

psm

HF 1480

C4 A5

psm
June 1900

AMERICAN AND CANADIAN TRADE RELATIONS.

THE relative geographical positions of the United States and Canada, with their conterminous boundary line extending from the Atlantic to the Pacific, with similarity of ethnological conditions, of laws, and of political institutions, should naturally lead to intimate commercial and social relations. Affinities so pronounced as those existing between these two sections of the North American continent can only fail to produce such results through the interposing of policies calculated to impair the influence of natural conditions. The two countries, while geographically a unit, are possessed of dissimilarity of climate and diversity of production to a degree so marked as to be calculated to stimulate intercommunication and commerce. Canada requires the raw cotton, the tobacco leaf, the iron, steel, and coal of the United States for her manufacturing operations; she requires also the tropical fruits of the South and a great variety of American manufactures; and in exchange it is natural that she should send to the United States her forest, farm, and mine products.

The natural barriers which separate portions of the two countries—the great inland seas, and the mighty river which is their outlet—are of a character to invite and facilitate intercommunication rather than to offer obstacles to its fullest development. The geographical position of the eastern portion of the United States is such as to afford to the province of Ontario, to a portion of the province of Quebec, and to the vast Canadian Northwest, with its enormous future possibilities, the shortest and most feasible routes to the sea. Portland, Boston, New York, Philadelphia, and Baltimore are the natural winter ports of extensive sections of the Canadian territory; and the Erie Canal and the railway routes from Buffalo to the sea-board have afforded hitherto the nearest and most inviting outlets to tide-water for a considerable portion of the exportable products of the sections of Ontario bordering upon Lakes Erie, Huron, and Superior, and for the grain of Manitoba and the Canadian Northwest which finds its outlet by lake shipment from Fort William.

Movements have already been made for the establishment of car-

ferry services across Lake Erie from the coal-mines and iron-works of Pennsylvania and Ohio to the rich district of Western Ontario. A harbor is approaching completion at Port Burwell, on the north shore of Lake Erie, which will afford deep water as well as excellent facilities for winter entrance at a point which geographically is most advantageous. A short line from this port connects with all the trunk lines of Ontario, and will not only furnish inward business, but will afford an outlet, summer and winter, by car ferriage, for the various Canadian products seeking exportation. In winter, these can be sent much more cheaply and expeditiously to Baltimore and Philadelphia than to Canadian points. This is one of many schemes for increased facilities of transportation, and is mentioned to illustrate the fact that the possibilities for development of intercommunication and for increase of business between the two countries are indefinite and well-nigh unlimited.

Intimate knowledge of the extent and resources of Canada is not as a rule possessed by the American people. Little is known of the country, of its future possibilities, of its area, and of its value as a customer at the very door of the United States. Even under the conditions that at the present moment govern trade, conditions which, as far as the fiscal policy of the United States is concerned, are repressive, Canada, with its 5,500,000 inhabitants, is a better customer to the United States than all of Spanish America, with a population of 55,000,000 and comprising Mexico, the Central American States, all of South America, and all of the West Indies, including Cuba and Porto Rico. For the year 1898, the total exports of the United States to this enormous region reached the sum of \$86,786,000, while the total exports of the United States to Canada for the same year were \$86,537,000. For the year 1899, the exports to Canada from the United States have largely increased, exceeding in amount the exports to Spanish America and the West Indies. This fact is indicative of the possibilities of trade between the United States and the northern half of the North American continent.

The total trade of Canada last year, exports and imports, was \$312,948,000, divided as follows:

Total trade with Great Britain.....	\$186,151,000
Total trade with the United States.....	138,140,000
Total trade with all other countries.....	38,657,000

Of this total trade the amount with Great Britain consisted chiefly

of exports, while the amount with the United States consisted chiefly of imports.

The total exports to Great Britain were	\$99,860,000
The total imports from Great Britain were.....	37,600,000
The total exports to the United States, ex coin, bullion, and estimated short returns, which latter were more than counter-balanced by smuggling into Canada, were.....	36,562,000

Of this amount the exports to the United States, the produce of Canada, ex coin, bullion, and estimated short returns, were \$34,766,000.

The total imports from the United States were.....	\$101,642,000
The total exports of Canada to all foreign countries except the United States and Great Britain were.....	14,677,000
The total imports from all other countries were.....	24,175,000

BALANCES OF TRADE.

