right kind they are very fat and have a great deal of oil in themselves. That oil does not count; it has to be an outside oil and there is no need for that at all.

Mr. KEMP: If they had been in oil they would have benefited from a 30 to 15 per cent reduction. If they were not in oil they would come under another item, on which the former rate was 12½ per cent. Curiously enough that particular item was regarded by the American negotiators and their principals as being an item in which the principal supplying country was not Canada but China. Consequently the item was not negotiated with us but with the Chinese. In the course of the negotiations the Chinese undoubtedly asked the Americans to give the maximum concession on this item. The best they were able to obtain from the United States was a consent to binding the fish at 12½ per cent which was the existing rate, and it was not possible for us to do anything further. Possibly if the Chinese had made larger concessions to the United States they might in turn have been successful in getting a further reduction in that duty. I do not know. We are all disappointed in it, but the binding at the 12½ per cent rate was the best they were able to obtain.

Hon. Mr. McLEAN: Did the United States have any fish men present at the time? In all my experience in the fish business I have never seen one can of kippered snacks that had been put up in China. Norway was the chief supplier before the war and I believe during the war Canada became the chief supplier. I have been in hundreds of stores in the United States and have never once seen a can of kippered snacks that had been put up in China. I do not think the Chinese put this fish up, and I believe somebody slipped there.

Mr. KEMP: I am sure you are right, but it was not the people in Geneva who were responsible for allocating the different items to the different countries. This was done from a document which we suppose had been made up in Washington by the authorities there.

Hon. Mr. McLEAN: Some fish adviser must have been asleep, I guess.

Mr. KEMP: The only explanation I can give, and perhaps you can throw some light on the subject, Senator McLean, is that there is no separate item in the United States tariff regarding kippered snacks.

Hon. Mr. McLEAN: They do not put them up.

Mr. KEMP: It comes under a general item which includes different kinds of fish and the wording of the item in question is as follows: "Herring, smoked or kippered or in tomato sauce, packed in immediate containers weighing with their contents more than one pound each."

That is the general heading.

Hon. Mr. McLEAN: That is kippered herring.

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.

Hon. Mr. McKEEN: They take that as part of the basis of the Canadian market price?

Mr. KEMP: Yes.

Hon. Mr. McLEAN: And by so doing they raise the cost of living for their own people.

Mr. KEMP: Yes. Just to make it clear how the thing works we may take this illustration. Suppose a Canadian exporter were to try to send his product into the United States without declaring the sales tax as part of the value for duty. The United States authorities would then add the amount of the sales tax and would very likely add a penalty for undervaluation, which penalty would be exactly equal to the amount of the 8 per cent sales tax which the exporter omitted to declare. I am describing this situation which exists to-day, but it is to be rectified. One of the results of the Geneva discussion was an agreement in the charter itself as to a change in the method of valuation for duty, and as that is in Mr. Deutsch's field I might perhaps ask him to explain exactly what has been done about that.

Mr. DEUTSCH: The provisions in the charter as to customs administration, to which we referred the other day, have a requirement that once this agreement is adopted and goes into force countries will not be permitted to include in the value for duty any domestic sales taxes or excise taxes which are refunded upon the export of the commodities.

Hon. Mr. McLEAN: Very good.

Mr. DEUTSCH: Therefore when this agreement is adopted it will make a very important change in United States customs laws which will be greatly to our benefit.

The CHAIRMAN: If the sales tax is not imposed, how can it be refunded?

Mr. DEUTSCH: I understand the situation in our country to be that goods produced are taxed 8 per cent, and that the tax on any goods which are exported is refunded. After this agreement comes into force the refund must be recognized and cannot be included in the value for duty. That change will be greatly to our advantage.

Hon. Mr. McKEEN: That would help the canned salmon business.

Mr. DEUTSCH: Yes.

Hon. Mr. ROBERTSON: It applies to all the range of exports.

Mr. McKINNON: Once Congress approves the charter this will have the effect of a further horizontal reduction in duty, because it will mean a lowering of duty on all the goods we export.

Hon. Mr. ROBERTSON: All that are dutiable.

Mr. KEMP: May I refer to one other point? There was a reference to the item of clam juice, on which we pay 35 per cent duty and on which no concession was made. We also are disappointed that it was not possible to obtain a concession on that, but I think I explained yesterday that the items on which the United States negotiators were permitted to take any action were those included in their statutory list, a grey book which was exhibited to the committee. The item of clams is included in that grey book, but the item of clam juice is not; therefore no matter what efforts were made in Geneva it was quite impossible for us to obtain any concession on the item of clam juice. But it is very useful and helpful for the senator to have mentioned that matter here, because, as was said before, we are not without hope that there may be further opportunities to take up some of these matters with the United States authorities.

With regard to another point, namely, sardines, I have been looking through my records quickly during the proceedings and I do not find that we lost any preference on sardines anywhere in the Empire. I may be wrong, for I did not

have time to go through the records thoroughly, but I do not think that our position on sardines has been worsened.

Hon. Mr. HOWARD: The Canadian government gave more power to our negotiations than United States government gave to its negotiators?

Mr. KEMP: It is quite true, sir, that our government did not specify a list of things that could or could not be dealt with.

Hon. Mr. McKEEN: Was there any other country that restricted its negotiations as the United States did?

Mr. KEMP: Of course, sir, we did not know what instructions the other negotiators may have received.

Hon. Mr. McKEEN: But to your knowledge were the representatives of any other country restricted as those of the United States were?

Mr. McKINNON: May I put it this way, sir, that no other country furnished its representatives with a statutory list of items that could be dealt with.

The CHAIRMAN: In addition, there is that 50 per cent restriction.

Hon. Mr. HAIG: That is not as bad as the list.

Hon. Mr. HOWARD: The fact that some items were omitted from the United States list would appear to give a chance for further negotiations.

Mr. McKINNON: That is true, senator. The United States list was very extensive and included by far the greater part of their tariff; but the United States government was aware that certain countries would not be represented at Geneva and no doubt it kept out of the list certain items of prime importance to those countries.

The CHAIRMAN: The list was not really intended to restrict negotiations at Geneva with respect to items of interest to the countries represented there.

Hon. Mr. McKEEN: In picking the country to negotiate with as the principal supplier the United States did not stick entirely to statistical figures. In some cases they designated a particular country as potentially the principal supplier and negotiated with that country. In some instances might this not put a country which was actually the principal supplier of a certain item at a disadvantage, in that the country which was designated as a potentially principal supplier might not at the moment be interested in that particular item, and as a consequence no concession would be obtained?

Mr. DEUTSCH: That is possible.

Hon. Mr. McKEEN: For instance, China was considered to be the principal supplier of snacks, but information before this committee is that at present China is not shipping snacks to the United States, so possibly it did not ask for any concession.

Hon. Mr. LAMBERT: Were any items omitted on account of Russia?

Hon. Mr. McKEEN: Canned salmon was not touched because Russia was a potentially principal supplier.

Hon. Mr. LAMBERT: What about newsprint?

Mr. McKINNON: Newsprint was negotiated, and we got that bound free.

The CHAIRMAN: Gentlemen, if you have finished with the questions on the general charter, is it your desire to go on with the tariff items?

Hon. Mr. ROBERTSON: Before we do that, I should like to ask a question that may have been answered when I was not present yesterday. I believe it was Senator Kinley who asked whether currency depreciation was involved in this charter, and Mr. Deutsch replied that it was only incidental to it because it was covered in the International Monetary Fund. As a result of being in the International Monetary Fund and bound by its provisions to maintain some reasonable stability in currency, or because we withdrew from that position

or were bound separately and did not observe the rules in regard to it, could we look forward to enjoying the continued benefits of reduced tariffs in other countries? To put it more specifically let us suppose for the sake of argument that we withdrew from the International Monetary Fund, and as a result our exchange rate went down to a low figure, could we then suggest that other countries extend to us the benefit of trade by reason of reduced tariffs or as respect to quotas? In what respect is the question of currency depreciation on our part, or currency stability, tied up with the question of these advantages in the export markets which we at the present enjoy under these agreements?

Mr. DEUTSCH: Senator Robertson, in the first place, this charter recommends that countries that are members of this trade organization should also be members of the International Monetary Fund. If there is not joint membership the countries who are not members of the International Monetary Fund would not have any obligation with respect to maintaining a reasonable stability in their exchange. Those countries who did not have that obligation could, presumably, depreciate their exchanges at will, and they could enter into competitive exchange depreciation, and thereby gain advantages over other countries who were not permitted to do that.

At Geneva it was felt that unless there was joint membership there would not be equality of obligation: You could not expect countries to give concessions on tariffs to other countries who were perfectly free to depreciate their exchange at any time, or to any extent, which could pretty well nullify the concessions which were given to other countries.

The CHAIRMAN: But the members of the fund can depreciate their currency 10 per cent, can they not?

Mr. DEUTSCH: Yes, that is true.

It was felt that if a country was not a member of the International Monetary Fund, it should be required to enter into an exchange agreement with this organization. This exchange agreement would have in it obligations which are similar to those in the International Monetary Fund, and there would be a clause in that exchange agreement concerning the question of exchange depreciation which, presumably, would require those countries to maintain a reasonable stability of their exchange. Withdrawal from the monetary fund would not in fact relieve a country of its obligation to maintain reasonable stability of exchange; if it wanted to belong to this organization, it would necessarily have to enter into an agreement equivalent to the obligations of the International Monetary Fund, with this organization.

Hon. Mr. ROBERTSON: Is the effect of the agreement this, that if we are going to belong to this club and give advantages, we have to maintain a reasonable exchange stability?

Mr. DEUTSCH: That is the effect of the obligations in this agreement.

Hon. Mr. HAIG: But the International Monetary Fund will allow a reduction of 10 per cent, if a country so desires it.

Mr. DEUTSCH: Yes, that is true.

Hon. Mr. ROBERTSON: I am speaking about reductions beyond that figure.

Mr. MCKINNON: Ten per cent is regarded as a tolerance.

Mr. DEUTSCH: To the extent of ten per cent one can act on his own, and does not require the permission of anybody, but beyond that it is necessary to get agreement.

Hon. Mr. MORAUD: I do not know whether this question applies to the subject now before us, but there appeared in the morning newspaper today a quotation by the Assistant Secretary of Commerce in the United States to the effect that we were the only country to which the export of crude or fuel oils was not restricted, and that all other countries had to get export permits.

Hon. Mr. HOWARD: That is correct.

Hon. Mr. MORAUD: Does that provision come under the agreement? The secretary went on to say that if the United States could put an embargo on fuel oil to Canada that would help the situation in New England.

Mr. DEUTSCH: I believe the situation, Mr. Senator, at the present time is this: The United States does control the export of petroleum and petroleum products, but it does not control their export to Canada. That is as a result of the Hyde Park Agreements which in certain respects are still in effect. Under those agreements the United States did not impose export controls on items going to Canada during the war. They have maintained that policy under the Hyde Park Agreements, and at the present time while the United States is controlling exports to other countries, she is not controlling them to Canada.

The CHAIRMAN: When does the agreement expire?

Mr. DEUTSCH: I believe it has no definite expiry date; it is just running on.

Hon. Mr. MORAUD: They cannot control these products under the provisions of the Hyde Park Agreements.

Mr. DEUTSCH: It has that effect; there is still the general understanding under the Hyde Park Agreements, which as far as I know have no definite term. As to whether or not they consider it wise to take this action, and thereby more or less modify the Hyde Park Agreement, is a question that I cannot answer.

The CHAIRMAN: Can the United States terminate that agreement at will without giving notice?

Mr. DEUTSCH: I am not certain about that, Mr. Senator.

Hon. Mr. CAMPBELL: Are fuel oil and petroleum products dealt with in the schedules?

Mr. DEUTSCH: Under this agreement they are not permitted to place an embargo or control on exports, except, as I said before, there are certain provisions to take care of immediate post-war difficulties. One exception has to do with items that are in short supply; until 1950 a period is provided in this agreement giving time for countries to adjust their controls, particularly on scarce items; and in these special circumstances they may put on a control for a temporary period only.

That is to say, in respect to scarce items a country could probably put a control on for a temporary period in accordance with the agreement, for the time being, but they could not do it as a permanent measure.

The CHAIRMAN: In spite of the Hyde Park Agreement?

Mr. DEUTSCH: Hyde Park is a separate question.

Hon. Mr. MORAUD: I understand that there is no duty on fuel oil, but there is on the manufactured product, gasoline.

Mr. DEUTSCH: That is correct.

Hon. Mr. MORAUD: If in spite of our agreement duties were put on fuel, or fuel oils, that would have the effect of putting on an embargo.

Mr. DEUTSCH: No, they could not put a duty on the export of fuel oil. That would not be permitted under this agreement.

Hon. Mr. MORAUD: Why could they not?

Mr. DEUTSCH: It would be contrary to the terms of the agreement.

Hon. Mr. MORAUD: Of the Geneva agreement?

Mr. DEUTSCH: Yes.

Hon. Mr. McKEEN: Then I take it that the Hyde Park agreements are giving us the benefits with regard to fuel oil and lubricating oils that we will have under the Geneva agreement in 1950?

Mr. DEUTSCH: Yes, in a sense that is right.

Hon. Mr. HOWARD: I think it would be only fair to the record to give the answer which is given here. The paper also went on to say that in reply to that question it was stated that the imports into the United States from other countries, if they did act as was proposed by this senator, would probably be sent to Canada instead of the United States to make up for the deficiency.

Hon. Mr. MORAUD: This order was rescinded afterwards?

Mr. DEUTSCH: The order was rescinded afterwards, yes, senator.

Hon. Mr. MORAUD: But that was done by Canada?

Mr. DEUTSCH: That was done by Canada, yes, sir, not by the United States.

Hon. Mr. LAMBERT: Are there any other articles besides oil operating under the Hyde Park agreement?

Mr. DEUTSCH: Yes, sir, the United States has at this time export controls on quite a large number of items. They have for instance control over steel exports to other countries, but they have not export control on it going into Canada.

Hon. Mr. MORAUD: Just coming in?

Mr. DEUTSCH: Just coming in. That was due to the understanding that was reached under the Hyde Park agreements. They did that during the war. They did not impose export control on things coming into Canada, and they are still carrying on that way, although at the same time they are imposing export controls on some goods to other countries.

The CHAIRMAN: They might reimpose that.

Mr. DEUTSCH: Or they might ask us to do certain things. But just how that will be terminated or amended I do not know. I don't think that was too specific.

Hon. Mr. MORAUD: What items mentioned in the Hyde Park agreement are excluded from the Geneva agreement?

Mr. DEUTSCH: There are no items mentioned in the Hyde Park agreement. It is just a general statement that the two countries will organize their economies to facilitate war production in both countries, and some of the understandings under it have been carried on into peace time.

Hon. Mr. HAIG: Was the Hyde Park agreement a gentlemen's agreement or was it ever approved by Congress?

Mr. DEUTSCH: No sir, it was just approved by the American administration and the Canadian government.

Hon. Mr. DAVIES: Yesterday I asked a question which I understood would be answered when Mr. McKinnon or Mr. Kemp was before the committee. That was, on what percentage did we reduce the duty and on what percentage did we increase it?

Mr. MCKINNON: You mean on the Canadian tariff?

Hon. Mr. DAVIES: Yes.

Mr. MCKINNON: Well, Schedule V, which is the schedule to the agreement relative to the Canadian tariff, contains about 1,050 items. Of those, practically 400 odd are bound at the present rate, and the remaining 600 or 500 odd are reduced in rate. I have put it in very round figures; out of, shall we say, a thousand items in the schedule somewhat more than one-third are bound at the present rate, and somewhat less than two-thirds reduced.

The CHAIRMAN: Can you tell us what that means in terms of dollars or volume?

Mr. MCKINNON: No, we have never even calculated it, Mr. Euler. The reason we did not calculate it was this. On both sides of the table at Geneva, with different countries, there was very frequently the temptation to talk in terms of the dollar value or the volume of trade say in 1946. We took the ground that that was in a sense fictitious, because the trade was artificial—so much of it was replenishment of war-created deficiencies—and we restricted our discussions to the basis of the year 1939.

The CHAIRMAN: It would not be representative of normal conditions?

Mr. MCKINNON: That is the point. We insisted that we keep all our discussions on the basis of 1939, so we did not make any effort, Mr. Chairman, to determine what these reductions might mean in terms of greater volume or value of trade, because we felt that we were getting too far from a stable basis if we attempted to do that.

Hon. Mr. ROBERTSON: I have been asked to ask Mr. McKinnon if he could throw any light on the United States attitude re the duty differential applying to dried cod over and under a 43 per cent moisture content.

Mr. MCKINNON: I can throw a certain amount of light on that, Senator Robertson. We negotiated reductions on both. I think what is in the mind of the member of the committee asking the question is that there is still a differential between the two types, the dry and the wet cod; and Mr. Kemp, who secured the concession on both, and is technically competent, more so than I am, will be glad to explain the situation.

Mr. KEMP: I will be glad to tell you what I can, sir. The items in question are under United States tariff item 719 (2) and under the old arrangement—I will read the item to you:

(2) cod, haddock, hake, pollock, and cusk, skimmed or boned, whether or not dried, 2 cents per pound (except that the vertebral column may be removed)

Now this is divided into two parts: when containing not more than 43 per cent of moisture by weight, and when containing more than 43 per cent of moisture by weight. Under the first item, when containing not more than 43 per cent of moisture by weight, the old rate of duty was five-eighths of a cent a pound, and it has been reduced to half a cent a pound. That is, it is reduced from five-eighths to four-eighths of a cent. On the other part of the item, when containing more than 43 per cent of moisture by weight, the old rate was three-eighths of a cent a pound; it has been reduced to one-fourth of a cent: in other words, it has been reduced from three-eighths to two-eighths. So that the differential between the two rates, which was formerly a quarter of a cent a pound, is still a quarter of a cent a pound, but both of the rates are lower than they were before.

The CHAIRMAN: One-eighth of a cent in each case.

Mr. KEMP: That is right, sir. Now, the trade statistics for 1939 show that in 1939 we exported to the United States \$81,000 worth under 43 per cent, and \$925,000 worth over 43 per cent moisture. So that, at least at that time, the exports over 43 per cent moisture were eleven times—between eleven and twelve times—as great as the exports under 43 per cent moisture. It is evident therefore that we had at that time an export interest in fish belonging to both of these two classes, but that our export interest in the fish with the higher moisture content was very much greater than it was in the fish of lower moisture content. At Geneva we had an interest, and Newfoundland also had an interest. The Newfoundland fish are more largely of the high moisture content type; and a request was made for a concession on this kind of fish, not only by ourselves, on the basis of our 1939 experience, but also by the United Kingdom acting on

behalf of the Newfoundland government. When the United States therefore made these concessions, we suppose that, while Canada was recognized as the principal supplier at the moment of both of these items, they also took into account the fact that Newfoundland had a special interest in the high moisture content. When they made a concession on one of the items they always felt that they had to make the concession on both of the items, and make an equal concession on both of the items, rather than to introduce a difference or change the difference from that which had existed already. As I mentioned yesterday in my general remarks, the United States negotiators appeared throughout not to be anxious to do anything that would savour of a discrimination among the countries with which they were dealing. It would have been very difficult for them to make a concession on the item that was of greater interest to the one country without making the concession at the same time on the item that was of greater interest to the other country. That, however, is only speculation on my part. This is perhaps all that I can really say of my own knowledge with regard to what happened.

Hon. Mr. McKEEN: I would like to ask a question in that regard. That has brought up this point. When negotiations were carried on with the principal suppliers, was it permissible at Geneva for other countries which were interested in that product to sit in on those negotiations as well as the principal supplier?

Mr. KEMP: There were not in general three-cornered negotiations. There were in exceptional cases a few instances that we heard of where some other countries sat in. For example, when we negotiated some of the fish items with the United States we did have representatives from Newfoundland, and when they were negotiating fish items and fish oils we had representatives also. But while as a general thing a third party did not take part in the negotiations, there was nothing to prevent a third party from making a request on an item, even though not the principal supplier. We ourselves made many requests on items of which we were not the principal suppliers, in the hope that, even though we might not have as much influence as the principal supplier, they might nevertheless be willing to pay some attention to our attitude in the matter.

The CHAIRMAN: And did they?

Mr. KEMP: We think that in some cases they did.

Hon. Mr. ROBERTSON: On that question of moisture content, I am advised that from our point of view in Nova Scotia, it would be desirable to have that differential removed, or failing that, the percentage increased. Is that 43 per cent provision more or less a fixed part of the American tariff?

Mr. KEMP: Yes. They did not change the wording of tariff items at Geneva. They could take a tariff item and break it up into different parts, but they could not, for example, have changed the 43 per cent to 40 per cent or 50 per cent, if it would have the effect of changing any duty by more than 50 per cent.

Hon. Mr. ROBERTSON: Would that be a point on which, in any future negotiations, it might be possible to reflect the specific viewpoint of the Canadian exporter, either by having the tariff items the same or, failing that—and I am advised that from our point of view this would be desirable and necessary—by having the percentage increased?

Mr. KEMP: During the recent negotiations the powers of the negotiators were those, of course, laid down in their Reciprocal Trade Agreements Act. But if in some future negotiations they were to operate under some different authorization, as for example, if they were to operate under the direct authority of Congress, it would then be possible for them to work on a different plan.

Hon. Mr. ROBERTSON: For instance, the other day in the House of Commons a minister intimated that further negotiations were in progress. Are they

necessarily limited to any specific range or can points come up similar to the one that Senator McLean brought up?—It is within the rights of our negotiators to try along any specific lines we are interested in?

Mr. KEMP: That is true, and congress could do as it pleases.

Hon. Mr. ROBERTSON: As in the case of the specific technical suggestion you made to Senator McLean of his advising you on the technical aspects of this problem, it would be equally applicable to this point?

Mr. KEMP: Yes, sir.

The CHAIRMAN: Are there any other questions?

Hon. Mr. CAMPBELL: I should like to hear something with respect to the changes of duty, if any, covering automobiles and automobile parts between Canada and the United States.

The CHAIRMAN: Does that come under the schedule?

Mr. MCKINNON: They are under the schedule, yes.

The CHAIRMAN: Do you want a general answer, Senator Campbell?

Hon. Mr. CAMPBELL: Yes.

Mr. MCKINNON: From the Canadian tariff end, the automobile item itself and the more important items on parts are in the schedule and bound at the existing rates.

Hon. Mr. CAMPBELL: At the existing rates?

Mr. MCKINNON: Yes.

Hon. Mr. HAIG: Under the preferential agreements with the other parts of the Commonwealth we have certain rights with respect to a certain percentage of a car manufactured in Canada. Has there been any change in that situation?

Mr. MCKINNON: Australia in particular had a very high content requirement.

Mr. KEMP: There were no changes so far as I remember, sir. It was recognized that a country extending a preference was entitled to set up whatever requirements it saw fit as a condition for granting the preference.

Hon. Mr. HAIG: I know that. That was said by someone before, but there has been talk abroad that there was some curtailment of the British preference in certain markets. With respect to automobiles manufactured by Ford in Canada and sold in South Africa, Australia and New Zealand, has there been any change in these regulations at all, and if so, what?

Mr. MCKINNON: I am sorry but we misunderstood you. I thought you were speaking of the content, but you are speaking now of the rate of duty involving the preference.

Hon. Mr. HAIG: Yes.

Mr. MCKINNON: Mr. Kemp can answer that.

Mr. KEMP: If the honourable senator will give me just a moment to look up my figures. No preferences that Canada enjoyed on automobiles have been eliminated. With regard to reductions in preference the following changes have been made in Australia.

On gears in Australia the most-favoured-nation rate has been reduced from 40 per cent, plus two shillings per pound, to 37½ per cent plus two shillings a pound, so that as Canada used to receive and still receives the most-favoured-nation rate rather than the preferential rate, that happens to be a case where the change was to our advantage although it is a very slight one. The rate against us has been reduced by 2½ per cent.

Hon. Mr. HAIG: Does that apply to United States exports?

Mr. KEMP: That is true.

Mr. McKINNON: We have no preference now but both we and they have a lower rate.

The CHAIRMAN: It keeps us on an equality basis with the United States on that item.

Mr. KEMP: Yes. With regard to the unassembled chassis, in Australia the margin in favour of Canada has been reduced from threepence to twopence a pound so that there is actually a reduction in the preference that we enjoy there to the extent of a penny a pound.

Hon. Mr. HAIG: And in favour of the United States.

Mr. KEMP: Of all most-favoured-nation countries.

Hon. Mr. HAIG: That means the United States.

Mr. KEMP: The new rates if you wish to have them are:

British preference: $\frac{1}{2}$ d a pound; Canadian: 3d and most-favoured-nations: 5d. The United States enjoys the most-favoured-nation rate of fivepence a pound, Canada enjoys the rate of threepence a pound and the United Kingdom enjoys the rate of a halfpenny a pound.

The CHAIRMAN: The United Kingdom was a great exporter of automobiles to Australia in competition with Canada and the United States. Has that been altered any? Are we prejudiced in this agreement as compared with what we had before? I am speaking with reference to Great Britain.

Mr. KEMP: No, sir. Great Britain formerly enjoyed an advantage as compared with us in the Australian market. She still enjoys an advantage and it is neither greater nor less than it was before.

Hon. Mr. CAMPBELL: Was there not an advantage to the Canadian companies manufacturing motor cars in Canada and shipping them to the United Kingdom, Australia and New Zealand, as against the manufacturers of the United States shipping cars to these same countries? We had a preferential rate.

Mr. KEMP: Yes.

Hon. Mr. CAMPBELL: And I understand you to say that that has not been eliminated?

Mr. KEMP: Not entirely but there has been a reduction in the margin of preference that we enjoy.

Hon. Mr. HAIG: There is still some preference?

Mr. KEMP: Yes, we have retained two-thirds of the preference we had.

Mr. McKINNON: If you calculate the total amount of preference in a chassis it is quite a bit. If you calculate it on two pence a pound it would still be a substantial preference because of the number of pounds in a chassis.

Hon. Mr. CAMPBELL: Was there any change in the duty on a completed car or on automobile parts going into the United States?

Mr. KEMP: Not so far as I know.

Hon. Mr. HAIG: There is a question that I wish to ask which might be inclined to be political but if it is the chairman can stop me. The new program commenced by the government indicates that they would like—and I thoroughly agree—to manufacture some parts of automobiles in Canada and be allowed to sell them to the United States, and then we could buy other parts in the United States and bring them back to Canada. Is there anything in the agreement effecting that kind of situation at all?

Mr. KEMP: Would you give me a moment to look up the figure? I think I have made an error in an answer I gave previously.

Mr. McKINNON: Mr. Chairman, while Mr. Kemp is looking up the precise figure may I reply to Senator Haig, and say that while we were negotiating at Geneva there had been no announcement of the nature that Senator Haig has

referred to. We worked as tariff officials, purely on the basis of tariff and all we did in respect to the Canadian tariff was to bind the existing situation. Therefore, if there should be a new program we can start from scratch, so to speak.

Hon. Mr. HAIG: The Geneva agreement does not stop that?

Mr. MCKINNON: No. Under the Geneva agreement to date we have conserved our resources, if you would like to put it that way. They may be reduced under the agreement but as it stands now under the agreement they have not been reduced.

Hon. Mr. HAIG: Your agreements have not affected that position?

Mr. MCKINNON: No.

Hon. Mr. HAIG: That is still possible?

Mr. MCKINNON: Yes.

Hon. Mr. HAIG: That is the answer I wanted.

Mr. KEMP: May I correct a statement I made just now? I said so far as I remembered there was no reduction on the United States duty on automobile parts. It is true there was no reduction in the United States rate of duty on automobiles but there has been a reduction on parts. The item is number 369 (c) in the United States tariff which reads as follows:

Parts (except tires and except parts wholly or in chief value of glass) for any of the articles enumerated in subparagraph (a) or (b) of paragraph 369 of the Tariff Act, 1939, finished or unfinished, not separately provided for. For motorcycles, 15 per cent ad valorem, no change; other

—that would be for motor vehicles other than motorcycles—

the rate has been reduced from 25 per cent to 12½ per cent ad valorem.

Now the trade statistics which I have also looked up during the past few moments show that in 1939 we exported \$39,000 worth of automobile parts to the United States. I do not suppose it was a regular business but it sometimes happens that a factory on the other side may be temporarily short of some parts and may import a few from this side for emergency reasons. I would imagine that would be the principal reason why we were exporting parts to the United States over a duty of twenty-five per cent in 1939. However, in 1946 when conditions were also probably abnormal in many ways, our export of automobile parts to the United States was considerably more extensive and actually reached \$2,700,000 worth.

The CHAIRMAN: That is a surprising figure.

Hon. Mr. HAIG: That is what I thought. Thank you very much.

Hon. Mr. CAMPBELL: An attempt is being made to build up a toy industry in Canada today, and I was wondering if Mr. Kemp could tell us what the position is as to the duty on toys?

Mr. KEMP: My recollection is that the rate of duty on toys entering the United States is very high; I think it is 70 per cent. It was one of the items on which we naturally did our best to get a reduction, but, like another one mentioned today, it is not in the grey book. We understand that the reason it was left out of that book was that certain other countries which are regarded as the world's great toy suppliers were not represented at Geneva. Therefore we were not able to get any concession on that big toy item.

Hon. Mr. CAMPBELL: And we did not grant any reduction at all?

Mr. MCKINNON: Since we as potential suppliers of toys were not able to get any reduction in the United States duty of 70 per cent, we declined to do anything more than bind our present duty of 30 per cent. Although they pressed us to reduce our duty, we did not do so.

Hon. Mr. CAMPBELL: Does that 30 per cent apply to the United Kingdom?

Mr. McKINNON: That rate applies to all favoured nations.

The CHAIRMAN: Are there any other questions?

Hon. Mr. HAIG: Mr. Chairman, I move that the committee adjourn. I think the discussion we have had here has been most beneficial, and the publicity given to it by the press will do a lot of good. While we are home during the recess people will be asking us about various matters dealt with in the agreement, and we shall be able to take up these points after the session resumes in the New Year. I personally feel very grateful to the three gentlemen who appeared before us. They have been most helpful.

Hon. SENATORS: Hear, hear.

Hon. Mr. HAIG: I therefore move that we adjourn now, to meet at the call of the Chair after the recess.

The committee then adjourned, to resume at the call of the Chair.

1947-48

THE SENATE OF CANADA



PROCEEDINGS

OF THE

STANDING COMMITTEE

ON

Canadian Trade Relations

To whom was referred the subject matter of the General Agreement on Tariffs and Trade, including the Protocol of Provisional Application thereof, annexed to the Final Act of the Second Session of the Preparatory Committee of the United Nations Conference on Trade and Employment held at Geneva from April 10 to October 30, 1947, together with the Complementary agreements of October 30, 1947, between Canada and the United States of America and between Canada and the United Kingdom.

No. 4

TUESDAY, FEBRUARY 17, 1948

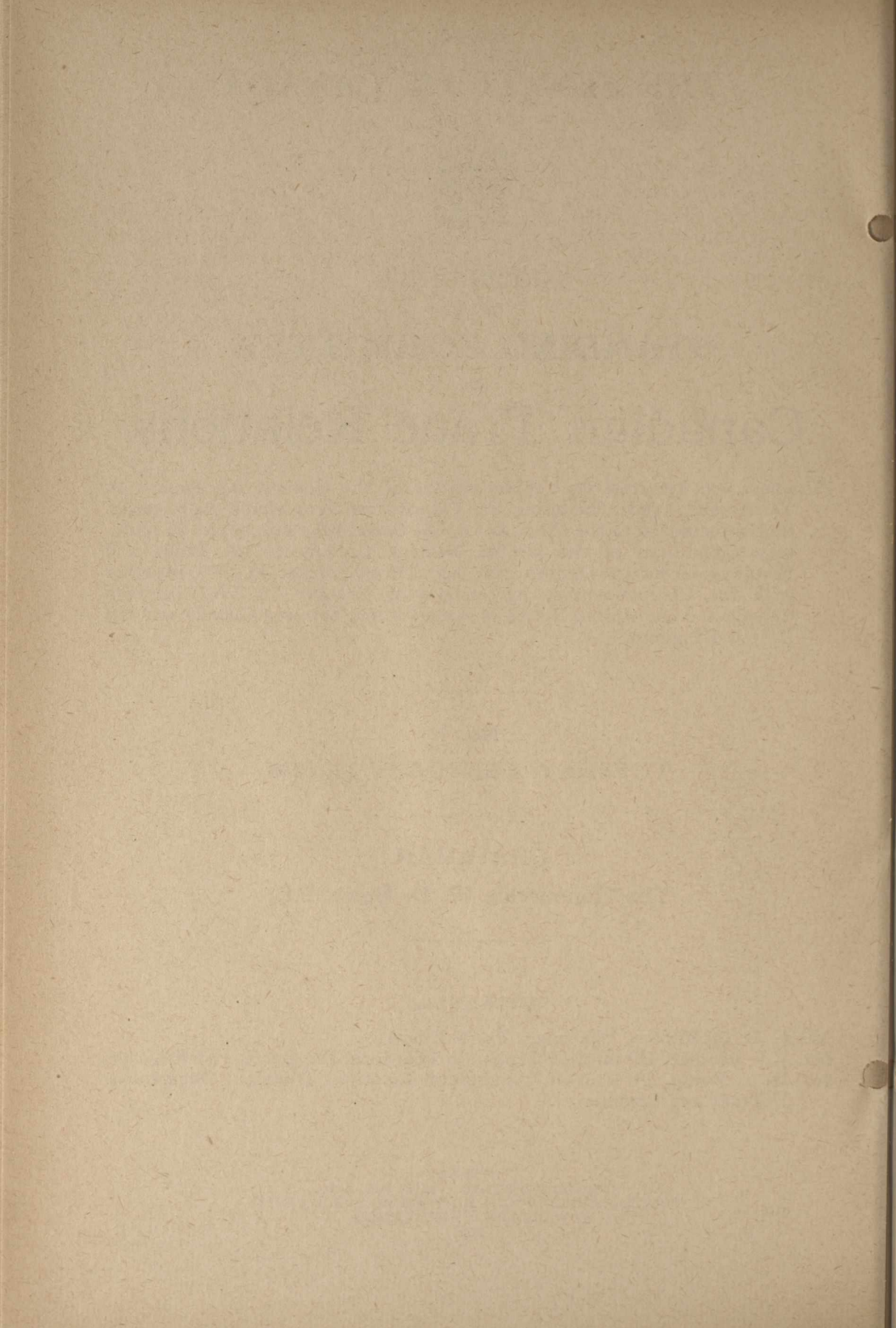
CHAIRMAN

The Honourable W. D. Euler, P.C.

