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THE TARIFF COMMISSION.

THE STATUS OF THE DOMINIONS AND THEIR RELATIONS WITH FOREIGN COUNTRIES.

CONTENTS.

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THE TARIFF COMMISSION.

THE STATUS OF THE DOMINIONS AND THEIR RELATIONS WITH FOREIGN COUNTRIES.

A.—DIPLOMATIC.

A departure in Imperial practice of far-reaching importance was announced simultaneously in the British and Canadian Houses of Commons on May 10th, 1920. On that date Mr. Bonar Law announced that :—

> "As a result of recent discussions, an arrangement has been concluded between the British and Canadian Governments to provide more complete representation at Washington of Canadian interests than has hitherto existed. Accordingly it has been agreed that His Majesty, on the advice of his Canadian Ministers, shall appoint a Minister Plenipotentiary, who will have charge of Canadian affairs, and will at all times be the ordinary channel of communication with the United States Government in matters of purely Canadian concern, acting upon instructions from, and reporting direct to, the Canadian Government. In the absence of the Ambassador, the Canadian Minister will take charge of the whole Embassy and of representation of Imperial, as well as Canadian, interests. He will be accredited by His Majesty to the President with necessary powers for the purpose."

In explanation of this step, Mr. Bonar Law added :—

> "This new arrangement will not denote any departure, either on the part of the British Government or of the Canadian Government, from the principle of diplomatic unity of the British Empire. Need for this important step has been fully realised by both Governments for some time. For a good many years there has been direct communication between Washington and Ottawa, but the constantly increasing importance of Canadian interests in the United States has made it apparent that Canada should be represented there in some distinctive manner, for this would doubtless tend to expedite negotia-

ns, and naturally first-hand acquaintance with Canadian conditions would promote good understanding. In view of the peculiarly close relations that have always existed between the people of Canada and those of the United States, it is confidently expected as well that this new step will have the very desirable result of maintaining and strengthening friendly relations and co-operation between the British Empire and the United States."

This decision to appoint a Canadian Minister at Washington with ambassadorial powers is one of a series of important changes affecting the status of the Dominions and their relations with foreign countries which have taken place in recent years, especially in connection with the commercial expansion of the Dominions and their treaty requirements. These changes may be grouped under the following heads :—

(1) The direct relation of Dominion Ministers to the Crown.

(2) The negotiation on the part of the Dominions of commercial treaties with foreign powers by their own representatives having plenary powers in association with the British Ambassador.

(3) The freeing of the Dominions from obligatory adhesion to most-favoured nation treaties of the United Kingdom.

(4) The promotion of greater unity of action in the Empire by consultation in the Imperial Cabinet. This body, in the name of the Imperial War Cabinet, consisted during the War of the Prime Minister of the United Kingdom and certain of his colleagues and of the Prime Ministers of the Dominions or their accredited "alternates"; and according to an announcement made by Mr. Lloyd George in May, 1917, it was intended that this body should be succeeded by a more permanent body of a similar character which should meet annually or at any intermediate time "to determine by consultation together the policy of the Empire in its most vital aspects without infringing in any degree the autonomy which its parts at present enjoy."

(5) The admission of the Dominions to a more definite status International affairs by virtue of their signature of the Peace Trea at Versailles and their admission as members to the League of Natio

(6) The appointment of a Dominion Minister with ambassad powers at Washington.

"On the Advice of His Canadian Ministers."

The appointment of the Canadian Minister at Washington as now decided upon is to be made by His Majesty "on the advice of His Canadian Ministers." This is a development both in form and in practice. The immediate advisors of the Sovereign have hitherto been British Ministers.

At the Colonial Conference of 1907, Sir Wilfrid Laurier objected to the implication which he found in the phrase "His Majesty's Government" as applied to the Government of the United Kingdom exclusively. In the resolution regarding the future constitution of the Conference he therefore proposed to substitute for "His Majesty's Government" the words "The Government of the United Kingdom," because, he said, "we all claim to be His Majesty's Government." Lord Elgin, then Secretary of State for the Colonies, declared that "His Majesty's Government was in fact the recognised technical term for the Government of the United Kingdom," but in the end the phrase was made to run: "The Conference to be called the Imperial Conference as between His Majesty's Government and His Governments of the self-governing Dominions beyond the Seas."

