Canada-United States Trade Agreement and the Maritime Provinces

By George V. Haythorne

AT a time when political tensions between nations interfere with the working out of mutually advantageous economic policies and when, at great cost, tariff barriers are being raised to promote economic self-sufficiency, it is reassuring to hear of international agreements designed to remove such barriers and to liberate trade. The recent trade agreements between Canada and the United States and the United States and the United Kingdom, signed on November 17, 1938 in Washington, are particularly reassuring not only because these three countries are directly connected with much of the world's commerce, over one-third in 1937, but also because the agreements represent a tangible expression of common national interests. Under these circumstances it is not to be wondered that the agreements have been so well received in all three countries, as well as in all other countries which have most favored nation agreements with them.

Not since the days of reciprocity prior to 1866 has such freedom of trade existed between Canada and the United States. In fact, although there have been periods when substantial tariff reductions were granted, the general trend of both Canadian and United States tariffs for almost three-quarters of a century was upward. A high point was reached in the United States in the Smoot-Hawley tariff of 1930, when the tariff schedules were raised chiefly in an unsuccessful effort to offset the decline in commodity prices that accompanied the beginning of the depression period. A general upward revision of Canadian import duties was made in 1931 partly for the same reason and partly in retaliation to the increases in the United States duties. In the following year, 1932, the Ottawa agreements, which greatly extended the system of preferential tariff treatment among the British Empire countries, became another barrier to Canada-United States trade.

The first attempt to remove any of the hindrances to trade erected during the years 1930-1932 was the signing of a Canada-United States trade agreement in 1935 which became effective on January 1, 1936 for a period of three years. Although this agreement was experimental and strictly limited in its scope—none of the concessions, for example, affected the preferential position of British goods in the Canadian market—nevertheless the results of the agreement proved sufficiently beneficial to both countries that they were ready and willing to sign a much more comprehensive agreement which came into effect on January 1, 1939 for another period of three years.

Under the new agreement all of the concessions granted in the previous agreement are either renewed or increased and, in addition, there is a large number of entirely new concessions. Altogether the 1938 agreement includes reductions on 129 items and sub-items, which is over twice the number provided under the 1935 agreement. Several more bindings of existing duties or of free entry are included in the recent agreement and many of the previous quotas are removed or substantially increased. In some cases the reductions in the duties are not large. Frequently this is due to the fact that the President of United States is empowered by the Trade Agreements Act of 1934

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to reduce rates of duty established by the Tariff Act of 1930 by not more than 50 p.c. through trade agreements with other countries. Canada has also, under the new agreement, made substantial further concessions to the United States on many specific items and in addition has promised to remove the special 3 p.c. excise tax on items bound on the Canadian free list as well as on items upon which existing duties are bound or reduced.

While it is altogether likely that an expansion of the total trade between Canada and the United States will occur under the new agreement, it is impossible to prophesy accurately what the outcome will be for specific commodities. In the present discussion all that will be attempted, will be a brief review of the reduction of duties on commodities of particular interest to the Maritime Provinces and to discuss in a general way their probable effect on the extent and direction of trade.

Of all the concessions granted by the United States in the recent agreement the most important from the point of view of the Maritime Provinces are those on fish. The reductions range from $16\frac{2}{3}$ p.c. to 50 p.c. of the previous rates and are much more extensive than those granted under the first agreement three years ago[1]. Fish in a fresh or frozen form receive particularly favorable treatment. The largest reduction is on fresh mackerel namely from 2 cents to 1 cent per pound but the reduction on filleted, sliced or boned cod and related species in a fresh or frozen form from $2\frac{1}{2}$ cents to $1\frac{7}{8}$ cents per pound should be especially helpful. On the one hand this reduction on cod and related species will either reduce the previous loss or perhaps give a slight profit on these varieties of Canadian fish exported to the United States, and on the other hand, it will help to maintain the price level of fish in the domestic markets. Provision is made for the reduced rate of $1\frac{7}{8}$ cents per pound to apply to a quota of 15,000,000 pounds annually. This quota is expandable, however, to 15 p.c. of the United States consumption, if the consumption averages over 100,000,000 pounds annually during the three preceding years. During years when the United States catch of cod and related species is low, this clause may be particularly beneficial to the Maritime Provinces. The total quantity of fresh and frozen cod and related species exported to the United States during the fiscal year 1938, however, amounted to only half of this quota. The amount of the fish exports and of other primary products of particular interest to the Maritime Provinces are shown in the accompanying table. In this table a comparison is made also between the quantities and values in the fiscal year 1935, the year before the first Canada-United States agreement came into effect, and those in 1938. Those commodities on which United States import duties were reduced in the 1935 agreement are specially marked. It should not be assumed that where increases in exports in these commodities occur, they were due to lower United States duties. In most cases, however, tariff reductions were an important contributing factor.

