CHAPTER V

ASPECTS OF OUR FOREIGN TRADE

Tariff Reform and Free Trade—British attitude towards Foreign Customers—Impediments to Trade Development—The Personal Equation in Commerce.

WHILST Great Britain, by virtue of her maritime supremacy, controlled the carrying trade of the world, her foreign trade expanded and developed to an unprecedented extent. As other nations competed for a place on the ocean highways, our manufacturers found themselves engaged in ever-keener competition with traders of other countries. The United States, then Germany, and more recently Japan, realised the trading advantages enjoyed by a nation capable of carrying its own goods, and the keenest competition now comes from the traders of those countries. Indeed, it would seem that of recent years their trade has so expanded that only by artificial means could so extensive development have been produced in so short a space of time. Leaving aside the question of the value or otherwise to our commerce of a State-aided tariff, it is generally agreed that other nations

have promoted the growth of their export trade in its early stages largely by State assistance. Whether such State aid, either by bounties or subsidies, has been of advantage in subsequent years, or whether the trade fostered under these conditions has been of general benefit to the people of the nation concerned, is a point upon which political economists will probably continue to disagree. In young and undeveloped countries the practice of granting bounties or State aid has been beneficial in attracting and building up industries, as, for example, in many Canadian municipalities, where preferential terms in the matters of land purchase and freedom from taxation have been offered as inducements to manufacturers with beneficial results. Especially where the enterprise is one which sets itself to provide for a public need, as do railways, steamships, gas, water, electric light, tramways, telegraphs, telephones, docks, harbours, etc., is there ample justification for the State giving assistance, provided that due regard is paid to the protection of future generations from any monopolistic hardships. Where a country is already developed and its public utilities are firmly established, however, it is questionable whether artificial aid in the form of bounties

or subsidies granted to an industry that does not supply a direct public need is desirable or beneficial. When we come to deal with the national benefits or otherwise of a preferential tariff, we enter into conflict with very varying shades of politico-economic belief. There are, of course, the two main parties, the Free Trader and the Tariff Reformer, and I cannot do better than reproduce here the respective arguments they use in support of their beliefs.

The Tariff Reformer says: 'Tariff Reform does not involve a revival of the old policy of Protection. It is imperative owing to entirely new conditions affecting our agricultural and manufacturing interests, and also to the economic needs of Empire. Tariff Reform, moreover, suggests the only rational and practical method of raising the revenue required for social reform and the administration of the realm. It would secure this by removing a large part of our present oppressive taxation on food and tobacco, and put duties instead on imported foreign manufactured goods and products, which compete with things we manufacture and produce in this country. Such taxes would be paid partly or wholly by the foreigner, who would either

have to reduce his prices or lose our market. Food prices would not be increased, because competition would be set up between a taxed and an untaxed supply, and such competition has a tendency to keep down prices. Tariff Reform in its Imperial aspect is concerned with the federation and conservation of the Empire. In view of the relative growth of rival States, it becomes a primary duty to develop the wealth and productive power of every part of the Empire to the fullest possible extent, and to encourage the maximum of commercial intercourse, thus making the various parts mutually independent, and the whole, as far as possible, self-sufficient. Tariff Reform, therefore, means the scientific regulation of trade and finance in the interests of the Empire as a whole, in place of the present policy of *laisser-faire*, which is the corollary of Free Trade.'

The Free Trader says: 'The proposed taxation of imported food, and of commodities, whether manufactured or not, which are in effect the raw materials of our industry, would raise the cost of our own requirements, thus limiting the purchasing power of our population; while it would interfere with our powers of competing with our foreign rivals in neutral

markets. It would thus lead to the restriction both of our home and foreign trade, with consequent unemployment, diminished wages, and lowering of our standard of comfort. At the same time it would draw from our consumers in taxation an amount quite out of proportion to the revenue which it would provide for purposes of the State. The imposition of a tariff would be immediately followed by the cancellation of the favourable tariff treatment which we now receive from practically every foreign country in the world, and the substitution of maximum tariffs against our goods. Free Traders deny, as contrary to the experience of all protected countries, that the burden of import duties can be transferred to the foreigner, except perhaps in a very limited number of cases, which cannot be pre-determined, and then only to a very minute and temporary degree. They deny that the fiscal manipulations, which are necessarily involved in the proposed scheme of Imperial Reciprocity of Colonial Preference, can produce any satisfactory result in strengthening the bonds of Empire, but contend that they will rather result in straining the bonds happily now existing; and finally they anticipate with dread the possibility of the growth

in this country of political corruption and the fostering of selfish interests with which, in too many instances, the growth of Protection is irrevocably linked.'

