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The Economic Effects of the Canadian-American Reciprocal Trade Agreement on North Dakota

John J. Laemmle

THE ECONOMIC EFFECTS OF THE
CANADIAN-AMERICAN RECIPROCAL TRADE AGREEMENT
ON NORTH DAKOTA

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John J. Laemmle

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This thesis, presented by John J. Laemmle in partial fulfillment of the requirements for the degree of Master of Arts is hereby approved by the Committee of Instruction in charge of this work.

E. Maxwell Benton
Chairman

E. T. Towne

Erich Selke

J. V. Breitwieser
Director of the Graduate Department

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John J. Laemmle

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CHAPTER I

INTRODUCTION

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The subject of foreign trade has received increasing attention since the depression and the decline of that trade. The Federal government enacted the Reciprocal Trade Agreements Act in 1934 and embarked upon a program of foreign-trade expansion. This object is to be accomplished through a net-work of trade agreements negotiated by the executive department.

There is, however, no unanimity among statesmen, economists, and writers on the methods employed in the effort to expand our foreign trade or the results obtained under them. The subject is a controversial one. The Republicans have condemned the program and advocated the repeal of basic act. Their position is summarized by the Republican platform of 1936, which reads as follows:

"We propose to protect the American farmer against importation of all live stock, dairy, and agricultural products, substitutes therefor, and derivatives therefrom, which will depress American farm prices. We will repeal the present Reciprocal Trade Agreements Act. It is futile and dangerous. Its effect on agriculture and industry has been destructive. Its continuation would work to the detriment of the wage-earners and the farmers. We will restore the principle of the flexible tariff in order to meet changing economic conditions here and abroad and broaden by careful definition the powers of the Tariff Commission in order to extend this policy along nonpartisan lines. We will adjust tariffs with a view to promoting international trade, the stabilization of currencies and the attainment of a proper balance between agriculture and industry. We condemn the secret negotiation of reciprocal trade agreements without public hearing or legislative approval."[1]

In equally emphatic language, the Democrats praise the program and urge its continuation. The platform of the Democratic party of 1936 states its policy as follows: "We shall continue to foster the increase in our foreign trade which has been achieved by this administration; to seek by mutual agreements the lowering of those tariff barriers, quotas, and embargoes which have been raised against our exports of agricultural and industrial products; but continue as in the past to give adequate protection to our farmers and manufacturers against unfair competition or the dumping on our shores of commodities and goods produced abroad by cheap labor or subsidized by foreign governments."[2]

In North Dakota, discussions of the reciprocal trade program center more or less on the agreement with Canada. The platform of the Nonpartisan League which was adopted at the State convention at Bismarck, March 1-4, 1938, declared its opposition to the principles of the Canadian agreement as the following quotation from that platform reveals:

"Since agriculture is the basic industry of the United States, and particularly of North Dakota, and general prosperity is impossible until the American farmer receives a fair price for his produce, we do condemn the trade policies that now exist which discriminate against our agricultural products in foreign markets and which permit agricultural products to come into our country in competition with the native products of our soil. We affirm that agriculture in these United States is still in a

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1 Americana Annual, 1937, p. 234.
2 Ibid., p. 237.

state of depression with tillers of the soil laboring under unbearable taxes and debts and compelled to sell their products on the basis of the depressed dollar and buy the things they need on the basis of the inflated dollar. We favor protection for our producers and insist on protecting our home markets for native products."[3]

The writer was prompted to choose the subject of Canadian-American trade relations for this thesis because of the controversial nature of the subject. Enlightenment comes only through study, and the writer was prompted by the desire to know the truth.

Statement of the Problem

The problem in its simplest form is: What are the economic effects of the Canadian-American Reciprocal Trade Agreement on North Dakota? In addition to this main problem, there are a number of sub-problems, the solutions of which contribute to the solution of the main problem. These can also be stated in the form of questions: (1) What is the importance of the subject? (2) What is the history of reciprocity between Canada and the United States? (3) What are the principles of the present reciprocal trade program and the provisions of the agreement with Canada? (4) What is the nature of production in North Dakota? (5) What is the general trade between Canada and the United States? (6) What is the agricultural trade between the two countries: (a) What exports to Canada embrace products of North Dakota? (b) What imports from Canada compete with products of this State? (c) How do these exports and imports compare? (7) What are the reasons for either the equality of or the difference in these exports

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3 Grand Forks Herald, morning edition, March 4, 1938, p. 6.

and imports? (8) What are the conclusions: (a) If the trade under the Canadian agreement is beneficial to North Dakota, are there detrimental offsets? (b) If the trade is detrimental, are there beneficial offsets? (c) What are the broader aspects of the problem?

Each of the foregoing sub-problems is treated in the order given, and each occupies a chapter in this thesis. On the aggregate solutions of these minor problems depends the answer to the main question: What are the economic effects of the Canadian-American Reciprocal Trade Agreement on North Dakota?

Delimitation of the Study

The problem is limited to the economic effects of the agreement. Political, social, and cultural effects are not considered in this study. As has been pointed out, the effects are studied in their relation to North Dakota, rather than to the United States as a whole. Consideration is limited in the main to the agricultural trade between Canada and the United States under the agreement, although summaries are given of the entire trade as a necessary basis for the problem. Another limitation of the problem consists in confining consideration to those agricultural commodities (1) which are of the kinds produced in North Dakota and (2) on which the agreement reduced the duties. But summaries are given for the total agricultural trade, to aid in the solution of the problem; and finally, production aspects of the problem are studied rather than consumption aspects, while the analysis of the trade under the agreement is limited to only the first year, 1936, because of the incompleteness and the unavailability of the statistics for 1937 at the time this study was being undertaken.

Review of Related Literature

Although there is a mass of literature on the general subject of reciprocal trade agreements, there is hardly any literature confined to that branch of the subject covered by this thesis.[4] Only two studies of the effects of the trade under the Canadian agreement on North Dakota have come to the attention of the writer. One of these consists of eight charts and two pages of descriptive matter, and covers only the cattle shipments to the United States from Canada in 1936 and the relationship of these shipments to the cattle prices in this country.[5] The first chart is a reproduction of another chart which appeared in a livestock journal in this country, showing in graphic form the decline in cattle prices in the United States in the first six months in 1936 and the increase in the cattle importations from Canada during the same period. No other factors in the price decline are indicated in the chart, and the impression is created that the drop in prices was due entirely to the imports of cattle from Canada. It is this impression that the subsequent charts and syllabus are designed to correct. The second chart shows the relatively much greater receipts of domestic cattle at American markets, dwarfing the receipts from Canada. The third chart shows that the trend in the receipts at other American markets than those at which Canadian cattle were received closely corresponded to the trend in receipts where Canadian cattle were received. The fourth chart shows that the price trends at several American markets on the type of cattle of which Canadian shipments were principally composed showed no variations. The fifth and

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4 U. S. Tariff Commission. Reciprocal Trade: A Current Bibliography.
5 North Dakota Agricultural College. Charts and Syllabus Concerning Imports of Cattle under the Canadian Agreement.

sixth charts show the prices on the same type of cattle for the years 1935 and 1934, respectively. The low point was around $5 per hundred pounds at the beginning of 1934, and the price gradually rose to about $8 at the close of 1934. The peak was reached in April 1935 at about $12, and at the close of 1935, the price was about $10. The chart showing 1936 prices indicated that the price declined to about $7 in June 1936, and thereafter rose steadily to around $10.50 at the close of 1936. It was during this first six-month period of 1936 that the Canadian cattle imports were the heaviest on the American market and the decline in price became associated with the Canadian imports into the United States. However, the seventh chart shows that the domestic marketings were also heavy during the first half of 1936, and it further showed that they increased considerably during the second half of the year, while the price continued to advance along with increasing domestic marketings. It is evident that other factors than marketings also influence prices. The eighth chart shows in graphic form form the trade with Canada during 1935 and 1936, the year before the agreement and the year after it. The chart shows the trade in all commodities, the non-agricultural commodities, the agricultural commodities, and the agricultural commodities on which the agreement reduced the duties. Imports of agricultural concession commodities increased during 1936, but their volume was considerably less than the volume of the trade in all agricultural commodities. Although this study maintains that the Canadian cattle imports under the agreement contributed in a measure to the decline in cattle prices in the United States, it corrected the exaggerated importance of the Canadian shipments into the United States and the overdrawn effects of these on the American market. The conclusions of that study are in harmony with the conclusions reached in the present study.

It might be stated that the present study has employed entirely different sources for its facts from those used by the study under review. Although the study is valuable, it covers only one commodity entering into the trade between Canada and the United States under the agreement, which has a direct bearing on production in North Dakota. The merits of the Canadian agreement in its relation to North Dakota must be judged in the light of the behavior of the total trade in competitive commodities covered by the agreement.

The second study covers the whole series of reciprocal trade agreements in their relation to North Dakota up to the middle of 1936.[6] It states that the economic welfare of North Dakota is closely linked with that of the nation and stands to lose or gain economically according to whether the United States exports are brisk or slack. The United States exports declined from $5,000,000,000 in 1929 to $1,600,000,000 in 1932, and this lost trade cannot be recovered suddenly. However, preliminary results under the trade agreements program would indicate that it can be regained gradually. The exports to Cuba increased from $25,000,000 in 1933 to $60,000,000 in 1935, while agricultural exports rose from $6,800,000 to $14,900,000 in the same period. Exports to Belgium increased $11,000,000 during the first year under the agreement with that country. Exports to Canada showed decided improvements under the agreement.

The study then proceeds with a discussion of commodities of special interest to North Dakota. The trade in wheat is taken up first, since it is the most important commodity produced in this State. Although the negogiators of trade agreements have constantly tried to expand our foreign

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6 U. S. Department of State. North Dakota Benefits from the Trade Agreements Program, 1936.

markets for wheat, efforts thus far have not been attended with any appreciable success. Although subnormal wheat production in the United States in recent years has been unfavorable to an expansion of our exports of wheat, nationalistic policies in foreign countries account for most of the loss of our wheat trade and the failure to recapture this trade. In their efforts to become as self-sufficient as possible, foreign countries have increased their own wheat production and have erected impenetrable barriers against outside wheat. The negotiations have resulted in some concessions on American wheat, but no agreements have been made with countries which used to be the most important markets for our wheat.

Concessions have been secured on barley, corn, and flaxseed, or their products from some countries including Belgium, Cuba, and Sweden. Substantial exports of potatoes to Cuba followed the adoption of an agreement with that country. The United States has not granted a reduction in duty on table potatoes, but in the agreement with Canada, it granted reductions in duty on seed potatoes, calculated to benefit growers in this country. There was a mutual reduction in the duty on hay in the Canadian agreement, designed to benefit livestock producers during periods of drought.

Then follow several paragraphs on the matter of United States concessions to Canada on cattle. The importance of this particular angle of our foreign trade is reflected in the relative length and vigor of the discussion of it in this dissertation. The reductions in duties on cattle are moderate and are protected by quotas. Duty on calves was reduced from $2\frac{1}{2}$ cents a pound to $1\frac{1}{2}$ cents; on heavy beef cattle, from 3 cents to 2 cents; on dairy cows, from 3 cents to $1\frac{1}{2}$ cents; and on medium weight cattle, no reduction. The quota on calves entitled to enter under the reduced rate is limited to one-fourth per cent of the domestic slaughter; and that on heavy beef cattle, to three-fourths per cent of the domestic slaughter. An absolute quota of twenty thousand was set for dairy cows. Cattle imports are less affected by tariffs than by cattle prices. Under the Tariff of 1922, cattle imports were heavy when prices were high. After the Tariff of 1930 became effective, cattle prices declined and so did cattle imports, until 1935 when both prices and imports increased again. Heavy imports continued into 1936; and although the prices declined during these imports, the greatest price decline occurred in the best grades of slaughter cattle of which there were practically no imports, while the least decline occurred in the price of medium grade slaughter cattle which were the kind imported. Although increases in the cattle imports in 1935 and 1936 were in part due to the drought in the United States, economic recovery in the United States also attracted more foreign cattle; and greater cattle imports is an index of domestic recovery. And so ended the dissertation on cattle concessions.

The study then treats concessions secured on packing-house products, which have been gained from nearly all of the signatory nations. Concessions on lard and pork were granted by ten countries, and the exports to Cuba of these products increased very much following the agreement with that country. Exports of these commodities to Canada have also increased. No reductions were granted by this country to any foreign country on meat or meat animals. Although wool imports have increased, the trade agreements granted no reductions on this commodity either.

There have been a large number of concessions by foreign countries for American industrial products, and these are in the interest of agriculture too, because of their reflection in greater employment and higher wage incomes in American cities, which stimulate meat consumption. The expansion of foreign trade through the reciprocal trade agreements program promotes domestic recovery. This concludes the sustance of the study.

It is obviously impossible to treat such a large subject as the entire reciprocal trade program in its relation to North Dakota with any appreciable degree of completeness in a twelve-page tract. Many important aspects must be omitted altogether, while it is impossible to descend into very far into details in any phase of the subject.

Sources of Data

The sources of the data for this thesis consist mainly of books and government reports, with the latter predominating, as the following list indicates:

Chapter II: Wittke's History of Canada, Callahan's American Foreign Policy in Canadian Relations, and the Chronicles of Canada.

Chapter III: Horn's International Trade, Culbertson's Reciprocity, Lindley's Half Way With Roosevelt, U. S. Tariff Commission's Trade Agreement with Canada, and the U. S. Department of State's Analysis of the Agreement with Canada.

Chapter IV: Fifteenth Census of the United States, 1930, by the U. S. Bureau of the Census; Yearbook of Agriculture, 1930, by the U. S. Department of Agriculture; Canada Year Book, 1930, by the Dominion Bureau of Statistics.

Chapter V: Trade Agreement with Canada, by the U. S. Tariff Commission.

