

# What Reciprocity Would have Effectuated

## U.S. Tariff Commission Reports on the Situation as it would have been to-day

A high degree of timely interest attaches to a report that has just been issued by the United States Tariff Commission. The report deals with Canadian Reciprocity, a subject of much excited discussion just ten years ago.

"There is strong likelihood that our trade relations with Canada will once more attract serious attention at an early date. The movement for preferential treatment of Imperial trade by all the dependencies of Great Britain, and the recent agreement between Canada and the West Indies providing for reciprocal concessions that the United States will not enjoy, may divert from this country much trade that nature seems to have intended should flow in this direction. The Dominion Government is now making preparation for a general revision of the tariff, and there are indications that this country within twelve months will be likely also to revise its commercial relations. In Canada, the official platforms of the Liberal party and of the Farmer-Labor party demand a renewal of reciprocity negotiations with this country. In the meantime, our former offer of reciprocity to Canada still stands upon our statute books, although a bill for its repeal passed the House of Representatives last year."

The report of the Tariff Commission is the first careful study of the effect on commerce that the measure would have had if the Canadians had accepted it.

### From the Political Viewpoint.

The Commission outlines at some length the political situation in the United States and Canada at the time of the passage of the act by Congress and notes what appears to be the present feeling towards reciprocity in the Dominion. In the United States reciprocity was in accord with a movement against high duties which was felt in both parties. The Republicans who were opposed to the tariff of 1909 might have been expected to follow President Taft in his support of the measure. These so-called "insurgents" came, however, largely from agricultural constituencies, and because the chief duties removed were on agricultural products, many of them voted against the bill as a discrimination against the farmer. Both the "insurgent" and the "regular" Republicans showed a majority against the bill; but sufficient Democratic votes were cast for it to effect its passage. Reasons for the defeat of the measure in Canada, in addition to the opposition of the interests directly affected, were numerous. Among them were resentment arising from the earlier attitude of the United States towards reciprocity, the strength of the idea of Imperial unity and the fear, however ill-founded, that the agreement was prompted by political motives, and would lead to an ever growing dependence of Canada on the United States. Present Canadian support of reciprocity comes from the Liberal party, which was defeated on this issue in 1911, and the Farmer-Labor party, which has shown political strength in the Dominion during the past year.

### Changes the Treaty Would Have Made.

The report contains an extended statistical study of the effect which the agreement would have had, if adopted (1) at the time it was drawn up, and (2) at present. At the first date the value of imports into the United States from Canada which would have been put on the free list or reduced in duty, was \$43,000,000; of those in the opposite direction, \$33,500,000. The proportion of trade affected would have been, however, very different for the two countries. Of imports into the United States from Canada, 45 per cent would have been changed, 5-6 of these going on the free list the remaining sixth being reduced in duty.

Of imports into Canada from the United States, 15 per cent would have been changed, 1-3 of these being made free, 2-3 reduced in duty. In the second comparison, trade figures for 1918 are used as indicative of the present situation. The changes which the adoption of the treaty would make under the rates now in force in each of the countries differ from those just given, most markedly so in the case of imports into the United States. For Canada, the rates taken are those in force since May 19, 1920, not considering the excise taxes laid by the Dominion Parliament and enforceable from that date, falling upon imported goods as well as those made in the Dominion. In 1918 imports into the United States from Canada which would have been affected amounted to \$31,000,000; those in the opposite direction, to \$126,000,000. The proportion of trade affected is not so markedly different as below; of imports into the United States from Canada, 7.2 per cent would have been affected, 23/24 of these being made free, the remaining twenty-fourth reduced in duty; of imports into Canada from the United States, 16 per cent would have been affected, 1/4 going on the free list, the remaining 3/4 being reduced in duty. The United States, the Commission concludes, would to-day be granting less of a concession to Canada through the adoption of the agreement now than at the time proposed, Canada a somewhat greater one.

The reason for the differences pointed out above between the effect of the agreement to-day and when proposed has been due, to a great extent, to the fact that the tariff of the United States has undergone a thorough revision, while the same tariff is in force in Canada as at the earlier date. Many changes, it is true, have been made, but these are slight as compared with the differences between the tariff acts of 1909 and 1913. A second cause for the difference lies in the large increase in the value of the trade between the two countries since the outbreak of the war in Europe, an increase largely attributable to the rise in prices, although to some extent due to an increase in the commodities exchanged by the two countries.

