

REPORT
OF
HON. ISRAEL T. HATCH
UPON THE
Operation of the Revenue Laws
AND
THE RECIPROCITY TREATY
UPON THE
NORTHERN FRONTIER.

COMMUNICATED TO CONGRESS, REFERRED TO THE COMMITTEE OF WAYS
AND MEANS, AND ORDERED TO BE PRINTED.

JUNE 18th, 1860.

WASHINGTON.
1860.

RECIPROCITY TREATY.

Report of Hon. Israel T. Hatch,

JUNE 18th, 1860,

COMMUNICATED TO CONGRESS, REFERRED TO THE COMMITTEE OF
WAYS AND MEANS, AND ORDERED TO BE PRINTED.

To HON. HOWELL COBB, *Secretary of the Treasury*:

In discharging the special duty assigned to me, of examining the operations of the revenue laws and the Reciprocity Treaty on our northern frontier with Canada, I beg leave to report that I have visited the principal points of intercourse between the two countries for the purpose of acquiring practical information, and have also had interviews and correspondence with leading individuals whose interests are affected by the treaty, and who are engaged in the various pursuits of trade, agriculture and manufactures. The personal observation I have thus been enabled to give the workings of the treaty at the places where its effects are perhaps most perceptible, and the information derived thus from the every-day experience of those who do business under it, I have believed would furnish most important data for forming a practical judgment of its operation.

The Treaty of Reciprocity produced a revolution in the operation of the revenue laws, as well as in the revenue itself. The principle of reciprocity in the commercial intercourse of the United States with Canada, has met the approbation of all political parties in this country at all times. The territory of the provinces is indented with our own along a line extending across the continent from ocean to ocean. The wages of labor (the great modern test of one phase of national equality) are nearly equal in both countries. The cost in the production of wheat and other cereals differs but little on both sides of the boundary line. Shown thus to be apparently commercially alike in these leading considerations, and minor parallels confirming the similitude,

it is not singular that at various periods of our national existence, the idea of reciprocity in trade between the two countries has received the favorable regard of eminent men.

“The government of the United States,” said Mr. Clay, in his letter of the 11th October, 1826, to Mr. Vaughan, “has always been anxious that the trade between them and the British colonies should be placed on a liberal and equitable basis. There has not been a moment since the adoption of the present constitution, when they have not been willing to apply to it principles of fair reciprocity and equal competition.” Three years after the date of this letter, during the presidency of General Jackson, Mr. Van Buren’s letter of instructions to Mr. McLean, who was then our Minister at the Court of St. James, announced the principles on which this government re-opened negotiations relative to the trade with the British colonies in North America. He said: “The policy of the United States in relation to their commercial intercourse with other nations is founded on principles of perfect equality and reciprocity. By the adoption of these principles they have endeavored to relieve themselves from the discussions, discontents and embarrassments inseparable from the imposition of burdensome discriminations. These principles were avowed while they were yet struggling for their independence, are recorded in their first treaty, and have been adhered to with the most scrupulous fidelity.”

The freedom of commercial intercourse has never been more ably advocated than by Thomas Jefferson. In the report made by him in 1793, when he was Secretary of the Treasury, as if he would rescue the term “reciprocity” from the opprobrium it must sometimes encounter, he made use of the following memorable words: “Should any nation, contrary to our wishes, suppose it may better find its advantages by continuing its system of prohibitions, duties and regulations, it behooves us to protect our citizens, their commerce and navigation, by counter prohibitions, duties and regulations, also. Free commerce and navigation are not to be given in exchange for restrictions and vexations, nor are they likely to produce relaxation of them.”

Familiar as the public mind must have been made with the principles which finally produced this treaty, by these and similar almost authoritative expressions of opinion; brought home at intervals as these ideas must have been to the legislation and diplomacy of the country, it is not surprising that this practical but limited experiment in substantial free trade was attempted. The leading idea of the treaty itself was to permit the introduction of the products of one country into the other free of duty, and consequent reciprocal benefits were expected to follow for both. The various colonies included in its provisions were left to regulate their own tariffs, and each colonial power can annul its honorary obligations without reference to its sister provinces or the engagements of the empire. No statesmanship could,

however, foretell the workings of the treaty, or had a right to anticipate legislation adverse to its spirit. Correct in principle as the treaty itself was, the perversion of its spirit and the disregard of its substance on the part of Canada have produced results it is the province of this Report to exhibit.

The effects of the Reciprocity Treaty were first and immediately visible in the great change produced in our collection United States revenue from Canada. of revenue upon the northern frontier, and cannot fail to attract attention. In 1854, the last year unaffected by the treaty, although the enumeration was then incomplete, the revenue on articles rendered free by the treaty, during subsequent years, and imported from Canada alone, amounted to more than \$1,243,403. (See Appendix No. 1.) Assuming this as a basis of calculation in the ordinary mode of computing an increase of revenue, and that the revenue would have continued to increase in the same ratio as during the previous five years (Appendix No. 2), we should, for the five years now past and ended June 30th, 1859, have collected a revenue of \$7,166,659, or \$1,433,331 annually on importations from this province alone; and we should at the present time have a yet larger revenue from this source, if the treaty were abrogated to-day, for the geographical and political reasons which made the Canadians seek our market for the sale of their products, remain unimpaired in every particular.

The revenue derived by Canada from the same class of merchandise was, during the year 1854, as stated by Mr. Bouchette, then the Canadian Commissioner of Customs, only \$196,671, or less than one-sixth of \$1,243,403, the amount levied that year on Canadian productions by the United States.

During the same year (1854) the revenue derived by the United States on the chief importations from all the provinces included in the treaty, was \$1,524,457 (see Appendix No. 1); computing the increase of revenue during the five succeeding years, upon the basis of the increase during the five years next before the treaty, the revenue derived from this source would have been \$9,257,586, or \$1,851,517 annually. Loss of revenue to the U. States.

Several items of these importations are not included in this calculation, and we are now near the close of an additional year, when the revenues from this source for the six years elapsed since the treaty would have been \$11,109,103.

The influence of the treaty on the revenue of the United States is also clearly shown by comparing the receipts at the ports of entry on the northern frontier, on all importations from Canada, with the expense of collecting them, the necessary expenditure being for the last four years \$189,730 (see Appendix No. 3), more than the sum collected—a result contrary to the anticipations of some who advocated the adoption of the treaty, and whose views are well expressed in the very able report of the Hon. D. L. Seymour, who argued that “the laws of trade forbid the conclusion that a foreign commerce which shall afford to such a Expense of collecting, less than the revenue collected.

people as the population of these colonies their principal supplies of necessaries and luxuries, will be either reduced in amount or *shorn of its revenues.*"

The large amount of our importations from Canada since the treaty, would form no accurate test of the income we might have obtained from that source. In 1856 the articles received from Canada by the United States, and rendered free by the treaty, amounted in value to \$17,810,684, besides many important but unenumerated items. At the average duty of 20 per cent. the revenue would have gained more than \$3,562,138 on the importations of that year; or as Canada received from us during the same year \$7,899,554, the value of the corresponding articles, there was for that year a balance of trade in favor of Canada amounting to \$9,911,130, the duties on which would have been \$1,982,226. During the four years elapsed since the treaty came into effect, and ended 31st December, 1858, we have received from Canada \$28,771,690 in value of the articles enumerated in the treaty more than she has received from us. At the same rate of duty, the revenue on them would have been \$5,754,338, or \$11,722,689 if computed on \$58,613,449 (see Table D), the value of commodities received by us since the treaty, and similarly free.

The collection and safe keeping of the large income which would have accrued to our revenue under the former system of duties would have imposed no additional expense upon our government, as an organization suitable for the purpose already exists in the custom-houses necessarily maintained on our northern frontier to prevent free trade in these commodities on which duties are now levied, (and chiefly collected at the Atlantic ports of entry,) and to protect the public against the total loss of the revenue which must arise if foreign merchandise could be thrown into the interior, free of duty, through the northern frontier.

The marked change in the amount of free goods imported from Canada into the United States since the treaty, is shown in the following table, exhibiting also in contrast the importations from the same province, and subject to duty, from June 30th, 1850, to July 1st, 1859.

IMPORTATIONS TO THE UNITED STATES FROM CANADA.		
	FREE OF DUTY.	SUBJECT TO DUTY.
1850	\$ 636,454	\$3,649,016
1851	1,529,685	3,426,786
1852	761,571	3,828,398
1853	1,179,682	4,098,434
1854	380,041	6,341,498
1855	6,876,496	5,305,818
1856	16,847,822	640,375
1857	17,600,737	691,097
1858	11,267,618	313,953
1859	13,703,748	504,969
Total,.....	\$70,783,854	\$28,800,344

The above statistics show that while for the five years next preceding the treaty, duty was paid on nearly five times the amount of importations from Canada as were admitted free of duty, the exact proportions being \$4,487,433 of free goods against \$21,344,132 of the other class since the treaty and beginning with our fiscal year 1856, until July 1st, 1859, a period of four years, similar importations to the amount of \$59,419,925 have contributed nothing at all to our revenue, while we have charged duties only on \$2,150,394, or about one-thirtieth part of the amount admitted free of duty.

On closer examination it will be seen that a large proportion of the duty-paying articles imported from Canada consists of commodities not produced in the country. In 1858 the dutiable importations from Canada, as shown by the above table, were only \$313,953; of which iron, hardware and salt, articles not produced in Canada for exportation in any appreciable quantities, alone furnished \$193,595; of the remainder a considerable portion was also of foreign origin. As the same reasoning applies also to other years, I present the following tabular statement for the same term of four years ending June 30th, 1859.

TABLE A.

	1856.	1857.	1858.	1859.
Total amount of duty-paying articles imported into the U. S. from Canada	\$640,375	691,097	313,953	504,969
Iron, hardware and salt.....	503,995	531,011	193,595	319,555
Am't of Canadian and other goods charged with duties in the U. S.	\$136,370	160,086	119,358	184,414

Almost all actual productions of Canada admitted free.

This statement demonstrates that during these years we have not collected annually duties on much more than \$100,000 in value of *merchandise actually produced in Canada*, yielding at an average of 20 per cent. about \$25,000 towards defraying the yearly expenses of collection, and of guarding a frontier of inland coast six thousand miles in extent.

I present a statement showing in contrast the value of free and duty-paying articles exported from this country to Canada before January 1st, 1859, from December 30th, 1849.

TABLE B.

	Value of goods, etc., from the U. S. paying duty in Canada.	Value of goods, etc., from the U. S. free of duty in Canada, chiefly free before the treaty.
1850	\$ 5,803,732	\$ 791,128
1851	6,981,735	1,384,030
1852	7,613,003	846,690
1853	10,656,582	1,125,565
1854	13,449,341	2,083,756
1855	11,449,472	9,379,204
1856	12,770,923	9,933,586
1857	9,966,430	10,258,220
1858	8,473,607	7,161,958

Contrast between duties levied on American productions in Canada, and on Canadian productions in the United States.

The contrast between \$313,953, the total amount of duty paying goods imported from Canada in 1858, and \$8,473,607, the value of our exports to Canada, paying duty to that country in the corresponding year, cannot escape notice, but a more just comparison will exclude foreign merchandise carried through both countries.

A glaring and important contrast still remains. In 1858, when we collected duties on about \$100,000 in value of Canadian productions, the products of American labor on which duties were paid in Canada amounted to \$4,524,503. The statistics of 1855 refer in part to goods imported before the treaty, and are consequently omitted in the following statement, and a reduction should be made from the merchandise assumed to be Canadian; but neither country has thought the distinction worthy of a place in its statistics, and the case does not require the minute elaboration properly observed when the evidence on both sides is nicely balanced in the scale of justice.

TABLE C.

	1856.	1857.	1858.
Products of the U. S. paying duty in Canada.....	\$7,981,284	6,203,320	4,524,503
Products of Canada paying duty in U. S.	<u>136,370</u>	<u>160,086</u>	<u>119,358</u>
Value of American products charged with duty in Canada, above the Canadian products charged with duty in the U. S.	\$7,844,914	6,043,234	4,405,145

During these years the total amount of product of American industry taxed in Canada, was \$18,294,293 more than the amount of Canadian productions taxed in this country: reciprocity and equality being in this instance represented by the relative proportions of 45 to 1. This is the condition of trade purchased as I have already shown by a loss of revenue, being in 1854, the last year before the operation of the treaty, more than six times the revenue collected by Canada during that year on the articles made free by the treaty and imported from the United States.