In appointing the Duke of Connaught as Governor-General of Canada in 1911, a new official expression was used: "His Majesty's Government of Canada," by which there seemed to be an assertion of the same direct connection between the Crown and the Canadian Government as existed between the Crown and "His Majesty's Government in the United Kingdom."

Direct Communication.

The Canadian Minister at Washington is to be "at all times" "the ordinary channel of communication with the United States Government in matters of purely Canadian concern, acting upon instructions from and reporting direct to the Canadian Government." Hitherto the ordinary channel of communication between the Canadian and United States Governments has been the Governor-General, the Colonial Office, and the Foreign Office in London.

A United States Comment.

As far back as 1887, when Sir Charles Tupper as Canadian Minister of Finance was visiting Washington to discuss the relations of the two countries, the Hon. T. F. Bayard, then American Secretary of State, brought to his

notice in a letter dated Washington, May 31, 1887, the "embarrassment arising out of the gradual practical emancipation of Canada from the control of the Mother Country and the consequent assumption by that community of attributes of autonomous and separate sovereignty, not, however, distinct from the Empire of Great Britain." He informed the Canadian Minister that "the awkwardness of this imperfectly developed sovereignty is felt most strongly by the United States, which cannot have formal relations with Canada, except directly and as a Colonial dependency of the British Crown"; and he added: "Nothing could better illustrate the embarrassment arising from this amorphous condition of things than the volumes of correspondence published severally this year relating to the fisheries by the United States, Great Britain, and the Government of the Dominion. The time lost in this circumlocution, although often most regrettable, was the least part of the difficulty, and the indirectness of appeal and reply was the most serious feature, ending, as it did, very unsatisfactorily. It is evident that the commercial intercourse between the inhabitants of Canada and those of the United States has grown into too vast proportions to be exposed much longer to this wordy triangular duel, and more direct and responsible methods should be resorted to."

In his reply Sir Charles Tupper said he felt no doubt that direct negotiations between United States and Canadian Ministers would "greatly increase the prospects of a satisfactory solution," and added: "I say this, not because I believe that there has been any disposition on the part of the British Government to postpone Canadian interests to its own, or to retard by needless delay a settlement desired by and advantageous to the people of Canada and of the United States, but because I have no doubt that direct personal communications will save valuable time and render each side better able to comprehend the needs and the position of the other."

In the end, Sir Charles Tupper was appointed one of the joint British plenipotentiaries to negotiate the treaty then proposed, Mr. Joseph Chamberlain being the other plenipotentiary.

To be "Alterna British A bassador.

The Canadian Minister at Washington is to be accredited by His Majesty to the President of the United States with the necessary powers to "take charge of the whole Embassy and of representation of Imperial as well as Canadian interests" in the absence of the British Ambassador. This is a development for which there is no recorded Canadian or other demand. It arises presumably from the long-standing intimacy of commercial and other relations between Canada and the United States, an intimacy for which no parallel exists in the case of any other Dominion or any other foreign country.

Canadian Ministers as Plenipotentiaries.

The evolution of Canada in its direct diplomatic position goes back at least forty years. When in 1879 Sir Alexander Galt was the High Commissioner for Canada in London, the Canadian Government applied to Her Majesty's Government asking that he might be appointed Commissioner in cases where treaties were being negotiated in which Canada was interested.

1879

Sir Michael Hicks Beach, then Secretary of State, in a dispatch to Lord Lorne, the Governor-General, said: "In reply I have to inform you that it is not thought desirable to appoint a Canadian Commissioner to take part in the negotiation of any treaty, but if your Government desire to send a person enjoying their confidence to advise with Her Majesty's Government, or with the British Ambassador, on any questions that may arise during the negotiations Her Majesty's Government will be happy to give attention to his representations."

Sir Charles Tupper, upon his succession to the Canadian High Commissionership, contested this attitude of Sir Michael Hicks Beach, with the result that he obtained for Canada the right to negotiate commercial treaties with foreign countries.

1884

In a letter dated July 26, 1884, the Foreign Office made the following statement, which had immediate reference to the negotiations then proposed for a trade Convention between Canada and Spain: "If the Spanish Government are favourably disposed, the full power for these negotiations will be given to Sir Robert Morier and Sir Charles Tupper jointly. The actual negotiation would probably be conducted by Sir Charles Tupper, but the Convention, if concluded, must be signed by both plenipotentiaries."

