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Reciprocity with the United States.

By Mr. Wallace Nesbitt, K.C.*

ADDRESSING the Canadian Club on the subject of "Reciprocity with the United States," Mr. Wallace Nesbitt said:

Mr. President and Gentlemen,—I desire to express my appreciation of the honor you have conferred upon me in asking me to address the Canadian Club of this metropolitan city. The subject of Reciprocity with the United States has been canvassed so much of late that I shall not attempt to deal with it except in the most general way. There are so many others better qualified to speak upon the items in detail that it would be an impertinence for me to offer suggestions on items which might come up for discussion. I shall endeavor to point out what I understand to be the points of view of those for and against the idea of broadening of the basis of trade between ourselves and the United States.

There is, first, the man who views reciprocity as meaning a lowering of the tariff or practically no tariff upon certain items between the two countries. This man's view usually is that on the items of which he is the particular buyer there ought not to be any duty, and is particularly represented by the western agriculturist.

There is another class who are anxious to maintain a tariff to protect the Canadian manufacturer, but who wish to see an abolition of the duty so far as the United States is concerned upon goods that he has to sell. This is largely the eastern farmer, who wants access to the United States eastern markets for the products of the farm, but at the same time, if possible, to keep up the tariff wall so as to protect our manufacturers on this side and thus maintain his home market as well.

There is a third class, who would like to see both as to natural products and manufactured articles practically a com-

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mon tariff between the two countries and a great universal flowing of trade from north to south. This, I think, is a more limited class on this side, but represents, in the main, the advocates of reciprocity on this and the other side.

There is the manufacturing class, who desire to see no change, but that the tariff should at least remain stationary, and there is still another class who desire to see no change in reference to the American tariff, but who are very anxious to propitiate the sentiment which calls for cheaper goods in this country and who are prepared to meet that sentiment by an increase in the British preference and a creation of Imperial Reciprocity!

Notwithstanding what a section of the press says, that this country is hostile towards any reduction in the tariff, I am convinced that there is a wide feeling of unrest amongst many of the consumers in this country, and that some changes can and must be made to meet that demand. On the general subject of reciprocity it is almost impossible to get the average educated and friendly American to understand the feeling of hostility or indifference in Canada towards the overtures which were made to this country last spring by President Taft. We had so long been seeking entrance to their markets and had made so many overtures that our friends on the other side had become convinced that all that was needed was an indication that they were ready to trade with us to have any such overture greeted with open arms, and it is very difficult for them to understand the Canadian attitude. I was asked last spring to speak at a banquet of the Economic Club in New York upon this subject, and found it necessary to explain that so far from our people welcoming special trade arrangements with the United States there was, as I say, a feeling of indifference, if not of hostility. It was necessary to explain this attitude, to go back to our treaty relations with the United States since 1783, and to shortly trace the difficulties we had met with in one treaty after the other. I shall not trouble you with a discussion of anything before the Reciprocity Treaty of 1854, but I think to understand the arguments pro and con it is necessary to shortly review our history for the last sixty years in Canada.

Any one reading the state papers just after the cutting off of the colonial preference in the markets of the mother country will be struck by the extreme distress and poverty and backwardness of the Canadian provinces at that time. Nova Scotia, Prince Edward Island, New Brunswick, Quebec and Ontario were all feeling the loss of the fostering preference, and Lord Elgin, then Governor-General, turned to the United

States in order to endeavor to find a market for practically all we had to sell at that time, namely, natural products. The treaty embraced practically all these, such as grain, animals, poultry, cheese, lumber, flour, fruits, eggs, hides, bread-stuffs, fish, butter, furs, etc. This treaty lasted from 1854 to 1866. Under it the exports from Canada jumped from two millions to over forty millions, or twenty times, and to show the enormous benefit that our country received at that time it is only necessary to state that in 1887 the total exports were thirty-seven millions, or twelve per cent. less twenty-one years after Confederation than they were at Confederation, notwithstanding the fact of the enormous expansion to the south, the growth of railway and steamship facilities, and the wonderful influx of consumers from the emigrants who crowded into the United States, and although during that twenty-one years Canada had taken to herself the status of a nation, had linked up by the Intercolonial Railway the Maritime Provinces with Montreal, and that we had linked up Halifax with Victoria by the Canadian Pacific Railway. One would have expected that with the great growth and expansion of our own country that our exports to the United States would have doubled or trebled within that time under these favoring and fostering circumstances; but because of the abrogation of the treaty our trade, as I say, was less by twelve per cent. twenty-one years after the abrogation of the treaty than it was in 1866. These figures are most significant, and one ought not to under-estimate their importance in discussing the probable present advantages which might be derived from a treaty largely on the same lines.

