

THE RECIPROCITY POLICY OF THE
UNITED STATES WITH CANADA

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by

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PREFACE

An attempt has been made in this study to trace the reciprocity of the United with Canada from the inception of the policy down to the present time. The study is based upon three major movements towards reciprocity with Canada, two of which were successfully negotiated. The main emphasis is placed upon the reciprocity movement of 1911 for it marks a milestone in the history of reciprocity and furnishes the basis for the trade agreement of 1935

The sources used in making this study have been found in the Oklahoma Agricultural and Mechanical College, Stillwater, Oklahoma. Most of the source materials were found in the Congressional Record of the 61st Congress and the Senate Documents for that same year.

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Chapter I

THE FIRST RECIPROCAL TRADE
AGREEMENT WITH CANADA

The policy of the United States regarding reciprocal trade with Canada and other countries has passed through a series of changes since its inception. At best the policy of reciprocity is to the average layman nothing more than a dry and uninteresting subject which deals with details, tables, and processes of negotiation. Back of the policy, however, there is a principle of great importance in the ever changing economic and commercial system of the United States, a principle which has become a very vital subject within the past few years.

In the competition against commercial restrictions and tariff walls, the United States adopted the principle of reciprocity as its policy. This principle has various meanings and has been redefined many times. In the late diplomacy the term has come to mean a policy whereby an increase in the interchange of commodities might be effected. "In recent times," says John Bassett Moore, "reciprocity might be described as a policy recommended by free traders as an escape from protection and by protectionists as an escape from free trade, but dis-trusted by both and supported by neither."¹

Our present policy regarding reciprocal trade agreements with Canada, dates in part from 1909 and in part from the be-

¹ Principles of American Diplomacy, p. 160¹

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ginning of Franklin D. Roosevelt's first administration as President of the United States. It is based partly on diplomatic action but for the most part on legislation. It was in 1910 that the first progressive step towards reciprocity with Canada was made by the United States since the abrogation of the reciprocal trade treaty of 1854.² Since the Trade Agreements Act of 1935 there has been a concerted movement to make reciprocity a permanent feature of the United States' tariff policy.

From the time the United States became a nation, she showed a readiness to effect a policy of reciprocity with Canada. In 1826 Henry Clay, Secretary of State, wrote:

The Government of the United States has always been anxious that the trade between them and the British Colonies be placed upon a liberal and equitable basis. There has not been a moment since the adoption of the present constitution when they were not willing to apply to it the principles of a fair reciprocity and equal competition; there has not been a time during the same period when they have understood the British Government to be prepared to adopt that principle.³

Rather there had been a policy of competition between the two countries to secure the lion's share of trade with Canada for themselves. Therefore, no effort was made to obtain a reciprocal agreement until after the repeal of the Corn Laws by England in 1846. The repeal of these laws

² The Trade Agreement With Canada, United States Tariff Commission, Report No. 111, p. 37.

³ Reciprocity and Commercial Treaties, United States Tariff Commission, Washington Government Printing Office 1919, p. 64.

threw the provinces of Canada upon their own resources and left to Canada the necessity of providing a market for her own goods. Canada, when Great Britain left her on her own resources, was forced to choose a policy of close commercial relations with the United States and retention of her political autonomy or annexation by the United States. Canada chose a policy of close commercial relations with the United States.

In 1847 the Canadian Inspector General of Customs said:

The British Possessions Act leaves the provinces free to pass such enactments with regard to duties and trade as may be found best suited to her wants and position, and. . . . to meet on terms of friendly reciprocity any advances which the neighboring Republic may be disposed to make for mutual encouragement of industry and trade. 4

Lord Elgin, Governor-General of Canada, from the first put forth every effort to bring about a close commercial affiliation with the United States. Despite the numerous trips which Canadian officials made to Washington, Lord Elgin was unable to get any agreement with the United States. It was not until 1848 that any semblance of a working agreement was made. That year the Secretary of the Treasury, Mr. Walker, and the British Charge d' Affaires, Mr. Hamilton Merritt, agreed that concurrent legislation was the only way that a working agreement regarding reciprocal trade could be made.⁵

Mr. Joseph Grinnell, chairman of the Committee on

⁴ Ibid., p. 65.

⁵ Charles C. Tansill, The Canadian Reciprocity Treaty of 1854, p. 19.

Commerce of the House of Representatives, drew up a bill which provided for the free admission of various articles in the trade between Canada and the United States.⁶

On May 4, 1848 the bill for reciprocity with Canada was reported to the House. The schedule contained in the bill provided for the free admission of grain, breadstuffs, vegetables, fruits, seeds, animals, hides, wool, butter, cheese, tallow, horn, lumber, etc. A little over two months later the bill was passed by the House without a recorded vote. When the bill was reported to the Senate it was tabled and no further notice was given to it during that session of Congress.⁷

The bill for reciprocity with Canada was again presented to Congress in January, 1849. The bill met with immediate disapproval in the Senate on the grounds that few of the articles included in the schedule were imported into Canada and practically all of them were exported from Canada. It was also claimed that the bill provided for free trade for the farmers and protection for the manufacturers, thus setting up a system of class discrimination.⁸

The Canadian Government was anxious to secure the reciprocity treaty with the United States. They were hopeful that the United States would still pass the measure in Congress. Accordingly, on April 25, 1849, the Canadian Parliament passed

⁶ Ibid., p. 19.

⁷ Ibid., p. 20.

⁸ Ibid., p. 22.

an act providing for the free admission of products from the United States into Canada. The act was passed with the provision that as soon as the United States passed similar legislation it would become effective.⁹

Again in 1850 negotiations contemplating concurrent legislation to establish reciprocity met with failure. There was little opposition to the bill, in fact it met with considerable approval by the people of the United States. Each time the bill was presented in Congress it failed to reach a vote in one house or the other. In September of 1850 the Senate refused to give the bill a hearing. The bill met the same fate in the House. The following year the bill was again ignored by both houses of Congress.¹⁰

In 1852 a new element was introduced into the question of reciprocity between the United States and Canada. This was the question of the fisheries in the Newfoundland district. In the summer of 1852 the British Government decided to cooperate with the colonial government in protecting the inshore fisheries in the northeast. Accordingly, a naval force was sent by Great Britain to enforce and protect Canadian rights in the Newfoundland district. The naval force consisted of 13 ships and one 74-gun frigate.¹¹ By 1853 the fishery question had become so identified with

9

Ibid., p. 24.

10

Ibid.

11

Ibid., p. 44.

the commercial policy of Canada that the British Government refused to treat with the United States unless that question became a part of any commercial treaty between Canada and the United States.