Owing to the geographical position of Canada, by which she is pent up behind our territory without any means of carrying goods from the sea coast for more than half the year, she must receive through us the earliest supplies for spring trade, and our territory furnishes at all times the cheapest and most expeditious route for the carriage of many commodities, especially those of tropical origin, to Canada.

It might have been supposed that a system of trade admitting nearly all the productions of Canada into the United States free of duty, while an average revenue of over one million is annually levied on merchandise of

American origin taken into Canada (see Appendix No. 4), would have been at least satisfactory to that province, and have exempted us from unfriendly commercial legislation on her part. This sum constitutes a quarter of the whole ordinary revenue of Canada, and is levied on the fruits of our industry at a time, when, so far as her resources have as yet been developed (with the trivial exceptions already named, and unworthy of mention in a national point of view), she enjoys in the sale of her productions free from all duties for the protection of our labor and the increase of our revenue, every advantage possessed by the States of this Union, reciprocating, by the imposition of duties such as no State of the Union could adopt or demand upon the productions of the others. This is the return made to us for a policy full of special concession in their favor, and the revenue raised by taxing our labor has been spent in public works expressly and avowedly intended to divert our commerce—thus diminishing the ability of our people to support our own government, as is more particularly stated in those parts of this Report which treat of the railroads and canals of Canada.

Commerce and navigation are the medium of exchange for the articles of production and consumption between various countries, and through their means revenue is produced. Hence, to estimate correctly the operation of the Reciprocity Treaty upon the revenue, would require an examination of the commercial elements which either increase or diminish it.

A liberal policy towards American manufactures was always urged by British statesmen as a reason for granting admission to Canadian productions. In 1843 a celebrated dispatch was issued by Lord Stanley, now Earl of Derby, recommending that all discriminating duties in Canada against American manufactures should cease. Until 1846 much fluctuating legislation had existed between the two countries, in accordance with an artificial system little calculated to promote the common good. Sometimes an identity of opinion was nearly established; at other times, the difference was so great that on the 17th day of March, 1827, the President of the United States issued a proclamation, prohibiting the trade between this country and the British colonies of North America. Hitherto differential duties had been exacted in Great Britain on the wheat of the United States and the colonies, with an intention of forcing our agricultural productions through Canada by way of the St. Lawrence. By an act of Congress dated August 6th, 1846, we permitted the produce of Canada to be sent through our lines of communication to the ocean, either in bond or with a right of drawback, on paying two and a half per cent. at the place of exportation. The effect of this law was largely to divert from the St. Lawrence the shipments hitherto made through it, and send them through our sea ports, and it will thus be seen that under the operation of this law we were the carriers for Canada; but since the treaty

Historical fact in reference to change in revenue laws and their operation upon American and Canadian com'ce.

the Canadians have not only carried the commodities required for their own use, but have become the forwarders and carriers for us. Although the free navigation of the St. Lawrence had been for years held up to the great west as an inestimable prize, the Canadian or British government always preferred to enjoy its advantages in driving a good bargain with us, rather than rely upon its uncertain half year's navigation for the outlet of their surplus productions. They continued to seek a free access to our markets.

In 1847, when the colonies suffered under a removal of the exclusive privileges it had formerly enjoyed in Great Britain, duties on American manufactures were reduced from $12\frac{1}{2}$ to $7\frac{1}{2}$ per cent., and increased on British manufactures from 5 to $7\frac{1}{2}$ per cent.; thus removing all differential duties against the United States. In 1849 the Provincial Legislature passed an act authorizing the removal of duties on all articles being the growth and production of the United States, on condition that we should pass a similar law. Sir H. L. Bulwer, when British Minister at Washington, pressed upon our government the consideration of such a treaty as became law in 1854, urging, as a reason, the liberal policy of Canada towards our manufactures. The following is an extract from his letter to our Secretary of State.

Reasons urged by the British Minister for the admission of Canadian products. “I have already expressed to you at different periods, and especially in my note of the 22d of March last, the disappointment which was experienced in Canada, when, at the last session of Congress, it was known that no progress whatever had been made in the bill which had been brought forward for three successive years, for reciprocating the measures which passed the Canadian Legislature in 1847, and which granted to the natural produce of this country an entry free of duty into Canada, whensoever the Federal Legislature of the United States should pass a law similarly admitting into the United States the natural produce of the Canadas. *The disappointment was the greater inasmuch as the Canadian government has always adopted the most liberal commercial policy with respect to the United States, as well in regard to the transit through its canals as in regard to the admission of manufactured goods coming from this country.*”

Formal declarations of the basis of the treaty. The treaty itself was formally declared to be founded on a desire to “regulate the *commerce* and navigation between the respective territories and people of the United States and Great Britain,” and “more especially between *Her Majesty's possessions in North America and the United States, in such a manner as to render the same reciprocally beneficial and satisfactory.*”

The assent of Congress was procured on this understanding, and it was substantially admitted on both sides that no commercial arrangement can be permanently advantageous to one party without being so to both; that the basis of virtual if not of literal reciprocity, is the only solid ground of

international relations, and that the increased prosperity of one of the family of nations only offers an enlarged market for the industry, and an expanded field for the commerce of every other.

The treaty was conceived in the theories of free trade, and in harmony with the progress and civilization of the age. It was a step forward in political science. American legislation had been characterized by an extraordinary liberality to foreign neighbors, placing their lines of transportation upon an equality with our own, and their merchants upon an equality with our own in receiving foreign merchandise in bond. We conceded commercial freedom upon all their products of agriculture, the forest, the mine, and they have either closed their markets against the chief productions we could sell to them or exacted a large duty on admission into their markets.

From time to time the Canadian duties have been increased since the ratification of the treaty, and during the last five years the following duties have been exacted on the declared value of various chief articles of consumption:

	1855	1856	1857	1858	1859	Annual changes and increased du- ties in Canada ta- riffs.
Molasses	16	11	11	18	30	
Sugar, refined.....	32	28	25	26½	40	
Do. other	27½	20	17½	21	30	
Boots and shoes	12½	14½	20	21	25	
Harness.....	12½	17	20	21	25	
Cotton goods	12½	13½	15	15	20	
Iron goods.....	12½	18½	15	16	20	
Silk goods.....	12½	13½	15	17	20	
Wool goods.....	12½	14	15	18	20	

Every year a new tariff has been enacted, and each of them has inflicted higher duties upon the chief productions of American labor. These duties are so adjusted as to fall most heavily upon the products of our citizens.

The tariff of 1859 was avowedly based upon an isolating and exclusive policy. It was supported on this ground, alike by ministerial organs of the press, by petitions in its favor, and by members of the colonial Parliament. After securing our free markets for all Canadian productions, its advocates argued that it was the interest of Canadians to become independent of all other countries, and to employ their own ships and their own people; thus keeping in the country all that is now paid to the United States. They can find no justification for the annual increase in their rates of tariff, in the assertion that the present rates do not exceed our own. When the treaty was ratified our tariff exceeded theirs, and the concession given to them was not an equality of tariffs, but an interchange of produce of both countries, and certain privileges in navigation, while a liberal policy towards our manufactures was promised and had been adopted, thus placing the commerce and navigation of the two

Tariff intended to exclude the manufactures and commerce of the United States.

countries upon "terms reciprocally beneficial and satisfactory," although we have made large reductions in our tariff since the treaty. Canada has determined to free herself from the difficulties of her geographical position, and the British government was compelled to secure our free markets to prevent rebellion. This was secured through menaces and promises of liberality to "manufactured goods." Justice to our people for the privileges granted by the treaty, demanded that future Canadian legislation should conform to the letter and spirit of the treaty, and that Canadian enactments should be in the direction of a more free intercourse between the two countries. If it be true that the Canadian government has a right to increase its taxes upon our industry, as it has done almost to the exclusion of our manufactures, because no stipulation against this course was inserted in the treaty, then it has a right to put an embargo (for a prohibitory duty amounts to an embargo) upon all articles not enumerated in the treaty, and there could be no check to its aggressions.

Public opinion in Canada. I believe that the Canadian people do not feel easy under their recent legislation affecting this country; and many of their public men, and some public journals, speak of it as furnishing just grounds to the United States for annulling the treaty. The Canadians rely more upon American forbearance, under the violations of the spirit of the treaty by colonial legislation, than upon any omission in the treaty to provide against such wrong.

Opinion of Canadian Boards of Trade. The Boards of Trade in the chief cities of Canada West complained of the Canadian tariff in such representations as the following: "Your petitioners are of opinion, that so uncalled for and unwise a scheme is calculated to affect the existing pleasant commercial relationship between Canada and the United States, in the working of the Reciprocity Treaty; the great advantage of which to this province is well known to your honorable House, inasmuch as the proposed policy of the Inspector General practically shuts the door to the admission into Canada of the leading articles of commerce hitherto purchased in the great market of the United States, and forces Upper Canada to import via the St. Lawrence, or otherwise pay an enormous increase of duty."

Deficiency of Canadian revenue cause of taxation on our products. When the tariff was under discussion in the Provincial Parliament, a deficiency of \$4,000,000 (greatly exceeding the revenue of that year) was officially announced. This deficiency and the consequent increase of taxation on American manufactures, arose, it is asserted by the organs of the government, from expenditures in carrying out their system of internal improvements. That a large amount has been thus expended, is shown by the following quotation from the report of the select committee appointed in 1858 by the Legislative Assembly of Canada, to enquire into the course of trade between the different Atlantic

ports in America and Great Britain. "The public debt of Canada has increased from year to year to about fifty millions of dollars; twenty-five millions of which have been created since 1853, principally in the construction of railways, yielding no income." (See Public Accounts, 1857, p. 223.)

Countless trains of cars are now daily dashing along these railroads, from the sea-board towards the Rocky Mountains, competing, without regard to remuneration, for the commerce of the great valleys of the Lakes and the Mississippi.

The railroads and canals of Canada were alike constructed for the express purpose of extending political and commercial power, by the diversion of the trade of the great interior of our country, through the valley of the St. Lawrence, and the Canadian routes of transportation; thereby advancing the prosperity of the colony and increasing British power. They were undertaken by the government, and were mainly dependent upon subsidies and municipal bonds, and the object of their managers has hitherto been to secure the largest amount of traffic to the roads, instead of the largest dividends to the stockholders.

Railroads and canals in Canada constructed for U. S. commerce.

This extended system of internal improvements was brought into active life by the ratification of the Reciprocity Treaty, through which Canada was enabled to open a grain trade between the great West and the Eastern States. To control it, she plunged into extraordinary expenditures for an extended railroad and carrying system. Increased taxation was the consequence, and additional duties were imposed upon all manufactured articles, and upon many others not enumerated in the free list of the treaty.

The Canadians attempt justification of these impositions by their public necessities. Whence arose their necessities? Did they not originate in a desire to abuse our concessions by strengthening their hands in grasping the carrying business of the United States?

Official avowal of Canadian policy.

Their Minister of Finance, Mr. Galt, in a report recently issued by him in England, in support of a Canadian ministerial scheme, admits the insufficiency of the commerce of Canada to support her public works; complaining that, whilst possessing "the most magnificent canals in the world," she is "*without any trade to support them except her own*;" and adding that the canals of Canada having failed to divert trade from the channels it had already formed, a system of railroads had also been constructed for the purpose of competing with American interests. He then proceeds to state that after deducting a sinking fund for the redemption of the Imperial guaranteed loan, the direct public debt of the province amounts to £8,884,672, or \$43,001,812; adding that of this sum, debts incurred in consequence of the canals and other works connected with the navigation of the St. Lawrence, and railway advances,

Amount expended by Canada to control our commerce.

furnish £8,861,400, leaving only £22,272, or \$107,796, as the total direct debt of Canada made for any other purposes.

Canada taxes our produce to pay for public works constructed against us.

To make up the deficiency caused by these speculative expenditures, Canada now seeks to make our merchants and manufacturers who have been most damaged by the diversion of Western trade to Canadian cities and transportation routes, pay for her non-remunerative carrying system. This whole modern movement of Canadian or British policy in transportation is artificial, unnatural, and against the laws of trade, climate and geography—in violation of the spirit of international intercourse, as mutually recognized and sanctioned by the Reciprocity Treaty. It cannot last, even if Congress should refuse to protect our commerce on the inland seas. The transit lines of freight and passengers across this continent to the ocean may be deflected for a time by disturbing causes, but cannot be permanently changed. They are governed by laws as imperative as the natural laws which govern the flow of our rivers in their course to the ocean.