WITNESSES:

Mr. H. B. McKinnon, Chairman, Tariff Board;
Mr. J. J. Deutsch, Director of Economic Relations, Department of Finance;
Mr. H. R. Kemp, Director of Commercial Relations Division, Department of Trade and Commerce.

OTTAWA
EDMOND CLOUTIER, C.M.G., B.A., L.Ph.,
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
CONTROLLER OF STATIONERY
1948



ORDER OF REFERENCE

(Extract from the Minutes of the Proceeding of the Senate, December 15, 1947.)

The Honourable Senator Robertson, seconded by the Honourable Senator Copp moved—That the Standing Committee of the Senate on Canadian Trade Relations be directed to inquire into and report upon the subject matter of the General Agreement on Tariffs and Trade, including the Protocol of Provisional Application thereof, annexed to the Final Act of the Second Session of the Preparatory Committee of the United Nations Conference on Trade and Employment held at Geneva from April 10 to October 30, 1947, together with the complementary agreements of October 30, 1947, between Canada and the United States of America and between Canada and the United Kingdom.

That the said Committee be authorized to send for persons, papers and records.

After Debate, and—

The question being put on the said motion, it was—

Resolved in the affirmative.

L. C. MOYER,

Clerk of the Senate.

MEMBERS OF THE STANDING COMMITTEE ON CANADIAN TRADE RELATIONS

The Honourable W. D. EULER, P. C., Chairman

The Honourable Senators

Ballantyne,	Dessureault,	McLean,
Beaubien (<i>Montarville</i>),	Duffus,	Moraud,
Bishop,	Euler,	Nicol,
Blais,	Gouin,	Paterson,
Buchanan,	Haig,	Pirie,
Burchill,	Howard,	Riley,
Calder,	Hushion,	Robertson,
Campbell,	Jones,	Robichaud,
Crerar,	Kinley,	Turgeon,
Daigle,	Macdonald (<i>Cardigan</i>),	Vaillancourt,
Davies,	MacLennan,	White—(35).
Dennis,	McKeen,	

MINUTES OF PROCEEDINGS

TUESDAY, 17th February, 1948.

Pursuant to adjournment and notice the Standing Committee on Canadian Trade Relations met this day at 10.30 a.m.

Present: The Honourable Senators—Euler, Chairman; Ballantyne, Bishop, Buchanan, Crerar, Davies, Haig, Kinley, Macdonald, (*Cardigan*), McKeen, Robertson, Turgeon and White—(13).

The Official reporters of the Senate were in attendance.

The Committee resumed consideration on the subject matter of the General Agreement on Tariffs and Trade, including the Protocol of Provisional Application thereof, annexed to the Final Act of the Second Session of the Preparatory Committee of the United Nations Conference on Trade and Employment held at Geneva from April 10 to October 30, 1947, together with the complementary agreements of October 30, 1947, between Canada and the United States of America and between Canada and the United Kingdom.

Mr. H. B. McKinnon, Chairman, Tariff Board, was again heard and questioned.

Mr. H. R. Kemp, Director of Commercial Relations Division, Department of Trade and Commerce, was again heard and questioned.

Mr. J. J. Deutsch, Director of Economic Relations, Department of Finance, was again heard and questioned.

On motion of the Honourable Senator Haig, the Committee adjourned at 12.30 p.m., to the call of the Chairman.

ATTEST.

H. ARMSTRONG,

Clerk of the Committee.

MINUTES OF EVIDENCE

THE SENATE,

TUESDAY, February 17, 1948.

The Standing Committee on Canadian Trade Relations resumed this day at 10.30 a.m.

Hon. Mr. EULER in the Chair.

The CHAIRMAN: Gentlemen, at our previous meetings we had explanations from Mr. McKinnon and his associates, of the Geneva agreement and the charter under which the agreement was made, and at the time we adjourned, before the Christmas recess, I think those explanations had been fairly well completed. As I understand it, the purpose of continuing the meetings was to discuss what tariff concessions we obtained.

The Government Leader, Senator Robertson, would like to make a statement and perhaps this would be an appropriate time for it.

Hon. Mr. ROBERTSON: Honourable senators, I would like to state what the situation is now, as far as my information goes. It will be recalled that before the adjournment the subject-matter of the resolution was referred to this committee for consideration, and after some meetings we adjourned over the Christmas recess. For a variety of reasons it has not been possible to meet again earlier than today. Once or twice I had in mind suggesting that a meeting be called, but I found that the room had been pre-empted by some other committees. On another occasion the Chairman was unavoidably away, and on still another occasion I was unable to get in touch with the departmental officials.

The situation as to a possible joint committee of the Senate and House of Commons is a little different from what it was when I mentioned the possibility some time ago. Mr. King had suggested that in the due course the Geneva agreement might be referred to a joint committee. I had no particular ideas about that, but I felt sure the Senate would be willing to co-operate. However, we went ahead with the meetings of our own committee. The House of Commons has so far not referred the matter to a committee of its own, and I understand there is some doubt over there as to the effectiveness of a joint committee. Mr. King told me that members of the Opposition feel that a joint committee would result in repetition, so far as we are concerned, but they would like to have copies of the evidence given here. In any event, the idea of a joint committee has evidently been dropped. I did not press for it because what was suggested was a small committee, and if half the members were senators it would mean that only a few senators would be on the committee, though of course any senator would have the right to attend its meetings.

One purpose in calling this meeting to-day is to decide whether we wish to have further meetings of our committee, and if so what our procedure will be.

Some question has arisen in the Senate as to whether or not the subject-matter, having been referred to the committee, is still before the House. Perhaps strictly it is not. However, the officials are here today, and it occurs to me that perhaps we should continue asking them for information, and after that we could decide on our future course. As honourable senators know, unless some unforeseen business arises I intend to move at the end of this week that the Senate adjourn for two weeks. The committee could either close its hearings today or continue them after the Senate adjournment.

My purpose in making this statement has been to point out two things: first, that there is not likely to be a joint committee; and secondly, that there is some question as to whether or not it is in order to continue discussion of the matter in the Senate while it is before the committee. Whatever the committee decides will be perfectly agreeable to me.

Hon. Mr. DAVIES: Could there be a prolonged discussion in the Senate when the committee reports back?

Hon. Mr. ROBERTSON: Oh, yes. If the committee reported that it had heard evidence, some honourable senators might speak to the matter in the Senate this week. I think it would be highly undesirable to close the discussion this week, because if we continued discussion after the adjournment there might be some information coming from the committee in another place to which honourable senators would like to refer.

Hon. Mr. CRERAR: Mr. Chairman, I think we should continue with our committee until we have got all the information that we desire from those who are competent to furnish it. Personally, I am not greatly enamoured of the idea of joint committees. My observation has led me to conclude that in committee here we look at things perhaps a little more objectively and with a little better balance than, for very good and obvious reasons, is done in a committee of the other house.

The CHAIRMAN: A joint committee is out of the question now, anyway. That idea has been declined by the other house.

Hon. Mr. CRERAR: Well, I am not shedding any tears over that.

The CHAIRMAN: Nor am I.

Hon. Mr. ROBERTSON: I may say that I did not suggest a joint committee originally, nor did I oppose it.

Hon. Mr. CRERAR: I suggest that we continue our hearings and carry the committee over the recess. There is a great deal of information that we can secure. I missed one or two of the meetings and I have not yet had an opportunity to read the reports.

The CHAIRMAN: Mr. McKinnon, Mr. Deutsch and Mr. Kemp are with us this morning again. Unless they wish to supplement anything that they said at previous meetings of the committee, I think we are pretty well ready to go on with the tariff changes. Are there any additional statements you wish to make, Mr. McKinnon?

Mr. McKINNON: From the strict point of view of the schedules there is nothing further, Mr. Chairman. I do not know whether Mr. Deutsch might have something to say from the standpoint of the agreement or the charter.

Mr. DEUTSCH: I have no statement to make, Mr. Chairman; however, I am always ready to answer all questions and I think I can occupy the committee's time sufficiently with general statements.

Hon. Mr. BEAUBIEN: Is the Havana Conference over?

Mr. DEUTSCH: No.

Hon. Mr. BISHOP: Apropos to that, I would like to ask Mr. McKinnon a question. I was reading in the New York Times a long article on the Havana Conference. It stated that the conference was hanging in the balance, and that it may blow up or result in a compromise this week. What I would like to know is, if the worst comes to the worst there, and the conference should collapse, will the concessions which we have secured at the Geneva Conference hold, in any event?

Mr. McKINNON: The answer is yes, Senator, as regard the tariff concessions we got and gave.

The CHAIRMAN: That is, if the agreement passes Parliament?

Mr. McKINNON: Yes, assuming Parliament approves it. Mr. Deutsch may wish to reply to the other part of the question, namely, what would be the situation in the event of a complete collapse at Havana and no charter emerging from it.

Mr. DEUTSCH: As honourable senators know, the Geneva Agreement has two parts; one is a schedule of tariff concessions, as Mr. McKinnon has pointed out; the other part of the agreement consists of a lot of general provisions and undertakings regarding trade practices, rules and so forth. Certain parts of that section are under discussion at Havana. That part of the agreement simply lifted these general provisions out of the draft charter and put them into the Geneva agreement. Those general provisions of the draft charter are under discussion at Havana, and may be changed there; indeed, it seems that some of them have already been changed.

If the conference at Havana does not succeed in producing a charter, then there is provision in the Geneva Agreements, that the signatories to the agreements will meet and consider whether they will carry on or whether they will make changes resulting from the Havana discussion. But the agreement itself is so drawn up that it can carry on. The contracting parties may consider what to do in the light of the Havana discussions, or whether anything ought to be changed, modified or whether they should carry on as is. As I say, the agreements themselves are so drawn up that they can continue, even if Havana does not produce a charter.

Hon. Mr. BEAUBIEN: That is by the countries who are willing to continue?

Mr. DEUTSCH: By the countries who are willing to continue.

The CHAIRMAN: Would you care to express an opinion on the matter? Supposing the Havana Conference collapses, as Senator Bishop has intimated is possible, is it likely that the agreements which have already been made, and which are in effect, I take it, from the 1st of January, will be altered?

Mr. DEUTSCH: As far as the tariff schedules are concerned, I think I am correct in saying that I have no reason to believe that they will be altered in any way.

Mr. McKINNON: That is correct.

Hon. Mr. CRERAR: They would stand.

Mr. McKINNON: They would stand.

Hon. Mr. McKEEN: I take it the only thing that would change the tariff agreements is the failure of the parliament of any country to approve of them?

Mr. McKINNON: That is right.

Hon. Mr. McKEEN: I presume, under those circumstances, they would go back to the same basis as other countries.

Mr. DEUTSCH: That is correct. None of the countries that signed the Geneva Agreement have yet ratified. The signatures at the present are merely those of the executives of each government, and none of the parliaments of these countries have yet ratified the agreements. That includes our own government. It may be, as a result of a Havana failure, that some parliament might not ratify, but we have no reason to believe that will be the case. So far as we know it is altogether likely that they will all ratify, but of course one cannot say definitely.

The CHAIRMAN: The agreements contain more than tariff changes.

Mr. DEUTSCH: Yes.

The CHAIRMAN: For instance, the removal of the ban.

Mr. DEUTSCH: Yes. The Geneva Agreements contain general provisions and general rules apart from tariffs. These general provisions may be changed in some respects, because the provision is that after Havana is over the

countries having signed the agreements will meet and consider whether or not any changes in the general rules are desirable in the light of the Havana Conference. They will consider, among those who signed the Geneva Agreements, if any adaptations should be made, and having considered that, they may then agree on what changes, if any, should be made.

Hon. Mr. CRERAR: What is the deadline for ratification by the signatory countries?

Mr. DEUTSCH: The end of 1948.

Hon. Mr. CRERAR: Apparently the differences which have arisen at Havana are considerable. Have those differences arisen from the seventeen signatory countries, or any of them, or are they from the outlanders?

Mr. DEUTSCH: At Geneva there were eighteen countries, and some territories which have since become countries, such as Ceylon and Burma, making twenty-three separate customs territories represented there. Of those, eight originally signed the agreement to bring it into provisional effect; the others signed the final act at Geneva but did not sign the protocol to bring it into provisional effect. So of the whole twenty-three, only eight brought the agreement into provisional effect on the first of January as we have done. Of course those eight are important and they cover a large part of the world trade; they comprise the United States, Great Britain, Australia, Canada, France, Belgium, Netherlands, Luxembourg. Since then Cuba has also signed. These countries have signed the protocol bringing these agreements into provisional effect.

The CHAIRMAN: They signed all at the same time?

Mr. DEUTSCH: Eight countries brought the agreement provisionally into effect at the same time, on January 1 of this year. The others, of the 23 countries at Geneva, signed the final act but did not bring the agreements into provisional effect. Many of the other countries, Senator, had reservations at one time or another; they did not sign because they had reservations. At Havana those countries returned to their reservations, and in addition to that the countries not represented at Geneva—and there were many because at Havana there are 57, while at Geneva there were only 23—had proposals of their own in the way of amendments to the Geneva charter; and it was those amendments and reservations arising out of Geneva that were the subjects of discussion in Havana.

Hon. Mr. CRERAR: As I understand it, eight countries have now signed the protocol.

Mr. DEUTSCH: Yes, that is correct.

Hon. Mr. CRERAR: And the agreements are indeed in effect except for limitations provided for, such as our own we are discussing now.

Mr. DEUTSCH: Except for legislative changes.

Hon. Mr. CRERAR: What percentage of world trade is covered by these eight signatories?

Mr. DEUTSCH: I would think about sixty or sixty-six per cent.

Hon. Mr. CRERAR: Roughly about two-thirds.

Mr. DEUTSCH: Almost two-thirds.

Hon. Mr. CRERAR: I hope those countries will go ahead, irrespective of what the outlanders do.

Mr. MCKINNON: There has been no suggestion that any one of the eight countries would go back on their signature; in fact there would seem good prospects that at least twenty countries will go ahead. I think that is a fair statement.

Mr. DEUTSCH: We have had no indication that any one of the countries will drop out, but it is technically possible that they might drop out.

HON. MR. ROBERTSON: Mr. Deutsch, has not the main point of argument at Havana been due to the opposition of the smaller countries to the elimination of quantitative quotas, through fear that the eight big countries, with their more highly developed industries, would prevent the smaller countries from developing? That argument is understandable from the point of view of the smaller countries.

HON. MR. CRERAR: That is the sort of talk that we used to indulge in in this country thirty or forty years ago.

THE CHAIRMAN: The "National Policy".

HON. MR. CRERAR: I think it would be altogether too bad if some thirty-five of forty countries that represent only one-third of the world's total trade were able to put a pistol to the heads of the eight countries that represent two-thirds of the world's trade. I hope we shall keep that in mind, so far as Canada is concerned, and get this thing going with the eight countries.

HON. MR. DAVIES: The reservations that you referred to, Mr. Deutsch, are with regard to tariff agreements, are they not, and have nothing to do with what is being discussed at Havana at present?

MR. DEUTSCH: I think you have a misunderstanding there, sir. The reservations by the countries that did not sign had to do almost entirely with the general rules, not with the tariffs. They had no reservations on the tariffs. At Geneva a number of the smaller countries, like Chile, were worried precisely about the things that Senator Robertson has been talking about, and they were not ready to accept the abolition of quantitative restrictions for protective purposes; they were not prepared to give up the privilege or the right of imposing quantitative restrictions on imports in order to protect their domestic industry.

MR. MCKINNON: I think we might say that we foresaw that at Geneva, honourable senators, and that was why there was extracted from the charter and abridged edition thereof, called the general agreement. Senator Crerar speaks about the outlanders putting a pistol to our heads, but the pistol in effect is not loaded.

THE CHAIRMAN: It is a pop-gun.

MR. MCKINNON: It is a pop-gun. If the twenty-three countries that signed the final act at Geneva, or even the eight that brought it into provisional effect wanted to go ahead on the existing terms of the general agreement, they could go ahead, regardless of the malcontents.

HON. MR. KINLEY: Mr. Chairman, the other day I questioned in the Senate whether the rules permitted reference of the subject-matter to the committee before the principle of the subject-matter had been approved by the house. The whole thing that we are considering here might be changed by the Havanas conference. I think we should get all the information we can and not be in a hurry in coming to a final conclusion, because some radical changes might be made by higher authority.

MR. DEUTSCH: If the Havana conference succeeds, as we all hope it will, the provisions in the general agreement with regard to the general rules may be removed and replaced by charter provisions that come out of Havana, some of which may be different from those we now have in the Geneva agreement.

HON. MR. KINLEY: In addition to that, conditions have arisen which have led the United States, for instance, to delay putting into effect the trade agreement that we have signed with them.

MR. DEUTSCH: On the part of the countries that have signed the Geneva agreements there has been a disposition to delay ratification until they see what happens at Havana.

Hon. Mr. KINLEY: We hat a quota on fish going to the United States at a low rate of duty, and in this agreement there is a provision that the duty is fixed. I understand the United States has delayed action on that.

Mr. DEUTSCH: The Geneva agreement required some changes in the United States law regarding valuation, and those changes have not yet been made.

Hon. Mr. BALLANTYNE: Mr. Chairman, this trade agreement is very complicated and I think members of the committee would get a better idea of it if the experts summarized the advantages and disadvantages to Canada. When we are discussing the effect upon countries all over the world it is difficult to get a clear idea of how Canada will be affected.

The CHAIRMAN: You mean as to the tariff changes and so on?

Hon. Mr. BALLANTYNE: Yes.

The CHAIRMAN: I should think we are about ready to find out what specific changes have been made.

Hon. Mr. CRERAR: Before we go into that, there is a question I should like to raise. What would happen if within the next year or two Canada and, say, the United States negotiated an agreement that was more favourable to the passage of trade to and from the United States than the agreements with the other countries? Is there any provision to prevent us from doing that?

The CHAIRMAN: We would have to extend the same advantages to other countries, would we not?

Mr. MCKINNON: That is right, Mr. Chairman. As the charter stands at the moment, any two or three countries could make a more agreeable arrangement among themselves than the charter contemplates, but the benefits would have to be extended to the other countries.

Hon. Mr. CRERAR: Would that depend on reciprocity with the other six countries, say?

Mr. MCKINNON: If there was a development such as you suggest, Senator Crerar, and Canada made tariff concessions in favour of the United States, and the United States in turn made tariff concessions in favour of Canada, each country would have to extend those benefits to all the other members of the club, if I may put it that way.

Hon. Mr. CRERAR: Irrespective of what the other members of the club might be disposed to do?

Mr. MCKINNON: Yes, senator.

Hon. Mr. BISHOP: That is the old most-favoured-nation principle?

Mr. MCKINNON: Yes. The most-favoured-nation principle is the cornerstone of the agreement.

Hon. Mr. McKEEN: The other countries might be prepared to make the same concessions as the United States and Canada made to them, and in that event you would have effective in all the countries an agreement within this agreement? Is that possible?

Mr. MCKINNON: That might happen, senator, but it would not be mandatory upon the other countries to make those concessions to the United States and Canada, because all these countries would in any event get the benefits of the reductions made by the United States and Canada.

Hon. Mr. McKEEN: But those other countries themselves would have to make concessions, would they not?

Mr. MCKINNON: No, sir.

Hon. Mr. McKEEN: They would get the benefits without making any return?

Mr. McKINNON: Yes. The practical situation is that if Canada and the United States were initiating action, each would make every effort to select items on which concessions would be beneficial only or largely to the other. There would be a selective process.

Hon. Mr. McKEEN: Suppose, for the sake of argument, that Canada and the United States made an agreement whereby American fruits and vegetables came into Canada free of duty and Canadian lumber entered the United States free of duty. Could another country export its similar fruits and vegetables into Canada free of duty, without allowing our lumber to enter that country free?

Mr. McKINNON: Yes, sir. That is just the application of the most-favoured-nation treatment.

Hon. Mr. McKEEN: But the most-favoured-nation treatment works both ways, does it not?

Mr. McKINNON: No.

Mr. KEMP: There is an aspect of this which has worked very much to our advantage. At Geneva a good many other countries negotiated and got concessions from the United States, which concessions we received as a big-product of the negotiations, without ourselves giving anything directly in return.

Hon. Mr. McKEEN: We might not be a supplier of the product that another country was exporting to the United States, but that is not true of the kind of case I was suggesting. If the United States agreed to allow our lumber to enter free in return for our allowing their fruits and vegetables to enter Canada free, it seems to me that any other country which wanted to send its fruits and vegetables here free of duty should extend to us the same concession as we got from the United States on lumber.

Hon. Mr. CRERAR: I would not worry much over that.

Hon. Mr. BALLANTYNE: Mr. Chairman, can we get a summary of the advantages and disadvantages of the agreement to Canada?

The CHAIRMAN: Senator Ballantyne would like some specific information on the tariff changes, as I understand it. How many tariff items were changed?

Mr. McKINNON: In the Canadian schedules there are about 1,050 tariff items.

Hon. Mr. BALLANTYNE: I do not wish any very detailed information, but I am just wondering if the experts could not outline the salient facts in a general way.

The CHAIRMAN: Would you like to know first the concessions that we got or the ones that we gave?

Hon. Mr. BALLANTYNE: I do not care which.

Mr. KEMP: Mr. Chairman, the story was summarized in a press release which was issued about the middle of November describing the tariff changes resulting from the Geneva conference. That press release was republished in full in *Foreign Trade* of November 22, 1947.

Hon. Mr. BALLANTYNE: Could you outline what was done about some big items, such as lumber and wheat?

Mr. KEMP: The story is pretty well summarized in two or three pages of the press release, which is of course greatly condensed. I have here a number of black books which contain the particulars regarding each of the items concerned. We have been working on a synopsis of the concessions that we received on the principal items—that is, items in which we have a trade of \$50,000 a year or more with the United States. The previous rate of duty and the present rate will be shown in each instance. The summary now runs to

some twenty-two typewritten pages, and we thought that it might perhaps be helpful to the committee if we could prepare it for publication either in *Foreign Trade* or in the Committee's proceedings, if the committee so desired. However, for this morning's purpose I can run over the principal concessions that we obtained, starting with agricultural items.

On wheat we received a reduction of 50 per cent in the United States duty, together with substantial reductions in the customs duty and/or "monopoly charges" in France, Belgium and Luxembourg, the Netherlands, Cuba and Norway, with binding of free duty or existing duty in China and Brazil. At the present time there is a quota restriction on the quantity of wheat and of flour that can be imported into the United States during any year; but, as Mr. Deutsch explained on a previous occasion, we understand that the United States is to remove that quota when legislative effect is given to the complete contents of the agreement.

Hon. Mr. CRERAR: That will apply to both wheat and flour?

Mr. KEMP: To both wheat and flour.

The CHAIRMAN: What does that 50 per cent reduction in the United States duty on wheat mean in terms of dollars and cents?

Mr. KEMP: The former rate on wheat was 42 cents a bushel, and now it is 21 cents. I cannot tell you the total sum that this will amount to on our exports of wheat and flour to the United States, because for some years past these have been restricted by the quota of which I spoke. And indeed it is a question how far we can expect to be normal suppliers of wheat and flour to the United States, having regard to the fact that that is a country which normally has an exportable surplus of its own. But in years when the United States does require wheat, this change will make it more easy for other countries to supply it.

Hon. Mr. CRERAR: The United States wheat is a winter wheat, but 90 per cent or more of the Canadian production is hard wheat. I recall that years ago, when I happened to be in that business, notwithstanding the duties, we frequently sold important quantities of hard wheat to the United States at a time when that country was exporting softer varieties of wheat. The market that we might get in the United States is not governed solely by that country's production, but by its desire to secure a superior quality of wheat to blend with its softer grades.

Mr. KEMP: That is quite true, sir.

I pass on to another agricultural item, coarse grains. The United States has given us a reduction of 50 per cent in its duties on oats, barley, rye, bran, shorts, middlings, grain hulls, screenings and scalpings.

Hon. Mr. BALLANTYNE: Would that not have the effects of raising the cost of coarse grains to Canadians?

Mr. KEMP: It is quite possible, sir, that if coarse grains were moving to the United States without any restriction on this side, their prices in this country would be affected by the price level in the United States.

Hon. Mr. CRERAR: That would be the case just now.

Hon. Mr. BEAUBIEN: But not in normal times.

Hon. Mr. McKEEN: Exports are still under permit, are they not? For example, you cannot export oats now without a permit?

Mr. KEMP: The feeling was that this agreement had to be made from the point of view of a number of years to come, and not just simply from the point of view of immediately present conditions, which are most abnormal, so far as the grains are concerned.

Hon. Mr. McKEEN: The question was asked whether this reduction in United States duties would not cause the price of coarse grains to rise in Canada. It is not causing them to rise now.

Hon. Mr. CRERAR: Mr. Kemp, the duty on our barley going to the United States was, as I recall it, 15 cents a bushel prior to this arrangement.

Mr. MCKINNON: That is right, sir; it was cut to 7½ cents, if I remember correctly.

Hon. Mr. CRERAR: And oats were 8 cents.

Mr. MCKINNON: Oats were reduced to 4 cents.

Hon. Mr. CRERAR: They were reduced from 8 to 4 cents?

Mr. KEMP: Yes; and rye from 12 to 6 cents.

Mr. MCKINNON: It was a 50 per cent reduction on all coarse grains.

The CHAIRMAN: 50 per cent is all they can give.

Mr. MCKINNON: Yes.

Hon. Mr. CRERAR: That will be a very definite advantage to our producers in the west.

Mr. KEMP: Shall I now pass on to the cattle concessions? The United States has bound its tariff rate of 1½ cents a pound on cattle weighing 700 or more pounds each; it has enlarged the quota from 225,000 head per year, as it was prior to the Geneva Agreement, to 400,000 head per year. That applies to heavier cattle weighing 700 pounds or more. The rate of 1½ cents a pound on calves has also been bound and the quota benefited by that rate has been increased from 100,000 head to 200,000 head per year.

The CHAIRMAN: Does that include dairy cows?

Mr. KEMP: Dairy cows are covered by a separate item.

Hon. Mr. DAVIES: I was wondering, Mr. Chairman, if those shipments on that quota are regulated from Canada, or are the Canadian farmers quite free to ship until the quota has been filled?

Mr. KEMP: The usual practice is that the cattle move in freely at the quota rate—the low quota rate—until the authorities in Washington hear from their customs ports that the quota is almost full. At that time they send out a telegram to all customs ports saying that from 12 o'clock on a certain date the higher rate is to apply provisionally. Later on they find out which cattle got in before the quota was actually filled.

Hon. Mr. DAVIES: I do not think you quite understand my question, Mr. Kemp. I am asking you, are those shipments regulated from Canada? For instance, is a certain percentage given to the west and a certain amount given to the east?

Mr. KEMP: No, it is on the basis of first come, first served.

The CHAIRMAN: How do Canadians know when the quotas are filled?

Mr. KEMP: The United States authorities notify their customs people that from a certain date they are to apply the higher rate, but later on they go back and make a refund to those shippers who got their cattle in before the quota was actually filled.

The CHAIRMAN: Some information should be given to the Canadian exporter, so that he would not ship his cattle there and find that he would get stopped at an American port?

Mr. KEMP: We try to do that in the Department of Trade and Commerce. We receive telegrams at frequent intervals from Washington, showing how close the quota is to being filled, and we publish that information in the press as we get it.

Hon. Mr. DAVIES: Do you have any difficulties between the east and the west with regard to shipments? Do you find shipments from the west filling the quota and leaving the east out?

Mr. KEMP: I have not heard of any difficulties. They are all on an equal basis; that is to say, if they get in before the quota is filled they get the benefit, and if it is too late they do not get it.

Hon. Mr. BUCHANAN: Are sales of Canadian cattle not usually made through commission dealers in the United States? I have in mind, for instance, Clay Robinson in Chicago. Do they not handle such deals, and are they not familiar with the situation?

Mr. KEMP: Firms like that would certainly know the situation, as would also our own Canadian firms who do business on a large scale.

Hon. Mr. CRERAR: I think it may be useful to say that we have worked under this quota system for a good many years, and the cattle shippers from Canada to the United States have been able to keep themselves quite well informed as to when the margin would be reached.

Hon. Mr. ROBERTSON: The principle is the same; it is only a larger quota.

Mr. MCKINNON: There might be less difficulties, Senator Crerar, in that we now have a considerably larger quota.

Hon. Mr. CRERAR: That is quite true. Is there a limitation on the light cattle? How are calves defined?

Mr. KEMP: Calves are defined as weighing up to 200 pounds each, for tariff purposes.

Hon. Mr. CRERAR: And what is the quota?

Mr. KEMP: The quota is now 200,000 head per year. I should say that the quota was formerly 100,000 and now it has increased to 200,000 head.

Hon. Mr. BEAUBIEN: And the weight is limited to 200 pounds?

Mr. KEMP: It is limited to 200 pounds for that purpose.

Hon. Mr. CRERAR: As a matter of fact, in the past calves went for the most part from Ontario and Quebec, while heavy cattle went from western Canada.

Mr. MCKINNON: Yes, that is true.

Hon. Mr. CRERAR: What about dairy products?

Mr. KEMP: Dairy products include milk, butter and cheese. So far as milk and cream are concerned we have received a concession—not a very large one, but the duty has been reduced. The principal difficulty in shipping milk and cream to the United States arises from the sanitary restrictions enforced by individual states which prevent these Canadian products from going to that country in large quantities. Otherwise there would be a good market for them in the United States.

Hon. Mr. BUCHANAN: Before leaving agricultural products, what about dairy cattle? Is the quota increased?

Mr. KEMP: There is no quota affecting that type of cattle.

Hon. Mr. BEAUBIEN: There is no restriction on dairy cows?

Mr. MCKINNON: No.

The CHAIRMAN: Is there a duty?

Mr. MCKINNON: Yes.

Mr. KEMP: Dairy cows are not subject to quota. They pay a duty of 1½ cents a pound.

The CHAIRMAN: Is that reduced 50 per cent?

Mr. KEMP: No; it was already 1½ cents under the 1938 agreement.

The CHAIRMAN: And it still is that way?

Mr. KEMP: Yes, it still is that way. The duty is bound and there is no quota.

Hon. Mr. BEAUBIEN: What about pure bred cattle for the improvement of stock?

Mr. KEMP: They go in free of duty if registered.

Mr. McKINNON: We have the same provisions for pure bred cattle.

Hon. Mr. CRERAR: What about powdered and condensed milk?

Mr. KEMP: The United States import duty on skim milk powder is reduced from 3 cents per pound to $1\frac{1}{2}$ cents per pound. The former rate for whole milk powder was $6\frac{1}{12}$ cents, the effective net rate is $3\frac{1}{160}$ cents per pound. The United States import duty for cream powder is reduced from $12\frac{1}{3}$ cents to $6\frac{1}{5}$ cents per pound, and for lactose the rate is cut from 50 per cent to 25 cent ad valorem. The concession on butter imported into the United States was granted to New Zealand, but it is also of interest to us. The rate was reduced from 14 cents a pound to 7 cents a pound on a tariff quota of 50,000,000 pounds imported during the period November 1 to the following March 31. That quota is open to all countries and is not restricted to New Zealand. Under the agreement Canada benefits from a reduction in the rate on unsweetened evaporated milk from $1\frac{1}{5}$ cents to 1 cent per pound, and a reduction on sweetened condensed milk from $2\frac{3}{4}$ cents per pound to $1\frac{3}{4}$ cents. The duty on buttermilk powder imported into the United States remains unchanged at $1\frac{1}{2}$ cents.

Hon. Mr. BEAUBIEN: What is the duty on our butter from New Zealand today?

Mr. McKINNON: If I remember correctly, five cents.

Hon. Mr. BEAUBIEN: Did it not used to be 14 cents? In view of these concessions granted by the United States, there must be similar concessions granted by Canada to the United States and also to other countries? Am I right in that thought?

Mr. McKINNON: No; this is simply a reduction in the United States duties on butter, negotiated by New Zealand, but we get the benefit of it should we happen to have the butter to ship.

Hon. Mr. BEAUBIEN: But it does not change the situation with respect to our importation of butter from New Zealand?

Mr. McKINNON: No.

Hon. Mr. ROBERTSON: That is an instance of what Senator McKeen brought up, of our becoming a beneficiary, because of negotiations between the United States and New Zealand without an equivalent reduction on our part. Is that not correct?

Mr. McKINNON: Yes; and probably far more important to us—in hurrying over the agricultural items Mr. Kemp did not mention it—was the reduction to Australia on fresh beef from 6 cents a pound to 3 cents. Should we have the beef for sale, we get the advantage of the 3 cent rate.