Chapter VI: Survey of the Agricultural Trade between the United States and Canada, 1935 to 1937, by the U. S. Bureau of Agricultural Economics.

Chapter VII: Canada Year Book, 1932 and 1936, by the Dominion Bureau of Statistics; Agricultural Statistics, 1937, by the U. S. Department of Agriculture; Concessions Granted by the United States in the Trade Agreement with Canada, by the U. S. Tariff Commission; and the Cattle Industry and the Trade Agreement with Canada, by the U. S. Department of State.

Chapter VIII: Congressional Record, Vol. 81, pt. 1 and 2; and the Hearings on Extending the Reciprocal Trade Agreements Act before the U. S. House Ways and Means Committee and the U. S. Senate Finance Committee.

Method of Study

The method of study is mainly statistical as the twenty-two tables in the study would indicate. However, other methods have also been used. The inductive method has been used in reaching conclusions by first studying representative situations. For example, the statement is made that North Dakota is an agricultural State. This is a conclusion based upon a study of production statistics. The deductive method is employed also. Certain statements rest more upon postulations than upon inductive reasoning. For example, the statement is made that imports from Canada of competitive agricultural products are detrimental to North Dakota. This Statement rests upon the assumption that price-depressing tendencies are detrimental, while price-enhancing tendencies are beneficial to the State.

Presentation of Data

The data are presented in a series of eight chapters which treat separate parts of the main problem as already outlined in the statement of the problem. The most important statistics are given in tables while others are embedded in reading matter. The writer has attempted to make the order of presentation as natural as possible.

CHAPTER II

HISTORY OF RECIPROCITY

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"Reciprocity between the United States and Canada was suggested by some Canadian leaders as early as the 1830's. It was also discussed in the United States, and several bills, introduced in the late 1840's, either were defeated in the Senate, or else became lost in the controversy over slavery then raging in the United States."[1]

Circumstances were especially favorable for the reciprocity movement in Canada in the 1840's. British preferential treatment for Canadian flour and wheat greatly stimulated business which enjoyed special privileges under the mercantilistic principle of excluding foreigners from the trade of the Empire. But England reversed its protectionistic policy, and when she repealed the Corn Laws, England opened her ports to the traders of all nations on equal terms. At the same time, England also began to reduce her duties on foreign lumber, and finally she also repealed her Navigation Acts. These changes in British policy affected adversely the grain and flour business in Canada, the lumber trade, shipping, and all subsidiary interests. The turn to free trade meant heavy losses to Canadian industries and forced her into a period of depression and pessimism at a time when the United States was enjoying prosperity. Canadians who had been strong supporters of the British connection began to doubt the value of this affiliation when all of its pecuniary advantages disappeared and began to seek closer relations with the United States to to solve their commercial troubles. Some of the more discontented even

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1 Wittke, Carl. History of Canada, p. 139.

advocated annexation to the United States. This sentiment came to a climax when an annexation menifesto was issued at Montreal in 1849. The movement had some response along the border in the United States, but did not receive support from the American government, nor did the American public manifest any unusual interest in the matter. With the revival of prosperity the following year in Canada, the movement collapsed.[2]

The economic depression and annexation movement in Canada made a deep impression on Lord Elgin who was governor-general of Canada during this period and who did not share the views of some of his contemporaries in Great Britain that the alienation of Canada was inevitable. He felt that Canada's ills were commercial rather than political and that a recurrence of annexation sentiment, which became associated with commercial depressions, could be prevented by fostering closer trade relations with the United States. He began to urge the adoption of reciprocal arrangements with the United States and included in his proposals for a treaty not only the freer exchange of commodities, but also mutual concessions in river navigation and coastal fisheries.[3]

Lord Elgin himself went to Washington in 1854 to conduct the negotiations with the American Secretary of State and to overcome opposition to his proposals in the United States Senate. His diplomacy was successful, and the treaty was concluded in June 1854.[4] It gave United States fishermen full rights to the inshore fisheries of Canadian territorial waters which had been denied to them by the convention of 1818, and it guaranteed the British similar rights in American waters. It gave the

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2 Ibid., p. 136-139.
3 Callahan, J. M. American Policy in Canadian Relations, p. 241-257.
4 Ibid., p. 257-258.

Americans navigation rights on the St. Lawrence River in exchange for Canadian navigation rights on Lake Michigan. The treaty also provided for the free admission by both countries of such natural products as grain, foodstuffs, meats, cotton, wood, poultry, hides, stone, fruits, vegetables, and dairy products.[5] The effects of the treaty vindicated the judgment of its enthusiasts, for the period following its adoption was one of brisk business in both countries, and the volume of trade between them showed unusual growth.[6]

"The Reciprocity Treaty of 1854 was cancelled by the United States in 1866, for a variety of reasons. Perhaps the most important reason was political, rather than economic, for the United States had become distinctly unfriendly to Great Britain because of the latter's attitude and conduct during the American Civil War. Many in the United States opposed what they considered a one-sided bargain. Moreover, reciprocity clearly was contrary to the desires of the protective tariff interests which arose in the United States during and after the Civil War. Some Americans may have believed that the abrogation of the treaty would hasten the time of annexation."[7]

The annulment of the treaty was injurious to the British North American provinces, especially to the maritime provinces and the West. It also reopened the fisheries and navigation controversies. The Canadians thereafter undertook to enforce the fishing restrictions against the Americans and used their power over the fisheries as a lever to force the renewal of the cancelled reciprocity agreement. The situation became crit-

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5 Wittke, Carl. op. cit., p. 139-140.
6 Ibid., 140.
7 Ibid.

ical when England sent cruisers to Canada to aid her in the enforcement of fishing restrictions. International relations became strained, but open rupture was averted by the appointment of British and American commissions to carry on negotiations for the purpose of settling all outstanding differences between the three countries. The negotiations resulted in the Treaty of Washington of 1871. At the conference, Canada continuously pressed its advantages in the fisheries with the view to gaining admission to the American market by reciprocal freedom of trade. From the very beginning of the conference, the Americans offered no encouragement to the Canadian plan; and the final conference agreement placed the fisheries on an independent footing, while on the matter of tariff concessions between the United States and Canada, the treaty was silent.[8]

In spite of this diplomatic defeat, the Canadians continued their efforts to secure a renewal of the Treaty of 1854 and to link matters of trade with fisheries and navigation, in their discussions of closer commercial relations with the United States. But all atempts were futile; and between 1866 and 1898, the United States government rejected at least seven offers of reciprocal trade agreements.[9] In 1874, the Canadian representatives cooperated with the British minister at Washington, in trying to secure the renewal of the reciprocity treaty as a substitute for the fisheries clause of the Treaty of 1871. But the United States Senate refused to ratify the proposed treaty.[10] After that, a high protective tariff policy gained increasing support in Canada; and when the protection-

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8 Callahan, J. M. op. cit., p. 326-351.
9 Wittke, Carl. op. cit., p. 265.
10 Callahan, J. M. op. cit., p. 354-357.

the beginning was made of a series of retaliatory tariffs which have been the source of irritation on numerous occasions in the trade relations between Canada and the United States.[11] However, the desire for reciprocity in trade with the United States has continued to persist in Canada in spite of its vigorous national policy inaugurated by the tariff in 1879. Although the Conservatives originated the national policy and were committed to protectionism, they too sent a commission to Washington in the interests of reciprocity when they were in control of the government and were as unsuccessful in 1891 as their Liberal predecessors had been at an earlier date.[12]

The desire for reciprocity in trade has run parallel to the policy of protectionism in Canada, but this sentiment for closer trade relations with the United States has assumed different forms. There was considerable discussion as to types of reciprocity during the economic depression in Canada during the 1880's. The most comprehensive plan which was seriously discussed in both countries was that of a commercial union between Canada and the United States. This plan would provide for absolute free trade between the two countries and the adoption of a common tariff against the rest of the world. All custom receipts would be pooled and distributed between the two countries on the basis of population. Both countries would discontinue their custom-houses on the boundary between the two countries. Although the plan received considerable support in the United States, a bill embodying the principle and introduced in Congress in 1887 failed to pass. The plan was also strongly advocated in Canada, but the government did not support it because it would mean discrimination against

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11 Ibid., pp. 358-361.
12 Wittke, Carl. op. cit., p. 231.

government gave no support to the movement because of its discrimination against Great Britain.[13] Another plan was that of unrestricted reciprocity, a plan of absolute free trade between the two countries and the retention of the custom-houses along the frontier. Each country would in all respects manage its own tariff system. This plan also failed of adoption. In Canada, the Conservative party opposed it because it conflicted with its national policy; and in the United States, the Republican victory in the election of 1888 on a high-protective platform put reciprocity out of the question.[14] A third plan was one of limited reciprocity. This is similar to unrestricted reciprocity; and both countries would manage their own tariff system. Each country would make tariff concessions to the other on a well-considered list of commodities. The Liberal party in Canada endorsed this plan in 1893; and when it was restored to power in 1896, it tried to fulfill its pledge on at least two occasions before the close of the nineteenth century.[15]

With the opening of the twentieth century, the Canadian government experienced new pressure for tariff reform and reciprocity with the United States, while at the same time, the United States became more interested in closer trade relations with Canada. The passage of the Payne-Aldrich tariff by Congress in 1909 provided the occasion for discussions concerning limited reciprocity with Canada on an unprecedented scale. This tariff was consistent with traditional American protective policy, but it differed from previous tariffs in that it provided a system of minimum and maximum rates. The maximum were 25 per cent higher than the minimum

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13 Chronicles of Canada, Vol. 30, p. 109-114.
14 Ibid., p. 118-125.
15 Ibid.

rates and were to be applied to imports from nations which did not extend their lowest rates to the United States. Canada declined to qualify for the lower American rates and threatened to impose still higher duties on exports to that country from the United States. President Taft himself took an interest in the matter and secured sufficient tariff concessions in an agreement with Canada to enable him to apply the lower American rates to imports from that country and to prevent the threatened retaliation. However, this agreement was only the beginning of a far more spectacular episode. President Taft saw possibilities of a much broader revision of the trade relations with Canada and immediately instituted negotiations which resulted in an agreement which envisaged a large degree of free trade between the two countries and which was to be made effective by concurrent legislation at Ottawa and Washington.[16]

"The reciprocity agreement provided for (1) mutual free lists of leading primary food products such as grains, fish, fruits, dairy and poultry products, and livestock, and (2) reduced rates on secondary food products as fresh and canned meats, cereals, flour, and others. In addition, (3) certain commodities, such as cotton-seed oil and rough lumber, which had previously been admitted free by one country were to be made free by the other, while (4) the tariffs on certain commodities, such as plows, agricultural machines, coal, and others, having different rates of duty, were reduced by the country maintaining the higher rates to the lower rates."[17]

The agreement was passed by Congress and then became the chief issue of a keenly fought political campaign in Canada. When the agreement was

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16 Keenleyside, H. L. Canada and the United States, p. 310-322.
17 Wittke, Carl. op. cit., p. 266-267.

first published in Canada, it was received with enthusiastic approval. But slowly opposition developed which became powerful enough to prevent action on the measure by Parliament and to force an election. The proposed plan was lost by the overwhelming defeat of the Liberals and the rejection of the measure by the new Conservative Parliament.[18]

To analyze the political campaign in Canada which resulted in the rejection of a plan which had been a cardinal principle of Canadian diplomacy is impossible here. The arguments of the opponents of the agreement may be summarized as follows: (1) The agreement would be detrimental to Canadian industries, (2) it would tend to destroy Canadian nationality, and (3) it would threaten the British connection. In addition, there were factors of personality and organization which had telling effects against the agreement: (1) There was considerable cumulative sentiment against the Laurier government which defended the agreement and which had been in power for fifteen years, and (2) the interests which opposed the agreement fought with greater energy and enthusiasm than those who defended it. The appeal to British loyalty was the most powerful factor in the defeat of the agreement.[19]

When the United States reduced the tariff with the passage of the Underwood Tariff in 1913, discussions of reciprocity were revived in Canada. The American tariff put many products of interest to Canada on the free list and reduced the duties on still others. The defeated Liberals demanded the abolition of duties on food and the establishment of reciprocity with the United States.[20] But their demands had no effect on the

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18 Ibid., p. 267-270.
19 <u>Chronicles of Canada</u>, Vol. 30, p. 260-269.
20 <u>International Year Book</u>, 1913, p. 134.

Conservative government which failed to make any downward revisions of its tariff in 1914.[21] During the World War, in consequence of a provision of the American tariff and of the action of the Canadian government in abolishing the duty on American wheat and flour, these and other less important commodities passed free of duty in both directions. This ended with the enactment of the Fordney Emergency Tariff in 1921 and the Fordney-McCumber Tariff of 1922. After that, the question of reciprocity was neglected while interest in tariffs increased.[22]

"Finally, in February 1934, the Department of State in a press release expressed the hope that in accord with its good neighbor policy it would soon be able to take steps toward the conclusion of a trade agreement with Canada. On March 2, the President requested Congress to confer upon him authority to negotiate such agreements, resulting in the prompt passage of the desired legislation (on June 12) and increased executive action. In April, while this legislation was pending he invited Prime Minister Bennett to visit the White House for an informal conference on promotion of trade development. Following this conference, which reached an informal agreement on means of action, informal discussions were continued with a view to negotiations for removal of prohibitions and restrictions, and for reduction of tariffs. The final conclusions probably were influenced by the problems of a drouth in the American Northwest in August and by the recommendations of a joint committee of the American and Canadian chambers of commerce in September. In the following November Secretary Hull received from the Canadian minister at Washington information that Canada was ready to join in a declaration in favor of

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21 International Year Book, 1914, p. 134.
22 Nelson's Encyclopedia, Vol. 11, p. 482.

gradual preparation for the freest possible exchange of natural products, and a suggestion that there was no barrier to the immediate initiation of exploratory negotiations to improve existing trade relations. Near the end of December he replied that the American government was ready to begin immediate preparations on the proposed basis for discussion. On January 21, 1934, in accord with Section 4 of an act (of June 12, 1934) amending the tariff act of 1930 and a consequent executive order (of June 27) he gave notice of his intention to negotiate a trade agreement with Canada and arranged for oral presentation of views before a special committee on reciprocity. The later negotiations, although they encountered considerable opposition, both in Canada and in the United States, seemed promising by June 1935. Early in the following September, preceding the defeat of the Conservative party in the Canadian election, the text of the pre-negotiation correspondence was released by the press. Early in November, discussions were renewed at the suggestion of Mackenzie King, the new prime minister, who visited Washington to propose a broadening of the base of negotiations with a view to removal of barriers to trade, and to urge speed in reaching a conclusion. As a result, on November 15, after mutual concessions, the two governments signed a liberal trade agreement, accepting the principle of most favored national treatment and minimum tariff rates accorded to any country except components of the British Empire and the American possessions and Cuba, providing for free admission of a small list of products, and a considerable reduction of tariffs on a large comprehensive list, including reductions on certain farm and forest products and Canadian reductions on American manufactures."[23]

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23 Callahan, J. M. <u>American Policy in Canadian Relations</u>, p. 557-558.

