Conservation Act (Dec. 2, 1940) prohibited the import of a long list of consumption goods that were regarded as non-essential or that could be obtained from within the sterling area in sufficient volume to meet essential requirements. In addition, the Act made certain other products (chiefly cocoa beans, bananas, peanuts, raw tobacco, petroleum, business machines, trucks, buses, hardwood, raw furs and silk) subject to import licence. These measures were supplemented by high excise taxes on many of the durable consumer goods affected (automobiles, radios, refrigerators, etc.), the main purpose being to discourage expansion of their manufacture in Canada as imports were eliminated or curtailed.

The principle underlying all restrictions is that war production must be facilitated, rather than hindered, by the controls adopted. Officials of the Department of National Revenue, who administer the War Exchange Conservation Act, maintain close contact with controllers and administrators regarding import requirements. Imports of certain products (wool, sugar, etc.) have been specifically placed under the control of Administrators and in the case of machine tools and certain strategic materials (silk, rubber, etc.) imports are largely channeled through Government-owned companies. Finally, increasing integration of the priority systems of Canada and the United States and the recent formulation of import shipping priorities, in order to reserve limited shipping space for the most essential requirements, represent other important aspects of war-time import restrictions.

Subsidies and Tariff Adjustments.—The War Exchange Conservation Act facilitated imports from the United Kingdom. Duties on United Kingdom cottons, artificial silks and certain other goods were removed and (on Apr. 30, 1941) imports from the United Kingdom were allowed discounts from the British Preferential Tariff of 25 p.c. on woollens, boots and shoes and 50 p.c. in the case of almost all other goods, except liquor. These tariff adjustments tended to counterbalance restrictions against certain imports from the United States and to help British importers overcome the disadvantage of rising production and transportation costs; at the same time they enabled Canada to utilize some excess sterling balances. The imposition of the retail price-ceiling on Dec. 1, 1941, necessitated further measures of this type to ensure a continued flow of essential imported goods for sale in Canada. The Wartime Prices and Trade Board assured importers that, where necessary, in view of the rising prices abroad, assistance would be provided to them either directly by subsidies provided through the Commodity Prices Stabilization Corporation, or indirectly by reduction in duties and taxes on imported goods, to enable the price-ceiling to be maintained. As preliminary measures, on Dec. 22, 1941, all special or dumping duties on imported goods (except fresh fruits and vegetables) were removed and the Minister of National Revenue was authorized by Order in Council to accept the export selling price as the basis of valuation for duty purposes in the case of commodities that are recommended to receive such treatment by the Wartime Prices and Trade Board with the approval of the Minister of Finance. In addition, on Jan. 20, 1942, an Order in Council provided that import and excise duties imposed in any country from which Canada imports goods would be disregarded in estimating the value for duty purposes.

The general principle underlying all import subsidy arrangements is that consumer goods imported will cost the importer no more than is 'appropriate' in relation to ceiling-prices. The importation of war supplies has, of course, been exempted from the operation of the ceiling and of import price control.