In the meantime there was an increased interest in the economic aspect of reciprocity on the part of the American people as well as the Congress of the United States. Articles began to appear in periodicals throughout the country in which a reciprocal trade basis with Canada was agitated. The House Committee on Commerce took cognizance of the movement and a bill was prepared. This bill was received with enthusiasm in the House. The schedule in this bill substantially increased the products on the free list to include agricultural implements, fish, rice, cotton, hemp, dyestuffs, manufactured tobacco, unrefined sugar, etc. The bill never reached a vote in the house.

Canada was just as anxious as the United States to conclude this trade treaty, but the delay and postponements by the United States had aroused a great deal of resentment in the Provinces. However, the necessity for reciprocal trade with the United States was great enough to overcome the resentment. To secure favor for the bill, Canada offered the use of her canals, rivers, and coast fisheries to the United States in return for trade concessions. This feature was favorable to the people of the United States, with the exception of the Maine lumbermen, the New England fishermen, and the coal and gypsum interests in Pennsylvania.

The British Government was more anxious to settle the complications in which the protection of the Canadian fishing rights involved her, than in the trade relations with the United States although she still hoped to consummate a reciprocal agreement between Canada and the United States.

In the spring of 1854 Lord Elgin, the Governor-General of Canada, was sent to Washington to make a final effort to conclude some kind of a reciprocal agreement with the United States. He arrived in the midst of a great political fervor of a sectional nature. Lord Elgin was told, as it is related by his secretary, that the treaty he proposed could not possibly be carried through because it was opposed by the Democratic majority in the Senate.¹² Lord Elgin proceeded to make friends with a number of Democratic senators and to win them to the support of the reciprocity treaty then pending in the Senate.

The general belief that no reciprocity convention could pass through Congress during that session proved to be wrong as events soon proved. There was, it seemed, a unanimity on the subject of reciprocity which existed on no other policy in Congress. The fishing industry favored it; the South favored it for in establishing friendly relationship with Canada she saw the annexation danger averted; in fact everyone with the exception of the interests mentioned above favored the bill.

The treaty as it was drawn up and accepted provided:
Articles I and II--The mutual enjoyment of fisheries

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Ibid., p. 78,

on the Atlantic Coast north of the 36th degree parallel north latitude with the exception of shell fish. The United States reserved the right of Shad and Salmon fisheries and the right to fisheries at the mouths of the rivers.

Article III set forth the schedule of goods which were to be admitted free of duty to both countries as follows:

Grain, flour, and breadstuffs of all kinds.
 Animals of all kinds.
 Fresh, smoked, and salted meats.
 Cotton, wool, seeds, and vegetables.
 Undried fruits, dried fruits.
 Fish of all kinds.
 Products of fish and of all other water animals.
 Poultry, eggs.
 Hides, furs, skins, or tails, undressed.
 Stone or marble in its crude or unwrought state.
 Slate.
 Butter, cheese, tallow.
 Lard, horns, manures.
 Ores of metals of all kinds.
 Coal.
 Pitch, tar, turpentine, ashes.
 Timber and lumber of all kinds.
 Firewood.
 Plants, shrubs, and trees.
 Pelts, wool.
 Fish oil.
 Rice, broom corn, and bark.
 Gypsum, ground and unground.
 Hewn, or wrought, or unwrought burr of grindstone.
 Dyestuffs.
 Flax, hemp, and tow, unmanufactured.
 Unmanufactured tobacco.
 Rags.

Article IV provided for the reciprocal use of canals; the use of the St. Lawrence River by the Americans; and the use of Lake Michigan by the Canadians.¹²

During the first week of August of 1854, Congress passed

¹² William M. Malloy, Treaties, Conventions, International Acts, etc., p. 669.

an act carrying into effect the terms of the treaty and on August 5, it received President Pierce's signature. In March, of 1855, President Pierce issued a proclamation putting the treaty into effect. It was to endure for 10 years and a twelve months' notice of termination was to be given by either party who wished the treaty terminated.¹³

As the time for the revision of the reciprocity treaty approached, efforts were made to renew it. However, the opposition had grown too strong.

The first evidence of dissatisfaction with the treaty had come in 1857. That year there was a business depression in both Canada and the United States and a severe crop failure in Canada. In an effort to ameliorate conditions in the country, the Canadian Parliament passed a measure which converted tariff duties from a specific to an ad valorem basis on all manufactured articles. The increased duties doubled the rate in many cases and led to a greatly reduced business in American jobbing and commission houses. They protested that this measure raised tariff rates and handicapped the importation of manufactured goods into Canada. Another group of disaffected interests who wished the treaty abrogated was the coal, fish, and lumber interests that had opposed the treaty from the first. Still another cause of dissatisfaction with the treaty was the policy which Canada had adopted contrary to the provisions of the treaty. The treaty provided for a uniform toll rate on all vessels of

¹³ Ibid., p. 672.

both countries, but Canada had by this time started discriminating against vessels by granting a rebate to vessels continuing through to the tidewater on Canadian routes.¹⁴

In spite of these unsatisfactory conditions the United States was willing to renew the treaty. Almost on the eve of the renewal of the treaty an event occurred which aroused the hostility of the United States and led to the immediate abrogation of the treaty. In December of 1864 an armed raid was made upon Vermont by a group of Canadians who were Confederate sympathizers. This incident set aflame the resentment which had been brewing against the encroachments of Great Britain on United States' trade and against the discrimination of Canada against the Federal Government in favor of the South.¹⁵

In December of 1864, the House voted for the abrogation of the treaty and on January 12, 1865 the Senate concurred.

Since the bulk of the trade movement between Canada and the United States was at that time mostly in natural products, the reciprocity agreement had a decidedly stimulating effect upon the commerce between the two countries.

On the whole the treaty of 1854 was successful. The following table shows the value of exports from the United States to Canada before the treaty, during the operation of the treaty, and immediately following the abrogation of

¹⁴ U. S. Tariff Commission, Reciprocity with Canada, A Study of the Arrangement of 1911, p. 23.

¹⁵ Ibid., p. 26.

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the treaty:

(values expressed in millions of dollars)

Exports from the United States

Year	Total		Domestic Merchandise		Foreign M.	
	value	% of total	value	% of total	value	% of total
1850	10	6.6	8	5.7	2	18.9
1854	24	10.2	15	7.0	9	41.7
1855	28	12.7	16	8.2	12	45.8
1856	29	10.2	23	8.5	6	42.7
1857	24	8.2	20	7.1	4	28.9
1858	24	8.7	20	7.8	4	19.4
1864	26	16.7	24	16.9	2	15.6
1865	29	17.3	27	19.7	2	6.1
1866	24	7.1	22	6.6	2	21.6
1867	21	7.1	17	6.2	4	24.3
1868	24	8.5	21	7.9	3	21.2
1869	23	8.2	20	7.3	3	30.1

The figures in the table show only the tendencies in trade because the export statistics were not collected very accurately during this period. The percentages given in the table are based upon the complete figures of the United States exports.

