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PROBS— Generally fair and mild today; a little lower temperature during the night

TWELVE PAGES—FRIDAY MORNING FEBRUARY 12 1915—TWELVE PAGES

VOL. XXXV.—No. 12,511

WAR TAXES

Senate Reading Room
4may15—2177

General increase of 5 per cent. preferential and 7½ per cent. general on goods subject to duty, with a few exceptions; direct stamp tax on bank notes, insurance premiums, cables and telegrams, railway and steamship tickets, cheques, money orders, letters and postcards, patent medicines, perfumes. No income tax. Amount to be raised $180,000,000.

Holland Sends Emphatic Protest to Germany ✠ *Germans Retreat From Poland to Carpathians*

GERMANY IS ORDERED TO RESPECT AMERICAN RIGHTS ON SEAS

UNITED STATES THREATENS GERMANY WITH REPRISALS IF VESSELS ARE ATTACKED

Solemn Warning Given That if Naval Blockade Results in Loss of American Ships or Lives, Stern Measures Will Be Unavoidable—Mild Protest to Britain Against Use of Stars and Stripes by British Ships.

Canadian Press Despatch.

WASHINGTON, Feb. 11.—The full text of the notes to Germany and Great Britain, resulting from the German declaration of a submarine blockade and the use of neutral flags by British steamers was made public tonight by the state department, as follows:

"February 10, 1915.

"The secretary of state has instructed Ambassador Gerard at Berlin to present to the German Government a note to the following effect:

"The government of the United States, having had its attention directed to the proclamation of the German admiralty, issued on Feb. 4, that the waters surrounding Great Britain and Ireland, including the whole of the English Channel, are to be considered as comprised within the seat of war; that all enemy merchant vessels found in those waters after the 18th inst. will be destroyed, altho it may not always be possible to save crews and passengers, and that neutral vessels expose themselves to danger within this zone of war, because, in view of the misuse of neutral flags said to have been ordered by the British Government on Jan. 31, and of the contingencies of maritime warfare, it may not be possible always to exempt neutral vessels from attacks intended to strike enemy ships, feels it to be its duty to call the attention of the Imperial German Government, with sincere respect and the most friendly sentiments, but very candidly and earnestly, to the very serious possibilities of the course of action apparently contemplated under that proclamation.

Fear Critical Situation.

"The Government of the United States views these possibilities with such grave concern that it feels it to be its privilege and indeed its duty in the circumstances to request the Imperial German Government to consider before action is taken the critical situation in respect of the relation between this country and Germany, which might arise were the German naval forces, in carrying out the policy foreshadowed in the admiralty's proclamation, to destroy any merchant vessel of the United States or cause death of American citizens.

"It is, of course, not necessary to remind the German Government that the sole right of a belligerent in dealing with neutral vessels on the high seas is limited to visit and search, unless a blockade is proclaimed and effectively maintained, which this government does not understand to be proposed in this case. To declare or exercise a right to attack and destroy any vessel in the prescribed area of the high seas without first determining its belligerent nationality and the contraband character of its cargo would be an act so unprecedented in naval warfare that this government is reluctant to believe that the Imperial Government of Germany in this case contemplates it as possible. The suspicion that enemy ships are using neutral flags improperly can create no just presumption that all ships traversing a prescribed area are subject to the same suspicion. It is to determine exactly such questions that this government understands the right of visit and search to have been recognized.

U. S. Strictly Neutral.

"This government has carefully noted the explanatory statement issued by the imperial German Government at the same time with the proclamation of the German admiralty, and takes this occasion to remind the imperial German Government that the government of the United States is open to none of the criticisms for unneutral action to which the German Government believes the governments of certain other neutral nations have laid themselves open; that the government of the United States has not consented to or acquiesced in any measures which may have been taken by the other belligerent nations in the present war, which operate to restrain neutral trade, but has, on the contrary, taken in all such matters a position which warrants it in holding those governments responsible in the proper way for any untoward effects on American shipping which the accepted principles of international law do not justify; and that it therefore regards itself as free in the present instance to take with a clear conscience and upon accepted principles the position indicated in this note.

