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NOTES AND MEMORANDA

PREFERENTIAL TARIFFS IN THE SHEET IRON BUSINESS

[We have received the following communication from the managing director of a very large iron business. We can answer for the ability and good faith of our correspondent.—*Editors.*]

I ENCLOSE herewith the answers which have recently been given by my firm to the —— Chamber of Commerce, in reply to questions relative to the effect of a preferential tariff upon the Sheet Iron business. You will see by these that it is not the *protection* of British Iron which is essential to the future prosperity of this business, but a scheme which will, in the first place, add to the purchasing power of our best customers, and, in the second place, prevent these customers from becoming their own manufacturers. The colonies are far better fitted for the production of raw material than they are for manufacturing, whereas the conditions at home are exactly the reverse. Any scheme, therefore, which tends to develop the natural resources of the colonies as producers of raw material, and, at the same time, keeps the manufacturing in the Old Country, is economically sound. I presume that any arrangement with the colonies would provide that, in return for our preference on their raw material, they should not only give our manufactured articles a preference over those of foreign countries, but also undertake not to put duties upon British manufactures, or bonuses on their own, which would make colonial manufacturing the more profitable, artificially.

The fact that our colonial trade is a constantly increasing one, whereas our foreign trade is a constantly diminishing one, and this almost entirely owing to prohibitive tariffs, is of great importance. In the United States alone, the consumption of Sheet Iron is as large as in Great Britain; and the profits which manufacturers are realising there are more than double as much per ton as the English manufacturer can realise. If the tariff were removed, it would be possible for the English manufacturer to compete on even terms with the American manufacturer; as it is now, he is not able to send a single ounce of Sheet Iron into the United States.

If some scheme of preferential tariffs be not adopted, there is no
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doubt that both in Canada and Australia local iron industries, protected by bounties, will spring up and so increase that at the end of twenty years a very considerable amount of the industry now being carried on in England will be transferred to the colonies, and we shall have a repetition of what took place in the United States. But such firms as ours, with a good organisation, will not allow themselves to be outdone by such a condition of things, and would, as we have already done to a small extent, start themselves manufacturing in the colonies. I take it that, looked at from the point of view of the development of Great Britain, such a transference of industries from England to the colonies would be a very severe blow to the Old Country.

I need not remind you of the unfairness to a British industry when a large trust, such as the American Steel Trust, in order to secure a new market, puts its surplus down under cost price. We have had to contend with such a condition of things, especially in Canada.

All these considerations will show you that, though we do not ask for protection, a scheme of preferential tariffs, or Zollverein, throughout the Empire would be of immense benefit.

As regards protection, there is one point on the other side which is of interest. When Corporations, such as the American Steel Trust, export under cost price, or when the Germans, at times of financial pressure, or for other reasons, export at cost price, English manufacturers of a certain class of iron goods may take advantage of this state of things, and by buying the iron in its half-finished condition under cost price, and doing the finishing stages, on which there is a great deal of labour (cheaper in England than in the United States) in England, they may be able to compete with and beat the American or German on the finished article. I give, as an instance, Sheet Iron, which may be manufactured in all its stages in England, or the preliminary stages, namely, the Steel Bar, may be obtained from Germany or America.

Subjoined are my answers to the Chamber of Commerce, along with the questions to which they refer:—

Question.—Have hostile foreign tariffs injured your trade in any way? If so, give instances. *Answer.*—Yes; the most noticeable instance being in the case of the United States. This is one of the largest markets in the world for Sheet Iron, but British manufacturers are entirely prevented from competing in consequence of the hostile tariff, though if this did not exist, they could hold their own against American manufacturers.

Question.—Has the policy pursued by foreign nations of a preferential tariff in favour of their own colonies affected your trade adversely? If so, give instances. *Answer.*—The result has been insignificant.

Question.—Has the preference recently given to British trade by the Canadian Government been to the advantage of your business? If so, give instances. *Answer.*—Yes. In Canada, England is in com-

petition with the United States for the Sheet Iron business, and with Germany for the Wire Netting business. The preference given by the Canadian Government has been helpful in both instances to English manufacturers.

Question.—Could you export goods to colonial or foreign markets where hostile tariffs now exclude them if these tariffs were modified?

Answer.—Yes; see answer to question 1 as to foreign markets. As regards colonial tariffs, the tendency of these is to foster colonial industries.

Question.—Has your trade been affected by foreign trade combinations made possible by foreign protective tariffs? *Answer.*—To some extent; but greater danger is threatened in the future, especially in the case of the United States at times of depression in their home markets.

Question.—Is your export trade principally done with British colonies or foreign countries? *Answer.*—Chiefly with our colonies.

Question.—Do you find your trade with British colonies increasing or decreasing? *Answer.*—Increasing.

Question.—Do you find your trade with foreign countries increasing or decreasing? *Answer.*—Decreasing.

Question.—Have you in recent years purchased foreign manufactured goods formerly produced in this country? *Answer.*—Yes—if by manufactured goods are understood such productions as steel bars and wire.

Question.—To what extent, if any, is your home trade interfered with by foreign competition? *Answer.*—Not to any considerable extent.

General Remarks.—A tariff scheme, which would help to develop our colonies, in encouraging their production of raw materials, would benefit us by making them still larger consumers of our manufactures; and not only would it increase the volume of business, but it would tend to preserve that business for the British manufacturer in two ways:—

First.—By the preferential tariff, which would give him an advantage over his foreign competitor, and

Second.—By checking the tendency of the colonies to put a protective tariff on manufactured articles in order to develop their home industries. In our case, such tariffs have already caused us to start certain industries in Australia; but we suppose that a transference of industries from England to the colonies would not be looked upon as a desirable thing by even the keenest free trader.

J. LYSAGHT