The export of domestic merchandise to Canada increased during the continuance of the treaty and decreased again when the treaty was abrogated. But the increase in the business between Canada was not caused by the reciprocity treaty alone. A great many other things aided in the increase of trade; the war in Europe; the growing railway system in both countries; the expansion of the Northwest; and finally the Civil war.

All of these things helped materially to increase the volume of trade that was carried on between the two countries.

The effect of the treaty upon imports into the United States was much more pronounced than the exports. "Imports went up from \$15,000,000 in 1855, the fiscal year before the treaty took effect, to \$49,000,000 in 1866, the last year of the treaty, and decreased again to \$25,000,000 the year following abrogation."¹⁷

During the period of the treaty, reciprocity articles formed about 90 per cent of the trade where formerly they had amounted to only a little more than two-thirds of the trade.¹⁸

¹⁷ Ibid., p.25.

¹⁸ Ibid.

Chapter II

THE EFFORTS OF THE UNITED STATES
TO OBTAIN RECIPROCITY
IN 1910-1911

Hardly a year passed from the time of the abrogation of the reciprocity treaty in 1854 down to 1888, that Canada did not try to renew the reciprocal trade relations with the United States. In the year of 1888 the last serious attempt was made to secure reciprocity with the United States. This effort failed because the United States insisted that Great Britain be excluded from securing the same benefits that such a treaty would give the United States. A few years later "Sir Wilfrid Laurier announced, 'There will be no more pilgrimages to Washington. We are turning our hopes to the old motherland.'¹"

In 1907 Canada introduced a system of three-schedule tariffs, which was intended to discriminate against the United States and lessen the dependence of Canada on her southern neighbor.

A year later tariff revision became one of the issues in the presidential campaign. The Republican platform adopted the policy that, in all tariff legislation, protection should be maintained by the imposition of duties on goods so that they would equal the difference between cost and production and provide for a reasonable profit to

¹ Reciprocity With Canada, op. cit., p. 28.

to American Industries. The Democratic platform for the same year took the stand for immediate revision of tariff by the reduction of import duties. Articles which entered into competition with trust controlled products should be placed upon the free list, and reductions should be made upon the necessities of life. In other words, the tariff should be so reduced that it would be restored to a revenue basis.

William Howard Taft was elected to the presidency over the democratic candidate, William Jennings Bryan. Almost as soon as Congress was called into session the tariff act of 1909 was initiated. This act placed iron ore, hides flax, bituminous coal and agricultural implements upon the free list; it reduced the duties upon iron and steel products, lumber, and barley.² After the bill was amended and passed it was hardly recognizable. Only hides remained on the free list and duty rates were for the most part raised instead of reduced. The act contained a maximum and a minimum clause providing for the imposition of duties of 25 per cent ad valorem, in addition to the regular duties upon dutiable products of all countries except those which had tariff laws which were favorable to the admission of American commodities. The bill also enacted that the United States should deal with foreign nations simply and solely on the penalty basis, and give to the President the power to remove the penalty only where he was satisfied that there was

²

Ibid., p. 89.

1. The negotiations initiated by the President several months ago, through your communication to his Excellency, the British Ambassador, respecting a reciprocal tariff arrangement between the United States and Canada, and since carried on directly between representatives of the governments of the two countries have now, we are happy to say reached a stage which gives reasonable assurance of a conclusion satisfactory to both countries.

2. We desire to set forth what we understand to be the contemplated arrangement and ask you to confirm it.

3. It is agreed that the desired tariff changes shall not take the formal shape of a treaty, but that the governments of both countries will use their utmost efforts to bring such changes by concurrent legislation.

4. Nevertheless, it is distinctly understood that we do not attempt to bind for the future the action of the United States Congress or the Parliament of Canada, but that each of these authorities shall be absolutely free to make any change of tariff policy or of any other matter covered by the present arrangement that may be deemed expedient. 4

The fifth to the twelfth part of the letter, inclusive, set forth a statement of what the Canadian ministers understood the treaty to contain; a discussion of the demands for the admittance of pulp wood; the duties of customs regulations to prevent fraud; the fishing rights of both the United States and Canada.⁵

The thirteenth and fourteenth parts of the letter set forth the provision that concurrent legislation on the part of both parties was needed to make the arrangement valid.⁶

The Secretary of State replied to the letter:

⁴ Senate Documents, 61st Cong., 3rd sess., v. 84, p. 1.

⁵ Ibid., pp.2-3.

⁶ Ibid., p. 4.

I take great pleasure in replying that your statement of the proposed arrangement is entirely in accord with my understanding of it. . . . I take this opportunity to assure you, on behalf of the President of his cordial appreciation of the cordial spirit in which you have met us in these negotiations. 7

On January 26, 1911, just five days after the arrangement with Canada had been made, President Taft delivered his special message to Congress relating to reciprocal trade with Canada. In this message he set forth his views regarding the necessity and benefits of such a treaty:

A reciprocal trade agreement is the logical sequence of all that has been accomplished in disposing of matters of a diplomatic and controversial character. The identity of interest of two peoples linked together by race, language, political institutions, and geographical proximity. . . .

My purpose in making a reciprocal trade agreement with Canada has been not only to obtain one which would be mutually advantageous to both countries, but one which also would be truly national in its scope as applied to our country and would be of benefit to all sections. 8

The proposed reciprocity agreement of 1911 between the United States and Canada contained schedules which placed almost a hundred articles on the free list and reduced the rate of duty on almost three hundred more.

Schedule A of the proposed agreement listed the articles of growth, product, or manufacture of the United States which were to be admitted into Canada free of duty and reciprocally articles of growth, product, or manufacture of Canada which

7 Senate Documents, 61st Cong., 3rd sess., v. 84, p. 10.

8 Ibid., p. IX.

9 Ibid., p. 4.

were to be admitted into the United States free of duty. The greatest share of the articles included in this schedule consisted of agricultural products and semi-manufactured articles.

Articles on Schedule B were to be admitted to both countries at greatly reduced rates of duty. Identical rates of duty were to be imposed on both exports and imports of both countries.

Schedule C listed the articles and rates of duty on the articles of the growth, product, or manufacture of the United States which were to be admitted into Canada at special rates of duty when imported from the United States.¹⁰

Schedule D listed the articles of the growth, product, or manufacture of the United States which were to be admitted into Canada at special rates of duty when imported from the United States.¹⁰

The reciprocity agreement of 1911 met with disapproval almost as soon as it was referred to Congress for consideration. As Ebenezer Hill said, "Reciprocity with Canada is essentially a political question but not necessarily a party one."¹¹

The opposition to the bill resolved itself into a group of the conservative republicans, while the support of the bill came mostly from the democrats, headed by Senator Champ Clark of Missouri.

¹⁰ Reciprocity with Canada, op. cit., p. 89.