Besides establishing a system of *ad valorem* duties levied in such a manner as to discriminate against the commercial and shipping interests of United States, the duties on our manufactures have been increased, by the tariff of 1859, to an almost prohibitory extent; and its authors must have known that if such duties had existed or been expected at the time when the treaty was made, it could never have obtained the assent of Congress. The letter of Sir H. L. Bulwer, from which I have already quoted, did not close with a mere statement of the liberal commercial policy already pursued towards the manufactures of the United States, but alleged upon the official authority of the Canadian government that if the natural product of the Canadas should be admitted duty free, they would be "*willing to carry cut still further*" the same policy; adding, as a threat, that if we refused to comply with the offers made to us, "The Canadian government and legislatures are likely forthwith to take certain measures, which both in themselves and their consequences, will effect a considerable change in the commercial intercourse between the Canadas and the United States."

We accepted the offer, made the desired and friendly concessions, and trusting in the assertions unequivocally made, the American authors of the treaty did not stop to weigh with miserly precision the exact balance of profits to be made and advantages to be given, or the loss and gain in our revenue; but the "considerable changes in our commercial intercourse," and also in our revenue, have been indeed the unfortunate consequence of our liberality.

Anomaly presented here in the collection of revenue by the two countries.

The United States and Canada present the anomalous spectacle of two border nations with an array of custom houses extending along their whole co-terminous frontiers, sustained at an expense to this government greatly exceeding

the revenue it collects, whose principal occupation is to enter and register the free products of Canada on their way to our free markets, while on the opposite shore, often separated from us only by a bridge, a ferry, or a boundary line, is found an equally extended cordon of Imperial customs buildings, emblazoned with the Royal Arms of England, collecting large revenues on our taxed products, as a tribute from the commercial bondage beneath which the unfriendly legislation of Provincial Parliaments has placed us, in exchange for the commercial freedom we have granted to the Canadas. These exactions are derisively justified on the ground that no special provision against them was inserted in the treaty, although its avowed object was to carry out the principle of reciprocity, and "especially to regulate the commerce and navigation between Her Majesty's possessions in North America and the United States in such manner as to render the same reciprocally beneficial and satisfactory."

In comparison with the duties of 1854, the duties levied by the tariff of 1859 on many of our manufactures, such as boots and shoes, harness and saddlery, clothing, wearing apparel, etc., has been increased a hundred per cent.; and in the large class of unenumerated articles, including leather and nearly all our other manufactures, such as woollens, cotton, tobacco, printed handbills, checks, etc., hats, household furniture, glass, axes, edge tools, fire-arms, agricultural implements, nails, etc., other hardware, stoves and castings, upholstery, carriages, medicines, India rubber goods, musical instruments, soap and candles, starch, trunks, manufactures of brass, copper, lead and tin, earthenware, paints and varnish, except for use of ships, manufactures of marble, etc., etc., the duty has been increased sixty-two and a half per cent., or upwards, while on the distillations of grain the increase has been a hundred and twenty-five per cent. (See Appendix No. 5.)

Increase of duties on various American manufactures. Canadian tariffs.

The motives actuating the enactment of the present tariff are of less moment than its results, and although no duties avowedly discriminating are levied on American goods, the influence of the Provincial tariff produces the same effect, for the manufactures most readily adopted by Canada must be like our own. The climate, price of materials, interest of money, wages of labor, and the various causes determining the kind and prices of manufactures on both sides of the frontier, are nearly identical when no legislation intervenes to arrest or alter the laws of trade. It is as easy to transplant manufactures to Canada, as from one State to another. Master manufacturers and workmen already skillful in the special pursuits of their industry, together with the tools and machinery adapted for their purposes, can go to Canada in a few hours. Well-known establishments originating in this way were already transplanted under the influence of the high tariffs of 1858 and 1859, and the tendency of these tariffs is towards a virtual prohibition of our manufactures, although Canada

American manufactures injuriously affected.

will still continue to import, as we do, from Europe and Asia, commodities requiring such skill as we have not attained, materials not readily accessible to us, or the products of cheaper labor than we possess. The usual policy of Canada has also been to encourage manufactures by admitting their materials raw or partially manufactured, either free or at a low duty.

Violation of treaty. Viewed as a question of national integrity, the conduct of the Canadian Parliament, in thus taxing the products of American industry almost to their exclusion from the province, must be pronounced to be a violation not only of the letter and spirit of the treaty, but of the amity and good faith in which it was conceived, and without which all international obligations are unavailing.

Differential duties against our shippers, forwarders and merchants. The retrograde policy developed by the Canadian tariffs since the ratification of the treaty is not confined in its action to American manufactures. With duties practically differential, through a change in the valuation, she has endeavored to assess the business of our shippers, forwarders and merchants, by diverting trade in tea, coffee, sugar, wine, and all other articles of foreign production, but especially those of tropical origin, from New York, Boston, Philadelphia, and other Atlantic cities of the north to Montreal, choosing a long and circuitous route to the richest and most progressive portions of her territory, endeavoring thus to draw her commerce from all parts of the world, along the vast line of her frontier, instead of taking the shortest course from the Atlantic across the United States. The avowed object in changing specific duties to ad valorem was commercial hostility. (See Note at end of this Report from Finance Minister Galt.)

Galt's Report. (See p. 36.) Change made to favor British shippers. The laws by which the passage of foreign productions through our country in bond was permitted, were an essential part of the system of reciprocal benefits intended to develop harmoniously the natural advantages of each country. They tended to reconcile our people to the inequalities it imposed on us. They vested in the financial officer of the government a power hitherto exercised in the most liberal manner towards the railroads and carrying lines of Canada, in permitting alike the exportation of Canada and re-importation to the United States of foreign merchandise in bond, and merchandise of American origin. Upon this idea of being the carriers for us depend the hopes of making profitable their investments in railroads and canals. Their public works were constructed as our carriers, not their's.

Abuse of our bonded system. Canada now endeavors to deprive us of all the benefits of this system of levying duties on *the value of goods at the place of purchase*. The people of Western Canada were accustomed to buy their wines, spirits, groceries, and East and West India produce, besides many other commodities, at New York, Boston or Montreal;

System of differential duties adopted by Canada.

the former system admitting American cities to competition, the duties having been specific and levied on the weight, measure or number of the articles wherever they were purchased. Thus no greater duty was charged on imports via Boston or New York to Toronto or Hamilton than via the St. Lawrence to Montreal. The present system forces the people of Canada to discontinue their business connections with our merchants and buy from the Montreal or Quebec importer.

Thus the productions of China, Brazil, or Cuba, if brought to Canada via the St. Lawrence, will pay duty only on their value in the country of their origin, but if purchased in our Atlantic cities must pay duty on that value increased by interest and freight over the ocean, and the various other expenses and charges of the insurer, shipper and merchant. This is not only legislation against our carriers but against all our mercantile interests. The "increase of duty" has been carefully estimated to be twenty-five per cent. on goods imported into the United States and thence into Canada in excess of the duties levied via Montreal. The distance from Cul a to Toronto via the St. Lawrence (a river frozen half the year) is about three times as great as through the United States. Thus Canada vainly strives to conquer the laws of arithmetic, of climate and geography.

This legislation occurred at a time when, without asking for any equivalent, we had reduced our duties on Canadian manufactures twenty per cent. Before this, desirous of rendering "our commercial relations reciprocally beneficial and satisfactory," we had conferred upon Canada benefits shared by all classes of her people. We gave to her farmers highly remunerative prices, and brought their lands and productions upon an equality with our own, and thus greatly increased the value of their homesteads. Through their agriculture we aided every branch of their industrial occupations, though we thereby left the most important points of our trade in the hands of those among whom hostile traditions are not yet wholly extinct, and whose minds are liable, on occasions of pecuniary pressure, to be swayed by theories petty in their nature and opposed to their interests and our own.

All the consequences of the high tariffs of Canada cannot yet be thoroughly shown by the governmental statistics of either country. The minute ebb and flow of commerce from one year to another year cannot show the full effect of these exclusive laws. Manufactures are chiefly represented as products of the United States paying duty in Canada in the table already given, and exhibiting in this class a decrease from nearly eight millions in 1856, to four millions and a half in 1858. Manufacturing establishments, however, cannot be brought into full operation in six or twelve months, although the progress made by Canadians, under the influence of those tariffs, towards supplying their own wants and excluding

Effects of the treaty upon Canada.

Prosperity of manufactures in Canada.

us forever, has been so great, that from a locomotive down to a shoe-peg, almost every branch of the manufactures of this country is already successfully commenced. Montreal, under the forcing process of protection and discriminating tariffs, is now rivaling Lowell and Lynn in almost every article of their manufacture, and approaching our Atlantic cities in the magnitude of her commerce.

For similar reasons, the effect of the tariff of 1859 on our exportations of foreign merchandise to Canada cannot be shown in the form of statistics. Less than a fiscal year, under the regulations of either country, has elapsed since it received the requisite legal assent. To carry an order for tea to China, and allow time for the return voyage to Canada via the St. Lawrence, requires nearly a year. Importations, also, are frequently large, in anticipation of increased duties. Abundant crops, expansion of currency, an accidentally excited demand for breadstuffs in Europe, and other causes, might have the same temporary effect, but a more comprehensive induction will show the folly of passive obedience and non-resistance under such aggressive enactments as can only be overcome by counteracting legislation, including a repeal of our bonded system and a withdrawal of the privileges hitherto liberally granted under laws permitting the transit of merchandise, either of American or foreign origin, from the United States through Canada, to be returned again to this country.

Special and injurious effects of the treaty and warehousing system on the mercantile interests of our northern frontiers.

The combined influence of the treaty and our bonded system, even before the high tariffs, was exceedingly injurious to the largest portion of the North-West. Its farmers suffer from competition with those of Canada. Its manufactures, useful in the wants of Canadian life, are now excluded; and in the bonded system the whole trade in foreign goods on the frontier is lost to the United States, American duties being exacted in all cases where the original package is broken; and the Canadian purchaser from the frontier American merchant, would thus be compelled to pay duties twice over: first to the American, and afterwards to the Canadian government. The ordinary customer is thus driven from our stores, and so far as the American market is yet used by Canadians for purchasing foreign goods or manufactures, the common supply of Canadian stores is thrown into the hands of Canadian merchants who procure their supplies in Montreal. If, upon exporting foreign goods to Canada in less quantities than the original package, the duties were returned to the owner, the goods, until the recent increase in the Canadian tariff, would still have been bought in the Atlantic ports, but they would have been sold to Americans, who would re-sell to the Canadian retailer or consumer, as they had done in former years; and our merchants on the frontier would not be debarred, as now, from a fair profit, by the *discrimination of our own laws against them.*

An extensive trade had been established in leather, alcohol, pure spirits, burning fluid, boots and shoes, castings, hardware, clothing, machinery, cabinet-ware, upholstery, musical instruments, drugs and medicines, manufactures of cotton, wool and tobacco. On most of these articles the present duty is prohibitory, and the trade is entirely destroyed or of trifling amount.

Upon some articles, as upon leather, the operation of the bonded system on exporting to Canada, forms a differential system against our own manufactures. We pay an *ad valorem* duty amounting to a cent per pound on imported hides. This duty not being collected of Canadians when exported in bond, constitutes an advantage over our own tanners. In following up this subject, we find an illustration of the careful vigilance illiberally exercised by the Canadian government in all cases. Canada levies no duty on hides, but excludes our leather from her market by a duty of twenty per cent., making a further discrimination of five per cent. additional against the chief articles manufactured from it, such as shoes, etc. Thus the trade of most of our Atlantic cities, and of all our cities and villages on the northern frontier, feels keenly the loss of Canadian customers, who have almost totally deserted our markets, and purchase the productions of their own tanneries. Similar results are already experienced in other departments, but such manufactures as require the construction of expensive machinery will be the last to exhibit the effects of these tariffs; and in the years 1858 and 1859 importations were made in anticipation of increased duties.