On November 18, 1937, the United States Department of State announced that it contemplated negotiations for a new trade agreement with Canada, and on January 29, 1938, it formally announced the institution of negotiations and published a list of products which it would consider in making concessions to Canada. The Committee for Reciprocity Information requested interested parties to submit briefs and applications for oral hearings by March 12, and set the date for the opening of public hearings on the proposed negotiations on April 4, 1938. When the new trade agreement is concluded, it will replace the present agreement which expires at the end of this year.[24] For further developments, watch your newspaper.

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24 U. S. Department of State. Trade Agreement Negotiations with Canada.

CHAPTER III

THE RECIPROCAL TRADE PROGRAM

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The present reciprocal trade agreements between the United States and certain foreign countries have been negotiated in pursuance to a grant of authority by Congress to the President on June 12, 1934, through the Trade Agreements Act. This measure is one of the general recovery acts of the Roosevelt Administration and conferred upon the President increased powers to regulate commerce with foreign countries, by giving him authority to enter into trade agreements with other nations, to lower duties on imports by as much as 50 per cent of the existing rates, and to modify without limitation other restrictions on foreign trade. The law put tariff changes on a bargaining basis by which foreign countries must lower their tariffs if we lower ours.[1]

This bargaining process encounters difficulties on account of the complexity of barriers to trade which the depression has produced in most of the countries. In the United States, the tariff is practically the only form of trade barrier; but in other countries, many other forms have developed, such as quotas which impose quantitative restrictions on imports, import licenses by means of which imports are restricted to those whom the government chooses to license for the purpose, compensation agreements which provide that every import must be balanced by a corresponding export, clearing agreements under which transfers of foreign exchange are eliminated so that transaction between two countries are cancelled one against the other, exchange control which provides that money to buy

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1 Horn, Paul V. <u>International Trade</u>, p. 204-209.

abroad may be obtained only with special permission, and many other devices for the control or restriction of foreign commerce. The United States government secures concession from foreign countries in all of these various forms of restrictions, and barriers are removed or ameliorated to promote recovery in world trade.[2]

The machinery for negotiations with foreign countries consists of the President, upon whom rests the responsibility of making and carrying out commercial agreements, the Secretary of State, who has been placed in charge of negotiations, and various committees each with more or less specialized functions. The most important of these committees is the one on commercial policy; another carries on economic studies in regard to foreign trade; then there are committees for individual countries with which the United States intends to negotiate agreements; and finally there is a committee on information which conducts hearings of persons interested in particular negotiations.[3]

Seventeen agreements have been concluded under this program thus far. Seven have been made with European countries: Belgium, Sweden, the Netherlands, Switzerland, France, Finland, and Czechoslovakia; five with the Central American republics; three with Cuba, Brazil, and Colombia; and finally one with Canada. The agreement with Czechoslovakia was the last one to be concluded and was announced on March 9, 1938. The agreement with Canada is in the process of revision at the present time.

Although Congress orginally granted authority to negotiate trade agreements for three years, the authority was extended for another three years; and unless renewed again, the act expires June 12, 1940. Agree-

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2 Culbertson, W. C. Reciprocity, p. 21-28.
3 Horn, Paul V. op. cit., p. 216-218.

ments concluded under this authority become effective by executive proclamation without congressional or senatorial approval as required of other treaties.[4] The act provides for the generalization of all duty reductions in accordance with the unconditional most-favored-nation principle. Tariff reductions granted to one country are extended to all other countries which do not discriminate against the commerce of the United States. Both signatories to an agreement promise to extend to each other the lowest rates either grants in the future to any third country, during the life of the agreement.[5] The United States has denied most-favored-nation treatment to Germany and Australia because of discriminatory practices against American trade; and although the United States is extending the principle to the trade of Japan, we have raised the tariff on Japanese textiles and trade relations between these two countries have been somewhat disturbed.[6] After Austria was absorbed by Germany, the United States withdrew its most-favored-nation treatment from that country and placed it on the same footing with Germany.[7] The United States agreement with Cuba is an exclusive arrangement the preferential duties of which are not extended to other countries; and in our agreement with Canada, the Canadian preferential duties for the trade of members of the Empire were not extended to the United States under the most-favored-nation clause; instead, Canada accorded to the United States its intermediate duties.[8]

There are several other principles which are recognized expressly or by implication by the Trade Agreements Act. One of these is that imports

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4 Culbertson, W. C. op. cit., p. 102 ff.
5 Ibid., p. 67-72.
6 Lindley, E. K. Half Way with Roosevelt, p. 351-352.
7 Grand Forks Herald, April 7, 1938, 7:4.
8 Culbertson, W. C. op. cit., p. 76-78.

and exports are related and form parts of a single commercial transaction. The United States endeavors to expand its foreign markets by securing tariff concessions abroad and by giving corresponding concessions for foreign products in the United States. The program of trade expansion is based upon the proposition that increased exports necessitate increased imports.[9] Closely associated with this principle is that of the principal supplier through which negotiations are devoted mainly to concessions on the characteristic trade between the two countries. It means that the United States grants concessions on commodities imported in major amounts from the particular country and secures concessions on commodities which that country imports in major amounts from the United States.[10] Still another principle recognized by the negotiators is that of natural or industrial specialization. The United States secures concessions abroad on commodities in the production of which the United States possesses special advantages and grants concessions on commodities in the production of which it does not possess any significant advantages.[11]

The wisdom of these policies has not been unchallenged. Critics have contended that the United States is giving away something for nothing through the operation of the most-favored-nation principle. The policy of increasing imports in order to increase exports has been attacked on several grounds: (1) One industry may be unduly fostered at the expense of another industry; (2) increasing imports does not necessarily mean increasing exports; and (3) that we should be more consumer-minded in our attitude toward foreign trade and should be trying to cash in on the large

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9 Horn, Paul V. op. cit., p. 214-215.
10 Culbertson, W. S. op. cit., 189-190.
11 Horn, Paul V. op. cit., p. 209-14.

debts foreign countries owe the United States, by encouraging imports to enable foreign countries to pay their obligations, even to the degree of planning an unfavorable balance of trade in the United States. Critics of the principle of specialization have contended that although economic specialization has not disappeared entirely, it has been contracting on account of the growth of nationalism and the high degree of self-sufficiency of the most important nation in the world, such as our own country, Great Britain, Russia, France, and to a lesser degree other important nations. The fostering of closer trade relations with nations in the European war zone has also been criticized.[12]

It is impossible to go into a detailed discussion of the foreign trade policies of the New Deal, or the validity of the arguments of its critics. The proponents of the reciprocal trade program have never been lacking in arguments to justify their policies or their methods. An analysis of the arguments pro and con is a subject for more intensive study than is required for this thesis.

The Agreement with Canada

The trade agreement with Canada was signed November 15, 1935 and went into effect on January 1, 1936. The purpose of the agreement was to promote recovery on both sides of the line, and hopes were high in both Ottawa and Washington that it would result in the restoration of the large trade which totalled nearly $1,400,000,000 in 1929 and which had declined in 1934 to about $525,000,000. During this period, imports from Canada dropped from $503,000,000 to $232,000,000, or 54 per cent, while exports to Canada dropped from nearly $900,000,000 to $302,000,000, or 66 per cent.

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12 Lindley, E. K. op. cit., p. 342-361.

While much of this decline may be attributed to the depression, a chief cause of the loss in trade between the United States and Canada during the period mentioned was the high tariff rates and other barriers to trade erected in the two countries. It was this situation that the trade agreement with Canada was designed to correct.[13]

The agreement consists of four parts: (1) The general provisions, (2) Schedule I, Canadian tariff concessions, (3) Schedule II, the United States tariff concessions, and (4) the Canadian diplomatic note relating to administrative concessions.

The General Provisions

The United States and Canada agree that each will accord to the commerce of the other unconditional most-favored-nation treatment in regard to customs duties and related matters,[14] subject to some generally recognized exceptions to the most-favored-nation clause, such as the exclusive arrangements between the United States and its outlying possessions and Cuba and the exclusive arrangements between Great Britain and the members of the Empire.[15]

The agreement extends the principle of equality of treatment to quotas by providing that if either country establishes quotas, it must allot to the other country a share equivalent to the proportion of the trade which the other country supplied during a previous representative period.[16] It also provides for similarly fair and equitable treatment in the event that either country should adopt any form of exchange control.[17]

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13 Culbertson, W. S. op. cit., p. 76-77.
14 U. S. Tariff Commission. Trade Agreement with Canada, Art. I, p. 104.
15 Ibid., Art. XIII, p. 107.
16 Ibid., Art. II, p. 104.
17 Ibid., Art. IX, p. 106.

Provision is made for the prevention of other charges on importation of the articles listed in the schedules except as required by mandatory laws in force on the day of the signature of the agreement.[18] However, the agreement permits the imposition at any time of charges on imported goods equivalent to an internal tax on the like domestic product for which the imported products have been manufactured.[19]

The agreement further provides that neither country shall impose import prohibitions or restrictions on those products of the other country which are listed in the schedules, with the exception that either country is free to impose restrictions in connection with governmental regulation or control of the production, market supply, or prices of like domestic articles, such as are provided for in the Agricultural Adjustment Act. Provision is made for consultation between the governments in regard to such restrictions, and if after consultation the governments of the two countries fail to reach an agreement in regard to the proposed restrictions, the disatisfied government may denounce the agreement in its entirety on third days' notice.[20]

There are some further exceptions to the provision that neither country shall impose import prohibitions or restrictions on articles listed in the schedules, but these consist of some generally accepted reservations such as restrictions imposed for sanitary reasons or reasons of public security;[21] and provision is made that in case either country objects to the application of any sanitary measure, a committee of experts may be established to consider the matter and to make recommendations to

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18 Ibid., Art. III and IV, p. 105.
19 Ibid., Art. V, p. 105.
20 Ibid., Art. VII, p. 105-106.
20 Ibid., Art. XII, p. 107.

the governments of the two countries.[22]

Each country reserves the right to withdraw any concession or to impose a quota on the article in question if, as a result of the extension of the concession to third countries, such countries obtain the major benefits and an unduly large increase in importations occurs. Before such action is taken, notice must be given to the other country which has the right to terminate the entire trade agreement if it does not agree to the withdrawal of the concession or to the imposition of a quota.[23]

The agreement provides that the duty concessions specified in the schedules shall come into force on January 1, 1936, pending ratification by Canada. The entire agreement was to come into force on the day of the exchange of the ratification and the proclamation at Ottawa. The agreement will remain in force until December 31, 1938, unless terminated before that time under the provisions relating to quotas, currency variation, or major benefits to third countries. Unless at least six months before December 31, 1938, either government has given notice of intention to terminate the agreement on that date, it will remain in force thereafter, until six months from the day on which such notice is given, subject to the three provisions mentioned above.[24]

Canadian Concessions to the United States

The Canadian concessions to the United States under the agreement may be divided into four major groups:[25]

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22 Ibid., Art. XI, p. 106.
23 Ibid., Art. XIV, p. 107.
24 Ibid., Art. XV, p. 108.
25 U. S. Department of State. Analysis of the Agreement with Canada, p. 389 ff.

(1) Direct duty reductions on 180 items in Schedule I. The rates of most of these items are the Canadian intermediate tariff rates; but on 80 items, the rates are lower than had been granted to any other non-British country, and a few items are even admitted free of duty. The duties on the commodities of this group may not be increased during the life the agreement.

(2) Indirect duty reductions by the application of the Canadian intermediate tariff to all other items not mentioned in Schedule I. This concession was granted by virtue of the most-favored-nation principle. It covers 587 items and includes most of the products of the United States for which there is any market in Canada. Hereafter, the United States exports to Canada of these commodities will be subject to the lower intermediate tariff instead of the high general tariff that had been applied to American goods heretofore.

(3) A measure of relief from the Canadian anti-dumping duties which had been applied to many imports from the United States. In some instances, Canada had applied arbitrary assessments and had charged these against the imports from the United States in addition to the regular rates. Canada relinquished the anti-dumping duties altogether on some commodities; and in cases in which she retained them, as in the case of some fruits and vegetables during the competitive seasons, she agreed to limit these duties to 80 per cent of the lowest of this type of duty applied heretofore.

(4) Benefits to commercial travelers travelers, transit trade, and tourist trade. American commercial travelers have the privilege now of bringing in their samples under bond instead of having to pay full duty without refund. The products of any non-British country shipped to Canada

in transit through American ports receive as favorable treatment now by the Canadian customs as if they came directly to a Canadian port, and residents of Canada visiting the United States are permitted to bring back with them free of duty articles for their personal use up to a value of one hundred dollars.