After that treaty was abrogated, Canada felt herself to be in almost desperate straits. Sir John Macdonald negotiated with great difficulty the Treaty of Washington in 1871, which was finally put an end to in 1885. This treaty largely related to the free entry of fish other than from the Great Lakes, and the interchange of canal and railway facilities. This treaty proved to be of very little service, because under a ruling of the United States, although fish were to be admitted free under the treaty, the cans in which the fish had to be shipped were said to be subject to duty, and this practically made the treaty a nullity. Under another ruling Lake Champlain was held not to be part of the canal system leading to the Hudson, and we were deprived of all benefits of our shipping in that direction, and in 1883 we were notified that the bonding privileges were held to be no longer in force, although as a matter of fact, nothing was ever done under this! We tried again and again to obtain for our farmers the benefits of freer trade, and all

our attempts were treated either with cold indifference or spurned!

Then came the difficulty over the Behring Sea matter and the Alaskan matter, and the result was that in the spring of 1910 a feeling of suspicion and distrust had permeated the minds of most of our citizens as far as governmental dealings with the United States were concerned. The friendliest possible feelings existed towards our acquaintance, but a settled conviction of distrust existed towards their government. I put it in a sentence in New York by saying that we loved them as a people, but as a government we distrusted them.

In the spring of 1910, owing to a clause in the Payne-Aldrich tariff, which required the President to rule that the tariff of any country was not discriminating against the United States, otherwise the maximum tariff would be applied to articles coming in from that country, a very critical situation arose. We had recently made a treaty with France, and while President Taft was perfectly willing to recognize that a preference given to the mother country, or to sister dominions over-seas, was not within the intent or spirit of discrimination, yet because of certain items in the treaty with France he felt that it would be impossible, unless some concessions were made to the United States, to do otherwise than rule that there was discrimination in fact against the United States. A section of our press and a great many of our public men clamored for the stand-pat doctrine and that we could not yield a jot or tittle upon the subject. With exceeding wisdom, I think, the authorities at Ottawa did make certain concessions, which enabled President Taft to rule that the minimum tariff applied, and thus avoided a tariff war, which would undoubtedly have affected a great many important interests in this country, and probably the very people who were shrieking for an unyielding attitude would within six months have been cursing the Government if a tariff war had been brought on, with its attendant evils and tying-up of credits in the bank, etc., etc.

That difficulty having been happily averted, President Taft announced what I may be permitted to call his "continental doctrine," namely, that owing to the geographical propinquity of the two countries for nearly four thousand miles, the arteries of trade were so much in common that a tariff doctrine should be applied as between the United States and Canada differing from the tariff doctrine between the United States and other foreign countries. This was a most important departure, and he followed it by himself suggesting to the Ottawa authorities that Washington would be glad to take up

with us the question of a trade treaty. Hence, the discussions which have arisen on the subject of reciprocity.

Let me now turn for a moment to what had been happening in Canada during the years following the abrogation of the treaty in 1866 and why it was that in addition to the sentimental considerations of hostility to a Reciprocity Treaty there should be a different practical business view from that which had been entertained for so many years by our statesmen.

Sir Francis Hincks pointed out to Mr. McLane in 1851 in a letter, which for its foresight into the future was very remarkable, what the effect of a hostile attitude towards trade upon the part of the United States was likely to be in Canada. He said:

> I am, moreover, firmly persuaded that should the Canadian trade be forced into other channels, as seems not improbable, it will then be estimated at its true value by the people of the United States.

Apart from President Lincoln, the most astute statesman, in my opinion, in the United States at that time was Mr. W. H. Seward, the Secretary of State. In 1857 he said:

> The policy of the United States is to propitiate and secure the alliance of Canada while it is yet young and incurious of its future. But on the other hand, the policy which the United States actually pursues is the infatuated one of spurning and rejecting vigorous, perennial and ever-growing Canada. I shall not live to see it, but the man is already born who will see the United States mourn over its stupendous folly.

These views were most prophetic, because immediately after the abrogation of the treaty we were compelled to seek new trade avenues. Our fortunes from this out were based upon trade routes east and west, and the markets of Europe and of the Orient. We have spent vast sums of money in improving the harbors, the channel of the St. Lawrence, in building the Intercolonial Railway, the Canadian Pacific Railway, Grand Trunk Pacific, and subsidizing and assisting the Canadian Northern Railway by Government guarantees. All in the endeavor to open our new areas of lands for settlement, for our manufacturers, and by giving to the farmers of the west railway communication, the cheapest and speediest communication with the mother country and an ability for them to sell their farm products in the mother country on an even basis with their competitors.