Many influential members of the Provincial Parliament appreciate the advantages their country would enjoy in gaining the market created by 34,000,000 of our citizens for all the products of Canadian industry. Opinions favorable to actual reciprocity of commerce with us are not uncommon in Canada, especially in its western districts. They are held by the many Canadians who realize the necessities of their geographical position, and fear the disastrous results of their modern legislation. Their country, already too important to be regarded either as a province or a colony, in the old sense of the words, possesses a population computed to be nearly three millions in number.

Opinions in Canada upon actual reciprocity.

Annexation does not possess many advocates on either side of the frontier. It was, no doubt, believed by the authors of the treaty that reciprocal trade would remove the causes which render any closer union desirable, and would perpetuate alike international good will and separate nationality; presenting to the world the sublime example of two contiguous nations abandoning suspicion of injury from each other, and practicing in their intercourse the best principles professed in modern civilization. The Canadians have now most of the material benefits of annexation to this country, without any of its taxes; more than that, they impose taxes through their tariffs upon our tax-paying people.

International results expected from the treaty.

The Canadian markets are open to all the world for the articles named in the treaty.

The statesmanlike ideas prevalent at the time when the treaty became law, anticipating the removal of all unnecessary restrictions between two neighboring states, are in strong contrast with the realities of to-day. The British provinces are admitted to a special participation in the benefits arising from the American system by an exemption in their favor, while we continue to levy duty on the articles named in the treaty when imported from other countries; but in Canada, all these articles, with a few nominal exceptions, are admitted free of duty from every country in the world; and the products of the United States enjoy no more advantage in Canada than they would do if the treaty had never been made or were now abrogated. Thus, also, for the articles enumerated in the treaty and produced in Canada, the market of the United States is thrown open to all the world, via Canada and the provinces; for no system of inspection can be devised sufficiently exact to determine in what country these common products of the temperate zone may have had their origin.

The following is a schedule of the articles enumerated in the treaty and to be admitted into each country free of duty, when the growth and produce of the exporting country.

SCHEDULE.

Schedule of free articles enumerated in the treaty.

Grain, flour and breadstuffs of all kinds; animals of all kinds; flesh, smoked and salted meats; cotton, wool, seeds and vegetables; undried fruits, dried fruits; fish of all kinds, products of fish and all other creatures living in the water; poultry, eggs, hides, furs, skins or tails undressed; stone or marble in its crude or unwrought state; slate, butter, cheese, tallow, lard, manure, ores of metals of all kinds; coal, pitch, tar, turpentine, ashes; timber and lumber of all kinds, round, hewed and sawed, unmanufactured in whole or in part, firewood, plants, shrubs and trees; pelts, wool; fish oil; rice, broom corn and bark; gypsum, ground and unground; hewn or wrought or unwrought burr or grindstones; dyestuffs; flax, hemp and tow unmanufactured; unmanufactured tobacco. The following is a statement of the value of the articles enumerated above, and imported into each country from the other since the treaty came into operation, to January 1st, 1859, without deducting for the items re-exported to us. (For the value of each class, see Appendix No. 6.)

TABLE D.

IMPORTS INTO THE UNITED STATES FROM CANADA.

1855	.....	\$16,476,093
1856	.....	17,810,684
1857	.....	12,812,308
1858	.....	11,514,364
	Total.....	\$58,613,449

IMPORTS INTO CANADA FROM THE UNITED STATES.

1855	\$ 7,725,561
1856	7,909,554
1857	8,642,030
1858	5,564,615
Total	\$29,841,760

EXCESS OF IMPORTS FREE UNDER THE TREATY IN FAVOR OF CANADA.

1855	\$ 8,750,552
1856	9,901,130
1857	4,170,278
1858	5,949,749
Total	\$28,771,689

The following table presents a full comparative view of all the imports and exports to and from the United States and Canada, from December 31st, 1849, to January 1st, 1859:

TABLE E.

	1850	1851	1852	1853	1854
Imported into Canada	\$6,594,860	8,365,765	8,477,693	11,782,147	15,533,097
Imported into U. States	4,951,159	4,071,544	6,284,521	8,936,382	8,649,002
Excess of Imports into Canada	1,643,701	4,294,221	2,193,172	2,845,765	6,884,095
* Other Imports into United States.....	982,083	845,833	1,251,632	1,789,073	1,769,880
Estimated excess of Imports into Canada from the U. States above Canadian Im- ports into the United States	661,618	3,448,388	941,540	1,056,692	5,114,215
	1855	1856	1857	1858	
Imported into Canada	\$20,828,676	22,704,509	20,224,650	15,635,565	
Imported into U. States	16,737,277	17,979,753	13,206,436	11,930,094	
Excess of Imports into Canada	4,091,399	4,724,756	7,018,214	3,705,471	
* Other Imports into United States	3,265,013	2,238,900	1,556,205	1,443,044	
Estimated excess of Imports into Canada from the U. States above Canadian Im- ports into the United States	826,385	2,485,856	5,462,009	2,262,427	

* These amounts are named in the statistics published under the sanction of the Canadian government as returned not reported at inland ports in Canada, and it may be inferred were chiefly sent to the United States.

Nominal imports and exports are not correct tests of the trade between United States and Canada.

Although the exports and imports to and from different countries are generally correct indexes to the value of their trade, the preceding table does not present in a true light the actual condition of our trade with Canada. The statistics of that trade have created many erroneous impressions. The peculiarities of the case, apart from the disturbing influences of political and legislative causes, arise from her geographical position. While, for a part of the year, she possesses means of communicating with the rest of the world by the St. Lawrence, she is so far inclosed by the United States, that a line drawn from the northern extremities of Maine and Wisconsin would pass to the northward of Quebec, and cut off, with the exception of a few unimportant counties, the whole inhabited territory of Canada, besides vast acres of fertile land yet unexplored (see Report on Crown Lands, part II, 1857). On the north she is hemmed in by the desert wilderness of the frigid zone, and on the east, south and west by the territory of the United States.

Special legislation in Great Britain and Canada against the carrying interests of the United States.

The current of trade cannot be at once diverted, but it has been already shown that the legislation of Canada is intended to divert from the United States the commercial advantages naturally resulting from our relative geographical position. The means through which it is hoped this result will be attained are the differential duties, heretofore explained, in favor of the St. Lawrence, and the change of the system of specific duties, under which goods taken into the western or any other part of the province from the United States heretofore bore only the same duties as if imported via the St. Lawrence. A reservation is also made by which the Governor of Canada (see Statutes of Canada, cap. 17, sec. 24, 2), through a departmental order, may quietly permit goods to be imported through any part of the United States under such regulations as he may choose, at the same valuation as if they were imported directly from the country of their origin—a privilege not the less likely to be exercised in favor of the Grand Trunk Railroad, a foreign institution on American soil, against the railroads and canals of the United States, because certain importations via Portland are already admitted into Great Britain by the British Government at a lower duty than from any other part of the United States. (See 22d and 23d Victoria, cap. 37, sec. VII.)

Great Britain discriminates in her legislation against our cities, railroads and products.

Classification of Canadian productions, and natural course of trade.

A simple and compendious method of considering the exports of Canada is afforded by classifying them as the products of the mine, the sea, the forest, as animals and their productions, agricultural produce and manufactures. The comparative amount taken by the United States and each other country annually since the treaty (see Appendix No. 7), proves beyond controversy the increasing value of our

markets to Canada in comparison with those of Great Britain and all other countries.

The products of the mine must become on both sides a rapidly increasing class of our exchanges. Hitherto the balance has been much in our favor. Extensive regions, rich in mineral wealth, exist in Canada West, but the geological formations are destitute of coal; and as the forests are cleared away an incalculable amount of fuel from the limitless coal fields on the south side of Lake Erie, will be required in her northern climate. The coal of Ohio, northern Virginia and Pennsylvania, supplies advantageously the means of smelting the ores of Canada West. It will never be politic nor will it scarcely be possible for the government of Canada again to tax this indispensable necessary of life; and if the treaty were abrogated, Canada would yet be compelled to buy it from us in increasing quantities. Its abundance in our territory and its absence in the geological formations of Canada West, exhibit in the greatest degree a natural adaptation to the system of reciprocal benefits. On the Atlantic coast the coal from the mines of the maritime provinces effects serious injury to those who have invested their capital in the boundless mineral resources of Pennsylvania, Maryland and Virginia.

The products of the Canadian forests are brought into vigorous competition with our own, and the effect is keenly felt by many of our lumber-men, who embarked in this business fully confiding in the belief that the protective system accorded to other manufacturing interests would not be withdrawn from this. Large investments were in many cases made by our lumber-men, many of whom have been compelled to abandon their business at a ruinous loss.

The United States were for five years before the adoption of the treaty, as they are now, almost the only customers of animals and their products from Canada. The year 1858 affords no more than a fair illustration of this fact. We then imported to the value of \$2,232,368, being only \$220,397 less than the whole amount of exports in this class from Canada to all countries. These exports from Canada have increased nearly six fold since the treaty. The older and more closely settled regions of this country afford to Canada such a market for the chief item in this class—animals themselves—as her geographical position, remote from all other countries except the thinly peopled provinces, forbids her to export profitably elsewhere.

Wheat, the staple crop and chief export of Canada, was not rendered free by the treaty, on its admission into that country. It was made free before the treaty by Canadian legislation for the benefit of Canadian millers and ship-owners.

Our wheat exported to Canada is not consumed there, and was free before treaty.

It is exported into Canada in pursuance of the great commercial law by which, in our time, the demand of the Eastern States and for shipment to various parts of the world, is supplied from the rich soil and cheap land of

the West. Much of it is manufactured in Canada and returned to the United States free of duty; nor can the ordinary course of this traffic be better illustrated than by the well-known fact that Chicago, Wilwaukee and the Western ports are shippers to and not receivers of grain from Canada, whose large exports are freely transmitted from the eastern side of her territory to the American frontiers. It is stated on reliable authority in the provincial public journals, that much of their imported wheat is ground on the Welland or Lachine canal. After this process it cannot be identified as of American origin. It is less expensive and troublesome to enter wheat as free under the treaty than to keep it in bond, and to a considerable extent there is little more distinction as to the origin of the wheat after it has once been taken into Canada, than there is in nationality of the mingled waters on which it is carried towards the ocean.

Canada exports more wheat and flour than she imports. As Canada produces more wheat and flour than she can use, our shipments to her are not made for purposes of consumption, but must compel the return of the same or an equivalent quantity to us, chiefly in a manufactured condition, at the expense of the milling interests of this country, or its shipment to Europe in foreign vessels at the expense of our American bottoms.

STATEMENT showing the comparative value of the Imports and Exports of Wheat and Flour into and from Canada from the year ending January 1, 1850, to January 1, 1859.

	IMPORTS.		EXPORTS.	
	Wheat.	Flour.	Wheat.	Flour.
1850	113,936	2,247	1,072,135	2,743,185
1851	294,479	4,507	687,180	2,683,301
1852	76,953	4,937	1,421,825	2,757,510
1853	14,664	4,870	3,090,441	4,248,835
1854	138,913	17,965	2,098,137	4,796,699
1855	1,461,624	1,625,735	5,928,866	5,801,920
1856	1,694,091	808,737	6,977,843	6,009,809
1857	2,375,638	1,262,485	2,789,975	4,537,642
1858	1,647,489	763,960	2,355,096	3,065,810

Of nearly all the articles named in the treaty, a surplus is common to both countries; and we have an abundant supply and a surplus for export of every article named in it.

Canada has no crop so cheap and profitable for various manufacturing and other purposes, as the corn bought from us; she admitted it like wheat, free, before the treaty.

For other grains—barley, rye, oats, etc.—we furnish for Canada the only market worthy of mention.

Canadian farmer placed by treaty on equality with our farmer as to value of farm and products. The increase in the profits of the Canadian farmer since the treaty, is well known on both sides of the frontier. The large amount which would have accrued to the United States in the form of duties has gone to his benefit in the increased

value of his products and real estate. The production of many articles has been greatly stimulated much to his advantage, and their importations have been severely felt by our own producers along all that line of frontier through which access is naturally sought in an eastward course to our cities, manufacturing districts, and the great highway of the world. A strong stimulus has been given by the treaty to all the chief public works of Canada, which before had signally failed.

