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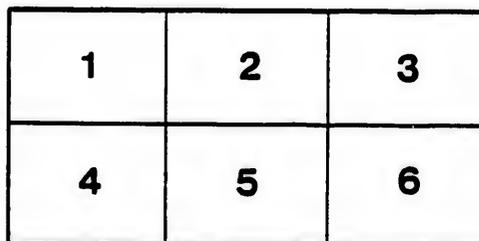
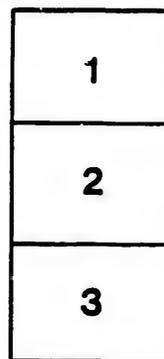
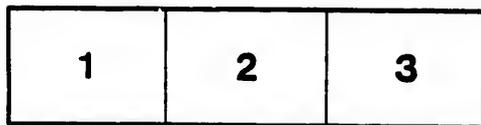
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NATIONAL HOTEL,

Washington, January 6th, 1851.

To the Hon. R. M. McLANE,

Chairman Com. of Commerce, House Reps.

SIR: I avail myself of your kind permission to state the grounds on which the passage of the bill which has been repeatedly brought under the consideration of Congress for establishing reciprocal free trade in certain articles, the natural products of the United States and Canada, is urged by the latter. To bring the subject fairly under consideration, I must advert to the changes which have taken place within the last few years in the colonial policy of Great Britain. The old policy of the mother country was to compel the colonies by means of heavy differential duties, to purchase their supplies exclusively from her. The trade was carried on in British bottoms, and the products of the colonies were admitted into the markets of the mother country on more advantageous terms than those of foreign nations. While such was the commercial policy of Great Britain, the political affairs of the colonies were materially influenced by the Imperial Government, the local Parliament having no practical control over the administration of affairs. About the same period, when, owing to the change in the commercial policy of Great Britain, it became necessary to remove all restrictions on the colonial trade, a most important concession was made to the North American Provinces by the introduction of a system of government under which the local Parliaments obtained an effective control over their Governments. The consequence of the withdrawal of the protection formerly enjoyed by the colonies has been, that they have been left to buy and sell in the markets of the world, just as the United States, or any other foreign nation. Under the colonial system, the differential duties

were so onerous, that the trade between the United States and Canada was of the most limited and unimportant character. In 1846, the Canadian Legislature having been authorized by an act of the Imperial Parliament to regulate their own tariff, and being anxious to cultivate a free commercial intercourse with their powerful and enterprising neighbours, removed the existing differential duties, and admitted American manufactures, and foreign goods purchased in the American markets, on the same terms as those from Great Britain. Had Canada at that time stipulated with the United States, that in return for her admission of American manufactures the duties should be removed from her products, it would obviously have been the interest of the United States to have agreed to such an arrangement. No such proposition, however, was made; and the very important concession in favor of the United States to which I have adverted, seems scarcely to have attracted the attention of your Federal Government, and so little was it understood that when Gen. Dix urged it as an argument in favor of the reciprocity bill in the Senate, the fact was disputed. Most important results, however, have followed from the legislation of the Canadian Parliament. Since 1846, the manufactures of the United States, the teas, sugars, fruits, and other foreign luxuries purchased by the merchants on the Atlantic sea-board with the produce of American labor, and transported to that sea-board in American bottoms, have been poured into Canada. The duties at the port of Toronto have increased within a few years from about \$30,000 to nearly \$400,000, and Hamilton, Kingston, and other ports contiguous to the United States would show a similar result. This increase is to be attributed mainly to the American trade which has sprung up since the removal of the differential duties, and which I need hardly say has been most profitable to the various American interests, to the manufacturers, the ship owners, the railroads, and the canals. The consequence

of this trade, however, has been that the Canadians have been led to export their raw products to the same markets from which they have drawn their supplies. Here they are met by a heavy American duty on their staple commodities, lumber and breadstuffs.