Smoked cod and related species are given the maximum concession allowable under the United States Trade Agreements Act. The two classifications for salted or pickled cod and related species, namely not more than, and over 43 p.c. moisture are also given maximum concessions. Although the differential between these two classifications still exists, it has been reduced sufficiently in absolute terms to enable more of the drier fish to be sold in the Porto Rican market. Formerly the differential amounted to \$2.24 per 448 pounds, while it is now \$1.12 per 448 pounds. This latter figure does not look so formidable. Some people will be willing to pay an extra \$1.12 per cask for the drier fish whereas they would not be willing to pay an extra \$2.24. This difference in duty based on the quantity of moisture contained in the salted fish has worked out to the advantage of Newfoundland which, with its so-called "Labrador slop", has been

1. See *Commercial Intelligence Journal*, No. 1817, Nov. 26, 1938, pp. 907-908.

Selected Canadian Exports to the United States, Fiscal Years 1935 and 1938†

Commodity*	Quantity 1935	Quantity 1938	Value 1935	Value 1938
	cwts.	cwts.	$	$
Fish:				
Fresh or frozen mackerel	2,658	26,776	13,562	159,141
*Fresh or frozen halibut	26,205	55,576	230,201	550,469
Fresh or frozen cod and related species	44,261	75,209	295,099	518,316
*Fresh or frozen swordfish	14,780	14,334	154,421	198,786
*Smoked herring	4,849	8,586	19,158	36,828
Smoked cod and related species	18,430	27,598	181,937	283,014
Salted or pickled herring	14,716	8,759	25,782	29,825
*Salted alewives	1,640	42	4,982	190
Green salted or pickled cod and related species	108,126	112,355	310,078	302,846
Dry salted cod and related species	90,776	65,384	510,647	377,391
Boneless, canned or preserved cod and related species	23,939	18,402	209,686	160,930
Agriculture:				
Potatoes: Table, bushels	625,451	191,563	337,413	124,213
*Seed, bushels		570,256		393,607
*Turnips, pounds	1,815,207	2,456,891	396,478	839,859
Blueberries, fresh, pounds	3,665,567	7,146,831	205,068	435,779
*Hay, short tons	69,819	81,604	673,963	555,768
Cider, gallons	161,416	135,195	96,587	50,500
Fox skins, silver or black, number	5,999	6,048	197,312	177,614
Forest Products:				
Planks and boards,				
*Spruce, M. board feet	124,669	212,638	3,004,298	5,706,003
*Pine, " " "	86,721	60,685	2,121,972	1,936,224
*Birch, " " "	8,857	31,199	294,198	1,238,176
Christmas trees,	x	x	365,565	508,185
Total Canadian exports to the U. S.	....	....	304,748,440	425,131,091

†Fiscal year ending March 31.

‡Includes only those commodities of particular interest to the Maritime Provinces on which concessions were granted either in the 1935 or 1938 trade agreements.

*Commodities on which United States import duties were reduced in the 1935 agreement.

xQuantity figures not available.
Source: *Trade of Canada*, 1937 and 1938.

able under a lower duty to outbid drier fish from the Maritime Provinces in the Porto Rican market. This advantage, while still existing, is reduced by the present trade agreement.

The reduction of duties on farm products covers a wide range but those most directly affecting the Maritimes are on potatoes, and blueberries. The concessions on potatoes apply both to seed and table varieties. On seed potatoes the maximum decrease is granted, making the duty under the new agreement $37\frac{1}{2}$ cents per hundred pounds or $22\frac{1}{2}$ cents per bushel. For the time being this duty applies for nine months from the beginning of March to the end of November. During the three remaining months the duty is to be 60 cents per bushel. Provided a previous obligation to Cuba in respect to seed potatoes is removed, the lower rate will apply for the whole year. A quota on seed potatoes remains in force but it has been increased from 750,000 to 1,500,000 bushels annually. The maximum reduction from 75 cents to $37\frac{1}{2}$ cents is granted also on table potatoes for the nine months of the year. A smaller reduction to 60 cents is given during the other three months. The minimum quota is fixed at 1,000,000 bushels but it may be increased automatically in a short crop year by the amount the domestic United States crop falls below 350,000,000 bushels. If Canada happens to have a short crop during the same year, this expandable quota will not make much difference since the Canadian market would likely absorb the whole domestic supply at good prices. Under other circumstances, however, this clause in the agreement should prove highly beneficial to Maritime potato producers.

Under the 1935 agreement preserved blueberries were granted a reduction of 10 p.c. ad valorem. They are given a further concession from 25 p.c. to $17\frac{1}{2}$ p.c. under the new treaty and in addition the duty on fresh blueberries or blueberries in a brine is reduced from $1\frac{1}{4}$ cents to 1 cent per pound. The increase which occurred in the export of blueberries to the United States under the 1935 agreement is likely to be extended under these more favorable conditions.

A substantial reduction on silver and black fox furs, under the new trade agreement will no doubt be shared by the Maritimes.