A general dissatisfaction with the treaty exists on the southern side of the boundary line, wherever its operation is perceived, except in those parts of the West where the Canadian is erroneously regarded as an additional purchaser or consumer, and not, as he really is, a mere grain carrier in rivalry with our own, or in those other parts of the United States as to which for its own purposes the Canadian or British government has made preferential laws, and to which it has given a local prosperity at the expense of the general welfare of this country.

General dissatisfaction with the treaty.

An investigation of the Canadian exports made free by the treaty, proves that Canada has now, for many of these products, no market equally profitable with that of the United States, and had no outlet for them at all worthy of mention before the treaty, except this country, where they then contributed to the revenue. The same examination will disclose the fact that most of the leading articles named in it were imported into Canada free of duty before the treaty. For more than half the year the rigor of her climate debars her from commercial exchanges with any country except the United States, or through our territory, preventing her during that period from taking advantage of a rise in the market. She is placed in the position of a farmer who has only one customer. This is the political and geographical disadvantage sought to be overcome by the Earl of Derby when he urges the abolition of duties discriminating in favor of the manufactures of his own country against the manufactures of the United States. It was for this cause that reciprocity was urged so strongly by Sir H. L. Bulwer, and to compare this argument and these admissions with the facts of experience, I again refer to the testimony of the select committee appointed by the Legislative Assembly of Canada in 1858, by which in reference to the repeal of large discriminating duties on grain imported into Great Britain, it is said (pp. 4 and 5 of their Report): "The effect of this law was to depreciate the value of all articles grown or produced in Canada twenty per cent. under the value of like articles grown or produced in the United States, and this difference in value continued up to the year 1854, a period of nearly nine years."

Geographical disadvantages of Canada shown by the low prices of her produce before the treaty.

The opinion of her merchants as to the value of our market, is recorded in their having exported to us six times as much wheat and flour as to Great

Britain during the four years which elapsed since the treaty and before January 1st, 1859.

The fallacy of the Liverpool market always fixing the value.

Contrary to the belief commonly held at the date of the treaty, the Liverpool market does not determine the standard of value for breadstuffs on this side of the Atlantic. European prices are now far from being remunerative to the American producer. They have seldom been profitable to us, since the termination of the Crimean war re-opened the Russian granaries, threw the cheap Russian serf into close competition with the American farmer, who can only sustain himself by his superior intelligence and the application of modern labor-saving implements of agriculture. Since the speculations consequent upon that war have ceased, our exportations of grain and flour to Europe have been insignificant; nor are they likely to be of much importance hereafter except from the occasional and irregular demand caused by war or famine. All the wheat and flour sent by us in 1858 and '9 to England, where flour is charged with a duty of $4\frac{1}{2}$ per cent., or about 16 cents a barrel, and a corresponding duty is levied on grain, was only \$1,736,152 in value, or less than half of \$3,665,502, the amount thrown on our market from Canada, notwithstanding the failure of her crop. The grain-growing regions of the North-Western States have suffered more than other parts of the Union from a depression of prices in our Atlantic cities, thus caused by the influx of Canadian products. A temporary cheapness of transportation will not compensate for reduction in the value of the grain; and Canada by virtually prohibiting the importation of American manufactures, prevents so far as she is able an increased demand and consumption for breadstuffs within the limits of our confederacy.

Natural commercial dependence of Canada upon the United States.

There has not been a year since the treaty when Canada has not thrown upon our markets a larger amount of her productions than she has sold to any other country, and to all other countries added together—demonstrating her commercial dependence upon the neighboring States when thwarted by no artificial cause or restriction. (Appendix No. 7.) The difference will be yet more conspicuously and clearly shown by deducting the products of the forest from her European exports. These alone amounted in 1857 to more than \$8,000,000, or twice as much as was sent to us, differential duties yet existing in Great Britain in favor of colonial timber. Struggling under these obstacles imposed by the British and Canadian governments, we are yet to Canada of more commercial value than all other countries together, while recent legislation has reversed the natural law of trade that a nation should buy where it sells. Her people sell to us and are now prevented by her tariffs from buying of us.

Hitherto the further injurious legislation of Canada is too recent to have fully exhibited its effects, and an additional illustration of her natural commercial dependence is found also in our exports to that province (Appendix

No. 8), showing that for each of the four years ending December 31, 1858, the amount taken from or through the United States exceeds the Canadian imports from all other countries unitedly. It has already been shown how large a portion of them is re-exported to us, whilst the taxes on our manufactures and differential duties on merchandise of foreign origin passing through the United States, will effectually check the other classes of their imports into Canada.

In the profits accruing from freight between the two countries, the advantage since the treaty has been in favor of British shipping, the value of exports and imports by the vessels of each country being regarded as the test. In the five years ending June 30, 1854, the value of domestic exports to Canada in British bottoms was \$12,595,816, and in American bottoms, \$16,595,816, the preponderance in our favor being about one-third, whilst in the five years since the treaty, and beginning with July 1, 1854, there was an excess against us of nearly one-half, the value being \$26,330,730 in American vessels, against \$38,942,652 in vessels of British nationality. No marked inequality exists in the imports to the United States by the shipping of both countries, the value carried by each being \$37,223,665 in American, and \$36,528,968 in foreign vessels.

In this competition of shipping, American ship owners run a race in fetters. The staple manufacture of Canada has long been that of ship-building for exportation. A cheap and abundant supply of labor for this purpose is obtained at Quebec during the long winter suspension of navigation, and the value of ships built there for sale in foreign markets exceeds by many times that of all other manufactured exports of Canada. This branch of industry is encouraged by admitting all the materials used in the construction, rigging or equipment of ships, either at a nominal rate of duty or entirely free, or subject to a return of duty to the shipbuilder when satisfactory proof is given that they have been used for this purpose.

Canada grounded her hopes of future greatness upon the possession of the St. Lawrence. The Western States have considered it of great advantage to themselves, and it was said, when we obtained its navigation, that the benefits arising from this national privilege would more than counterbalance any fancied injury or wrongs on other interests. The British Minister, Sir H. L. Bulwer, after pressing upon our attention the spirit evinced by Canada towards our manufactures, and promising on behalf of the Canadian government to carry a liberal policy out still further, presented the navigation of the St. Lawrence, with the adjoining canals, as a consideration to be paid by that province for the free interchange of all natural productions with us, and for the navigation of Lake Michigan. The arrangement of the treaty was comprehensive, and included a satisfactory settlement of the perplexities then existing in regard to

Value of free navigation of the St. Lawrence to the United States.

the fisheries along the coast of the provinces; but for this the maritime provinces also received a full equivalent in the opening of our market to their fish, coal and other products.

The debates in Congress show the high value placed by the advocates of the treaty on the use of the St. Lawrence. One honorable member lamented that by being debarred from it, the shipping of the lakes was compelled to be idle and unproductive for about one-third of the year, whilst the interest on the capital thus invested was running up to \$250,000 annually. Another, expressing only the general expectation of many others, said: "The free navigation of the St. Lawrence is only necessary to show us in the fall of every year long lines of vessels seeking the Atlantic, through Canada, laden with western produce, and in the spring making their way back with foreign wares, and with the avails of profitable labor for nearly half a year."

The commerce of the north-western lakes is of immense national importance, amounting annually to \$587,197,320. (See Report of Committee on Commerce to House of Representatives, 1856, No. 316, vol. 3, page 9.) More than 1600 vessels, with an aggregate burthen exceeding four hundred thousand tons, are employed in navigating these waters, which Chief Justice Taney, in that decision of the Supreme Court of the United States, which gives the lakes forever their international character, termed "Inland Seas." It was believed that the advantages gained by the navigation of the St. Lawrence would bear adequate proportions to the number and value of these commercial fleets, but the official statements of Canadian authorities show that since the treaty received the signature of the President of the United States, nearly six years ago, no more than forty American vessels, with a burthen of only twelve thousand five hundred and fifty tons, passed seaward through the St. Lawrence, and that of these less than half, or nineteen vessels, with a burthen of only five thousand four hundred and forty-six tons, have returned from sea. So insignificant has been the foreign commerce expected by honorable members to be developed in this direction, that during these six years only twenty-five of these vessels have sailed for foreign countries, the other fifteen having gone to American ports.

It would seem that the promised advantages from the navigation of the St. Lawrence were more poetical than nautical, but the navigation of Lake Michigan, ceded to Canada by the treaty, has been so extensive that in the year 1857 one hundred and nine British vessels cleared from Chicago alone; thus depriving our own carriers of freight, by enabling others to take the produce of the great grain growing regions through Canada to ports on either side of Lake Ontario, or to Montreal and thence to eastern States, or chiefly by British vessels to Europe. It is a noticeable fact in this connection, that the above is a statement of the clearances from only one port upon Lake Michigan of Canadian or British vessels for one year, and they are more

than double the number of United States vessels that passed outwards through the St. Lawrence for the last six years since the ratification of the treaty, and quintuple the number that ever returned inward from sea.

Well might Lord Elgin exchange congratulations with the British capitalists in London, as he did in a recent speech, upon the advantages to his country arising from the working of the Reciprocity Treaty which he signed at Washington,* when the barren advantages of the free navigation of the St. Lawrence have been given in exchange for our free markets to all Canadian productions, and when the consequent increase of their exports has added wealth to their country, and operated in inverse ratio upon the prosperity of our agricultural and industrial classes.

Although the equivalent gravely offered to us by the British Minister in exchange for the valuable concessions we made, has hitherto been thus unimportant as regards the St. Lawrence itself, the other part of the consideration, the use of the canals, was enjoyed by us so freely before the treaty was in operation, that in 1854 no less than 198 American vessels used the canals of this river, and 3,160 vessels of the same nationality used the various canals of Canada, and paid, as now, the principal part of the tolls collected thereupon by the government of that province. To close the canals to our vessels, would not only be an act of folly on the part of Canada, but would be contrary to the objects for which they were constructed. This professed equivalent to us was itself the consummation of their long cherished project. The State of New York might with more wisdom close the Erie canal against the commerce of the other States, for that canal passes through the central portion of the State which possesses a much larger population than Canada, creating an extensive local tariff for its support, while the canals of Canada are lateral and depend almost entirely upon the commerce of the United States. They were made for the purpose of diverting American commerce, not of facilitating it. The committee appointed by their own Legislative Assembly in 1855, unhesitatingly affirm in their Report, p. 3, that "the St. Lawrence canals were constructed at a large public expenditure, for the purpose of drawing the trade of the Western States to the ports of Montreal and Quebec."

Commerce of the States pays most of revenue of Canadian canals.

Canadian canals built to divert trade of Western States.

* Great Britain reserved the right of suspending the navigation of the St. Lawrence and canals in Canada at her pleasure, and whenever she should exercise this reserved right, then the government of the United States was permitted to suspend the operation of Article 3 of treaty, which contains the enumeration of free list of articles so far as the province of Canada is affected thereby. It will thus be seen that Great Britain's concessions in navigation were placed in the treaty as equivalent for admission of Canadian products into the United States.

We are entitled under the treaty to use the river St. Lawrence and the canals of Canada, as the "means of communicating between the great lakes and the Atlantic ocean, subject only to the same tolls and other assessments as now or may hereafter be exacted of Her Majesty's subjects." But as we are the chief carriers through the Welland canal of wheat, flour and corn (almost the only freight of our vessels by this route), a discrimination against us is made by imposing the same tolls on these articles on their passage through this canal (a work twenty-eight miles in length, and forming the only means of communication for lake vessels between the upper and lower lakes), as if they passed through the canals of the Galops, Point Iroquois, Rapid Plat, Favian's Point, Cornwall, Beauharnois and Lachine, via Montreal and Quebec to the ocean. Yet we carry twenty-five tons on the Welland canal for every single ton we carry on the others: their respective amounts in 1858 being 787,877 tons on the Welland canal, and 31,968 tons on the lower canals. On the other hand, in the same year the tonnage of Canadian vessels was only 360,894 tons on the Welland canal, but was 725,842 tons on the others. Thus our vessels are heavily taxed for tolls on canals which they do not use; the tolls collected on the Welland canal from American vessels alone being in the year last mentioned \$18,522, or, as is usual, more than half of the whole amount collected on all the canals in the province; while we paid only \$405 on the St. Lawrence canals. (See Canadian Trade and Navigation, 1858, p. 40.)

