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My analysis of the figures leads me to the conclusion that Canada is your largest customer for manufactured goods, Great Britain and Germany taking in their imports largely food products.

12th - Dummer

~~CONFIDENTIAL.~~

SUMMARY of address of The Honourable
Wallace Nesbitt, K.C., before the American ECONOMIC CLUB, at
New York, Wednesday evening May 18th, 1910.

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Before taking up existing conditions affecting the commercial relations of the United States and Canada, Mr Nesbitt reviewed the trade treaties negotiated between the two countries. Until the treaty of Washington in 1854 gave free entry on both sides of the border to a large list of natural and manufactured products, whereby trade was wonderfully stimulated, all the agreements had been designed to facilitate and protect the development of the fisheries. Speaking of the treaty of Washington Mr Nesbitt said:

"Sparsely inhabited and undeveloped though Canada was, the exports to the United States increased from \$2,162,250 the year the treaty went into effect, to \$40,127,266, when it was abrogated, and the total exports from Canada in 1887, twenty years later, were only \$37,000,000. So that notwithstanding the growth of the country during this twenty-one years, and that all the provinces of Canada had

been united in confederation in the meantime, and Canada had taken on its national status, the trade with the United States from Canada had decreased more than 12 per cent. in twenty-one years.

"I may say that in my view the abrogation of that treaty was, in disguise, one of the greatest possible blessings to Canada as a nation. In a letter dated at the National Hotel, Washington, January 6th, 1851, from Mr Hincks, then Inspector General of Canada, to the Honourable R. W. McLane, Chairman of the Committee on Commerce of the American House, Mr Hincks made this statement:

'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.'

"This sentence, in view of what has occurred since, was certainly prophetic, and I think will become more and more so as time goes by.

Even more so was the language of Hon. W. H. Seward in August 1857. "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."

the ties of kinship and of language with ourselves and that the friendliest possible personal feeling existed, so much so that wherever a Canadian and an American met an immediate

friendship spring up, more so, indeed, than with our own forebears and kin from across the sea.

"When a tariff war was recently threatened through conflict between widely different American and Canadian tariff systems, it was only natural for Canadians to feel that they had been already for forty years at commercial war with the United States although the steady increase of the volume of trade testified to the power of propinquity. A situation fraught with the gravest commercial danger was averted by the exercise of friendly spirit and business sense. Fortunately there were real statesmen at both Washington and Ottawa. Canada's commercial independence was frankly recognized by President Taft, who, in a message to the Canadian people said:

'It is my deliberate purpose to promote in such ways as are open to me better trade relations between the United States and Canada. I am profoundly convinced that these two countries, touching each other for more than three thousand miles, have common interests in trade and require special arrangements in legislation and administration which are not involved in the relations of the United States with countries beyond the seas.'

"The expression of this continental doctrine, which has yet to find expression in legislation, has worked a great improvement in the spirit of Canadians toward the American government. The present moment appears more advantageous than any in a generation for betterment of the tariff restrictions, despite which our trade already has grown so great.

After briefly reviewing Canada's resources and

assured future, Mr Nesbitt said:

"If the United States were immediately in its own interests to lower its tariff against goods coming from Canada, there would be a two-fold effect. First, if grain, flour, breadstuffs, animals of all kinds, fruits, fish, poultry, eggs, butter, cheese, hides and timber were allowed to be sent in practically free, the result would be a very large decrease in the cost of living, with the further result of a very much improved ability to manufacture in competition with foreign countries having a lower cost of living than at present obtains in the United States. Is this something to be desired? While not lowering the standard of living, getting the same standard at a great deal less cost.

"On our side it would mean the opening of new country by leaps and bounds; fresh inhabitants pouring in with their purchasing power not less than at present and constantly increasing, and as you now, with the differential tariff in favour of England, which I would not suggest to any Canadian to change in your favour, are able to sell us at the rate of \$30 a head, as we increase our population and purchasing power, does it not open out enormous possibilities in the way of trade for your manufactured goods? And at the same time create such a source of natural supplies for you as to get rid of many of the burning questions, social and domestic, now agitating your citizens.

"My suggestion, however, is that no treaty is likely to be acceptable to both sides unless it contains a fairly complete list of manufactured goods both ways, coupled with the free import of farm products, and in the case of logs and pulp wood their free entry should also be coupled with the similar entry of the manufactured goods from Canada.

"In addition, Canadian manufacturers cannot afford the necessary investment for the lowering of the cost of production necessary to take advantage of your market unless there is such a feature of permanency as would warrant them in specialising and increasing their output.

"The avenues of commerce between the two countries are so intermixed and interwoven that the trade which flows along them must of necessity continually increase. It can be accelerated or partially stayed. With the ever-increasing inter-marriages and inter-relations in business, the necessity of continued amity and friendship is becoming every day more important. That man who would wittingly sever the good relations which now exist would, apart from his financial mistake, be committing the greatest possible crime against his country."