

RECIPROCITY AND CANADA'S TRADE RELATIONS WITH OTHER COUNTRIES.

Tariff Policy With Entire World Must be Determined by this Step, Writes Mr. Biggar—Protectionists Make no Pretence.

Editor, Monetary Times.

Sir,—If the proposed reciprocity agreement is adopted we should know what changes are involved in our trade relations with Great Britain, with foreign countries and with the United States.

When the United States annexed the Hawaiian Islands and the Philippines and Porto Rico—which annexation, by the way, was the direct outcome of two reciprocity agreements—did it bring liberty of trade to those islands? It did not. On the contrary, when the United States established free trade between it and those islands it barred out all the rest of the world, including Great Britain and Canada, with a tariff higher than the tariff of either of these groups of islands before the annexation.

In the case of Cuba, the United States had so distinctly pledged itself before the civilized world to give Cuba her complete independence, that it felt obliged to concede local self-government, but the United States retained military domination over the island by reserving two naval stations and dictated its foreign trade policy by insisting on a trade "preference," in favor of the American Republic, of the very kind which President Taft is so fearful that Canada will maintain with the other colonies and Great Britain. Not only was Cuba induced, or compelled, to give a preference of from 20% to 40% in favor of the United States goods but to impose, in addition, a surtax of from 25% to 30% against the goods of every other country, making in some cases a discrimination of 60% against the trade of all nations except the United States.

President Taft's Own Statement.

Canadians who really believe in free trade with the world and advocate it as a principle, must now ask themselves whether the proposed agreement seeks to throw a tariff ring-fence around Canada, or whether it is designed to give Canada a lower tariff with the world at large? According to Mr. Taft's own statement, made on three public occasions, the United States government proposes that Canada shall align herself with the protectionist policy of the United States. This must necessarily be so, for neither the Democrats nor Republicans propose to concede free trade with any other country than Canada. The utmost that either party there advocates is tariff reduction, and that such reduction will be very cautious and gradual is made clear by the fact that President Taft has just vetoed all tariff changes except the reciprocity treaty.

This point being disposed of let us ask which way the present government is heading? At the recent Imperial Conference the Canadian premier asked, and was granted, power to denounce the favored nations treaties by which twelve or fourteen other nations would be entitled to the same trade advantage in the Canadian market as we propose to give to the United States. What is the "favored nation" principle? It is an agreement between two nations by which they mutually pledge themselves not to give any other nation better trade terms than they give to each other. Now the United States has never admitted, and does not now recognize, the favored nation principle at all, as interpreted by Great Britain, and such being the case what is the Government's object in denying to these dozen countries the present trade conditions unless it is to join the United States in excluding the commerce of these nations by tariff? Remember that the treaty with Germany was denounced, not on this ground, but because Germany denied to Canada the right to give the Mother Country a preference.

Protectionists Make No Pretence.

Now the protectionist party in Canada makes no pretence of any other purpose than to exclude other countries from the trade in such products and manufactures as Canada can furnish with advantage at home. But Sir Wilfred Laurier has professed ever since he entered public life to aim steadily at achieving free trade. If freer trade is the purpose of the agreement and if it is good to have an unrestricted exchange of farm products with the United States, why should we not have an equally untrammelled interchange of farm products, etc., with other countries? If one extra free market is good surely twelve extra free markets are better, and a German potato or an Argentinian sheep should be just as welcome as an American sheep or potato. On what just ground do we invite the one and repel the other?

But these are not the only points on which the country is entitled to a more definite statement of intention. Any one who has studied present day international economics cannot deny that this wholesale denunciation of the favored nation treaties will knock a prop from under the poor old Mother Country, which has had such a struggle for generous trade treatment among the protectionist nations of the world. Who can doubt that when these dozen treaties expire, and the question of terms is raised, Britain's mouth would be stopped if the example of her own daughter nation in taking the selfish American view could be quoted against her. That this is not a mere supposition is proved by the fact that to this day Great Britain has not been able to come to an understanding with Germany since that treaty was abrogated at the instigation of Canada.

Reciprocity Must Determine Canada's Tariff Policy.

We thus see that Canada cannot halt at the point where this agreement begins. Our tariff policy with the entire world must be determined by this step. We cannot, if we would, allow the greater problem of world relationships to be evaporated into petty questions of the trade in beans and peanuts between Canada and the United States.

To plead that in ranging herself alongside a nation whose tariff against all other countries is still nearly twice as high as ours, Canada would be taking a step towards free trade is as logical as to affirm that Great Britain would have carried out the principle of free trade if she had formed a Zollverein with the United States and kept up her duties against the remainder of the world. To claim that we seek enlarged freedom of trade and to reduce the cost of living and then to deny the application of our own theory except in a Siamese-twin compact with a single country, is self-stultification indeed. We must be bound by our own logic, and we cannot get away from the fact that free trade with one country in any article to the exclusion of other countries is discrimination. Nor can any reasonable person deny that Germany is right in reminding the United States, as she has done, that the admission of free pulp and paper from Canada is a violation of the American agreement with that empire. If the United States breaks faith with Germany as well as with Norway, in this case, it is not the best augury for us.

In conclusion let us face the graver question: Is not the greed of gain, as exemplified in the recent aggressions of the United States upon Spain—using the word aggression in the commercial as well as the military sense—a peril to the republic as well as to Canada? No one can read how the glut of wealth led to the corruption and ultimate ruin of Rome and not think of these dangers to ourselves.

Yours etc.,

E. B. BIGGAR.

Toronto, Sept. 5th, 1911.

RAILROAD AND COMPANY EARNINGS.

Railroad earnings for week ended August 31st:—

	1910.	1911.	Increase or decrease.
C. P. R.	\$2,965,000	\$3,329,000	+ \$364,000
G. T. R.	1,408,594	1,442,953	+ 34,359
C. N. R.	354,700	460,900	+ 106,200
T. & N. O.	44,831	62,016	+ 17,185
Halifax Electric Ry.	7,130	8,532	+ 1,401

Railroad earnings for August:—

	1910	1911.	Increase or decrease.
C. P. R.	\$8,926,000	\$10,073,000	+ \$1,147,000
G. T. R.	3,885,049	4,502,674	+ 617,625
C. N. R.	1,093,000	1,420,650	+ 327,650
T. & N. O.	126,418	173,203	+ 46,784
Halifax Elec. Ry.	22,780	25,592	+ 2,810

Earnings of the International Transit Company for the twelve months ending June 30 last have been published, and show increases over the preceding year. Gross earnings have increased 33 per cent., and operating expenses only 16 per cent, with the result that the net earnings now total \$36,966, being over two and a half times bond interest. The figures are as follows:—

Gross earnings	\$112,588
Operating expenses	75,622
Net earnings	\$36,966

The total outstanding issue of 5 per cent. bonds is \$280,000, secured by first mortgage on the street railway system, steamboats, real-estate, rolling stock, etc., in the City of Sault Ste. Marie, Ont. The bonds fall due serially, \$20,000 each July 1st to 1925, and the repayment of these sums is guaranteed by the Lake Superior Power Company, the principal subsidiary of the Lake Superior Corporation and owner of the Helen Mine, the source of the iron ore used by the steel mills of the corporation.