So that when President Taft announced his desire for the extension of trade relations, Canada was found to be in the situation which had been predicted fifty years ago by Sir Francis Hincks to Secretary of State Seward, and no longer anxious, in fact many of her vital interests opposed to the change of trade route and the attempt to create new markets, which was felt to be practically a wasting of hundreds of millions of dollars, which we had expended in building up trade routes and markets, and would imperil to a great degree the most valuable market of all to the agricultural producer, namely, the home market. Halifax, St. John, Quebec, Montreal, Toronto, Hamilton, Winnipeg, Vancouver, Victoria, all would feel the stress of competition both from the specialized products of the great factories of the United States, and from the diversion of the trade which flowing south would be lost to them.

Let me point out to you what the advocates of reciprocity say as to this. As to the effect on trade routes I quote from Mr. H. M. Whitney, of Boston:

> New York and Boston and Portland are the natural outlets for the foreign trade of eastern Canada. St. John and Halifax are twice as far from Montreal as New York, or Boston, or Portland. The Canadian Atlantic ports are not to be mentioned in competition with the American Atlantic ports for passenger business. Our steamers are larger, and social conditions count for very much with travellers. Under existing circumstances, what Canadian going abroad or coming from abroad would not prefer landing in New York, or Boston, or Portland, to disembarking in Halifax or St. John? And with the increasing size of our cities, the advantage will increase rather than diminish.
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> The elevators for storing and handling Canadian grain should be located on this side of the line, and the steamers of the Canadian Pacific and the Grand Trunk Pacific should in the winter time at least find their 'home' port in New York, or Boston, or Portland. And if, under a reciprocity arrangement or otherwise, the farm products of Canada were admitted free of duty, the Canadian Government would be friendly, instead of hostile, to the use of American ports for Canadian business. My belief is that such a course would promote the cause of reciprocity on the broad lines of free trade between the two countries.

The answer of Montreal would be that the millions which have been spent in creating, during several years, the second

largest shipping port on the continent of America, would be practically lost, and the growth of this great city would probably be paralyzed! The suggested effect on the great industries of Canada I can best state by quoting Senator Beveridge, of Indiana:

> There must be reciprocity with Canada. Our tariff with the rest of the world does not apply to our northern neighbor. That policy already has driven American manufacturers across Canadian borders, built vast plants with American capital on Canadian soil, employing Canadian workingmen to supply trade.
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> That capital should be kept at home to employ American workingmen to supply Canadian demand. We should admit Canadian wood pulp and Canadian paper free in return for Canada's admitting our agricultural implements, our engines, pumps and other machinery free. We should freely admit Canadian lumber to American planing mills in return for Canada's freely admitting other American manufacturing products to Canadian markets.
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> We should also have a special tariff arrangement with this intimate neighbour and natural customer. This would mean millions of dollars of profit every year to Indiana's factories. Reciprocity would mean vast increases in Canada's purchases from us.
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> This policy has been prevented by the reactionaries of New England who wanted to prevent Canadian potatoes from competing with the potatoes of Maine; Canadian eggs from competing with the eggs of New Hampshire, and Canadian paper from competing with the paper mills of the paper trust.
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> Not the Bourbons of France in the time of Louis XVI., not the tories of England in the period of George III., ever insisted on a policy so blind, so foolish and so ruinous as that so-called statesmanship which, instead of fostering a purchasing market in Canada, is making Canada a manufacturing competitor.
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> The imaginary line that separates us should be more and more easy to cross; the Canadian and American people should be knit closer and closer together by ties of commerce as they are becoming closer and closer knit together by ties of blood.
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> John Bright's splendid dream of one nation covering the whole continent from Hudson Bay to the Gulf of Mexico with the same blood, same speech, same institutions, and a single flag perhaps cannot be realized; but the

idea of two peoples, brothers in origin and race, brothers in institutions, literature and law, becoming also brothers in industry and commerce can and will be realized.

So much for what may be called the great commercial and trade interests and the arguments in reference to them.