The CHAIRMAN: Is it not true that with the price of butter in the United States always being much higher than it is here that with the duty down to 7 cents—if we ever had a surplus of butter in Canada, which we never have—we would apparently develop a United States market we would have to go over only a duty of 7 cents a pound. That is right, is it not?

Mr. McKINNON: Yes, but we have paid nothing there.

The CHAIRMAN: But we always have a scarcity of butter.

Hon. Mr. McKEEN: If we had a surplus of butter, we would have it within that six months period when Australia, which is on the other side of the Equator, would have a scarcity.

Mr. McKINNON: Yes; unless we had a very flush product in June and July and had a carry over that we could not dispose of, it would be to no advantage.

Mr. KEMP: Passing on now, gentlemen, to the fish situation. The largest single fish item in which we are interested in the United States is probably fillets of cod and other ground fish. The United States tariff arrangement before Geneva was that there was a certain duty on a quota and a higher duty on imports exceeding that quota. The duty under the quota was bound, but the duty on ex-quota imports was not bound. As a result of the Geneva agreements, the quota remains the same, the duty under the quota is bound, and we have gained in that the duty on ex-quota imports into the United States, which beforehand was free, is now bound too. In other words, before Geneva the United States would have been free, if it saw fit, to raise the duty on imports of fish fillets from Canada in excess of our quota; under the Geneva agreements provisionably applied on January 1, they have now obligated themselves not to increase the duty on ex-quota imports.

Hon. Mr. CRERAR: What was the duty before the agreements came into effect?

Mr. KEMP: The rates of duty have not been changed; they have been bound at the previous rates. The duty on ex-quota imports was and still is $2\frac{1}{2}$ cents a pound.

In other fishery products the maximum reduction has been given on a great many species. There are, I suppose, at least 50 or 60 different kinds of fish listed in the agreement; I shall not, therefore, try at the moment to go into them in detail, except to say that on nearly all species of fresh or frozen fish there has been a substantial reduction; there have also been reductions on smoked or kippered herring, pickled salmon and various other species. If you wish to ask questions about the fish in detail, we have the particulars here.

Hon. Mr. CRERAR: What will be the duty on whitefish?

Mr. KEMP: I will have to look that up.

Hon. Mr. HAIG: The Senator wants to know if there is any change.

Mr. KEMP: There has been a reduction of $\frac{1}{4}$ cent a pound.

Hon. Mr. McKEEN: The maximum reduction on white fish?

Mr. KEMP: It was not the maximum but close to it. The rate was reduced from $\frac{3}{4}$ cent to $\frac{1}{2}$ cent a pound.

Mr. McKINNON: On most fish duties we got a 50 per cent reduction.

Mr. KEMP: We also obtained concessions on fish products in countries other than the United States. I refer to Belgium, the Netherlands and Luxembourg—the Benelux custom union—where they have bound free entry of fish, fresh or chilled, salted, smoked or dried; and France has reduced her duties to Canada on canned salmon and canned lobster; Brazil reduced the duties on dried, salted codfish, and Cuba reduced on dried codfish; as well as taking off certain revenue duties which were a burden on imports, Czechoslovakia has undertaken to reduce the duties on salted herrings and preserved salmon; India, on canned fish; Norway, on canned lobster, canned salmon and salted salmon. It should be mentioned, however, that several of those countries have not yet put the reduction into effect, notably Brazil, Czechoslovakia, India and Norway. We expect that all those countries will in due course put the reductions into effect, but they have not yet got around to doing it.

Hon. Mr. DAVIES: They did not sign the agreement to put them into effect on the 1st of January, as the others did? I understand that those who signed the agreements were to put them into effect on January 1st.

Mr. KEMP: Those who signed the protocol of provisional application.

Hon. Mr. DAVIES: But these four countries you mentioned have not so signed.

Mr. KEMP: They have not yet signed the protocol of provisional application.

Mr. McKINNON: They have until June, 1948, Senator, to make up their minds and sign.

Hon. Mr. McKEEN: Have there been any countries to which we ship any substantial amount of canned salmon, which have given concessions on canned salmon?

Hon. Mr. HAIG: I thought you were out of the canned salmon business, and the United States was now doing it all.

Hon. Mr. McKEEN: We are afraid we will be out of it.

Hon. Mr. HAIG: The United States has the same rights we have.

Hon. Mr. McKEEN: Russia and Japan are ahead of us.

The CHAIRMAN: But Russia is not in on it.

Hon. Mr. McKEEN: That is the reason the United States would not give a concession on canned salmon because they considered Russia to be the principal potential supplier, and if they gave a concession to Canada they would automatically have given it to Russia, if she came in; and if they did that they would want to get some concessions from Russia. That is the reason they gave us no concessions on canned salmon in the United States.

The CHAIRMAN: The question of Russia's coming in now is rather remote.

Mr. KEMP: The principal concessions that we received on canned salmon, sir, were in Benelux where the duty has been bound at 25 per cent, and in France, where it is has been reduced from 30 to 25 per cent.

Hon. Mr. McKEEN: And there is no other country shipping into those countries at a lower duty than that?

Mr. KEMP: That is right, sir. We enjoy most-favoured-nation privileges in those countries.

Passing on to lumber, we have obtained maximum reductions in the United States duties on softwood lumber, and also a 50 per cent reduction in the internal revenue tax, which is another protective tax, different from the customs duties. These reductions apply to a very wide range of Canadian lumber in various forms. We also obtained maximum reductions in duties on red cedar plywood, veneers (other than of birch or maple, which are bound at 10 per cent), and binding of free entry for wood pulp, poles, ties, staves, and so on. The principal forest products which we exported to the United States before the Geneva agreement, and still do, were newsprint and paper pulp. These were already free of duty, so that the United States was not able to give us any further concession on those items except to continue binding them free of duty.

We also obtained binding by Benelux of free entry for logs, pulpwood and wood pulp, and of low rates on veneer sheets and tongued and grooved wood. We received reductions in the French duties on logs, pulpwood, veneer leaves, tongued and grooved wood, and wood pulp; and India made a concession on Douglas fir timber. The exports of that material to India from Canada have not been very large in the past, but there may be some increase as a result of the concessions that have been obtained.

Hon. Mr. McKEEN: That will apply to ties as well?

Mr. KEMP: Yes, sir.

Coming now to metals, we received very substantial concessions on base metals. There was a reduction by the United States of one-third in the duty

on aluminum metal and of 50 per cent in the duties on aluminum plates, sheet, scrap, and so on. Maximum reductions were also granted on magnesium, tantalum, cadmium, nickel in all form except tubes and tubing, and zinc sheets, scrap and dross, together with binding of free entry and maximum reduction in the internal revenue tax on all copper going into the United States.

Hon. Mr. CRERAR: What is the actual reduction per pound on aluminum?

Mr. KEMP: The United States duty on aluminum used to be 3 cents a pound; it is now 2 cents. The duty on aluminum scrap has been reduced from 3 cents to one and a half cents a pound. On aluminum plates the duty was 6 cents a pound, and it is now 3 cents. Copper enters the United States duty free, but there was an internal revenue tax of 4 cents a pound, which has now been reduced to 2 cents a pound. There was no concession by the United States on lead, as they regard another country as the principal source of supply and will no doubt be negotiating with that country.

Hon. Mr. HAIG: What country is that?

Mr. KEMP: Mexico, I understand. The United States gave us a concession on zinc, the rate of duty on zinc ores having been reduced from one and one fifth to three quarters of a cent per pound; and on blocks and pigs of zinc the reduction is from one and two-fifths to seven-eighths of a cent per pound. It will be noticed that the cut on these metals is not quite 50 per cent, but very close to that. I have here the figures on cadmium, cobalt, tungsten and tantalum, which I will give, if the particulars are required.

Hon. Mr. BEAUBIEN: Are these tariff reductions on our goods going into the United States in effect now?

Mr. KEMP: Yes, sir.

Hon. Mr. BEAUBIEN: Even though not approved by Congress?

Mr. KEMP: Yes, sir.

The CHAIRMAN: From the 1st of January.

Hon. Mr. ROBERTSON: They came into effect as a result of powers given to the President to negotiate reductions up to 50 per cent.

Hon. Mr. BEAUBIEN: Does that apply to reductions in the internal revenue tax that was imposed on certain goods?

Mr. ROBERTSON: Yes.

Mr. KEMP: That tax on most of the metals, where it existed, has been reduced by 50 per cent.

Hon. Mr. ROBERTSON: Under the powers of the President.

Mr. KEMP: Yes, sir.

If I may, I shall now pass on to non-metallic minerals. We obtained reductions in various countries in duties on mica, talc, and corundum. Asbestos, which is one of our substantial exports, was already going to the United States duty free, so there was nothing further they could do for us on this item except to bind continued duty-free entry, which they did. The United States also bound free entry on coal and coke, small quantities of which are shipped there from Canada, and on artificial abrasives, calcium cyanide, gypsum, stone, and sand, including nepheline syenite.

Hon. Mr. McKEEN: The coal item is not changed?

Mr. KEMP: No sir; it is bound free.

Hon. Mr. CRERAR: Were there any duties on iron ores or iron and steel products?

Mr. KEMP: On pig iron and spiegeleisen the United States has bound the existing duty of 75 cents per ton, while the duty of 75 cents per ton on scrap iron and steel has been cut in half. There have been substantial reductions in the

duty on ferromanganese and ferrochrome. On boron carbide the duty of twelve and one-half per cent has been cut in half. On hollow drill steel bars valued at eight to twelve cents a pound, which are of substantial importance to a Canadian producer in western Ontario, the rate, which was formerly 20 per cent with a minimum of one and five-eighths cents per pound, has been cut in half, the new rate being 10 per cent with a minimum of seven-eighths of a cent per pound. Iron and steel rails are bound at one-tenth of a cent a pound, and fish plates have been reduced from one-quarter to one-eighth of a cent per pound.

The CHAIRMAN: Have exporters and possible exporters of these products been informed of these reductions, so that they might take early advantage of them?

Mr. KEMP: We have done our best, sir. This material has been published and copies have been widely distributed. In addition, copies of the complete Geneva agreement have been issued to a number of trade organizations, and individual firms can get copies from the Ryerson Press, in Toronto, which I understand is maintaining a supply. We have had a considerable volume of correspondence with a large number of Canadian firms that have written in to ask exactly where they stand.

The CHAIRMAN: Have you noticed any appreciable increase in exports of some of these commodities as a result of the concessions?

Mr. KEMP: It would be pretty early to notice any increase yet, Mr. Chairman, because the concessions became effective only on the 1st of January.

Hon. Mr. KINLEY: Is this arrangement reciprocal? The United States has lowered the rates on our iron and steel going into that country; have we made the same reduction applicable to those goods coming from the United States into Canada?

Mr. McKINNON: The arrangement is not reciprocal on iron and steel, because the United States tariff rates on most iron and steel items, including all the primary forms up to the rolling mill stage, were considerably higher than ours. In many cases the 50 per cent reduction in United States duty would still leave the rate higher than ours, so we did not lower our duty.

Hon. Mr. KINLEY: This applies to Belgium also?

Mr. McKINNON: Yes. The reduction that the United States made would apply to Belgium as well as to Canada, and any reductions that we made would apply to Belgium as well as to the United States. But on iron and steel items in the basic primary forms up to and including rolling mill products we made very little if any reduction, because of the fact that the United States rates were so much higher than ours.

Mr. KEMP: Now, if I may, I will pass on to chemicals. There is a substantial chemical industry in this country, and we obtained maximum reductions in United States duties on acetic anhydride, vinyl acetate and synthetic resins, selenium dioxide and tellurium compounds, aluminum hydronide, ammonium nitrate, calcium carbide, acetylene and other blacks, and salt, with reductions in duties on acetic acid and crude barytes.

The CHAIRMAN: Do honourable members know what most of those items are?

Hon. Mr. HAIG: I would ask Mr. Kemp not to read so fast. The only item I understood out of that list was salt.

Mr. KEMP: We would have liked to get a reduction in the duty on refined barytes, which is produced in large volume in Nova Scotia and is used in the process of drilling for petroleum and also in the manufacture of certain paints.

The CHAIRMAN: Is there any common or garden variety of name that you could use to describe some of these things instead of referring to them by their scientific names?

Mr. MCKINNON: One of those items which is very well known is acetic acid, of which we are very large producers and exporters. We have had a tremendously important market for acetic acid in the United States for years.

Hon. Mr. KINLEY: It is made largely from sawdust, is it not?

Mr. MCKINNON: It is a by-product of relatively cheap power, senator. We have been very large suppliers of that as well as of most of the other chemicals that Mr. Kemp has named. In fact, we got the reductions in duties because we were the principal source of supply.

Mr. KEMP: Another chemical on the list whose name will be familiar is calcium carbide, which is now used very widely for industrial purposes. I mentioned also ammonium nitrate, which is another by-product of cheap power in this country, and it is of substantial importance to us.

Hon. Mr. KINLEY: Are we large importers of salt from United States?

Mr. KEMP: Yes, sir.

Hon. Mr. KINLEY: In the Maritimes we get our salt from the Bahamas and the Mediterranean.

Hon. Mr. McKEEN: On the Pacific Coast our supply comes mainly from San Francisco.

Mr. KEMP: When going through this list of principal concessions that we received I skipped some agricultural items. I should mention seed potatoes, on which we obtained an increase in the United States quota from 1,500,000 bushels to 2,500,000 bushels. On turnips we received the maximum reduction in United States duty. We also got concessions on various kinds of seeds. There was a maximum reduction in the United States duties on alfalfa, red clover, alsike clover, sweet clover and timothy, with reductions on other grass and forage seeds.

I believe that apples were discussed at a previous meeting of the committee. It was also stated that we got reductions in the United States duty on blueberries, both fresh and canned, as well as on other berries. That will be of particular interest to the provinces of Quebec and Nova Scotia.

Hon. Mr. BEAUBIEN: What was the duty on blueberries before the concession?

Mr. KEMP: Under the Hawley-Smoot tariff, the duty was 35 per cent on frozen and canned blueberries and $1\frac{1}{4}$ cents per pound on fresh blueberries. In the 1935 agreement the duty on frozen and canned blueberries was reduced to 25 per cent; in the 1938 agreement with the United States a reduction to $17\frac{1}{2}$ per cent was obtained for the frozen and canned berries, and the duty on fresh blueberries was cut to 1 cent per pound. At Geneva the United States duty on frozen and canned blueberries was reduced to 10 per cent *ad valorem* and the duty on fresh blueberries was confirmed at 1 cent per pound. We tried especially to obtain a reduction in the duty on frozen blueberries and did obtain a substantial cut in it.

Hon. Mr. HAIG: Can you tell me the amount we receive from the sale of blueberries to the United States by provinces?

Mr. KEMP: I shall have to look it up.

Hon. Mr. HAIG: How much a basket, for instance, did we sell them for?

Mr. KEMP: In 1946 we exported about 15 million pounds of blueberries from eastern Canada to the United States at a total value of something in excess of \$3 million.

Hon. Mr. HAIG: What quantity came from western Canada?

Mr. KEMP: I do not think any moved from western Canada.

Mr. McKINNON: The blueberries were all shipped from eastern Canada in a commercial way.

Mr. KEMP: The commercial supplies are in the east.

Hon. Mr. BEAUBIEN: I could take my friend to places such as South Junction and Sprague, and show him hundreds and hundreds of baskets of blueberries being taken across the line.

Hon. Mr. CREBAR: They are probably smuggled over.

Mr. McKINNON: That may be true, Senator Beaubien, but the big commercial trade is from the east, where they ship by the carload.

Hon. Mr. HAIG: I have no doubt that some blueberries are taken across the border, but I know the bulk of them that come to the city of Winnipeg are from eastern Ontario.

Mr. McKINNON: I think the significant thing is, Mr. Chairman, that the duties on fresh and frozen berries have been reduced in successive agreements from 35 to 10 per cent.

Mr. KEMP: There are a number of miscellaneous products, that might be mentioned here. We have obtained further reductions in the United States duties on maple syrup and maple sugar. The duties already were fairly low, but they have been reduced a little more. Reductions were made in honey, hay, straw, millet, dry peas, beef and veal. Mr. McKinnon has mentioned that the reduction in the duty on beef is substantial, from 6 cents a pound to 3 cents a pound. Further reductions were given on lamb, mutton, wool, dried and frozen eggs, canned fruits, dried potatoes, potato starch, onions, various fresh vegetables, certain processed and canned vegetables, soups, juices and sauces, most vegetable seeds and tobacco.

There remain only two main classes of items to mention; one is the United States duties on spirituous liquors. Both the United Kingdom and Canada have a substantial interest in those duties, and considerable reductions were made in the duties on whiskey and gin. We pass now to the manufactured goods.

Hon. Mr. BUCHANAN: Did you mention canned goods a moment ago?

Mr. KEMP: Yes, canned vegetables.

Hon. Mr. BUCHANAN: Have we much of a market now with the United States in that type of product?

Mr. KEMP: Not a very large one, sir.

In respect to the various manufactured goods, we were not in general the principal negotiators with the United States; as you know, they preferred to negotiate largely with the principal source of supply. The manufactured goods in which we had the principal interest, and on which we obtained concessions in the United States, included electric stoves and other appliances employing an electric element; aircraft and parts, pleasure craft, reciprocating locomotives, many articles and wares of metal, paint brush handles, baby carriages, canoes and paddles, mop handles, skis, hockey sticks, toboggans and equipment for exercise or play. We have, as honourable senators know, an important pipe organ industry in Canada, which has been doing a substantial export business. We have obtained a further reduction in the duties on pipe organs and parts, and also on rubber substitutes and synthetic rubber.

The CHAIRMAN: Do we export synthetic rubber?

Mr. KEMP: Yes.

The CHAIRMAN: But the United States has large equipment for the manufacture of that commodity?

Mr. DEUTSCH: We have shipped substantial quantities since the war, and are shipping it now, sir.

Mr. KEMP: Among our most import exports of manufactured goods are agricultural implements and parts. They already enter the United States duty free and that condition still continues to be bound under the Geneva Agreement.

Hon. Mr. CRERAR: Bound both ways?

Mr. KEMP: Yes, sir.

The CHAIRMAN: They come into Canada free, as well.

Mr. KEMP: Yes, sir. There have also been a number of bindings of duties or reductions of duties on manufactured goods in other countries, but except for the ones I have mentioned, they are of less importance quantitatively.

It should be remembered that Canada has not been the principal source of supply of the more highly manufactured goods, and consequently the benefits that we receive in other countries' duties on manufactured goods come to us very largely as a by-product of the most favoured nation principle, rather than as a result of direct negotiating by ourselves.

Hon. Mr. CRERAR: What about copper and aluminum wire and kitchenware made from aluminum?

Mr. KEMP: On hollow or flat ware, iron or steel, the Hawley-Smoot rate was 40 per cent; the rate was still 40 per cent in 1946, and under the Geneva agreements it was reduced to 20 per cent. Our exports to the United States in 1946, under the 40 per cent rate amounted to \$109,000. We hope that with the rate now cut in half we may be able to do better on that item. The same reduction was made on hollow or flat ware of base metals, not elsewhere specified, which would cover everything but iron and steel items.

The CHAIRMAN: Would it cover nickel?

Mr. KEMP: It would include nickel. The Hawley-Smoot rate was 40 per cent and it continued to be 40 per cent in 1946. That item was cut in half, which makes it now 20 per cent. Our exports to the United States in 1946 amounted to \$53,000 for that group of articles.

Hon. Mr. CRERAR: What about wire?

Mr. KEMP: There are approximately 25 items for wire; it depends on the materials.

Mr. MCKINNON: With respect to aluminum ware Senator Crerar, we reached a complete reciprocal schedule all the way through from the aluminum pig to the ingot and most finished products. The rates were considerably higher, but they have been reduced subject to approval by parliament on both sides, with the result that we now have our aluminum products on a completely reciprocal schedule affecting fifteen or twenty items. The wire rate is 22½ cents a pound.

Mr. KEMP: We have here the figures for copper wire, which is covered by Item 316a in the United States tariff. The Hawley-Smoot rate on that was 35 per cent plus 4 cents a pound internal revenue tax; that rate continued in 1946, but at Geneva both these rates were cut in half, so that the new rate is 17½ per cent *ad valorem* plus 2 cents a pound internal revenue tax. Our exports to the United States of that item in 1946 amounted to \$72,000.

Hon. Mr. HAIG: The internal revenue tax is put on their goods as well as ours?

Mr. KEMP: Not in this case, sir. The internal revenue tax in some instances was put on as an additional means of protection.

The CHAIRMAN: We formerly called it specific duty.

Mr. KEMP: There are two different families: the tariff and the internal revenue tax, but they have the same purpose.

Mr. DEUTSCH: The reason for it, Mr. Senator, was that when they wanted to give particular protection to an item, and they did not wish to open up the whole tariff question, they simply put a tax on the item.

The CHAIRMAN: They put it only on imports.

Mr. DEUTSCH: On imports.

The CHAIRMAN: In terms of *ad valorem* duty it would run very high, but the people did not know it.

Hon. Mr. BUCHANAN: As a result of our trade negotiations, what has taken place that would develop our trade with South American countries?

Mr. KEMP: There were only two South American countries represented at Geneva: Chile and Brazil. Neither of those countries has as yet put the new rates into effect. As to the remaining South American countries, we look with hope to the results of the Havana conference and the possibility that these countries will see fit to join the organization.

Hon. Mr. HAIG: I do not wish to embarrass you, but have you any report on the Havana conference as to what progress is being made?

Mr. McKINNON: The discussion at Havana relates to the principal clauses of the general agreement rather than tariffs. Mr. Deutsch could answer your question.

Hon. Mr. HAIG: What progress is being made, Mr. Deutsch?

Mr. DEUTSCH: It has been very difficult, sir; the main trouble, as Senator Robertson said at the outset has been the right to use the quantitative restrictions for protective purposes. That has been the main difficulty. The Geneva agreement, as you know, Senator, does not permit the use of quantitative restrictions. Many of the countries at Havana wish to obtain the right to use them, and that question has been a difficult one. At this stage of the conference it is still not solved.

Hon. Mr. HAIG: If the Havana conference fails does the agreement which you have made with certain countries still stand?

Mr. DEUTSCH: Yes.

Hon. Mr. HAIG: There is no danger, for instance, that the agreement you made with the United States would not stand?

Mr. DEUTSCH: Even if Havana were not to succeed, the agreements with the eight countries would continue. I must point out, Senator, that none of the countries have as yet ratified it, and I cannot say what their parliaments will do.

The CHAIRMAN: With respect to the United States, the President has the power to act without referring it to Congress?

Mr. DEUTSCH: That is perfectly true, but while the United States has signed the protocol of provisional application, and the President has full power to ratify, he has not yet done so.

The CHAIRMAN: Is there any danger that he may not?

Mr. DEUTSCH: No, I should think there would be no danger of his not doing so, if all the other countries do. We do not expect any of the countries to fail to ratify, but their parliaments still have to act.

Hon. Mr. BUCHANAN: Did I understand you to say that there is a much larger representation at the Havana conference than there was at the Geneva conference?

The CHAIRMAN: Yes. There were twenty-three countries represented at the Geneva conference and there are fifty-seven represented at the Havana conference.

Hon. Mr. BUCHANAN: Is there a greater representation from the South American countries?

Mr. DEUTSCH: Yes, every South American country is represented at Havana.

Hon. Mr. BUCHANAN: Were they invited to Geneva?

Mr. DEUTSCH: No. The countries who had representatives attending the conference at Geneva were selected by the Economic and Social Council of the United Nations. They were appointed for that.

Hon. Mr. BUCHANAN: Why were these other countries left out?

Mr. DEUTSCH: Senator, the theory was that a draft agreement could not be drawn with sixty countries present. In other words, a group small enough had to be selected so that it could make real progress in drafting an agreement and a charter. The countries were chosen as a nucleus to do the drafting work, and later on they were to submit the result of their work to the world conference which is now going on in Havana.

Hon. Mr. KINLEY: And the world conference can amend or change the charter?

Mr. DEUTSCH: Yes. They are only discussing the charter. They are not discussing our tariff agreements.

Hon. Mr. ROBERTSON: Is it not right to say that these agreements have been entered into by a group of countries whose interests are more or less the same in that they are perhaps a little further advanced in industrial development and represent, as you have pointed out to Senator Crerar, about two-thirds of the world's trade? Now, there are thirty odd smaller countries to whom the problem of reconciling the abolition of quantitative restrictions, in their minds at least, presents for them a very great problem. On the other hand, they are naturally anxious to get into the club and enjoy the benefits that come from trading with countries who do so much trade. It seems to me that Havana's difficulty is to reconcile these two conflicting viewpoints.

Mr. DEUTSCH: That is exactly right.

The Committee adjourned to the call of the Chair.

THE SENATE OF CANADA



PROCEEDINGS
OF THE
STANDING COMMITTEE
ON

Canadian Trade Relations

To whom was referred the subject matter of the General Agreement on Tariffs and Trade, including the Protocol of Provisional Application thereof, annexed to the Final Act of the Second Session of the Preparatory Committee of the United Nations Conference on Trade and Employment held at Geneva from April 10 to October 30, 1947, together with the complementary agreements of October 30, 1947, between Canada and the United States of America and between Canada and the United Kingdom.

No. 5

TUESDAY, MARCH 16, 1948

CHAIRMAN

The Honourable W. D. Euler, P.C.

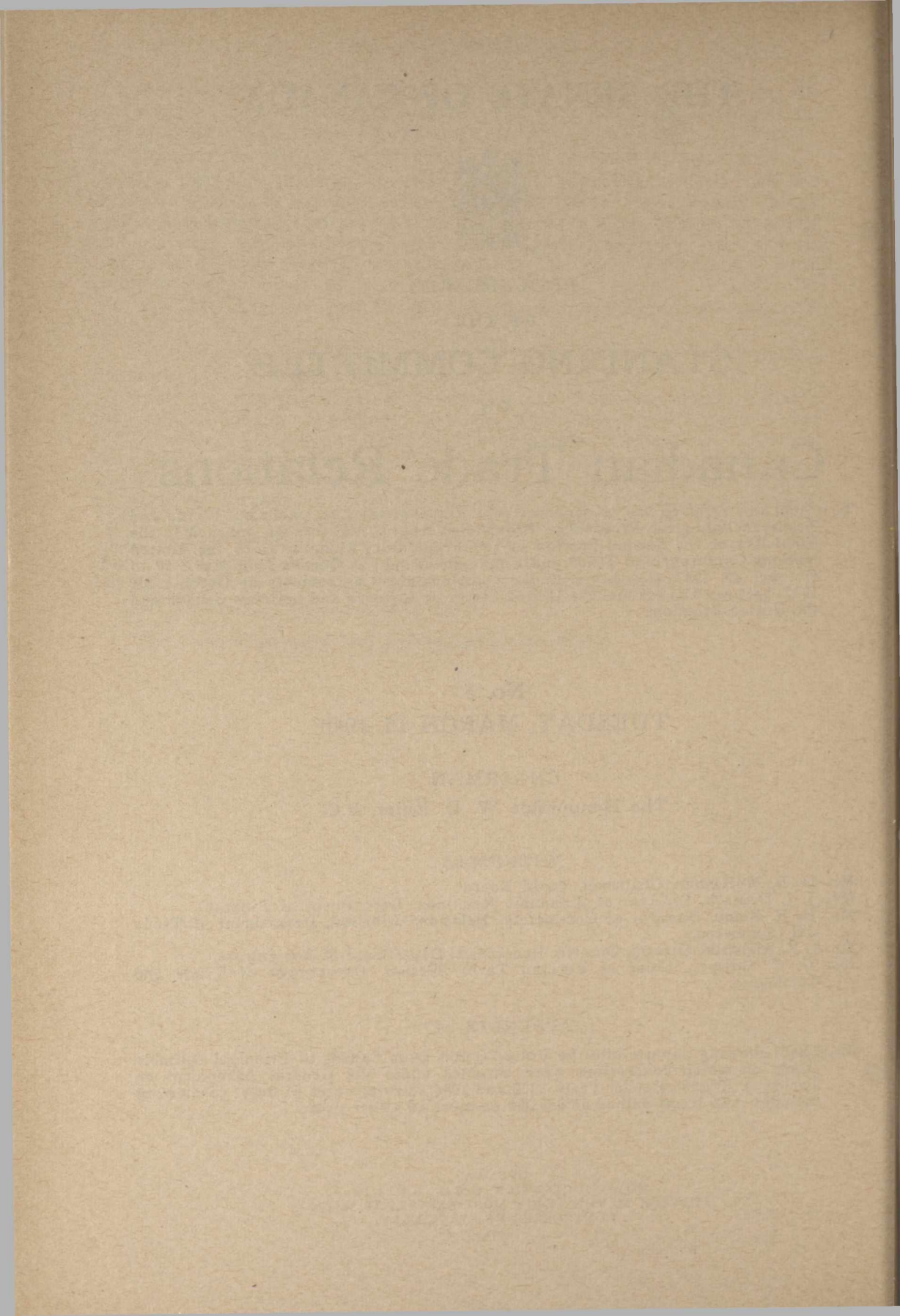
WITNESSES:

- Mr. H. B. McKinnon, Chairman, Tariff Board;
Mr. J. J. Deutsch, Director of Economic Relations, Department of Finance;
Mr. H. R. Kemp, Director of Commercial Relations Division, Department of Trade and Commerce.
Dr. A. E. Richards, Ottawa, Ontario, Economist, Department of Agriculture.
Mr. G. C. Cowper, Chief of Foreign Tariff Section, Department of Trade and Commerce.

APPENDIX "A"

Statement showing imports into the United States from Canada of Principal Dutiable Items on which concessions were obtained under the General Agreement on Tariffs and Trade calendar years 1939 and 1946 showing rates of duty. (Statement includes only items valued at \$50,000 or more in either year.)

OTTAWA
EDMOND CLOUTIER, C.M.G., B.A., L.Ph.,
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
CONTROLLER OF STATIONERY



ORDER OF REFERENCE

(Extract from the Minutes of the Proceeding of the Senate, December 15, 1947.)

The Honourable Senator Robertson, seconded by the Honourable Senator Copp moved—That the Standing Committee of the Senate on Canadian Trade Relations be directed to inquire into and report upon the subject matter of the General Agreement on Tariffs and Trade, including the Protocol of Provisional Application thereof, annexed to the Final Act of the Second Session of the Preparatory Committee of the United Nations Conference on Trade and Employment held at Geneva from April 10 to October 30, 1947, together with the complementary agreements of October 30, 1947, between Canada and the United States of America and between Canada and the United Kingdom.

That the said Committee be authorized to send for persons, papers and records.

After Debate, and—

The question being put on the said motion, it was—

Resolved in the affirmative.

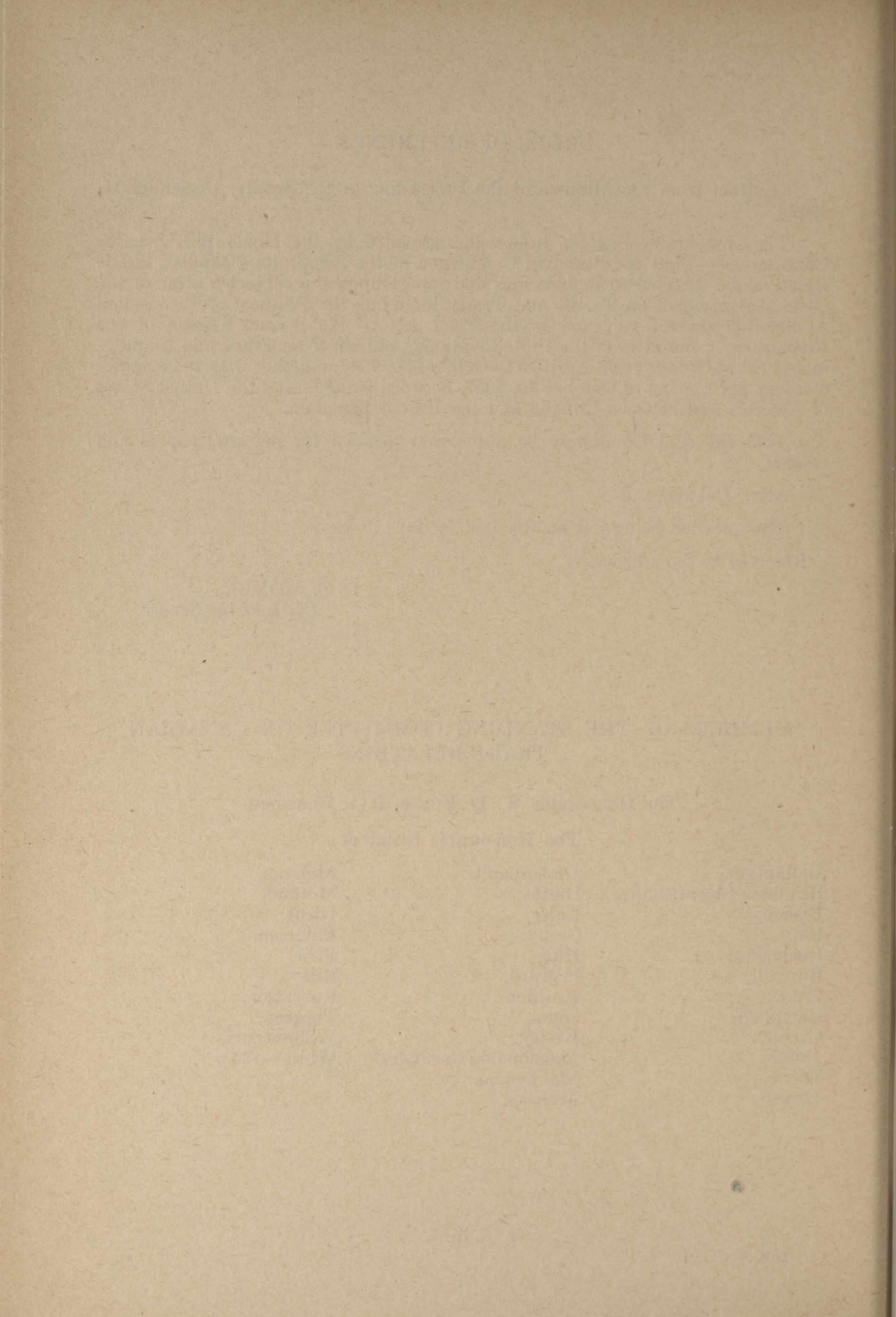
L. C. MOYER,
Clerk of the Senate.