Canadian exports of apples are not directly affected by the new agreement. Indirectly, however, through the United States-United Kingdom agreement Canadian apples enjoy a smaller preference over United States apples in the British market. This results from a reduction of the British duty on United States apples from 4s. 6d. per cwt., to 3s. per cwt., covering a period from August 16 to April 15 inclusive. Since Canadian apples enter the British market free, the present preference of 3s. per cwt. is still ample to safeguard the sales of Nova Scotia apples in the United Kingdom. It is likely, in fact, that had the tariff on United States apples been lowered at an earlier date, there would have been less stimulus given to domestic apple production in the United Kingdom. The increased production of British apples is likely to prove a more serious factor to the Canadian trade than any increased importation to the United Kingdom from the United States under the new agreement.

In addition to the removal of the marking requirement, which made it necessary to stamp the name of the country of origin on lumber entering the United States, the only other direct benefit to the forestry industry in the Maritimes resulting from the present agreement is the reduction of the duty on Christmas trees from 10 to 5 p.c. ad valorem. Indirectly, however, benefits are likely to come in two other ways. First, the removal of the United States quota on Douglas fir and Western Hemlock is likely to give rise to a larger export of this product from British Columbia to the United States and thus tend to reduce the competition of British Columbia lumber with that from the Maritimes in the United Kingdom market. Second, the United Kingdom has agreed to remove the duty on certain sizes and specifications of United States softwoods if the United States in turn will remove its excise tax of $1.50 per thousand on all Canadian lumber. If this tax is allowed to expire in June of this year, as it normally would, the only duty or tax on Canadian fir, spruce, pine, hemlock, or larch lumber entering the United States would be 50 cents per thousand feet. Under these circumstances, moreover, birch and other hardwoods, with the exception of cabinet woods, would enter the United States free of all duties or taxes.

This latter arrangement regarding lumber illustrates how Canada's bargaining position in her discussions with the United States was strengthened through assistance from the United Kingdom. Because Canada sacrificed something of the guaranteed market, especially for primary products, formerly enjoyed in the United Kingdom, she was aided by the United Kingdom in obtaining better treatment from the United States both in direct concessions in the Canada-United States agreement and in indirect concessions through the United Kingdom-United States agreement.

Quite apart from the above benefits directly occurring to the Maritimes from the agreement there are other indirect gains. One important result will be the reduced prices of manufactured articles, particularly machinery not made in Canada, arising out of the lower Canadian import duties. These lower prices of producers goods will be reflected ultimately, through lower costs, in consumer prices. Another outcome, although one difficult to measure, will be the increased business confidence based on the stabilization of duties on important imports and exports for the next three years. A final, and not the least important benefit, especially to a region like the Maritime Provinces which is so largely dependent on export trade, is the fact that this new agreement will serve as a splendid model for other agreements which, it is to be hoped, Canada will make with other countries in the near future.

What Health Insurance Means to the British Worker

By Douglass W. Orr

TWO questions are suggested by the title of this paper. One is, "What does health insurance mean to the British worker as seen by a public health official or some other outside observer?" The other is, "What does the average British worker himself think of health insurance?" Fortunately the points of view both of the average "outsider" in Great Britain and of the worker himself are quite similar. Anyone who undertakes a study of the British scheme of health insurance, interviewing working men and women, employers, social workers, doctors, politicians, and others, will soon find that the opinions about it from all sources have a certain monotony, and that, except for rare instances, only an extreme Conservative, on the one hand, or an extreme left winger, on the other, would provide any marked divergence of sentiment.

Great Britain has had its scheme of health insurance since 1911 when the first National Health Insurance Act was pushed through Parliament by Mr. David Lloyd George, then Chancellor of the Exchequer. The Bill was, in some respects, a patchwork of compromises and there was considerable opposition—both lay and medical—to many of its provisions. Once enacted the measure was skilfully administered by tactful civil servants, however, and National Health Insurance has now become a permanent and indispensible part of the British social services.

Several characteristics of National Health Insurance in Great Britain deserve special mention at the onset. It is, first of all, compulsory for virtually all wage-earners; that is to say, all wage-earners under a contract of service earning less than £250 a year (about $1250) and these comprise some 18,000,000 men and women between 16 and 65 years of age. Secondly, it is not merely a plan of insurance; it includes also a special type of medical service for the insured population. And, finally, the range of cash benefits and also of medical services is subject to fairly well defined statutory limitations.

Health insurance, now more than twenty-five years old in Great Britain, is almost as much a part of the worker's daily life as is the Post Office or the school system. The insured person, having his weekly contribution (about 10c.) regularly "stopped from his wages", finds himself relatively secure in the knowledge that if he becomes sick he has a considerable measure of protection both against the sudden loss of earning power and against the illness itself. The statutory benefits of National Health Insurance .may be summarized as follows:

(1) *Medical benefit*: This consists of medical attention and the provision of "proper and sufficient medicines" without the

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