The balance of trade against Canada on total exports and imports was	\$3,868,000
The balance of trade in favor of the United States on total exports and imports was.....	56,509,000
The balance of trade against Canada on total exports and imports with all foreign countries except the United States and Great Britain was.....	9,499,000
The balance of trade against Great Britain upon total exports and imports was.....	62,141,000

In other words, Canada sold to Great Britain more than she purchased from that country, and used the chief part of this balance in her favor to pay for her importations from the United States.

The superior liberality of the Canadian trade policy as compared with that of the United States is clearly demonstrated by a statement of the relative rates of duties levied by the two countries. For the year 1899 the Canadian rates of duties were as follows:

Rate of duty upon total imports	15.81
Rate of duty upon imports for consumption.....	16.07
Rate of duty upon dutiable imports.....	26.16
Rate of duty upon dutiable imports for consumption.....	28.77

In the United States the rates of duty for the previous year were:

On total imports.....	24.78
On dutiable imports.....	49.20

The exact rate for 1899 is not at hand, but it could have varied only slightly from that of 1898.

Notwithstanding the preferential rate of 25 per cent in favor of Great Britain—which has been increased during the present session of Parliament to 33½ per cent, and which it is probable, in the estimation of the Canadian Government, has been called for by the superior liberality of Great Britain toward Canada in trade matters as compared with the United States—and notwithstanding the fact that England furnishes a market for Canadian products greatly in excess of that furnished by the United States, the volume of imports from each country still leaves a decided advantage in favor of the United States. From the latter country we purchase a class of manufactures quite distinct in the main from the kinds purchased of Great Britain; and the differential duties do not seem to have had the practical influence upon the relative volumes of trade of the two countries that might have been anticipated. The rates of duty from Great Britain, from the United States, and from the rest of the world, including the British possessions, for the year 1899, were as follows:

FROM GREAT BRITAIN.

Rate of duty upon total imports.....	19.80
Rate of duty upon imports for consumption.....	19.83
Rate of duty upon dutiable imports.....	26.69
Rate of duty upon dutiable imports for consumption.....	26.27

FROM THE UNITED STATES.

Rate of duty upon total imports.....	11.52
Rate of duty upon imports for consumption.....	12.59
Rate of duty upon total dutiable imports.....	24.22
Rate of duty upon dutiable imports for consumption.....	24.13

FROM ALL OTHER COUNTRIES, INCLUDING THE BRITISH POSSESSIONS:

Rate of duty upon total imports.....	27.68
Rate of duty upon imports for consumption.....	27.94
Rate of duty upon dutiable imports.....	37.98
Rate of duty upon dutiable imports for consumption.....	38.37

The imports of Canada per capita for 1899 were as follows:

Total imports, per capita.....	\$29.59
Imports from Great Britain, per capita.....	6.71
Imports from the United States, per capita.....	18.48
Imports from the rest of the world, per capita.....	4.40

Contrasted with this is the fact that the total imports per capita of the United States from Canada were \$0.60. Words cannot strengthen the presentation of the case made by the cold figures.

The liberality of the Canadian trade policy toward the United States as contrasted with the repressive trade policy of the latter country toward Canada is further illustrated by the statement that the total importation of free goods for consumption into Canada for the year 1899 amounted to \$64,618,000, of which amount different countries furnished as follows:

United States.....	\$48,535,000
Great Britain.....	9,538,000
All other countries.....	6,544,000

The advantage enjoyed by the United States in the matter of free entry for goods into Canada, as compared with other countries, will be shown by a statement of the amounts, based on percentages. Upon this basis the result is as follows:

Percentage of free goods from the United States.....	75.11
Percentage of free goods from Great Britain.....	14.91
Percentage of free goods from all other countries.....	9.98

To offset this enormous free list in favor of the United States it is doubtful whether \$5,000,000 worth of Canadian products are given free admission into the American market. The percentages of imports into, and exports from, Canada are as follows:

IMPORTS.

Total imports.....	\$162,764,000
Total imports from Great Britain.....	\$36,945,000
Percentage of total imports.....	22.69
Total imports from the United States.....	\$101,642,000
Percentage of the total imports.....	62.44
Total imports from all other countries.....	\$24,175,000
Percentage of total imports.....	14.87

EXPORTS.