While an effort is thus made to divert the produce of the West to the St. Lawrence by discriminating tolls, it is also attempted to secure the carriage of iron and salt to the West by passing them free through the Welland canal, if they have paid tolls on the canals of the St. Lawrence—thus affording another example of the studious and systematic evasion of the spirit and letter of the treaty ratified under the promise of reciprocity.

Nature, in the severity of climate, has placed the St. Lawrence under insurmountable disadvantages; and that its deficiencies as an available and reliable inlet and outlet for the internal and external trade of Canada, are duly felt by the Canadian and Imperial governments, is demonstrated by the extension of the Grand Trunk Railroad (a British work) to Portland, by a perpetual lease of an American railroad to that place. Every element entering into the price of freight, and determining the channel of European and, yet more, of tropical trade with Canada and the North-West, is in favor of our sea ports over Montreal and Quebec as natural ports of entry.

Whilst vigorous efforts have been made by means of Canadian canals to divert western traffic from our lines of communication, the peninsular shape of Canada West has caused the disclosure of the same intention in the construction of five different railroads across the peninsula. Two of them connect Lake Huron with the Lakes Erie and Ontario. Two others extend from

the St. Clair River to Lake Ontario, one of them leading also across the suspension bridge near the Falls of Niagara. Another is laid near the Welland Canal from Lake Erie to Lake Ontario. They all complete at or above Toronto the connection of the various Lakes. These roads could not have been made for the use of this province with a population at the largest estimate of no more than three millions—not more than one-third of which occupies the country above Toronto—the regions through which these roads run. Neither the population nor productions of Canada are sufficient to support them. They have been made on the invitation of the Imperial government (see Report of the Canadian Parliamentary Committee on Commerce, 1858, p. 4), and by British capitalists sustained by "imperial credit" for the purpose of securing our western trade. They were chiefly constructed with a view to the inconsistent distinction made by our laws, but having no foundation in justice, permitting foreign or American merchandise to be conveyed by land, or partly by land and partly by water, from one part of the United States to another by Canadian lines of communication, while we prohibited their carriage from foreign vessels from one American port to another. Large quantities of grain and merchandise are thus sent to and from the United States through various Canadian ports on Lakes Erie, Huron and Ontario.

Population and productions of Canada insufficient to sustain her canals and railroads.

It was enacted by Congress, March 3, 1817, sec. 4, that "no 'goods' shall be imported under penalty of forfeiture thereof from one port in the United States to another port of the United States in a vessel belonging wholly or in part to a subject of any foreign power;" and the evasion of this law by these railroads enabling Canadian to compete with American vessels may be illustrated by the case of the Welland railroad, a line only about twenty-eight miles in length and running alongside of the Welland canal. Its owners carried a large proportion of the grain sent last year from Chicago to Oswego, receiving it at one end of their line from Canadian vessels and delivering it to vessels of the same nationality at the other, thus by the simple process of transshipment evading and frustrating the laws by which no foreign vessel could carry directly from Chicago to Oswego. In this competition of shipping interests there can be no equality so long as Canadian legislation makes the price of ship-building materials cheaper in their country than in this.

These efforts to divert our own traffic from our own territory, although important in themselves, are insignificant in comparison with the ambitious schemes developed in the construction of the Grand Trunk Railroad—a work owned by

British monopoly of Grand Trunk the political and commercial power of Canada.

a combination of British capitalists. In our commercial age, British capital is the power behind the throne, and the armies and navies of Great Britain follow and protect the enterprise of her subjects. Having enlisted in their service the special and individual interests paramount in certain portions of

the province, the managers of this road in emulation of the ancient influence of the East India Company on an imperial government, have subjected the Parliament of Canada to their control.

Already expending yearly \$6,000,000, nominally in subsidizing steamships for the postal service, and only receiving for it a direct return of \$3,000,000, the statesmen of Great Britain obtain a remuneration for the outlay in the influence thus acquired over the commerce and hence in the politics of the world. They soon perceived the importance of obtaining a route to and from Canada at all seasons of the year, and that liberal aid to a railroad communicating to the Western States through this province might affect our domestic politics, and render us yet more tributary to the wealth and power of our chief commercial rival. They thus projected the great work of the age for purposes corresponding to the magnitude of its physical proportions. Intent on securing the valuable prize of Western trade, \$16,000,000 were advanced to the thoroughfare known as the Grand Trunk Railroad, virtually as a perpetual loan. The road was relieved from the payment of interest on this vast sum, and the lien of the province—a first mortgage on the road and its appurtenances—was rendered secondary to the other bonded debts of the company. Thus an additional loan of \$10,000,000 more was effected upon the stock exchange of London. The interest on the sum of \$16,000,000 which had thus for practical purposes ceased to be secured by the road, is not paid from the receipts of the road, but creates those government necessities which the present high tariff is necessary to supply.

Already this GRAND INCORPORATION is enriched by carrying the mails for the United States, Great Britain, France and various other countries on the European continent. Its managers congratulate themselves that “the battle ground of their competition will not be in Canada, or fought against British capital, but against their American rivals.” The road is made in the most substantial manner, and apart from its smaller provincial lines extends nearly a thousand miles from Portland to the St. Clair river opposite Detroit. With both its adjuncts from Quebec and Portland to Sarnia and Detroit (the doors to our prairies), it measures 1,116 miles in length, and tributary to it are various other roads. The total length of these lines is 2,093 miles, and their cost, with equipments, was more than \$100,000,000. It is the great railroad of the world—unequaled in extent. The Victoria Bridge, crossing the St. Lawrence at Montreal, is unsurpassed by any monument of human enterprise, power and skill erected during the present century. It is two miles in length, over a vast and rapid river. By means of this bridge, the Grand Trunk Railroad can transport goods for a distance of 1,400 miles, from the Atlantic to the Mississippi, with but one transshipment. The change in tariff of which we justly complain, was caused by the capitalists interested in this road, who, supported by the British and Canadian governments, hope, in addition to

securing the trade of the Western States, to divert from us the profit of buying, selling and carrying the commodities produced or consumed by the people of the peninsula of Canada. This they propose to effect by the high tariff and differential duties already mentioned and professedly made in favor of direct shipment to Quebec and Montreal. The interests of these places, however, are subservient to the road, the government having reserved to itself the right of permitting goods to be brought through the United States in such cases as it may choose, subject only to such a valuation as if they were imported directly from the country of their origin. This influence far from being confined to Canada, is felt throughout the Western States, penetrating to Memphis, and already diverting from Charleston and New Orleans the cotton and other products of the south, and seeking to transfer the shipment of the great southern staple to the terminus at Portland, on its way to the factories of New England and Europe. The experiment is boldly pushed in a manner indicating less the struggle for temporary trade than for permanent empire. Flour has been carried from Chicago to Portland, and merchandise from Boston to Chicago, at prices fabulously low. It is stated on credible authority, that 11,720 barrels of flour were carried over the bridge at Montreal in five days. This is at the rate of 855,560 barrels in the year, being 20,104 barrels more than the whole amount transported by the Erie canal to tide water in 1857.

By a system of bounties and special privileges lavishly applied wherever the ingenuity of British statesmen can suggest their profitable use, all fair rivalry with this road has been destroyed. To facilitate this undertaking a nominal duty only, chiefly less by $27\frac{1}{2}$ per cent. than was paid on similar materials for our roads, was imposed on the iron used in its construction. It is exempt from taxation throughout its entire length. Steamships, subsidized by the British government, meet its eastern termini in winter and in summer; laws have been passed in Great Britain discriminating in favor of this road against different ports in our own country—against all roads owned by our own people on our own soil—subjecting certain articles sent to Great Britain via Portland, to the same duties only as if imported directly from Canada; establishing an unjust precedent for future legislation and for the power reserved by the Canadian government. No interest is expected on the \$16,000,000 advanced by government. The patronage of Great Britain and the provinces is in its favor. It possesses at Portland an extensive range of docks, where its cars run alongside of the ocean steamers. Cheap fuel is bountifully supplied at all its stations.

The hope of reciprocity in the carrying trade is futile, when such distinctions are made in favor of this gigantic competition. The British government, pursuing that commercial policy by which its historical career has always been characterized, has not supported this road with a view to the

profit of the stockholders, but with a design of opening a direct trade with the interior of this continent, and of enabling her manufacturers, bankers and merchants, by means of agents in the Western States, to convert to their own use the profits and commissions now made in our Atlantic cities. It is intended, ultimately, to use Montreal and Portland as way stations only, for a system of communication including the ocean and the Grand Trunk Railroad with its western connections, thus uniting Liverpool, London, Glasgow, Sheffield, Manchester and Birmingham, the commercial and manufacturing cities of England, with our inland cities in the valleys of the Lakes and Mississippi. The whole plan and structure of this monopoly for the aggrandizement of a foreign power, is conceived and built upon the basis of our bonded system, and the liberal exercise of official authority under the act of 1799, and the warehousing act of 1854 (and certainly under the most liberal construction of the act of 1799), permitting the transit of foreign and domestic goods, first through our territory, then through Canada, and afterwards to their ultimate destination in this country. The law of 1799 was enacted at a time when its framers could not have foreseen any such application of its authority as to permit the productions of American origin to be taken from one section of the United States through a foreign country, by foreign means, to another section of the United States, duty free.

Folly and injustice of this government not protecting American enterprise from foreign aggression.

The inconsistency, not to say injustice, must be apparent of that policy which prohibits transportation in foreign vessels, from one American port to another, and at the same time tolerates the same transit from the same ports to the same ports through foreign means, developed in another form, and equally in rivalry with the enterprise, labor and capital of our own citizens. From such inconsistent legislation, or a too liberal construction of it, a foreign government now derives a license for its subsidized and privileged road to become the great carrier of our exports and imports to and from our western and eastern States. In addition, this foreign monopoly sustains its passage through our territory under the evasion of the spirit of our laws, and enjoys under a perpetual lease the use of property which non-resident aliens thus situated could not hold in fee.

The changes to be produced by this grasping monopoly will be developed with the rapidity characteristic of modern times. They will include the whole system of our commerce and industry. Great Britain, by saving intermediate profits, will be enabled to sell her manufactures in close competition with our own, will obtain on easier terms the produce of the west and the south, of which she is the chief foreign consumer, and will transact an increased business in the merchandise bought by her from other countries and sold to us. The reward thus obtained will be ample compensation for the large outlay on this road, and its seemingly reckless competition. This

international intercourse once fully established, profitable prices for freight will be exacted.

This vast commercial struggle where monopoly is the end to be gained, must terminate in a colossal combination of American capital and ability, or the field must be abandoned to their royal rival.

Already in the five various lines of railroad from the eastern to the north-western States, and with a water line of transportation unsurpassed in the world, through our own country, from Lakes Superior and Michigan to the Atlantic, we have sufficient competition to insure moderate rates; and the ultimate interests of producer and consumer are alike consulted, by paying a fair and remunerative price to the carrier. Should the present ruinous competition continue, it will be followed by prices of freight to and from the west dictated by combinations secure in their monopoly, and re-imbursing, by taxes on the western producers, the losses they have sustained.

This "Treaty of Reciprocity" was not on our part founded only on commercial considerations, but was regarded as inaugurating a system of international fraternity. A real and permanent frame for the comprehensive principles on which our own institutions are based, and for the popular instincts expressed among less practical nations in vague sentimentalism, was sought in a system of mutual benefits intended to give each country all the advantages of annexation without its entangling political difficulties.

