

The Sub-Committee of Council, to whom the Despatch and enclosures were referred, report as follows :—

The reasons advanced in the Minute of Council, approved on the 12th December, 1890, referring to the negotiations for a trade and fishery arrangement between the United States and Newfoundland, appear to your Excellency's Government to be fully as important and pressing now as they were at the date of that Minute, and to be as applicable to the present draft convention as to the draft which had then been under consideration.

While those reasons have doubtless been considered by Her Majesty's Government, they do not appear to have had attached to them the weight which, in the opinion of your Excellency's advisers, they are entitled to, for the Despatch of Lord Knutsford dated the 23rd January instant merely intimates the inconvenience of delay with regard to the convention proposed for Newfoundland, as though only delay had been asked, and as though objections in point of principle had not been advanced.

Her Majesty's Government will doubtless remember that when the protest of your Excellency's Government against the draft convention which was considered in December last was made known to the Principal Secretary of State for the Colonies, his Lordship intimated that if Canada were willing to commence negotiations at once, the Newfoundland convention would not be concluded immediately, but that negotiations on behalf of Canada could go on *pari passu* with those regarding Newfoundland.

Your Excellency's Government at once assented to the propriety of this course, and announced their willingness to commence negotiations at once, with the sanction of Her Majesty's Government, only expressing a preference for a formal and official conference under Commission, rather than a private and unofficial discussion.

When the United States Secretary of State finally insisted that the Conference should be preceded by a private discussion, it was from him alone that the suggestion came that even that must be deferred until after the 4th March. He has offered no reason, of which your Excellency's Government is aware, why he should be ready at once to carry to a conclusion the proposed convention for Newfoundland, but should be unprepared, until after the 4th March, even to enter on a private and preliminary discussion concerning an arrangement of a like kind with Canada.

No responsibility for delay rests on your Excellency's Government. Even the dissolution of Parliament, which has been referred to as possible, would not retard negotiations.

The Sub-Committee feel bound, therefore, to recommend that the Government of Canada insist on the importance of the negotiations concerning trade relations with Canada proceeding *pari passu* with those affecting Newfoundland.

The Sub-Committee observe that an examination of the proposed convention will show that while, as was stated in the Minute of Council approved in December last, the advantages afforded to the British North American fishermen under the Treaty of 1818 would be reduced almost to a nullity, the fishery products of Newfoundland would be admitted to the markets of the United States under such a convention, on such terms as to displace very largely the like products exported by the fishermen of Canada to that country.

That the Canadian Government has declared its policy to be that no commercial arrangements with a foreign country should be acceded to by Canada which would involve tariff discrimination against the mother country, and this principle has had the approval of Her Majesty's Government; but it will be difficult to induce the people of Canada to continue to believe in the importance of that principle as a safeguard to the interests of the Empire if Great Britain now makes a convention for Newfoundland under which the United States is able to discriminate directly against Canada.

The Sub-Committee are of opinion that your Excellency's Government should press the importance of permitting no discrimination, at least as against any part of British North America, to be made in any trade arrangement with the United States, and should continue to urge the necessity of insistence that in any such arrangement all Her Majesty's provinces in North America shall participate equally.

The Sub-Committee submit that it seems necessary further to invite close attention to the Vth Article of the draft convention. That Article seems fairly open to the construction that if the existing rates of duty in Newfoundland on the articles mentioned in Article IV shall be reduced as regards importations from other countries than the United States, the United States shall have a further reduction below that which the convention fixes as the maximum duties on United States goods of that description. If this is the construction intended the convention is open to the further