MEMBERS OF THE STANDING COMMITTEE ON CANADIAN TRADE RELATIONS

The Honourable W. D. EULER, P.C., Chairman

The Honourable Senators

Ballantyne,	Dessureault,	McLean,
Beaubien (<i>Montarville</i>),	Duffus,	Morand,
Bishop,	Euler,	Nicol,
Blais,	Gouin,	Paterson,
Buchanan,	Haig,	Pirie,
Burchill,	Howard,	Riley,
Calder,	Hushion,	Robertson,
Campbell,	Jones,	Turgeon,
Crerar,	Kinley,	Vaillancourt,
Daigle,	Macdonald (<i>Cardigan</i>),	White—(34).
Davis,	MacLennan,	
Dennis,	McKeen,	



MINUTES OF PROCEEDINGS

TUESDAY, 16th March, 1948.

Pursuant to adjournment and notice the Standing Committee on Canadian Trade Relations met this day at 10.30 a.m.

Present: The Honourable Senators Blais, Buchanan, Burchill, Campbell, Davies, Duffus, Gouin, Howard, Jones, Macdonald (*Cardigan*), MacLennan, McKeen, McLean, Paterson, Pirie, Robertson, Vaillancourt and White.—18.

In the absence of the Chairman the Honourable Senator Campbell was elected Acting Chairman.

The official reporters of the Senate were in attendance.

The Committee resumed consideration of the subject matter of the General Agreement on Tariffs and Trade, including the Protocol of Provisional Application thereof, annexed to the Final Act of the Second Session of the Preparatory Committee of the United Nations Conference on Trade and Employment held at Geneva from April 10 to October 30, 1947, together with the complementary agreements of October 30, 1947, between Canada and the United States of America and between Canada and the United Kingdom.

Mr. H. B. McKinnon, Chairman, Tariff Board, was again heard and questioned.

Mr. H. R. Kemp, Director of Commercial Relations Division, Department of Trade and Commerce, was again heard and questioned.

Mr. J. J. Deutsch, Director of Economic Relations, Department of Finance, was again heard and questioned.

Dr. A. E. Richards, Ottawa, Ontario, Economist, Department of Agriculture, was heard with respect to the regulations in connection with the exportation of milk and cream from Canada to the United States.

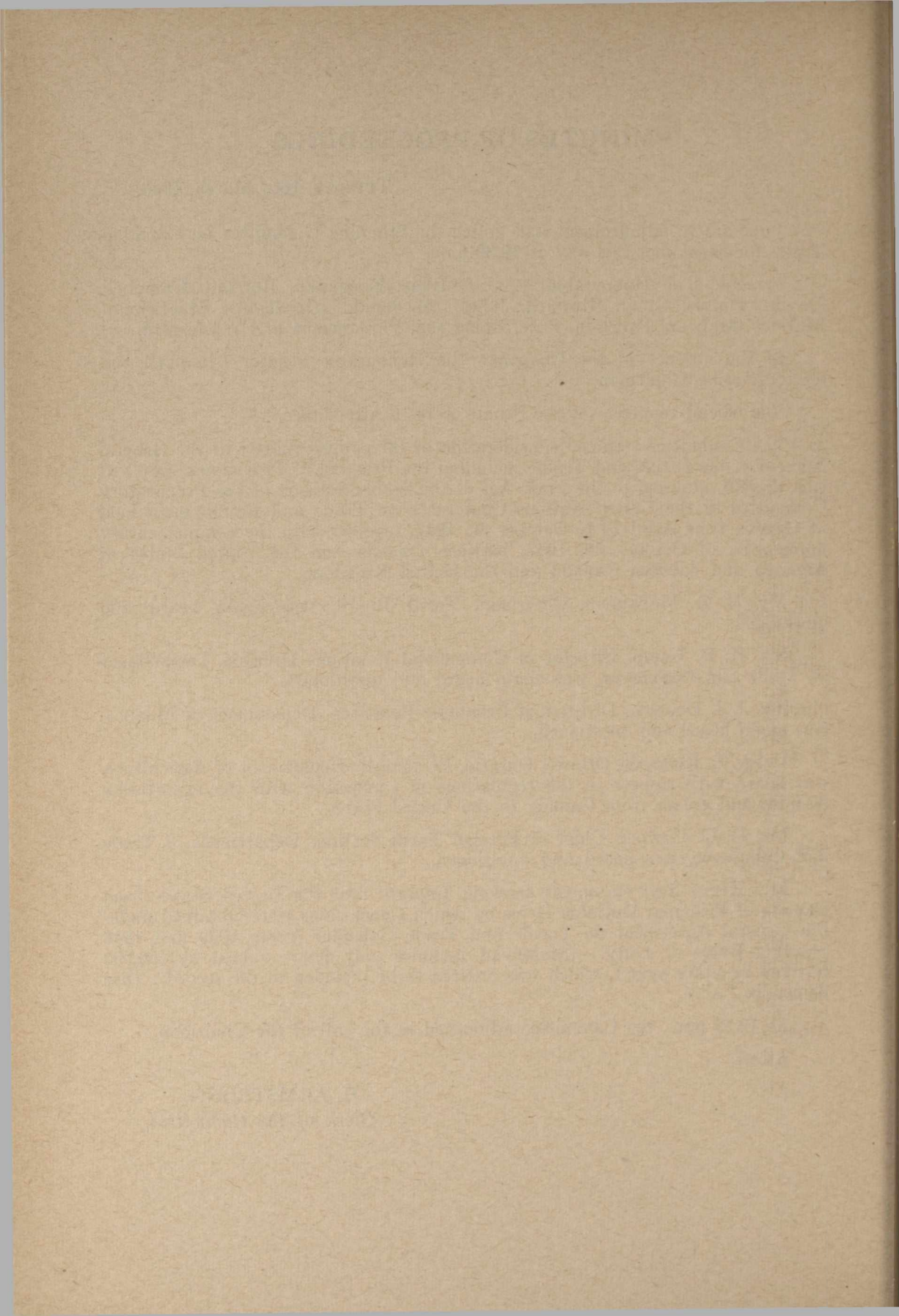
Mr. G. C. Cowper, Chief of Foreign Tariff Section, Department of Trade and Commerce, was heard and questioned.

Mr. Kemp filed statement showing Imports into the United States from Canada of Principal Dutiable Items on which Concessions were Obtained under the General Agreement on Tariffs and Trade Calendar Years 1939 and 1946 Showing Rates of Duty. (Statement includes only items valued at \$50,000 or more in either year.), which was ordered to be included in the record. (See Appendix "A".)

At 12.10 p.m., the Committee adjourned to the call of the Chairman.

Attest.

H. ARMSTRONG,
Clerk of the Committee.



MINUTES OF EVIDENCE

THE SENATE,

TUESDAY, 16th March, 1948.

The Standing Committee on Canadian Trade Relations resumed this day at 10.30 a.m.

Hon. Mr. ROBERTSON: Honourable senators, in the temporary absence of Senator Euler, I move that Senator Campbell occupy the Chair.

The motion was carried.

Hon. Mr. CAMPBELL in the Chair.

Hon. Mr. ROBERTSON: Honourable senators will remember that at our last meeting it was suggested that today we should hear Mr. McKinnon, Mr. Kemp and Mr. Deutsch on the concessions that Canada made in the Geneva trade agreements. Of course, any senator will be free to ask any questions that may occur to him on the other point, as to what Canada received. While this may be the final meeting of the committee, I think that the committee should perhaps not report until the Chairman returns, which will probably be within the next few days. There is no great rush about the matter, but I did not want to postpone this meeting of the committee, because Mr. McKinnon is a very busy man and there are a great many demands on his time. I had made this appointment with him some time ago and therefore thought it was advisable to keep it. I think the Chairman will understand.

The ACTING CHAIRMAN: Honourable senators, the main purpose of this meeting is to go through the schedules; the witnesses are here, particularly Mr. McKinnon, to answer any questions that the members may care to ask with respect to changes in the tariff of any particular item. I do not suppose it is desirable to go through the whole schedules, item by item, because that would take a long time. If honourable senators now care to direct questions to Mr. McKinnon, he is prepared to answer them.

Hon. Mr. ROBERTSON: May I say that I have a point I should like to bring up, and it does not matter to me whether I do it at this time or later on. I should like to revert to one or two points in regard to the concessions we secured from the United States.

The ACTING CHAIRMAN: You may proceed with it now.

Hon. Mr. ROBERTSON: Since we last met I have had a deputation from the dairy industry people to see me on the question which is now before the house. It was drawn to my attention that while the Geneva Trade Agreements extended very considerable benefits to all or most of the branches of agriculture in Canada, there were very little concessions made to the dairy industry.

I should like to ask Mr. McKinnon if that situation was as a result of the reluctance on the part of the United States authorities to grant us concessions, or was it that no particular effort was made on our part? Let me illustrate my point.

Prior to 1930 there was a growing and lucrative business, throughout the Eastern Townships and Ontario, from selling fluid milk and cream in the United States. It began to increase about 1922 or 1923, and went up steadily until 1927. There was a shipment of 21 million pounds of fat equivalent in fresh milk and fresh cream, and I am advised that whole sections of the Eastern Townships

and Ontario were not in butter production at all, but depended entirely on this lucrative market for milk and cream. In 1927, I understand, there was a change in legislation in the United States requiring most stringent inspection regulations in regard to milk and cream. It was at first required that every farm, and even every cow, be inspected by American inspectors.

Hon. Mr. HOWARD: That is right.

Hon. Mr. ROBERTSON: Subsequently that was changed, and I believe certificates by Canadian inspectors were accepted. But immediately after those restrictions were put on the sale of fresh milk and cream started to drop. In 1928 the market stood at 13 million pounds, and in 1929 it was down to 10 million. In 1930 the Smoot-Hawley tariff came on, placing an almost prohibitive tariff on those products, and in two or three years time the market had disappeared entirely.

I asked the representatives of the dairy industry if they had made any representations to Mr. McKinnon, seeking redress in the American market. The reply I received was that they did not know whether that had been done, but, in any event, the government would not let them ship their cream; in other words, they could not ship cream to the United States today over the tariff and make money. That of course is a different thing, and it is a temporary arrangement. I understand the cattle people, for instance, have gotten reductions in quotas and tariffs for their industry. At the moment that is of no immediate advantage because of our prohibitory export regulations, but I was referring to the long term view.

I should like to know from Mr. McKinnon whether he made any representations about that industry, and what he thinks is the possibility of restrictions being removed. I am not referring to the temporary export permit regulations, but I am talking about the attitude of the American people.

Mr. MCKINNON: I should like to answer first, Mr. Chairman, the Senator's question in general terms, and then refer it to Mr. Kemp of Trade and Commerce, because he is the one responsible at Geneva for pressing demands on any particular export commodity, and for deciding within reason how far he should press, and when he had pressed the point to the greatest possible advantage.

We had of course negotiations with the United States for further concessions on both milk and cream. The review you have given forms a background for any general remarks I might make. You illustrated that before these restrictions in one form and another, were imposed there was a substantial and lucrative export of both milk and cream, particularly from Ontario and Quebec to the United States market. It was largely because of our recollection of the magnitude of the trade in those days that we did press at Geneva for still further concessions, in spite of the fact that at the present time there is no movement of any consequence. Now, as you know, Mr. Chairman, we got no enlargement of the quota on either the milk or the cream.

Hon. Mr. ROBERTSON: The milk quota is what, now?

Mr. KEMP: Milk is 3,000,000 gallons and cream is one and a half million gallons.

Mr. MCKINNON: We did not press for any larger quota on either one, because of the very facts that Senator Robertson has cited. The trade has fallen to very little, in the face of very definite restrictions. We did, however, press for a further reduction in the rate of duty on both, because we have some hope that under the charter it will not be possible longer for these restrictions on so-called sanitary grounds to be maintained as an invisible protection, if, in fact, they are that. Therefore, relying on the general terms of the charter as regards the restrictions Mr. Kemp concentrated his fire on the two rates of duty. He got a further reduction on both rates of duty. In fact, if I remember correctly, Mr. Kemp, the rate on the milk is now lower per gallon than it was at the time of the large trade to which Senator Robertson referred.

Hon. Mr. HOWARD: Give us the rate as it was at that time, and then what it is now.

Mr. MCKINNON: With these general observations, Senator Howard, I would like now to ask Mr. Kemp to carry on the detail, because it was his problem, and his success to the extent we got reductions.

The ACTING CHAIRMAN: Will you proceed, Mr. Kemp?

Mr. KEMP: We will give you the exact rates of duty, sir, beginning in 1922. In 1922, under the tariff at that time, the rate of duty on milk was two and a half cents a gallon, and on cream was 20 cents a gallon. In the 1929 tariff revision both of these rates remained the same—two and a half cents a gallon and 20 cents a gallon respectively. In 1930 the Hawley-Smoot tariff raised the rate to six and a half cents a gallon on milk and $56\frac{6}{10}$ cents a gallon on cream. 1930 is the year in which the export into the United States began to go down very seriously. The new tariff went into effect, as I recollect, on the 1st of July of that year, so that it would not begin to affect the imports till the second half of the year. In 1939, under the trade agreement made with the United States in that year, both of these rates were cut in half. The rate on milk was reduced to three and one-quarter cents a gallon, and the rate on cream was reduced to $28\frac{3}{10}$ cents a gallon. These rates continued in force until Geneva, at which time the rate on milk was reduced to 2 cents a gallon, and the rate on cream was reduced to 20 cents a gallon. Thus, the reduction in the rate of duty on milk made at Geneva, although it was not quite a half, was well over a third. It was pretty close to the maximum that it was within their power to make. The rate of duty on cream came down from $28\frac{3}{10}$ cents to 20 cents a gallon, a reduction of about one-third.

Hon. Mr. ROBERTSON: Was the quota changed?

Mr. KEMP: The quota remained the same. Under the 1939 agreement the quota was 3,000,000 gallons of milk and one and a half million gallons of cream; and these two quotas remained the same following the negotiations at Geneva.

Hon. Mr. DAVIES: Then they are practically back to where they were prior to 1929, are they, Mr. Kemp?

Mr. KEMP: The rate on milk is now lower than it was before the Hawley-Smoot tariff, and the rate on cream is the same as in the period 1922-1930.

Hon. Mr. ROBERTSON: My advice is that in 1927 there were 4,495,000 gallons of cream shipped to the United States, and that the quota put on under the Hawley-Smoot tariff is one and a half million gallons and has not been enlarged.

Mr. KEMP: That is right.

Hon. Mr. ROBERTSON: The milk quota put on under the Hawley-Smoot tariff is three million gallons. Our shipments in 1927 were almost five million gallons. The quota has not been changed but the duties have been reduced?

Mr. KEMP: That is right.

Hon. Mr. BURCHILL: What quantity is going over now?

Mr. KEMP: At the present time, sir, the movement is almost imperceptible. In 1946 the imports of milk into the United States from all countries were less than five hundred gallons, and there is no trace at all of any cream going in.

Hon. Mr. BURCHILL: Is that due to duty restrictions or to pure milk regulations?

Mr. KEMP: We think it is due to sanitary regulations such as those of New York State, sir. Those regulations provide that the only fluid milk that can be sold in the State of New York is milk that has been produced on farms inspected and approved by the state authorities, and those authorities have let it be known that they will not send their inspectors outside the boundaries of

the state. Therefore, no matter how sanitary a Canadian farm might be, so long as that state arrangement continues in force we have no chance of exporting our product to New York State. And so far as we know, the federal authorities in the United States do not feel it is within their power to change or overrule that state regulation.

Hon. A. L. BEAUBIEN: When was that regulation put into force?

Mr. KEMP: I have not the exact date, sir, but it was early in the thirties. The Hawley-Smoot tariff became effective July 1, 1930, and then the importation of milk and cream into the United States fell off very substantially. Soon after that the sanitary regulations were tightened.

Hon. Mr. HUGESSEN: Is that regulation enforced against other states as well?

Mr. KEMP: Yes.

Hon. Mr. HUGESSEN: So that all the milk and cream sold in New York has to be produced in New York State?

Mr. KEMP: That is my understanding.

Mr. McKINNON: I think there is a slight qualification of that. The production is inspected in the New York State milk shed, and that is not necessarily the state area.

Hon. Mr. BLAIS: I suppose this applies to Minnesota and Dakota and all other states along the border?

Mr. KEMP: They all have their own regulations, sir. I mentioned New York State because that was a principal market for Canadian milk and cream before the Hawley-Smoot tariff.

Hon. Mr. ROBERTSON: Is there any possibility that the invisible protection which has been extended by the United States in one way and another might affect the arrangements that were supposed to be made under the charter, or has the federal government in the United States got authority to see that the agreements are lived up to?

Mr. DEUTSCH: One of the difficulties is that, as Mr. Kemp has pointed out, these sanitary regulations are imposed by New York State and the federal government makes undertakings with respect only to its own field. In the charter there is a general undertaking that the federal government will use its best offices to try to get the states to live up to the spirit of this agreement, but that is only a matter of persuasion. The federal government would run into difficulty if it interfered in matters which are properly within the authority of the state.

Hon. Mr. McKEEN: You might have a rather poor case if you asked the United States government to interfere in this matter, if the regulations are imposed against every other state in the union.

Mr. DEUTSCH: We could, for instance, say to the United States government that we protest against these milk regulations as we consider them to be really an indirect device for protection, and the United States government would then be obliged to approach New York State and try to persuade them to relax the regulations. But whether or not the federal government could persuade the state government to relax its regulations, remains to be seen.

Hon. Mr. DAVIES: The State of New York is on pretty strong ground, is it not, when it places its regulations on an inspection and sanitary basis?

Mr. DEUTSCH: Yes, senator. I think, however, that sanitary regulations can sometimes be used as an indirect device for protection. In this case, as Mr. Kemp has explained, New York State has imposed certain sanitary regula-

tions, but will not send its inspectors up here to make inspections. Therefore even if a farmer up here was willing to comply in every way with the New York State regulations he still would not benefit thereby.

Hon. Mr. PIRIE: Then it would not make any difference if the duty were taken off milk and cream entirely?

Mr. DEUTSCH: Not as long as these sanitary regulations remain in force.

Hon. Mr. ROBERTSON: Honourable senators will realize that at the moment the fact that no cream or milk is being shipped from here to the United States is not due to the American tariff or to quotas or any state regulations, because the export of products of the dairy industry, in common with those of all other agricultural industries, is prohibited by the Canadian government. Dr. Derby, Chief of the Dairy Products Marketing and Merchandising, Department of Agriculture, told me he thought there was a disposition on the part of authorities in the United States to be more willing to accept in future the certificates of Canadian sanitary inspectors. I do not know whether he meant that there was this disposition on the part of the federal or of the state authorities, nor do I know whether he was referring to inspections by our federal or provincial inspectors. I have a note that Dr. Richards, Economist, of the Department of Agriculture, is present and could speak on this, if honourable members so desire.

Hon. Mr. BURCHILL: I think we should hear from Dr. Richards.

The ACTING CHAIRMAN: Dr. Richards, is there any statement that you would care to make?

Dr. A. E. RICHARDS, Economist, Department of Agriculture: Mr. Chairman, I have not much to add to what has already been given to the committee. I am not a dairy specialist, but this morning I did have a chance for a brief discussion with Mr. Singleton, Chief of the Dairy Products Division in our department. He said that before the Hawley-Smoot tariff became effective there was a working arrangement between United States authorities and our Health of Animals Branch whereby certificates of Health of Animals Inspectors in eastern Canada were accepted by the New York State authorities. He felt that it was the Hawley-Smoot tariff that really ended our exports. But I understand that since then inspection requirements in the United States have become more stringent, but they are directed as much against western states as against eastern Canada, because of course New York State used to draw its milk supply from as far west as Wisconsin.

Hon. Mr. ROBERTSON: Was the dairyman right who said to me that, regardless of the tariff, he could sell his milk in the United States today if it were not for the Canadian government's prohibition against export?

Dr. RICHARDS: Yes, I should say he is right on that. The price paid for fluid milk in the New York milk shed today—I am quoting from memory—is around \$5 per hundredweight, whereas our price just above the border and in the Eastern Townships is \$3.50. So a dairyman in those regions could pay the transportation charges and the duty and still compete in the New York milk shed.

Hon. Mr. ROBERTSON: If there were no sanitary restrictions?

Dr. RICHARDS: If there were no restrictions on exports and no sanitary regulations.

Hon. Mr. HUGESSEN: The Boston market was pretty important, was it not? Is that part of the New York milk shed?

Dr. RICHARDS: That was, I believe, a more important market for fluid milk than the New York market.

Hon. Mr. ROBERTSON: It was the Boston market that this dairyman was talking about.

Hon. Mr. PATERSON: No matter what agreements were made at Geneva, they can be upset by these sanitary regulations, can they?

Mr. DEUTSCH: I think we have a pretty good case in endeavouring to prevent these regulations being used as an indirect form of protection. It would be quite appropriate for us to take this matter up with the United States government on the basis of the new agreements, and I think that is one thing we might do as soon as the opportunity arises. At the moment, of course, exports are prohibited in Canada.

Mr. MCKINNON: I think it would be of interest to state to the committee that we did in fact get concessions on fifteen dairy products in the United States tariff. At the moment we are talking about only two products. The reason we pressed for a greater reduction in the duty on these two was that we had in mind the hope to which Dr. Richards has referred, that there might again be developed a working arrangement whereby our milk and cream could flow across the border. As Mr. Kemp says, we did get the duty on cream down to the same point as it was at the time of the biggest trade, and the duty on milk to a lower duty than at the time of the biggest trade.

The ACTING CHAIRMAN: There is not the same inspection restriction against other dairy products as against milk?

Mr. MCKINNON: No, Mr. Chairman, that is peculiar to milk and cream.

Hon. Mr. McLEAN: But similar regulations could be applied against other products, and the entry of fish and a whole lot of other foodstuffs into the United States could be prohibited in that way. It is a form of protection.

Hon. Mr. ROBERTSON: At the Havana conference these methods of invisible protection are among the major points being discussed. In the past they have proved a greater obstacle to the export of our products than have duties and quotas.

The ACTING CHAIRMAN: Gentlemen, are there any more questions on this particular point? If not, we will move on to other questions which honourable senators may wish to ask Mr. McKinnon.

Hon. Mr. HOWARD: First, may I say, for the information of senators, that back in 1922 the Eastern Townships were shipping very large quantities of dairy products into the Boston market, and we had no inspection services; since that time they have been put into force, and have become more and more rigid to the fluid milk supply going to the cities in that area and also to the Carnation milk plants. No farmer can send his milk either to the Carnation plants or to the fluid milk deliveries unless he is inspected. With that change in policy I think possibly we might again get into the American market. With the tariff dropping down from 56½ cents to 28·3 on cream, we could have started shipping cream there again, but because of the change in the attitude of the American people, we said, "No, we will not start shipping this commodity again for fear of some other regulation being put on."

Hon. Mr. DAVIES: Mr. Chairman, may I ask if this is a federal regulation or is it a regulation imposed by the State of New York or the State of Massachusetts?

Mr. DEUTSCH: Yes, it is state regulation; not federal regulation.

Hon. Mr. HOWARD: The pressure from the United States was very much stronger when the farmer was not making much money and was selling his product at a low price in the United States, compared to today's prices.

Hon. Mr. McKEEN: I think the regulations are becoming stiffer all over this continent. I know in British Columbia they are becoming more strict all the time; it is not done to the exclusion of anyone but for the cause of pure food.

Mr. MCKINNON: Following the suggestion made by Senator McKeen, if we could get a modus operandi with the United States, and were able to secure acceptance of a Canadian certificate, it would work out all right.

Hon. Mr. McKEEN: In other words, we are not objecting to regulations and sanitary methods, but we want somebody who can inspect our plants and pass upon them.

Hon. Mr. HOWARD: Yes, a reciprocal arrangement so to speak.

Hon. Mr. ROBERTSON: I wish to quote an extract from information given to me by Dr. Derby. I may say the information I have is that at one stage at least the regulations were of a federal nature. He has this to say:

The United States authorities passed regulations under the United States Federal Import Milk Act, 1927, and according to its regulations the requirements are:

(1) Physical examination and certificates as to condition of all cows or cattle in herds from which milk or cream is shipped, either directly or indirectly, to the United States;

(2) Sanitary inspection and certification as to conditions of all dairy farms and the equipment thereon;

(3) Sanitary inspection of all plants, and,

(4) Inspection and certificates as to condition of the equipment and methods of pasteurization in such plants.

That was a federal act passed in 1927, and the figures show that immediately after 1927 the total export of milk and cream to the United States started to decline, but its most noticeable drop came after the Smoot-Hawley tariff of 1930. Whether or not the federal authorities relaxed their original regulation and today the chief objections are by reason of state regulations, I do not know, but originally the federal authorities did exercise certain regulations.

Hon. Mr. DAVIES: Those would be regulations applied to every state in the union.

Hon. Mr. ROBERTSON: And to imports.

Hon. Mr. HOWARD: That is right.

Hon. Mr. ROBERTSON: The extract I read said, ". . . milk or cream shipped, either directly or indirectly, to the United States;"

Hon. Mr. MACLENNAN: From what source would the certificates have to be issued?

Hon. Mr. ROBERTSON: It does not say in this document.

Mr. KEMP: I have here a copy of the law to which Senator Robertson has referred. It is known as the "Lenroot-Taber Act", and was passed in 1927, otherwise known as the Federal Import Milk Act. It is as he described it, consisting of ten sections.

The Federal Import Milk Act, consisting of 10 sections, approved February 27, 1927, was enacted for the purpose of promoting the dairy industry of the United States and protecting public health by regulating the importation of milk and cream into the United States.

Section 1 of this Act prohibits the importation of milk and cream into the United States unless the person by whom such milk or cream is shipped or transported into the United States holds a valid permit from the Secretary of Agriculture. The term "person" means an individual, partnership, association, or corporation.

Section 2 provides that milk or cream shall be considered unfit for importation:

(1) When all cows producing such milk or cream are not healthy and have not been physically examined within one year previous to such milk being offered for importation.

(2) When milk or cream, if raw, is not produced from cows which have passed a tuberculin test within one year previous to time of importation of such milk or cream.

(3) When the sanitary conditions of the dairy farm do not score at least 50 points out of 100 points provided by the score cards used by the Bureau of Dairy Industry of the United States Department of Agriculture.

Section 4 refers to the number of bacteria per cubic centimetre; paragraph 5 deals with the temperature of milk or cream at the time of importation.

Section 3 states that the Secretary of Agriculture shall:

(1) Cause all necessary inspections to be made and issue permits to ship milk or cream into the United States when he finds that Clauses 1, 2 and 3 of Section 2 of this Act are being complied with. Provided, that in lieu of such inspection he may accept a duly certified statement signed by a duly accredited official of an authorized department of a foreign government that these clauses have been complied with. On the strength of this statement he may issue the permit required for importation.

This refers to what Dr. Richards mentioned, the fact that in those days the federal regulations allowed the Canadian Department of Agriculture to do the inspecting and their findings could be accepted.

Hon. Mr. HOWARD: That is right.

Mr. KEMP: I have the rest of the story here, but I do not think we need read it for present purposes. But looking over the import statistics, Mr. Chairman, we notice that the import of milk in the calendar year, 1926, was 4.8 million gallons from Canada; in 1927 it was 3.6 million, in 1928 3.9 million. In 1929 it was down to 3.2 million and in 1930, 1.475 million. 1930 was the year of the Smoot-Hawley tariff, and it is generally believed by those with whom we have discussed the matter, that it was that tariff which brought about the collapse of the market rather than any sanitary regulations that had been put into effect up to that time. Subsequently, however, sanitary regulations did come in and proved even more effective than the Smoot-Hawley tariff had.

Mr. DEUTSCH: But the sanitary regulations were then state regulations, that is, the ones which were most disastrous in the 30's.

Mr. KEMP: That is correct.

Mr. DEUTSCH: It was not federal regulations but state regulations brought in in the 1930's which were the most troublesome.

Mr. KEMP: That is quite true.

The ACTING CHAIRMAN: Are there other items which the Senators would like to discuss? If not, I should like to ask Mr. McKinnon to explain the difference between the duty on automobile parts and radio parts, under the Geneva Trade Agreements, as compared to former agreements.

Hon. Mr. HOWARD: Should we not complete the balance of the agricultural items?

The ACTING CHAIRMAN: If there are more items to be discussed, yes.

Hon. Mr. HOWARD: There were thirteen items. Let us have the other agricultural items.

Mr. KEMP: I wonder if it would not be possible to leave that question for a few minutes, because we are having a statement delivered here during the course of the morning.

The ACTING CHAIRMAN: We will revert to that question when the statement comes, Mr. Kemp.

Mr. MCKINNON: Mr. Chairman, perhaps I might say a few words of a general nature before dealing with that question; it might be of interest to the committee. Up to the present time the committee has seemed anxious to obtain information regarding the concessions that Canada secured in other countries, rather than as regards concessions that may have been made in Canadian tariffs. I think this is the fifth sitting, and my recollection is that most of the previous sittings related to concessions secured by Canada in other countries. Senator Ballantyne, if I remember correctly, did on two occasions suggest that he would like to know something about the reductions that are proposed in the Canadian tariffs.

May I point out that the Canadian tariff as it stands today is easily one of the most complicated in the world. I am of course referring to its structure. For example, where the United States will have one rate on a given commodity applicable to all the countries of the world, we may have in our tariff at the one time as many as five different rates on one and same commodity.

Hon. A. L. BEAUBIEN: Is that brought into effect by regulations?

Mr. MCKINNON: No, this is statutory, Senator Beaubien. It arised from the fact that in the first place we have in many cases agreements with various units of the British Commonwealth, granting them on "x" commodity certain rates of duty. Applicable to the other parts of the commonwealth, to whom that particular agreement does not apply, we have what is called the British Preferential Tariff. That makes two rates. Applicable to other nations with whom we have made most favoured nation agreements of a reciprocal nature, we have a most-favoured-nation rate of duty. I am still talking about one commodity. Then, applicable to certain countries with whom Canada has had no serious rupture in relations, but who are not favoured nations, we have what is called the rate under intermediate tariff. And then we have finally the fifth column, the general tariff, which is, if I may use the word, punitive tariff, applied to countries with whom Canada has no relations of any kind that warrant better rates than are shown in the general tariff. Now, I am merely pointing that out because of the fact that, if any member of the committee should ask me what is the present rate, or what was the former rate, very often I might have to say, "Well, do you mean the British preferential rate; or the most-favoured-nation rate; or the Geneva rate?" and so on.

Hon. Mr. McKEEN: Is there not another question in addition to that, namely what the article happen to be used for?

Mr. MCKINNON: That is true. I was trying to talk about a given tariff item, senator.

Hon. Mr. McKEEN: Well, the same article may be used for more than one purpose.

Mr. MCKINNON: Sometimes there are two different items which refer to the same commodity according to the purpose for which it is to be used.

Hon. Mr. McKEEN: In addition to that, it may be under two different classifications?

Mr. MCKINNON: Yes, it may be of a class or kind made in Canada, or of a class or kind not made in Canada.

Hon. Mr. McKEEN: Or it may be a length of brass, or it may be a whistle.

Mr. MCKINNON: I am merely pointing out that the structure of our tariff is exceedingly complicated.

Hon. Mr. WHITE: Are we unique in that respect?

Mr. MCKINNON: I would think that we are in contrast to most of the large trading nations. The United States has a single tariff except to deal with countries with which they may have broken off relations. The United Kingdom has, at most, a two-column tariff,—her rate against the world, and her rate within the Commonwealth. Most of the European tariffs are two or at the most three columns; whereas, as I stated, the Canadian runs to five columns or even six. It is partly a reflection of the manner in which industry has grown up in this country, in large part resulting from the development of branch plants.

Schedule V, to which you will wish to turn your attention this morning comprises the changes that are proposed in Canadian rates of duty. It includes about 1,050 items; and it may be, as you said at the opening, Mr. Chairman, a loss of time to start at the first and go through the entire thousand items. It might be much better, as I think you also suggested, that those honourable senators who are present and who are interested in any particular commodities should ask questions with regard to those particular items.

Now, dealing first with automobile parts. There are quite a number of items, some eight or ten altogether, with varying rates of duty. The automobile itself, that is the finished car, has carried in the past a most-favoured-nation rate, because I presume that is the one you are interested in, of 17½ per cent; that rate is unchanged. Many of the parts used in manufacturing automobiles in this country enter at very low rates of duty,—5 or 7½ per cent; indeed, many of them enter free, if the finished automobile can attain a certain specified so-called Empire content. If it cannot attain the required content of, shall we say, Canadian content (although the British content enters into the total), then the importer has to pay a higher rate of duty. As a general rule the highest rate of duty on parts is 25 per cent, and in the case of some few components, 30 per cent.

Hon. A. L. BEAUBIEN: Who establishes the quantity of the finished product to be made in Canada?