As I have frequently heard it asserted, that the reciprocity asked would be all on one side, and that the Americans are not exporters to Canada of any of the articles named in the bill, permit me to call your special attention to the operation of the present tariffs on two leading articles. One of the great staples of the Western States is pork, which can be produced there at such rates as to defy competition in Canada. This article is the principal food of the Canadian lumberer, and lumber is the principal Canadian staple. Canada charges a duty on pork, which swells the price of the lumber which is sent to the markets of Buffalo, Albany, and New York. The consequence is, that the Eastern consumer of lumber actually pays the Canadian duty on the pork furnished by the Western States, from which the entire supply is obtained for the lumbering districts. It has been urged, and with some plausibility, that Canadian products being similar to those of the United States, would meet the latter on equal terms under the reciprocity bill, and that Western wheat growers would be injured by the competition of Canadian wheat. Assuming, for the sake of argument, in order to meet objections of every kind, that there is no surplus of breadstuffs in the United States, and that the manufacturing districts of your country and the Atlantic cities are likely to be the consumers both of American and Canadian wheat, I am yet prepared to deny the soundness of the argument drawn from that fact against the admission of the latter. I affirm that the Canadian trade has created, and must continue to create an increased demand for breadstuffs quite equal to the supply. If it be a fact, that prior to the removal of the differential duties against the United

States, Canada imported her sugars from Cuba and Porto Rico through the St. Lawrence direct or via Halifax, her teas from China direct or via London, and that she consumed English manufactures almost exclusively, then I would ask, whether the change in the trade, owing to which Canada is now largely supplied with these commodities by United States manufacturers and the merchants of the Atlantic cities, must not have increased the demand for food in the United States. If an Ohio farmer were to bring a thousand bushels of wheat to New York to be exchanged for groceries and domestic goods for his consumption, he would not suffer any injury from the competition of a Canadian farmer who wanted to effect a similar exchange; on the contrary, in proportion to the number of such exchanges would the profits of the merchants and forwarders be reduced, a large trade being conducted more economically than a small one. I am persuaded, therefore, that the exchange of Canadian agricultural products for domestic manufactures, sugar, tea, coffee, tobacco, fruits, &c., so far from being injurious to the interests of the Western farmers of the United States is rather calculated to benefit them; and I am moreover firmly persuaded, that should the Canadian trade be forced into other channels, as seems not improbable, it will then be estimated at its true value by the people of the United States. Though I have deemed it advisable to discuss the question as if the United States had no surplus of breadstuffs to export, I think the more correct assumption would be, that for many years, the Western wheat growers will have to compete with Canada in the markets of the world on equal, and possibly on disadvantageous terms. A reference to official documents will prove that the Provinces of Nova Scotia, New Brunswick, Prince Edward Island, and Newfoundland, have been among the best customers of the United States for breadstuffs. In those provinces there are revenue duties on flour, varying from 25 cents to 75

cents per barrel. Within the last year arrangements have been effected by Canada with three of those provinces for a free interchange of their natural productions; and the experience of a single season induces me to believe that a very large trade will be diverted to those provinces from the City of New York, unless the present restrictions be removed. At the very opening of the navigation last year, a steamer was chartered at Toronto to take a cargo of flour to Halifax, and to bring back sugar, molasses, &c. The protection in favor of Canada flour, when sent by the St. Lawrence to Halifax, St. John's, and other ports, must divert the supply of those provinces from New York, to Montreal and Quebec; and the vessels which take the flour, will bring back sugar, molasses, and other foreign commodities, which, during the last few years, have been purchased in the New York markets. Under the existing commercial regulations, therefore, the United States wheat-growers will have to compete with the Canadians on terms disadvantageous to the former in a market which is next in importance and nearly equal to Brazil. In the other markets of the world both will meet on an equal footing. Canada flour is at this time competing in the New York market with that of the Western States to supply the foreign demand which regulates the price of the article; and it would be injurious to American interests to force the trade which is now carried on with the Atlantic cities into the channel of the St. Lawrence.

It is assumed, and as perhaps it may turn out unfortunately assumed, by the opponents of the reciprocity bill, that, in the event of the bill being rejected by the American Congress, Canada will maintain her present commercial policy and continue to foster the import trade from the United States.

