

A Scientific Tariff Structure

In an earlier chapter of this booklet attention was drawn to the need for a revision of national customs tariffs on a scientific basis. The need for the revision of all national customs tariffs has been apparent to all international traders for a very long time. During the depressed years of the thirties the need was very acutely felt indeed. With the outbreak of war any serious consideration of tariff revisions was dropped for the more important business of bringing the war to a successful conclusion. Since the war ended in 1945 piecemeal revision has been attempted under the impetus given by trade agreements entered into by the various United Nations at Geneva, Havana, Annecy and Torquay. Such changes as have taken place are not basic but have been the result of diplomatic negotiation. The task of revision on a scientific basis still remains to be undertaken.

The dependence of all trading countries on each other has been clearly demonstrated, and if further proof were necessary one need only recollect that no country can live entirely to and by itself. In our own case, Canada's foreign or external trade is approximately one third of its total trade. This external trade is vital to us and it is imperative that favourable conditions for its maintenance and growth should be established. Favourable conditions can only be established by bringing about the four basic necessary requirements—free exchange rates, removal of trade embargoes and quotas, removal of invisible tariffs, or as it is sometimes called—customs maladministration, and the establishment of a scientific international tariff system.

A tariff structure that is established on a scientific basis is the only structure that has any hope of general acceptance among trading countries. To be scientific is to be reasonable and fair. A scientific international tariff is designed to regulate trade on a basis of reasoned economics, instead of on a basis of political or economic opportunism. If there is any general agreement on the justification for a customs tariff it seems to be based on the acknowledged right of high wage countries to regulate or control the competition which they have to meet in their own markets from low wage countries. The rates established by the high wage countries to regulate this competition are sometimes fair, sometimes prohibitive, but never are they scientifically worked out on a basis of relative wage costs or wage rates between two trading countries.

It should not be too difficult to work out the average wage levels or average wage rates in the different trading countries. Once this has been done, the relative labour costs in each country would be set down in their proper order. It is quite true that wage costs are only a part, and sometimes a small part, of total production costs. Nevertheless for the purpose of regulating or adjusting competitive selling prices between trading countries this is the most reliable and the fairest index of price differences. It is also true that efficiency in production will vary between one country and another just as it often varies between one industry and another. It would be unwise and also unfair to protect and so perpetuate inefficiency which would result from a tariff which is too high. One of the valuable corrective measures that competition brings about is an increase in efficiency and it should be encouraged, not curtailed. It is sometimes argued that one country has an advantage over another in the growth or production of raw materials, or of water power, and that these differences should be compensated for by national customs tariffs. Our consideration of this argument forces us to the conclusion that such differences are like climatic differences and that it is neither wise nor desirable that any attempt at equalizing them should be made.

One must also recognize the fact that wage levels in all countries are not fixed, but are fluid changing with changing economic and trading conditions.