Mr. MCKINNON: The customs authorities have to establish that, the plant making the automobile is actually producing a certain specific percentage of the total content of the car in Canada. To attain that percentage the manufacturer may add the percentage representing imports from other Empire areas. If he attains the specified content, he is entitled to free parts on a very long item that I would not attempt to read to you, because it covers several pages of the book.

Hon. A. L. BEAUBIEN: At that point: has the department got special officers to check that, and so forth?

Mr. MCKINNON: That is right, sir.

Hon. Mr. McKEEN: That is, dollar content?

Mr. MCKINNON: Yes, the value, the dollar content, yes.

The ACTING CHAIRMAN: And I understand there are some manufacturers who do obtain that?

Mr. MCKINNON: Oh, yes. As a matter of fact the imports under the free item, which are dependent on the attainment of content, are very, very high.

Hon. Mr. ROBERTSON: Might I ask a question before you leave the automobile?

Mr. MCKINNON: Yes, senator.

Hon. Mr. ROBERTSON: As I understand it, a prohibition exists against the import of used cars and trucks from the United States,—what is, in effect a prohibition. Has that been changed?

Mr. MCKINNON: Under the Geneva agreement it will no longer be permissible to maintain a prohibition of the importation of used cars,—in the form of a prohibition.

Hon. Mr. ROBERTSON: But that is not in your trade agreement?

Mr. MCKINNON: No, sir, we kept it out of the agreement, because it is entirely up to Parliament to decide how it wishes to deal with used cars. It may in its wisdom, put on a rate of duty which is prohibitive; or it may, in its wisdom, put on such lower rate of duty as it deems sufficient for the purpose. But the point is that, under the new agreement, we may no longer prohibit the cars in those words: we have to deal with them by tariff action.

Hon. Mr. McKEEN: I understand that there is a provision there that if a country is in financial difficulties they may then prohibit products coming in from all countries, to save their financial structure. Is there not a provision for that?

Mr. MCKINNON: That takes us back to the balance of payments situation, under which a country may do many things. If you wish to follow that up, we had better ask Mr. Deutsch.

Hon. Mr. McKEEN: That is actually what is being done, in connection with this prohibition—

Hon. Mr. ROBERTSON: There is no prohibition on used cars and trucks.

Hon. Mr. McKEEN: Oh, I am sorry. I thought it was cars.

Hon. Mr. DAVIES: Under the Geneva agreement could the Government of Canada put a prohibitive tariff on something on which you made an agreement?

Mr. MCKINNON: Yes, sir.

Mr. KEMP: We did not make an agreement covering duty on used cars.

Mr. MCKINNON: I was going to come to that. We made an agreement, but we did not include in the schedule that particular item.

Hon. Mr. DAVIES: I am talking about general items. Could the Government of Canada put a prohibitive tariff on any item on which you have come to a specific arrangement with the Government of the United States?

Mr. MCKINNON: Let me put it in another way. The Government of Canada could not impose a prohibition on any items included in the schedules to the agreement, because the rates are bound against increase. But certain countries reserved certain items: they said they were not prepared to bind them. We did that in the case of used cars; we said, "There is no item in the tariff at present; and we will not insert any item committing our country to a certain rate, because our Parliament will have to decide what it wishes to do about used cars".

The ACTING CHAIRMAN: Does that answer your question, Senator Davies?

Hon. Mr. DAVIES: In a roundabout way.

Hon. Mr. ROBERTSON: I think what Senator Davies means is this: he is not particularly referring to this prohibition of used cars and trucks, which is something that has been in effect for ten or twelve years?

Hon. Mr. DAVIES: I am referring to agricultural products.

Hon. Mr. ROBERTSON: He is referring to the general structure of the action taken by the government under the so-called austerity plan.

Hon. Mr. DAVIES: No. If we make a Geneva agreement in connection with some product of the United States, could this government, say, if we were importing it from the United States, or could the United States government, say, if it were importing that item from Canada, put a prohibitive tariff against it?

Mr. MCKINNON: No, not if the item is included in the schedules, because the rate attached to it is the maximum that may be applied. But as I said, certain countries refused to include certain items; and one of the items we refused to include was used cars, because we felt that Parliament would have to deal with them.

Hon. Mr. DAVIES: Let us discuss oleomargarine. Could the Government of Canada put a prohibitive tariff against oleomargarine if a bill was passed to import it?

Mr. McKINNON: Speaking as a layman and not as a lawyer, I would say the government could put any rate of duty it wished against oleomargarine under this agreement.

Hon. A. L. BEAUBIEN: But it cannot prohibit?

Mr. McKINNON: It cannot prohibit in the sense of the word "p-r-o-h-i-b-i-t". But it can put against oleomargarine any rate of duty it deems desirable.

Hon. Mr. DAVIES: Could we put a duty against any product respecting which we have an agreement?

Mr. McKINNON: If you were to hunt for some product which is not included in that agreement—

Hon. Mr. DAVIES: Is not oleomargarine included in the agreement?

Mr. McKINNON: No. The prohibition, under the charter, has been abolished. We may no longer prohibit. But these tariff schedules do not include either used cars or oleomargarine, because it is up to parliament to decide how it wishes to deal with them.

Hon. Mr. HOWARD: They have got you going and coming.

Hon. Mr. McLEAN: If the agreement is carried out with oleomargarine the prohibition goes?

Mr. DEUTSCH: I might point out to honourable senators that the Havana discussions may have an effect on this situation. Many of the clauses of the General Agreement, as I have explained before, are taken from the International Trade Charter which is now being discussed at Havana. These sections in the General Agreement which is now being discussed at Havana may be changed as a result of those discussions, if the countries which have signed the Agreement are willing to substitute the new clauses for the ones that are now in the General Agreement. In that respect that may have some effect upon the situation regarding oleomargarine. As the Agreement now stands, the prohibition on oleomargarine has to go, but what will happen after the Havana conference is over, and the countries which have signed this agreement have considered whether or not they should change some of these general sections of this agreement, remains to be seen.

Hon. Mr. McLEAN: Does that apply to used cars and trucks as well?

Mr. DEUTSCH: It may apply to them and it may apply to oleomargarine. We cannot state definitely what the ultimate situation will be until the Havana discussions are over.

Hon. A. L. BEAUBIEN: In other words, we do not have to remove the restrictions on oleomargarine until the Geneva agreement—

Mr. DEUTSCH: Until the Geneva agreement is in its final form; and in the meantime the prohibition continues on our statute books, and only when this agreement is in its final form and ratified by Parliament does any action have to be taken in the light of that Agreement at that time.

Hon. Mr. DAVIES: And it will not be in its final form until after the Havana agreement?

Mr. DEUTSCH: Yes.

Hon. Mr. McLEAN: That is different to the discussions we had about fish. As we understood, the agreement you made stands.

Mr. DEUTSCH: There are two parts. The discussions at Havana do not affect the tariff changes at all. It is only the general sections of this Agreement which may be affected.

Hon. Mr. ROBERTSON: Does that apply as well to the United States in passing its legislation through Congress which has to do with this tariff administration?

Mr. DEUTSCH: That is right.

Hon. Mr. ROBERTSON: They do not have to pass that until the Geneva agreement—

Mr. DEUTSCH: Yes.

Hon. Mr. ROBERTSON: But the tariff schedules remain?

Mr. MCKINNON: They will not be changed. The tariff schedules remain.

Hon. Mr. McKEEN: Have you any information as to the prospects of the Havana conference? I heard that there are 800 amendments to be considered. Is there much prospect of this Havana agreement going through?

Mr. DEUTSCH: Yes, senator; they have a great many amendments, and they have had lengthy discussions; but it appears now that they hope to finish in a week or ten days.

Hon. Mr. McKEEN: Are all the countries participating, or have some withdrawn?

Mr. MCKINNON: Not all are participating.

Hon. Mr. DAVIES: Who is representing Canada?

Mr. MCKINNON: Our delegation is headed by Mr. Wilgress.

Hon. Mr. McKEEN: But the Havana agreement, as I understand it, will have no effect on these agreements that these eight countries have definitively signed as starting the first of the year?

Mr. DEUTSCH: The Havana discussions do not affect the tariffs that are now in effect provisionally, but they may affect some of the general provisions of the Geneva Agreement. That Agreement provides that after the Havana conference is over the countries which have signed the agreement may, if they wish, substitute the articles which were changed at Havana for the articles agreed upon at Geneva.

Hon. Mr. DAVIES: They could make decisions and regulations that would nullify some of the tariff agreements?

Mr. DEUTSCH: The tariff rates cannot be changed, sir.

Hon. Mr. DAVIES: They could be affected by regulations.

Mr. DEUTSCH: Some of the invisible means of protection might be altered, sir, that is true.

Hon. Mr. DAVIES: So that the new tariff agreement could not possibly work?

Hon. Mr. ROBERTSON: Or would not be as effective?

Mr. DEUTSCH: Technically that is possible, but a substitution can only be made if it is agreed to by each of the countries that have signed the Geneva agreement. That still remains to be done after the Havana conference is over.

Hon. Mr. BURCHILL: Will that mean another conference?

Mr. DEUTSCH: No, just an informal meeting of the countries that have signed this Agreement.

Mr. MCKINNON: And it will be right at Havana.

Hon. Mr. McLEAN: Was there a currency agreement at Geneva?

Mr. DEUTSCH: No, there was no currency agreement, sir.

Hon. Mr. McLEAN: That matter is left with the international fund?

Mr. DEUTSCH: That is right.

Mr. MCKINNON: Mr. Chairman, I think you asked about radios and parts?

The ACTING CHAIRMAN: Yes.

Mr. McKINNON: The most-favoured-nation rate on a complete radio was 25 per cent, and the proposed most-favoured-nation rate is 20 per cent. Most of the parts enter free of duty, under two very long items, 445-0 and 445-P, and there is no change in either of those items.

The ACTING CHAIRMAN: What change if any, is there in the United States tariff on motor parts and radios and parts coming from Canada?

Mr. KEMP: There is no change in the duty on automobiles. I should have to look up the rates on radios, but in any event I do not think there is any movement of trade.

The ACTING CHAIRMAN: Some canvass is being made by radio manufacturers, and I understand they feel it is quite possible that they could sell radio parts in the United States if the tariff were not prohibitive.

Mr. McKINNON: That might well be.

The ACTING CHAIRMAN: For the information of honourable members I might say that radio manufacturers in Canada have been somewhat restricted with respect to imports under the present emergency legislation, and some of them have been asked to develop markets in hard currency countries and promised that if they do so they will be able to use the moneys that they get to bring in parts. I know that certain investigations have been made, and it is felt to be possible, with increased production in radios and radio parts in Canada, to develop a market in the United States.

Mr. KEMP: Have you the rates, Mr. Cowper?

Mr. G. C. COWPER, Chief of Foreign Tariff Section, Department of Trade and Commerce: The duty on radios entering the United States was 25 per cent, and it is now 15 per cent. Parts that can be used for no other purpose than radio carry the same rate.

The ACTING CHAIRMAN: Such as radio tubes, I suppose?

Mr. COWPER: Yes.

Hon. Mr. DAVIES: What is the position with regard to flashlight bulbs for press photographers? There was quite a fuss about the alleged shortage, and I believe the minister said he thought there were plenty in Canada to satisfy the need. Are they still prohibited from coming in?

Mr. McKINNON: Are you referring to the temporary prohibitions, sir?

Hon. Mr. DAVIES: Yes. Have they been removed?

Mr. McKINNON: Do you know about that, Mr. Deutsch?

Mr. DEUTSCH: I do not know. I know the question came up, but I was away at the time and am not familiar with what the decision was.

Hon. Mr. DAVIES: I am told by press photographers that the bulbs that are being used at the present time are faulty, and they could get better-class bulbs in the United States but the importation is prohibited.

Mr. DEUTSCH: I am sorry, sir, that I do not know what the situation is at the moment.

Mr. McKINNON: We can approach these matters only from the point of view of the permanent tariff, senator.

Mr. Chairman, may I make a brief statement that may be of interest to members of the committee? While I am willing to answer any questions, I can quite understand that members who have not the printed schedule before them cannot readily ask questions. It may be of interest to know that in 1939, which is the year that we used for the basis of all our negotiations, the ad valorem equivalent of the duties collected on imports from the United States into Canada—and by that I mean the percentage that the duty represented of the value of the goods—was about 13 per cent. But in respect of dutiable goods only, the

duty collected was slightly less than 22 per cent of their value. Senator Euler, when he was presiding, asked me if I could give him a rough idea of the weight or the height of the Canadian tariff on imports from the United States, and, as nearly as one can average a situation like that, that is it. On all goods imported from the United States in 1939, dutiable and free, the duty represented about 13 per cent of the value; and on dutiable goods alone, the duty represented about 22 per cent of the value.

Hon. Mr. ROBERTSON: That was in 1939. What is the change as a result of the Geneva trade agreement?

Mr. McKINNON: We did not attempt to make any precise calculation of that; first, because, having in mind the abnormal nature of trade during the war and immediate post-war years, we kept to the trade figures of 1939 as the only sound basis on which to calculate; and secondly, because it is very hard to tell just what might result in either the United States or Canada from the lowering of a rate of duty. For instance, the cutting in half of even an extremely high duty need not necessarily result in a great movement of goods. The same is true of a further reduction in a very low rate of duty: I am thinking, for example, of the rate on oats entering the United States from Canada. It was 8 cents, and we have got it cut to 4 cents. If through further negotiations oats were admitted free, that might not result in the flow of a great many more bushels of oats to the United States, because 4 cents is so close to free. My own impression would be that on the dutiable goods, allowing for a return to fairly normal trade in both volume and value, the net incidence of our tariff on imports from the United States would, as a result of the changes made at Geneva, more likely be in the neighbourhood of 17 or 18 per cent than 22 per cent. That is merely a rough estimate made by one person, who may not be any more competent than anybody else to make it. In other words, it is a guess.

Hon. A. L. BEAUBIEN: In the average figure that you gave a moment ago, did you take into account the arbitrary valuations for duty purposes?

Mr. McKINNON: No, Senator Beaubien. The figures issued by the Dominion Bureau of Statistics do not take into account, in the determination of value, the special duties that are applied, such as you have in mind. It is with that particular factor in mind that I say that in my own opinion the net rate will drop from probably 22 per cent to 17 or 18 per cent.

Hon. Mr. BUCHANAN: Will the embargo against the export of beef cattle to the United States have to come off, because of the agreement?

Mr. McKINNON: No, Senator Buchanan. That is entirely a matter of domestic policy, in respect of which I have no information whatever. The embargo was imposed for certain domestic reasons, I believe arising particularly out of the price ceiling in effect during the war. Obviously, as long as the embargo is on we cannot take full advantage of the reductions that were secured at Geneva, but I have no idea as to when the embargo might be lifted. Have you, Mr. Deutsch?

Mr. DEUTSCH: No. The agreement would not require the Canadian government to remove that embargo at the present time. That is a matter for the government to decide.

Hon. Mr. BUCHANAN: Is it not contrary to the spirit of the agreement?

Mr. DEUTSCH: In normal circumstances export embargoes are not permitted under this Agreement, but there is a leeway whereby countries may make adjustments necessitated by conditions arising out of the war. For instance, where commodities are in short supply, the agreement permits the countries to maintain for a certain period the same trade controls that were in effect during the war, but those controls must be removed after the limited period.

Hon. Mr. McKEEN: Does that mean that if we have certain raw materials that are needed by our secondary industries we could be forced to remove an embargo against the export of those materials to other countries? For instance, it is quite conceivable that outside interests might come in and buy up most of the raw materials needed by our pulp mills in British Columbia, and if those materials could be exported the pulp mills would be put out of business. Would the Geneva agreement make it impossible for the government to impose an embargo on exports of that kind?

Mr. DEUTSCH: After this transitional period is over we would not be permitted to continue export controls or prohibitions, just as we would not be permitted to prohibit imports except under specified circumstances.

Hon. Mr. McKEEN: I understand it with respect to imports in the natural course of trade, but I don't see why other countries should have any rights over our raw materials.

Mr. DEUTSCH: I believe you are referring to the controls on the export of pulpwood.

Hon. Mr. McKEEN: And on lumber, which is also used.

Hon. Mr. MACLENNAN: You are only giving an example.

Hon. Mr. McKEEN: But that was done long before the war.

Mr. DEUTSCH: That is true, but in so far as those controls are imposed by the provinces, the federal government has made no undertaking which would force the provinces to change their practice. In other words, the provinces have been imposing their controls, and because of the fact that the pulpwood is cut on Crown property there is nothing in these agreements which would interfere with the provinces carrying out whatever natural resources policy they wish to have.

Hon. Mr. PIRIE: But that has only to do with Crown land and does not affect private land.

Mr. DEUTSCH: That is true. Also, in so far as the federal government is concerned it could not put on prohibitions.

Hon. Mr. McKEEN: But the federal government sold Crown lands, advertising that it had exportable timber. Of course during the war it could not be exported for war purposes, but the sales were advertised on that basis. Now the war has been over some time and they still enforce those controls, which I think is rather a discrimination against the buyer who bought on the assumption that he could export that material. While I am not in favour of any export of raw material of which we ourselves are in short supply, when we have the supply I do not think an embargo like that should be carried out, especially when the land was bought on a contract that it had exportable timber.

Hon. A. L. BEAUBIEN: Do I understand that if Canada at some time became in short supply, for instance with respect to meat, that under the Geneva Agreements we cannot put on prohibitions?

Mr. DEUTSCH: Let me try to make the point clear. We have a temporary period after the war which is commonly referred to as the transitional period, during which time—

Hon. A. L. BEAUBIEN: May I ask if there is a time limit to that period?

Mr. DEUTSCH: Yes, there is a limit.

Hon. A. L. BEAUBIEN: What is the time limit?

Mr. DEUTSCH: 1951. —during which time we can adjust our wartime controls to a normal situation, and during that period we may continue some of the trade controls we had on during the war. After that time limit expired we would no longer be permitted to put on prohibitions either of an export or an import nature. There are a few exceptions to that, under the normal

situation, to take care of legitimate cases, and one of them, Senator Beaubien, is the one to which you refer. The clause says that the provisions of this paragraph, which do not allow the imposition of prohibitions shall not extend to the following—one of them is export prohibitions or restrictions—temporarily applied to prevent or relieve critical shortages of foodstuffs or other products essential to the exporting country. In other words, if we do run into a situation where there is a shortage of food, or of some other essential material, which causes a shortage situation which might be serious, we may then temporarily put on a prohibition to relieve the shortage.

Hon. A. L. BEAUBIEN: Would that be done by consultation with other countries with whom we have signed an agreement?

Mr. DEUTSCH: Normally we would consult them, but we would not have to if we had a good case, that is, if we could prove that because of shortages we would be facing serious difficulties if we did not act to relieve the situation. Under those circumstances we could put on temporary controls.

Hon. Mr. McKEEN: Is that the way in which we would stop the export of uranium to some of these countries to which we would prefer it did not go?

Mr. DEUTSCH: Uranium is especially excluded from this agreement.

The ACTING CHAIRMAN: Of course, Mr. Deutsch, we have an advantage under certain clauses with respect to such things as coal and petroleum products.

Mr. DEUTSCH: Yes.

Mr. McKINNON: Fuel oil. In other words, it works both ways.

Mr. DEUTSCH: It works very much both ways. We are very dependent upon other countries for raw materials which are absolutely essential to our economy, and while we have to give up perhaps certain unilateral rights, we benefit by the undertaking that other countries also give up certain unilateral rights.

Hon. Mr. McKEEN: I would take it that the provinces would be in much the same position as, for instance, the state of New York.

Mr. McKINNON: That is quite right.

Hon. Mr. McKEEN: We have certain sales in British Columbia and no doubt there are other provinces who must have the same conditions; I presume another province could do the same as we do.

Mr. McKINNON: Yes.

Mr. DEUTSCH: What the state of New York does with respect to milk is in some ways analagous to what our provinces do with respect to some other things.

Hon. A. L. BEAUBIEN: Do you mean to say that any province in Canada could prevent the export of certain materials produced in that province?

Hon. Mr. McKEEN: If that province owned the commodity.

Mr. DEUTSCH: Yes, if the province owns it.

Hon. A. L. BEAUBIEN: Do you mean if it belongs to the Crown?

Hon. Mr. McKEEN: Yes, if the Crown in the right of the province owns it.

Hon. A. L. BEAUBIEN: But it could not interfere with private ownership?

Mr. DEUTSCH: No. If the province is the owner of a natural resource, it would control it the same as the owner of any property would have control over it.

The ACTING CHAIRMAN: Are there any further questions, gentlemen? Mr. Kemp, have you the statement on the agricultural products?

Mr. KEMP: I have those figures here of the concessions that we gained with respect to dairy products. The complete list from the United States is as follows:

Tariff Item 707, fresh cream; duty reduced from 28.3 cents per gallon to 20 cents a gallon, on a quota of 1½ million gallons, with no change in ex-quota rate

of 56·6 cents per gallon. On whole milk the rate was reduced from 3¼ cents a gallon to 2 cents, on the quota of 3 million gallons, with no change in the ex-quota rate which remains at 6·5 cents a gallon. On skimmed milk and buttermilk the rate was reduced from 2½ cents per gallon to 1½ cents a gallon.

Tariff Item 708, condensed milk, unsweetened; the rate was reduced from 1·8 cents a pound to 1 cent a pound; and on condensed milk, sweetened, it was reduced from 2·75 cents a pound to 1·75 cents a pound.

Tariff Item 708b, whole milk dried; the rate was reduced from 6¼ cents a pound to 3¼ cents a pound. Skimmed milk dried was reduced from 3 cents to 1½ cents a pound. Buttermilk dried was bound at 1½ cents a pound.

Tariff Item 709; butter, the rate was 14 cents a pound, and it has now been reduced to 7 cents a pound, with a quota of 50 million pounds. This concession was negotiated primarily with New Zealand but we benefit by it to the extent that we may at any time have butter for sale in the United States.

Hon. Mr. McKEEN: Excuse me, but does that apply to any time of the year or is it seasonal?

Mr. KEMP: That is a seasonal affair, sir.

Hon. Mr. McKEEN: That season fits them, but it does not fit us. Is that our off-season?

Mr. KEMP: We could, of course, sell out of cold storage.

Item 710, cheddar cheese; the rate was 4 cents a pound, or 25 per cent, and it has now been reduced to 3½ cents a pound or 17½ per cent, whichever is the more.

That is the complete list of dairy product concessions in the United States. Now I have a further list here of concessions on dairy products that we received from Benelux, Brazil, China, France, India and Norway. Is it your wish to hear those also?

Some Hon. SENATORS: No.

The ACTING CHAIRMAN: Are there any questions, gentlemen, with respect to these items?

Hon. Mr. McKEEN: Were any concessions made with respect to maple products, that is maple sugar and maple syrup?

Mr. KEMP: Yes, sir.

Hon. Mr. McKEEN: Could you give us those?

Mr. KEMP: On maple sugar the United States rate was formerly 3 cents a pound, and it has been reduced to 2 cents a pound; on maple syrup the rate was 2 cents a pound and it has now been reduced to 1½ cents a pound. We have also got a concession on these items in France, and quite a large concession. The rate, I think, with respect to maple syrup and maple sugar was 130 per cent, and it has now been reduced to 30 per cent.

Hon. Mr. McKEEN: Is there much of that product shipped to France?

Mr. KEMP: I do not think there was under the old rate.

Mr. McKINNON: May I say that in respect to both maple syrup and maple sugar shipped to the United States, we got a concession in 1935, a larger concession in 1938 and now we have a third one. As you know there is a very large market in Vermont and some of the neighbouring states for our maple syrup and our maple sugar.

Hon. Mr. McKEEN: Do they sell it out as Vermont maple syrup afterwards?

The ACTING CHAIRMAN: Are there any further questions?

Hon. Mr. PIRIE: Mr. Chairman, I wish to ask some questions about seed potatoes and table potatoes. I should like to get some information as to the rate on seed potatoes at the present time to the United States, as well as with respect to other countries that come under the Geneva Agreements. This information would be of interest to eastern farmers as well as to western farmers.

The ACTING CHAIRMAN: Do you mean the rate on potatoes entering Canada or going into other countries?

Hon. Mr. PIRIE: No, the rate on potatoes entering the United States, and their quota.

Mr. KEMP: With respect to the United States on certified seed potatoes, the former rate was 37½ cents per hundred pounds, on a quota of 1½ million bushels. The new arrangement is that the quota has been increased to 2½ million bushels, and the rate remains the same; the ex-quota rate, which was 75 cents per hundred pounds, also remains the same. So that the change is in the size of the quota, and the increase is from 1.5 million bushels to 2.5 million bushels on table potatoes.

Hon. Mr. PIRIE: Just before you leave that item may I ask you if there is a certain period in the year when this figure of 37½ cents applies?

Mr. KEMP: That is true of the whole year, under the present arrangement.

Hon. Mr. PIRIE: The 37½ cents now applies to the entire year.

Mr. KEMP: That is true, within the quota.

Hon. Mr. PIRIE: And what is the rate on any increase over the quota?

Mr. KEMP: The rate on imports over the quota is 75 cents per hundred pounds.

Hon. Mr. PIRIE: And it remains the same?

Mr. KEMP: It is the same. On table potatoes the rate has not been changed. It still is 37½ cents per hundred pounds throughout the year on a quota of one million bushels, and on anything over the quota it is 75 cents per hundred pounds. These are the figures for the United States. I have them also for the other countries.

Hon. Mr. PIRIE: Say Cuba?

Mr. KEMP: In Cuba, on certified seed potatoes, they did enter free during a certain period of the year, and they have been bound free of duty from September 1 to January 31, which is the period in which we would want to sell them in any case the potatoes not separately provided for. These rates are in United States dollars. The rate is \$5 per hundred kilograms from November 1 to June 30; \$4 per hundred kilograms from July 1 to July 31 and October 1 to 31; and \$4 per hundred kilograms, reduced to \$3.50, from August 1 to September 30.

Hon. Mr. PIRIE: I have not worked that out in pounds.

Mr. KEMP: A kilogram is about 2.2 pounds, so 100 kilograms amounts roughly to 220 pounds. There is also a concession in France. Seed potatoes are admitted in the limits of a quota which is going to be fixed each year by decree of the French Minister of Agriculture, and under the conditions laid down in a rather lengthy text, but there is a reduction within that quota from 30 per cent to 15 per cent on seed potatoes going to France. There is one other country where we have received a concession—in Brazil, where certified seed potatoes have been bound free of duty. I think that is the complete list.

Hon. Mr. PIRIE: There are plenty of restrictions on, for Colorado beetle and such other insects that they claim we have here but perhaps they have not in Brazil. That is another case where, I suppose, they could put on these prohibitive restrictions, like New York State on our cream and milk. It works just about the same way.

Mr. DEUTSCH: Is that a federal regulation? The federal government, I gather, is all powerful.

Hon. Mr. PIRIE: Yes, I think it is a federal regulation.

Mr. DEUTSCH: They may put on sanitary regulations, but they cannot use those sanitary regulations purely as an indirect device for protection. In other words, if they are really sanitary regulations they are permitted. But they cannot use them as an indirect method of keeping out the potatoes.

Mr. KEMP: We understand that the Brazilians really want our seed potatoes, and we do not think they are likely to do that sort of thing.

Hon. Mr. PIRIE: Well, if they want them they have bought very few of them. You can ship seed potatoes to Brazil today, if you want to wait long enough for your money. They will pay you in cruzeiros; they will hold you up, as a senator suggests, until they grow the potatoes years after. They make no effort to pay until they are good and ready. Of course if you want to ship under those conditions, O.K., but you do not have to.

Hon. Mr. McKEEN: I take it that you don't.

Hon. Mr. PIRIE: We have shipped them under these conditions. We shipped seed potatoes to Brazil this year for the first time, two or three months ago, and they still have the money there, and I suppose they will still have the money for some months to come.

Hon. Mr. McKEEN: Maybe you had better go into the coffee business.

Hon. Mr. PIRIE: Yes; that might be one way of getting it.

The ACTING CHAIRMAN: If there are no other questions, this will conclude the meeting and the discussions as far as questioning the witness is concerned. In the absence of the chairman I wish to say how grateful we are to Mr. McKinnon and the other witnesses who have come before us. They have been most helpful and informative with respect to these matters. It has been a great pleasure to all members of the committee to have been here and to have had the opportunity of procuring this information.

Hon. Mr. ROBERTSON: I may say that Mr. Kemp informed me that he is having prepared a complete list of our concessions.

Mr. KEMP: The concessions we received from the United States (reductions and bindings on dutiable items). The tables to be submitted do not include items which were already free of duty under previous agreements.

Hon. Mr. ROBERTSON: He thought it would be ready before we adjourned, but he will supply it to us and to the members of the committee and it can be incorporated in our records; because it may be that our hearings will be of some value to the House of Commons; in any event they will be forthcoming, and when they come I suggest that they could form a part of the records of this hearing.

The ACTING CHAIRMAN: Senator Robertson suggests that we might leave the report until Senator Euler returned. At that time we could have a discussion of the full committee as to form the report to the house should take.

Hon. A. L. BEAUBIEN: Your idea, Senator Robertson, is that the statement Mr. Kemp is going to give will be incorporated in our votes and proceedings.

Hon. Mr. ROBERTSON: Incorporated in the printed report which is being made of these meetings, and copies of it will be available to all members of this committee. Unfortunately it is not yet here, but it will be a matter of probably being available today some time. As Senator Campbell says, perhaps we could leave the matter now, in the absence of the chairman, until he is ready to call us together to consider the report we may make. I suppose that in the interim, if honourable senators feel that some further information should be supplied, either by letter or perhaps by the attendance of some of the officials who may be available, the necessary arrangements could be made. I know how much the time of these officials is taken up, but they have been very obliging, and I am sure that we can count on their assistance.

Mr. McKINNON: I think I should say on behalf of our group to the chairman and members of the committee that it has been a very pleasant experience. It is quite different from what we have been accustomed to in the other house—

Some Hon. SENATORS: Oh, oh.

Mr. McKINNON: No, no. I mean, in the sense that there you are in committee of ways and means, and it is very formal. Here the proceedings were completely informal; questions could be directed to the official concerned and replies given direct. And I think we have all found the proceedings here not only interesting from our point of view but informative also.

The ACTING CHAIRMAN: The proceedings are adjourned, the committee to meet at the call of the Chair.

(For table of imports into the United States from Canada to which reference is made in the foregoing discussion, see appendix.)