¹¹ Cong. Record, 61st Cong., 3rd Session., v. 46, p. 96,

The objections against the bill were numerous. In the first place the agreement was framed and completed as a document by the State Department without consultation with Congress. Up to the time the President delivered his message to Congress on January 26, 1911, it was not known by that body that such an agreement had been made. Not only that but two days after the agreement was presented to Congress the bill was drawn up in a democratic caucus. And after less than a week the bill was forced to a vote in the House.¹²

The bill was also opposed by the conservative wing of the Republican party on the grounds that the measure provided not for reciprocity but rather gave an opening for free trade. It was also declared to be an unrepudican document. Republican reciprocity was defined by the republicans as a policy whereby products admitted to the United States must not compete with those produced at home; countries with whom the United States traded must be able to take her surplus manufactures; concessions gained by the United States should be fully equivalent in volume of trade to those granted. In other words to obtain benefits for the United States without giving any in return.

Aside from the objections mentioned which arose in the House, there were some very potent ones given in the Senate. All of the objections of the Senate were outlined in a

¹² Ibid., p. 96.

pamphlet which Senator Champ Clark had prepared.

In the first place, the treaty was objectional because it was unconstitutional. The President had been given the power to make treaties with the concurrence of two-thirds of the Senate, but he had not been given the authority to make treaties which related to commerce with foreign nations. If the President were allowed to make a treaty such as was contemplated, without the consent of Congress, it would be a direct usurpation of the power of Congress to initiate revenue and tariff bills. This was a timeworn objection which has been raised to almost every bill providing for a change in any policy of the United States Government.¹³

In the second place, the bill as it was prepared substituted diplomacy for legislation in fixing customs duties. The treaty was prepared in secret by agents of both countries before Congress knew of it. After the bill was prepared and presented to Congress, that body could either accept or reject it in its entirety. Any amendment to the bill should be in the form of a negotiation between Canada and the United States.¹⁴

In the third place, any special commercial treaty handicapped the commerce with other nations with which the United States had no treaties of that nature. It was stated

¹³ Senate Documents, op. cit., Document 834, p. 90.

¹⁴ Ibid., p. 91.

that "tariff regulation by treaty diminishes the independent control over its own revenues which is essential for the safety and welfare of any government."¹⁵

In the fourth place, reciprocity treaties of any kind involve the policy of discrimination and might eventually land the United States into a war of reprisals which could not soon be ended. The treaty with Canada was thought to be particularly unjust to Great Britain who, it was estimated, took more than 50 per cent of her imports from the United States. As the tariff policy of Great Britain existed at the time, all products except tobacco and spirits were admitted free of customs or duties, thus preventing any possibility of a reciprocal trade treaty with her. "We can cripple and embarrass our foreign trade by such treaties: we can never extend it."¹⁶

In the fifth place, reciprocity was thought to be a thinly disguised movement in the interest of free trade, (a noticeably republican objection).¹⁷

In the sixth place, reciprocal trade was bound to be detrimental to the foreign trade of the United States since she could not hope to extend the policy to all of her customers.¹⁸

¹⁵ Ibid.

¹⁶ Ibid., p. 96.

¹⁷ Ibid., p. 98.

¹⁸ Ibid., p. 99.

In the seventh place, there was no popular desire for reciprocity. If there should ever be a widespread demand for reciprocity there would be no possibility of withstanding it.

In the eighth place, but not the least place, the United States had tried reciprocity with Canada and it had proved to be a failure.¹⁹ Evidently the fact that the reciprocity agreement of 1854 was abrogated mainly because of objections raised during a period of internal strife was ignored.

However, the bill had its supporters as well as its opponents. Possibly the dominant motive which prompted those who supported the bill was the feeling that the bill, although not all that could be wished for, was definitely a step in the right direction. It was a long step towards establishing for the United States a policy of unrestricted commerce based on natural conditions and natural products. This factor had been long ignored in the frantic efforts of the United States to secure foreign trade.

One of the most ardent supporters of the measure was Senator Champ Clark. He declared that he was for the bill because he believed it took a step in the right direction. He also said in defense of the bill:

I believe in universal peace and I am in favor of reciprocity because I believe it helps along the cause of universal peace. . . . I believe commercial relations properly established will bring universal peace. . . . I do not confine my support to reciprocity with Canada but also am in favor of reciprocity treaties with South American Republics. 20

19 Ibid., p. 102.

20 Cong. Record, op. cit., Appendix, p. 92.

This doctrine which Senator Clark advocated showed that he was a far sighted and clear thinking man. It is the policy upon which Cordell Hull, Secretary of State, based his conclusions when he advocated the Trade Agreements Act nearly a quarter of a century later.

Champ Clark further said something which would have been better left unsaid from the Canadian point of view when he said that reciprocity with Canada was a step toward annexation. He asserted that some day he hoped to see the American flag float over Canada.²¹

It was pointed out by those in favor of reciprocity that the reciprocal trade treaties which the United States had with other countries were satisfactory as well as beneficial. Under the reciprocity policy with Hawaii, the trade flourished until that island eventually became a part of the United States; trade with Cuba doubled under the reciprocal policy; and the trade with the Phillipine Islands increased 70 per cent.²²

Mr. Dickinson who supported the measure in the House said:

This Canadian Reciprocity Agreement now pending. . . will start a new era in politics. . . and will be the beginning and end of that condition in this country in which special interests have dominated the administration of public affairs to the detriment of the producing masses of people everywhere. . . this breaking down of a hampered commerce. . . will inure to the benefit of all sections of the country and all classes everywhere. 23

²¹ Cong. Record, op. cit. Appendix p. 92.

²² Ibid., p. 107.

Mr. Graham of Illinois said:

I recognize in it a movement in the right direction. I freely admit it is imperfect, but I realize that taking the first step in any important step is of great importance.

The period of exclusiveness is past, the expansion of our trade and commerce is the pressing problem. Commercial wars are unprofitable. A policy of good will and friendly trade relations will prevent retaliations. Reciprocity treaties are in harmony with the spirit of the times; measures of retaliation are not. 23

The policy of reciprocity with Canada seemed to be a question of whether the immediate present were the thing to be considered or whether the people would consider the future as the more important.

In the House the bill met with but little opposition since the majority of the House was composed of democrats. The bill passed on February 17, 1911 and was then sent to the Senate.

