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THE PREFERENTIAL TARIFF.

Quite a number of persons, including business men, appear to be at sea in regard to the present position of the preferential tariff. The changes made in the preferential tariff at the last session of parliament, as well as the bearing of the most favored nation clause in certain British treaties upon the Canadian preferential tariff, have led to a somewhat muddled understanding of the position in the minds of many persons.

The Canadian preferential tariff, or reciprocal tariff, as it is officially called, was assented to by parliament in June, 1897. It provided for the admission of goods at a reduced rate of duty from countries whose tariff was "on the whole as favorable to Canada as the reciprocal tariff would be to countries to which it may apply." The governor-in-council was given authority to decide as to what countries the preference should apply. The preferential tariff provided for an immediate reduction of one-eighth of the duty in favor of the favored countries. After the first day of July, 1898, the reduction was to be increased to one-quarter of the duty, on goods coming from countries to which the preference had been extended.

A difficulty—not an unexpected one—however, came up as to the application of the preference, which practically put it beyond the control of the Canadian government to say to what countries the preference should apply. Canada is not a treaty-making country. We cannot make treaties without the consent of the home government. However, the home government had made certain treaties with foreign countries which were binding upon Canada. In some of these treaties it was provided that the most favored treatment accorded the United Kingdom by any of the colonies, must also be extended to the countries with whom such treaties had been made. In giving a preference to Great Britain, Canada was also bound by these British treaties to extend the preference to these foreign countries. Thus, any attempt at preferential trade within the empire was frustrated by the existence of these treaties. Shortly after the announcement of the Canadian reciprocal tariff, the British government served notice of the abrogation of these foreign treaties. Indeed, as soon as the Canadian preferential tariff was announced, it was considered a shrewed move on the part of the Canadian government to force the Imperial government to abrogate the objectionable treaties which stood in the way of preferential trade within the empire.

Notice of the abrogation of the treaties was served, as stated, but this abrogation has not yet gone into effect, the treaties requiring that a full year's notice of abrogation must be given. The full one-quarter reduction in the preferential tariff to favored countries went into effect on July 1, 1898, as provided for in the tariff of June, 1897, and this preference will have to be extended to all nations which come in under the "favored nation" clause in treaties with Great Britain, until the treaties expire. The notice of one year will be up on August 1, next, so that after that date all countries which have enjoyed the benefit of the Canadian preferential tariff as a result of treaties with Great Britain, will cease after the end of this month to enjoy such benefit. On this account there is a big rush to bring in German French, Belgian and other goods during July, while the one-quarter reduction in the duty holds good in their favor.

At the last session of parliament the preferential tariff was amended. The ish Guiana and any other "British" Preferential Tariff." The tariff was declared to apply to the United Kingdom, Bermuda, the West Indies, British Guiana and any other "British—colony or possession which extends equally favorable treatment to Canada. The Canadian preferential tariff, as it now stands, is therefore a purely British institution, but it does not go into effect as such until August 1 next, when the foreign treaties expire. After this month goods from Great Britain and the colonies named will come in at the one-quarter reduction in the duty, while all other countries will have to pay the full tariff rate. To secure the preference after July 30, the goods must be imported direct to Canada from the British countries named, and further such goods must be the "growth, produce or manufacture" of the United Kingdom and the colonies named.

Liquors, liquid medicines and tobacco are not entitled to the preferential rate. Refined sugar will secure the preference only when it is made from raw sugar produced in British possessions. This has been provided for as an offset to the bounty paid on sugar by Germany, France and some other countries. After July 30, German sugars will therefore probably be shut out and British refined sugars will take their place. This provision regarding sugar was made at the last session of parliament, and it is a very important addition to the "British" preferential feature of the tariff. The British West Indies and British Guiana have suffered very severely owing to the export bounty paid by German and other European countries on sugar, and the Canadian preference will therefore be a boon to them, both as regards raw and refined sugar.

There are two classes of treaties which have come into consideration in connection with the Canadian preferential tariff. First: We have the treaties with the German zollverein and Belgium which practically prevented preferential trade within the empire, as these treaties provided that these countries should enjoy as favorable terms as the mother country in trading with the British colonies and dependencies. Then there were treaties with several other countries, which did not mention the colonies, but which simply contained the "most favored nation" clause. Countries having such treaties with Great Britain were entitled to enjoy the most favored treatment accorded any other nation. As Germany and Belgium were accorded equal rights with the mother country in trading with the colonies, France and such other countries as had treaties containing the "most favored nation" clause were entitled to the same treatment as was accorded Germany and Belgium. The two countries last named were therefore entitled to the Canadian preferential tariff by direct treaty, while the other countries came in indirectly as entitled to the most favored nation treatment. It was only necessary to abrogate the treaties with