

The Steel Trade and the Tariff Enquiry

By F. W. GRAY.

The iron and steel industry in Canada, with all its long train of antecedent and precedent interests, will shortly be made the subject of attack by advocates of tariff abolition, and will be required during the successive terms of the Tariff Enquiry Board that are planned between now and the opening of the Houses at Ottawa, to give reasons for its existence and for the continuance of protection by import tariff.

Canada is not singular in its possession of convinced adherents of the free trade heresy, nor in the belief among certain non-industrial groups that a fiscal policy devised to suit the temporary requirements of a small and geographically central island, is suitable for any conditions under which the descendants of emigrants from that Island may reside.

A determined attack on protective tariff in aid of the steel industry in Australia is now in progress. The conditions, geographically, economic and social, of Great Britain, Canada and Australia, could scarcely be more dissimilar, yet there are those who believe, and would force others to believe, that free trade is sovereign and inherently righteous policy applicable to all three countries.

There is no part of the British Empire, however, that is so unsuited for application of free trade principles as Canada, in its present stage of development. Canada is a continental area, only partially known, and containing only one-twelfth of its ultimate population. It lies alongside a friendly country that is opulent, powerful and enterprising beyond all previous historical precedent, with exchanges of industrial products facilitated also beyond all prior parallel by a hitherto unattained perfection in transportation facilities, and international combinations.

No advocate of free trade in Canada has ever explained how the industrial advantages possessed by the United States on the American Continent can be offset except by protection of home industries through equalising protective import duties. It has not been shown that the principle of free trade was applicable to Canada, nor have any of the political parties that from time to time have coquetted with the idea, ever dared to apply the principle of free trade in practice, because they knew the inevitable result.

We would distinguish between the incurable free-trader and the advocate of lower duties. The first named is not a reasonable being, and time is wasted in discussing the Canadian situation with him. The advocate of lower tariff is one who accepts the necessity for protection, but thinks the tariff is open to modification. It is the last named that the steel companies will have chiefly to combat, and we would review some of the reasons that suggest the tariff in connection with the steel industry should not be lowered at this time. We believe the abolition of the protective duties will not be seriously urged by any seriously-minded person.

Adverse Exchange and Import Tariffs Have not Checked Imports of Iron and Steel.

The tariff as a deterrent of importations has been for some time relegated to a second place by the discount on the Canadian dollar. The operation of economic law has—without the intervention of legislation—placed our dollar at a discount, a process that will, by restriction of imports, gradually restore our dollar to exchange parity. A reduction of import duties under these circumstances would be an entirely gratuitous and foolish proceeding, and would indicate that Canada was neither anxious to encourage home industry, or to support her foreign exchange rates.

The value of imports of iron and steel into Canada have averaged during successive five yearly

periods since 1898 to 1919 inclusive, as follows:

	In Millions of Dollars
1896 to 1900	17
1901 to 1905	37½
1906 to 1910	51
1911 to 1915	99
1916 to 1919	169

The iron and steel industry in Canada may be said to have commenced in the period between 1901 to 1905. Since 1901 the value of imports of iron and steel has risen from 25 million dollars to 182 million dollars in 1919, or by six times.

From which it would appear that if a check on imports of iron and steel goods had been desired it has not been notably successful, nor can it be said that the import tariff imposed by Canada has been of a character to stifle outside competition.

Production of Iron and Steel in Canada.

Production of iron and steel in Canada is best measured by the annual output of ingots and steel castings. This, apart from an annual production that has not exceeded 30,000 tons, commenced with 200,000 tons from the Sydney Plant in 1902, reaching a pre-war peak in 1913 with 1,169,000 tons. In 1918, under the spur of war, steel ingots and castings to the extent of 1,873,000 tons were produced, falling in 1919 to 1,030,000 tons. It may be said, therefore, that but for the usual and imperative demand occasioned by the war, the steel output of Canada has remained stationary for about eight years, or from 1912.

It is therefore fair to say that the import duties have not been too heavy, if judgment is based either on the volume of imports, or on the volume of domestic production. They have not been remarkably successful in stimulating the basic part of the iron and steel trade in Canada.

The General Iron and Steel Trade in Canada.