"If the commanders of German vessels of war should act upon the pre-

(Continued on Page 2, Column 7.)

"Search Before Sinking" Warning to Germany

Sensation Caused at Washington By Strong Assertion of American Rights—Reprisals For Loss of American Lives on Belligerent Merchant Ships Implied

Canadian Press Despatch.

WASHINGTON, Feb. 11.—Publication by the state department tonight of the text of the notes sent yesterday to Great Britain and Germany, respectively, revealed that both countries had been warned, the latter in most emphatic terms, against menacing the vessels or lives of American citizens traversing the recently proclaimed sea zones of war.

Germany was advised that the United States "would be constrained to hold the imperial government to strict accountability" for such acts of its naval authorities as might result in the destruction of American vessels or the loss of American lives, and that if "such a deplorable situation should arise the American Government would take any steps it might be necessary to take to safeguard American lives and property."

BRITAIN'S RESPONSIBILITY.

To Great Britain the United States pointed out "the measure of responsibility" which would seem to be imposed on the British Government "for the loss of American vessels and lives in case of an attack by a German naval force" if England sanctioned the general misuse of the American flag by British vessels and thereby cast doubt upon the valid character of neutral ensigns.

The two communications were to have been presented today respectively to the British Government by Ambassador Page, and to the German foreign office by Ambassador Gerard. They were prepared by Counsellor Robert Lansing and revised by President Wilson and Secretary Bryan, after consultation with the entire cabinet.

NOTES CAUSED SENSATION.

The British, Spanish and Brazilian ambassadors who happened to call at the state department, were given copies of the notes, as were the ministers of Sweden, Norway and Denmark, who specially requested it. The documents created something of a sensation among the diplomats generally because of what some regarded as their drastic implications.

Diplomats examined with great interest the language of the communications and some of them construed the note to Germany as a warning that the loss of American lives by sinking even a belligerent merchant ship would be covered by the representations of the American Government because of the insistence that all merchant ships must be visited and searched and passengers taken off before ships can be sunk.

HOLLAND PROTESTS SHARPLY TO KAISER

Dutch Ships Will Disregard War Zone Decree of German Admiralty.

TO PROTECT SHIPPING

Dutch Vessels Will Use English Channel Despite Admiralty Memorandum.

Special Cable to The Toronto World.

LONDON, Feb. 12. — The Netherlands Government, it was learned here today, has sent an emphatic note to Germany in answer to the war zone proclamation of the German admiralty, in which it is pointed out that ships carrying the Dutch flag must be protected in the war zone prescribed in the proclamation. While the Dutch note is couched in diplomatic language, it points out to Germany that unless full protection is accorded to Dutch ships and Dutch citizens, the Netherlands Government will be compelled to take such steps as it considers necessary for the protection of its citizens and its vessels. The Netherlands Government is not interested in the declaration of the war zone itself, but it has insisted that the rights of Dutch vessels in these waters must be fully protected by the German Government.

The war zone declaration of the German admiralty includes all of the waters of the English Channel thru which Dutch ships from the Dutch possessions have to pass. The alternative offered by Germany, that vessels could pass to the north of the Shetland Islands would entail great hardships upon their commerce, and the Dutch Government would take no notice of it.

COUNCIL OF WAR HELD BY KAISER

Critical Situation of the German Army Was Under Discussion.

BERLIN KEPT IGNORANT

People Do Not Know of Fearful Slaughter in East.

Special Cable to The Toronto World.

COPENHAGEN, Feb. 11. — The kaiser's hurried return to Berlin from the east front is regarded here as a very ominous sign. It is officially announced that he received at the imperial palace Von Moltke, former chief of the German staff, and other generals. He also saw Eulenberg, minister of commerce, and General Von Kessel, says the announcement. These officials were guests of the kaiser and kaiserin at dinner in the royal palace on the occasion of the anniversary of the kaiser becoming honorary colonel of the 1st Guards Regiment. It may be taken to hide, in fact, that the kaiser ordered a hasty council of war to discuss the critical situation of the German army on the east front. The National Tidendes' Berlin correspondent plainly hints that the German capital is kept in ignorance of the fearful slaughter in the eastern war theatre. He wires that there is a mysterious silence, foreboding great events, which may change the course of war. He evidently knows more than he dare wire.

