

" 'With the concurrence of the British Minister at Washington they are therefore obliged respectfully to decline to enter into the engagements suggested in the memorandum but they trust the present views of the United States may be so far modified as to permit of the interchange of the productions of the two countries upon a more liberal basis.

" 'WASHINGTON, D.C., February 6th, 1866.'

" It is proper 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 were 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 the 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 believed that in this respect as in the former case the interests of both countries would secure the maintenance of existing relations.

" 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 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 unfavorable 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.,

" A. T. GALT, *Minister of Finance, Canada.*

" W. P. HOWLAND, *P.P.M.P.G. for Canada.*

" W. A. HENRY, *Attorney General, N.S.*

" A. J. SMITH, *Attorney General, N.B.*"