

INVITATION TO A TARIFF WAR.

Fordney Bill, if Enacted, Will Force Other Countries to Retaliate as Spain Has Done.

By A STUDENT OF TARIFFS.

The framers and proponents of the Emergency Tariff bill already enacted by the Republican Congress, and of the so-called permanent tariff bill, destined to pass the House of Representatives on July 31, have been told many times in the course of preparation of these measures that one certain effect of their proposed legislation would be retaliation on the part of other nations, and that this retaliation would have a seriously detrimental effect upon the foreign commerce of the United States, vitally necessary to the maintenance of prosperity at home. Close observation of the actions of the Republican statesmen in charge of this legislation has failed to discover any effect produced on them by these warnings. They have accepted the roar of protest that has gone up all over South America without the discernible quiver of an eyelash.

These protests and warnings from South America have been followed by the beginning of retaliatory legislation in some of those countries, notably Argentina. Now they are followed by the beginning of similar protest and similar action in Europe. The action of Spain is a conspicuous example of what may be expected on the part of other countries. It is to be noted also that, whereas the American high tariff legislation is still in the making, and may not become actually operative for a considerable time yet, the Spanish Government has acted on the threat and has promulgated a tariff which seems certain very substantially to reduce American exports to Spain, which for the year 1920 were more than \$100,000,000.

The American Chamber of Commerce in Spain, composed of representatives of American business houses located in that country, has furnished to some of its correspondents in the United States a statement about the new Spanish tariff, which should be peculiarly illuminating to the framers and proponents of the American tariff legislation. The American Chamber in Barcelona protests against the Spanish legislation on the ground that it will very seriously damage American trade with Spain, yet it recognizes the fact that this is a matter of "a very delicate nature" because of American tariff legislation.

"The Spanish customs tariff," says the American Chamber in Barcelona, "is divided into a number of classes, each class into a number of groups and each group into a number of sections. There are, in all, 718 sections covering all the classes of commodities imported into Spain. For each of these 'sections' there are two different rates of duty: Tariff 1 and Tariff 2. Rates under Tariff 1 (the higher tariff) are applicable to merchandise imported from countries with which Spain has no commercial treaty or agreement. Rates under Tariff 2 (the lower tariff) are applicable to merchandise imported from countries with which Spain has a commercial treaty or agreement. Through our Commercial Attaché in Madrid, Mr. Charles H. Cunningham, we understand that the Spanish Government expects shortly to notify the Government of the United States of the expiration of the commercial agreement now in force, giving, we are told, from one to three months' notice.

"Up until the 20th of May, 1921, the customs tariff in force was that of 1906. In 1919 a tariff committee was appointed to study and submit to the Government a new tariff more in keeping with post-war values. On Nov. 26 last—more especially as a reprisal against the French Government (although same naturally affected the interests of American exporters), which had practically prohibited the importation of Spanish wines into France—a temporary increase in the rates of duty on a number of manufactured products was adopted. It was then felt this temporary increase would be superseded by the new final tariff (in the hands of the Tariff Committee since 1919) on May 20, 1921, the date of expiration of the commercial treaties between Spain and a number of countries. This new final tariff was not published on May 20, nor is its publication expected for some months to come. In view of the insistent demand for protection on the part of Spanish manufacturers and also because of the unfavorable foreign trade balance of more than 400,000,000 pesetas, the Spanish Government, without consulting Parliament, issued a royal decree establishing a new temporary tariff—pending the adoption of the above referred to final one. This new temporary tariff annuls the temporary one of Nov. 26. Its rates of duty represent an average increase over the old tariff of 1906 of from 50 to 400 per cent. As above stated, it so seriously affects the interests of American concerns that it will prove absolutely impossible for a large number of American firms to continue transacting business in Spain, at least so long as such extremely high rates obtain.

"We do not think it advisable to go into details and enumerate all the differences between the old and the new rates. We will point out, however, a few examples of the protectionist tendency of this new tariff—if one may call protectionist tendency the fact of increasing by from 50 per cent. to 400 per cent. the rate of duty on commodities which are not manufactured in Spain and which are, nevertheless, indispensable:

"The old rate on aniline oils was 4.50 pesetas per 100 kilograms. The new rate is 100 pesetas per 100 kilograms. Aniline oils were produced in Spain during the war. The manufacture of these oils has now ceased. During 1920 1,154,688 kilograms were imported into Spain, of which 929,246 kilograms came from the United States.