KAISER LEAVES AGAIN FOR EASTERN FRONT

Canadian Press Despatch.

BERLIN, via Amsterdam to London, Feb. 12, 3.02 a.m.—It is officially announced that Emperor William has again left for the eastern war front.

SPANISH MINISTER TO LEAVE MEXICO?

Carranza Orders Him to Depart in Twenty-Four Hours.

Canadian Press Despatch.

WASHINGTON, Feb. 11.—The state department was officially advised late today that Gen. Carranza had ordered the Spanish minister to Mexico to leave the country within 24 hours from midnight, Feb. 10, because of alleged refuge given to Angel De Caso, a Spanish subject.

Canadian Press Despatch.

WASHINGTON, Feb. 11.—Secretary Daniels tonight instructed the commander of the battleship Delaware, now in Vera Cruz harbor, to take the Spanish minister aboard his vessel.

GERMANS SHIFT TROOPS AROUND TO AID AUSTRIA

Evacuation of Poland Proceeds Rapildy After Failure Before Warsaw.

ENEMY SEEMS NERVOUS

Next Scene of Gigantic Struggle to Be Transferred to Carpathians.

(By Harold Williams, Correspondent of The London Chronicle and Toronto World).

Special Cable to The Toronto World.

PETROGRAD, Feb. 11.—It is now clear that the German onslaught at Bolimow was a demonstration intended to divert the attention of the Russians from the redisposition of the kaiser's forces in Poland. It was the prelude to the final abandonment of their hopeless watch on the Bzura and the Rawka. For some time mysterious movements were noted among the German armies on the upper Rawka and the Pilitza. The gradual withdrawal of hospitals and store depots and the steady shifting of regiments indicate the trend of a new movement.

Bulk Sent to Austria.

Some troops, it appears, were sent to Bolimow to aid in the big demonstration, but the greater number had been sent to Austria. The fresh advance of the Russians over the Carpathians and the danger of their forward movement westward and northward in the lower Vistula basin, and further, the threatening attitude of Roumania had aroused the Germans to an energetic counter activity. Pressure on the Bzura and the Rawka and the holding out of a continual menace towards Warsaw was lately important for the Germans, but now that the main Russian offensive has taken another direction, it becomes less important to maintain the pressure on Warsaw.

The chief task of the Germans for the moment, is to resist the Russian offensive in the Carpathians. The main object will now be to hold back as long as possible all attempts at a Russian advance.

Carpathians Next to Be Important.

The Polish front is very important, but all signs indicate that for the moment it will be of secondary significance and that the Carpathians will be the scene of the next grand phase of the conflict. The German attack in force at Bolimow was intended to prevent the transfer of Russian forces from mid-Poland to the Carpathians and the energetic Rus-

(Continued on Page 2, Column 1.)

General Interest is Being Shown in Advance Spring Shipment of Hats.

The desire to brighten up has already attacked "the man about town," as far as can be gauged by the great interest manifested in the advance shipment of Henry Heath's hats, now being shown at Dineen's, 140 Yonge street. The styles for spring differ very materially from what was worn during fall, and no one with any pretensions to smartness will wear a last season's Derby now. Crowns are considerably higher and brims have a fairly heavy roll. The style will suit most men, and these hats are expected to be in very general favor this coming season. Better call and try one on and form an opinion of the styles, even if you do not buy now.

ALL EXISTING TARIFF DUTIES INCREASED BY 7 1-2 PER CENT. DIRECT STAMP TAXES IMPOSED

SUMMARY OF THE NEW TAXES

Liquors (except wines) tobacco and sugar, exempted fro mthe horizontal increase.

Squid and nicotine sulphate remain on free list.

Specific duty of eight cents per ton upon iron ore. British preferential six cents.