United States Concessions to Canada

The concessions granted by the United States to Canada also fall into four majur groups:[26]

(1) Binding of free list items. Items admitted free of duty into the United States at the time of the adoption of the agreement are assured continued free entry into this country during the life of the agreement. The items so bound include pulpwood, wood pulp, and newsprint; unmanufactured wood generally; some kinds of simply manufactured wood, such as shingles and lath; some fishery products, including lobsters; certain kinds of furs; crude asbestos, crude artificial abrasives, certain fertilizers, and a number of less important commodities.

(2) Duty reductions on limited quantities. These items include cattle, calves, dairy cows, cream, seed potatoes, and lumber and timber of Douglas fir and Western hemlock. The duty reductions on cattle apply only to those weighing over 700 pounds on which the annual quota was set at 155,799 head. Quotas for other items on this list are calves 51,933 head, dairy cows 20,000 head, cream 1,500,000 gallons, seed potatoes 750,000 bushels, and lumber 250,000,000 board feet. Any imports in any year in excess of these quantities will pay the old rates.

(3) Duty reductions without quotas. The items included in this

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26 Ibid., p. 394 ff.

group are lumber and timber of other species; cheese, turnips, apples, hay, maple sufar, live poultry, and horses; halibut and some minor kinds of fish; and patent leather, harness leather, ferromanganese, ferrosilicon, acetic acid, and other minor items.

(4) The binding against increase of the existing duty on feedstuffs for animals. This was the only concession to Canada on grain and grain products. As in the case of the first group of concessions, the agreement made no changes in the existing tariff on these commodities.

The Canadian Diplomatic Note

In a separate document, the government of Canada promised relief from arbitrary assessments against imports into Canada from the United States and duty exemptions on incidental purchases by Canadian visitors in the United States. These concessions have already been mentioned in connection with the Canadian concessions under the agreement. Canadian anti-dumping regulations have been especially onerous to American exporters in recent years both on account of the height of the duties imposed under them and the uncertainty of the application of the regulations. The diplomatic note promised immediate relief so far as existing Canadian laws permitted and permanent legislation to amend the sections of the Canadian customs act which were especially objectionable to American exporters.

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27 Ibid., p. 393-394.

CHAPTER IV

PRODUCTION IN NORTH DAKOTA

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In studying the effects of the Canadian-American Trade Agreement on North Dakota, it is essential to secure a general picture of production in this State. Since the tariff deals with commodities, only those branches of production will be considered which create form utilities. They include manufacturing, agriculture, mining, forestry, and fishing. Such activities as transportation, trade, and the professions are excluded, not because they are unproductive, but because they are concerned with the production of services, and not with the production of commodities.

North Dakota, Canada, and the United States Compared

The United States is a manufacturing nation. The value of our manufactured products has exceeded that of our agricultural products ince 1850; and more recently, the value of manufactured products has surpassed the value of the products of all other branches of production combined. Canada too is a manufacturing nation, although the development of manufacturing has been slower in that nation than in the United States. The World War gave a great impetus to manufacturing in Canada, and today her factory products constitute over half of her total production. The chief difference in manufacturing in the United States and in Canada is one of degree. In 1929, manufacturing constituted 61.3 per cent of the total production in the United States, 53.4 per cent in Canada, and 6.9 per cent in North Dakota. The following tables give comparable statistics for the production of these three territorial units and percentages for the various branches of the totals:

Table 1. The value of production in North Dakota, Canada, and the United States, 1929.[1]

Branch	North Dakota	Canada	United States
Manufacturing	$ 15,637,000	$1,997,350,000	$31,885,283,000
Agriculture	208,510,000	1,034,129,000	11,923,801,000
Mining	3,465,000	310,850,000	5,877,300,000
Forestry	486,000	337,647,000	2,232,015,000
Fisheries		53,518,000	123,054,000
Total	$228,098,000	$3,733,494,000	$52,044,453,000

Table 2. Percentages based on the preceding table.

Branch	North Dakota	Canada	United States
Manufacturing	6.9	53.4	61.3
Agriculture	91.4	27.6	22.9
Mining	1.5	8.3	11.3
Forestry	.2	9.0	4.3
Fisheries		1.7	.2
Total	100.0	100.0	100.0

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1 Sources of figures for North Dakota. Manufacturing: U. S. Bureau of the Census. Abstract of the Fifteenth Census of the United States, 1930, p. 759. Agriculture: U. S. Department of Agriculture. Yearbook of Agriculture, 1931, p. 977. Mining: U. S. Bureau of Mines. Mineral Resources of the United States, 1929, Pt. 1, p. A111. Forestry: Abstract of the Fifteenth Census of the United States, 1930, p. 697.

For Canada. All branches of production: Dominion Bureau of Statistics. Canada Year Book, 1932, p. 167.

For the United States. Manufacturing: Abstract of the Fifteenth Census of the United States, 1930, p. 742. Agriculture: Yearbook of Agriculture, 1931, p. 978. Mining: Mineral Resources of the United States, 1929, Pt. 1, p. A7. Forestry and fisheries: U. S. Bureau of Foreign and Domestic Commerce. Statistical Abstract of the United States, 1930, p. 733 and 741.

All figures represent net values, not gross values, to avoid duplications as much as possible.

North Dakota is an Agricultural State

The predominance of manufacturing over other branches of production in the United States as a whole and to a lesser degree in Canada is lacking in North Dakota as a territorial unit. The value of agricultural production dwarfs that of all other branches of production combined. North Dakota is one of the most exclusively agricultural States in the Union. Only one State---Mississippi---has a greater proportion of farm population; only two States---Arizona and Neva---have lower manufacturing production; and only two---Delaware and Mississippi---show lower mineral production than North Dakota. The following table gives figures on agricultural production in this State:

Table 3. Gross value of agricultural products in North Dakota, 1929.[2]

Branch of production	Gross value of products	Percentage
All crops	$181,303,144	52.35
Live stock	116,389,893	34.00
Livestock products	47,093,397	13.50
Forest products	486,550	.10
Greenhouse and nursery products	180,416	.05
Total	$345,753,400	100.00

North Dakota ranked twenty-first among the States in the production of crops,[3] and the most important of these in the order of their value are wheat, hay, barley, flax, oats, rye, potatoes, corn, spelt, and beets. The wheat production was nearly a hundred million bushels and was sur-

2 United States Bureau of the Census. Fifteenth Census of the United States, 1930, Agriculture, Vol. II, pt. 1, 1121-1123.

3 Ibid., Agriculture, Vol. IV, p. 712.

passed only by Kansas among the States. Hay is second, although corn could be placed second in the list if the total acreage were counted instead of only the acreage harvested as grain. Only 138,000 acres were harvested as grain among a total corn acreage in this State of over a million, most of which went to silage, fodder, and pasture. It is estimated that the total value of all corn produced in the State in 1929 was $75,000,000. If acreage and total production were used as standards, corn would easily come second in the list of crops. The total value of the wheat crop was $97,000,000. North Dakota was second among the States in the production of barley and first in the production of flax and tye. Other important crops were potatoes and sugar beets. Vegetables other than potatoes were of very little commercial importance as the State ranked at the very bottom of the States in the production of these for market.[4] Vegetables are produced mainly for home consumption, and the quantity raised for sale is insignificant, except in the case of potatoes. In the production of fruits, the State occupied even a less important position than that in the production of vegetables.[5]

The production of crops is supplemented by the production of live stock and livestock products. North Dakota ranked seventeenth among the States in the value of live stock in 1929, and the total value of live stock as distinguished from that of livestock products was $116,689,893.[6] Eliminating minor items from the list and reserving consideration of livestock products for separate consideration, the following table summarizes live stock statistics:

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4 Ibid., p. 801.
5 Ibid., p. 828.
6 Ibid., p. 551.

Table 4. Value of live stock in North Dakota, 1929.[7]

Type	Number	Value	Percentage
Cattle	1,454,146	$66,315,121	58.5
Horses	612,058	31,318,750	27.6
Swine	628,080	8,242,608	7.3
Sheep	856,651	7,023,726	6.2
Mules	9,495	444,203	.4
Total	3,560,420	$113,343,408	100.0

Tattle represent over half of the value of all live stock; and of the total of 1,454,146 head, 582,612 are cows and heifers kept mainly for milk production, while the remainder of 871,534 head are cattle kept mainly for beef and veal production. The following table summarizes statistics in regard to livestock products:

Table 5. Value of livestock products
in North Dakota, 1929.[8]

Products	Value	Percentage
Dairy products	$29,186,226	63
Wool	1,471,601	3
Chickens raised	5,293,022	20
Turkeys raised	3,781,679	
Ducks raised	248,842	
Geese raised	211,016	
Eggs (chicken)	6,700,518	14
Total	$46,896,904	100

7 U. S. Bureau of the Census. op. cit., Agriculture, Vol. II, pt. 1, p. 1121.

8 Ibid.

Manufacturing in North Dakota

North Dakota ranked forty-sixth among the States in the value of manufactured products in 1929, and the total or gross value of these products in that year was $55,321,592 for the State.[10] This was an average per capita production of $81 as against an average for the United States for the same year of $573. The following table gives manufacturing statistics for the State:

Table 6. Manufacturing in North Dakota, 1929.[11]

Industry	Gross value of products
Butter	$18,004,541
Flour and other grain-mill products	9,812,250
Car and general construction and repairs, railroad shops	4,046,836
Bread and other bakery products	3,487,367
Printing and publishing, newspaper and periodical	3,139,106
Gas, manufactured, illuminating and heating	815,836
Printing and publishing, book and job	741,063
Ice cream	707,405
Poultry killing, dressing and packing, wholesale	693,604
Foundry and machine-shop products	435,224
Beverages	318,213
Planing-mill products	239,651
Clay products	175,270
Concrete products	80,870
Unclassified industries	12,624,356
Total	$55,321,592

10 U. S. Bureau of the Census. op. cit., Manufactures, Vol. I, p. 18
11 Ibid., Vol. III, p. 395.

The most important manufactures in North Dakota are those related to food products, the primary materials for which are of the kinds produced within the State itself, the most outstanding examples being butter and flour. These two food products make up over half of the total manufactures in the State. Many branches of manufacturing of importance in the United States generally are absent entirely from North Dakota, as for example, textile manufacturing, and other are deficient in the production of commodities for consumption within the State, as for example, manufactures of metal or wood. Much of the agricultural production, such as cereals, live stock, and livestock products, is shipped to other States for processing as is evidence by the fact that the value of materials used in manufacturing in North Dakota in 1929 was $38,573,196,[12] whereas the net value of all agricultural products for the year was $208,510,000. The following table shows a re-classification of the principal manufacturing industries of North Dakota into related groups:

Table 7. Related groups of manufactures in North Dakota, 1929.[13]

Group	Value of products	Percentage
Food products	$33,023,380	60
Unclassified products	12,624,356	23
Metal products	4,482,060	8
Paper products	3,880,169	7
Manufactured gas	815,836	1
Wood products	239,651	½
Clay and concrete products	256,140	½
Total	$55,321,592	100

12 Ibid.
13 Based on Table 6, above.

Mining in North Dakota

North Dakota ranked forty-sixth among the States in the value of mineral products in 1929 and the following table gives mining statistics for the State:

Table 8. Mineral production in North Dakota, 1929.[14]

Product	Value	Percentage
Coal (lignite)	$3,157,000	92
Clay (brick and tile)	174,892	3
Sand and gravel	133,621	2
Miscellaneous	169,950	3
Total	$3,465,563	100

Although there are vast deposits of lignite in North Dakota, the use of this coal is largely confined to places near the mines, because of its slacking properties and low heat content. However, the development of more properly designed grates and other combustion equipment for this type of fuel and general education in the use of lignite will, undoubtedly, lead to a great increase in the commercial importance of lignite and economic welfare of the State. North Dakota is not a metal producing State; neither does it produce petroleum, although there is evidence of its presence in the State. The production of natural gas was insignificant in 1929; but since then, a number of gas wells have been drilled in the western part of the State, which, although they are under pressure, are kept sealed.[15]

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14 U. S. Bureau of Mines. Mineral Resources of the United States, 1929, pt. 1, p. A8 and A111.

15 North Dakota Planning Board. Mineral Resources Report, 1937, p. 8-11, 34-35.

Forest Products

The Census of 1930 does not credit North Dakota with commercial lumber production. The $486,550 given in Table 1 is the value of the forest products in North Dakota in 1929 cut by farmers. The item consists mainly of fire-wood.[16] Except where trees have been planted by inhabitants of the State, they are found only in the Turtle Mountains, about Devil's Lake, in river valleys, and in a few other places. The woodland area is less than one per cent of the entire surface of the State, and North Dakota is dependent almost entirely upon outside sources for its wood and lumber.

Fishing

There are no statistics on this branch of production in North Dakota.

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16 U. S. Bureau of the Census. op. cit., Agriculture, Vol. IV, p. 864-866.

CHAPTER V

THE TRADE WITH CANADA

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An appraisal of the Canadian-American Reciprocal Trade Agreement requires knowledge of the general trade between Canada and the United States and also that between Canada and the United Kingdom. This chapter will be devoted to review of this trade for the purpose of ascertaining its general characteristics before the adoption of the present trade agreement.

The Magnitude of the Trade

From the viewpoint of American commerce, Canada is the most important foreign country to us. If exports and imports are combined, the trade between the United States and Canada is larger than that between the United States and any other country. The Dominion is the largest single source of our imports and the second largest outlet for our exports. The reasons for this large trade are to be found in (1) the geographical situation, especially the unusually long frontier, (2) Canadian dependence on imports to meet her high standard of living, (3) American dependence on imports of some major commodities, and (4) identity of language, similarity of culture and consumption habits, and peaceful relations of the two peoples.[1]

The table on the next page presents United States statistics on the trade with Canada from 1927 to 1935---from the beginning of the supremacy of the trade with Canada over that with other nations to the beginning of of the operation of the trade agreement with Canada.