Total exports of Canada.....	\$158,896,000
Total exports of Canada to Great Britain.....	\$99,086,000
Percentage of the total amount.....	62.35
Total exports to the United States, including coin and bullion \$4,011,151, and estimated short returns \$4,559,530.....	\$45,133,000
Percentage of the total amount.....	28.40
Total exports to all other countries.....	\$14,677,000
Percentage of the total amount.....	9.25

A striking illustration of the unsatisfactory condition of trade relations between the two countries, viewed from a Canadian stand-

point, is furnished by the statistics of 1899 relating to the export and import trade in farm products. As is seen by the above statements, Canada is a large importer of American products, and this is especially the case in regard to American manufactures. The general impression is that Canada's exports of farm products to the United States are greatly in excess of the amount of her imports in the same line from that country. Being a purchaser to an enormous extent of the products of American skilled labor, it is but natural to suppose that Canada should find a market in the United States to an equal, or a nearly equal, extent for her raw material, in exchange for such finished commodities as she purchases. On a fair basis of trade arrangement this ought to be the case. As facts actually exist, however, the market in the United States for Canadian farm products is of comparatively small moment; Canadian sales to the United States of farm products being very much less than Canadian purchases of farm products from that country.

The export of farm products, the produce of Canada, to the United States, for 1899, was as follows:

Export of agricultural products.....	\$1,149,686
Export of animals and their products.....	4,628,533
Total.....	\$5,778,219

Imports of farm products for consumption by Canada from the United States, for 1899, were as follows:

Imports of agricultural products from the United States for consumption, dutiable and free, for 1899.....	\$18,686,000
Imports of animals and their products from the United States for consumption, dutiable and free, for 1899.....	5,762,000
Total.....	\$24,448,000

Of these amounts, \$16,202,612 of agricultural products and \$3,514,938 of animals and their products were free.

The surprising result, therefore, is, that in 1899 Canada bought farm products from the United States for consumption to the extent of more than four times the value of the farm products she sold to that country. If from the list of her purchases of farm products from the United States we should eliminate raw cotton and tobacco leaf, amounting to \$4,989,000, the account would stand: Purchases, \$19,459,000; sales, \$5,778,000—purchases over three and one-third times as great as the sales.

The same year the sales of Canada to Great Britain, of agricultural products, the produce of Canada, were \$18,447,000, and of animals and their products, the produce of Canada, \$41,604,000, total \$60,051,000; making the exports of farm products, the produce of Canada, to Great Britain more than ten times as great as her exports of the same products to the United States. This, and the fact that the total imports of Canada from the United States were nearly three times greater than her total imports from Great Britain, will serve to illustrate why her Government has seen fit to give Great Britain preferential treatment.

It may seem surprising that so great a disparity should exist between the imports of farm products from the United States into Canada and the exports in the same line from Canada to the United States. The reason is twofold: (1) The American duties on the agricultural schedule are evidently designed to be as nearly as possible prohibitive; and (2) Canada has a vast and ever-increasing market for food products in her new mining regions and in other sections of the Dominion, and has a large population of food consumers not engaged in the production of food. This population is chiefly engaged in lumbering, mining, and the fisheries.

As another illustration of the greater liberality of Canadian fiscal regulations as compared with those of the United States, the permission to import corn from the United States free of duty may be mentioned. Corn was placed upon the free list in 1897. The importation of that grain last year from the United States amounted to 23,342,000 bushels, valued at \$8,966,000. For this concession no corresponding concession, either in reduction of duty or in placing any kind of grain upon the free list, has been made by the United States.

The importation of manufactures from the United States into Canada in 1898 amounted to \$40,662,000, and in 1899 to \$48,645,000. This amount exceeded the importation of manufactures from Great Britain for that year by the sum of \$11,500,000. Of this importation, \$13,292,000 was on the free list. The farmers of Canada probably took not less than \$25,000,000 of the entire amount, and, in return, they were permitted to sell to the United States the comparatively insignificant amount of \$5,778,219 of farm products, while they saw the farmers of the United States taking possession of their own markets in the same line to the extent of three and a third times that amount.

The above statistics will make clear the fact that the American

market is practically sealed to Canada for the products of the farm. Naturally, therefore, Canada has turned her attention to seeking new outlets; and having done so with great success, the importance of the American market to her is becoming of smaller moment year by year. A feeling is also gradually taking hold of the public mind, which, if not one of hostility, is one of intense dissatisfaction with the commercial policy of the United States toward Canada; and the day is probably not distant when practical action will be demanded, either in the shape of securing increased exports to the United States or of adopting a policy which will very sharply curtail importation from that country.