The bill met with formidable and unsurmountable opposition in the Senate. The source of the opposition to the bill came, as President Taft expressed it:

In the first place, it comes from two classes of the business interests of the country, those who own and control the lumber supply of the United States, and those who are engaged in the manufacture of print paper, and of whom the largest manufacturers own much of the spruce wood supply. . . .from which print paper is made, and the second class opposed to the treaty are those who claim to represent the farmers and agricultural interests of the country. 24

23 Ibid., p. 109.

24 Senate Documents, 43, 62nd Cong., 1st sess., p. 43.

One of the great objects President Taft had in mind when he made the agreement with Canada was the promotion of the conservation program which had been begun by his predecessor, Theodore Roosevelt. Free lumber had been agitated from time to time by different parties in the United States. President Taft said that he had always been in favor of free lumber. The free admission of lumber from Canada would amount virtually to free lumber from the whole world because practically the entire American import of lumber came from Canada. Also free lumber could be used as a "sop" to reconcile the western farmer to the reciprocity program since he was a consumer of that product.²⁵

In favor of free lumber was the claim that the duty which existed on lumber merely served to hasten the deforestation of the United States. It was estimated that at the present the annual growth was only about one-third of the annual cut and replacement by new growth was very slow. It was also estimated that the total amount of standing timber in the United States was 2,800,000,000,000 board feet, and the annual drain was 50,000,000,000 board feet. At that rate the timber supply would be exhausted within fifty-five years.²⁶

On the other hand Canada's hardwood resources were comparatively small. "the Dominion has always been

²⁵ Cong. Record, op. cit., Appendix p. 176.

²⁶ Reciprocity with Canada, op. cit., p. 66.

dependent upon the United States for oak, hickory, chestnut, and other hardwoods."²⁷ The soft woods in Canada were almost untouched, however, and from estimates made it was ascertained that the salable saw timber in Canada was estimated at from 500 to 800 billion feet with an annual cut of only about 4 billion feet.²⁸ The removal of the existing tariff barriers on the lumber would reduce the cost of lumber; it would give access to Canada's large timber resources; it would retard the deforestation of the United States; and it would protect the soil from depletion.

Another very significant fact to the public welfare and a favorable arguing point in favor of free lumber was presented in the report of Herbert Knox Smith, United States Commissioner of Corporations. This report was made to President Taft re free lumber. The report contained these very significant facts: There was the concentration of ownership of the standing timber into a few hands and the profits accrued by such a concentration were very large. In 1911 4/5 of the timber land was owned by private individuals, whereas forty years before 3/4 of the land was owned by the public. In 1911 three companies alone owned 11 per cent of the timber land while 48 per cent of the timber land was owned by 195 individuals.²⁹

²⁷ Ibid., p. 68.

²⁸ Ibid., p. 69.

²⁹ Cong. Record, op. cit., pp. 175- 176.

Such concentration of the timber into a few hands would lead inevitably to a monopoly in which prices could be fixed by the controlling interests. Along with the monopoly of the timber land also would go the monopoly of the land and of the minerals which might be discovered. The prevention of such monopolies alone would justify the passage of the reciprocity bill.³⁰

The large timber holders, however, were very much opposed to the bill and the removal of duties on lumber for they saw in such a movement a curtailment of their profits. These interests maintained that the American timber supplies were in no danger of depletion and that any such an assertion was a direct attack upon their business. John Strange of Neenah, Wisconsin who represented these interests said: "We do not need, nor have we ever needed, nor will we ever need, Canadian spruce or other paper wood any more than we need Canadian cucumbers and dandelions."³¹

Another argument which was used by the opposition to free lumber was that fifty years hence the forest products would meet the demand as fully as they do now in 1911. The demand for such products was decreasing rapidly more so than the forests. Then too, steel as a building material was rapidly replacing lumber and would probably be used exclusively within a few years.

³⁰ Ibid.

³¹ Senate Documents, 834, 61st Cong., 3rd sess., p. 3.

The same interests that opposed free lumber opposed the free admission of wood pulp and print paper. These interests were composed of the large owners of the spruce-wood and other soft wood forests. With the depletion of the forests in the United States the price of news-print paper was increasing and with this increase in price was the accompanying increase in the profits. The New York and New England interests combined with the Southern interests in an effort to defeat the bill because they were fearful that section 2 of the reciprocity agreement would not be effective in inducing the Canadian Provinces to relax their export restrictions on pulp wood. By this section, wood pulp and all kinds of paper valued at 4 cents or less per pound, all news-print paper were to be admitted free to the United States. A provision was made that this would be done providing the United States made no attempt to tax or restrict the export of that commodity or wood from which it had been made. Not until pulp and paper from all parts of Canada should come free into the United States would pulp and paper be admitted free to any part of Canada.³²

Then too the manufacturers of pulp wood and print paper felt that they were in no position to compete with the Canadian manufacturers. Canada had a great wealth of water power close at hand to almost untouched forests. This alone would place the industries of the United States

³² Reciprocity with Canada, op. cit., p. 49.

at a disadvantage. Representatives of the paper manufacturers who appeared before the Senate during the hearings, asserted that the complete destruction of that industry in the United States would be caused by free pulp and paper.

The Tariff Board of the United States made a very thorough study of the comparative cost of producing print paper in the United States and Canada. Their findings seemed to favor the adoption of the reciprocity policy on these commodities. The figures given on pulp and news-print paper, in the report, covered nearly 70 per cent of the total output of the United States and a slightly greater per cent of the Canadian output.³³ The data for the investigation was taken from 42 ground wood mills, 17 sulphite mills, and 27 news-print mills, representing about 2/3 of the production of the United States.³⁴ The report showed that the mills best situated in the United States with the best machinery, could manufacture print paper at a slightly less cost than the mills best situated in Canada. However, the Canadian mills had much the newer and superior machinery, therefore, the cost of production in all of the mills in Canada was about \$5 a ton less than those in the United States.

The newspapers of the United States were very much

³³ Senate Documents, 849. op cit., p. 7.

³⁴ Ibid.

³⁵ Ibid.

in favor of this feature of the reciprocity bill and it was their championship which finally made possible the passage of the bill and the retention of section 2 of the bill as a law. In any event the International Paper Company and the Hearst Publications were behind the movement.

The third class of opponets to the reciprocity bill of 1911 were those who claimed "vociferously to represent the whole farming industry of the United States."³⁶ This particular class represented a much greater problem than had the other two, for it was a much larger group. Also the special interests combined to circulate propaganda which would alarm the farmer and lead him to join his forces with them.

In favor of the bill with Canada, it was cited that Canada was so far north that her agricultural products were practically limited to wheat, rye, barley, oats, potatoes, live cattle, horses, and dairy products. Her output of corn barely equaled one-sixth of one per cent of that produced by the United States; she raised no cotton whatever; very few fresh vegetables were produced in Canada; and the output of hogs was small. If the treaty were accepted it would be to the advantage of the different sections of the United States. The markets of Canada would be opened for the South who could dispose of her cotton and cotton products; markets would be opened for

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Senate Documents, 43, 62nd Cong., 1st sess.

the disposal of the citrus and other fruits of California and Florida; the markets of the middle west would be able to dispose of their corn and hogs to Canada; and the markets of New England would be opened for the sale of her manufactured goods.

Some of the articles should be mentioned whereby the farmer would be benefited if the reciprocity agreement with Canada became effective.

