

valuable salt from Antofagasta had been made by Valparaiso merchants. On the very confines, therefore, of Chilean territory, there sprung up two industries worked by Chilean labour, developed by Chilean skill, and sustained entirely by Chilean capital. Since 1870, the exportation of nitre from Antofagasta has grown from an insignificant quantity to one and a half million of quintals annually; and the Chilean population engaged in mining saltpetre and silver on Bolivian soil, has come to reach 15,000.

Of all the South American Republics, Chili is the best governed, and, therefore, the most capable of carrying out a policy of aggression; while Bolivia is not governed at all, its docile population being mere tools of successive military revolutionists, who have loaded their country with debt, on which they do not pay the interest, and treated some foreign powers with such discourtesy that they have withdrawn their representatives. In a diplomatic contest Bolivia would certainly be worsted by Chili, while in a war with weapons, the ample resources of Chili, her good credit, the better organization of her army, and the possession of a navy, above all, the more generally diffused education of her people, would give her a supreme advantage over her rival if left by Peru to fight her battles alone.

The present conflict seems to have arisen out of the determination of Bolivia to tax the produce of the Antofagasta Nitre Works and the Caracoles Silver Mine, contrary to treaty stipulations with Chili. In all the Republics which represent the old Spanish colonies, the Spanish mining law has been retained which regards all mines as the property of the State, no matter on whose land they exist, and empowers the State to vest in the finder, or his legal successor, the right to work them so long as a certain amount of labour is annually expended on them. In return the State collects an export duty. From this

duty, by a convention made in 1874, Bolivia undertook to exempt for a period of twenty-five years, the produce of the Chilean nitre and silver works of Antofagasta, in consideration of Chili abandoning all claim to her share of the duty on guano exploited within the fiscal zone, and which duty Bolivia had collected and kept. By this treaty the 24th parallel was definitely fixed on as the boundary. Bolivia—in March, 1878—imposed a duty (doubtless at the instigation of Peru), on the Antofagasta nitre, and the Chilean Co. refusing to pay the impost of arrears, amounting to \$90,000, Bolivia, under the authority of her courts, proceeded to sell the nitre works. The sale was summarily stopped by the appearance of a Chilean fleet in the harbour of Antofagasta and the landing of a considerable force, which occupied the town, the nitre and silver works, the Caracoles R. R. and the silver mines. Of course there was no opposition, for, with a trifling exception, the whole population is Chilean.

At once Peru entered the arena to back her impotent neighbour. The reason for her interference is not far to seek. The nitre trade of Peru is one which, within a quarter of a century, has assumed immense proportions. For the twenty-five years between 1830 and 1855 the export was only 407,602 tons, but from that date the trade rapidly grew. In 1854, there were exported, in 101 ships, 720,465 cwt.; in 1875, the export had increased, in 425 ships, to 6,537,380 cwt.; in 1877, it had fallen to 4,278,800 cwt.

The Government used to charge an export duty of one dollar per cwt., but, dissatisfied with that, and tempted by their former success in borrowing £30,000,000 on guano, a law was passed, in 1875, authorising the Government to buy the mines and factories of nitre in the Province of Tarapaca, for a sum of \$20,000,000, and on the security of the purchase to