The lumber trade of Canada with the United States has of late been one of diminishing quantity; and the American policy of imposing heavy duties upon forest products amounts, in effect, to a liberal premium on forest destruction in the United States. The rapidly diminishing supply of white pine, it appears from the best authorities, will be practically exhausted in five years more, and the American duty of \$2 per thousand is hastening the day when the last pine-tree will be cut. The duty upon Canadian lumber is rapidly changing the course of Canadian trade in that article. Until within the last three years the exports of forest productions to the United States exceeded the exports in the same line to Great Britain. Last year, however, the exports to the British possessions amounted to \$16,361,000, while the quantity exported to the United States had shrunk to \$9,921,000, a considerable portion of which passed through the United States in bond for export. While this trade is burdened with the duty of \$2 per thousand, Canada imported from the United States last year forest products free of duty to the amount of \$2,996,000. The Government has refused the demand of Canadian lumbermen to impose duties upon this importation corresponding to the American duties upon importations of the same class into that country; wisely deeming it improper to burden new settlers in the Northwest by duties upon lumber which in many sections can be obtained more cheaply from Minnesota than from Canadian sources.

The feeling of resentment caused by the meagre character of the American free list as compared with that of Canada, and the striking of lumber from the free list when the Wilson Bill was superseded by the Dingley Bill, finds expression in the province of Ontario in the prohibition of the export of saw-logs and pulp-wood, and in the province of Quebec in a differential Crown due on the export of

pulp-wood of \$1.50 per cord, the Crown due for local consumption being forty cents per cord, and for export \$1.90. Upon the broad ground of political economy this system unquestionably is bad policy, and it is highly unfavorable to the interests of those holding timber; but it is almost universally popular, because it is felt that it affords a method of striking back and giving a *quid pro quo* for an ungenerous policy toward us. Its chief weakness lies in the fact that its application to old sales of timber berths and to licenses issued before the passage of the law is denounced by the sufferers as a breach of faith. No one, perhaps, would feel disposed to cavil at its application in all cases when it has been, or can be made, a condition of sale; but the *ex-post-facto* feature of the legislation is no doubt of very questionable character.

The statements of trade relations between America and Canada contained in this article make it evident that the American fiscal policy toward Canada is illiberal as compared with the Canadian fiscal policy toward the United States. That it is in the interest of the United States it is hardly possible to believe. The export trade between Canada and the United States in articles the produce of Canada has practically stood still since the abrogation of the Reciprocity Treaty in 1866, and in 1899 was actually a fraction less than in the former year. The admission to the American market of Canadian farm products would have little, if any, influence upon prices received by American agriculturists, as Canadian importations would be so small, compared with the great volume of American production, as to produce little influence upon market prices. The fear of Canadian competition, on the part of the American farmer, is ill-founded; for both meet in the common market of England for the sale of farm products, and the interchange of such products between the two countries would not produce the slightest effect.

Had free trade in natural products been permitted since 1866, or even for a period of ten or fifteen years past, the volume of trade between the two countries would have been beyond all reasonable doubt two or three times greater than it is at present. The two peoples would have been brought into more intimate relations, both socially and commercially; the tone of public sentiment in the two countries would have been more healthy; and each country would have known more about the other, which is all that is necessary to assure mutual respect. Unquestionably, by fostering such intimate trade relations, the interests of each country, and of the entire

English-speaking race, would have been promoted, with the natural concomitant of more friendly feeling.

The present condition of affairs, if permitted to continue, will develop into more serious estrangement, and will probably lead in due time to imitation, by the Government of Canada, of the fiscal policy of the United States, as concerns the relations between these two countries. It might perhaps be worth the while of American economists to consider the probable effect of raising the Canadian standard of 26 per cent on dutiable imports to the American standard of 49 per cent, with perhaps an increase of the differential in favor of Great Britain. This course would greatly stimulate the development of our manufacturing system ; and it would also enable our farmers to furnish food for the operatives whose products they consume, a privilege now almost absolutely denied to them in the case of the American operatives, whose productions were taken last year by Canadian consumers to the extent of more than eight times the value of Canadian farm products permitted entrance into the markets of the United States.

JOHN CHARLTON.