

Inclosure in No. 18.

Governor-General the Earl of Minto to Mr. Chamberlain.

(Confidential.)

Sir,

The Citadel, Quebec, September 12, 1899.

I DULY communicated to my Ministers your Confidential despatch of the 16th August last, inclosing a copy of a communication from Mr. John Charlton, M.P., to Mr. Reginald Tower, suggesting that the home Government be moved to press the Government of Ontario to suspend the Act passed in the Session of 1898 requiring that logs cut on the Crown domain shall be manufactured in Canada, pending the suit now before the Courts to test its constitutionality, and I have now the honour to submit their observations upon Mr. Charlton's suggestion.

2. My Ministers cannot refrain from expressing their regret that a member of the Joint Commission should, without consulting his colleagues, have sent a communication to the British Embassy at Washington, which so unfairly misrepresents the motives and action of the Government of Ontario.

3. The Act in question was forced on the legislature of the province by a strong public opinion due to the policy adopted by Congress at the instance of the saw-mill owners of Michigan and Wisconsin, whose object was to keep Canadian lumber out of the American market.

4. In order to appreciate the reasons that influenced the Legislature of Ontario in passing the Act in question, it will be necessary to refer briefly to the past history of the subject.

5. From the year 1854 to 1868 logs and lumber were on the free list of both countries. In the latter year Congress terminated the reciprocity Treaty, and put a high duty on lumber. The Parliament of Canada then placed an export duty of 1 dollar per thousand on pine logs, but qualified the imposition of the duty by a standing offer to place timber and lumber of all kinds on the free list when the United States should adopt a similar policy. As the offer was not accepted, and as large quantities of logs were being cut, chiefly in Ontario, by American workmen, and rafted across the lakes, the Parliament of Canada in 1886 doubled the duty on pine logs, thus making the export duty equal to the American duty on the rough unmanufactured lumber, the Governor in Council being authorized to still further increase the export duty to 3 dollars per thousand, an increase which was, however, never carried into effect. The standing offer, free logs for free lumber, was at the same time allowed to continue.

6. Subsequently, Congress reduced the duty on pine boards to 1 dollar per thousand, and Canada immediately removed all export duties on logs and timber. In 1894 Congress passed an Act placing unmanufactured boards and other woods on the free list, and, for some years, there was again reciprocity in logs and lumber between the two countries. In 1897 Congress re-enacted the duty of 2 dollars per thousand on unmanufactured lumber, adding another 1 dollar per thousand if the lumber was planed, also imposing high duties on railroad ties, telegraph poles, planks, deals, laths and other articles that had previously been on the free list. Logs and pulpwood were still free from duty, though the pulp itself was subject to a high tariff. In the statute imposing the duty there was the following proviso:—

“Provided that if any country or dependency shall impose an export duty upon saw logs, round unmanufactured timber, stave bolts, shingle bolts, or heading bolts, exported to the United States, or a discriminating charge upon boom sticks, or chains used by American citizens in towing logs, the amount of such export duty, tax, or other charge, as the case may be, shall be added as an additional duty to the duties imposed upon the articles mentioned in this paragraph when imported from such country or dependency.”

7. The dependency of course meant Canada, and the challenge was so unprovoked and the threat so offensive that there was an immediate demand made on the Government of Canada to re-impose the export duty on logs, but, in the hope that a better understanding might be arrived at, the Government of Canada refrained from reviving the export duty on logs, and left logs and wood products on the free list, Manitoba and North-West now being mainly supplied with lumber from the American mills.

8. The Government of Ontario were, however, unable to resist the pressure of public opinion, and in passing the Act in question both political parties united.