

Their common adoption, therefore, of the Canadian duties, or of any nearer approximation to them than exists already, would, in the opinion of this Board be open to decided objection unless it can be shewn that the financial condition of each of the provinces in question afforded a justification for such a measure similar to that which was admitted in the case of Canada.

I have, &c.,

JAMES BOOTH.

The Under Secretary of State,
Colonial Office.

No. 34, 12th April.

GOVERNOR'S SECRETARY'S OFFICE,
Quebec, 2nd May, 1860.

SIR,

I am directed by His Excellency the Governor General, to enclose a Copy of a Despatch and Enclosure from the Secretary of State, and to request you to report to Council on the matter.

I have the honor to be,

Sir,

Your obedient servant,

R. T. PENNEFATHER,
Governor's Secretary.

The Honorable,
A. T. GALT,
&c., &c., &c.
Finance Minister.

MEMORANDUM.

The Minister of Finance has the honor to report to His Excellency the Governor General in Council upon the Despatch from His Grace the Duke of Newcastle, dated 12th April last, and upon the Report of the Lords of the Committee of Privy Council for Trade, dated 14th March last, on the subjects of the establishment of reciprocal Free Trade between the British Provinces of North America, and an assimilation of their respective Tariffs.

In their remarks on their first subjects, my Lords distinctly admit that the identity of production and similarity of condition, render an arrangement for reciprocal Free Trade between Colonies contiguous as the North American Provinces "sufficiently apparent"—and that "the maintenance of different Tariffs and of Inland Custom Houses is obviously both expensive and inconvenient, and must very seriously interfere with the natural operation of trade." My Lords further state that "there seems to be no essential obstacle of an insuperable kind to their commercial union," and that the measure contemplated might in the abstract be adopted without infringing the principle of taxation, which Her Majesty's Government desire to observe. But my Lords proceed to state that "it would only be necessary for them (the Colonies) to raise the whole of their Customs Revenue from articles which none of them produce, or from articles of their own production on which corresponding Excise Duties could be imposed." That this condition could not be observed, my Lords immediately proceed to demonstrate, by stating that "in all of them, however, an important part of their Customs Duties are levied upon articles which they themselves produce, and upon which it would be very inexpedient to place such internal duties as should countervail the duties upon importations." And my Lords, believing that there is no immediate prospect of a change in this respect, "are unable to perceive how an exclusive exemption from Import Duties applicable to their respective produce, can be sanctioned without giving a serious extension to the protective system in Her Majesty's Colonial Possessions, to the partial adoption of which my Lords have on several occasions expressed their strong objections." They are therefore of opinion that the assent of Her Majesty's Government to the first proposition should not be given except under the following condition:

"That any exemption from Import Duty applied to the produce and manufactures of these Provinces respectively, shall be equally extended to all similar Produce and manufactures of all countries."