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1. U. S. Tariff Commission. Trade Agreement with Canada, p. 18-19.

Table 9. United States trade with Canada and with the world, 1927-1935.[2]

(Values in millions of dollars)

Year	U. S. exports to the world	U. S. exports to Canada	Per cent exports to Canada	U. S. imports from the world	U. S. imports from Canada	Per cent imports from Canada	Excess of exports to Canada
1927	$4,865	$722	14.9	$4,184	$475	11.4	$247
1928	5,128	831	16.2	4,091	489	12.0	342
1929	5,241	899	17.2	4,399	503	11.4	395
1930	3,843	643	16.8	3,060	402	13.1	241
1931	2,424	386	15.9	2,090	266	12.7	119
1932	1,611	237	14.8	1,322	174	13.2	63
1933	1,675	208	12.4	1,449	185	12.8	22
1934	2,132	300	14.1	1,655	231	14.0	68
1935	2,281	323	14.2	2,047	286	14.0	37

Not included in the figures of this table are (1) the grain shipments to Canada from the United States nearly all of which were destined to Europe, (2) alcoholic liquor shipments to the United States from Canada prior to 1933, which were recorded by the Canadian customs service but smuggled into the United States during prohibition, and (3) gold shipments to the United States from Canada, which have been large recently and which partake of the nature of other commodities in the case of Canada. If gold shipments are included, there is a trade balance in favor of Canada every year since 1932.[3]

The trade with Canada reached its height in 1929 and declined rapidly thereafter until it reached its lowest point in 1933. After that, it

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2 Ibid., p. 14.
3 Ibid.

revived somewhat. The drop in exports was more precipitous from 1929 to 1933 than that of the imports, exports declining 77 per cent and imports 65 per cent. This feature of the trade with Canada has been the subject of considerable discussion, and the sharp decline in the value of the United States exports to Canada from 1929 to 1933 is attributable to several factors: (1) The business depression, (2) additional trade barriers in Canada, (3) increased British preferences, (4) lower prices, and (5) the nature of the commodities imported by Canada from the United States. Capital goods and luxuries dominated the purchases of Canada from the United States, and goods of these types are extremely sensitive to any unfavorable business conditions.[4]

The imports from Canada likewise reached their height in 1929, but reached the lowest point in 1932. They did not contract as violently as the exports and they have shown a greater tendency to retain normal proportions than the exports. This is due mainly to the dominance of pulp and paper which have been less effected by the depression than other commodities in the trade with Canada.[5]

From the Canadian standpoint, the trade with the United States is also extremely important and is larger than with any other nation, including the United Kingdom. The United States has always been Canada's chief source of imports; and at the present time, the second best outlet for its exports. The foreign trade of Canada showed the same general fluctuations as that of the United States, viz., peak in the late 1920's, low point in 1933, and revival after that, as the Canadian statistics on that country's foreign trade indicate:

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4 Ibid., p. 19-20.
5 Ibid., p. 20-21.

Table 10. Canadian trade with the United States, the United Kingdom, and the world, 1927-1935.[6]

(Values in millions of Canadian dollars)

Canadian exports:

Fiscal years ended Mar. 31	Total	United States	Per cent of total	United Kingdom	Per cent of total
1928	$1,250	$496	39.7	$412	33.0
1929	1,388	521	37.5	431	31.1
1930	1,144	536	46.9	283	24.7
1931	817	363	44.5	220	27.0
1932	587	244	41.6	175	29.8
1933	480	148	30.9	185	38.5
1934	585	199	34.0	228	39.0
1935	667	230	34.6	275	41.2
Calendar year 1935	742	277	37.5	304	41.0

Canadian imports:

Fiscal years ended Mar. 31	Total	United States	Per cent of total	United Kingdom	Per cent of total
1928	$1,109	$718	64.8	$186	16.8
1929	1,265	868	68.6	194	15.3
1930	1,248	847	67.9	189	15.2
1931	906	584	64.5	149	16.5
1932	578	351	60.8	106	18.4
1933	406	232	57.2	86	21.3
1934	433	238	54.9	105	24.2
1935	522	303	58.1	111	21.4
Calendar year 1935	550	312	56.8	116	21.2

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6 Ibid., p. 15.

The table on the preceding page excludes grain shipped to Canada from the United States in transit to Europe and gold shipments from Canada to the United States. But liquor shipments from Canada to the United States are included except during the period 1931-1933 when Canada forbade liquor shipments to the United States and consequently did not record any. If gold shipments to the United States from Canada were included, the figures for Canadian exports to this country would be considerably larger than those shown in the table, as has already been pointed out in the discussion following Table 9.

As Canadian external trade was contracting after the high point in the late 1920's, in a similar way in which American foreign trade was contracting, there was a shift in direction of part of Canada's external trade, from the United States to the United Kingdom, with two results: (1) Canadian exports to the United Kingdom have recently exceeded those to the United States, and (2) although Canadian imports from the United States are still considerably larger than those from the United Kingdom, they have declined relatively from the United States while they have increased relatively from the United Kingdom.

The forces responsible for this veering of the Canadian trade toward the United Kingdom and away from the United States are substantially the same as those reponsible for the decline of Canadian imports from the United States, and especially (1) the increased Canadian tariffs of 1930 and 1931, (2) the increased British preferences through the Ottawa Agreements of 1932, and (3) variations in currency exchange which made the Canadian dollar "go farther" in the United Kingdom in 1931-1933.[7]

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7 Ibid., p. 22-23.

There has been a measure of revival of Canadian-American trade since the trough of the depression in 1932-1933. The tables show that there was an absolute increase all along the line. Canada took 14 per cent of our exports in 1935 as compared with 12 per cent in 1933, and the United States furnished 56 per cent of Canada's imports in 1935 as compared with 52 per cent in 1933. These increases have been due mainly to (1) a degree of economic recovery in Canada, and (2) the stabilized exchange situation following the devaluation of the American dollar.[8]

Imports from Canada have also increased. The main factors contributing to this increase are (1) the recording of alcoholic liquor shipments after the repeal of prohibition in 1933, (2) the increased gold imports from Canada after 1933, and (3) the large imports of feeds and foodstuffs from Canada following the drought in 1934.[9]

Composition of Canadian-American Trade

On account of the greater variety of resources and greater industrial development of the United States as compared with those of Canada, the United States exports to Canada are considerably more varied than the imports from Canada. A useful classification of the exports is that which divides these commodities into four groups based mainly on the degree of processing undergone before shipment. These groups together with the average annual percentage of each of the total exports for 1928-1935 are as follows: (1) Foodstuffs and beverages, 9 per cent; (2) crude materials, 28; (3) semimanufactures, 15; and (4) finished manufactures, 48. The imports likewise may be divided into these groups with average annual percentages of the total imports for the same period: (1) Foodstuffs and

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8 Ibid., p. 27-36.
9 Ibid., p. 21-22.

beverages, 19 per cent; (2) crude materials, 11; (3) semimanufactures, 28; and (4) finished manufactures, 32.[10]

The same general fluctuations are noted in the trade with Canada according to the statistics for these four economic classes as have already been noted in the figures of Table 8---high point, decline, trough, and recovery. Among the exports, crude materials showed the greatest stability, while finished manufactures showed the least. All classes recovered in 1934 and 1935, finished manufactures making the greatest relative as well as absolute gain over 1933 figures. Coal and cotton dominated crude-material exports and account for the relative stability of this group. Fruits and vegetables were the most important items of foodstuffs. Semimanufactures contained a variety of items, and finished manufactures an even greater one. The extreme fluctuation of the trade in finished manufactures is due to the high degree of responsiveness of these commodities to the economic pulse of the nation, rising to greater heights during prosperous periods and sinking to lower depths during depressions than other commodities. Imports according to this classification also displayed the same tendency at greater stability over exports noted before and for the same reson stated before, viz., the comparatively steady trade in pulpwood, wood pulp, and newsprint, classified, respectively, as crude materials, semimanufactures, and finished manufactures. The three classes just noted showed moderate recovery while a disproportionately large increase occurred in imports of the other class, foodstuffs and beverages, due to large drought-induced shipments of food and feed and the recording of liquor shipments, also previously noted.[11]

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10 Ibid., p. 26-29.
11 Ibid.

In addition to the foregoing classification of commodities according to four groups, there are other methods of classification, such as the system employed by the United States Department of Commerce which divides commodities into eleven groups and that used by the Canadian government which divides them into ten groups. It is necessary to supplement the 4-group classification with some other system containing more divisions and admit of more detailed analysis of the trade with Canada. It is impossible to give a complete list of the commodities which make up this trade, and the most feasible plan to pursue is to adopt a classification system with a moderate number of groups and subgroups. This has been done in the tables which following in the remaining partion of this chapter. With slight modifications, the classification used is that of the Department of Commerce. The eleven groups have been reduced to nine, by combining four groups into two. The two groups on animals and their products have been combined, and so have the two groups of vegetable products.

The tables which follow show the main exports and imports, together with average annual values for the period from 1928 to 1935, and the groups of commodities are arranged in the order of their importance. It is believed that the wide variety of conditions and situations prevailing at differnt times makes a cross-section of this period especially valuable as an index to the chief characteristics of the trade with Canada. The first table gives data on exports of domestic products. The value of re-exports of foreign goods, which are not included in this table, averaged annually for this period $25,700,000. Grain shipments to Canada in transit to Europe, which had an average annual value of $27,388,000 for the same period, are also excluded from the table.

Table 11. United States exports to Canada, 1928-1935.[12]

Groups and subgroups		Average annual value	Per cent
1. Machinery and vehicles		$134,425,000	28
Machinery	$73,691,000		
Automobiles	56,771,000		
Others	3,963,000		
2. Nonmetallic minerals		121,877,000	25
Coal	64,901,000		
Petroleum	42,209,000		
Others	14,767,000		
3. Metals and manufactures		62,919,000	13
Iron and steel	47,525,000		
Others	15,394,000		
4. Vegetable products		42,836,000	9
Edible products	30,136,000		
Inedible products	12,700,000		
5. Textiles		37,974,000	8
Raw cotton	18,296,000		
Cotton goods	11,304,000		
Others	8,374,000		
6. Miscellaneous products		27,260,000	6
Commercial items	21,843,000		
Noncommercial items	5,408,000		
7. Wood and paper		20,374,000	4
Wood	12,573,000		
Paper	7,801,000		
8. Animals and animal products		18,359,000	4
Inedible products	13,449,000		
Edible products	4,910,000		
9. Chemicals		18,163,000	4
Total		$484,187,000	100

12 Ibid., p. 30-34.

The next table presents similar data on imports from Canada. As on previous occasions in this chapter, gold shipments and liquor shipments are omitted. Gold imports from Canada averaged $39,000,000 annually from 1928 to 1935. Figures for liquor imports are incomplete and unreliable, on account of the lack of statistics from 1931 to 1933 and the constant smuggling during prohibition years.

Table 12. United States imports from Canada, 1928-1935.[13]

Groups and subgroups		Average annual value	Per cent
1. Wood and paper		$163,394,000	48
Paper	$130,672,000		
Wood	32,733,000		
2. Animals and animal products		45,430,000	13
Edible products	27,466,000		
Inedible products	17,964,000		
3. Vegetable products		45,386,000	13
Edible products	42,006,000		
Inedible products	3,380,000		
4. Metals and manufactures		34,221,000	10
Nickel	13,552,000		
Copper	12,632,000		
Others	8,037,000		
5. Miscellaneous products		20,967,000	6
Noncommercial	16,090,000		
Commercial	4,877,000		
6. Nonmetallic minerals		14,970,000	4
7. Chemicals		9,773,000	3
8. Textiles		3,148,000	1
9. Machinery and vehicles		3,025,000	1
Total		$340,314,000	100

13 Ibid.

CHAPTER VI

THE AGRICULTURAL TRADE WITH CANADA

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The preceding chapter discussed the general trade with Canada. It is the purpose of this chapter to analyze the agricultural trade between the two countries. Figures on all trade other than agricultural will be eliminated, not because non-agricultural trade does not contribute to the economic welfare of an agricultural State like North Dakota, but because its effects are indirect, rather than direct. The plan is to limit consideration to direct factors. Detailed analysis will be restricted to the trade in agricultural commodities, and particularly to the trade in agricultural commodities (1) on which the agreement reduced the duties and (2) which are of the kinds produced in North Dakota. It is believed that this procedure is justified by the almost exclusive dependence of North Dakota on agriculture for a livelihood.[1]

The restriction of consideration to the commodities on which the agreement reduced the duties must be emphasized. It is believed that the agreement must ultimately be judged by the behavior of the trade in the commodities on which the agreement made tariff concessions. The basic policy upon which the whole reciprocal trade program rests is the expansion of foreign trade and the promotion of domestic recovery through reductions in trade barriers. The test of any agreement under this program is as to whether or not these declared objectives have been accomplished. This procedure goes to the heart of the problem, as the Canadian agreement is no exception to the general plan of trade stimulation.[2]

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2 Supra, p. 23 ff.

Summary of Trade in 1935 and 1936

The next table summarizes the trade between the United States and Canada for 1935 and 1936, the year before the effective date of the agreement and the year after it. The table separates the trade into agricultural and non-agricultural trade, and makes a further division of the agricultural trade into commodities on which the agreement reduced the duties and commodities on which the agreement did not reduce the duties.