1892-3

In 1892-3 Sir Charles Tupper in a similar manner and in conjunction with the Marquis of Dufferin and Ava, British Ambassador to France, negotiated a Commercial Treaty between France and Canada.

1907

In 1907 negotiations were in progress for a Franco-Canadian Commercial Convention and on August 8, His Majesty formally appointed the Hon. W. S. Fielding, Minister of Finance, and the Hon. L. P. Brodeur, Minister of Marine and Fisheries, to act as British Plenipotentiaries in discussing and arranging "commercial relations between France and Canada." In accordance with this power a Convention was signed at Paris on September 19 by Sir Francis Bertie, the British Ambassador, and Messrs. Fielding and Brodeur.

The Dominions and Most-Favoured-Nation Treaties.

The long-held desire of the Dominions for freedom from the operations of the most-favoured-nation clause of British Treaties was dealt with in detail in a memorandum prepared by the Tariff Commission for the information of the Imperial Conference in 1916.* It was there shown that Canada, Australia and New Zealand have long shown restlessness under the operation of the most-favoured-nation clause.

This clause occurs in British Treaties of commerce and navigation with forty-four foreign countries comprising nearly all the important foreign commercial nations of the world, and its purpose is, in effect, to secure to the United Kingdom all tariff concessions granted by any other country to a third country. As was shown in the memorandum of the Tariff Commission this end has not been attained.

The Dominions have generally regarded with little favour the current British interpretation of the most-favoured-nation clause, and have felt strong objection to their inclusion in Treaties to the negotiation of which they were not direct parties. For the purposes of commercial Treaties all British Possessions were formerly regarded as coming within the sphere covered by the negotiation of British Ministers.

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* Tariff Commission Memorandum, "The Treaty Position," September 4, 1916.

The Roumanian Treaty, 1880.

In the Treaty between the United Kingdom and Roumania, concluded in 1880, the most-favoured-nation clause was retained substantially in its old form, but in the protocol of the Treaty provision was made for the exclusion of any "British Colony or foreign possession of Her Britannic Majesty" upon notice being given. Subsequently Canada specifically intimated her desire to be excluded.

Under the present practice it is not assumed that a "Colony" has acceded to the Treaty unless it has intimated its desire to do so.

The Belgian and Zollverein Treaties.

In the year of the Anglo-Roumanian Treaty, 1880, the question reached an acute stage in the case of Canada when (on March 26, 1880) a Canadian Order-in-Council was passed asking that Canada might be relieved from the operation of certain clauses in the Treaties with Belgium and the German Zollverein which appeared to place Canada under the obligation to extend to Germany and Belgium any tariff preference given to the United Kingdom. Both the German and Belgian Governments replied to British representations on the subject that the clauses to which Canada objected could not be denounced apart from the rest of the Treaties.

Ultimately (July, 1897), under Canadian pressure, Lord Salisbury, as Secretary of State for Foreign Affairs, gave the necessary twelve months' notice to terminate both Treaties on the ground that the provisions of the clause in the Treaties which bound the Colonies to give to the Zollverein and Belgium the same tariff rates as they gave to the United Kingdom, "constitute a barrier against the internal fiscal arrangements of the British Empire which is inconsistent with the close ties of commercial intercourse which subsist and should be consolidated between the Mother Country and the Colonies." The Treaties terminated in July, 1898.

1891

The general objections of Canada, New Zealand and Australia to the status of the Dominions under British most-favoured-nation arrangements were further elaborated in the Address adopted by the Senate of the House of Commons of Canada in 1891 and in the speeches of the Ministers of New Zealand and Australia at the Colonial Conference of 1902 and the Imperial Conference of 1907 and also at the Colonial Merchant Shipping Conference in London in 1907.

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* Tariff Commission Memorandum, "The Treaty Position," September 4, 1916.

and the other Dominions were each given a vote in the Assembly of the League.

In the circumstances of the war, also, a more direct and personal channel of communication between the Governments of the Empire was established, and officially recognised. On August 19, 1918, an official announcement appeared in the Press that the Prime Ministers of the Dominions had the right to communicate on matters of Cabinet importance direct with the Prime Minister of the United Kingdom whenever they saw fit to do so.

The Canadian Interpretation.