One per cent. annually upon note circulation on banks computed and paid quarterly.

One per cent. on gross incomes of trust and loan companies.

One per cent. on insurance and premiums except life, fraternal and marine companies. Payments to be made quarterly.

Above are retroactive and apply on all transactions after Jan. 1, 1915.

One cent on each telegraph or cable message originating in Canada, to be paid by the sender.

Five cents on all railway and steamship tickets costing over one and not more than five dollars to points in Canada, Newfoundland, British West Indies and the United States.

Five cents for each additional five dollars or fraction of five dollars.

Two cents on each cheque, deposit receipt and bill of exchange, express order, post office order and bill of lading and upon each postal note a stamp tax of one cent.

One cent upon each letter or post card mailed in Canada.

One cent up to ten cents value and one cent for each additional ten cents upon each package or proprietory or patent medicine and perfumery.

Ten cents a quart on non-sparkling wines.

Twenty-five cents a pint upon champagne and sparkling wines.

Ten cents on sleeping car tickets and five cents on chair car tickets.

One dollar on steamship tickets for points not in Canada, Newfoundland and British West Indies or the United States, costing not less than $10 or more than $30.

Three dollars on tickets costing more than $30 and less than $60 to same points.

Five dollars upon tickets costing more than $60.

No income tax.

Russians Still Occupy Czernowitz

Special Cable to The Toronto World.

BUCHAREST, Feb. 11.—Despite Austrian reports to the contrary, the Russians still are in possession of Czernowitz, the capital of Bukowina, and the zone some eighteen miles to the south.

FIGHTING CHANGED TO EAST PRUSSIA

Germans Forced by Grand Duke's Strategy to Defend Own Territory.

ADVANCE ON SIERPEC

Russians May Cut Off Von Hindenburg or Strike at Tilsit.

Canadian Press Despatch.

LONDON, Feb. 11, 9.30 p.m.—Battle is following battle on the eastern front where Russia, single handed, is fighting the forces of Germany, Austria and Turkey. The Russians have held their lines against Field Marshal Von Hindenberg's army which attempted last week to break thru to Warsaw, and apparently have checked the Austro-German offensive in the Carpathians. They are now called upon to defend the positions which they have won in East Prusia and Northern Poland. The Germans are transferring men and guns by their splendid strategic railways and have assumed the offensive on the east Prussian border and on the right bank of the Lower Vistula, where an advance has brought them in the district of Sierpec, which the Russians occupied a short time ago.

Grand Duke Holds Whip Hand.

It is impossible to say yet whether the next big battle will take place in this district or in East Prussia, as Grand Duke Nicholas, with whom the initiative remains, has not disclosed his intentions. He may either strike between Tilsit and Insterburg, in East Prussia, or threaten to cut Von Hindenburg's communications with Thorn by a movement along the Lower Vistula.

No further change is noted in the Carpathians, but the Austrian official report, which complains of the obstacle of snow and the strong pressure of the Russians, suggests that their offensive has at least partly failed.

While the Austro-German force in the eastern part of the range seems to have been strong enough to compel the Russians to retire in Bukowina, the Russians appear, after the fierce battles of Sunday last, to have almost complete command of the middle and western portions of the mountains.

Except for a somewhat more severe engagement than usual in the Argonne, and another in Alsace, in which the Germans claim to have been successful, altho the French say that they have regained the ground temporarily given up, the calm continues along the western front.

U.S. MINISTER ASKS BERLIN'S APOLOGY

Trier Military Commander Stopped Communication With Luxemburg.

PRIVILEGES INVADED

Cannot Consent to Interference by Any Power—Must Explain Action.

Canadian Press Despatch.

THE HAGUE, via London, Feb. 11, 9.10 p.m.—Henry Van Dyke, the United States minister to The Hague, and also to the Grand Duchy of Luxemburg, said today that he had appealed to the government at Washington to protest against German interference with his duties as minister to Luxemburg. He said his diplomatic communications with Luxemburg have been cut off by the German military commander at Trier (Treves), who had refused to permit his letters to pass because they were sealed with the seal of the American legation.