Table 13. United States trade with Canada, 1935-1936.[3]

U. S. exports:	1935	1936	Increase	Per ct.
All commodities	$308,157,000	$368,767,000	$60,610,000	19.7
Non-agricultural	264,313,000	316,434,000	52,121,000	19.7
Agricultural	43,844,000	52,333,000	8,489,000	19.4
Agricultural on which the agreement reduced the duties	12,298,000	17,349,000	5,051,000	41.1
Other agricultural	31,546,000	34,984,000	3,438,000	11.0
U. S. imports:				
All commodities	286,112,000	377,616,000	91,504,000	32.0
Non-agricultural	221,786,000	275,322,000	53,536,000	24.1
Agricultural	64,326,000	102,294,000	37,968,000	59.0
Agricultural on which the agreement reduced the duties	7,803,000	16,931,000	9,128,000	117.0
Other agricultural	56,523,000	85,363,000	28,685,000	50.7

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3 U. S. Bureau of Agricultural Economics. Survey of the Agricultural Trade between the United States and Canada, 1935 to 1937, p. 3.

The figures of the table indicate that the trade in agricultural commodities between the United States and Canada was 14 per cent of the total trade in 1935 and 21 per cent in 1936. By far the greater part of the trade with Canada consists of non-agricultural commodities, the composition of which is shown elsewhere in this study when the general trade between the two countries was discussed.[4]

Imports of agricultural products from Canada exceed the exports to Canada; and although this trade increased in both directions during the first year of the agreement, imports increased considerably more, both relatively and absolutely, than the exports. The most significant change in the figures for 1936 over those of 1935 is the relatively greater increase in the trade of commodities on which the agreement reduced the duties than on those the agreement made no changes in the duties. The value of exports of concession items increased 41 per cent, and the value of exports of other items increased only 10 per cent. In the case of imports, the value of concession items increased 117 per cent and that of other items increased only 50 per cent.

Agricultural Concession Trade Analyzed: Exports

Exports of agricultural commodities on which the agreement reduced the duties had a value of $17,349,000 in 1936, an increase of 41 per cent over the value of the same commodities in 1935. The chief commodity groups of this trade in 1936 in the order of their importance were: (1) fruits and preparations, (2) vegetables and preparations, (3) grains and grain products, (4) animals and animal products, (5) nuts, seeds, and greenhouse stock, and (6) some less important items. The list follows:

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4 Supra, p. 48 ff.

Table 14. United States exports to Canada of agricultural commodities on which duties were reduced, 1935 and 1936.[5]

Commodity	1935	1936
Animals		
Horses	$ 63,000	$ 83,000
Poultry	8,000	17,000
Others	238,000	268,000
Total animals	$309,000	$368,000
Meats		
Pork, pickled or salted	46,000	358,000
Hams and shoulders	55,000	126,000
Bacon and sides	8,000	13,000
Pork, canned	31,000	88,000
Pork, fresh	40,000	10,000
Other meats	68,000	104,000
Total meats	248,000	699,000
Other animal products		
Lard	83,000	354,000
Sausage casings	264,000	139,000
Eggs in the shell	9,000	35,000
Miscellaneous	16,000	25,000
Total other animal products	371,000	553,000
Grains and grain products		
Corn and cornmeal	259,000	409,000
Rice	272,000	162,000
Wheat and wheat flour	52,000	139,000
Biscuits	76,000	83,000
Hominy and corn grits	142,000	153,000
Others	149,000	509,000
Total grains and grain products	950,000	1,455,000

5 U. S. Bureau of Agricultural Economics. op. cit., p. 6-7.

Table 14. United States exports to Canada of agricultural commodities on which duties were reduced, 1935 and 1936 (continued).

Commodity	1935	1936
Vegetables and preparations		
Potatoes	$ 140,000	$ 279,000
Other fresh vegetables	2,710,000	3,365,000
Canned vegetables	74,000	127,000
Dried vegetables	77,000	82,000
Vegetable preparations	143,000	166,000
Total vegetables and preparations	3,144,000	$4,019,000
Fruits and preparations		
Oranges, fresh	1,911,000	2,621,000
Grapefruit, fresh	811,000	1,089,000
Apples, fresh	182,000	519,000
Pears, fresh	503,000	688,000
Other fresh fruit	2,177,000	2,931,000
Pears, dried	20,000	26,000
Peaches, dried	126,000	140,000
Apricots, dried	107,000	130,000
Other dried fruit	79,000	82,000
Apricots, canned	3,000	12,000
Peaches, canned	11,000	9,000
Pineapples, canned	62,000	136,000
Other canned fruit	145,000	190,000
Fruit juices	263,000	394,000
Total fruit and preparations	6,400,000	8,957,000
Nuts	329,000	472,000
Field and garden seeds	271,000	454,000
Nursery and greenhouse stock	174,000	253,000
Miscellaneous	102,000	119,000
Total	$12,298,000	$17,349,000

Agricultural Concession Trade Analyzed: Imports

The value of agricultural imports on which the trade agreement reduced the duties was $16,931,000 in 1936, an increase of 117 per cent over the value of these products from Canada in 1935. The chief commodities of this group in 1936 in the order of their importance were: cattle, horses, vegetables, cheese, sugar, seeds, hay, breakfast foods, fruits, poultry, cream, and some minor items. The following table gives a complete list:

Table 15. United States imports from Canada of agricultural commodities on which duties were reduced, 1935 and 1936.[6]

Commodity	1935	1936
Cattle		
Weighing less than 700 pounds	$1,592,000	$1,518,000
Weighing over 700 pounds	3,607,000	7,229,000
Total cattle	$5,199,000	$8,747,000
Horses	592,000	2,010,000
Poultry		
Live	10,000	177,000
Dead	1,000	41,000
Total poultry	11,000	218,000
Cheese	105,000	1,540,000
Cream	1,000	65,000
Cereal breakfast food	51,000	268,000
Hay	170,000	541,000
Oats	319,000	25,000

6 Ibid., p. 18.

Table 15. United States imports from Canada of agricultural commodities on which duties were reduced, 1935 and 1936 (continued).

Commodity	1935	1936
Vegetables		
Turnips and rutabagas	$541,000	$919,000
Seed potatoes	66,000	704,000
Others	3,000	
Total vegetables	$610,000	$1,623,000
Fruits		
Blueberries	63,000	116,000
Apples	6,000	33,000
Others	13,000	80,000
Total fruits	82,000	229,000
Grass and other forage seeds		
Timothy	357,000	10,000
Bluegrass	14,000	17,000
Others	9,000	655,000
Total grass and other forage seeds	380,000	682,000
Maple sugar	283,000	983,000
Total imports	$7,803,000	$16,931,000

Not included in the above list are certain quantities of feedstuffs for animals which are ordinarily dutiable but which were admitted free to meet the needs of farmers during 1934 and 1935. The value of these emergency free imports in 1935 was $631,000. This item is excluded because its free entry in 1935 was by virtue of Presidential proclamation and not by the terms of the Canadian agreement.

Competitive and Non-competitive Commodities

The commodities on which the Canadian trade agreement reduced the duties include a great variety of agricultural products and embrace products from different regions in the United States as the two tables above readily show. However, the commodities of greatest interest to the agricultural producer in North Dakota are those which are produced in this State. The trade in agricultural products of the kinds produced in North Dakota has a more direct affect on the economy of production in this State than trade in products not produced in North Dakota or produced only on a relatively small scale here. The type of product not produced in North Dakota is non-competitive, e. g., oranges, while the type produced here is competitive, e. g., potatoes. In conformity with the plan to limit consideration to direct factors in this problem, all agricultural concession commodities of the non-competitive type will be eliminated.

For the purposes of this study, a non-competitive commodity may be defined as a commodity (1) which is not produced in North Dakota, e. g., rice, (2) or which is produced only in insignificant quanties in North Dakota, e. g., fruits, (3) or which are produced mainly for consumption, and not for sale, e. g., vegetables other than potatoes. On the other hand, a competitive commodity is one which is produced on a major scale and on a surplus basis in North Dakota. On this basis, the following commodities named in Tables 14 and 15 are classed as non-competitive: Rice, nuts, maple sugar, fruits, vegetables other than potatoes, cheese, and a few others of minor importance. All other commodities given in the two tables are competitive.[7]

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7 Supra, p. 36 ff.

Table 16. United States agricultural concession trade with Canada, showing the trade competitive and non-competitive with North Dakota products, 1936.[8]

Exports: All agricultural concession commodities		$17,349,000
Competitive commodities	$ 3,899,000	
Non-competitive commodities	13,350,000	
Imports: All agricultural concession commodities		16,931,000
Competitive commodities	13,260,000	
Non-competitive commodities	3,671,000	

By eliminating the non-competitive trade and by replacing the items in the competitive trade, the result will be a workable list of products, as it will contain the commodities (1) on which the agreement reduced the duties and (2) which are of the kinds produced in North Dakota:

Table 17. United States trade with Canada in agricultural concession commodities of the kinds produced in North Dakota, 1936.[9]

Exports: All competitive agricultural concession commodities		$3,899,000
Animals	$ 368,000	
Animal products	1,252,000	
Grains and grain products	1,293,000	
Potatoes	279,000	
Field and garden seeds	454,000	
Nursery and greenhouse stock	253,000	
Imports: All competitive agricultural concession commodities		$13,260,000
Cattle	$8,747,000	
Horses	2,010,000	
Seed potatoes	704,000	
Grass and forage seeds	682,000	
Hay	541,000	
Cereal breakfast foods	268,000	
Poultry	218,000	
Cream	15,000	
Oats	25,000	

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8 Based on Tables 14 and 15, supra, and Chapter IV, supra.
9 Based on Tables 14, 15, and 16, supra.

Summary

The agricultural trade with Canada is only a fraction of the total trade with that country, and the imports of agricultural products from Canada exceed the exports to that country of those products. In 1936, agricultural imports were $102,294,000 and were 24 per cent of all imports from Canada into the United States. Agricultural exports were $52,333,000 and were 14 per cent of all exports to Canada from the United States in 1936.

Agricultural commodities on which the duties had been reduced by the agreement constituted only a fraction of the total agricultural trade between the two countries. In the case of imports, their value was $16,931,000 in 1936 and constituted about one-sixth of all agricultural imports from Canada that year. In the case of exports, their value was $17,349,000, or about one-third of all agricultural exports to Canada in the same year.

There was an increase in the trade of all commodities between the two countries in 1936 over 1935, but there was a relatively greater increase in the trade of commodities on which the agreement had reduced the duties than in the trade of commodities on which the duties had not been reduced. Exports of agricultural concession commodities increased 41 per cent, while exports of other agricultural commodities increased only 11 per cent. Imports of agricultural concession commodities increased 117 per cent, and imports of other agricultural commodities increased only 50 per cent.

The first year of the agreement showed nearly a balance in the trade of agricultural concession commodities. Exports were $17,349,000 and imports were $16,931,000 in 1936. Agriculture as a whole in the United

States may have gained as much as it lost in the transactions covered by the trade agreement. Gains through enhanced prices occasioned by exports of commodities on which the agreement had reduced the duties may have been offset by the losses through declined prices occasioned by imports of commodities on which the agreement had reduced the duties.

But there was a wide difference between imports and exports of agricultural concession commodities of the kinds produced in North Dakota. Imports of this class of commodities were $13,260,000 and exports were $3,899,000. The ratio in the case of all agricultural concession commodities was practically even, 1 to 1. But in the case of competitive agricultural concession commodities, the ratio of imports to exports was 3 to 1. The causes and effects of this uneven trade will be studied in the next chapter.

CHAPTER VII

COMPETITIVE TRADE

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The preceding chapter showed that the United States imports from and the exports of Canada of agricultural commodities on which the agreement reduced the duties practically balanced in 1936. It was also shown that in the case of agricultural concession commodities of the kinds produced in North Dakota, the imports exceeded the exports and a considerable disproportion existed in the trade. This situation is of vital importance to the State, for competitive imports have the effect of shrinking the market for native products and exports have the opposite effect. If a disproportion exists, the economic results will not fall with an even hand on the two sides. It is the purpose of this chapter to delve into the economic effects of this uneven trade and to search for the causes of it. It is also the purpose of this chapter to determine the degree of economic distress, if any, resulting to the North Dakota agricultural producer from the predominance of competitive imports over exports and to suggest some solutions to the problem.

Exports Affected by the Agreement

The chief commodities among the competitive agricultural concession exports to Canada are live animals, meat---mostly pork, lard, potatoes, and corn and corn products.[1] Under the agreement, Canada applies the rates of her intermediate tariff on these commodities when exported to Canada from the United States, instead of the higher rates of her general tariff applied to American products heretofore. The most important classes of

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1 Tables 14-17, supra.

animals and the changes in the Canadian duties under the agreement are: Horses, duty reduced from $25 a head to $12.50 a head; cattle and sheep, duty reduced from 3 cents a pound to 2 cents a pound; hogs, 3 cents a pound to $1\frac{1}{4}$ cents a pound; and poultry, 20 per cent ad valorem to $17\frac{1}{2}$ per cent. The main classes of meat and the changes in duties are: Fresh beef, duty reduced from 8 cents a pound to 6 cents; prepared beef, from 6 cents a pound to 3 cents; fresh pork, 5 cents to $2\frac{1}{2}$ cents; and prepared pork, 5 cents to $1\frac{3}{4}$ cents. The duty on lard was reduced from 2 cents a pound to $1\frac{3}{4}$ cents. Potatoes used to be subject to a duty of 75 cents a hundred pounds are now admitted free of duty by Canada. The duty on corn was reduced from 25 cents a bushel to 20 cents, although if corn is imported into Canada from the United States for certain manufactures, it is admitted free of duty.[2]

But in spite of these reductions, United States exports to Canada of these commodities showed no substantial increases during the first year of the agreement.[3] The main cause of this slight increase is that Canada herself is normally an exporter of these commodities. Wheat illustrates this point. Although Canada reduced the duty on wheat from 30 cents a bushel to 12 cents, hardly any wheat moved into Canada from the United States under this new rate. What is true of wheat is true of many other commodities among the competitive exports. In the case of live animals, Canadian exports to all countries for the eight years of 1928-1935 totalled $70,000,000, while imports were $10,000,000. Meat exports for the same period were $116,000,000; imports, $27,000,000. Lard ex-

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2 U. S. Bureau of Foreign and Domestic Commerce. United States Export Products Affected by the Trade Agreement with Canada, p. 1-12.