APPENDIX "A"

Imports into the United States from Canada of principal* dutiable items on which concessions were obtained under the General Agreement on Tariffs and Trade, calendar years 1939 and 1946, showing rates of duty

(* Statement includes only items valued at \$50,000 or more in either year)

U.S. Statistical Description (abbr.)	Tariff Rates				Imports into U.S. from Canada	
	U.S. Tariff Item	Smoot-Hawley (i.e. 1930 rate)	1946 rate	Geneva agreement rate	1939	1946
					(thousands)	of dollars)
<i>Chemicals, Oil and Paints—</i>						
Acetic acid, more than 65% by wt.	1	2¢ lb.	1¢ lb.	¾¢ lb.	60	327
Vinyl acetate, polymerized, and synthetic resins	2	6¢ lb. plus 30%	3¢ lb. plus 15%	1½¢ lb. plus 7½%	173	228
Butyl alcohol	4	6¢ lb.	6¢ lb.	3¢ lb.	.....	51
Vitamins and vitasterols	5	25%	25%	12½%	140	.....
Medicinal preparations of animal origin	5	25%	12½%	12½%	.....	108
Synthetic resins made from vinyl acetate	11	4¢ lb. plus 30%	3¢ lb. plus 15%	1½¢ lb. plus 7½%	.....	52
Calcium acetate	16	1¢ lb.	½¢ lb.	¼¢ lb.	.....	74
Calcium carbide	16	1¢ lb.	1¢ lb.	½¢ lb.	74	87
Drugs of animal or vegetable origin, n.e.s., advanced in value	34	10%	10%	5%	32	230
Glycerine, crude	42	1¢ lb.	8/10¢ lb.	4/10¢ lb.	8	114
Herring oil	52	5¢ gal., plus 3¢ lb. IRC tax	2½¢ gal., plus 1½¢ lb. IRC tax.	1¼¢ gal., plus ¾¢ lb. IRC tax.	.....	148
Castor oil	53	3¢ lb.	3¢ lb.	1½¢ lb.	.....	63
Coconut oil	54	2¢ lb., plus 5¢ lb. IRC tax.	2¢ lb., plus 3¢ lb. IRC tax.	1¢ lb., plus 3¢ lb. IRC tax.	.....	128
Cedar-leaf oil	58	25%	12½%	7½%	2	72
Barytes ore, crude	67	\$4.00 ton	\$4.00 ton	\$3.50 ton	.....	269
Acetylene black	71	20%	10%	5%	248	404
Synthetic iron oxide and iron hydroxide pigments	73	20%	15%	15%	58	96
Sodium carbonate, calcined (soda ash)	81	¼¢ lb.	¼¢ lb.	¼¢ lb.	.....	84
<i>Earths, earthenware, and glassware—</i>						
Fire brick, n.e.s.	201a	25%	12½%	6¼%	22	83
All other bricks, (including common building)	201b	\$1.25 M	\$1.00 M	\$1.00 M	9	104
Limestone, crude or crushed	203	5¢ 100 lbs.	2½¢ 100 lbs.	1½¢ 100 lbs.	37	58
Lime, n.s.p.f.	203	10¢ 100 lbs.	5¢ 100 lbs.	2½¢ 100 lbs.	60	248
Crude Feldspar	207	50¢ ton	25¢ ton	25¢ ton	52	128
Untrimmed phlogopite mica	208f	15%	10%	5%	5	57

Talc, ground, not over \$14.00 ton.....	209	35%	17½%	10%	52	53
Graphite or plumbago, natural, amorphous..	213	10%	5%	5%	26	117
Articles of carbon, n.s.p.f.....	216	45%	30%	15%		487
<i>Metals and manufactures of—</i>						
Iron and steel scrap.....	301	75¢ ton	75¢ ton ⁽¹⁾	37½¢ ton ⁽¹⁾	254	145
Spiegeleisen.....	301	75¢ ton	75¢ ton	75¢ ton	1,302	18
Ferromanganese less than 4% carbon.....	302d	1½¢ lb. on manganese content.	1½¢ lb. on manganese content.	15/16¢ lb. on manganese content.		309
Ferromanganese, not less than 4% carbon....	302d	1½¢ lb. on manganese content.	1¢ lb. on manganese content.	11/16¢ lb. on manganese content.		2,583
Ferrosilicon, less than 30% silicon.....	302i	2¢ lb. on silicon content	1¢ lb. on silicon content	1¢ lb. on silicon content	238	261
Ferrochrome, 3% or more of carbon.....	302k	2½¢ lb. on chromium content.	1½¢ lb. on chromium content.	¾¢ lb. on chromium content.	1	252
Alloys used in mfr. of steel, n.e.s.....	302o	25%	12½%	12½%		791
Ferrocerium.....	302q	\$2.00 lb. plus 25%	\$2.00 lb. plus 25%	\$1.00 lb. plus 12½%		79
Boiler plate, iron or steel, valued not over 3¢ lb.....	307	5/10¢ lb.	35/100¢ lb.	10% (min. 0.175¢ lb.)		82
Telegraph, telephone wire, of copper.....	316a	35%, plus 4¢ lb. IRC tax on copper content.	35%, plus 4¢ lb. IRC tax on copper content.	17½%, plus 2¢ lb. IRC tax on copper content ⁽²⁾ .		72
Rails of iron or steel.....	322	1/10¢ lb.	1/10¢ lb.	1/10¢ lb.	140	114
Railway fishplates.....	322	¼¢ lb.	¼¢ lb.	¼¢ lb.	25	80
Hollow or flatware, of iron or steel, n.s.p.f....	339	40%	40%	20%		109
Hollow or flatware of base metal, n.e.s.....	339	40%	40%	20%		53
Electrotype plates, engraved, for printing....	341	25%	25%	15%	13	56
Needles, tape, knitting, and other, n.s.p.f....	343	45%	30%	30%		129
Electric generators and parts, n.e.s.....	353	35%	25%	15%		67
Electric motors, n.e.s.....	353	35%	25%	15%	3	50
Radio apparatus and parts.....	353	35%	25%	15%	5	870
Electrical goods and parts, n.e.s.....	353	35%	25%	15%	7	341
Electrical machines and parts, n.s.p.f.....	353	35%	27½%	15%	15	528
Automobile parts.....	369c	25%	25%	12½%	39	2,700
Airplanes.....	370	30%	30%	15%	4	566
Aircraft parts (other than engines).....	370	30%	30%	15%	7	1,613
Pleasure boats (not more than \$15,000 each)..	370	30%	15%	15%	27	273
Parts of steam locomotives.....	372	15%	15%	7½%	61	52
Internal combustion engines.....	372	27½%	17½%	10%		59
Parts of internal combustion engines.....	372	27½%	17½%	10%		63
Other sawmill and wood working machinery, n.e.s.....	372	27½%	27½%	15%	1	767
Machinery and carts, n.e.s. (not agricultural)	372	27½%	27½%	15%	72	1,099
Aluminum metal and alloys, crude.....	374	4¢ lb.	3¢ lb.	2¢ lb.	1,048	9,341
Aluminum scrap.....	374	4¢ lb.	3¢ lb. ⁽¹⁾	1½¢ lb. ⁽¹⁾	71	742
Aluminum plates, sheets, etc.....	374	7¢ lb.	6¢ lb.	3¢ lb.		119
Magnesium, metallic and scrap.....	375	40 lb.	40¢ lb.	20¢ lb.		111
Copper in rolls, sheets and rods.....	381	2½¢ lb., plus 4¢ lb. IRC tax on copper content.	2½¢ lb., plus 4¢ lb. IRC tax on copper content.	1½¢ lb., plus 2¢ lb. IRC ⁽²⁾ tax on copper content.		192

⁽¹⁾ Duty suspended until June 30, 1948.

⁽²⁾ Tax on copper suspended from April 30, 1947, for a period of two years.

APPENDIX "A"

Imports into the United States from Canada of principal* dutiable items on which concessions were obtained under the General Agreement on Tariffs and Trade, calendar years 1939 and 1946, showing rates of duty—*Continued*

(* Statement includes only items valued at \$50,000 or more in either year)

U.S. Statistical Description (abbr.)	Tariff Rates				Imports into U.S. from Canada	
	U.S. Tariff Item	Smoot-Hawley (i.e. 1930 rate)	1946 rate	Geneva agreement rate	1939	1946
					(thousands)	of dollars)
<i>Metals and manufactures of—Con.</i>						
Brass rods, sheets, strip, etc.....	381	4¢ lb., plus 4¢ lb. IRC tax on copper content.	4¢ lb., plus 4¢ lb. IRC tax on copper content	2¢ lb., plus 2¢ lb. ⁽¹⁾ IRC tax on copper content.	.....	73
Nickel in pigs, ingots, etc.....	389	1¢ lb.	2½¢ lb.	1¼¢ lb.	24,458	38,301
Zinc-bearing ores.....	393	1½¢ lb. on zinc content	1½¢ lb. on zinc content ⁽²⁾	¾¢ lb. on zinc content	.....	2,890
Zinc, old and worn out.....	394	1½¢ lb. on zinc content	¾¢ lb. on zinc content ⁽²⁾	¾¢ lb. on zinc content	12	85
Zinc, dross and skimmings.....	394	1½¢ lb. on zinc content	¾¢ lb. on zinc content ⁽²⁾	¾¢ lb. on zinc content	2	184
Zinc, blocks, pigs, or slabs.....	394	1½¢ lb. on zinc content	¾¢ lb. on zinc content ⁽²⁾	¾¢ lb. on zinc content	427	14,195
Iron and steel manufactures, not plated, n.s.p.f.....	397	45%	45%	22½%	19	113
Metal articles, not plated with platinum, gold, etc., n.s.p.f.....	397	45%	45%	22½%	9	87
<i>Wood and manufactures of—</i>						
Timber, round, for spars or wharves.....	401	\$1.00 M. bd. ft.	50¢ M. bd. ft.	50¢ M. bd. ft.	.....	308
Boards, fir and hemlock, rough.....	401	\$1.00 M. bd. ft., plus \$3.00 M. bd. ft. IRC tax.	50¢ M. bd. ft., plus \$1.50 M. bd. ft. IRC tax.	25¢ M. bd. ft., plus 75¢ M. bd. ft. IRC tax.	2	114
Boards, fir and hemlock, dressed.....	401	\$1.00 M. bd. ft., plus \$3.00 M. bd. ft. IRC tax.	50¢ M. bd. ft., plus \$1.50 M. bd. ft. IRC tax.	25¢ M. bd. ft., plus 75¢ M. bd. ft. IRC tax.	938	2,216
Boards, Douglas and other fir, rough.....	401	\$1.00 M. bd. ft., plus \$3.00 M. bd. ft. IRC tax.	50¢ M. bd. ft., plus \$1.50 M. bd. ft. IRC tax.	25¢ M. bd. ft., plus 75¢ M. bd. ft. IRC tax.	46	565
Boards, Douglas fir and other fir, dressed....	401	\$1.00 M. bd. ft., plus \$3.00 M. bd. ft. IRC tax.	50¢ M. bd. ft., plus \$1.50 M. bd. ft. IRC tax.	25¢ M. bd. ft., plus 75¢ M. bd. ft. IRC tax.	1,532	1,703
Boards, Hemlock, rough.....	401	\$1.00 M. bd. ft., plus \$3.00 M. bd. ft. IRC tax.	50¢ M. bd. ft., plus \$1.50 M. bd. ft. IRC tax.	25¢ M. bd. ft., plus 75¢ M. bd. ft. IRC tax.	4	241
Boards, Hemlock, dressed.....	401	\$1.00 M. bd. ft., plus \$3.00 M. bd. ft. IRC tax.	50¢ M. bd. ft., plus \$1.50 M. bd. ft. IRC tax.	25¢ M. bd. ft., plus 75¢ M. bd. ft. IRC tax.	341	1,192
Boards, Spruce.....	401	\$1.00 M. bd. ft., plus \$3.00 M. bd. ft. IRC tax.	50¢ M. bd. ft., plus \$1.50 M. bd. ft. IRC tax.	25¢ M. bd. ft., plus 75¢ M. bd. ft. IRC tax.	.....	.....
Boards, Spruce, Western White.....	401	\$1.00 M. bd. ft.	50¢ M. bd. ft.	25¢ M. bd. ft.	3,623	19,391
Boards, Pine, Northern White, and Norway..	401	\$1.00 M. bd. ft.	50¢ M. bd. ft.	25¢ M. bd. ft.	2,989	7,943
Boards, Pine, other.....	401	\$1.00 M. bd. ft., plus \$3.00 M. bd. ft. IRC tax.	50¢ M. bd. ft., plus \$1.50 M. bd. ft. IRC tax.	25¢ M. bd. ft., plus 75¢ M. bd. ft. IRC tax.	2,736	3,249
					333	3,928

Boards, Larch.....	401	\$1.00 M. bd. ft., plus \$3.00 M. bd. ft. IRC tax.	50¢ M. bd. ft., plus \$1.50 M. bd. ft., IRC tax.	25¢ M. bd. ft., plus 75¢ M. bd. ft. IRC tax.	13	183
Plywood, red cedar.....	405	40%	40%	20%	.....	1,153
Veneers of birch or maple.....	405	20%	10%	10%	21	445
Veneers of wood, other.....	405	20%	20%	10%	5	132
Blocks or sticks, bolts, hubs.....	406	10%	5%	5%	106	415
Barrels, casks (other than beer barrels).....	407	15%	7½%	7½%	2	276
Bentwood furniture.....	412	42½%	42½%	30%	.....	56
Wood furniture, n.s.p.f. (except chairs).....	412	40%	25%	12½%	4	82
Paint-brush handles.....	412	33½%	20%	15%	61	197
Broom and mop handles.....	412	33½%	20%	15%	2	85
Manufactures of wood or bark, n.e.s.....	412	33½%	33½%	25%	90	611
Canoes and canoe paddles.....	412	33½%	20%	15%	2	170
Vehicles, wood, other than horsedrawn (includes trailers, sleds, etc).....	412	33½%	33½%	16½%	5	50
<i>Sugar, molasses, and manufactures of—</i>						
Molasses, not for extraction of sugar nor for human consumption.....	502	.03¢ lb. of total sugars	.03¢ lb. of total sugars	.03¢ lb. of total sugars	129	372
Maple sugar.....	503	6¢ lb.	3¢ lb.	2¢ lb.	1,524	1,298
Maple Syrup.....	503	4¢ lb.	2¢ lb.	1½¢ lb.	242	486
<i>Agricultural products and provisions—</i>						
Cattle: less than 200 lbs each.....	701	2½¢ lb.	1½¢ lb. 2½¢ lb. on imports in excess of 100,000 head during any calendar year. ⁽³⁾	1½¢ lb. 2½¢ lb. on imports in excess of 200,000 head entered in the 12 month period beginning April 1 in any year. ⁽⁴⁾	1,287	104
Dairy cows: 700 lbs. or more each.....	701	3¢ lb.	1½¢ lb.	1½¢ lb.	550	9,404
Cattle, n.s.p.f., 700 lbs. or more each.....	701	3¢ lb.	1½¢ lb.; 2½¢ lb. on imports in excess of 225,000 head during any calendar year, or 60,000 head during any quarter. ⁽³⁾	1½¢ lb.; 2½¢ lb. on imports in excess of 400,000 head entered in the 12 month period beginning April 1 in any year, or 120,000 head during any quarter. ⁽⁴⁾	12,080	28
Beef; fresh, chilled or frozen.....	701	6¢ lb.	6¢ lb.	3¢ lb.	70	14

(1) Tax on copper suspended from April 30, 1947, for a period of two years.

(2) Agreement with Mexico provides that, effective 30 days after termination of unlimited national emergency proclaimed on May 27, 1941, rate shall be as follows:—
blocks, pigs, etc. 1½¢ per lb.; old and worn-out zinc, dross and skimmings, 1½¢ per lb.; zinc-bearing ores, 1½¢ per lb.

(3) Quota suspended January 30, 1943.

(4) Provided that quota shall be effective 30 days after the President, after termination of unlimited national emergency, shall have proclaimed that the abnormal situation in respect of cattle and meats has terminated.

APPENDIX "A"

Imports into the United States from Canada of principal* dutiable items on which concessions were obtained under the General Agreement on Tariffs and Trade, calendar years 1939 and 1946, showing rates of duty—*Continued*

(* Statement includes only items valued at \$50,000 or more in either year)

U.S. Statistical Description (abbr.)	Tariff Rates				Imports into U.S. from Canada	
	U.S. Tariff Item	Smoot-Hawley (i.e. 1930 rate)	1946 rate	Geneva agreement rate	1939	1946
					(thousands)	of dollars)
<i>Agricultural products and provisions—Con.</i>						
Beef and mutton tallow (inedible).....	701	¼¢ lb., plus 3¢ lb. IRC tax.	¼¢ lb., plus 1½¢ lb. IRC tax.	¼¢ lb., plus 1½¢ lb. IRC tax.	9	71
Pork; fresh or chilled.....	703	2½¢ lb.	1½¢ lb.	1½¢ lb.	336	2
Pork; frozen.....	703	2½¢ lb.	2½¢ lb.	2½¢ lb.	83	.....
Hams and bacon, not cooked.....	703	3¼¢ lb.	2¢ lb.	2¢ lb.	179	5
Edible offal.....	706	6¢ lb., (min. 20%)	3¢ lb. (min. 15%)	1½¢ lb., (min. 7½%)	97	1
Condensed milk, unsweetened.....	708a	1 8/10¢ lb.	1 8/10¢ lb.	1¢ lb.	.....	57
Buttermilk, dried.....	708b	3¢ lb.	1½¢ lb.	1½¢ lb.	96	.....
Cheddar cheese.....	710	7¢ lb. (min. 35%)	4¢ lb. (min. 25%)	3½¢ lb. (min. 17½%)	899	2
Eggs in shell, chicken.....	713	10¢ doz.	5¢ doz.	3½¢ doz.	2	273
Horses, not over \$150 per head.....	714	\$30 each	\$15 each	\$10 each	591	476
Horses, over \$150 per head.....	714	20%	17½%	15%	35	60
Foxes, silver or black.....	715	15%	15%	15%	69	25
Live animals, n.s.p.f.....	715	15%	15%	7½%	21	78
Barley.....	722	20¢ bu.	15¢ bu.	7½¢ bu.	334	6,499
Barley malt.....	722	40¢ 100 lbs.	40¢ 100 lbs.	30¢ 100 lbs.	1,290	149
Oats, hulled or unhulled.....	726	16¢ bu.	8¢ bu.	4¢ bu.	1,485	2,441
Oats, unhulled, ground.....	726	45¢ 100 lbs.	25¢ 100 lbs.	25¢ 100 lbs.	19	1,445
Rye.....	728	15¢ bu.	12¢ bu.	6¢ bu.	—	2,488
Wheat.....	729	42¢ bu.	42¢ bu.	21¢ bu.	21	73
Wheat, unfit for human consumption.....	729	10%	5%	5%	35	68
Wheat flour.....	729	\$1.04 per 100 lbs.	\$1.04 per 100 lbs.	52¢ per 100 lbs.	55	34
Bran, shorts, middling, etc. (direct importation).....	730	10%	5%	2½%	4,835	1,504
Bran, shorts, middling, etc. (withdrawn from bonded mills).....	730	10%	5%	2½%	2,039	1,427
Beet pulp, dried.....	730	\$5.00 ton	\$3.75 ton	\$1.90 ton	223	232
By-product feeds, other than wheat.....	730	10%	5%	2½%	74	86
Mixed feeds.....	730	10%	5%	5%	69	135
Grain hulls.....	730	10¢ 100 lbs.	5¢ 100 lbs.	2½¢ 100 lbs.	91	2,124
Dog food, canned and dried.....	720	10%	5%	5%	—	130
Screenings, scalplings, etc., other than flaxseed screenings.....	731	10%	5%	2½%	436	10,273

Flaxseed screenings.....	731	10%	5%	2½%	6	1,008
Cereal breakfast foods, n.s.p.f.....	732	20%	10%	10%	62	66
Apples, green or ripe.....	734	25¢ bu.	15¢ bu.	12½¢ bu.	72	1,899
Blueberries, natural or in brine.....	736	1¼¢ lb.	1¢ lb.	1¢ lb.	82	2,884
Berries, edible, natural or in brine, other (except blueberries, strawberries or lingon berries).....	736	1¼¢ lb.	¾¢ lb.	¾¢ lb.	1	92
Blueberries, frozen.....	736	35%	17½%	10%	241	461
Berries, edible, frozen, other.....	736	35%	17½%	14%	-	59
Cider.....	738	5¢ gal.	3¢ gal.	3¢ gal.	24	268
Grapes, other than hothouse.....	742	25¢ cu. ft.	12½¢ cu. ft. Feb. 15 to June 30; 17½% cu. ft., July 1 to Feb. 14.	6½¢ cu. ft., Feb. 15 to June 30; 17½% cu. ft. July 1 to Feb. 14.	-	284
Alfalfa seed.....	763	8¢ lb.	4¢ lb.	2¢ lb.	422	454
Sweet clover seed.....	763	4¢ lb.	2¢ lb.	1¢ lb.	185	1,080
Fescue seed.....	763	2¢ lb.	2¢ lb.	1¢ lb.	3	100
Brome-grass seed.....	763	2¢ lb.	1¢ lb.	1¢ lb.	321	949
Wheat grass seed.....	763	2¢ lb.	1¢ lb.	1¢ lb.	96	64
Flower seed.....	764	6¢ lb.	3¢ lb.	3¢ lb.	-	126
Canned peas (10¢ or more per lb.).....	769	2¢ lb.	1½¢ lb.	1¢ lb.	99	24
Potatoes, certified seed.....	771	75¢ 100 lbs.	37½¢ per 100 lbs.;	37½¢ per 100 lbs.;	1,293	3,095
			75¢ per 100 lbs. on imports in excess of 1,500,000 bu. per 12 month period be- ginning Sept. 15.	75¢ per 100 lbs. on imports in excess of 2,500,000 bu. per 12 month period be- ginning Sept. 15.		
Potatoes, other (table stock).....	771	75¢ 100 lbs.	37½¢ per 100 lbs. Mar. 1 to Nov. 30; 60¢ per 100 lbs. Dec. 1 to last day of Feb.;	37½¢ per 100 lbs.;	223	182
			75¢ per 100 lbs. on imports in excess of 1,000,000 bu., plus quantity domestic crop falls below 350,- 000,000 bu., per 12 month period beginning Sept. 15.	75¢ per 100 lbs. on im- ports in excess of 1,000,- 000 bu., plus quantity domestic crop falls be- low 350,000,000 bu., per 12 month period be- ginning Sept. 15.		
Turnips and rutabagas.....	773	25¢ 100 lb.	12½¢ 100 lb.	6½¢ 100 lb.	839	2,094
Vegetables, prepared, n.s.p.f.....	775	35%	35%	17½%	29	53
Cocoa, unsweetened.....	777	3¢ lb.	1½¢ lb.	1¢ lb.	-	77
Hay.....	779	\$5.00 ton	\$2.50 ton	\$1.25 ton	381	2,720
Straw.....	779	\$1.50 ton	75¢ ton	50¢ ton	32	147
Mustard seed, whole.....	781	2¢ lb.	1¼¢ lb.	1¼¢ lb.	-	223
Fish, fresh or frozen—						
Whitefish, fresh or frozen.....	717a	1¢ lb.	1¢ lb.	1¢ lb.	1,389	3,527
Yellow pike.....	717a	1¢ lb.	1¢ lb.	1¢ lb.	716	2,654
Jacks or grass pike.....	717a	1¢ lb.	1¢ lb.	1¢ lb.	126	394
Lake trout.....	717a	1¢ lb.	1¢ lb.	1¢ lb.	407	1,135
Yellow perch.....	717a	1¢ lb.	1¢ lb.	1¢ lb.	147	573

APPENDIX "A"

Imports into the United States from Canada of principal* dutiable items on which concessions were obtained under the General Agreement on Tariffs and Trade calendar years 1939 and 1946, showing rates of duty—*Continued*

(* Statement includes only items valued at \$50,000 or more in either year)

U.S. Statistical Description (abbr.)	Tariff Rates				Imports into U.S. from Canada	
	U.S. Tariff Item	Smoot-Hawley (i.e. 1930 rate)	1946 rate	Geneva agreement rate	1939	1946
					(thousands)	of dollars)
<i>Fish, fresh or frozen—Con.</i>						
Tullibees.....	717a	1¢ lb.	$\frac{3}{4}$ ¢ lb.	$\frac{1}{2}$ ¢ lb.	56	129
Lake herring and ciscoes.....	717a	1¢ lb.	$\frac{3}{4}$ ¢ lb.	$\frac{1}{2}$ ¢ lb.	368	1,537
Chubs.....	717a	1¢ lb.	$\frac{3}{4}$ ¢ lb.	$\frac{1}{2}$ ¢ lb.	123	22
Mullet.....	717a	1¢ lb.	$\frac{3}{4}$ ¢ lb.	$\frac{1}{2}$ ¢ lb.	52	111
Saugers.....	717a	1¢ lb.	$\frac{3}{4}$ ¢ lb.	$\frac{1}{2}$ ¢ lb.	459	923
Blue pike.....	717a	1¢ lb.	$\frac{3}{4}$ ¢ lb.	$\frac{1}{2}$ ¢ lb.	271	273
Fresh water fish, n.e.s.....	717a	1¢ lb.	1¢ lb.	$\frac{1}{2}$ ¢ lb.	51	262
Eels.....	717a	1¢ lb.	$\frac{3}{2}$ ¢ lb.	$\frac{1}{2}$ ¢ lb.	44	102
Salmon.....	717a	2¢ lb.	1¢ lb.	$\frac{1}{2}$ ¢ lb.	615	2,586
Cod, haddock, hake, pollock and eusk, without fins removed.....	717a	1¢ lb.	$\frac{3}{4}$ ¢ lb.	$\frac{1}{2}$ ¢ lb.	56	425
Halibut.....	717a	2¢ lb.	1¢ lb.	$\frac{1}{2}$ ¢ lb.	586	1,026
Mackerel, frozen.....	717a	2¢ lb.	$1\frac{1}{2}$ ¢ lb.	$\frac{3}{4}$ ¢ lb.	38	70
Swordfish, fresh.....	717a	2¢ lb.	1¢ lb.	1¢ lb.	215	882
Swordfish, frozen.....	717a	3¢ lb.	3¢ lb.	$1\frac{1}{2}$ ¢ lb.	4	109
Sturgeon, fresh.....	717a	1¢ lb.	$\frac{3}{2}$ ¢ lb.	$\frac{3}{2}$ ¢ lb.	56	297
Sturgeon, frozen.....	717a	1¢ lb.	1¢ lb.	$\frac{3}{2}$ ¢ lb.	151	168
Cod, haddock, hake, pollock, eusk and rosefish, filleted, etc.....	717b	$2\frac{1}{2}$ ¢ lb.	$1\frac{1}{2}$ ¢ lb.; $2\frac{1}{2}$ ¢ lb. on imports in excess of 15 million pounds or 15% of U.S. consumption if higher.	$1\frac{1}{2}$ ¢ lb. $2\frac{1}{2}$ ¢ lb. on imports in excess of 15 million pounds or 15% of average aggregate apparent annual consumption during the 3 preceding calendar years, or one-fourth of the total so entitled during the first 3 months, one-half during the first 6 months, or three-fourths during first 9 months.	710	7,788

Other fish, filleted, etc.....	717b	2½¢ lb.	2½¢ lb.	2½¢ lb.	453	2,622
<i>Fish, prepared or preserved—</i>						
Sardines in oil, over 9¢ per lb.....	718a	30%	30%	44%, if valued not over 13¢ lb.; 30%, if valued over 13¢ lb. but not over 18¢ lb.; 30%, if valued over 18¢ lb. but not over 23¢ lb.; 15%, if valued over 23¢ per lb.	1	172
Sardines and other herring, not in oil.....	718b	25%	12½%	12½%	—	975
Salmon, pickled.....	719	25%	12½%	10%	77	307
Cod, haddock, etc. pickled or salted, neither skinned nor boned, not over 43% moisture.	719(2)	1¼¢ lb.	¾¢ lb.	¾¢ lb.	81	1,186
Cod, haddock, etc., pickled or salted, neither skinned nor boned, over 43% moisture....	719(2)	¾¢ lb.	¾¢ lb.	¾¢ lb.	925	1,296
Cod, haddock, etc., pickled or salted, skinned or boned.....	719(3)	2¢ lb.	1½¢ lb.	1¼¢ lb.	199	1,290
Herring, pickled or salted valued 6¢ or more per lb.....	719(4)	1¢ lb.	¾¢ lb.	¾¢ lb.	2	550
Herring, pickled or salted beheaded but not further advanced.....	719(4)	1¢ lb.	¾¢ lb.	¾¢ lb.	19	460
Split herring, pickled or salted.....	719(4)	1¢ lb.	¾¢ lb.	¾¢ lb.	33	375
Mackerel in containers, weighing more than 15 lbs. each.....	719(4)	1¢ lb.	1¢ lb.	¾¢ lb.	171	460
Alewives in containers weighing more than 15 lbs. each.....	719(5)	1¼¢ lb.	¾¢ lb.	¾¢ lb.	—	73
Herring, hard dry smoked.....	720a(2)	1¼¢ lb.	¾¢ lb.	¾¢ lb.	12	376
Herring, boned, smoked or kippered.....	720a(3)	3¢ lb.	1½¢ lb.	1¼¢ lb.	53	377
Herring, eviscerated (not boned), smoked or kippered.....	720a(3)	3¢ lb.	2¢ lb.	1¼¢ lb.	35	318
Cod, haddock, etc. smoked or kippered, whole, or beheaded or eviscerated.....	720a(4)	2½¢ lb.	1½¢ lb.	1¢ lb.	48	66
Cod, haddock, etc. smoked or kippered, skinned or boned.....	720a(5)	3¢ lb.	2¢ lb.	1½¢ lb.	211	1,067
Fish prepared or preserved n.s.p.f. in containers weighing more than 15 lbs. each.....	720b	1¼¢ lb.	1¼¢ lb.	1¢ lb.	6	111
<i>Spirits, wines and other beverages—</i>						
Gin, 1 gal. containers or less.....	802	\$5.00 pf. gal.	\$2.50 pf. gal.	\$1.25 pf. gal.	.....	238
Whisky in containers of 1 gal. or less.....	802	\$5.00 pf. gal.	\$2.50 pf. gal.	\$1.50 pf. gal.	6,571	21,411
Whisky, in containers of more than 1 gal. each.....	802	\$5.00 pf. gal.	\$2.50 pf. gal.	\$1.50 pf. gal.	681	1,641
Beer, in containers of 1 gal. or less.....	805	50¢ gal.	25¢ gal.	25¢ gal. (provision for 12½¢ gal.)	67	2,520

APPENDIX "A"

Imports into the United States from Canada of principal* dutiable items on which concessions were obtained under the General Agreement on Tariffs and Trade, calendar years 1939 and 1946, showing rates of duty—*Continued*

(* Statement includes only items valued at \$50,000 or more in either year)

U.S. Statistical Description (abbr.)	Tariff Rates				Imports into U.S. from Canada	
	U.S. Tariff Item	Smoot-Hawley (i.e. 1930 rate)	1946 rate	Geneva agreement rate	1939	1946
					(thousands)	of dollars)
<i>Textiles—</i>						
Printers' rubberized blanketing of cotton....	923	40%	30%	20%	.....	51
Flax tow.....	1001	1¢ lb.	½¢ lb.	½¢ lb.	2	437
Flax yarn single not finer than 60 lea.....	1004a	35%	25%	25%	.....	134
Flax thread, twine and cord.....	1004c	40%	30%	30%	.....	55
Clothing wool finer than 44s but not finer than 56s in the grease.....	1102b	34¢ lb.	34¢ lb.	25½¢ lb.	59	
Clothing wool finer than 56s, in the grease....	1102b	34¢ lb.	34¢ lb.	25½¢ lb.	51	
Combing wool finer than 44s, in the grease....	1102b	34¢ lb.	34¢ lb.	25½¢ lb.	161	
Combing wool finer than 56s, in the grease....	1102b	34¢ lb.	34¢ lb.	25½¢ lb.	98	
Wool noils not carbonized.....	1105a	23¢ lb.	16¢ lb.	12¢ lb.	61	524
Top, slubbing, roving and ring waste.....	1105a	37¢ lb.	34¢ lb.	28¢ lb.	.....	80
Thread or yarn waste.....	1105a	25¢ lb.	15¢ lb.	11½¢ lb.	103	386
Wool rags.....	1105a	18¢ lb.	9¢ lb.	9¢ lb.	290	631
Wool hose and half hose, valued over \$3.00 doz. prs.....	1114b	50¢ lb. plus 50%	50¢ lb. plus 25%	37½¢ lb. plus 20%	2	277
Wool wearing apparel, not knit valued not over \$4.00 per lb.....	1115a	33¢ lb. plus 45%	33¢ lb. plus 30%	25¢ lb. plus 25%	1	65
Wool wearing apparel, not knit valued more than \$4.00 lb.....	1115a	50¢ lb. plus 50%	50¢ lb. plus 30%	37½¢ lb. plus 25%	2	60
Silver, tops and rovings of rayon.....	1302	10¢ lb. plus 30%	10¢ lb. plus 30%	5¢ lb. plus 15%	—	51
<i>Papers and Books—</i>						
Book and printing paper.....	1401	¼¢ lb. plus 10%	1/5¢ lb. plus 5%	1/5¢ lb. plus 5%	496	6,479
Pulpboard in rolls for wallboard, not processed.....	1402	10%	5%	5%	187	483
Leatherboard, counterboard.....	1402	10%	10%	10%	71	205
Boxes of paper with coated surface.....	1405	5¢ lb. plus 20%	5¢ lb. plus 10%	5¢ lb. plus 5%	39	61
Lithographic prints not exceeding 12/1000 inch in thickness.....	1406	30¢ lb.	30¢ lb.	30¢ lb.	5	267
Hanging paper, not printed.....	1409	10%	7½%	7½%	—	59
Hanging paper, printed.....	1409	1½¢ lb. plus 20%	1¢ lb. plus 10%	1¢ lb. plus 10%	4	194

Bound books of all kinds, of foreign author- ship, n.e.s. (ex leather).....	1410	15%	7½%	5%	17	108
Printed matter, n.s.p.f., not of foreign owner- ship.....	1410	25%	20%	15%	23	70
Pulpboard in rolls, for wallpaper processed..	1413	30%	15%	10%	160	997
Ribbon fly catchers.....	1413	35%	27½%	27½%	—	60
<i>Sundries—</i>						
Ice skates and parts.....	1502	20%	15%	15%	368	325
Silver or black fox, whole skins.....	1519c	50%	37½%	37½%	1,467	2,047
Nets and nettings of cotton not in part of rubber.....	1529a	90%	45%	30%	—	66
Kip skins, wet salted.....	1530a	10%	5%	5%	225	13
Calf skins, wet salted.....	1530a	10%	5%	5%	298	—
Sole and belting leather offal.....	1530b ⁽¹⁾	12½%	10%	10%	98	15
Cattle side upper grains.....	1530b ⁽⁴⁾	15%	12½%	12½%	35	382
Patent leather.....	1530b ⁽⁴⁾	15%	7½%	7½%	497	321
Calf and kip leather, upper.....	1530b ⁽⁴⁾	15%	12½%	12½%	244	774
Goat and kid leather, upper.....	1530c	10%	10%	10%	—	57
Boots and shoes, men's welt.....	1530e	20%	50¢ pr. min. 10% max. 20%	40¢ pr. min. 5% max. 20%	—	55
Boots and shoes, women's welt.....	1530a	20%	50¢ pr., min. 10% max. 20%.	50¢ pr., min. 10% max. 20%.	—	55
Slippers.....	1530a	20%	10%	10%	6	1,723
Mocassins.....	1530a	20%	10%	10%	11	54
Manufactures of leather, n.e.s.....	1531	35%	25%	17½%	—	82
Gloves of horsehide or cowhide.....	1532(b)	25%	15%	15%	—	188
Fishing reels \$3.50 or over.....	1535	55%	30%	\$1.50 each, min. 15% max. 55%.	—	109
Automobile tires and tubes.....	1537(b)	10%	10%	10%	33	112
Peat moss.....	1548	50¢ ton	50¢ ton	50¢ ton	147	1,484
Raw motion picture film, 1" or more in width	1551	4/10¢ lin. ft.	2/10¢ lin. ft.	1/10¢ lin. ft.	1,018	20
Textile waste, n.e.s.....	1555	10%	7½%	7½%	6	60
Fur waste—pieces or trimmings.....	1555	10%	7½%	7½%	12	143
Fur waste, other.....	1555	10%	7½%	7½%	164	382
Christmas trees.....	1558	10%	5%	5%	537	1,839
Synthetic rubber and mfrs., not in part of carbon.....	1558	20%	20%	10%	—	3,040