Grass and other seeds; Clover and timothy seeds which were dutiable for 10 per cent were to be admitted free of duty. With the duties removed the farmers should have not only the benefit of the remission of duties but also the increased market. In addition to timothy and clover seeds other garden and field seeds were also made free.

Fresh Vegetables: When the vegetables were placed on the free list it meant a much larger market for vegetables from the United States because Canada would take many of the vegetables which her climate prevented her from raising.

Fresh Fruits; Most of the imports of fresh fruits were from the United States and the listing of vegetables and fruits on the free list elicited protests from the Canadians. Canned and dried fruits and vegetables were also placed on the free list. By placing these articles on the free list an annual sum of \$76,000 in duties was abolished

Cottonseed Oil: Several million farmers who grew cotton were benefited by the free listing of cotton seed oil and almost eight hundred mills in the South received direct

benefit from the remission of duties.

Live Stock: The free listing of live stock benefits the stock raisers and farmers on both sides; but probably those in the United States get the greatest benefit. The advantage which the western farmers receive by the free importation of cattle is one of the most valuable features of the bill.

Dairy products: This feature of the bill gives almost equal benefits to both Canada and the United States.

Eggs: The American farmers get the best of the bargain by this feature. In the year of 1911 less than 40,000 eggs were imported into the United States from Canada, while 750,000 were imported into Canada.³⁷

At the time the agreement was proposed there had just been a period in which several attempts to corner the wheat market had been made. Through the admission of wheat from Canada it was thought that the speculation in the wheat market would be reduced to a minimum, thus benefiting both the producer and the consumer.

On the other hand was the opposition of the bill. This opposition was backed by the farmers and special interests. It was contended that the bill stripped the farmer of the little direct protection that the existing tariff afforded and transferred that benefit to the city. At the same time the removal of the tariff on more than a hundred articles

³⁷ Cong. Record, op. cit., p. 4139.

articles lost the country five million dollars in revenue in a year. There was nothing but annexation that could compensate the United States for putting its citizens under such a disadvantage. This was an old argument and one which eventually turned the Canadians against the proposed bill. Furthermore the bill shamefully sacrificed the interests of the American farmer to promote the interest of the American manufacturer. For instance, the duty on wheat was removed by the agreement but a duty of fifty cents was retained on flour.

The agents of different farm organizations went to Washington to protest against the bill. Farm papers encouraged the farmers to write letters of protest to Washington. The National Grange, a farm organization, sent President Taft a copy of the resolution which the executive committee of that body had prepared. In this resolution it was resolved that the National Grange represented the entire body of farmers and it protested against the pending reciprocal agreement with Canada because its provisions placed agricultural products upon the free list and offered no direct benefit in return. President Taft replied to all the protests from these various sources, that even if it cost him and his party the farmer vote in the next election he would still insist upon reciprocity.³⁸

³⁸ Mark Sullivan, Our Times, iv, 398.

Taft's efforts to get the bill passed by the Senate in the 61st session of Congress were ignored and the session ended without action on the reciprocity bill. Less than a half hour after the session had ended, President Taft issued a call for a special session of the 61st Congress. On April 5, 1911 this special session met for the discussion of the reciprocity bill.

On April 21, 1911 the bill for reciprocity with Canada again passed the House. It was then referred to the Senate.

In the Senate the bill was opposed by the same forces that had opposed it in the previous session. On June 8, after a belated period of time, the Finance Committee of the Senate reported the bill, without recommendation.³⁹ After three weeks of wrangling over the amendments, the bill was brought to a vote. On the evening before it was presented to the Senate for a final vote, President Taft delivered a special message to that body. In this message he urged the passage of the measure:

I always feel an impatience, perhaps an unreasonable one, in having to argue the question of schedules with reference to the advantage of the reciprocity agreement with Canada, because it seems to me that the reasons for adopting it are deeper and wider than are to be found in comparison of percentages and rates with respect to special localities and special businesses. . . . to the north of us. . . . there are 7,000,000 of people with them we have a trade of \$325,000,000 a year. We export to them \$225,000,000 a year. . . . England is the only foreign customer we have that takes more of our goods than Canada. 40

³⁹ Reciprocity with Canada, op. cit., p. 77.

⁴⁰ Senate Documents, 43, 62nd Cong., 1st. sess.

Whether this speech had anything to do with the immediate passage of the bill is not determinable. Nevertheless, the bill was passed by the Senate on June 21, 1911.

On July 26, 1911, President Taft signed the reciprocity bill and it needed only similar legislation in the Canadian Parliament to make the reciprocity agreement effective.

Both the United States and Canada were certain that the Canadian Parliament would pass the bill without delay because reciprocity with the United States had long been an understood tenet of Canadian diplomacy. However, the sentiment developed against reciprocity by the Canadian people and the economic aspect of reciprocity in Canada were overlooked.

In the twenty years preceding 1911, Canada had built up her own economic system independent of the United States. Within the decade preceding 1911, she entered her most prosperous period and felt that she need no longer look to her southern neighbor for trade concessions. Canada had, during the same period, built up her trade with Great Britain. At that time she had hopes that England would adopt the preferential trade system.

Another and more valid objection to the bill, from an economic standpoint was the insecurity of duration of the agreement. Subject as it was to the concurrent legislation by the two countries, it was also subject to abrogation in the same manner. At any time the United States would be free to terminate the agreement if she so desired. If the bill were adopted by Canada, much of her trade would be diverted

from European markets to the markets of the United States. The whole commercial structure of Canada would consequently have to be adjusted to reciprocity. After such an adjustment was made, Canada's commerce would be paralyzed if the United States chose to terminate the agreement.⁴¹

It was not likely that the reciprocity agreement would have been defeated upon economic grounds alone for it offered some really beneficial terms to many of the Canadian interests. The sentiment that had developed against reciprocity with the United States was a much more potent element. Canada had tried for forty years to obtain reciprocity with the United States and had been refused each time. By 1911 there had grown up in Canada a belief that the earlier efforts of the United States to obtain reciprocity with Canada had been a trick whereby the commercial structure of the Provinces might be undermined. After the United States had undermined the commercial structure, it was believed, she intended to annex Canada. This fear of annexation was nurtured by the Canadian press.

The former president of the United States, Theodore Roosevelt, unwittingly made the remark that the United States was going to annex Canada.⁴² This remark brought a revulsion of feeling against the United States when it appeared in the newspapers of Canada. Another thing which

41 Reciprocity With Canada, op. cit., p. 81.

42 Alex Skelton, "A North American Customs Union", The Nation, November 21, 1931, v. 133, p. 482.

caused the Canadians to look upon the reciprocity treaty with suspicion was the fact that the movement of the United States Government towards reciprocity was backed by William Randolph Hearst who was a rank annexationist.