3 Table 14, supra.

ports were $2,000,000; imports, $840,000. Potato exports were $30,000,000, and imports, $4,000,000. Corn is an exception. Imports into Canada during the same period were $62,000,000, and export statistics are lacking.[4]

Under these circumstances, a relatively small export volume from the United States to Canada of these commodities is to be expected. Although the reductions in the duties were substantial, their affect was slight. As long as Canada produces surpluses and is an exporter of the kinds of commodities produced in North Dakota, this State can not hope for an appreciable expansion of trade northward, even if Canada removes the tariff entirely as she has already done in the case of potatoes.

Imports Affected by the Agreement

The circumstances attending the United States imports of agricultural concession commodities are different from those attending the exports. In general, it can be stated that Canada is on a net agricultural export basis, and the United States is on a net agricultural import basis. The United States agricultural imports have exceeded the exports since 1926.[5]

The chief commodities among the competitive agricultural concession imports in the order of their importance are: Cattle, horses, seed potatoes, grass and other forage seeds, hay, poultry, cream, and oats.[6] Since cattle imports have the distinction of being over half of the total imports of these commodities, they will be discussed more fully than any others. It is believed that the situation in regard to cattle is analagous to that of most of these commodities.

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4 Canada Year Book, 1932, p. 426 ff.; 1936, p. 534 ff.
5 U. S. Department of Agriculture. Agricultural Statistics, 1937, p. 336-337.
6 Table 15, supra.

The Case of Cattle

The United States concession to Canada in regard to cattle imports from that country applied to three classes of cattle: calves, beef cattle, and dairy cows. On calves, the duty was reduced from $2\frac{1}{2}$ cents to $1\frac{1}{2}$ cents a pound, on an annual quota of 51,933 head; on beef cattle, over 700 pounds, the duty was reduced from 3 cents a pound to 2 cents, on an annual quota of 155,799 head; and on cows for dairy purposes, the duty was reduced from 3 cents to $1\frac{1}{2}$ cents a pound, on an annual quota of 20,000 head. On beef cattle weighing between 175 and 700 pounds, the duty was not changed, the old rate of 3 cents a pound continuing in effect. All cattle imports in excess of the quotas are dutiable at the old rates. These concessions are extended to other nations which do not discriminate against the United States; but in this case, the extension has practical reference only to one other nation---Mexico. Canada and Mexico furnish 99 per cent of the cattle imports to the United States.[7]

The United States has been on a net import basis of cattle since 1912.[8] The average annual imports for the years 1919-1935 were 255,000 head, while exports for the same period averaged annually 42,900 head. This ratio of approximately 6 to 1 hardly describes the situation fully with reference to the present time. Exports have almost vanished since 1930, and the domestic supply of cattle has declined from 70,000,000 head in 1920 to 60,000,000 in 1935.[9] Although the agreement made no reduction in the duty on beef imports, it is necessary to mention that the United States is also on a net import basis at the present time on beef, in spite

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7 U. S. Tariff Commission. <u>Concessions Granted by the United States in the Trade Agreement with Canada</u>, p. 125-126.

8 Ibid., p. 129.

9 Ibid., p. 128, 137.

of the tariff of 6 cents a pound on imports of this product. Fresh beef imports have steadily declined since the World War, but canned beef imports steadily increased. In 1935, the canned beef imports of 88,000,000 pounds nearly all of which came from Uruguay and Argentine exceeded the combined weight of all types of beef exports.[10]

In addition to the net import trend and the decline in the domestic supply of cattle, recently other circumstances have attracted cattle shipments to the United States. Cattle imports leaped from the record low of 57,000 head in 1934 to 365,000 head in 1935 and 400,000 head in 1936. This increase was the result of a combination of circumstances: (1) higher prices in the United States which followed the drought of 1934, (2) the removal of 8,000,000 head of cattle from the market through the Federal emergency cattle-buying program, and (3) increased consumer demand resulting from general domestic recovery in the United States.[11]

During no part of 1935 was the Canadian agreement in effect, and it was during that year that cattle imports took a leap, in spite of the full 3-cent duty of the 1930 tariff. This does not mean, however, that the tariff does not influence foreign cattle shipments. There is ample evidence that it does, for imports declined sharply with the enactment of the 1930 tariff, and there is evidence that the slight reduction under the Canadian agreement was responsible for part of the cattle imports in 1936, as will be shown later. However, in the long run, cattle imports tend to be large when prices are relatively high and small when they are low. The following table gives data which substantiate the statements in this paragraph:

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10 U. S. Department of Agriculture. op. cit., p. 341-343.

11 U. S. Department of State. The Cattle Industry and the Trade Agreement with Canada, p. 1-19.

Table 18. United States cattle statistics by years, rate of duty, average price, number imported, and number on farms, 1919-1935.[12]

Calendar year	Rate of duty	Price per cwt.	Number of head imported	Number of head on farms
1919	Free	$9.61	620,000	70,261,000
1920	"	8.38	371,000	70,325,000
1921	30%	5.44	193,000	68,633,000
1922	$1\frac{1}{2}$ & 2¢ lb.	5.43	236,000	68,663,000
1923	"	5.57	136,000	67,384,000
1924	"	5.59	141,000	65,832,000
1925	"	6.26	172,000	63,115,000
1926	"	6.46	211,000	59,977,000
1927	"	7.54	427,000	57,528,000
1928	"	9.12	517,000	56,701,000
1929	"	9.15	410,000	57,878,000
1930	$2\frac{1}{2}$ & 3¢ lb.	7.46	226,000	59,730,000
1931	"	5.31	85,000	60,987,000
1932	"	4.07	95,000	62,658,000
1933	"	3.63	63,000	65,704,000
1934	"	3.88	57,000	68,290,000
1935	"	6.21	365,000	60,667,000

The large increase in cattle imports in 1935 and 1936 followed the general rule that cattle imports tend to be large when prices are relatively high. None of the imports of 1935 can be attributed to the in-

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12 U. S. Tariff Commission. op. cit., p. 128-132.

fluence of the Canadian agreement since it was not in operation in that year. However, its influence is discernable in 1936 on account of the changes in the types of cattle imported, as will be pointed out later. It is necessary to introduce cattle import statistics for the years 1935 and 1936 before proceeding further with the analysis:

Table 19. United States cattle imports from all countries, number of head by classes, 1935.[13]

Origin of imports	Cattle paying:	Cattle under 700 pounds	Cattle over 700 pounds	Total cattle
From Canada	Full duties	52,790	59,930	112,720
From Mexico	Full duties	242,468	8,622	251,110
From all countries	Full duties	295,258	68,552	363,830

Table 20. United States cattle imports from all countries, number of head by classes, 1936.[14]

Origin of imports	Cattle paying:	Cattle under 700 pounds	Cattle over 700 pounds	Total cattle
From Canada	Reduced duties	50,420	134,946	185,366
	Full duties	40,424	8,273	48,697
		90,844	143,219	234,063
From Mexico	Reduced duties	1,513	20,853	22,366
	Full duties	140,343	1,337	141,680
		141,856	22,190	164,046
From all countries	Reduced duties	51,933	155,799	207,732
	Full duties	180,767	9,610	190,387
		232,700	165,409	398,119

13 U. S. Department of State. op. cit., p. 8-9.
14 Ibid.

It is significant that the most conspicuous change in the composition of the cattle imports in 1936 as compared with 1935 occurred in the class of cattle weighing over 700 pounds. This is the most important class on which the United States granted concessions by reason of both number of head and total poundage. The imports of this class increased from 68,552 in 1935 to 165,409 in 1936, and imports of this class of cattle almost ceased when the quota for the reduced duty was filled. On the other hand, imports of cattle weighing between 175 and 700 pounds declined in 1936, no concessions having been made on this class and all entries paying the full duty.

Cattle imports from Mexico decreased about 90,000 head, while imports from Canada increased over 100,000 head in 1936 as compared with the previous year. Canada furnished nearly all of the heavy cattle imports; and the quota of 155,799 head entitled to enter under the reduced rate was almost monopolized by Canada. The average weight of cattle imported from Mexico has been considerably below that of cattle from Canada. The average annual weight from Mexico from 1923 to 1935 was well under 500 pounds per head, while the average from Canada was considerably over that figure, varying from 579 to 800 pounds per head during the same period. This shows that Canadians prefer to export heavier cattle and Mexicans lighter cattle and that the United States concession on heavy cattle favored Canada as against Mexico.[15]

It is necessary to analyze the situation as it existed in 1936. The purpose is to determine to what degree Canadian imports were responsible for the decline in cattle prices in the United States in that year. Since

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15 U. S. Tariff Commission. op. cit., p. 132-133.

only commodities on which the agreement reduced the duties are relevant to the problem, non-concession cattle imports will be eliminated; and since cattle weighing over 7 0 pounds constituted by far the largest class of concession cattle, consideration will be limited to this class. The following table gives import statistics for heavy cattle on which the duty was reduced and other pertinent data for 1936:

Table 21. Cattle imports, domestic slaughter and cattle prices, 1936.[16]

Month in 1936	Imports of cattle over 700 pounds (number of head)	Federally inspected domestic slaughter of cattle (number of head)	Percentage 1936 slaughter of preceding 5-year average for month	Percentage imports of domestic slaughter of cattle	Monthly average price slaughter steers, 900-1100 pounds, Chicago	
					Choice	Medium
					$ per cwt.	
Jan.	10,893	906,000	127.2	1.2	12.50	8.23
Feb.	11,974	792,000	120.2	1.6	11.03	7.88
March	20,664	763,000	142.2	2.7	10.62	8.10
April	37,563	812,000	119.9	4.6	10.16	7.82
May	27,785	786,000	108.0	3.5	8.91	7.39
June	21,413	853,000	120.0	2.5	8.62	7.24
July	9,949	928,000	128.0	1.0	8.84	7.39
Aug.	5,592	1,012,000	129.5	0.6	9.24	7.36
Sept.	8,015	1,071,000	135.2	0.7	9.56	7.85
Oct.	2,778	1,124,000	127.7	0.2	9.98	8.14
Nov.	1,849	988,000	127.6	0.2	11.07	8.44
Dec.	398	987,000	134.8	0.04	11.74	8.65
1936	158,873	10,972,000	124.7	1.4	10.19	7.87

16 U. S. Department of State. op. cit., p. 13.

The influence of the Canadian agreement on the American cattle market and general price structure must be measured by the ratio of the imports of cattle on which the duty was reduced to the domestic slaughter in the United States. 158,873 head of heavy cattle entered the United States under the reduced rate in 1936, all of which came from Canada, except 21,000 head imported from Mexico. The total number, including imports from Mexico have been used in the computations, for the reason that the Canadian trade agreement was responsible for the reduction in duty which was generalized to Mexico. These concession cattle imports formed 1.4 per cent of the domestic slaughter in the United States in 1936. The percentage varied from month to month, being highest in April when it was 4.6 per cent and lowest in December when it was .04 per cent. These percentages measure the influence of the Canadian agreement on the cattle prices in the United States.

It is evident that imports attributable to the reduced duties were responsible for only part of the decline in cattle prices during 1936. The reduction in cattle slaughter following the drought of 1934 caused cattle prices to rise in 1935. Abundant feed supplies and attractive prices in 1935 encouraged cattle feeding operations and led to exceptionally heavy marketings in 1936, to which must be attributed the greater part of the decline in cattle prices.[17]

The situation in regard to cattle may be summarized as follows: (1) North Dakota cattle producers sustained a small decline in the market value of cattle as a result of concession cattle imports in 1936; (2) the largest share of the decline in prices was caused by unusually heavy domestic mar-

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17 Ibid., p. 15-17.

keting in 1936; and (3) the economic distress to North Dakota cattle producers occasioned by competitive imports is unavoidable, because of the necessity of cattle imports to supplement inadequate domestic supplies. There are certain solutions to the problem: (1) Either cattlemen in this State must increase cattle production, or (2) consumers generally must find substitutes for beef.

Other Major Competitive Imports

Two other commodities bulk large in the competitive agricultural concession imports: Horses and potatoes. The value of imports of horses increased from $592,000 in 1935 to $2,010,000 in 1936. The agreement reduced the duty from $30 a head to $20 a head. The United States has been on a net import basis since 1931. There was a rapid curtailment in the production of horses after 1919 on account of the increasing use of motor power, but the depression revived the use of horses. The small excess of exports over imports before the depression has been changed to an excess of imports over exports. The situation is analogous to that of cattle, but on a smaller scale.[18]

Seed potatoes are third on the competitive list. The agreement reduced the duty on certified seed potatoes from 75 cents a hundred pounds to 60 cents a hundred if imported between the first of December and the last of the following February, and to 45 cents a hundred pounds if imported during the rest of the year. The reduced duties are applicable to an annual quota of 750,000 bushels, and any excess has to pay the old rate. A large increase in imports of this commodity occurred in 1936 over 1935. Imports for 1936 were $704,000, and for 1935, $66,000. North Dakota is

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18 U. S. Tariff Commission. op. cit., p. 177-184.

an important seed-potato producing State. Import and export statistics are incomplete because of the lack of separate records for seed and table potatoes before 1930. Although imports have been decreasing since 1931, they are much larger than the exports. The production of certified seed potatoes in the United States is confined to a few northern States upon which the other States depend for their supply. Imports of seed potatoes are a necessity in regions devoted to intensive potato cultivation to maintain the virility of seed stocks and to control plant diseases. In a general way, production is insufficient for the demand in the United States. An average of 300,000 bushels were imported annually from 1931 to 1935 even at the high tariff of 75 cents a hundred pounds.[19]

Conclusion

The causes of the extreme differences between the United States imports of agricultural concession commodities of the kinds produced in North Dakota and the exports of this class of commodities lie deeper than duty reductions under the Canadian agreement. In the case of exports to Canada, that country produces surpluses of these commodities and an expansion of trade into Canada is impossible even with tariff reductions. In the case of imports, the situation is reversed. North Dakota belongs to a nation which is on a deficient basis in the production of most of these commodities. Although the tariff reductions have led to small increases in imports, the bulk of imports from Canada are the result more of inadequate domestic supplies than duty reductions under the agreement. The increases in imports of agricultural commodities directly traceable to duty reductions are small in comparison with domestic production and

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19 Ibid., p. 347-352.

consumption and their effects on the American market are slight. The distress to the North Dakota agricultural producers resulting from the price-depressing tendencies of these imports is existent, although it is small. Furthermore, it is unavoidable because of the necessity of imports to supplement inadequate domestic production. The remedy is national. Producers must increase production, or consumers must consume substitutes.