The natural adaptation of the United States and Canada to give and receive reciprocal benefits, easily and without humiliation conferred by neighbors on each other, is well known; but the explicit and earnest appeals of Canada for an honorable and mutually beneficial reciprocity, are now no longer uttered. With an increase of wealth and importance, the liberality of her spirit and of her promises has ceased; and deeming herself secure in our forbearance, Canada has adopted by her recent legislation a policy intended to exclude us from all the geographical benefits of our position, while she hopes to use all their advantages for her own gain. Each concession has been used as a vantage ground for further encroachments; she has reversed the natural laws of trade, and prevents merchants and agriculturalists from buying in the same market where they sell. The revenue formerly collected on our northern frontier has been annihilated. She has increased her own revenue by a tax on American industry. The advantageous trade formerly carried on with Canada by the cities and villages on our northern frontier, has been destroyed. Our farmers and lumbermen encounter the competition of new and productive territories. It having been found that our shippers, sailors and merchants in the Atlantic cities were transacting a mutually profitable business with Canadians, the grasping spirit of their legislation endeavored to secure all the benefits of this traffic, and attacked our interests with discriminating duties. Our railroads suffer from a British competitor,

supported by privileges equivalent to taxation on their business with the Canadian province and the interior of our own country. Our manufacturers, instead of exporting to Canada, are checked by imports intended soon to prohibit the entrance of their productions into the province. The wool and raw materials of Canada are admitted duty-free into our markets, but the fabrics made from them are excluded from Canada, contrary to the explicit assurance of the British Minister on behalf of the Canadian government, that it would be willing to carry the principles of reciprocity out still further. Hitherto the vaunted advantages from navigation through the St. Lawrence have been scarcely worthy of any serious consideration. The proffered hand of commercial friendship, accepted for a time by Canada, with far more advantage to Canadians than to ourselves, is now rejected. In this exclusive and unnatural system, Canadians yet depend upon our market for the sale of their productions, upon the immense traffic of our States for their carrying trade, and upon our territory for the means of transit to the ocean. For their participation in the traffic of our States, which is the object of their unscrupulously aggressive tariffs, they depend upon the continued liberality of our revenue regulations, made under laws giving great discretionary powers intended to be used in facilitating our commerce instead of advancing the commerce of a foreign country.

The results of the Reciprocity Treaty and Canadian legislation upon our commerce and revenue are too obvious to have escaped the sagacity of British statesmanship. By the treaty we placed Canada on an equality with one of the States of this Union, without subjecting her to any of its burdens. By her legislation in imposing extraordinary taxes upon the products of American industry, she is compelling us to bear her burdens created to sustain gigantic rivalries worthy of the imperial ambition, for supremacy by land and water over our inland commerce, and for the grave influence which thus may be exercised upon our political career.

The tenor of the instructions under which this Report is made, excludes the idea of any recommendation upon my part pointing towards any remedy of the great evils which investigation has thus shown to exist under this system of miscalled reciprocity. I cannot but believe, however, that I should fail in the duty assigned to me, if I omitted to at least suggest the practical results to which the foregoing considerations would lead.

A treaty broken is a treaty no longer—obligations upon one part cease, when correlative obligations have no binding force upon the other. That the substance and spirit of this treaty have been more than disregarded by the other contracting power with which it was made, is too evident to admit of dispute. It is equally evident that a systematic scheme of provincial legislation, affirmatively aggressive upon great interests of this country, commenced with the ratification of the treaty as the beginning of its opportunity,

and has progressed in its strength and its extent, in its details and its scope, in all disastrous consequences every day while that opportunity has continued. Without the treaty, no such aggressions could ever have been attempted; with its termination they must cease. Then the government of this country can resume through legitimate means the protection of those great interests which governments exist to protect. Then the Canadian Parliament must be compelled to modify its existing legislation in this respect, until the day shall return, when, as before, the laws of trade, regulated by the legislation of Congress, shall give us something far more like reciprocity than we now possess. The home government—the provincial government itself, in the great interests entirely dependent upon our trade, have given hostages, which will be far more binding upon them than this ruptured treaty, that their legislation would not then be shaped to make us their tributaries. I certainly should transcend my province in making any particular suggestion of the means of abrogating the treaty. It is not for me to say whether or not the repeal of the assenting law of Congress, required by its fifth article, would have that effect, or what more limited effect, if any it would have. Convinced, as I am, however, that the dilatory measure of giving the notice required by the treaty for its abrogation would be far too slow to afford practical remedies of the abuses I have exhibited in this Report, I certainly should fail in that duty, which the prolonged and most careful consideration of these most important matters brings so strongly home to me, if I did not at least point out the fact that such proper alteration of the navigation laws of 1817*, in relation to the transportation of goods in foreign vessels from one port in the United States to another port in the United States, as would make the prohibitions in such case upon foreign vessels equally applicable to the carriage of property by other foreign means from one of our ports to another; and that the withdrawal of the present privileges existing under the laws of 1799† and 1854‡, in reference to the shipment, carriage and re-entry of property going to and from the United States and Canada, would in a most important degree hasten the removal of many and perhaps all of the numerous evils I have stated. The necessary consequences of such action must be the alteration by the Canadian Parliament, now in session, of the legislation under which we now suffer. The wrongs of to-day would thus be immediately but perhaps only temporarily mitigated. The proper, radical and sufficient remedy, beyond question, is the speedy abrogation of the treaty itself.

ISRAEL T. HATCH.

WASHINGTON, March 28, 1860.

* Sec. 4 Navigation Laws, March 1, 1817.

† Sec. 47 of Revenue Laws, passed March 2, 1799.

‡ Sec. 5 of Act to extend Warehousing System, passed March 28, 1854.

NOTE.—The fiscal year of Canada terminates upon the 31st day of December, which makes statistical comparisons between the two countries very difficult. As our fiscal year embraces parts of two years, I have generally adopted in my calculations for comparisons the Canadian fiscal year.

“By extending the ad valorem principle to all importations and thereby encouraging and developing the direct trade between Canada and all foreign countries by sea, and so far benefitting the shipping interests of Great Britain—an object which is partly attained through the duties being taken upon the value in the market where last bought—the levy of specific duties for several years had completely diverted the trade of Canada in teas, sugars, etc., to the American markets (our Atlantic cities), and had destroyed a very valuable trade which formerly existed from the St. Lawrence to the Lower Provinces and West Indies. It was believed that the completion of our canal and railroad systems (via Portland), with the improvements in the navigation of the lower St. Lawrence, justified the belief that the supply of Canadian wants might be once more made by sea, and the benefits of this commerce obtained by *our own merchants and forwarders*. Under this conviction it was determined by the government to apply the principle of ad valorem duties. (Mr. Galt, Finance Minister of Canada, Report, March 1, 1860, p. 36.)

“Any increase of duty which has been placed on English goods, is quite indemnified at the increased cost by which our canals, railroads and steamships enable them now to be delivered throughout the province; and if the question were one of competition with Canadian manufacturers, the English exporter is quite as well off as before, while as compared with the American, his position is greatly improved.” (Page 38, same Report.)

Letter of British Minister, warning Canadian Government of the consequences of increase of Duties upon American products.

(COPY.)

WASHINGTON, February 28th, 1859.

SIR.—I have the honor to acknowledge the receipt of your dispatch of the 19th inst., enclosing a copy of a report of a Committee of the Executive Council, with reference to a supposed design on the part of the government of the United States to terminate the Reciprocity Treaty.

A Resolution has been proposed by Mr. KING, of the State of New York, in the Senate, pointing to the termination of the treaty at the period contemplated in the provisions of that instrument; and suggesting that retaliatory duties be meanwhile imposed upon articles produced or manufactured in the British Provinces, which are not exempted from duty by the treaty.

This Resolution was referred to the Committee on Finance, which has, however, not reported upon the subject.

No resolution has, I believe, been moved in the House of Representatives; but there has been some exhibition of hostility to the operation of the treaty in the course of the debate.

I am bound to state, however, that the high scale of duties now established by the Canadian tariff has produced in some quarters a feeling of dissatisfaction which may eventually result in a serious movement against the stipulations of the Reciprocity Treaty. It is urged that while under the treaty, Canada has the advantage of

pouring her raw productions into the United States free of charge, the American trader, whose exports to Canada consist in considerable part of manufactured goods, is met on the Canadian frontier by a high tariff. The reciprocal exoneration is alleged to be more apparent than real, and the United States are represented to be the losing party. Your excellency can judge how far the impressions I allude to are well founded, and whether they might not be removed by some modification of the duties affecting certain kinds of goods imported by Canada from the United States.

The governments of the British Provinces may be confident, that the best efforts of Her Majesty's Minister at Washington will, under the instructions of the Secretary of State for Foreign Affairs, be always employed in support of the reciprocity system, which has proved to be so advantageous to the interests of Her Majesty's subjects.

I have, etc.,

His Excellency

Sir E. W. HEAD, Bart.,
etc., &c., etc.

NAPIER.

APPENDIX.

No. 1.

STATEMENT exhibiting the Value and Amount of Duties on Articles which were imported during the fiscal year ending 30th June, 1854, and now made free by the Reciprocity Treaty.

ARTICLES.	Rate of Duty per cwt.	Value of Articles.	Duties.
Grain, Flour, and Breadstuffs.....	20	\$3,906,073	\$781,214 60
Animals, free.....		75,406	
dutiable.....	20	225,642	45,128 40
Fresh, Smoked, and Salted Meat,	20	5,184	1,036 80
Cotton, Wool, free		125	
Seeds, Plants, Shrubs, etc., free		18,210	
dutiable.....	20	555	111 00
Vegetables.....	20	102,806	20,561 20
Undried Fruits.....	20	13,692	2,738 40
Dried Fruits.....	20	31	6 20
Fish of all kinds.....	20	901,671	180,334 20
Products of Fish and of all other creatures living in the water.....			
Poultry	20	1,016	203 20
Eggs	20	5,500	1,100 00
Hides and Skins.....	5	34,729	1,734 45
Furs, undressed	10	13,920	1,392 00
Tails, undressed.....	20	8	1 60
Unwrought Stone.....	10	10,758	1,075 80
Unwrought Marble.....	4	4	0 80
Butter.....	20	126,811	25,362 20
Cheese.....	30	127	38 10
Tallow.....	10	37	3 70
Lard.....	20	837	167 40
Horns.....	5	1,421	71 05
Manures.....			
Ores of Metals, free		18,790	
dutiable.....	20	516	103 20
Coal.....	30	254,775	76,432 50
Pitch, Tar, and Turpentine.....	20	75	15 00
Ashes.....	20	4,441	888 20
Fire and other Wood.....	30	728,688	218,606 40
All other Wood.....	20	574,051	114,810 20
Pelts.....	20	24,639	4,927 80
Wool.....	30	69,182	20,754 60
Fish Oil.....	20	110,402	22,080 40
Rice.....			
Broom Corn.....			
Bark.....	20	978	195 60
Gypsum, ground.....	20	353	70 60
free, unground		113,312	
Grindstones.....	5	23,265	1,163 25
Dyestuffs.....	5	14,717	735 85
Hemp, Flax, Tow, unmanufactured			
Tobacco, unmanufactured.....	30	2,915	874 50
Rags.....	5	12,696	634 80
Total.....		\$7,398,358	\$1,524,457 40
Deduct for British North American Pro- vinces		1,301,154	231,054 00
Leaving for Canada.....		\$6,097,204	\$1,293,403 40

No. 2.

STATEMENT exhibiting the value and kinds of the productions of Canada made free under the provisions of the Reciprocity Treaty, and imported into the United States from January 30, 1849, to July 1, 1854, being the five years before the treaty began to take effect; also the Revenue thereon during that period.