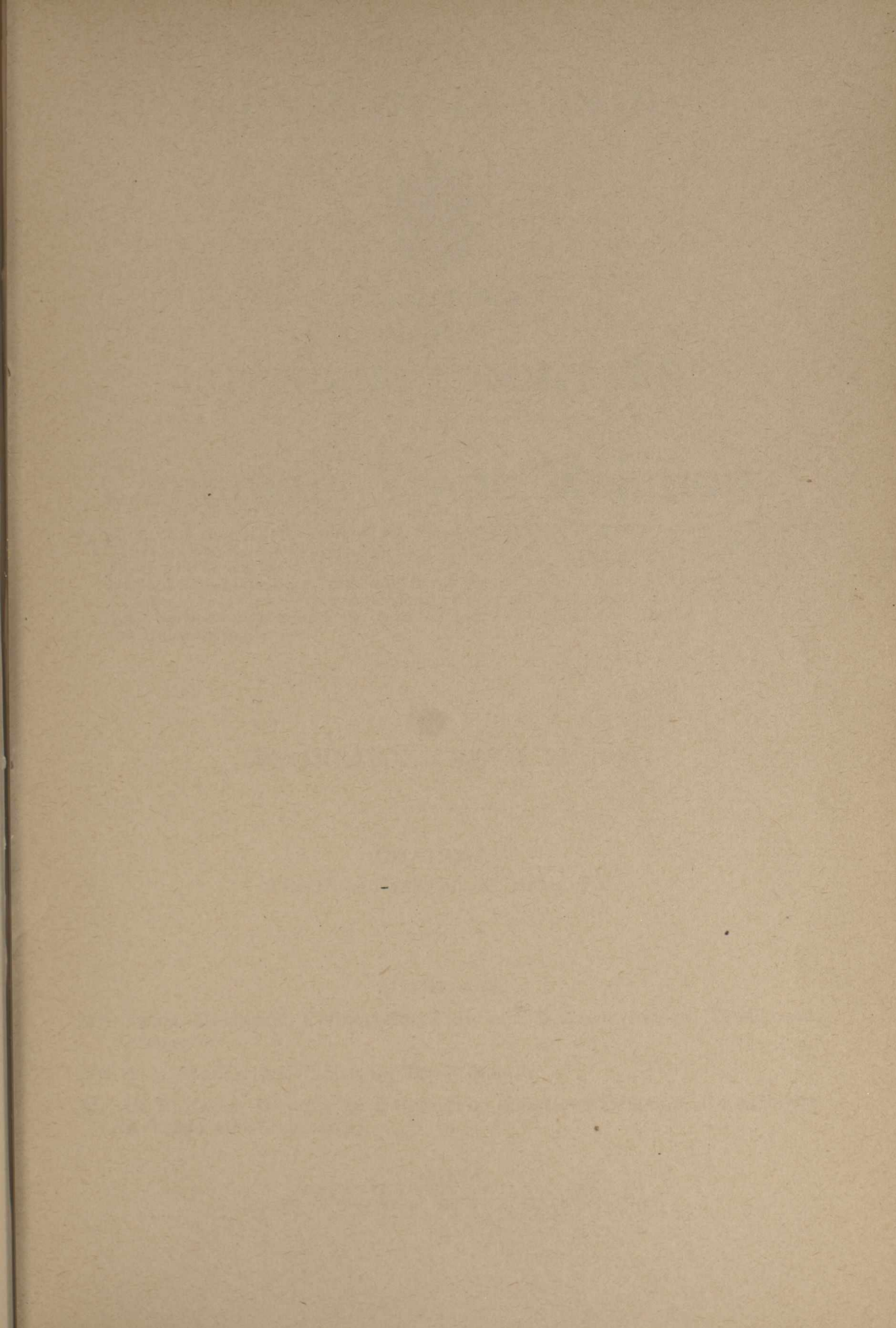
SUMMARY OF PRINCIPAL DUTIABLE ITEMS

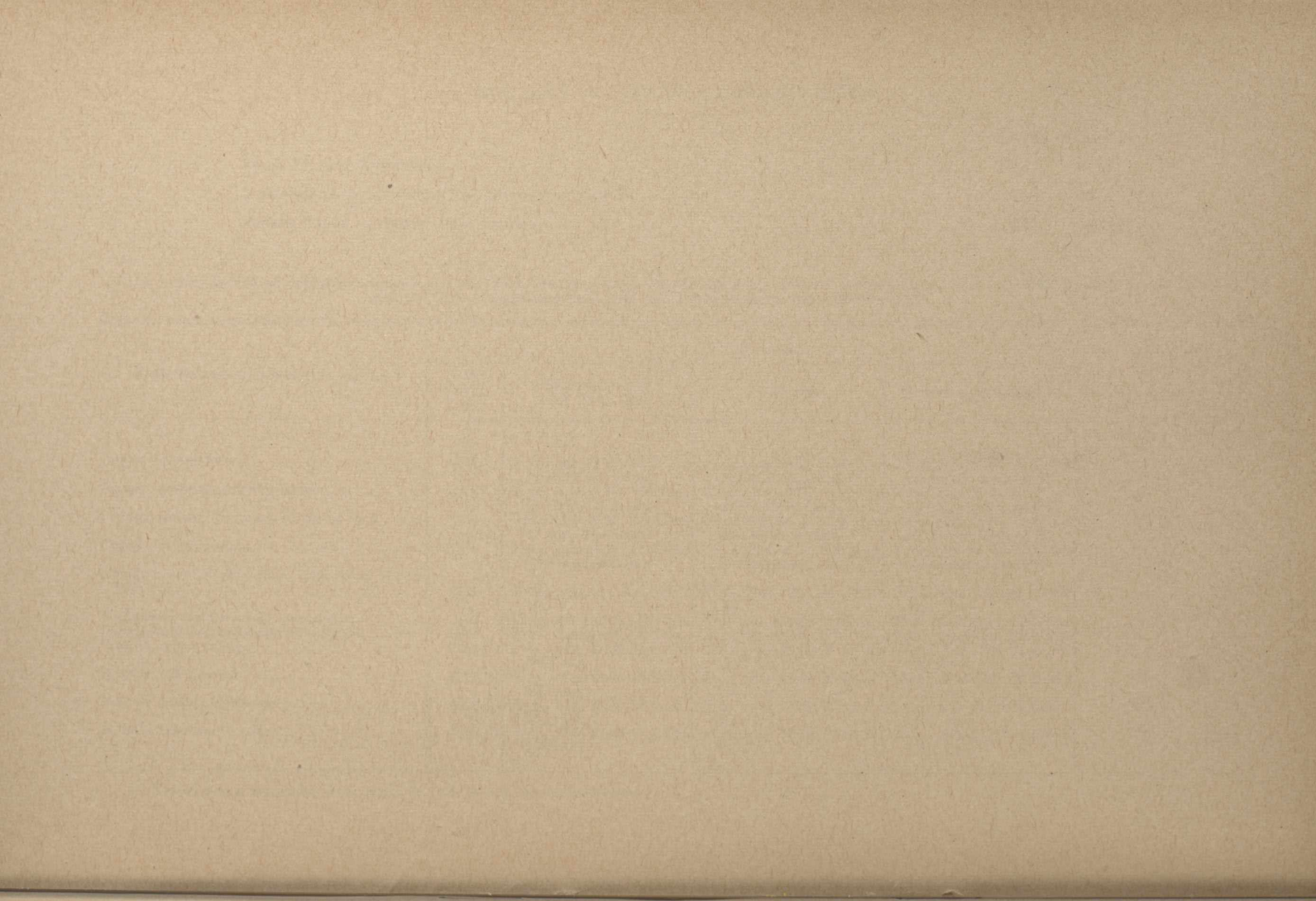
	1939 (000,000 omitted)	1946 (000,000 omitted)
Total of items listed in table.....	\$ 99.2	277.4
Total dutiable imports into United States from Canada.....	111.4	292.7
Percent of total represented by above items.....	87%	94.8%

Imports into the United States from Canada of certain items free of customs duty but subject to Internal Revenue Import Tax on which concessions were obtained under the General Agreement on Tariffs and Trade, calendar years 1939 and 1946

U.S. Statistical Description (abbr.)	Tariff Rates				Imports into U.S. from Canada	
	U.S. Tariff Item	Smoot-Hawley (i.e. 1930 rate)	1946 rate	Geneva agreement rate	1939	1946
					(thousands)	of dollars)
Copper concentrates.....	1658	Free, plus 4¢ lb. IRC tax on copper content.	Free, plus 4¢ lb. IRC tax on copper content.	Free, plus 2¢ lb. IRC tax on copper content ⁽¹⁾	14	2,473
Copper, unrefined, in pigs or bars.....	1658	Free, plus 4¢ lb. IRC tax on copper content.	Free, plus 4¢ lb. IRC tax on copper content.	Free, plus 2¢ lb. IRC tax on copper content ⁽¹⁾	157	-
Copper, refined, in ingots, plates or bars.....	1658	Free, plus 4¢ lb. IRC tax on copper content.	Free, plus 4¢ lb. IRC tax on copper content.	Free, plus 2¢ lb. IRC tax on copper content ⁽¹⁾	73	4,338
Copper, old and scrap.....	1658	Free, plus 4¢ lb. IRC tax on copper content.	Free, plus 4¢ lb. IRC tax on copper content.	Free, plus 2¢ lb. IRC tax on copper content ⁽¹⁾	-	114
Gasoline, under 100 octane, and other motor fuel.....	1733	Free, plus 2½¢ gal. IRC tax.	Free, plus 2½¢ gal. IRC tax.	Free, plus 1¼¢ gal. IRC tax.	-	137
Unfinished oils for further processing.....	1733	Free, plus ½¢ gal. IRC tax.	Free, plus ¼¢ gal. IRC tax.	Free, plus ¼¢ gal. IRC tax.	2	155
Lubricating oils, including paraffin oil.....	1733	Free, plus 4¢ gal. IRC tax.	Free, plus 4¢ gal. IRC tax.	Free, plus 2¢ gal. IRC tax.	-	674
Boards, cedar siding.....	1803 ⁽¹⁾	Free, plus \$3.00 M.bd.ft. IRC tax.	Free, plus \$1.50 M.bd.ft. IRC tax.	Free, plus 75¢ M.bd.ft. IRC tax.	2,023	2,341
Boards, other cedar.....	1803 ⁽¹⁾	Free, plus \$3.00 M.bd.ft. IRC tax.	Free, plus \$1.50 M.bd.ft. IRC tax.	Free, plus 75¢ M.bd.ft. IRC tax.	292	4,967
Boards, maple, birch and beech.....	1803 ⁽¹⁾	Free, plus \$3.00 M.bd.ft. IRC tax.	Free, plus \$1.50 M.bd.ft. IRC tax.	Free, plus \$1.50 M.bd.ft. IRC tax.	2,290	10,403
Boards, hardwoods other.....	1803 ⁽¹⁾	Free, plus \$3.00 M.bd.ft. IRC tax.	Free, plus \$1.50 M.bd.ft. IRC tax.	Free, plus \$1.50 M.bd.ft. IRC tax.	143	3,679

⁽¹⁾ Tax on copper suspended from April 30, 1947, for a period of two years.





THE SENATE OF CANADA



PROCEEDINGS

OF THE

STANDING COMMITTEE

ON

Canadian Trade Relations

To whom was referred the subject matter of the General Agreement on Tariffs and Trade, including the Protocol of Provisional Application thereof, annexed to the Final Act of the Second Session of the Preparatory Committee of the United Nations Conference on Trade and Employment held at Geneva from April 10 to October 30, 1947, together with the complementary agreements of October 30, 1947, between Canada and the United States of America and between Canada and the United Kingdom.

No. 6

WEDNESDAY, APRIL 21, 1948

CHAIRMAN

The Honourable W. D. Euler, P.C.

WITNESSES:

Mr. Louis Couillard, Commercial Relations, Department of Trade and Commerce.

Mr. H. B. McKinnon, Chairman, Tariff Board.

Mr. H. R. Kemp, Director of Commercial Relations Division, Department of Trade and Commerce.

OTTAWA
EDMOND CLOUTIER, C.M.G., B.A., L.Ph.
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
CONTROLLER OF STATIONERY

ORDER OF REFERENCE

(EXTRACT from the Minutes of the Proceedings of the Senate 15
December, 1947)

The Honourable Senator Robertson, seconded by the Honourable Senator Copp moved—That the Standing Committee of the Senate on Canadian Trade Relations be directed to inquire into and report upon the subject matter of the General Agreement on Tariffs and Trade, including the Protocol of Provisional Application thereof, annexed to the Final Act of the Second Session of the Preparatory Committee of the United Nations Conference on Trade and Employment held at Geneva from April 10 to October 30, 1947, together with the complementary agreements of October 30, 1947, between Canada and the United States of America and between Canada and the United Kingdom.

That the said Committee be authorized to send for persons, papers and records.

After Debate, and—

The question being put on the said motion, it was—

Resolved in the affirmative.

L. C. MOYER,
Clerk of the Senate.

MEMBERS OF THE STANDING COMMITTEE ON CANADIAN TRADE RELATIONS

The Honourable W. D. Euler, P.C., *Chairman*

The Honourable Senators

Ballantyne	Dennis	McKeen
Beaubien (<i>Montar-</i> <i>ville</i>)	Dessureault	McLean
Bishop	Duffus	Moraud
Blais	Euler	Nicol
Buchanan	Gouin	Paterson
Burchill	Haig	Pirie
Calder	Howard	Riley
Campbell	Hushion	Robertson
Crerar	Jones	Turgeon
Daigle	Kinley	Vaillancourt
Davies	Macdonald (<i>Cardigan</i>)	White—(34).
	MacLennan	

MINUTES OF PROCEEDINGS

WEDNESDAY, April 21, 1948.

Pursuant to adjournment and notice the Standing Committee on Canadian Trade Relations met this day at 10.30 a.m.

Present: The Honourable Senators:—Euler, *Chairman*; Burchill, Campbell, Crerar, Davies, Howard, Kinley, MacDonald (*Cardigan*), McLean, Nicol, Pirie, Robertson, Vaillancourt and White—14.

The official reporters of the Senate were in attendance.

The Committee resumed consideration of the subject matter of the General Agreement on Tariffs and Trade, including the Protocol of Provisional Application thereof, annexed to the Final Act of the Second Session of the Preparatory Committee of the United Nations Conference on Trade and Employment held at Geneva from April 10 to October 30, 1947, together with the complementary agreements of October 30, 1947, between Canada and the United States of America and between Canada and the United Kingdom.

Mr. Louis Couillard, Commercial Relations, Department of Trade and Commerce, was heard with respect to the Havana Conference on Tariffs and Trade, and was questioned.

Mr. H. B. McKinnon, Chairman, Tariff Board, was again heard and was questioned.

Mr. H. R. Kemp, Director of Commercial Relations Division, Department of Trade and Commerce, was again heard and questioned.

On motion of the Honourable Senator Howard, seconded by the Honourable Senator White, it was—

1. Your Committee have in obedience to the order of reference of 15th December, 1947, considered the subject matter of the General Agreement on Tariffs and Trade, including the protocol of Provisional Application thereof, annexed to the Final Act of the Second Session of the Preparatory Committee of the United Nations Conference on Trade and Employment held at Geneva from April 10 to October 30, 1947, together with the Complementary agreements of October 30, 1947, between Canada and the United States of America and between Canada and the United Kingdom.

2. Your Committee have heard the following witnesses:—

Mr. H. B. McKinnon, Chairman, Tariff Board.

Mr. J. J. Deutsch, Director of Economic Relations Department of Finance.

Mr. H. R. Kemp, Director of Commercial Relations Division, Department of Trade and Commerce.

Dr. A. E. Richards, Economist, Department of Agriculture.

Mr. G. C. Cowper, Chief of Foreign Tariff Section, Department of Trade and Commerce.

Mr. Louis Couillard, Commercial Relations, Department of Trade and Commerce.

3. Your Committee submit herewith a copy of the evidence adduced before the Committee.

At 12.15 p.m. the Committee adjourned to the call of the Chairman.

Attest.

H. ARMSTRONG,
Clerk of the Committee.

MINUTES OF EVIDENCE

THE SENATE,

WEDNESDAY, April 21, 1948.

Pursuant to the order of reference of December 15, 1947, the Standing Committee on Canadian Trade Relations met this day at 10.30 a.m., and proceeded to the consideration of the subject-matter of the General Agreement on tariffs and trade negotiated at the second session of the Preparatory Committee of the United Nations Conference on trade and employment, held at Geneva from April 10 to October 30, 1947.

Hon. Mr. EULER in the Chair.

The CHAIRMAN: I was not present at the last meeting. Perhaps the leader of the government will explain the purpose of the meeting today.

Hon. Mr. ROBERTSON: I think, honourable senators, those who were present will recall that we had a meeting at which we pretty well completed any evidence that we required. On the other hand we thought that, in the absence of the chairman, we had better not complete it until he returned, so this meeting is to clean it up, if we see fit, and to report back to the Senate accordingly, so that the debate on the trade agreement can proceed. I asked Mr. McKinnon and the others to come here in case there are any further questions which anyone wishes to ask.

Perhaps you will remember that during our sessions we were discussing the fact that negotiations were, as a matter of fact, going on at Havana. Mr. Deutsch is away today, but one of the officials who was present at Havana is here, in case the committee would be interested in hearing from him briefly on what changes were made there as compared with the original Geneva agreements. That, plus questions on any matter that anybody would like to have information on, plus the possible adoption of a report to make back to the Senate, would cover today's proceedings.

The CHAIRMAN: We cannot do that today because no reports have been drawn up.

Hon. Mr. ROBERTSON: Yes, there is the tentative one. However, our procedure is to hear whatever evidence there is and to table it, which in effect means that the debate proceeds if and when the Senate sees fit.

The CHAIRMAN: I was not present at the last meeting. Unfortunately I was out of the country, but I take it you had a pretty full explanation then of the concessions, if you may call them such, that were made to other countries and more particularly to the United States. Was that completed?

Hon. Mr. ROBERTSON: That was completed so far as that meeting was concerned.

The CHAIRMAN: Then if the meeting so wishes at this time we might hear from our representative who was at the Havana Conference.

Mr. McKINNON: I might explain that Mr. Deutsch is in New York attending another meeting of the United Nations, but Mr. Louis Couillard took part in all the proceedings in Havana and will be able to tell the committee where and to what extent the Havana discussions changed the agreement as it was drafted at Geneva.

Mr. LOUIS COUILLARD (Commercial Relations and Foreign Tariffs Division): Mr. Chairman and honourable senators, I should like to say first that I was

only one of several delegates and advisers at Havana, and consequently my knowledge of the full picture of proceedings at the Havana Conference is qualified by that fact. However, I have tried on relatively short notice to gather together the main changes that were incorporated in G.A.T.T. (General Agreement on Tariffs and Trade) at Havana at the first session of the Contracting Parties. With the permission of the Chairman I should like first to make a few general remarks some of which are not applicable to G.A.T.T., before going into the actual details.

Obviously a full resume, of even the main changes made in the text of the General Charter, would be a relatively lengthy process. There were a number of drafting changes which clarified the text; there was also a good deal of spelling out of the provisions as they emerged from Geneva and as they emerged from discussions at Havana. Even in cases when the Geneva text was not changed as a result of discussions at Havana, there were a number of interpretations which apply to the text of Part II of the General Agreement as we have it now. Although these interpretations did not find their way into the Charter or its interpretative notes, they did find their way into the records of the meetings and these interpretations will have a high evidencial value for future interpretation of the Agreement as well as of the Havana Charter.

As for G.A.T.T. which is our subject matter here, I might add that G.A.T.T. is not in all cases, as I think Mr. Deutsch has told you, an exact reproduction of the corresponding articles of the Geneva text. Obviously a full reproduction was not necessary nor was it feasible in all cases. Many provisions of the Geneva articles which found their way into G.A.T.T. were not applicable to the General Agreement on Tariffs and Trade and consequently were not inserted.

One example I have in mind is the chapter in the Geneva text dealing with the settlement of disputes. That chapter was considerably condensed and found its way into G.A.T.T. under the title, "Nullification and Impairment." Reference to the International Court of Justice, for instance, was not necessary in the G.A.T.T. In other words, at Geneva, only those provisions of the Geneva charter which were necessary to safeguard the tariff concessions, i.e. the schedules, were incorporated into the General Agreement. In addition, in a few cases there are provisions in G.A.T.T. which were not in the Geneva charter. You will remember that the Geneva Conference finished its work on the charter provisions in August, whereas negotiations on G.A.T.T. carried on until October. There were a few points of detail which emerged from the latter discussions which were consequently added to G.A.T.T. but which had not been inserted in the Geneva charter.

I have mentioned these points to illustrate the fact that we must preface a comparison of corresponding Havana and G.A.T.T. provisions by realizing that there were, even before Havana, differences between the G.A.T.T. text and the corresponding Geneva charter text.

The CHAIRMAN: I do not want to interrupt you, but is it not so that some of the smaller undeveloped countries wanted to escape from the provisions of the Geneva agreement? They wanted to make a great many exceptions, as they feared that if tariff restrictions were removed and freedom of trade established they would be swamped by the more highly developed countries? Did that point come up?

Mr. COUILLARD: No, that point did not come up in establishing the text of G.A.T.T. As I have said, the reason there were differences between the Geneva and the G.A.T.T. texts on corresponding articles was simply a question of feasibility and of the applicability of those provisions in a trade and tariff agreement.

The CHAIRMAN: Do you say that the matter I am speaking of now was not discussed? I have heard criticism that the purpose of the Geneva conference

was pretty well nullified by those escape clauses that were insisted upon by the smaller, undeveloped countries. Was that not discussed there?

Mr. COUILLARD: Yes, that particular question was fully debated but that was in connection with the charter provisions.

Hon. Mr. KINLEY: What is G.A.T.T.?

Mr. COUILLARD: The General Agreement on Tariffs and Trade, sir.

Hon. Mr. KINLEY: That is the general agreement that we have got here?

Mr. COUILLARD: Yes, sir. Therefore we are starting any comparison of texts with existing differences between the Geneva text and G.A.T.T., and at the time when full supersession comes to be discussed, obviously there will be present those differences between the Havana charter and the corresponding articles of the General Agreement, in all cases where the Geneva text was not changed at Havana.

The CHAIRMAN: Do you mean there will be a complete supersession of what was done at Geneva?

Mr. COUILLARD: No sir, a supersession of the existing articles in the Geneva Agreement by the corresponding articles in the Havana charter pursuant to article XXIX of G.A.T.T. The supersession will not be in all cases a full supersession, because certain provisions of corresponding articles of the Havana charter simply do not apply, as I have said, in the case of G.A.T.T. That is the point I made in connection with the differences between the Geneva text and the General Agreement text, and what I am saying is that the same will be true as regard the Havana text when it comes to be adapted to G.A.T.T.

After those general remarks, I should like to pass to a brief report of the actual changes which have been made in the provisions of the general agreement since it was first drafted. These changes are only in the text of G.A.T.T. and not in its tariff schedules.

The first session of the CONTRACTING PARTIES to G.A.T.T. was held in Havana concurrently with the Havana Conference. The main questions discussed at the First Session of the CONTRACTING PARTIES related to the emergency supersession of some articles of G.A.T.T. by the new text of corresponding articles of the Havana charter, and to some amendments consequential upon certain agreements reached on the charter provisions.

With your permission, Mr. Chairman, I might outline briefly only main changes of that nature which were made. These changes are contained in four Protocols and one Declaration which were signed by the representatives of all or most of the contracting parties.

The CHAIRMAN: Did all the countries join in that?

Mr. COUILLARD: The contracting parties to the agreement only, sir, plus in certain cases, the countries which were at Geneva but which are not contracting parties to G.A.T.T.

The CHAIRMAN: There would be some countries outside of that scope.

Mr. COUILLARD: That is correct, sir. There were twenty-three countries, you will remember, who signed the final act at Geneva. The countries who signed the final act at Geneva but who are not contracting parties, attended these G.A.T.T. meetings as participating observers.

The first protocol I might mention was entitled "Protocol Modifying certain Provisions of General Agreement on Tariffs and Trade." This protocol was signed by the twenty-three signatories to the Geneva Final Act; in other words, by all parties, not only contracting parties, to the general agreement.

The CHAIRMAN: Were there any countries represented there as observers who are what we call behind the Iron Curtain?

Mr. COUILLARD: I could read the full list.

The CHAIRMAN: Just give it generally.

Mr. COUILLARD: There was no question of political limitation raised in the G.A.T.T. meetings.

The CHAIRMAN: But were any countries there that do not belong to what we call the western group? Was Czechoslovakia there?

Mr. COUILLARD: Czechoslovakia was at Geneva, and consequently attended the first session of the contracting parties as a participating observer.

Hon. Mr. KINLEY: At Havana?

Mr. COUILLARD: At Havana, sir.

Hon. Mr. CRERAR: Did Czechoslovakia sign the Geneva Agreement? Was she a party to it?

Mr. COUILLARD: Czechoslovakia signed the final act at Geneva.

The CHAIRMAN: But she was at Havana only as an observer.

Mr. COUILLARD: As an observer in connection with the meeting of the contracting parties. She was a full participant at the Havana Conference which was concerned with the Charter for an International Trade Organization.

One change resulting from this protocol entitled—to refresh your memory—“Protocol Modifying Certain Provisions of the General Agreement on Tariffs and Trade”, was in paragraph 5 of Article XXV. This was a change consequential upon a change made in article 17 of the Havana charter. Article 17 contains an obligation on the part of members to negotiate to reduce tariffs and preferences. The main provision of this addition to article XXV reads as follows:

If any contracting party has failed without sufficient justification to carry out with another contracting party negotiations of a kind described in paragraph 1 of Article 17 of the Havana Charter, the contracting parties—

meaning the contracting parties acting jointly as a committee, so to speak

—may upon complaint and after investigation, authorize the complaining contracting party to withhold from the other the concessions incorporated in the relevant schedule of this Agreement.

That, as I have said, is consequential upon a change made in Article 17 of the Havana charter, and the sentence I have just read gives you the substance of the change.

Hon. Mr. BURCHILL: You used the words “without justification”. Who determines whether there is justification?

Mr. COUILLARD: The complaining contracting party would obviously, in its own mind, feel that the other contracting party has not entered into negotiations, and that it has failed to do so without justification. If the party which has not entered negotiations does not deem that to be correct—as it generally would in this case—then after unsuccessful consultations the case will be brought before the contracting parties acting jointly, and a decision will be made by them.

The CHAIRMAN: What decision can be made? Could they compel the offending country to carry out the agreement?

Mr. COUILLARD: I do not believe so: they could not compel any country.

The CHAIRMAN: Could they expel them?

Mr. COUILLARD: They could authorize the complaining contracting party to withhold from the offending contracting party the extension of tariff concessions as contained in the latter's schedule; if the offending contracting party is not satisfied with the decision reached, there is provision for his withdrawal from the agreement.

There was a second consequential change provided for in the protocol under discussion. You will remember that admission to G.A.T.T. of non-contracting parties was subject to the unanimity rule; in other words, a country could not come into G.A.T.T. unless the entry enjoyed the unanimous approval of all G.A.T.T. members.

The CHAIRMAN: Can they withdraw for any reason whatsoever?

Mr. COUILLARD: Yes; there is a withdrawal clause, sir. The effect of this change is that the unanimity rule is now changed to a two-thirds vote. Two-thirds of the members of G.A.T.T. may now decide to admit a non-G.A.T.T. member to the General Agreement on Tariffs and Trade. Those were the two main changes resulting from this particular Protocol; most of the other changes are questions of drafting. This protocol remained open for signature by contracting parties, until April 15, so it is now closed.

HON. MR. KINLEY: Is it true that all members of the United Nations can join if they wish to? Are they all charter members?

Mr. COUILLARD: Yes, that is correct, sir. There is an obligation in the Havana Charter that countries shall negotiate tariffs pursuant to Article 17, to which I have referred, and those tariff concessions which are negotiated are then to be incorporated in the General Agreement on Tariffs and Trade. It is envisaged that all charter members will eventually come into G.A.T.T., i.e., they will become contracting parties to the general agreement on tariffs and trade.

HON. MR. CRERAR: When you speak of "charter members", do you mean United Nations?

Mr. COUILLARD: No, I am sorry, I mean Havana Charter, i.e., I.T.O. Members.

HON. MR. KINLEY: That is United Nations. Havana was the United Nations Senate. It superseded Geneva, and tried to get the United Nations to father the whole thing. Is that not correct?

Mr. COUILLARD: The invitations sent to countries to attend the Havana Conference were sent regardless of whether a country was a member of the United Nations or not. For example, Switzerland attended the Havana conference although she is not a member of the United Nations.

There was a second protocol signed, which was entitled "Special Protocol Relating to Article XXIV of the Geneva Agreement on Tariffs and Trade." Eight out of nine contracting parties signed this Protocol under which they agree to accept the amendment which the protocol contains, before the 1st of June, 1948.

Article XXIV deals with the questions of territorial application, frontier traffic, customs unions and free-trade areas. The Geneva text which we now have in G.A.T.T. was rather more limited, particularly with respect to customs unions, and did not provide for the formation of free-trade areas. The Havana conference amended Article 42 of the Geneva charter, it is now three Articles numbered 42, 43 and 44 in the Havana text, which brings in some changes. The main ones of which, as I have said, permit the formation of free-trade areas, permit non-members of I.T.O. to enter into customs unions or free-trade areas with members, provided the organization approves by a two-thirds majority vote. There are a few other changes, with which I should not bother the committee.

In the territorial application provisions of the article, there was a new sub-paragraph added, which provides for advantages to be accorded to the Free Territory of Trieste, by contiguous countries, as long as those advantages are not in conflict with peace treaties resulting from the second World War.

This protocol, therefore, replaces the G.A.T.T. text dealing with territorial application, frontier traffic, customs unions and free-trade areas, with the new

Havana text provisions on those matters. The protocol remains open for signature until the 1st of June, 1948. On or before that date the new provisions will supersede the existing provisions of G.A.T.T. The protocol is based on the amendment procedure of G.A.T.T., Article XXX.

The CHAIRMAN: I should like to ask a question there. Did the Havana conference make any change in the agreements made at Geneva, or that was contained in the original charter, with regard to the obligation of the countries to repeal a ban? I refer to an absolute ban on the import of any product.

Mr. COUILLARD: Reading the records of the committee, which I had to do hurriedly, I saw that this question was discussed before. There are certain provisions in G.A.T.T., the interpretation of which enjoys the support of our legal experts, which permits the maintenance of a ban. Obviously, we have to discuss particular products, or the ban on specific products, since the provisions do not necessarily apply equally well, say to commodity "x" and to commodity "y". I should say, however, that there are certain provisions which can be interpreted in such a way within the spirit of the agreement or of the Havana charter, which do permit a complete prohibition of certain commodities.

The CHAIRMAN: You are not exactly answering my question. Did the Havana conference make any change with regard to the obligation to remove the ban on the import of certain commodities? Did Havana make any change in what was arranged at Geneva?

Mr. COUILLARD: As far as I know, the actual provision by which a country may not impose a ban on a commodity was not changed. The general rule still obtains. There were however certain exceptions to the general rule both under Geneva and under Havana texts and some of them, although not fundamentally changed, were given an interpretation such as the type I spoke of earlier; that is, interpretative notes and records of meetings now exist which permit the prohibition of certain commodities which were not previously covered in that way.

The CHAIRMAN: On margarine?

Mr. COUILLARD: On margarine, yes, sir.

The CHAIRMAN: It is merely an interpretation of what was done at Geneva.

Mr. COUILLARD: There was made at Havana an addition to Geneva Article 18, in the form of an interpretative note, which taken with Article 45, now makes it clear that the embargo on margarine can be maintained.

The CHAIRMAN: That is not in accordance with the view of the negotiators at Geneva, or the intent of the agreement made there. Mr. McKinnon can answer that question.

Mr. MCKINNON: Mr. Chairman and honourable senators, I should like to say that at Geneva the matter of prohibition of imports was discussed in very general terms. There was provision for the usual standard type of prohibition of importation, namely on the grounds of the health of humans, the health of animals, etc. Margarine, in respect of the Canadian situation, was definitely discussed-qua margarine.

The CHAIRMAN: Did you ask the participating countries to make an exception of margarine?

Mr. MCKINNON: No, I don't think we asked them to make an exception of margarine, Mr. Chairman, but the matter of margarine came up, because some of the participating countries were aware of the ban on margarine in the Canadian legislation.

The CHAIRMAN: The United States, for example?

Mr. MCKINNON: Certainly; and others were interested, particularly some of those who would be potential suppliers of vegetable oils to this country. They were aware of this ban. The general view undoubtedly at the end of

Geneva was that the article in the General Agreement to which Mr. Couillard has referred would not in future permit the continuance of the prohibition.

The CHAIRMAN: And you signed the agreement in good faith with that understanding?

Mr. McKINNON: The leader of our delegation, of course, was the only one who signed. There was no question in the minds of the Canadian delegation—

The CHAIRMAN: And it was so understood by the other countries.

Mr. McKINNON: —as such. I would not want to impose my interpretation, Mr. Chairman, as to what was in their minds, but I would say that in my opinion most countries that were interested in that particular question understood that in consequence of the General Agreement, Canada could not continue the ban on the importation.

The CHAIRMAN: And that was your own understanding?

Mr. McKINNON: That was certainly my own understanding.

The CHAIRMAN: Thank you.

Mr. McKINNON: Now, as Mr. Couillard says, I am given to understand that since the Geneva agreement was tabled the matter has been referred to the Department of Justice, and that the Department of Justice has ruled or given an opinion that, under certain articles of the Geneva agreement, in particular if two articles are read in conjunction, it would be possible for Canada to continue to prohibit the importation of margarine.