The Hon. N. W. Rowell, President of the Council of Canada, speaking of the developments in the Canadian House of Commons on March 11, 1920, said :—

> "I venture to think that the position won for Canada by her soldiers on the field of battle and maintained for her by her statesmen at the Peace Conference, recognised and made certain by the bringing into force and by the coming into operation of the Treaty of Peace and the formal inauguration of the League, means that Canada is not only an integral portion and one of the free nations of the British Empire, but has an acknowledged status among the other nations of the world, that she is now entering upon the greatest period in her history for national development and national spirit, and that position thus acquired, neither the Parliament nor the people of Canada will ever surrender."

Mr. Rowell further said :—

> "There is complete unanimity between the Government of Great Britain and the Governments of the Dominions as to the constitutional status of the different nations of the Empire at the present time. All are agreed that the status is one of equality, that we are nations, all equal in status, though not of equal power, under a common Sovereign and bound together by ties of interest and sentiment, by history and by all that united the different branches of the Anglo-Saxon peoples and the other nations within the various portions of the Empire, by ties which, though light as air, are as strong as iron in binding together this great League of Nations which we call the British Empire, or the Britannic Commonwealth."

The Imperial War Cabinet.

Mr. Lloyd George, as Prime Minister, speaking in the House of Commons on May 17, 1917, said of these proceedings and especially of the creation of an Imperial War Cabinet :—

> " The British Cabinet became for the time being an Imperial War Cabinet. While it was in session its Overseas Members had access to all the information which was at the disposal of His Majesty's Government, and occupied a status of absolute equality with that of the Members of the British War Cabinet. It had prolonged discussions on all the most vital aspects of Imperial policy, and came to important decisions in regard to them—decisions which will enable us to prosecute the War with increased unity and vigour, and which will be of the greatest value when it comes to the negotiation of peace. I should like to add on behalf of the Government that the fresh minds and new points of view which our colleagues from over the seas have brought to bear upon the problems with which we have been so long engrossed has been an immense help to us all. So far as we are concerned we can say with confidence that the experiment has been a complete success."

The conclusions of the Imperial War Cabinet are of necessity secret, but Mr. Lloyd George informed the House of Commons on May 17, 1917, of what he termed " an event that will constitute a memorable landmark in the constitutional history of the British Empire." He said :—

> " The Imperial War Cabinet was unanimous that the new procedure had been of such service, not only to all its members, but to the Empire, that it ought not to be allowed to fall into desuetude. Accordingly, at the last session, I proposed formally on behalf of the British Government that meetings of an Imperial Cabinet should be held annually or at any intermediate time when matters of urgent Imperial concern require to be settled, and that the Imperial Cabinet should consist of the Prime Minister of the United Kingdom and such of his colleagues as deal specially with Imperial affairs, of the Prime Minister of each of the Dominions or some specially accredited alternate possessed of equal authority, and of a representative of the Indian people to be appointed by the Government of India. This proposal met with the cordial approval of the overseas representatives and we hope that the holding of an annual Imperial Cabinet to discuss foreign affairs and other aspects of Imperial policy will become an accepted convention of the British constitution."

The Prime Minister went on to emphasise the elastic character of this development.

> " It grew not by design, but out of the necessities of War. The essence of it is that the responsible heads of the Governments of the Empire with those Ministers who are specially entrusted with the conduct of Imperial policy should meet together at regular intervals to confer about foreign policy and matters connected therewith, and come to decisions in regard to them, which, subject to the control of their own Parliaments, they will then severally execute. By this means they will be able to obtain full information about all aspects of Imperial affairs and to determine by consultation together the policy of the Empire in its most vital aspects, without infringing in any degree the autonomy which its parts at present enjoy. To what constitutional developments this may lead we did not attempt to settle. The whole question of perfecting the mechanism for ' continuous consultation ' about Imperial and foreign affairs between the ' autonomous nations of an Imperial Commonwealth ' will be reserved for the consideration of that special conference which will be summoned as soon as possible after the War to readjust the constitutional relations of the Empire. We felt, however, that the experiment of constituting an Imperial Cabinet, in which India was represented, had been so fruitful in better understanding and in unity of purpose and action that it ought to be perpetuated and we believe that this proposal will commend itself to the judgment of all the nations of the Empire."

Imperial War Conference Resolution, 1917.

