

should be made, by conferences with the Revenue Commissioners and the members of the Finance Committee of the House of Representatives, to come to an understanding on the fiscal and commercial questions that would arise on its abrogation. By this course it was hoped that such a basis might be laid for reciprocal legislation as would prevent the commercial interests which have grown up under the Treaty from material injury, and as the Legislatures of the different provinces might be inclined to accept.

With this object Delegates from Canada, New Brunswick, and Nova Scotia proceeded to New York, and put themselves in communication with the Revenue Commission. The subject was discussed at considerable length, the Chairman, Mr. Welles, being in favour of the negotiation of a new Treaty, and of such equitable and mutual arrangements as would tend to discourage smuggling, and would place on an equality the producers of the same articles on the opposite sides of the frontier between the United States and the Provinces.

On arriving at Washington the Delegates met with a friendly reception from Mr. McCulloch, the Secretary of the Treasury, and by him were placed in communication with the Finance Committee, of which Mr. Morrill is Chairman. They were able to impart much valuable information on the magnitude of the commercial interests involved, and the impression produced by their statements led them to hope that the scale of duties to be imposed would be adopted with a view to revenue, and that the protection afforded to the American producer would not exceed what was required in order to place him on an equality with his provincial competitors. They considered that these objects would be attained by a scale of duties calculated at 10-per cent.

These hopes unfortunately were not realised, as your Lordship will gather from the inclosures to this despatch, and as the Delegates were of opinion that there was no immediate prospect of such an arrangement being made as they could expect to carry through their Legislatures, they preferred leaving the question to be dealt with by the Committee without coming under pledge as to the course that would be taken in the provinces.

I am inclined to think that, independently of the strong party in Congress which adopts the Protectionist theory, the desire to impose exorbitant duties may be attributed in part to a feeling that the extent of the operation of the Internal Revenue Law on the industry of the country is very imperfectly understood. The Report of the Revenue Commission shows that even the present high tariff does not place the American producer on a level with the foreign manufacturer. I judge from conversations I have had with some of the leading financiers that they feel the disadvantage under which their uncertainty on this point placed them, and I am not without hopes that further investigation will be called for by the Committee, and more equitable arrangements adopted, if it turns out that the duties proposed will be prohibitory.

The exclusion of the Southern Representatives, however, throws an exceptional power in such matters into the hands of the Protectionists of the north and centre of the country, and their ranks are swelled by the agriculturists of the North-Western States, who dread the competition of the wheat and barley growers of Canada.

I have, &c.

(Signed) FREDERICK W. A. BRUCE.

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Inclosure 1 in No. 11.

*The Provincial Delegation to Sir F. Bruce.*

Sir,

*Washington, February 7, 1866.*

WE have the honour to inform your Excellency that our negotiations for the renewal of a reciprocal trade with the United States have terminated unsuccessfully. You have been informed from time to time of our proceedings, but we propose briefly to recapitulate them.

On our arrival here, after consultation with your Excellency, we addressed ourselves, with your sanction, to the Secretary of the Treasury, and we were by him put in communication with the Committee of Ways and Means of the House of Representatives. After repeated interviews with them, and on ascertaining that no renewal or extension of the existing Treaty would be made by the American autho-