

rities, but that whatever was done must be by legislation. we submitted, as the basis upon which we desired arrangements to be made, the inclosed paper, marked A.

In reply, we received the Memorandum from the Committee, of which a copy is inclosed (B). And finding, after discussion, that no important modifications in their views could be obtained, and that we were required to consider their proposition as a whole, we felt ourselves under the necessity of declining it, which was done by the Memorandum (also inclosed) C.

It is proper for us to explain the grounds of our final action.

It will be observed that the most important provisions of the expiring Treaty relating to the free interchange of the products of the two countries were entirely set aside, and that the duties proposed to be levied were almost prohibitory in their character. The principal object for our entering into negotiations was therefore unattainable, and we had only to consider whether the minor points were such as to make it desirable for us to enter into specific engagements.

These points are three in number. With regard to the first, the proposed mutual use of the waters of Lake Michigan and the St. Lawrence, we considered that the present arrangements were sufficient, and that the common interests of both countries would prevent their disturbance. We were not prepared to yield the right of interference in the imposition of tolls upon our canals. We believed, moreover, that the privilege allowed the United States of navigating the waters of the St. Lawrence was very much more than an equivalent for our use of Lake Michigan.

Upon the second point, providing for the free transit of goods under bond between the two countries, we believe that in this respect, as in the former case, the interests of both countries would secure the maintenance of existing regulations.

Connected with this point was the demand made for the abolition of the free ports existing in Canada, which we were not disposed to concede, especially in view of the extremely unsatisfactory position in which it was proposed to place the trade between the two countries.

On both the above points we do not desire to be understood as stating that the existing arrangements should not be extended and placed on a more permanent basis; but only that, taken apart from the more important interests involved, it did not appear to us at this time necessary to deal with them exceptionally.

With reference to the third and last point, the concession of the right of fishing in provincial waters, we considered the equivalent proposed for so very valuable a right to be utterly inadequate. The admission of a few unimportant articles free, with the establishment of a scale of high duties as proposed, would not, in our opinion, have justified us in yielding this point.

While we regret this unfavourable termination of the negotiations, we are not without hope that, at no distant day, they may be resumed with a better prospect of a satisfactory result.

We have, &c.
(Signed) W. GALT, *Minister of Finance, Canada.*
W. P. HOWLAND, *Postmaster-General, Canada.*
W. A. HENRY, *Attorney-General, Nova Scotia.*
A. J. SMITH, *Attorney-General, New Brunswick.*

Inclosure 2 in No. 11.

Memorandum A.

THE trade between the United States and the British provinces should, it is believed, under ordinary circumstances, be free in reference to their natural productions; but as internal taxes exceptionally exist in the United States, it is now proposed that the articles embraced in the Free List of the Reciprocity Treaty should continue to be exchanged, subject only to such duties as may be equivalent to that internal taxation. It is suggested that both parties may add certain articles to those now in the said list.

With reference to the fisheries and the navigation of the internal waters of the Continent, the British provinces are willing that the existing regulation should continue in effect; but Canada is willing to enter into engagements with the view of improving the means of access to the ocean, provided the assurance be given