These decisions carried out to a certain extent the policy expressed in a resolution on the constitutional relations of the Empire which was passed by the Imperial War Conference on April 16, 1917, as follows: —

> The Imperial War Conference are of opinion that the readjustment of the constitutional relations of the component parts of the Empire is too important and intricate a subject to be dealt with during the War, and that it should form the subject of a special Imperial Conference to be summoned as soon as possible after the cessation of hostilities. They deem it their duty, however, to place on record their view that any such readjustment, while thoroughly preserving all existing powers of self-government and complete control of domestic affairs, should be based upon a full recognition of the Dominions as autonomous nations of an Imperial Commonwealth, and of India as an important portion of the same, should recognise the right of the Dominions and India to an adequate voice in foreign policy and in

foreign relations, and should provide effective arrangements for continuous consultation in all important matters of common Imperial concern, and for such necessary concerted action, founded on consultation, as the several Governments may determine.

The Present Position.

On May 4, 1920, the Prime Minister was asked in the House of Commons to state the present position of the Imperial Cabinet organisation which was created during the War; and whether there was at present any means of constant consultation between the British Cabinet and the representatives of the Dominions on matters of Imperial concern. The reply of Mr. Bonar Law was as follows:—

"There have been no developments of the Imperial Cabinet organisation since the decision which was announced in the Press on August 19, 1918, to the effect that the Prime Ministers of the Dominions should have the right to communicate on matters of Cabinet importance direct with the Prime Minister of the United Kingdom whenever they see fit to do so, and, further, that each Dominion should have the right to nominate a visiting or resident Minister in London to be a member of the Imperial Cabinet at meetings other than those attended by the Prime Ministers themselves. The whole question will be raised at the Imperial Conference which it is proposed to hold next year to consider the readjustment of the constitutional relations of the component parts of the Empire. In accordance with the decision arrived at in the summer of 1918, communication is maintained between the Prime Ministers of the Dominions, and papers on matters of Imperial concern are forwarded weekly for the information of the Prime Ministers of the Dominions."

Mr. Hurd: "Is it not a fact then that there is no Cabinet organisation in active and continuous working for the consideration of Imperial matters of mutual concern to us and to the Dominions?"

Mr. Bonar Law: "It is a fact. The reason is that the Ministers of the Dominions have not thought suitable to have a representative."

Dominion Representation in London.

Following closely upon this statement by Mr. Bonar Law, Lord Milner, Colonial Secretary, in a speech in London on May 12, 1920,* suggested that for the better co-ordination of the efforts of the several States of the Empire there should be established at some centre—and for the time being

* *Times*, May 13, 1920.

that centre could only be in the United Kingdom—" a Standing Committee for information and consultation about all Imperial affairs on which every branch (of the Empire) should have at least one representative." He added :—

> " In other words would it not be possible for the Ministry of every Dominion to have at least one of its members always over here, constantly available for discussion with his colleagues for the other Dominions and with some member or members of the British Government ? It need not always be the same man. Indeed, it had better not be, for the essence of the idea was that he should have been in recent and close touch with his colleagues and with the public opinion of his Dominion. Such an arrangement would make the Imperial clearing-house the most effective machine for enabling the several Governments, while each retained its complete liberty of action, to concert together and so avoid their pursuing inconsistent policies often without knowing that they were doing so."

This question of the continuous co-operation of British and Dominion Ministers through the agency of Dominion Delegate Ministers in London was the subject of a resolution which was accepted by the Imperial War Cabinet on July 30, 1918, as follows :—

> " In order to secure continuity in the work of the Imperial War Cabinet and a permanent means of consultation during the War on the more important questions of common interest, the Prime Minister of each Dominion has the right to nominate a Cabinet Minister either as a resident or visitor in London to represent him at meetings of the Imperial War Cabinet to be held regularly between the plenary sessions. It was decided that arrangements should be made for the representation of India at those meetings."*

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* The War Cabinet : Report for the year 1918.

B.—COMMERCIAL.

(1) CANADA AND FRANCE.

Conventions Denounced.

In the British House of Commons on May 3, 1920, it was announced that the Franco-Canadian Commercial Conventions had been denounced at the instance of the Canadian Government, but commercial relations are being continued upon three months' notice. Messages from Ottawa have indicated the intention of the Canadian Government to negotiate a new arrangement.

The first of the Conventions thus denounced was made in the autumn of 1907 by the Canadian Ministers who had attended the Imperial Conference of that year and who had gone direct from the Conference to Paris for the purpose of the negotiations. This was the first arrangement with foreign countries negotiated by Canadian Ministers on
1907 the basis of the Canadian Intermediate Tariff adopted in 1907. Difficulties arose in the passage of the Convention through the French Senate and a supplementary Convention was negotiated in 1909 and came into operation
1910 on March 1, 1910.

