

MR. LARNED'S REPORT.

In 1870, by joint resolutions of the United States Congress, Mr. J. N. Larned was appointed special agent to "inquire into the extent and state of the trade between the United States and the several dependencies of Great Britain, in North America." Mr. Larned begins by making the singular mistake of including Cape Breton within the territorial jurisdiction of Newfoundland; he considers that the "ill-named Dominion is inhabited by a people that have not received their natural share of the energies that are at work in the development of the American continent."

His opinion of the Treaty of 1854, is: "it was simply impossible that an arrangement of incomplete free trade so non reciprocal, so one-sided in the operation, and so provokingly the result, as the Treaty of 1854 was, of a sharply forced bargain on the fisheries question, could be allowed to continue beyond the term for which it was contracted. It was justly abrogated in 1866, by the act of this Government with the very general sanction of public opinion in the country, and yet there are probably few among those who opposed the continuation of the Treaty of 1854, and who opposed its renewal in any similar form, who are not fully convinced that an intimate unrestricted commerce with the neighboring communities would be of great benefit to this country as it certainly would be an incalculable stimulant to the growth of these communities. The question is one of adjustments. Free trade or any approach to naturalness of intercourse between these quasi-foreign neighbors and ourselves is impossible unless the outside conditions and commercial relations of the two countries can be brought into harmony with each other. This is the important, in fact the only, point of enquiry in this matter. His studies lead him to conclude that *no reciprocal trade relations are practicable unless they comprehend such an adjustment of the trade that the Provinces shall not sell what they have to sell to the United States and buy what they have to buy in Great Britain.*"

What he suggests in order to change the condition of things, now, as then, existing, and to make Canada dependent upon the one country instead of having two countries to deal with, is a Zollverein.

He says: "It appears, therefore, that an intimate freedom of commerce between this country and its northern neighbors which is so desirable for both parties, cannot be contemplated except in connection with a material change in the condition of the foreign relationship that the Provinces sustain towards us. It involves, of necessity, an entire identification of the material interests of the two countries by their common associations in some form or other. If the Provinces do not choose to become one with us politically, they must at least become one with us commercially, before the barriers are thrown down which shut them out from an equal participation with us in the energetic working of the mixed activities of the new world, and which deprive us, in a great measure, of the reinforcement that they are capable of bringing to those activities. The alternative of annexation is the Zollverein or Customs Union, after the plan of that under which the German States secured free trade among themselves, and identity of interest in their commerce with the outside world."