There are, in addition, varying schemes of Tariff Reform under which their respective supporters would confine the tariff to goods produced outside the British Empire; or would admit all raw materials free, irrespective of country of origin, and tax to the highest extent the amount of labour contained in the manufactured article; or would use the tariff only for retaliation purposes when countries raised the tariff against British goods; each scheme having many adherents and enthusiastic believers in its ultimate adoption. As a considerable amount of literature has already appeared on the subject, and the various merits and demerits of the schemes have been publicly discussed in Parliament as well as on public platforms throughout the country, it is not necessary to dwell upon them in this book, except to express a pious hope that in the near future it may be possible for our statesmen to approach this subject on non-partisan grounds, and to arrive at a *via media* which may commend itself to the Tariff Reformer and not be violently opposed by the Free Trader.

Meanwhile it will be more profitable for the country to study the circumstances under which we are already losing ground in some parts of the world, and also to seek to discover where we may gain ground in other localities by the application of some of that practical common sense upon which the British manufacturer justly prides himself. No one can read the reports of our commercial attachés at the British Embassies of various foreign cities without remarking the negligent manner in which we are inclined to treat our national customers. After all has been said and written that can be said and written about the Imperial mission of the English race, we must come down, sooner or later, to the hard cold fact that our national existence depends on producing goods and selling them to other people—in short, that we stand towards other countries in the same relation as does the tradesman to the customer whom he hopes will enter his shop and buy. We should never forget this; for the moment we overlook the fact that we are 'a nation of shopkeepers' and begin to imagine that we rule the world solely by virtue of some divinely ordained mission in life, we shall be forsaking truth for cant and hypocrisy, and

shall begin to lose the very supremacy we prize.

To be a shopkeeper is not to be ignoble. I see no evil traceable to the bourgeoisie in Venice at the height of its trading supremacy; but in that city to-day, one cannot fail to see much that is ignoble in the condition to which the people have fallen as a result of the indolence and luxury that set in at the end of the sixteenth century. There is nothing to hinder Great Britain leavening its genius for shopkeeping with a taste for and delight in the sciences and arts such as distinguished the Venetian at the height of his commercial success. An arrogant independence and neglect to comply with customers' requirements can be just as effective in destroying a nation's trade in foreign markets as in driving the average shopkeeper to the Bankruptcy Courts of Carey Street. Whilst many foreign markets had no option but to purchase goods from British manufacturers half a century ago, their custom is now eagerly sought after by the travellers of Germany, America, and even Japan. The control of many markets in South America has been lost to us through our adopting a 'take it or leave it' attitude. Difficulties that have arisen might often have been speedily

adjusted by the British manufacturer had he been content to sacrifice a little time and trouble; but the British manufacturer did not, in the past, think it worth while taking pains to propitiate, say, a small merchant house in Buenos Ayres, when the total population of that city in 1895 was only that of an English provincial town. Now that the capital city of the Argentine Republic has so grown in affluence and extent that it is described as the 'Queen of the South,' and ranks among the first eight or nine cities of the world in respect of population, the British manufacturer finds it essential to open large and well-equipped depots and warehouses, if he is to compete successfully with other nations for that very trade that he once despised as too insignificant. For years our British exporters sent out annually hundredweights of catalogues printed in English to South American cities, where the prospective purchasers of their goods could not read a word of the English language. The salaries of clerks in foreign mercantile houses were increased if they knew English, because it was only from England that certain goods could be procured, and correspondence had to be conducted in the only language understood by the English

manufacturer. Imagine a Spaniard opening a drapery establishment in the Strand and displaying in his window goods priced in *pesetas*, measured in square *varas*, and described in abbreviated Spanish. On a customer entering his establishment, add to the Spaniard's linguistic difficulties an arrogant manner blended with the finest 'take it or leave it' attitude, and we are able to obtain a slight idea of how the English manufacturer appears to his customer in any Latin-American country. Truly, we should not be surprised that we have lost some markets, but that we have any markets left to lose!

Fortunately, the tradition that the productions of the English manufacturer may be implicitly relied upon has counteracted a great deal of the competition with other countries in foreign markets, and many merchants have preferred to submit to all the difficulties which have attended doing business with England rather than take the 'cheap and nasty' goods often offered by our competitors.

The new markets of the world are not only in our Colonies. There are thousands of miles of undeveloped country in South and Central

America, in many parts 'riddled with riches,' either pastoral or mineral; there are thousands of miles of land with a teeming population in the Far East as yet untouched by the European exporter; and there are thousands of miles of undeveloped country in Russia and the Southern States. As the population of the world expands, these huge areas must become new markets for the world's goods, and if we add Canada, Australasia, Africa, and India to the markets which are still undeveloped, it would seem that the British manufacturer has yet many new fields that he can cultivate in place of those which may be lost or become unprofitable. To do so, however, he must be prepared to adjust his conditions of business to the requirements and peculiarities of the countries with which he proposes to trade. At the time of the 'Made in Germany' scare, much publicity was focused upon ways in which British manufacturers could improve their relations with foreign customers; but a great deal yet remains to be accomplished in this direction. I have already referred to the necessity of printing catalogues in the language of the country in which they are to be circulated; there should also be realised the desirability of pricing the goods in the currency of the country