### Where Canada Would Benefit.

The articles which would be especially affected by the present adoption of the proposed rates are flaxseed, oats, hay, and barley. The last of these is not of great importance. The bulk of the imports of hay into the United States from Canada go to the northeastern sections of the country, since the transportation costs for such a bulky commodity are high. As to oats, it may be noted that a portion of Canada's production is of fine grade, suitable especially for the manufacture of rolled oats. Although she produces only 1/3 as much as the United States, her annual exports are greater. With the present duty of 6c per bushel, which is more than the pre-war freights from Montreal to England, the bulk of the exports go to Great Britain, except in years of crop shortage in the United States. The removal of the duty, as contemplated in the reciprocity agreement, would, the Commission concludes, result in increased imports and in increased returns to the Canadian farmers, although not greatly affecting general oat prices in the United States.

Flaxseed, which, from the point of view of the value of the imports into the United States, is the most important of those articles now dutiable to be made free by the reciprocity agreement, presents unique features. It is essentially a frontier crop, the cultivation of which is now being extended rapidly in the prairie Provinces of the Dominion. It is not profitable when raised continuous-

ly on the same ground, is not a "weed fighter", and for these and other reasons is not a popular crop with the farmer. The present United States duty is 20 cents per pound, equivalent to 6 1/2 per cent ad valorem on the 1918 imports. With this duty, one-half of the United States requirements are imported, Canada's surplus has not been sufficient to meet the growing American shortage, and Argentina has become the chief source of foreign supply. The most marked effect which would result from the removal of the duty, the Commission concludes, would be an increase in the prices the Canadian grower would receive for his flaxseed rather than a reduction in the American price.

Wheat and potatoes, important articles of trade between the two countries, are now admitted free into the two countries.

Copies of the report may be obtained for twenty (20) cents each from the Superintendent of Documents, Government Printing Office, Washington, D. C.

### Industrial Reference Book for Montreal. Chambre de Commerce makes Suggestion.

A joint meeting of the Industrial Relations Committee of the Montreal Branch of the Canadian Manufacturer's Association was held at their board room at the Board of Trade Building, with representatives of the Chambre de Commerce, for the purpose of discussing with the Chambre their proposition for the issuing of an industrial year book for the city of Montreal, in the near future. The purpose of the meeting was to get from the Chambre de Commerce an idea as to the details of their proposal, and to find in what way the C. M. A. would be able to co-operate with and assist the Chambre de Commerce in the project.

At the meeting the C. M. A. was represented by Mr. Paul E. Joubert, chairman of the committee; F. W. Stewart, chairman of the Montreal branch C. M. A.; James L. Waldie, and J. A. Richard, while the Chambre de Commerce was represented by J. A. Lambert, first vice-president and Léon Lorrain, secretary. Mr. J. Stanley Cook, secretary of the Board of Trade, also attended the meeting.

No definite action was taken as a result of the meeting, although the project was approved by most of the business men present, and it is likely that further meetings will be held.

It was stated by the representatives of the Chambre de Commerce that the proposed industrial year book would contain, in both English and French, a comprehensive review of all the industrial establishments of the city, with details regarding the harbor, factory sites, railway and general transportation facilities, freight rates, duties on raw materials, costs, etc., and a great deal of information of a trade nature that is continually being sought by outside manufacturers looking for trade through Montreal.

This, it was stated, would comprise a volume of ready reference regarding the business life and possibilities of Montreal which had never hitherto been collated for publication, although all the other cities of similar importance on the continent had such publications. Such information, it was stated, was continually being asked for by business men coming to Montreal, but, as matters stood, it was often very difficult to secure it readily.

Hopes were expressed that the movement might be taken up, and that eventually the Chambre de Commerce, the Canadian Manufacturer's Association and the Board of Trade might unite to organize an industrial committee to take such a publication in hand, and finally secure an industrial commissioner for the city, under control of such a committee. To this end, financial aid will be asked from the city, but control of such work will be retained in the hands of the proposed industrial committee, so as to avoid the possibilities of any connection with municipal politics.