Reciprocal Concessions.

In the course of the negotiations Canadian Ministers found it necessary to give concessions lower than those provided by the Intermediate Tariff in order to secure the reciprocal concessions which Canada desired in the French market. Thus France secured rates in the Canadian market approximating more closely to the British preferential rates on many articles, practically extinguishing the British preference on a specially selected list of competing articles, including silk and woollen embroideries, lace and ribbons, silk velvets and other manufactures. On the other hand, Canada obtained from France the same minimum rates in the French market as the United Kingdom already enjoyed on a series of articles such as cement, iron and steel goods, machinery (including agricultural machinery), wire nails, furniture, asbestos articles, typewriters, etc.

The arrangement also provided for reciprocal most-favoured-nation treatment, *i.e.*, any further reductions granted to a third foreign country in respect of any of the articles included in the Convention were to be

extended to France or Canada, as the case might be; and under British Treaties to which Canada was a party, the advantages conceded to France were extended to the Argentine Republic, Austria-Hungary, Bolivia, Colombia, Denmark, Japan, Norway, Russia, Spain, Sweden, Switzerland and Venezuela.

Surtaxe d'Entrepot.

Another point of importance was the effect of the new Convention upon the British warehousing and transhipment trade. A great part of the trade between France and Canada was done *via* British and probably also *via* United States ports. Clause 8 of the Treaty provided that in order to enjoy the benefits of the tarff advantages conceded, goods must go direct or by way of the port of any country enjoying on these goods the Canadian intermediate or preferential scale of duties or the minimum tariff of France. There was the further provision "that nothing in this article shall exempt the products of either country from any *surtaxe d'entrepot* that is now or hereafter may be imposed on products imported indirectly." The French *surtaxe d'entrepot* already penalised the transhipment trade of the United Kingdom, and the negotiations failed to remove this British disadvantage.

Most-Favoured-Nation Complications.

Of all the questions raised in regard to this new arrangement with France by far the most important was that which followed from the extension of the new tariff concessions to certain foreign countries under most-favoured-nation Treaties. Since 1860 (with some exceptions) the British principle has been that most-favoured-nation countries must grant to the United Kingdom automatically, and without further compensation, every tariff concession extended to any other country. So long as the Treaties negotiated with Canada were confined to countries adopting the British interpretation the margin of preference and the volume of trade were the most important questions to be considered, but directly Canada began to enter into arrangements with the United States the possibility of differentiation against the United Kingdom in favour of particular parts of the King's Dominions and questions affecting the unity of the Empire necessarily arose. It will be seen from a review of the facts how rapidly these grave complications were introduced into the situation. None of these complications need have arisen had the United Kingdom responded to

repeated Canadian proposals for Imperial co-operation in trade, and thus brought British policy into line with the rest of the Empire.

(2) CANADA AND GERMANY.

Canada has also had considerable commercial relations with Germany. These have, of course, been terminated by the War, but the pre-war position

1903 may be briefly indicated. In 1903, in consequence of Canada's insistence that the preference which she granted to British goods was a domestic affair, and her refusal for that reason to extend the preferential rates to Germany, the General Tariff of Germany had been put into operation against Canadian imports. There ensued what was called a tariff war between the two countries, Germany on her part imposing the General Tariff on Canadian goods, and Canada imposing a special surtax on German goods. The principal effect of this, however, was the diminution of German imports into Canada, and the increase of the value of preference to British producers as against their German competitors.

When Canada concluded her Convention with France in 1909 there was considerable uncertainty as to what countries were entitled to the Canadian concessions under the most-favoured-nation treatment. In the Memorandum submitted to the French Government by Canadian Ministers, Switzerland was not included. That country proceeded to claim that it was entitled to those concessions under the Anglo-Swiss Treaty of 1855 and this claim was subsequently allowed.

The introduction of Switzerland into the circle of countries entitled to Canadian concessions immediately affected the interests of Germany, with whose goods Switzerland was in direct competition, and negotiations took place between representatives of Germany and Canada for the termina-

Provisional Arrangement, 1910. tion of the tariff war. These negotiations took effect in the course of 1910 in the conclusion of a provisional arrangement between Germany and Canada under which Germany gave Canada the benefit of her Conventional rates, and Canada, on her part, removed the surtax on German goods, thus making German products subject to the General Tariff of Canada only. The

negotiations also kept in view, " at a time convenient to both countries," the conclusion of a Reciprocity Treaty between Canada and Germany in the absence of which either party was left at liberty to reimpose the higher duties.