The CHAIRMAN: But that was not your understanding of what was intended?

Mr. McKINNON: As a negotiator, and as a layman, it was definitely not my understanding, nor do I think it was the understanding of any member of the delegation. But those members of this committee who happen to be lawyers will readily understand that legal experts differ in their interpretations of statutes, or what may become statutes, and I am told that the Department of Justice is of the view that, even despite the Geneva agreement, it is permissible, if Parliament wishes to do so, to continue the ban on the importation of margarine.

The CHAIRMAN: In other words, the technicalities of the interpretation of the law override the clear understanding that you had when you made the agreement. That is all.

Hon. Mr. ROBERTSON: I think it is not fair to add that. He is giving us an explanation.

The CHAIRMAN: He has given a full explanation. I am satisfied to leave it at that.

Hon. Mr. NICOL: Yes. That is an argument.

Hon. Mr. CRERAR: May I ask a question which, I think, is quite fair? Canada accepts, for illustration, the opinion of its law officers that it has the power to continue the ban. Take the United States, which is a country which exports margarine: suppose it takes the position that this is contrary to the Geneva agreement?

Mr. McKINNON: Yes?

Hon. Mr. CRERAR: Now, there is a difference of opinion between two countries.

Mr. McKINNON: Mr. Crerar, may I interrupt at that point, and say that I doubt that you need to follow out your theoretical case, because Mr. Couillard, I think is in a position to state that this question of the interpretation of the article came up at Havana and was discussed with the United States delegation. Is that right, Mr. Couillard?

Mr. COUILLARD: That is correct.

Mr. McKINNON: Now, you had better follow Senator Crerar's question.

Hon. Mr. CRERAR: What I am getting at is, how the difference can be resolved.

Hon. Mr. NICOL: There is no difference.

Mr. MCKINNON: I think Mr. Couillard can answer that definitely.

Mr. COUILLARD: The United States delegation was satisfied, as were their advisers and their legal officers, with the interpretation we place on Article 18, coupled with an interpretative note to Article 18, and the general exceptions to Chapter iv, namely Article 45—that our interpretation of those three provisions is correct, and they agreed that the embargo on margarine can be maintained.

Hon. Mr. CRERAR: Well, then, if the matter were prosecuted further, is there some court or some body that would adjudicate upon that?

Mr. COUILLARD: Yes, sir. I made slight reference to the nullification and impairment article of the General Agreement a moment ago. It would be under that article that the United States would complain to Canada, in this case that Canada's action is in conflict with the provisions of the General Agreement, and that the United States as a result are suffering a nullification or an impairment of a benefit which they normally could claim accrued to them under the agreement. The two countries would consult, and if agreement is not reached, then the case goes before the contracting parties acting jointly; the case is studied; and the contracting parties would first help the countries to reach a satisfactory solution, and if not reached, would make a ruling on the case.

Hon. Mr. ROBERTSON: By the "contracting parties" you mean all twenty-three countries?

Mr. COUILLARD: No, sir, by "the contracting parties" I mean the nine signatories of the protocol of provisional application, acting as a committee.

Hon. Mr. CRERAR: Then, supposing they did not reach an agreement—take the particular case of the United States—supposing the United States felt Canada was not living up to the agreement, they would ask, if they saw fit, for the right to withhold from Canada the benefits which she was securing under the trade agreements?

Mr. COUILLARD: That is right, sir.

Hon. Mr. CRERAR: That is the penalty if agreement is not reached?

Mr. COUILLARD: Yes, sir.

Hon. Mr. CRERAR: And if in the opinion of the contracting parties Canada was liable?

Mr. COUILLARD: That is correct. That would be the remedy granted the United States. The withdrawal of concessions, of course, would have to be equivalent to the nullification or impairment suffered by the United States.

The CHAIRMAN: That would be pretty difficult to establish?

Mr. COUILLARD: It might be, sir.

Hon. Mr. NICOL: How many countries were represented at Havana and at Geneva?

Mr. COUILLARD: There were twenty-three countries at Geneva; there were fifty-eight at Havana.

The CHAIRMAN: But some were only observers?

Mr. COUILLARD: I think I am correct in saying that there were fifty-eight delegations which actively participated in the Havana Conference.

Hon. Mr. NICOL: Is the new treaty at Havana completed and signed?

Mr. COUILLARD: Yes. There are very few copies in Canada—I think five—and this document here is the advance edition of the final act, charter and related documents.

Hon. Mr. NICOL: The contract is completed and signed?

Mr. COUILLARD: The final act? Yes. The charter goes now to national legislatures for ratification or otherwise.

Hon. Mr. NICOL: Was it signed by the fifty-eight countries?

Mr. COUILLARD: It was signed by fifty-three countries. The Argentine did not sign, Poland did not sign. Turkey, mostly I think for technical reasons regarding full powers, did not sign the final act at Havana.

Hon. Mr. NICOL: You spoke of countries that were not parties to the contract and could come in?

Mr. COUILLARD: Yes. I was referring to countries who are not contracting parties to the General Agreement on tariffs and trade.

Hon. Mr. NICOL: But could come in?

Mr. COUILLARD: Yes, sir.

Hon. Mr. NICOL: And get the benefit of the contract?

Mr. COUILLARD: That is correct.

Hon. Mr. NICOL: Would Spain be one of those countries?

Mr. COUILLARD: Spain was not invited to the Havana conference, sir.

Hon. Mr. NICOL: Could they be one of the countries that would come in?

Mr. COUILLARD: I think that a strict interpretation of the membership provisions, article 71, paragraph 2, of the charter would permit the conference of the future organization to discuss and possibly to approve an application on the part of Spain to become a party to the Havana charter. The question was not discussed at Havana, and I would personally think that that problem would be left to the United Nations.

Hon. Mr. CRERAR: May I come back again to this matter of a possible dispute between the United States and Canada? Take as an illustration this ban on margarine. Now, if that dispute were to develop, I understood you to say that the signatory powers would sit in judgment?

Mr. COUILLARD: That is correct.

Hon. Mr. CRERAR: Nine signatory powers would sit in judgment. If they supported the United States point of view, and Canada persisted, the United States then could invoke sanctions against Canada in the way of withdrawing the privileges that Canada enjoyed under the agreement, as far as the United States was concerned?

Mr. COUILLARD: They could be authorized to withdraw concessions, or indeed be released of certain obligations towards Canada to an extent appropriate and compensatory having regard to the nullification or impairment suffered by the United States; all this would be done if the contracting parties consider that the circumstances are serious enough.

Hon. Mr. CRERAR: Does the machinery provide that the nine other contracting parties would take similar action?

Mr. COUILLARD: That is not specifically covered. It would be a question to be treated on an *ad hoc* basis having regard to the nature of the case.

Hon. Mr. CRERAR: What I had in mind was, the other nine members might say, "Well, Canada has broken the rules of the club; therefore we all will jointly take action against Canada". Is that a possibility?

Hon. Mr. NICOL: They would have to have an injury.

Hon. Mr. CRERAR: I am assuming for the moment that when the nine nations sit in judgment on this dispute they would come to the conclusion that the the rules had been broken.

Hon. Mr. NICOL: A party must suffer an injury. You are asking if the remedy which applied to the United States would apply to the other nine. If they do not suffer an injury they cannot complain.

Hon. Mr. CRERAR: It is not a question of suffering an injury.

Mr. COUILLARD: It is as the hon. senator said.

Hon. Mr. CRERAR: This is the point I want cleared up. It is a case where one member of the club, so to speak, breaks the rules. Now, if one member of the club breaks the rules can the other nine members of the club say, "Well, you have violated the rules and we are going to bring you to time on it"? Can they do that?

Mr. COUILLARD: There are no provisions to that effect in either the Havana Charter or the General Agreement.

Hon. Mr. CRERAR: First he has got to break the rules. The first question is, does he break them?

Mr. COUILLARD: Before a country can bring a case before the organization, either the conference or the executive board, or, in the case of the agreement, to the contracting parties acting jointly, it must have suffered nullification or impairment of a benefit which would normally accrue to it under the agreement or under the charter; and any remedy which may be approved by either the conference or the executive board, or by the contracting parties must be appropriate—to use the terms of the charter—and compensatory. But first the country, as has been pointed out, must suffer a nullification or impairment, and secondly, the remedy must be appropriate and compensatory—and, of course, the circumstances must be sufficiently serious.

Hon. Mr. CRERAR: Well, the decision of the club is that the United States has, say, suffered an impairment in this case, that they have suffered an injury. Now, how is that righted? What is the process of punishment, or is there any, against the offending party?

Mr. COUILLARD: An action which the contracting parties could take would be to permit the United States to withdraw tariff concessions, or to release it from certain obligations towards the offending country.

Hon. Mr. CRERAR: Could the other members say, "Well, we will also withdraw these privileges that we have given Canada"? Could they do that?

Mr. COUILLARD: They could not do that.

The CHAIRMAN: In the case of margarine it would affect countries like the United States and possibly Denmark and other European countries that are exporters of that product.

Hon. Mr. ROBERTSON: I suppose they would join in the complaint.

Hon. Mr. KINLEY: As long as we do not manufacture it ourselves I do not think there should be any discrimination.

The CHAIRMAN: They have no right to say anything as to what we ourselves manufacture.

Hon. Mr. KINLEY: Take our excise tax. We have it against American automobiles and we have it in Canada, so there is no discrimination.

The CHAIRMAN: You are talking about manufacturing.

Hon. Mr. KINLEY: I am talking about the same thing you are. I am talking about oleomargarine.

The CHAIRMAN: This has only to do with the ban on importation.

Hon. Mr. NICOL: Do you not think this treaty goes beyond the single item of oleomargarine. Oleomargarine is only one item.

The CHAIRMAN: It is important.

Hon. Mr. NICOL: May I ask a question, Mr. Couillard? When do you expect the treaty to be put into force and executed?

Mr. COUILLARD: The Havana Charter, you mean, sir?

Hon. Mr. NICOL: Yes.

Mr. COUILLARD: The actual provisions in the charter regarding entry into force are as follows: From the date of the final act, which was signed on the 24th of March, 1948, until the 24th of March, 1949, a majority of those countries who signed the final act in Havana will be required to have deposited their instrument of acceptance before the charter can become operative. If my memory serves me correctly 53 nations signed the final act so that 27 instruments of acceptance must be deposited with the United Nations before the charter can come into force. That is for the first year—

The CHAIRMAN: That is, these concessions in the charter do not go into force until the 24th of March, 1949.

Hon. Mr. ROBERTSON: On the point of ratification, I suppose it is a matter of submitting to parliament for their approval what we have agreed to.

Hon. Mr. KINLEY: We have here a printed text of the Geneva agreement and charter, but I think we should also have in our possession a printed record of the changes made at Havana so that we can compare the two to see what was done. According to the press there were some important changes made so that nations could better control their interior economy. I think the press indicated there were a large number of nations who were not willing to surrender certain things.

The CHAIRMAN: That is what I was inquiring about in the first place. I understand that some nations wanted escape clauses and so on. Is that what you mean?

Hon. Mr. KINLEY: Yes. We should have the changes before us in print.

Hon. Mr. ROBERTSON: Parliament at the moment is considering the general approval of these tariff agreements. The matters arising out of the creation of the charter, to which Mr. Couillard has referred, are further matters which have to come before parliament in the future. Some time before March 24 the various signatory countries must have their respective parliaments ratify this, as distinct from the specific agreements that were entered into and which went into force,—in our case on January 1.

Hon. Mr. KINLEY: Havana did not change the tariffs. That was passed and done.

Hon. Mr. ROBERTSON: Right, and in due course parliament will be asked to ratify this.

Hon. Mr. KINLEY: The charter?

Hon. Mr. ROBERTSON: Yes. Whether it is to be this year or not is a matter of detail.

Hon. Mr. KINLEY: Can we have the text of the Havana Charter which supersedes this?

Hon. Mr. ROBERTSON: I think it will be forthcoming but I do not believe it is available at the moment.

Mr. MCKINNON: It is being printed at the United Nations at the present time, but it is not yet available generally.

Hon. Mr. ROBERTSON: It will be available before parliament is asked to ratify it.

Mr. MCKINNON: The charter is not before parliament.

Hon. Mr. BURCHILL: Could we have a situation where the tariff concessions and all that sort of thing are approved by parliament and the charter not approved?

Mr. MCKINNON: Yes, that could be. The general agreement is now up for approval, whereas the charter has not yet been tabled in parliament.

Hon. Mr. BURCHILL: Is not the trade agreement based on the charter?

Hon. Mr. CRERAR: It is rather the reverse.

Mr. MCKINNON: Might I illustrate: All last summer in Geneva the delegates of each country had to work in two distinct but related divisions. One group was attempting to formulate a draft charter to go to a conference at Havana. The other portion of the delegation, and this applies to every delegation, was engaged in actual tariff negotiations with the other countries represented at Geneva. Towards the end of the summer of 1947—I am trying to put this in general terms, Mr. Chairman, and as briefly as I can—it became obvious that some kind of charter was going to emerge from Geneva. Perhaps it might not be a perfect one but at least it would be a draft charter. At about the same time it became equally certain that there were going to be successfully completed, more than 100 tariff negotiations. As the fall approached, all of the 23 countries at Geneva, anticipating that there might never be a charter or fearful as to what kind of charter might come out of Havana, decided among themselves that they must get something at that time, as Senator Robertson has said, to serve as a vehicle to carry these tariff changes that had been negotiated among them. So, from the draft charter as it then stood, they borrowed certain important clauses—such as the one respecting most favoured nation treatment and the one regarding the method of valuation for customs duties, and so on—and they took those few necessary, vital paragraphs out of the charter, called them a General Agreement—the name indicates what it is—and attached the schedule of tariff changes to the General Agreement. That is what is now before the Canadian parliament, the General Agreement as it emerged from the Geneva conference, including the appended schedule of tariff changes. The draft charter has since gone to Havana; it has been debated for four months and has been altered to some extent, and in due course will in turn come before the constitutional authorities of each of the 53 countries for approval or rejection.

The CHAIRMAN: But the tariff changes made at Geneva are not affected by the Havana conference?

Mr. MCKINNON: No; although they have to be formally approved, the tariff changes are provisionally in effect among the contracting parties.

Hon. Mr. ROBERTSON: As I understand it, in our case we enter into an agreement subject to parliamentary ratification. In the case of the United States these specific concessions before us were by the authority of the President in his negotiation of agreement, and have to be ratified by Congress. Our specific ones have to be ratified by parliament and are before us now. When it comes to the business of the charter and the various details in regard to what we may do in ratifying it, that has to go to parliament as well some time in the next year. It also has to go before the American Congress. In the case of the actual tariff concessions, however, they were authorized automatically.

The CHAIRMAN: Because the President has the power to reduce by 50 per cent.

Hon. Mr. NICOL: Is Canada now trading under the tariff agreement mentioned by Mr. McKinnon, or is it trading on the specific agreement made with different nations?

Mr. MCKINNON: The large number of bilateral agreements worked out at Geneva were generalized among those present by virtue of the most favoured nation clause. Canada negotiated with the United States, let us say 1,000 items; with France, several hundred items; with the Arab states, Syria and Lebanon a few items; and several hundred items with Benelux. At the conclusion of the Geneva conference all these bilateral agreements were combined in one schedule, to which the most favoured nation rule applies. The reductions in duties have been brought into effect provisionally by order in council, and are being extended to all the countries with which Canada has a most favoured nations agreement.

The CHAIRMAN: And they are in effect in the United States?

Mr. McKINNON: Yes.

Hon. Mr. KINLEY: What about import restrictions? For instance, we restrict the importation of many articles. We have a bill that does not allow many articles to be imported today. That means that so far as that bill is concerned the treaty does not apply.

Mr. McKINNON: Yes, we have that arrangement because Canada is in balance of payment difficulties; and any other country similarly so placed could impose the same prohibitions.

Hon. Mr. KINLEY: Has the United States not in some degree restricted the pro-function of the trade agreement?

Mr. McKINNON: No, but I think I know what you mean, senator. The President of the United States has the power to reduce tariffs by 50 per cent; if a rate is reduced from 28 per cent to 14 per cent, the reduction can immediately become effective, but United States customs legislation is a matter of law and has to be changed by Congress. The rates of duty themselves do not have to be changed by Congress. When the United States Congress has the charter before it—and let us assume they approve it; I do not know that, but let us assume so—then Congress is bound to make changes in its legislation to harmonize with the charter. Might I say that if in due course Canada approve the agreement and the charter, this country too will be bound to make consequential changes in certain existing legislation.

The CHAIRMAN: The President, as I understand it, has the authority to reduce tariff by 50 per cent and that immediately goes into force. So, if a duty of 28 per cent on some commodity is reduced to 14 per cent, can the United States President reduce that another 50 per cent and bring it down to 7 per cent, and so on, in another year?

Mr. McKINNON: He could in ensuing negotiations, and it is not specified that any minimum period of time shall intervene between negotiations.

The CHAIRMAN: If he wanted to wipe it out he could do so by a series of reductions. He could, for example, make a 50 per cent reduction at one time.

Hon. Mr. CRERAR: That is, if his powers did not run out.

Mr. McKINNON: Quite so; the presidential powers run out in June of this year, but of course they may be extended.

Hon. Mr. NICOL: Did the Canadian representatives endeavour to get larger quotas for the export of Canadian goods, such as farm products, to the United States? It is all very well to talk about reduction in duty, but we know that some of our products cannot be sent to the United States at all. What difference does it make whether the tariff on those products is reduced or not? In the old days, as Senator Crerar mentioned in the Senate yesterday, we shipped large quantities of milk and potatoes to the United States, but now there is a quota, and it is so small that our exportation amounts to almost nothing. Did you make an effort to obtain the removal of those quotas or an increase in them?

Mr. McKINNON: In some cases we got the quota removed entirely, sir; for instance, on wheat and wheat flour. In some cases we got a substantial increase in the quota combined with a reduction in the duty.

Hon. Mr. ROBERTSON: I think the specific products that Senator Nicol has in mind are milk and cream.

Mr. McKINNON: We have never boasted about what we did on milk and cream. The cream quota is one and a half million gallons and the fresh milk quota is three million gallons.

Hon. Mr. NICOL: That is now?

Mr. McKINNON: Yes, sir, as it was under the 1938 agreement.

Hon. Mr. NICOL: What was it before?

Mr. MCKINNON: It is the same now as it was before; we got no increase in the quota. We got a reduction in the duty, however, on both.

Hon. Mr. NICOL: What is the good of that?

Mr. MCKINNON: I do not want to say that I quite agree with you, sir, but we are not making any boasts about what we got on milk and cream. We are quite aware of what Senator Nicol has in mind, that the sanitary restrictions in the New York milk shed make it virtually impossible to export milk from Canada. We made a great deal of that, sir; we raised the question time after time, but naturally we were met with the response that the federal authority in respect of certain things cannot impose its will on a state authority; and when we protested against that argument, the United States negotiators replied that some of the Canadian provinces prohibit the exportation of certain things which federal legislation would permit; and we had to admit that that is the case.

Hon. Mr. NICOL: But that is not true to the same extent in Canada.

Mr. MCKINNON: No, not to the same extent. In any event, we did have written into the agreement the undertaking that in each country the federal authority would use its best offices with subordinate jurisdictions to overcome such situations.

Hon. Mr. NICOL: You cannot cite five cases of provincial prohibition against importation.

Mr. MCKINNON: Well, five—

Hon. Mr. NICOL: I do not think you could cite two. The provinces may think they have a right to prevent exportation, but they have not.

Mr. MCKINNON: Well, they are doing it in some provinces, sir. For instance, I believe that some provinces have been and are prohibiting the export of pulpwood cut on Crown lands, and apparently nothing can be done about that by the federal government. The United States brought up such a case and said, "What is the use of giving you a reduction in duty if there is a provincial prohibition against the export?"

The CHAIRMAN: I think you mentioned that the Canadian government agreed to use its best offices with any province concerned in a matter of this kind. Did the United States make a similar agreement?

Mr. MCKINNON: Yes, Mr. Chairman, that provision is in the agreement, signed by both countries.

The CHAIRMAN: What is the clause?

Mr. MCKINNON: The clause says:

Each member shall take such reasonable measures as may be available to it to ensure observance of the provisions of this charter by the regional and local governments and authorities within its area.

Hon. Mr. NICOL: Except wood cut from Crown lands, I do not think there is any product whose exportation is prohibited by a province.

Mr. MCKINNON: That clause which I read may be a pious hope, but it was as far as the federal negotiators could go.

Hon. Mr. NICOL: I may be wrong, but I have a feeling that unless Canada goes direct to the United States and makes an arrangement between the two governments, we shall get nowhere with the charter.

The CHAIRMAN: But if we did that we would have to extend the same terms to all the other countries.

Hon. Mr. NICOL: We have gone to Geneva and to Havana, where we have carried out discussions and made agreements, and I think that in the end those agreements will amount to very little.

The CHAIRMAN: I make this obvious observation, that the government of Canada would surely have no difficulty in persuading Mr. Duplessis and Mr. Drew to grant any concessions that the Dominion wished.

Mr. MCKINNON: You are a better authority on that than I am, sir.

Hon. Mr. HOWARD: The province of Quebec has no restriction on the export of pulpwood to the United States, provided the wood was cut from land belonging to private citizens. The only restriction is on wood cut from Crown lands, which are the property of the province of Quebec.

Mr. MCKINNON: That is right.

Hon. Mr. NICOL: And our pulpwood sells for less in the United States than it does here. Also, they are getting our paper for \$8 a ton cheaper in New York now than I pay for it in Quebec.

The CHAIRMAN: And oranges are cheaper here than in some parts of the United States.

Hon. Mr. ROBERTSON: The quota of one and a half million gallons of cream and three million gallons of milk has not been changed since the Hawley-Smoot tariff, and is about one-third of the quantity that we were shipping in 1920. I have no doubt that there will be further negotiations with the United States and I would suggest that Mr. McKinnon use his best efforts to have the present quota increased by at least three or four times, and also to have the New York State restrictions lifted. A dairyman tells me that there is no such restriction in the Boston market and that he could get an excellent price there.

Hon. Mr. NICOL: I think that suggestion should be made to the cabinet instead of to Mr. McKinnon.

Hon. Mr. ROBERTSON: I will do my best.

The CHAIRMAN: You have already made efforts along that line, have you not, Mr. McKinnon?

Mr. MCKINNON: At Geneva Mr. Kemp made strenuous efforts to obtain an increase in the quota as well as a reduction in duty. The duty was reduced from 56 cents to 28 cents in 1938, and at Geneva we got it further reduced to 20 cents. We finally reached the point where by pressing unduly we could very easily have put ourselves in a difficult situation. Supposing the United States negotiators had said: "Yes, we will double that quota for you and we will also cut the duty to 14 cents, but what will you pay for it?" I think we would have replied: "We will not pay anything at all for that, because until the New York State sanitary restrictions are changed we would be paying for a pig in a poke".

The CHAIRMAN: The individual states have control of the sanitary regulations

Mr. MCKINNON: Yes, Mr. Chairman. Senator Robertson mentioned the possibility of further negotiation; of course, we would always endeavour to get further concessions; but in any event a quota of three million gallons of milk and of one and a half million gallons of cream represents a substantial market. Secondly, the charter now says that a country may not use sanitary restrictions, etc., for protective purposes. We have never had that on paper before, and heretofore we could not challenge anything that was done by another country on the grounds of sanitary restrictions, but now these companies signed this agreement.

The CHAIRMAN: Is that part of the agreement within the jurisdiction of the federal government in the United States?

Mr. MCKINNON: The federal authority has signed this.

The CHAIRMAN: Can the federal authority override the wishes of individual states?

Mr. McKINNON: We are relying on this: When the charter is approved by both countries we can, if our people so desire, contend before the federal authority in the United States that sanitary restrictions are in fact being used as a hidden protective device, and the federal authority would be bound to listen to the argument. We would have considerably stronger ground for raising that point now that we have this undertaking on paper.

The CHAIRMAN: But could the federal authority override the wishes of an individual state?

Mr. McKINNON: I do not know, Mr. Chairman; that will be their problem. We should have to attempt to prove that certain sanitary restrictions are being maintained for protective purposes; we could submit that our people are quite willing to have inspectors from across the border come here and inspect our establishments, or, as was done before, to have our own inspectors do the work, on the understanding that their certificate would be acceptable to the United States authorities. I think that if at that time Canada should indicate that it is willing to go more than half way in meeting this particular problem, the other country might be in some difficulty in maintaining an absolute prohibition, whether because of state regulations or anything else. However, I am not a lawyer.

Hon. Mr. NICOL: Mr. McKinnon, you were at Geneva and you knew that this country, with twelve million people, was buying twice as much from the United States, with its one hundred and forty million people, as they buy from us. Will it be possible through the Havana conference to have this situation changed, so that the trade will be proportionate to the respective populations?

Mr. McKINNON: We consistently argued at Geneva that it was in the United States interests to reduce their duties without getting anything in return, as a great creditor country. The only way in which the rest of the world could trade would be if the United States were prepared to take goods. We pressed that point repeatedly and I say without reservation that I think we so argued our case that we got very substantial concessions not only in the United States but in other countries.

Hon. Mr. ROBERTSON: Without giving any?

Mr. McKINNON: I do not say that we gave little; but I do think we gave in return less than had been expected when we left for Geneva.

The CHAIRMAN: There has been no protest throughout Canada.

Mr. McKINNON: I have not heard any protests.

Hon. Mr. ROBERTSON: The newspapers would not put it down as free trade.

Hon. Mr. BURCHILL: Mr. McKinnon, you mentioned 3,000,000 gallons of milk, which is a fairly substantial quantity under present circumstances—

Mr. McKINNON: Yes.

Hon. Mr. BURCHILL: Do you actually know what quantity Canada is getting through to the United States at the present time?

Mr. McKINNON: I would think it is a trickle, practically nothing.

Hon. Mr. BURCHILL: They are not even taking advantage of the present quota?

Mr. McKINNON: That is right.

Hon. Mr. ROBERTSON: The Canadian Government will not let the milk go to the United States. It is not the fault of the Americans. One dairyman remarked to me recently that he could sell milk in the United States for twice as much as he is getting in Canada, if the Canadian Government would let him do so. The same restrictions apply to meat and many other things.

Hon. Mr. CRERAR: It certainly applies to oats and barley.

Hon. Mr. NICOL: We live thirty miles from the American border, and a few years ago we were selling milk at \$2 when twenty miles from us they were paying \$5 for it. The result was that the Americans were at our doors trying to buy our milk. They could buy a milch cow for \$300 or \$400 and pay for it within eight months, and then they would have the cow and the calf for nothing.

The CHAIRMAN: They are doing it yet.

Hon. Mr. NICOL: That is so. I can show you in the Eastern Township newspapers where there are as many as twenty to twenty-five public sales per week; and they are at our door all the time trying to get our cattle.

Hon. Mr. CRERAR: The same condition prevails in the Winipeg district.

Hon. Mr. ROBERTSON: While I would be pleased to do anything I could with the government, may I say that I think we have the best negotiators in the world. I personally made a criticism to Mr. McKinnon, because I, as a low tariff man, did not think he gave away enough under the trade agreement. I should like to see tariffs made lower on some items, but that is my Nova Scotian attitude. He quite properly said to me, "It is not my duty to give away; there will be further negotiations." I think that is quite a correct position to take. It seems to me this matter has great possibilities in view of the ever-increasing population in the United States and the fact that her production is dropping off on foodstuffs. Canada is in an excellent position, when conditions become a little more normal to take an active part in this field when the government of which I am a member feels in a position to remove the restrictions.

Hon. Mr. NICOL: I may be wrong, but I think the ambassador at Washington should lay down certain rules to some of these fellows and get concessions. The United States get 90 to 95 per cent of our newsprint, and what do we get in return?

The CHAIRMAN: We get dollars.

Hon. Mr. NICOL: We get dollars and then we spend them over there two to one.

The CHAIRMAN: Not now.

Hon. Mr. McLEAN: Sometimes we do not set a very good example. The same argument might be used by Newfoundland, who spends forty to forty-five million dollars here, and we spend seven or eight million dollars there; still we put an embargo on one of her leading products. In that way we are not setting a very good example ourselves.

Hon. Mr. NICOL: I believe you have reference to margarine. I don't think it is Newfoundland's leading product.

Hon. Mr. McLEAN: I said one of the products.

The CHAIRMAN: I suggest that Mr. Couillard be permitted to continue, if he has something further to give us.

Mr. COUILLARD: There were two additional changes to the existing text of G.A.T.T., which were agreed to in Havana. If you will permit me before I go on, sir, I should like to complete my answer to Senator Nicol concerning the entry into force of the charter.

In the first year we need a majority of the signatories to the Havana Final Act to bring the charter into force. After the first year only twenty countries who have ratified and accepted the charter can bring it into force. If on the 30th of September, 1949, the charter has not at that time entered into force, then the Secretary-General of the United Nations will call together those countries who have accepted the charter to decide whether and on what condition they wish to bring the charter into force. Now, the use of the outside date 30th of September, 1949, in the charter is, I think, indicative of the fact that it is not expected that the charter will enter into force before the summer, possibly the late summer, of 1949.

Returning now to G.A.T.T., Mr. Chairman. All my remarks have been directed to the actual changes agreed to in the existing text of the general agreement. The other two changes I referred to are: first, a protocol providing for the supersession, on January 1, 1949, of article XIV of the agreement by article 23 of the Havana charter. All 23 countries parties to the agreement signed this protocol. Article 23 is the article dealing with the exceptions to the rule of non-discrimination on the use of quantitative restrictions for balance of payments difficulties. It is a highly complex article, and I do not profess to be an expert on its subject matter.

The second change: At Havana there was a declaration signed by eighteen of the twenty-three countries, to the effect that they would not invoke a clause of the general agreement which gave them the right to object to the supersession of any provisions of the general agreement as they now exist, by the corresponding provisions of the Havana charter. That was necessary because the general agreement as you know, is an integral part, or will become so, of the Havana charter under article 17. Therefore, the forty or forty-five odd countries who are not contracting parties were quite anxious, before signing the final act of the Havana charter and before presenting the Havana charter to their government or parliament for ratification, to know exactly what provisions the general agreement would contain. In other words, it was feared that contracting parties might oppose the supersession of certain articles—for instance, the Latin American countries were particularly anxious for the eventual supersession of an article on economic development; if they could not be given some guarantee that that article would be superseded by the corresponding provisions of the Havana charter, it is very doubtful that we would have obtained 53 signatures out of a possible 56 or 58. The declaration was considered to be sufficient guarantee to those countries that such supersession would take place. The pertinent part of the declaration reads as follows: those eighteen countries:

declare that they will not lodge any such objection to the suspension and supersession of paragraphs 1 and 2 of Article I and Part II of the General Agreement on Tariffs and Trade.

A fourth and last protocol was signed in this case by the 23 countries signatories to the Geneva final act. It was a protocol of rectifications to the schedule of the general agreement. The vast majority, almost all rectifications, were of a typographical character.

Mr. Chairman, those in broad outline are the main changes, put into effect or provided for to the text of the general agreement, namely four protocols and one declaration, which I have to bring before this committee.

The CHAIRMAN: Do any members wish to ask any questions?

Hon. Mr. NICOL: I should like, Mr. Chairman, to ask Mr. McKinnon a question. It was stated that we are not shipping any milk or cream to the United States at the present time in any amount. Are we shipping canned milk and powdered milk to the United States?

Mr. MCKINNON: Mr. Kemp will answer that question.

Mr. KEMP: We are exporting a good deal of it, but I do not know what the total is at the present moment.

Hon. Mr. NICOL: Because at the present time in our part of the country most of the milk is going to firms which turn it into canned milk or evaporated milk or powdered milk. Now that amounts to thousands of thousands of pounds. If we are shipping those to the United States, and the government allows it, that is the cheapest kind of milk to export. Now, why should the government or anybody prevent us from shipping five-dollar milk and allow us to ship two-and-a-half-dollar milk?

Mr. McKINNON: Well, of course, that relates to a matter of domestic policy with which I had nothing to do. At Geneva we were negotiating on the basis of ordinary normal conditions.

Hon. Mr. NICOL: I do not want to embarrass you, but I wondered if you knew that this powdered milk was being exported?

Mr. McKINNON: While Mr. Kemp is looking up these figures, I might say that we have the figures for concentrated milk powder, dried powdered milk, and whole milk powder, for the various countries, but just what percentage of the outward movement at the moment is going to the United States I would not care to say.

Mr. KEMP: I have here figures for the 1946 calendar year. Our exports of condensed milk, unsweetened, to the United States in that year were worth \$57,000. Dried powdered milk, there were no exports to speak of; the powdered milk was less than \$50,000.

Hon. Mr. NICOL: That answers my question.

Mr. McKINNON: It is mostly going, as Senator Howard says, to other countries than the United States.

The CHAIRMAN: Having concluded our questioning of the witnesses, and before we proceed with the draft report that is before me here for your consideration, I think I voice the feeling of the members of the committee when I say that we owe the thanks of the committee to these gentlemen,—Mr. McKinnon, Mr. Couillard, Mr. Reisman and Mr. Kemp—for an excellent job well done. I think they are a credit to themselves and a credit to Canada for the work they have done at Geneva and Havana.

Hon. Mr. McLEAN: I think we have very courageous and efficient negotiators.

Mr. McKINNON: I should say on behalf of the officials that it has been a great pleasure to appear before this committee. It has been a source of information to us and, as far as I am concerned, of inspiration to myself. The free and easy manner in which the proceedings are conducted, by direct question and answer, has been very agreeable, and we have been very much helped.

The CHAIRMAN: Thank you very much.

The committee then proceeded to consider the content of its report.