Dr. Van Dyke has been trying for four days, thru the friendly medium of the German minister at The Hague, to obtain an explanation from Berlin of what he considers an invasion of his diplomatic privileges, but no answer has come from the German capital.

Duty to Luxemburg Sacred.

"That statement of facts is true," said Dr. Van Dyke today. "The action of the German commander at Trier may have been a mistake of ignorance, but it must be explained and apologized for.

"Luxemburg is a very small country of 250,000 inhabitants, but the peaceful duties with which the American Government has charged me toward that country are just as sacred as if it were a hundred times as big.

"It was the first of the neutral countries to be invaded and appears to be threatened with a failure of the food supplies.

"I cannot consent to interference with my duties toward Luxemburg by any power in the world except that which conferred them upon me, namely, the government at Washington."

Where Goods Come Under British Preference the Increase Is Only 5 per Cent. —Hon. W. T. White, in Presenting His Budget Speech, Told of Plan To Raise $180,000,000.

CHANGES COME INTO EFFECT IMMEDIATELY

Special Taxes Will Yield Annual Income of $8,000,000 and Tariff Increases Will Bring in $25,000,000.

In tabloid form the tariff changes of the new budget may thus be summarized:

1. All goods now on the free list are placed on the dutiable list, the duty being 5 per cent. preferential, 7 1-2 per cent. intermediate, and general ad valorem, with the exception of tea, sugar, anthracite coal and some other items.

2. With certain exceptions all goods now subject to duty have the duty increased by 5 per cent. preferential and 7 1-2 per cent. intermediate, and general ad valorem.

Wool, cotton, hides and many raw materials heretofore free are now subject to duty.

All goods now subject to duty have an additional tax imposed upon them, 5 per cent. preferential and 7 1-2 per cent. intermediate, and general ad valorem, whether the existing duty be a specific or an ad valorem duty.

By a Staff Reporter.

OTTAWA, Feb. 11. — Hon. W. T. White, minister of finance, delivered his budget speech this afternoon upon a formal motion that the house go in committee of ways and means and the budget debate was therefore adjourned for a week. The outstanding feature of the budget is the taxation of raw materials, heretofore free of duty, and a general increase of all existing tariff duties by an additional 7½ per cent. ad valorem. Where goods come under the British preference the increase is only 5 per cent. All articles heretofore admitted free of duty, except as hereto noted will be taxed 5 and 7½ per cent. ad valorem, according to the country of their origin. Special taxes are also imposed, including a 1 per cent. tax per annum on bank circulation payable quarterly. A 1 per cent. tax is imposed on the net income of trust and loan companies and upon the premium of insurance companies other than life and marine and fraternal benefit.

Tax on Postal Matter.

Letters, postcards and postal notes will hereafter require an additional one cent war stamp. Postal and express money orders, cheques, bills of exchange and receipts to banks for deposits withdrawn must bear a two cent stamp, as also must bills of lading. Taxes are also imposed upon sleeping car and chair car tickets and telegraph messages.

The minister estimates that the special taxes will yield an annual income of $8,000,000 and that the tariff increases will bring in from $20,000,000 to $25,000,000. Tea is not taxed at all, and a special stamp duty of twenty-five cents per pint is levied upon champagne. To this extent it may fairly claim to be a "poor man's budget."

On the other hand, silks and velvets are among the articles exempt from the flat ad valorem increase.

Duty on Raw Materials.

The new tariff establishes two precedents which may in the future prove embarrassing to the friends of the National Policy. In the first place, it compels the manufacturer to pay a duty upon his raw materials, and thus puts him at a disadvantage with his foreign competitor. To compensate him for this he gets an additional protection of his finished product, but he has after all the consumer to deal with, whose purchasing is limited. The finance minister's budget speech assumed that imports would not fall off, but at the same time expressed the hope that the new duties would stimulate home manufacturers and give a larger share of the home market to goods made in Canada. The general impression here is that some benefit

(Continued on Page 2, Column 8.)