and using the weights and measures in vogue there. Our catalogues are almost invariably too complicated, containing too much reading matter and being poorly illustrated; exact information as to how the goods are put up is often lacking, and no weights are given. A British Consul recently cited a case in point, where, in a toolmaker's catalogue, the weights per hoe were stated without the size in inches, and for other patterns Nos. 1, 2, and 3 were given without any statement as to weight or size; whilst adzes were also sold by numbers, but there was nothing to indicate the difference between one number and another. Manufacturers are so accustomed to deal at home with buyers exclusively in their own business that they lose sight of the fact that in young countries the bulk of the imported purchases for several industries go through one dealer. Although in most cases machinery is ordered by practical engineers, yet in a large number of instances the men who have to pay for the machinery are capitalists without any special technical training. These men could certainly appreciate the advantages to be gained by ordering British machinery through the medium of a carefully compiled catalogue, if such a catalogue, besides giving the technical

details, were to explain also the advantages of employing the class of machinery in question. Much stress is also laid upon the packing of goods for export. The attractively-boxed and neatly-packed articles sent out by Germany are often preferred, although inferior in quality. Ironmongers in our towns will not perhaps feel offended if I quote what our Consul at Tampico says on the point :—

'As regards the hardware trade, the arrangement and general neatness of the stores in this country is superior to the general run of ironmongers' shops in the United Kingdom. Goods arriving in a slovenly, unattractive manner meet at once with failure and disfavour. The idea of creating a good impression should never be lost sight of. The storekeepers are pleased when they see their goods arrive well boxed, labelled, and in good condition; the salesman is also pleased when he finds the goods put up in such a manner as to give him the minimum amount of exertion in selling them.'

The Manchester manufacturer has, on the other hand, acquired a reputation for the packing of his printed cotton goods, and, as a result, they have been able to compete with similar products from the United States, even

when prices have been run down to bedrock levels, owing to over-production in that country.

The necessity of studying on the spot the class of goods suitable to the requirements of a country seems to be obvious, but it is a practice that the British manufacturer does not seem invariably to follow. Travellers in different parts of the world, for instance, know how a saddle varies according to the characteristics of the country in which it is used. Whether the land is mountainous or low-lying, agricultural or timbered, and whether the journeys taken are of long distance or only for promenading, are factors which regulate these variations in the article, but the English saddle manufacturer takes no heed of them, and supplies the British article indiscriminately.

These few points are cited merely to show that much yet remains to be effected in the way of reform if the seed which the German traveller is scattering in many hundreds of the small villages of to-day is not to grow up and stifle the British manufacturer's goods, when those small villages become the big cities of the next half-century. The British manufacturer still has everything in his

favour. There are few countries in which his travellers are not welcomed in preference to those of Germany, America, or other nations. He has behind him long traditions for honourable dealing and the sterling character of his goods. In Chile the native says 'on the word of an Englishman' when he wants to impress the truthfulness of any statement on his listener. The traveller for commerce may lay credit to having created this respect for the Englishman's word, as much as can the traveller for pleasure. Particularly in the Orient is there a great necessity to maintain the highest standard of character and education among commercial travellers and agents, for the Oriental is reported to be a keen admirer of education, and quick to discern whether a man is well educated or not, and it is important that those who seek to win his confidence in our trade should be men that he can respect.

A great deal may be done towards the opening up of new fields for British commerce by our commercial chiefs combining pleasure with business. The occasional visits of prominent British manufacturers to the growing towns and cities of foreign countries, the entertainment of local merchants, and an exchange

of courtesies with leading officials of the local Governments would go a great way towards improving our trade relations. Many manufacturers who at present confine their winter and summer holidays to Switzerland and the Riviera might with advantage pay periodical 'holiday visits' to some of the cities with which their firms do business. In some firms it is the custom for each partner or director to undertake in turn a triennial tour, so that each customer is called upon once every year by a head of the firm, not for the direct purpose of booking orders, but for the exchange of ideas and compliments. Even where the language difficulty may be a bar on one side or the other, a merchant regards the mere fact of a visit being paid to his town and to him personally as a great compliment. The manufacturer is not likely to lose by his proffered courtesy in any specific instance, while, in a broader aspect, he would probably gain very considerable profit from his holiday in the way of experience of the customs of the country with which he is doing business. Many makers of agricultural machinery willingly pay hundreds of pounds for advertising in a country when they would secure a far greater advertisement for their goods by themselves taking a tour

through that country and making the personal acquaintance of the merchants and buyers who are their customers.

These are the new methods which must be applied to meet the new conditions of foreign commerce. They should be adopted by the British manufacturer without delay and before the enthusiasm for travel now growing in Germany causes the German manufacturer to realise, if he has not already realised, that such visits have money in them.