

### Subsection 1.—Historical Sketch of External Trade and Tariffs

A short sketch of trade and tariffs prior to Confederation is given at pp. 480-482 of the 1940 edition of the Year Book. The 1942 Year Book, at pp. 427-428, traces the development from Confederation to the adoption of the present form of preferential tariff in 1904.

The present Canadian tariff structure is built on three levels and is summarized below.

As a result of strenuous efforts to maintain and expand trade relations within the Empire, British Preferential rates were established. These consisted at first (1898) of a remission of 25 p.c. of the duties ordinarily paid but later (1900) were advanced to 33½ p.c. and, after 1904, took the form of a specially low rate of duty on almost all imported dutiable commodities. This is the first broad category of the tariff structure and these rates are applied to specified goods from most British countries if shipped direct to Canada. On certain goods special rates may be applied under the British Preferential tariff; these special rates are lower on those goods than the ordinary British Preferential scale.

The second stage in the tariff edifice is the Intermediate rates. These rates apply to goods that have been accorded tariff treatment lower than the General Tariff but which are not entitled to the British Preferential rate. To certain non-British countries, a special concession under the Intermediate rates may be granted and rates lower than the Intermediate apply by agreement.

The third class of duties is the General Tariff. This is levied on all imports that are not covered by Preferential or Intermediate rates.

British Preferential rates apply to all countries within the Empire. They may, however, be modified downwards in their application to specific countries when trade agreements are being revised or discussed between Canada and other Dominions. The whole tariff structure is a very complicated piece of administrative machinery. Almost every budget that is brought down in the House of Commons changes the incidence of the tariff in some particulars. It would be impossible at this place to attempt to discuss the tariff schedules themselves. The schedules and rates in force at any particular time may be obtained from the Department of National Revenue, which is responsible for administering the Customs Tariff.

In all cases where the tariff applies, there are provisions for drawbacks of duty on imports of semi-processed goods used in the manufacture of products later exported. The purpose of these drawbacks is to give Canadian manufacturers a fair basis of competition with foreign producers of similar goods, where it is felt to be warranted. There is a second class of drawbacks known as "home consumption" drawbacks; these apply mainly to imported materials used in the production of goods manufactured for home consumption.

Too often one-sided competition arises out of unfair practices, such as dumping or the manipulation of exchange advantages. Wide powers have been given in certain instances to supplement tariff provisions. Thus the Minister of National Revenue or through him the Customs Officials have at times been empowered to take "a fair market valuation" as a basis of applying duties to be collected. The very term "fair market valuation" is vague and open to various interpretations and has been frequently criticized, but in exceptional cases for which they are designed such valuations have proved effective.