The statistics gathered by the Government in 1917 ascribe to iron and steel products the following extent and importance, namely:

Number of establishments	1,049
Capital	\$307,407,980
Employees on Wages	70,071
Wages paid	\$ 68,947,610
Cost of Materials	\$204,732,121
Value of Products	\$400,385,086

The number of works in Canada making the basic products of iron and steel, (on which protection by tariff is given) does not exceed nine, if blast-furnaces are counted, and is not in excess of say one hundred, if electric furnaces, small open-hearth furnaces and similar equipment is considered. It is apparent from a study of the foregoing figures that the great bulk of the iron and steel industries of Canada exist by fabricating and making into manufactured goods that are imported into this country, to the extent of almost 200 million dollars worth annually.

It is most evident that the existing tariff has not operated to restrict the growth of the general iron and steel trade in Canada.

The Influx of United States Iron and Steel Trades Into Canada in Recent Years.

One of the outstanding features of trade in Canada during the past few years has been the large and unremitting increase in the number of United States concerns engaged in the metal trades that have set up establishments in Canada. The lists of incorporations and the trade notices contain a preponderance of items of this nature. The extension of United States concerns into Canadian markets is rather more notable than the formation of new enterprises backed by Canadian men and money.

The cumulative evidence of the increase of imports of iron and steel, before mentioned, taken together with the notable increase in establishments of United States origin within our borders, indicates that while the tariff has not hindered to any appreciable extent the imports of iron and steel into Canada from outside, it does make it desirable, from the viewpoint of United States interests, to come into Canada and set up establishments.

This we take it, was one of the objects of those who framed the tariff—so far as iron and steel is concerned—and it has been attained.

A Washington Opinion.

All of the foregoing gives point to the opinion of the Washington correspondent of "Iron Age" who may be taken as accurately representing the viewpoint of our not disinterested friends in the United States.

"Iron Age" in the issue of 26th August, states:

"Plans for the revision of the Canadian tariff laws have a particular interest to the United States iron and steel industry. No other section of the Canadian tariff statutes is so comprehensive as the one which covers importation of iron and steel. More than one hundred individual paragraphs are devoted to this industry. The law, as it stands, was carefully written to protect Canadian industries. If Canada produced the article in question, it was pretty sure to put that article under a protective tariff. If Canada did not, the duty was low, or was removed entirely."

This is a fair statement from a representative quarter, and accurately portrays the viewpoint of the United States iron and steel producer, who, while not disinterested in the matter, yet looks to Canada for such a comparatively small portion of his business, that he can take an unbiased critical attitude regarding the tariff policies of this country.

The existing Canadian tariff was, as "Iron Age" states, very carefully prepared, and has not, as we have attempted to show, worked decidedly to the advantage of the Canadian producer, nor decidedly to the disadvantage of the United States importer. Much has happened, since the tariff was written, and new branches of the metal working industries have come into Canada, such as factories for automobile manufactures of various kinds, the manufacture of alloy steels and special tool steels, the manufacture of ship-plates, of black and tin-plate, steel shipbuilding on a large scale, and other important accretions to the industry. The tariff requires to be enlarged so as to foster these new industries, and it is very desirable that clear statements shall be presented to the Tariff Enquiry Board at its sessions.

The interests of Canadian iron and steel producers are diversified, and may conceivably clash, because of the extent of our country, and the relative nearness of certain portions of it to the United States, as opposed to the remoteness of certain other sections from any large centres of population or industrial activity.

So far as the eastern steel companies are concerned, they are most vitally interested in the preservation, and if possible, in the increase of the duties on import coal. In the present state of the coal market the existing duty on coal is entirely a negligible factor, if restriction of imports and encouragement of home production is desired. When coal costs \$12 at the pitmouth, a protective duty of 56 cents is neither here nor there.

On the other hand, the steel trades in central Canada desire coal as cheaply as possible, and may not favor even the retention of present duties.

There are other points of apparent divergence in the interests of the iron and steel trades taken as a whole in the Dominion, but there are far more numerous points of common interest, and much need for common action in arranging that the position of the industry shall be presented to the Tariff Board fairly and accurately.