ARTICLES.	1850.	Duty.	1851.	Duty.	1852.	Duty.	1853.	Duty.	1854.	Duty.	Aggregate.	Duty.	Rate Per ct.	
Grain of all kinds.....	1,109,928	203,985.60	741,350	148,270	663,571	132,714	982,470	196,494.90	2,102,453	420,490.60	5,509,774	1,101,954	20	Corn not enumer'd in forms of this and not included.
Flour and Breadstuffs ...	1,199,886	239,977	1,011,292	202,258.40	1,013,959	202,791.80	976,379	195,275.86	1,794,739	358,947.80	5,996,255	1,199,251	20	Corn Meal do. not included.
Animals not for breed...														Not enumerated in forms.
Fresh, salt, smoked Meat	3,215	643	1,636	327.20	37,044	7,408.80	29,165	5,833	4,182	836.40	75,242	15,048.40	20	Including Beef, Pork, Hams and other bacons only.
Seeds and Plants														Not enumerated.
Vegetables.....	3,297	989.10	7,124	2,137.20	2,505	751.50	1,071.50	321.30	779	233.70	14,776	4,432.80	30	Including Potatoes only.
Undried Fruit.....														Not enumerated.
Dried Fruit.....	43	8.60	41	8.20			77	15.40	50	10	211	42.20	20	
Fish of all kinds.....	24,326	4,865.20	21,188	4,237.60	25,796	5,159.20	19,636	3,927.20	31,094	6,218.80	122,040	24,408	20	
Products of Gr.														" "
Poultry.....														" "
Eggs.....														" "
Hides and Skins undres'd	15,387	769.35	18,547	927.35	15,821	791.05	14,655	732.75	23,825	1,191.25	88,235	4,411.75	5	
Furs undressed.....	12,525	1,252.50	10,251	1,025.10	9,350	935	9,637	963.70	13,502	1,350.20	55,265	5,526	10	
Tails undressed.....														" "
Unwrought Stone, Marble														" "
Slate.....	1	.25			1,178	294.50					1,179	294.75	25	
Butter.....	52,120	10,424	34,431	6,886.20	71,297	14,259.40	182,742	36,548.40	126,001	25,200.20	466,591	93,318.20	20	
Cheese.....	13	3.90	36	10.80	13	3.90	426	127.80	127	38.10	615	184.50	30	
Tallow.....			51	5.10	25	2.50	69	6.90	37	3.70	182	18.20	10	
Lard.....	2	.40	57	11.40	1,451	290	941	188.20	837	167.40	3,298	657.60	20	
Horns, manures.....														Not enumerated in forms
Coals.....	182	54.60	686	205.80	655	196.50	416	124.80	10	3	1,949	584.70	30	
Pitch, Tar, Turpentine, Ashes, and Timber.....														" " "
Firewood.....	80,473	24,141.90	142,320	42,696	179,366	53,809.80	295,964	88,789	497,478	149,243.40	1,195,601	358,680.30	30	" " "
Shrubs and Trees.....														" " "
Pelts.....														" " "
Wool.....	55,655	16,696.50	83,970	25,191	68,561	20,568.30	48,634	14,590.20	65,737	19,721.10	322,557	96,767.10	30	
Fish Oil.....	2,136	427.20	290	58	127	25.40	551	110.20	55	11	3,157	631.90	20	
Rice.....														" " "
Gypsum.....														" " "
Broom Corn.....														" " "
Bark.....														" " "
Burr and Grindstones ...			6	.30	571	28.55					577	28.85	5	
Dyestuffs.....											11	1.65	15	
Flax, Hemp, Tow.....	5	.75					6	.90			477	143.10	30	
Tobacco, unmanufactured	4	1.20	197	59.10	25	7.50	28	8.40	223	66.90	477	143.10	30	
Rags.....	8,994	449.70	6,653	332.65	10,116	505.80	15,653	782.65	8,967	448.35	50,383	2,619.15	5	
Total.....	\$2,478,192	504,690.85	2,080,120	434,647.40	2,101,431	440,543.90	2,578,522	544,841	4,670,096	984,181.90	13,908,567	2,908,905		

No. 3.

STATEMENT of the Revenue collected annually at the principal Ports of Entry on the North-Western Lakes from 1855 to 1859, inclusively, on Canadian and all other Importations from Canada, so far as ascertained; showing Expenditures over Receipts:

	For Four Years.	Genesee.	Oswego.	Niagara.	Buffalo Creek.	Champlain.	Cape Vincent.	Presque Isle.
1856		\$ 2,640	4,645	2,900	3,727	17,834	1,735	....
1857		1,349	4,491	1,797	7,499	8,056	1,074	..
1858		2,084	5,152	2,967	2,293	7,924	2,169	10
1859		2,377	4,193	7,803	1,514	8,317	958	....
Total	\$ 1,907	8,450	18,481	15,467	15,033	42,131	5,936	18

Expense of collecting for four years as per U. States Register for 1857

\$21,616	54,884	49,312	43,148	32,548	52,652	26,336	4,424
----------	--------	--------	--------	--------	--------	--------	-------

	Miami.	Sandusky.	Cuyahoga.	Detroit.	Sackett's Harbor.	Chicago.	Milwaukee.	Total.
1856 .....	...	62	2,585	5,076	6,093	13,861	.....
1857	92	5	1,576	11,822	4,869	9,886	.....
1858	98	..	3,095	13,889	2,933	1,535	.....
1859 .....	...	22	2,847	32,965	2,714	2,147	.....
Total	\$ 190	89	9,103	63,752	16,609	27,429	63,614	288,508

Expense of collecting for four years as per U. States Register for 1857

\$13,672	14,732	22,312	58,032	17,828	43,872	22,960	478,238
----------	--------	--------	--------	--------	--------	--------	---------

Excess of cost of collection over receipts.....\$ 89,730

No. 4.

STATEMENT exhibiting the amount of Revenue from Duties on Products of American origin, collected by the Canadian Government, from Dec. 31, 1855, to Jan. 1, 1860.

	1856.		1858.
Duties—Specific	\$ 217,941 99	Duties—Specific	\$362,955 00
“ 20 per cent.	41,796 60	“ 25 and 20 per cent. ..	52,955 00
“ 12½ and 15 “ ..	813,641 22	“ 20 and 15 “ “ ..	392,123 00
“ 5 and 2½ “ ..	21,935 90	“ 15 “ “ ..	163,557 00
		“ 5 and 2½ “ “ ..	11,742 00
Total	\$1,095,315 00	Total	\$883,261 00

1857.		1859,	
Duties—Specific	\$200,442 00	Duties on American produc-	
“ 20 per cent.	89,885 40	tions	\$1,109,461 00
“ 15 “ “	636,160 35		
“ 5 and 2½ “	17,496 24		
Total	<u>\$943,983 38</u>	Total	<u>\$1,109,461 00</u>

So the total amount of duties levied in Canada in 1859, under the high tariff, was \$4,437,846. In 1858, the whole amount of the duties was \$3,381,389, of which more than one-fourth was levied on productions of United States origin. It is therefore fair to assume that more than \$1,109,461, or one-fourth of the whole customs revenue, arose from the same source in 1859, the duties by the tariff of that year being proportionally higher upon the dutiable articles exported from the United States to Canada than those from any other country.

See published accounts of Canada, 1859, by Mr. Galt, Minister of Finance.

No. 5.

STATEMENT of the Canadian Tariff of 1859, in contrast with that of 1854, the year when the Treaty was made.

1859.	CLASS 1.	1854.
Brandy, gin, rum, etc., 100 per cent.		Brandy, 40 cents per gal., 25 per cent.; Rum, etc., 25 cents and 25 per cent.
	CLASS 2.	
40 per cent. cigars, sugar refined, duty on the latter to be reduced on a sliding scale to 15 per cent. in 1862.		Cigars, 30 cents per lb. and 12½ per cent.; sugar refined, \$2 50 per cwt., and 12½ per cent.
	CLASS 3.	
30 per cent. coffee roast or unground, spices ground, dried fruits, snuff, starch, patent medicines, sugar not refined, and molasses, 2 cents on a sliding scale to 10 per cent. in 1862.		Unrefined sugar \$1 20 per cwt. and 12½ per cent.; molasses 4 cents per gal. and 12½ per cent.; coffee roast or ground, \$12½ per cwt., and 12½ per cent.; and spices, ground or unground, 30 per cent.; fruits, etc., snuff, 7 cents per lb. and 12½ per cent.; starch, 12½ per cent.
	CLASS 4.	
15 per cent. tea, green coffee, on sliding scale to 5 per cent. after Jan., 1863.		Tea 2 cents per lb. and 12½ per cent.; coffee (green) 92 cents per cwt. and 12½ per cent.
	CLASS 5.	
25 per cent. manufactures of leather, viz. boots, shoes, harness and saddlery, clothing or wearing apparel made by hand or sewing machine.		Manufactures of leather, boots and shoes, saddlery, clothing, wearing apparel, etc., 12½ per cent.
	CLASS 6.	
Goods paying 20 per cent.; leather and almost every manufacture.		Unenumerated, etc., 12½ per cent., including leather and almost all manufactures.

1859.

1864.

Woollens; cottons; tobacco, this article being also subject when manufactured to about 2 cents per lb., and snuff to 7 cents per lb.; hats, furniture, glass, axes, edge tools, agricultural implements, hardware, castings, mowing machines, etc.

CLASS 7.

Book, map and printing paper, 15 per cent. Paper, 12½ per cent.

CLASS 8.

10 per cent., ships' books, iron, brass or copper in bar, rod, hoop or sheet, wire, boiler plates, maps, sheet lead, candle wicks, cotton, yarn, and mill shafts, cranks, forged, in the rough, and generally articles partially manufactured. Books free; iron, brass and copper, and most articles in this class, 2½ per cent.

CLASS 9.

Specific, whiskey, 18 cents per gal. Whiskey 5 cents per gal., and 12½ per cent.

CLASS 10.

Free, iron, zinc and tin in pigs or block, all articles named in treaty (with nominal exception), book-binders' tools, canvas for sails, various articles if used for ship building, hat felts and bodies, etc., etc. Iron, brass and tin in pig or blocks, 2½ per cent.

No. 6.

STATEMENT exhibiting in contrast the value of each class of Imports into each country from the other, of the different classes of all articles enumerated in the Treaty for five years before the Treaty and to Jan. 1, 1859.

	1860.		1851.		1852.	
	Into U. States.	Into Canada.	Into U. States.	Into Canada.	Into U. States.	Into Canada.
Produce of the Mines.....		41,587	17,633	62,516	192	64,857
Produce of the Forest.....	\$1,539,488	45,505	1,279,929	18,620	1,838,775	116,159
Produce of the Sea.....	30,943	21,473	43,784	26,494	50,289	31,079
Animals and their Produce.....	490,477	455,036	564,787	962,176	966,189	454,475
Agricultural Produce.....	2,706,362	427,084	1,937,293	676,327	3,277,929	473,137
Totals.....	\$4,767,270	990,685	3,843,416	1,746,133	6,133,374	1,139,707

	1853.		1854.		1855.	
	Into U. States.	Into Canada.	Into U. States.	Into Canada.	Into U. States.	Into Canada.
Produce of the Mines.....	\$ 58,400	126,586	118,628	256,182	23,303	425,739
Produce of the Forest.....	2,589,898	66,820	2,131,725	107,459	3,016,880	186,839
Produce of the Sea.....	73,422	383,436	85,472	74,851	148,550	261,853
Animals and their Produce.....	1,107,870	670,587	684,439	845,591	1,485,925	1,878,664
Agricultural Produce.....	4,949,576	668,113	5,295,667	1,300,521	11,801,455	4,972,475
Totals.....	\$8,779,166	1,815,342	8,505,931	2,784,604	16,476,093	7,729,561

	1856.		1857.		1858.	
	Into U. States.	Into Canada.	Into U. States.	Into Canada.	Into U. States.	Into Canada.
Produce of the Mines.....	\$ 84,228	488,984	189,894	509,494	93,405	324,374
Produce of the Forest.....	3,345,284	302,904	3,393,068	411,820	3,290,383	232,177
Produce of the Sea.....	140,948	411,716	154,417	314,226	158,485	157,674
Animals and their Produce.....	2,375,388	2,896,838	1,974,516	2,134,339	2,231,786	1,464,873
Agricultural Produce.....	11,661,836	3,809,112	7,100,413	5,272,151	5,740,305	3,385,517
Totals.....	\$17,810,684	7,909,554	12,812,308	8,642,030	11,514,364	5,564,615

No. 7.

SUMMARY showing an annual excess of Exportations from Canada to the United States above those to all other countries together, from Dec. 31, 1854, to Jan. 1, 1859.

	Total Exports from Canada to the United States, Great Britain and all other countries.	Exports from Canada to the United States.
1855.....	\$ 28,108,461	\$20,002,290
1856.....	32,047,016	20,218,653
1857.....	27,006,624	14,762,641
1858.....	23,472,609	13,373,138
Total.....	\$110,634,710	\$68,356,722
Exports to the United States.....		\$68,356,722
Exports to all other countries.....		\$42,277,980
Amount of Canadian Exports to the U. S. above those to Great Britain and all other countries.....		\$26,078,834

No. 8.

SUMMARY showing an annual excess of Importations into Canada from the United States above those from all other countries together, from Dec. 31, 1854, to Jan. 1, 1859.

	Imports into Canada from the United States and all other countries.	Imports into Canada from the United States.
1855.....	\$ 36,086,169	\$20,828,676
1856.....	43,584,387	22,704,509
1857.....	39,430,597	20,224,650
1858.....	29,078,527	15,635,565
Total.....	\$148,179,680	\$79,393,400
Imports from the United States.....		\$79,393,400
Imports from all other countries.....		\$68,786,280
Imports from the United States above those of Great Britain.....		\$10,607,120