It is very desirable that you should be fully aware of the state of public opinion in Canada on this question. Having myself been a strong advocate for free commercial in-

tercourse with the United States, and having had, in my position as finance minister, to resist in Parliament, the advocates of a restrictive policy, I am thoroughly acquainted with the views of all parties. I have no hesitation in stating that the advocates of a retaliatory policy are rapidly gaining ground. Whether all or any of the plans suggested, will be carried out, it is of course impossible for me to say, but it is certainly highly desirable that, in arriving at a very important decision, you should be fully aware of the probable consequences. The re-imposition of the differential duties against the United States manufactures, has been strongly urged. Such a measure would be most acceptable to the commercial interests of Montreal and Quebec, whose trade was seriously injured by their repeal. At the close of the last session of our Parliament, an influential member of the opposition, a gentleman who held under a former administration the office which I have now the honor to fill, gave notice of his intention to introduce a bill during the next session, to re-impose these duties. Leading organs of the opposition have strongly advocated such a measure, and no doubt can be entertained that it will engage the consideration of our Parliament at an early day. Should it be adopted, the United States would have no just cause of complaint. They never invited Canada to repeal the differential duties, and their rejection of the reciprocity bill would of course be looked upon as a deliberate rejection of the Canada trade. In England the re-imposition of differential duties by Canada would be viewed most favorably, and there can be no doubt that the effect would be to stimulate the efforts of those who are seeking to obtain some modification of the present corn laws. Another measure of retaliation which is beginning to engage attention in Canada, is the closing up of all the canals to American vessels. Should this policy be adopted, a most serious injury would be inflicted on the trade of Chicago, Cleveland, and other lake ports,

Oswego, Ogdensburgh, and the New England Railroad interest, Burlington, Whitehall, and the New York northern canal. The Canadian revenue derived from tolls, would of course suffer, but as that forms an insignificant portion of the resources of the province, the loss would cause no inconvenience. It is contended by the advocates for this policy, that the Western products which now find their way by Oswego and Ogdensburgh, to New York and Boston, and carried in American bottoms, would be diverted to the St. Lawrence, and that the entire inland trade would be in British bottoms. It is affirmed that the tonnage of Canada, with what could be spared from Nova Scotia and New Brunswick, would very soon be sufficient for the increased trade. I have stated the views which are entertained very extensively by influential parties in Canada as to her future commercial policy in the event of the rejection of the reciprocity bill by Congress.

I am, however, unauthorized to announce the views of the Canadian Government; indeed its policy has not yet been determined on. Since the accession of the present Administration to office in 1848, they have been watching with anxiety the proceedings in Congress regarding the reciprocity bill; and my object in visiting Washington at this time was to ascertain, if possible, the probable fate of that measure, as the Government must be prepared at the approaching session to meet Parliament with a defined policy regarding our commercial relations with the United States.

Although I have probably already exhausted your patience, I must make a remark or two on the importance to the United States of the free navigation of the St. Lawrence. It has been affirmed by the opponents of the Reciprocity Bill, that inasmuch as a considerable quantity of Canada flour is sent by the Oswego and Ogdensburgh routes, the St. Lawrence route must be much inferior. I believe on the other hand, that the increasing

trade of the West will afford business for all the channels which are likely to be opened to it; and it surely would be an immense advantage both to the shipping and agricultural interests of the West to be allowed to participate in furnishing supplies to the great depots of the fishing trade. The vessels on the Western lakes engaged in this commerce, and which are now idle during the winter months, would obtain a share of the West India trade for which they are well suited.

I may state a fact or two bearing on the importance of the St. Lawrence navigation. Repeated applications have been made to the Canadian Government during the last two years by parties in Buffalo, Cleveland, and Chicago, for permission to pass vessels through the St. Lawrence, which it has been constrained under existing circumstances to refuse. Special permission, however, was given in two cases, one to a vessel to carry a cargo of copper ore from Lake Huron to Swansea, in Wales; the other to a vessel bound to California with emigrants. Besides these cases the Government of the United States made application for permission to send two war steamers through the Canadian canals and St. Lawrence to the Atlantic, which was at once granted.

Having now presented you with my views on this important question, I have only in conclusion to express my warm acknowledgments to you for having kindly permitted me to do so, and for the patient consideration which, as Chairman of the Committee of Commerce in the House of Representatives, you have paid to the subject.

I have the honor to remain, sir,

Your most obedient humble servant,

F. HINCKS,
Inspector General of Canada.