The sentiment of the American people towards annexation of Canada which was expressed by Secretary of State, Knox was ignored. Knox stated that the United States recognized that the Dominion of Canada was a permanent political unit and that her autonomy was secure. The Canadian press circulated every statement made by a citizen of the United States that could be interpreted to mean a desire for annexation of Canada.

The combination of the two factors mentioned brought about a failure of the bill for reciprocity when it was presented in the Canadian Parliament.

The offer of reciprocity that was tendered to Canada by the United States remained on the statute books of the United States. Its terms were not repealed except as subsequent legislation made them void.

Section 2 of the bill, which affected wood pulp and paper went into effect immediately. The Court of Customs Appeals held that the reductions made by Section 2 of the bill were freely made and since Canada did not ratify the treaty of reciprocity, its terms should be extended to other countries with which the United States had most favored nation treaties.⁴³

⁴³ Benjamin B. Wallace, "Tariff Bargaining"; Foreign Affairs, April 1933, 11.

Although President Taft's efforts to gain reciprocity with Canada in 1911 were a dismal failure, they mark a milestone in the reciprocity policy of the United States.

Chapter III

THE TRADE AGREEMENT WITH
CANADA--1935

During the years following the rejection of the trade agreement of 1911, there were several motions introduced into the House of Commons of the Canadian Parliament to resume the discussion of reciprocity. These motions never passed. During the same period of years the United States came to feel that the obligation of negotiating another reciprocity treaty lay with Canada.

During the years that followed 1911, the United States increased her tariff barriers against Canadian products. Canada likewise increased her tariff rates on American products. These tariff changes on both sides, in a large measure, reduced the trade between the countries from a relatively large to a relatively small figure.

The period which followed the World War, was one in which Canada sought to establish tariff differentials against the United States in favor of Great Britain.

For the five year period before the World War, about 54 1/2 per cent of the imports from Canada into the United States entered without paying a duty; during and following the war the proportion entering free ranged somewhere between 80 and 90 per cent; from the year of 1922 to the year of 1929 the proportion ranged from about 73 to 77 per cent.¹

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United States Tariff Commission, The Trade Agreement With Canada, Report No. 111, Government Printing Office, 1936.

In 1929 after years of wild speculation, an economic crash came. Following this crash there was a drive in all nations of the world toward national self-sufficiency. Tariff walls were raised and preferential tariffs and discrimination became the practice among nations. International trade as a result shrank to almost a third of its former magnitude.

The United States could not escape from the tide of world-wide shrinkage of trade because of her status as a creditor nation. Between the years of 1929 and 1933 the total exports of the United States fell from \$5,241,000,000 to \$1,675,000,000 and the total imports fell from \$4,399,000,000 to \$1,449,000,000--approximately 35 per cent when measured in terms of dollars. The percentage of world trade which the United States enjoyed correspondingly shrank from 13.83 per cent in 1929 to 10.92 per cent in 1932.²

The United States, in an effort to find some way out of the situation in which she found herself, looked to the cure of economic nationalism. She began to raise the tariff barriers and enact discriminatory tariffs. In 1930 the Smoot-Hawley Tariff Act was passed. This act transferred from the free to the dutiable list three items of major importance to Canada, viz: hides and skins of cattle, leather, and softwood lumber.³ Since the United States was the greatest

² Ibid.

³ Ibid., p. 38.

importer of these products this struck a blow at the trade between the two countries. A still more telling blow to the Canadian trade with the United States was the increase in duty on the dutiable products, particularly the agricultural products.⁴

Canada in May of the same year made a similar revision of her tariff. The tariff on about thirty articles was increased and on about fifty articles was raised. British preferential rates on some three hundred tariff items were reduced, thus increasing the preferential rates on American products. The following September, Canada made another revision of her tariff. Almost one hundred rates of the general tariff were increased and only a few were decreased.⁵

Between the years of 1930 and 1934 there was legislation in both Canada and the United States regarding the tariff question. Each country sought to retaliate when any tariff discrimination was made.

When Franklin D. Roosevelt became president of the United States, one of the first major questions which came before him was the tariff question. Congress was faced with the necessity of removing tariff barriers which were blocking the national recovery policy of the President. In attacking the tariff question, Congress had two policies

⁴ Ibid., p. 38.

⁵ Ibid., p. 38.

from which to choose. They could either choose the policy of exclusive preference or the policy of equality of treatment.

On March 2, 1934, President Roosevelt delivered his message to Congress regarding the Trade Agreements Act. In this message President Roosevelt expressed his opinion of the trade situation and advocated reciprocal trade relations with other countries.

The trade channels which are ever shifting must be controlled by an elastic tariff policy. Other countries are winning trade by reciprocal treaties. If the United States is to hold her place with other governments, she must be in a position to bargain for that place with other governments by rapid and decisive negotiations. If the government is not in a position to make such negotiations her trade will be superseded. If a promise cannot be fulfilled quickly it is no inducement to other nations.

For this reason only a small amount of power in the hands of the executive would be ineffective. Other countries have placed the power of negotiating trade treaties in the hands of their executives and the United States could easily do the same.

A resumption of international trade cannot but improve the situation of other countries, thus improving their purchasing power. The policy of reciprocal legislation will bring definite gains to American agriculture and industry.

Legislation such as the Trade Agreement Act proposes is an essential step in the national recovery program which Congress has expanded in the last year; it is a part of the emergency program necessitated by the economic crisis. The act should provide that the trade agreements with other countries should be negotiated by the President and be terminable within a period not to exceed three years.⁶

The whole nation looked to President Roosevelt for leadership so they saw in the policy of equal treatment which he advocated the only consistent policy of trade. Accordingly, Roosevelt's policy, which had been advocated by Cordell Hull, Secretary of State, was incorporated into the Trade Agreements Act.

The act provided that the President, when he found it necessary, was authorized to enter into foreign trade agreements with foreign governments. He was authorized to proclaim modifications of existing duties and other import restrictions. No proclamation could be made if it increased or decreased by more than 50 per cent any existing duty. The President was also given the power to terminate at any time any agreement that he made.

On June 12, 1934 Congress approved the Trade Agreements Act. On June 17 President Roosevelt signed the act.

The trade agreements program was thus launched. It then became necessary for the United States to persuade

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Department of State, Press Release, March 3, 1934.

various other countries to break down their excessive tariff barriers.

Naturally the United States looked to her neighbor, Canada, as one of the best prospects for reciprocal trade. She had once had such an arrangement with Canada and it had been partially successful. Then too, Canada had long been one of the United States' best customers.

The trade between the United States and Canada had always been quite large especially when one considers the great differentiation of population of the two countries. "In total trade Canada buys more from the United States and sells more to the United States than it does from and to any other country of the World. Canada's trade with the United States is 2 1/2 times as large as her trade with England. American trade is 1/4 larger than her trade with England."⁷ And England is the best customer of both countries.