CHAPTER VIII

COMPENSATIONS

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The purpose of this chapter is to briefly explore the indirect effects of the Canadian agreement on North Dakota. Although it is impossible to present a complete analysis of this phase of the problem in the short space of one of these chapters, it is necessary to give some attention to the indirect factors in order to bring this study to a more natural conclusion and to point out the larger aspects of the problem.

The North Dakota agricultural producer may feel that the agreement is one-sided and that it opens the door to competitive trade without providing compensatory offsets. Before he condemns it, he should study the agreement in all of its phases and weigh all the effects---both direct and indirect. Only through a comprehensive study of this kind can the truth be known.

Indirect Effects of the Canadian Agreement

The study of the indirect effects of the agreement includes analyses of two types of trade with Canada: (1) Agricultural and (2) non-agricultural. It was shown in a previous chapter that the agricultural concession trade included competitive and non-competitive commodities, and that in the case of the competitive trade imports exceeded exports in the ratio of 3 to 1, while in the case of the non-competitive trade exports exceeded imports in this ratio. The non-competitive exports consisted largely of fruits, vegetables, and rice. These exports have the effect of preventing the States which specialize in these crops from using part of their acreage for the production of commodities which would be competitive with those of North Dakota. To the extend that the agreement encourages the exportation of non-competitive agricultural products, it indirectly benefits the North Dakota agricultural producer.[1]

Another indirect factor in the study of the agreement is the non-agricultural trade which constitutes by far the greater part of the trade with Canada, as the following table shows:

Table 22. Summary of United States trade with Canada, showing the trade in non-agricultural commodities, 1935 and 1936.[2]

U. S. exports	1935	1936	Increase	Per ct.
All commodities	$308,357,000	$368,767,000	$60,610,000	19.7
Agricultural	43,844,000	52,333,000	8,489,000	19.4
Non-agricultural	264,313,000	316,434,000	52,121,000	19.7
Non-agricultural on which the agreement reduced the duties	107,347,000	138,354,000	31,107,000	28.9
Other non-agricultural	157,066,000	178,080,000	21,014,000	13.4
U. S. imports				
All commodities	286,112,000	377,616,000	91,504,000	32.0
Agricultural	64,326,000	102,294,000	37,968,000	59.0
Non-agricultural	211,786,000	275,322,000	63,508,000	29.9
Non-agricultural on which the agreement reduced the duties	29,463,000	50,096,000	20,633,000	70.3
Other non-agricultural	182,323,000	225,226,000	42,903,000	23.5

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1 U. S. House of Representatives. Hearings before the Committee on Ways and Means on House Joint Resolution 96, p. 243.

2 Sources. (1) Table 13, supra. (2) U. S. Department of State. An Analysis of Canadian-American Trade during the First Year under the Reciprocal Trade Agreement.

In 1936, the total exports from the United States to Canada were $368,767,000, of which $316,434,000 consisted of non-agricultural commodities and only $42,333,000 of agricultural commodities. The ratio of the non-agricultural to the agricultural exports was approximately 6 to 1. The United States imports from Canada were $377,616,000 of which $275,322,000 consisted of non-agricultural commodities and $102,492,000 of agricultural commodities. The ratio of non-agricultural to agricultural imports was approximately 3 to 1. If commodities on which the agreement made no changes in the duties are eliminated, exports of non-agricultural concession commodities were $138,354,000, and imports were $50,096,000. The ratio was approximately 3 to 1. It will be recalled that the trade in agricultural concession commodities balanced in 1936, the ratio being 1 to 1. This is far from true in the case of the non-agricultural concession trade, in which the exports exceeded the imports nearly $90,000,000 and by a ratio of nearly 3 to 1.

As in the case of the agricultural trade, the greatest increase in the non-agricultural trade under the agreement occurred in commodities on which the agreement reduced the duties, and imports showed a much greater relative increase than exports. Among the imports of non-agricultural commodities on which the duties had been reduced, the chief items were whiskey and lumber, which made up $42,000,000 of the total of $50,096,000 of this class of imports. The remainder of about $8,000,000 was made up of fish, leather, acetic acid, and certain refractory and other minor minerals. The duty on whiskey had been reduced from $5 a gallon to $2.50 a gallon, and the combined duty and excise tax of $4 a thousand feet on soft wood had been reduced to $2 a thousand feet. Softwood lumber imports were subject to an annual quota of 250,000,000 board feet, and all imports in excess of this quota had to pay the old rate.[3] Hard liquor and soft wood nearly monopolized the non-agricultural concession imports in much the same way as cattle and one or two other items nearly monopolized the agricultural concession imports in 1936. In both cases, the conspicuous increases in the imports were primarily due to other causes than the reduction in duties. Much of the whiskey importation can be attributed to the alcoholic drought of the prohibition period, just as the cattle imports can be attributed to the aquatic drought in 1934.[4]

The large group of commodities in the trade with Canada in 1936, which consisted of $138,354,000 worth of exports of non-agricultural concession commodities, was made up almost entirely of manufactured products from the United States. The components of this group in the order of their importance were (1) iron and steel products, (2) electrical apparatus, (3) printed matter, (4) wood and paper products, (5) petroleum products, (6) chemical products, (7) textiles and products, (8) rubber products, and (9) miscellaneous manufactures.[5]

The preponderance of industrial commodities over agricultural commodities in the trade with Canada is thoroughly consistent with the industrial development of the United States. The United States is a manufacturing nation.[6] The prosperity of this country is particularly dependent upon the activity of its factories. Although agriculture retains its importance as a basic factor, manufacturing is a larger institution and outranks agriculture in the value of its products, the capital invested, and the number of persons engaged in the industry, and other points

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3 U. S. Department of State. op. cit.
4 U. S. House of Representatives. op. cit., p. 353-354.
5 U. S. Department of State. op. cit.
6 Chapter III, supra.

of comparison. The United States has become more largely an exporter of manufactured goods and less an exporter of agricultural products in recent years. The reductions in duties granted by Canada on manufactured commodities are of direct benefit to American industrial groups, but they are also of benefit to American agricultural producers in an indirect way. Non-agricultural exports to Canada increased 19 per cent in 1936 over 1935, but exports of commodities on which the duties had been reduced increased 28 per cent, while those on which no changes had been made in the duties increased only 13 per cent. The reductions in duties have contributed toward this increase in exports and, consequently, toward revival of American industry, which, in turn, has resulted in increased employment in urban centers, higher purchasing-power of wage-earners, and greater demand for agricultural products by consumers in the domestic market. An increase in industrial output sets in motion a chain of circumstances that will inevitably redound to the benefit of agriculture.[7]

The situation in regard to the indirect factors may be summarized as follows: The importance of the trade with Canada to the North Dakota agricultural producers is not measured merely by the value of competitive exports to Canada, but also in at least two other ways---by the exports to Canada of non-competitive agricultural products of other States, and by the industrial exports of the United States as a whole. Both of these factors operate to the indirect benefit of North Dakota agricultural producers and tend to enhance the value of farm products and to offset the the direct injuries sustained through competitive agricultural imports noted in the preceding chapter.

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7. U. S. House of Representatives. op. cit., p. 269-278.

Canadian Agreement is Part of General Program

Although the price-depressing tendencies of the United States imports of competitive concession agricultural commodities are counteracted by the price-enhancing tendencies of United States exports of non-agricultural concession commodities, the problem is not solved by an analysis of only the trade under the Canadian agreement. This agreement is related to the whole reciprocal trade program and its effects are interwoven with those of the other agreements. In order to know the whole truth, it would be necessary to analyze the trade under each agreement, and the procedure in each case would be similar to that followed in the foregoing analysis of the trade with Canada. Only a cursory view will be taken here of the trade under other agreements in its relation to North Dakota, more for the purpose of pointing out the broader aspects of the problem than to present conclusive proof one way or the other of the composite effects of the reciprocal trade program on North Dakota.

In regard to commodities of special interest to North Dakota, no reductions in duties were granted by the United States in trade agreements other than the Canadian agreement on the following: grains and grain products for human consumption, beef, pork, butter, and other animal fats and oils. On the other hand, the United States received concessions in trade agreements other than the Canadian agreement on the following items of interest to North Dakota: wheat, wheat flour, barley, oats, potatoes, beef, pork, lard, butter, and eggs.[8] An accurate survey would demand the gathering of full statistics on both the imports and the exports of these commodities under the various trade agreements, a task that cannot be un-

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8 Congressional Record, Vol. 81, pt. 1, p. 1040-1045.

dertaken in this study. But the prominence of wheat both as a major crop of the United States and the chief crop of North Dakota dictates the necessity of presenting some statistics on this commodity. As has already been pointed out, the United States granted no concessions on wheat, except some minor concessions on wheat unfit for human consumption. It is also true that the United States has received no concessions on wheat of any appreciable significance. Two countries---the Netherlands and Switzerland---increased their quotas, and one country---Canada---reduced its duty. The Netherlands imported 335,000 bushels in 1936; Switzerland, nothing; and Canada, 53,000 bushels. These exports are a mere drop in the bucket. The situation in regard to Canada has already been discussed, and a few words will follow about the United States wheat trade with the rest of the world.[9]

Exports of wheat heavily declined in recent years and fell to an all time low of 233,000 bushels in 1935. In 1936, the exports were somewhat less than 2,000,000 bushels, which was about 2 per cent of the predepression average; and imports were 34,074,000 bushels, nearly all of which came from Canada. Curtailed supplies due to droughts and restricted production in the United States in recent years account for some of the decline in the foreign trade of wheat, but the chief reason is the trend in foreign countries to become as self-sufficient as possible by producing their own bread grains. Even with the return of normal yields in the United States, a substantial recovery of our wheat exports is highly improbable.[10]

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9 U. S. Senate. Hearings before the Committee on Finance on House Joint Resolution 96, p. 337-339.
10 Ibid., p. 159-165.

Nor is the situation any better in regard to wheat-flour exports, which have also shown a steady decline in recent years, from 12,000,000 barrels in 1929 to 3,000,000 barrels in 1936. Under the trade agreements program, concessions have been secured from only two countries---Canada, whose imports of flour from the United States are insignificant, and Cuba, whose imports of flour milled entirely from American wheat actually declined under the agreement with that country.[11] It is evident that relief to important wheat producing areas like North Dakota must come in some other form than exports to foreign countries.

In regard to the indirect factors, the same approach would have to be made as in the case of the study of the trade with Canada. Non-competitive commodities on which the various agreements reduced the duties must be separated from the competitive commodities, and the foreign trade in these must be analyzed. A cursory review indicates that the same difficulties have beset the negotiators of trade agreements to gain outlets for the major non-competitive agricultural products as those attending the efforts to recover lost foreign markets in wheat. The outstanding non-competitive commodity is cotton. No foreign nation has reduced the duty on American cotton, since this commodity was already admitted free of duty by countries that either increased their quotas or bound the free entry. The full recovery of our lost foreign markets of cotton are as improbable of attainment as that of wheat. The situation in regard to tobacco is somewhat better, but the gains too have been slight. If a more detailed analysis of the trade in non-competitive agricultural commodities under the various agreements would reveal substantial gains in the exports, then

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11 U. S. House of Representatives. op. cit., p. 228-229.

the results could be classed as beneficial to North Dakota; but if the analysis showed opposite conditions, then the results would be detrimental to North Dakota because of the tendency to devote such acreage to the production of competitive agricultural products.

The second indirect factor is that relating to the non-agricultural trade under the agreements. As in the case of the analysis of the trade with Canada, a complete survey of the non-agricultural trade under the various agreements would show the proportion of this trade to the total trade and the ratio to agricultural trade. A preliminary review indicates that the total concessions gained on industrial products is exceedingly wide and covers several hundred items. The most important are concessions on automotive products, electrical apparatus, industrial, agricultural, and business machinery, and various specialties.[12] Most of the countries with whom trade agreements have been signed are predominantly agricultural, and have been most disposed to grant concessions on machinery and heavier manufactures related to the development of their own resources and industries. This has been particularly the case with such countries as Canada, Cuba, Brazil, and Colombia.[13]

If a more detailed study should reveal that the non-agricultural trade had been revived to the same extend under the trade agreements generally as it has been under the Canadian agreement, then the indirect effects on North Dakota resulting from greater urban demand for crop and livestock products would be beneficial to this State. If, however, the proportion of non-agricultural trade would be relatively small and would

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12 Congressional Record, Vol. 81, pt. 1, p. 1040-1045.
13 U. S. House of Representatives. op. cit., 269-278.

be either equal to or less than the competitive agricultural imports, then the effects would be detrimental to the North Dakota agricultural producers.

The foregoing observations are hints rather than proofs and merely indicate the nature of the problem in its larger aspects. Until a complete analysis of the trade under all the trade agreements is made, judgment with respect to the effects of the reciprocal trade program upon agriculture in North Dakota must be withheld.

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