(3) CANADA AND THE UNITED STATES.

In the meantime the United States had undertaken a scheme of tariff revision under which the President of the United States was required to put into operation the maximum tariff, which consisted of a surtax of 25 per cent. *ad valorem* in addition to the minimum tariff against any country or Colony which discriminated against the products of the United States. Since it was claimed that Canada, by her Treaty with France and the extension of the tariff rates of that Treaty to other foreign countries, had discriminated against the United States within the meaning of the United States Customs Law, a *modus vivendi* had to be found by which the President could avoid the tariff war which otherwise was inevitable. Negotiations therefore took place between the United States Secretary of State and Mr. Fielding, the Canadian Finance Minister, and an agreement was concluded in March, 1910, granting concessions on the part of Canada to the United States on thirteen groups of articles. In consideration of this agreement, President Taft was relieved of the necessity of putting the maximum tariff into operation against Canada. The agreement provided for the resumption of negotiations with the object of establishing a fresh reciprocal scheme.

Agreement, 1910.

Reciprocity Agreement, 1911.

Negotiations with the United States were resumed towards the close of 1910. According to President Taft's speech at Atlanta on March 10, 1911, the United States representatives when they first met the Canadian Ministers were instructed to offer " free trade in everything." This proposal, had it been adopted, would have abolished the British preference and have made it most difficult for Canada to avoid withdrawal from the Imperial Treaty system and entry into a North American Zollverein. Canadian Ministers were unable to entertain this offer on the ground that it would be highly prejudicial to Canadian industry, and in place of it a more restricted reciprocity agreement was concluded between the Canadian and United States Governments in January, 1911.

This reciprocity agreement became the main issue in the Canadian Federal elections of September, 1911, when the Government of Sir Wilfrid Laurier was overthrown and Sir Robert Borden came into power. The effect of this electoral decision was to annul the agreement inasmuch as it was never ratified.

Character of the Agreement.

The agreement, if ratified, would have affected the purely trade interests of the United Kingdom in the following manner:—

(1) It would have removed the preference on British goods, of which Canada imported £668,000 worth in 1909-10.

(2) It would have reduced the margin of British preference on other British goods, of which Canada imported £439,000 worth in 1909-10.

(3) It would have extended to favoured-nation countries the reduced Canadian rates on United States products.

(4) It would have given to Canadian products a preference over the United Kingdom in the United States market. Imports of this class from the United Kingdom amounted in 1908-9 to £2,990,000.

While the trade interests immediately involved were substantial, and considerable danger was threatened to the food supplies of the United Kingdom, if the reciprocity agreement had been enacted, by far the most important questions raised by the agreement affect the Imperial system of Treaties, and through them the unity of the Empire.

There are three ways in which the Treaty question arises in a manner inimical to Imperial unity:—

In the first place, the agreement made Canada a party to a differentiation by a foreign country in favour of one part of the Empire against all the rest of the Empire. The disintegrating tendency of any such discrimination has been generally recognised by both British and Colonial statesmen.

In the second place, judging by President Taft's declarations of the real aims of United States policy, the reciprocity agreement was intended by the more powerful partner to lead up to complete reciprocity and the establishment of Free Trade across the frontier. The result would have given the United States so much influence in Canada that

Canadian policy would perforce have been directed to suit United States rather than Imperial aims.

In the third place, it would not have been possible for Canada to pursue the policy so intended unless she repudiated the British interpretation of most-favoured-nation Treaties inasmuch as she would have had to extend to all other foreign countries any concessions granted to the United States. This would have meant the adoption of free importation by Canada, and there is no indication that such a policy would at any time be practicable or consonant with the aims of the Canadian people.

(4) CANADA AND OTHER COUNTRIES.

Holland, Belgium at Italy.

The agreement with the United States was followed by other agreements with Holland, Belgium, and Italy, extending to these countries some of the rates of the Canadian Intermediate Tariff and the concessions granted to France.

The net result of this series of transactions was to bring most of the important European trading communities into closer competition with Great Britain in the Canadian market by diminishing the margin of British preference.

(5) NEWFOUNDLAND AND THE UNITED STATES.

1818.