Before the economic crisis of 1929 Canada's trade with the United States was very large in volume. "Excluding alcoholic beverages from all the totals, the United States on the average for the 3 fiscal years ended March 1930, furnished Canada 70 per cent of her imports, the United Kingdom 13 per cent, and all other countries combined 17 per cent."⁸ However, following the passage of the Smoot-Hawley tariff

⁷ Alex Skelton, op. cit.

⁸ The Trade Agreement With Canada, op. cit., p. 16.

there was a marked decrease in the trade between the two countries.

By the time that the United States launched her trade agreements program, Canada too was in the mood for tariff bargaining. Mackenzie King who was prime minister of Canada said that the policy of Canada had always been and would always remain favorable to trade agreements in natural products. As early as 1927 he had begun agitation for reciprocity with the United States. He asserted that hard times in Canada made reciprocity an active issue.⁹

There was also a movement for closer union of the American Nations since the United States had begun her good neighbor policy. Canada no longer feared that the United States wished to annex her.

The Trade Agreements Act provided that any concessions made to a given country by an agreement might be suspended by the President if he felt that there was any discrimination against American commerce. President Roosevelt extended to Canada the benefits of the concessions made in agreements with various countries even before the trade agreement with Canada was negotiated. This extension was provisional and could be withdrawn at any time if Canada did not enter a trade agreement with the United States.¹⁰

The negotiations for a trade agreement between the

⁹ Alex Skelton, op. cit.

¹⁰ The Trade Agreement With Canada, op. cit., p. 62

United States and Canada was thus begun at a very auspicious moment and was favored by both the countries.

When negotiations were begun between the United States and Canada to effect a trade agreement, the negotiations were formally announced but no statistical information whatever was presented. No one seemed to think that a hearing was necessary because practically everyone had implicit faith in any policy President Roosevelt advocated. The agreement was, therefore, negotiated and accepted with little or no opposition.

The results of the trade negotiations between the United States and Canada re the trade agreement of 1935 are found in the trade agreement and in the note from the Canadian Legation to the United States Government.¹¹

The provisions in the Trade Agreement which affect the duty on products exchanged by Canada and the United States are found in Articles I, III, and IV. The schedule which is appended to Article III gives the rates on American products imported into Canada; schedule II which is appended to Article IV gives the rates on Canadian products imported into the United States.¹²

Both schedule I and schedule II contain three main classes of concessions consisting of reduction of duty

¹¹ Ibid.

¹² Ibid.

on commodities, binding of the existing duty on some of the commodities, and binding of the existing free duty on other commodities.

The total number of tariff items on which duties were reduced by the United States in the agreement with Canada was 59. The principal items were farm products, fishery products, forest products, and semi-manufactured goods.¹³

The number of articles that remained on the free list was 33. The principal items in this group were: Sea herring and smelts, lobsters, pulpwood, wood pulp, news-print paper, various forms of unmanufactured wood, etc.¹⁴

¹³ Ibid., p. 6.

¹⁴ Ibid.

Chapter IV

SUMMARY AND CONCLUSIONS

What have been the results of the reciprocal trade policy of the United States with Canada?

After the first reciprocal treaty went into operation in 1854 there was a marked increase in the trade between the United States and Canada. The treaty might have proved very successful if it had been allowed to remain permanent. However, because of the sentiment aroused against Canada during the Civil War, the treaty was abrogated.

The treaty of 1911 never reached fruition because of the suspicions which the Canadian newspapers aroused in the minds of the Canadian people against the United States. There is, therefore, no way to measure to what extent such a treaty might have been beneficial. The negotiation for such a treaty did pave the way for the one which came into existence in 1935. It also started the tariff war between the two countries because Canada rejected the treaty. This tariff war proved quite disastrous to the trade relations of Canada and the United States.

The Canadian-American agreement of 1935 went into operation on January 1, 1936. From that time there was a marked recovery in the trade between the United States both in imports and exports. Between January and June of 1936 there was a gain of 23 million dollars in the exports to Canada and a gain of 30 million dollars in exports from

Canada to the United States. During the year of 1936 following the treaty with Canada there was a gain of \$29,000,000 in our imports and a gain of \$25,000,000 in our exports from and to Canada.¹

One must keep in mind that the trade agreement between the two countries is not the only factor that has helped in the trade recovery between the two countries. The Trade Agreements Act has proved fruitful in increasing our foreign trade along a wide front throughout the world within the last year or two. The fact of trade expansion with Canada for this reason is not conclusive evidence that the trade agreement was responsible for such an increase. To cite an instance, the trade of the United States with Great Britain increased at about the same rate as did the trade with Canada during the same period of time.²

In addition to the increase in trade brought about by the trade agreement, the upward swing in the business cycle has also contributed to the increase in trade.

The trade between Canada and the United States improved more noticeably since the trade agreement coming into operation than the trade of either of the countries with the rest of the world. The exports to Canada during 1936 increased over \$50,000,000 and the imports from Canada increased over \$89,000,000. During the same year the exports to Great

¹ Canadian-American Trade, The Department of State, 1936, p. 1.

² "Will Reciprocal Tariffs promote American Recovery?", America's Town Meeting of the Air, American Book Co., p. 17.

Britain increased only a little over \$6,000,000 and the imports from Great Britain increased about \$45,000,000. The following table shows the increase in imports and exports between the United States and Canada in 1936 over the year of 1935.

United States Imports from Canada ³ (value in thousands of dollars)		
Month	before agreement	after agreement
	1935	1936
Jan.	19,235	24,276
Feb.	18,142	22,931
Mar.	20,877	26,822
April	22,353	26,719
May	27,024	28,744
June	22,313	30,347
Total.	129,313	159,839

United States Exports to Canada		
Jan.	21,624	25,719
Feb.	21,958	23,880
Mar.	24,210	26,343
April	27,478	30,229
May	29,273	35,258
June	26,532	33,511
Total.	151,075	174,940

During the first months of 1937 there was an increase in the business over that of 1936. The imports in 1936 for the month of January amounted to \$22,933,881, while they amounted to \$33,089,291 in 1937. The exports amounted to \$26,981,549 in January 1936 while they amounted to \$31,297,247 in 1937.⁴

³ Canadian-American Trade, op. cit., p. 16

⁴ U. S. Department of Commerce, Bureau of Foreign and Domestic Commerce, Monthly Summary of Foreign Commerce of the U. S., Jan., 1937, p. 4

These increases in trade are only a few of the changes in the great magnitude of business that is carried on between the Canadian and United States markets. They do tend to show that the stimulus of the trade agreement has become apparent and that the trade between the two countries will continue to increase when opportunities in different fields are opened. Whatever comes of the trade agreement with Canada, it has proved successful so far as it has opened up the way for better trade relations for the future.

The Congress of the United States felt that the agreement was successful enough to warrant its continued. Therefore, in 1937 a resolution was passed in the House to extend the treaty for three years. The Senate passed a similar resolution in the same year.

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