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Reciprocity or Protection

By SIR GEORGE W. ROSS

NOTE—The following article by Senator Ross in the Toronto Globe was reproduced in the London Standard on Oct. 10, to show Englishmen that Canadians were not in favor of reciprocity with United States and why. The Standard supports Senator Ross in an editorial article which we append. It will be interesting to Guide readers to see how the views of Canadians are being seized in the Old Country to support various parties.—Ed.

THE following important article by Sir George W. Ross is reproduced from the "Toronto Globe" of September 27. Sir George Ross was Minister of Education in 1888 and Premier of Ontario from 1899 to 1903. He is now a Dominion Senator, a Liberal in politics, and a follower of Sir Wilfrid Laurier. The subject of his article is dealt with editorially on another page:—

I think it may safely be said that Canada regards the advances of the United States towards a reciprocity treaty with indifference, if not with distrust. There still smoulders the feeling that the treaty of 1854 was brought to an end for political rather than commercial reasons, and this feeling is heightened by the repeated refusal ever since of the United States Government and Senate to entertain any proposal from Canada for a new treaty. In the face of this indifference, if not hostility, Canadians have not retaliated as they might have done, but have generously admitted American produce at an average duty of 24.86 per cent., against 48 per cent. charged on imports into the United States. Taking dutiable and free goods together, the average duty on all imports from the United States last year was only 12.31 per cent. Out of a total import from the United States of \$23,501,000, nearly one-half, or 104,667,000, was admitted duty free. If, therefore, the trade relations between Canada and the United States are not satisfactory to the United States it is not because Canada, by a tariff wall, has shut them out. The real tariff wall has been on the American side of the boundary. Even at the last session of parliament out of deference to President Taft, who claimed that Canada had discriminated against the United States, Canada still further reduced the duties on several articles.

Why a Treaty?

A treaty presupposes mutual concessions. Are we expected to extend the free list of American products now admitted to Canada? We have already given the Americans nearly one-half of their Canadian market duty free. How much more do they want? Are we expected to lower the tariff imposed on dutiable goods? It is now one-half the American tariff. What articles can we afford to reduce? Why, then, consider a treaty at all till this anomalous condition is removed, or at least modified? The United States Congress should make the first move by reducing the tariff against Canada. Then we can consider in what respect and to what extent we should respond to such reductions.

Besides, is a treaty, except for the removal of some international grievance or settling some dispute, desirable in any case? The treaty of 1854 was not confined to the interchange of produce. It dealt with fishing privileges and other matters, now settled by the recent judgment at The Hague. A commercial treaty differs from all other treaties in the fact that it purports to deal with conditions that are fluctuating and unstable.

A commercial treaty would mean a fixed tariff on certain articles for a definite time. The treaty of 1854 was for a fixed period of ten years, renewable on one year's notice. But such are the fluctuations of trade, the disturbing influences of financial depressions, the changes wrought in manufactures by new inventions or new sources of motive power, that a fixed tariff, or even a reciprocal free list, might work a hardship to either party before the treaty expired. Why, then, should we enter into obligations that might prove embarrassing, as, without a treaty, we are free to deal with the tariff from year to year?

Channels of Trade

If a treaty is to be of any value it will necessarily make new channels for the

exchange would probably in some cases be an advantage to Canada. Our dairy products and the minor products of the farm might command a higher price in the markets of the United States, particularly in those parts of Canada near the great centres of population. But would not the Canadian home market, on the other hand, be injured, perhaps, to an equal extent by the inrush of American goods? A free market for Canadian produce in the United States would be an advantage to the Canadian producer, provided his own market was safe; but reciprocity means exchange under reciprocal or equal conditions—a circumstance which materially affects the situation. It would only be possible to profit by this interchange when the Canadian article was so much superior to the American article as to hold the market against it, or when the local supply in the United States was inadequate and prices were enhanced on the principle of supply and demand. Of course, as between the European and the American market, Canada would have the advantage in reduced transportation and other charges—an advantage not to be despised. But would not much of this seeming advantage disappear by the very fact of free inter-

change, apply to a few other products of the farm. But in oats and wheat and cattle I see little or no advantage in reciprocity. Both countries have a large surplus of each of these articles. The Western rancher in Canada might occasionally sell to better advantage in Chicago and the Eastern farmer in Buffalo and New York. But here, again, if the Canadian surplus of any product is dumped into the American market, in which there is already a surplus of the home product, prices would inevitably drop and what was gained abroad would be lost by the competition of the additional supply under free interchange at home. If Canadians could keep their cake and eat it too then reciprocity would be a good thing—not otherwise.

But would a free interchange of wheat be an advantage to Canada? Assuming that the Western farmer would obtain a higher price for his grain, is that the only consideration? Canada now produces the best wheat in the world. The blue ribbon so long held by Minnesota and the Western States has passed to Manitoba and the Canadian North-West. Under a free exchange would not Canadian wheat be used to bolster up the price of an inferior article, the produce of the United States, and thus give a fictitious value to the product of a rival country, to the injury of the Canadian producer? Is it desirable in any way to add to the gambling facilities of the Chicago Board of Trade?

But apart from these general considerations, there are reasons of a purely national character which Canadians are bound to consider before entering into treaty obligations with the United States.

I am assuming that the interchange of products between the two countries will be perfectly fair and equitable, as a matter of exchange; that no attempt will be made by weight of numbers or in any other way to force the hand of Canada; that no effort on the part of Canada to protect her own interests will be considered an unfriendly act towards the United States; and that an honest attempt will be made by both parties to give a quid pro quo for every concession, whether as to the interchange of commodities or other privileges that may be within the scope of such a treaty. But there are other considerations besides the free exchange of commodities.

In forming a treaty we should consider the effect which the transfer of a portion of our market from Europe to the United States would have upon our system of transportation. The conditions of trans-

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Threshing Outfit of James Davis, Brandon Hills, Man. 25 hp. Maslinha Gasoline Threshing Engine; Case Separator

trade to be created or enlarge existing channels. In either case it means a change of transportation routes, of business agencies and connections, a change in the character of the goods imported, etc. Then if the treaty is repealed business is liable to be dislocated, as it was in Canada in 1866, fresh markets have to be found for exports, fresh business connections made with other countries, and goods of different manufacture and style substituted for those barred out by the repeal of the treaty, not to say anything of the international relations that may be disturbed and the irritation to one, if not to both, parties to the treaty. Is a treaty just now worth this risk? The experience of Canada on this score is not encouraging.

But why not exchange natural products without any intervening duty on either side of the line, as was substantially the case under the treaty of 1854? Such an

change? Suppose the American market were flooded with Canadian produce in addition to the local supply, would the effect not be to reduce prices all round? We send to Great Britain over 20 million dollars' worth of cheese. Only part of this would be absorbed by the United States market, and in the process of absorption prices would be reduced to the level of the British market, less the cost of ocean transportation, and less the profit in the home market from the influx of the same article under free interchanges of products.

Free Interchange of Cereals

The same principle would apply to the interchange of free cereals in every case in which both countries were equally adapted to produce them. Corn, and perhaps barley, would be an exception. In corn, Nature favours the United States, and in barley Nature favours Canada, and the same principle would,