"The old rate on bichromate of soda and bichromate of potash was 15 pesetas per 100 kilograms. The new rate is 60 pesetas per 100 kilograms. Neither of these products is produced in Spain. Exact information as to the quantities imported during 1920 is obtainable, as these products are included in a section

of the tariff covering 'other chemical products.' Figures show that the quantity of these 'other chemical products' imported into Spain during 1920 amounted to 4,887,010 kilograms, of which 895,439 kilograms came from the United States.

"The old rate on extract of quebracho was 5 pesetas per 100 kilograms. The new rate is 15 pesetas per 100 kilograms. Extract of quebracho is not and cannot be produced in Spain. It is invaluable to the Spanish tanning industry. Exact information as to the quantities imported during 1920 are unobtainable, as this commodity is included under a section of the tariff covering vegetable tanning extracts in general. Figures show that the total imports of vegetable tanning extracts during 1920 were 4,339,891 kilograms, of which 474,127 kilograms came from the United States.

"The old rate on agricultural machinery was 10 pesetas per 100 kilograms. The new rate is 15 pesetas per 100 kilograms. No such machinery is manufactured in Spain. Imports during 1920 amounted to 16,012,236 kilograms, of which 9,012,878 kilograms came from the United States.

"The old rate on typewriters was 4.80 pesetas per kilogram. The new rate is 9.60 pesetas per kilogram. Typewriters are not manufactured in Spain. Imports of typewriters during 1920 from the United States exceeded \$2,500,000.

"It should be remembered that the Spanish are a conservative people. They are wedded to their ways and much inertia must be overcome before they will adopt modern machinery and devices such as are largely exported from the United States. If the price of modern machinery, not manufactured in Spain, is increased exorbitantly by high customs duties, the tendency of the Spanish will be simply to do without it, and it must not be imagined that they will purchase it anyhow because it has to be had from somewhere.

"If Spain's importation of modern machinery, for example, and other complex manufactured products not produced here, is stunted at its birth by a continuation of the present preposterous customs tariff, the foreign nation most hurt thereby will be the United States, called to be Spain's principal purveyor of such products. The greatest sufferers, however, will be the Spanish people themselves, for the present high duties on many manufactured products protect no industry either existing or possible of existing in Spain for many years to come. Such duties merely increase the cost of living and retard progress.

"In view of the fact that, as above suggested, a new commercial agreement is shortly to be established between Spain and the United States, we believe recommendations addressed to the proper authorities at Washington would materially assist, if not in obtaining a modification of the present temporary tariff, at least in obtaining a final tariff more in keeping with a just sense of the rights of the industrial and non-industrial interests of Spain and, as a natural consequence, less harmful to the interests of American exporters.

"We realize, of course, that such matters are of a very delicate nature, more particularly in view of the fact that the emergency tariff provides temporary increases on a number of Spanish products imported into the United States. As an example, olive oil, the largest producer in the world of this commodity being Spain, and the quantity exported from Spain to the United States during 1920 having exceeded \$25,000,000. We feel, nevertheless, that the situation is of sufficient importance and sufficiently serious to warrant the close attention of those in authority at Washington. Although the official statistics for the year 1920 giving these particular data have not yet been issued, we might state that the exports to Spain from the United States during said year were in excess of \$100,000,000."

Certain questions concerning the industrial situation in the United States and the inevitable result of such tariff legislation as that with Spain, sure to be introduced by the enactment of the pending American tariff bill, are inevitably suggested by this communication from the American Chamber in Barcelona. It is well known to every thoughtful person in the United States that our industrial productive capacity has reached a stage where it is capable easily of producing very much more than the ordinary consumption of the United States demands. Does any one believe that under any form of artificial stimulation, tariff or otherwise, the domestic market of the United States can be developed to the point where it can absorb the entire output of our industrial capacity, running at a reasonable approximation of full time?

But if such output is not absorbed at home, the surplus must be sold abroad or production must be curtailed, with consequent stagnation, unemployment and distress at home.

Would even a total prohibition of imports result in enabling this market to absorb all our industrial product, notwithstanding the enormous curtailment of that product inevitably resulting from the stoppage of supplies of raw material by the total prohibition of imports? Furthermore, it is obvious that the complete shutting off of foreign supplies of raw material would necessitate a great readjustment of our industry, even if with such a readjustment effected the result should be the ability of the domestic market to absorb the full output of our plant capacity. Would that compensate for the enormous expense of the necessary readjustment?

The absurdity of the questions is obvious to everybody. Nevertheless, they show the logical development bound to flow from the course of legislation embarked upon by the present Congress with its inevitable retaliation.

The Republicans are headed for a world tariff war, the disastrous consequences of which in the United States can hardly be overestimated.