The answer that the Canadian makes so far as these interests are concerned is, that we want these factories located on this side; we want these citizens to build up our own nation; we want these working men to create homes and become Canadians! To the farmer, the people who thus argue, point out that the home market is the best; that the United States are likely in order to decrease the excessive cost of living to the eastern consumer to take off the present duties, 6 cents a pound on butter; 4 cents a pound on cheese; 25 per cent. on flour; 45 per cent. on vegetables, without our having to sacrifice that which creates the home market for the farmer, although I am bound to say that the probabilities are that you will not get the American negotiator to be willing to allow our natural products to get the benefit of his market unless he is able to point to the manufacturer on the other side some reciprocal trade benefit that he has obtained, although one would have thought that the taking off of the tariff and the consequent decrease of the cost of living to so many American citizens would have been argument enough in its favor.

To the farmer, it may be pointed out that the effect of the upbuilding of his home market by the tariff in Canada has been not to increase the price of the goods which he has bought. With one or two exceptions, nearly everything the farmer buys to-day is no dearer than it was twenty years ago; in other words, the purchasing power of his dollar as to most of the things which he has to buy, is about the same thing as it was twenty years ago. But how about the other side of the picture? The farmer gets for what he has to sell from 25 per cent. to 125 per cent. more than he did twenty years ago. In other words, while his dollar buys nearly as much as it did twenty years ago, that which he sells gives him from $1.25 to $2.25 for his dollar of twenty years ago. So that his benefits have enormously increased without much more burden being placed upon him. That is as it should be, because, after all, the strength and virility and life-blood of a nation is in the farming class. They are the backbone and the sinew of any nation that is truly great and strong. You must have the small landed proprietor if you want a really great people. The commercial and industrial classes are never, to my mind, to be compared

in real, lasting strength, and in that which goes to make up a great nation, with the small proprietory, landed class. On the land they acquire habits of thrift, industry, independence, and of tenacity of purpose, which the great classes in the city do not have.

The east has burdened itself by the building of railways, etc., to seek the western farmer, and has enabled the creation of the farm, and it is our duty to give him rates to the eastern market and the markets of the mother country by our railways and shipping facilities, which will enable him to make a living in competition with other sellers of products in these markets. To do this he must not be over-taxed. He must not be made to pay the profits upon watered stock. He has a right to demand and will demand at your hands that you, while having a tariff to protect you, should not have a tariff that protects you against indifferent business methods or not up-to-date machinery or a tariff that gives you unjust profits at his expense. I am firmly convinced that there are many of our industries to-day which are paying out profits upon so-called capital which never had any existence; that many of our businesses to-day by better management and economies and a real attention to business could make substantial profits upon the real money invested in the business without as much tariff protection as they have, and, mark you, the western farmer and the eastern farmer is becoming alive to that situation, and will insist upon what he conceives to be fairer treatment to the consumer.

It is objected, too, by many of the opponents of reciprocity that the freer interchange of trade is bound to result in such a tying-up of our affairs with the United States that it may lead either to great bitterness or to political union. The answer made by the advocates of reciprocity I have usually found to be the views of Sir John Macdonald upon the subject in 1865:

> It would be impossible to expose in figures with any approach to accuracy the extent to which the facilities of commercial intercourse created by the Reciprocity Treaty have contributed to the wealth and prosperity of this Province; and it would be difficult to exaggerate the importance which the people of Canada attach to the continued enjoyment of these facilities.
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> Nor is the subject entirely devoid of political significance. Under the beneficent operation of the system of self-government which the later policy of the mother country has accorded to Canada in common with the other colonies possessing representative institutions combined

with the advantages secured by the reciprocity treaty of an unrestricted commerce with our nearest neighbors in the natural productions of the two countries, all agitation for organic changes has ceased—all dissatisfaction with the existing political relations of the Province has wholly disappeared.

I cannot err in directing the attention of the enlightened statesmen who wield the destiny of the great Empire, of which it is the proudest boast of Canadians that their country forms a part, to the connection which is usually found to exist between material prosperity and the political contentment of a people, for in doing so, they feel they are appealing to the highest motive that can actuate a patriotic statesman, the desire to perpetuate a dominion founded on the affectionate allegiance of a prosperous and contented people.

Speaking for myself, I do not think that too much stress can be laid upon the views enunciated at that time. It has to be borne in mind that at that date our population was very different. Our ties of kinship were much closer. We had not the enormous foreign population that is pouring in upon us at the present time. The hostility of the North towards everything British at that time was very marked, as evidenced by their indifference to the Fenian Raid, their practical endorsement of the gathering of hostile bodies upon our borders, the necessity for the protecting arm of Great Britain was keenly felt, and there was a distinctly hostile wave throughout Canada towards anything looking towards closer relations with the United States at that time. Then, too, there were peculiar circumstances at the time of the treaty. Our farmers had obtained great benefits from the high prices obtaining during the Civil War. The United States was divided into two hostile camps calling for supplies. There was a market for everything in the way of natural products that we could give them, and I doubt very much if our farmers at the present time would, take it on the whole, find the market of the United States any better, although nearer, than the markets of the mother country. And I certainly think that owing to the friendly feeling which has sprung up between the two countries, free trade would practically mean the absorption of this country by the United States.

