

PANAMA CANAL AND ITS ECONOMIC EFFECTS

Britain's Favorable Position in International Trade— Decisive Factors and Competition

Local effects and the influences upon world trade were the basic heads under which Professor A. W. Kirkaldy discussed the economic importance of the Panama Canal before the British Association at Birmingham recently. "The Panama Canal will add enormously to the commercial facilities between the various regions of the American continent and the adjacent islands, hence important developments may be expected. The West India Islands will enter upon a new period of prosperity, especially when the internal combustion engine takes the place of steam and oil replaces coal. English business and fiscal methods will have a great effect on making the West Indies important to shipping, and thus assist the development of local industries, especially the export of raw material. The comparatively unprogressive states of Central and South America will undergo remarkable developments owing to increased immigration of Europeans and increased trade. These local benefits will be the chief, and ample, justification for the construction of the canal."

Britain Must Hold Market.

Of the effect on world trade, he suggested:—"America realizes the importance of the coal trade to the United Kingdom; there will be a strenuous attempt to displace British coal throughout the world in order to give American shipping the advantages at present enjoyed by British. If successful, this will deal a mortal blow at our mercantile marine. Thus the British coal industry must realize the situation, and both the capital and labor interested resolve to hold the market at all costs until the fuel question—coal or oil—is finally settled.

"The published scheme of tolls which frees American coasting ships raises an international question. If the canal be worked on business principles, higher tolls will be exacted from other shipping; this will either cause a grievance, or decrease the tonnage using the canal. The question might be made domestic instead of international if America charged equal tolls to all, and gave bounties to such shipping as it wished to favor."

Effect of Distance.

As to the effect of distance, the professor thought that on Australasian and Far Eastern markets it would be considerable, as the mileage run by a steamer was a serious factor in cost of service. In this shipping offered a contrast of railways, for when trucks were loaded, length of haul had but little effect on cost of service.

"Taking London and New York as the typical European and American ports," he said, "the markets of the world fall into three classes—(1) Countries in close proximity to the canal; here the effect will be greatest and, in many cases, the use of the canal a necessity; (2) Australasia and the Far East. At present there is a choice of routes to these markets; Panama will offer another alternative; (3) ports not directly affected.

"Class 2 is receiving most attention from those estimating the effects on world trade. There is a parallel equidistant from London via Suez, and from New York via Panama. On the south coast of Australia this is Port Lincoln. Adelaide being the nearest great port. All Asiatic ports west of Japan will continue to be nearer London—e.g., Manila will be 2,000 miles nearer. But all Japanese and New Zealand ports and all Australian ports east of Adelaide will be nearer New York. If it costs 2s. to transport one ton of goods 1,000 miles, distance saved will give American manufacturers an advantage of from 2s. to 7s. 6d. per ton on all goods supplied to ports between Melbourne and Wellington, N.Z.

Tolls and Freights.

"Panama differs from Suez in the matter of tolls. The Suez Canal had an immediate monopoly; with the Panama there is in many instances a choice of routes, and high tolls will deflect tonnage.

"To benefit American shipping, freight must be available both out and home. To benefit American manufacturers, freights must be low. At present Europe supplies Australasia with manufactured goods, and the shipping goes via Suez. This route gives a maximum of trading possibilities and great facilities for coaling. The Cape route, too, offers to fully loaded steamers the advantage of cheap bunker coal. For the homeward voyage from Australasia a partly loaded steamer goes via the Horn to pick up cargo at ports like Monte Video. The canal would not attract these ships. When the Panama Canal is open, will all-round-the-world services be organized? Great Britain is in a better position to do this than any other country. The rumors current recently that an existing shipping combine was trying to arrange an amalgamation with one of the oldest Far Eastern shipping

companies were probably due to the hope of being able to commence such a service, having some of the chief trades of the world as tributaries, from the moment that Panama is available. America hopes to open up new markets—e.g., wool. This now concentrates at London, but there is a tendency towards decentralization, and if America develops the woolen industry, she will get a wool market without necessarily constructing a Panama Canal.

Decisive Factors in Commercial Relations.

"One of the decisive factors will be that of fuel stations, and it is also one that will lead to the keenest commercial rivalry. The American Government are planning to supply good coal at either end of the canal at 10s. per ton. The English coal on the Suez route is at present much dearer; to maintain the Suez route in its integrity the supply of cheaper coal is a necessity. When oil replaces coal the British Empire resources will be ample to maintain our commercial position, but this must not in the meantime be placed in jeopardy, or disaster may ensue.

"Insurance rates will probably be the same on both routes.

"The working of the Imperial idea in Great Britain, America and Germany should be noted.

"Preference granted by the dominions have materially assisted British trade. The possession of the Philippines has displaced Spain from the position of chief trader there in favor of America. The importance of this factor can be traced in the case of Japan and China, when settled government comes, will be another notable instance.

"The Far East has a silver, Europe and America a gold, standard. Rates of exchange will effect trading relations. The whole question should be carefully studied. About seven years ago, when a Chinese merchant could get exchange on the west coast of America at the rate of 110 taels for \$100 gold, it paid him to import thence timber and flour; but at present rates—namely, 160 taels for \$100 gold, this ceases to be profitable business, and he can trade to greater advantage locally. This factor works independently of trade routes.

Investments and Banking

"Great Britain is a great creditor nation. Her advances have been really made in goods, and though the interest has to be paid in gold, it comes in goods covered by bills in terms of sterling, so that investors get their interest in gold. The British, too, have banking establishments all over the world. London is the great settling place for international trade. All this gives England a very great advantage, Germany has followed England in this.

"Finally, the Englishman is, roughly speaking, the man in possession, and though at one time he seemed somnolescent, at present he is very wide awake," added Professor Kirkaldy. "He has many advantages:—(1) for the transport services; cheap, economically worked ships, carefully organized trading facilities throughout the world, and the knowledge and experience which enables him to retain old trades and be the first to enter new ones; (2) so far as retaining the markets for manufactured goods is concerned, he has an unrivalled labor force endowed with hereditary skill, he can get the pick of the raw material, thanks to his knowledge of markets, and a fiscal policy which favors England as a buyer of raw and semi-manufactured materials; finally, British goods are known all over the world for their quality. Honest goods and honorable dealing on the part of the seller are their own market."

WESTMOUNT'S FINANCING.

The following is a summary of appropriations for 1913-14 of Westmount, Quebec:—

	1913.
Finance and municipal buildings committee	\$142,977.00
Reserve for discount	9,456.61
Road committee, general	96,574.00
Scavenging	18,875.00
Garbage destruction	15,000.00
Water, hydrant rental	15,500.00
Parks committee	17,050.00
Street lighting	25,000.00
Police, fire and health committee	46,932.00
Library committee	8,000.00
Total	\$395,264.60
Total increase in appropriations, 1913-14	\$ 77,161.36

CONSOLS AFFECTED BY LOAN.

News of a "big" Canadian government loan caused a temporary drop in consols, but they soon recovered, according to dispatch from London.