The commercial relations between Newfoundland and the United States in modern times date back to the fishery clauses of the Treaty of 1818. New Anglo-American Treaties affecting the North Atlantic fisheries were made on two subsequent occasions, but on each occasion had been terminated by the United States. The third Treaty of Washington, negotiated by Mr. Joseph Chamberlain and Mr. T. F. Bayard in 1888, was thrown out by the American Senate, but a *modus vivendi* pending ratification continued the relations until its expiry in 1890. In September, 1890, what has been called "a strange interlude" took place* :—

Direct Negotiations.

> "Sir R. Bond, the able and energetic ex-Premier of Newfoundland, was permitted by the English Government to present his views directly to the English Ambassador at Washington, who permitted him to

* *Historical Geography of the British Colonies*, Vol. V., Part IV., Newfoundland, by J. D. Rogers.

negotiate informally with J. G. Blaine, the American Secretary of State; and the negotiations were expressed in the form of 'a draft of a convention embodying the arrangement proposed by the Newfoundland Government.' In December this draft was remodelled by Sir R. Bond in concert, not with the English Ambassador, but with Mr. Blaine, who in January presented a counterdraft which 'the United States Government would not be unwilling to accept, but they were not anxious for the arrangement.' The drafts and counterdrafts, whether original or remodelled, differed materially. At an early stage of the proceedings Canada protested against separate action by Newfoundland in a matter in which Canada was equally concerned, and the negotiations ended in nothing. From which Sir R. Bond inferred that a Bond-Blaine Treaty was virtually concluded when Canada prevented it; but he was alone in his inference. In 1902 an authentic and real separate agreement, called the Hay-Bond Treaty, was concluded similarly and on similar lines, but was rejected by the American Senate."

Ultimately arbitration took place at The Hague, and the award of The Hague Tribunal was published on September 8, 1910.

The Trade Position.

The Imperial Trade Correspondent at St. John's, Mr. H. W. Le Messurier, in his last report* on the trade of Newfoundland, shows the extent to which the share of the United Kingdom in Newfoundland's trade has declined and that of the United States increased. Between 1912-13 and 1918-19 the total external trade of Newfoundland increased in value from $30,685,254 to $70,081,800, imports rising from $16,000,000 to $33,200,000, and exports from $14,700,000 to $36,800,000. How the relative positions of British and American exporters in Newfoundland markets have changed since the pre-war period is shown by the following comparison:—

	Newfoundland, Imports from	
Year ended June 30th—	United Kingdom.	United States.
1913	$4,405,103	$5,573,733
1919	$2,399,853	$16,569,236

In the same period imports from Canada rose from $5,215,537 to $12,777,684. It will be seen that in 1912-13 27·5 per cent. of Newfoundland's imports came from the United Kingdom, while in 1918-19 this percentage fell as low as 7·2 per cent.

* Cmd. 720.

The Correspondent comments thus on the position :—

"At present the United States is making a great bid for the trade of this country (i.e., Newfoundland), and until there is a revival of production in the United Kingdom and a lowering of prices to meet the market, trade will flow to the neighbouring continent. Buyers prefer the home market, all things being equal, but the United Kingdom manufacturer has not only to compete against price and quality, but also against freight rates, which are lower from the American Continent than from Europe."

(6) AUSTRALIA AND THE UNITED STATES.

High Commissioner appointed 1918.

At the latter end of the year 1918 the Federal Government of Australia established the office of Australian High Commissioner in New York, "to take charge of Australian interests in the United States." The present Commissioner, Mr. Mark Sheldon, in an Australian number of the New York *Evening Post*, dated February 14, 1920, says :—

"America has always enjoyed a share of Australia's imports, and her export trade to us commenced long before the general public in the United States realised that Australia was a purchaser of American goods. This export trade goes back probably seventy years. It has steadily kept up so that on June 30, 1918, the imports of American goods into Australia reached considerable proportions, and totalled 25 per cent. of all Australia's imports during that year. Goods Australia has for export are wool, wheat, beef and mutton. These may be called her standard lines. Of later years she has developed largely her dairying industry, and lately her exports of butter."

The new tariff of Australia which came into operation on March 15, 1920, is of a tripartite character, i.e., there is a General tariff, an Intermediate tariff and a British Preferential tariff, the Intermediate tariff to become operative in the event of Australia making reciprocal arrangements with other countries.

THE TARIFF COMMISSION,
7, Victoria Street, London, S.W.1,
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