If the point of view is that of indifference towards that, then I can readily understand the advocates of reciprocity clamoring for complete freedom of trade; I can readily under-

stand that point of view upon the part of American citizens, but if the ideal of a Canadian is the upbuilding of Canada as a nation, that she should grow strong and great and free as an aggregate unit of the Empire, then I can understand that he should naturally turn towards imperial reciprocity rather than towards continental reciprocity; he would prefer to answer the demands of the consumer in Canada for the lowering of prices by saying, "By all means let in foreign goods by increasing the British preference;" in that way help our banker, who has furnished us with over six hundred millions for the upbuilding of our country within the last five years, help our kinsmen, give the British workmen employment in furnishing the cheaper product for his Canadian kinsman, and build up the Empire. Instead, as I have said before, of having simply the slender thread of kinship to connect us, let us as an aggregate unit of the Empire connect the Mother Country and all the over-seas dominions by the great red arteries of commerce, where trade flowing from one to the other shall create that Empire, the future of which we so fondly look forward to, by the upbuilding of all its component parts. Such an Empire marching in order and friendship along with our brethren to the South will do far more for the peace of the world than a breaking up of the present relations and an ultimate absorption of ourselves in one great continent here under one flag. I believe it is better for the future of the two Anglo-Saxon peoples on this continent that we should grow up side by side, that we should, differing in our ideals, each fulfil our national purposes better by a healthy comparison of methods than by a unity of government.

Let me sum up the situation thus. I should like to see the whole matter enquired into. There are, perhaps, many benefits that we can receive and many benefits that we can give. I think that you can fairly trust your Parliamentary representatives to deal with the matter from a Canadian and national standpoint, and to see to it that our interests are fully protected. I hope that we can be free from party bias on such a question. It is regretful that in matters affecting the interests of our common country many of our public men are unable to see anything but mere party advantage. It is one of the very things which makes one hope for continued connection with the mother country. There in the past, men have risen above mere party consideration, and have left their party in what they conceived to be the best interests of the country. They have given their very best to public life, free from mere opportunism. That has not been so in the past to such an extent in the United States.

It has certainly in the past not been the ideal of some of our public men, and I only hope that the time will come when any such question as the present, which affects vitally the future interests of our young nation, arises that we shall rest rather upon the ideals which have been taught in the mother country by her public men, than upon that which seems to be the besetting curse and sin of public life here to-day, namely, to look at everything merely from a party standpoint and whether it would benefit the "ins" or the "outs."

I trust we shall not have a policy framed on lines which apparently all are agreed upon as the best result to be obtained, having in view the conflicting interests involved, suddenly repudiated because political opportunism embraces an alliance with discontent which, however prejudicial to the whole country, is for the immediate benefit of party.

This question is bound to be dealt with in the near future. The consumer is likely to criticize more and more carefully tariff legislation, which should be framed intelligently. He is more and more likely to narrowly scrutinize the enormous capitalizations which are nursed and fostered by the tariff, and he is likely more and more to call his representatives in Parliament to account and to ask that tariff legislation shall be framed not in the nature of what is called the "pork-barrel conference," namely, "scratch my back and I will scratch yours," but upon a consideration of whether the business is one that should receive any tariff protection at all, whether it is one that in the common good of the whole had better not be allowed to languish and die rather than to maintain a mushroom or hot-house existence at the expense of the general community.

My suggestion finally is, to treat all proposals with the utmost courtesy and consideration; to examine them under expert advice with great care; to consider, first, what is best for Canada as a whole, having in view our future as a nation and as part of the Empire, and second, whether the interests of the consumer as a whole demand the cutting off of tariff protection and cheaper goods coming into the country, let those cheaper goods so far as possible be obtained by giving the benefit to the mother country, as being, as I say, our banker and our best customer, and as assisting the British workman, and if we are to have reciprocity, let it be so far as possible reciprocity within the Empire. It is my earnest hope that the whole subject may be made a matter of the gravest consideration at the earliest moment by an Imperial Conference, dealing with the whole question of the relations of the mother country with the over-seas dominions and the connecting together of the Empire.