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CANADA

BUDGET SPEECH

DELIVERED BY

HON. WILLIAM S. FIELDING, M.P.

MINISTER OF FINANCE

IN THE

HOUSE OF COMMONS

TUESDAY, 5TH APRIL

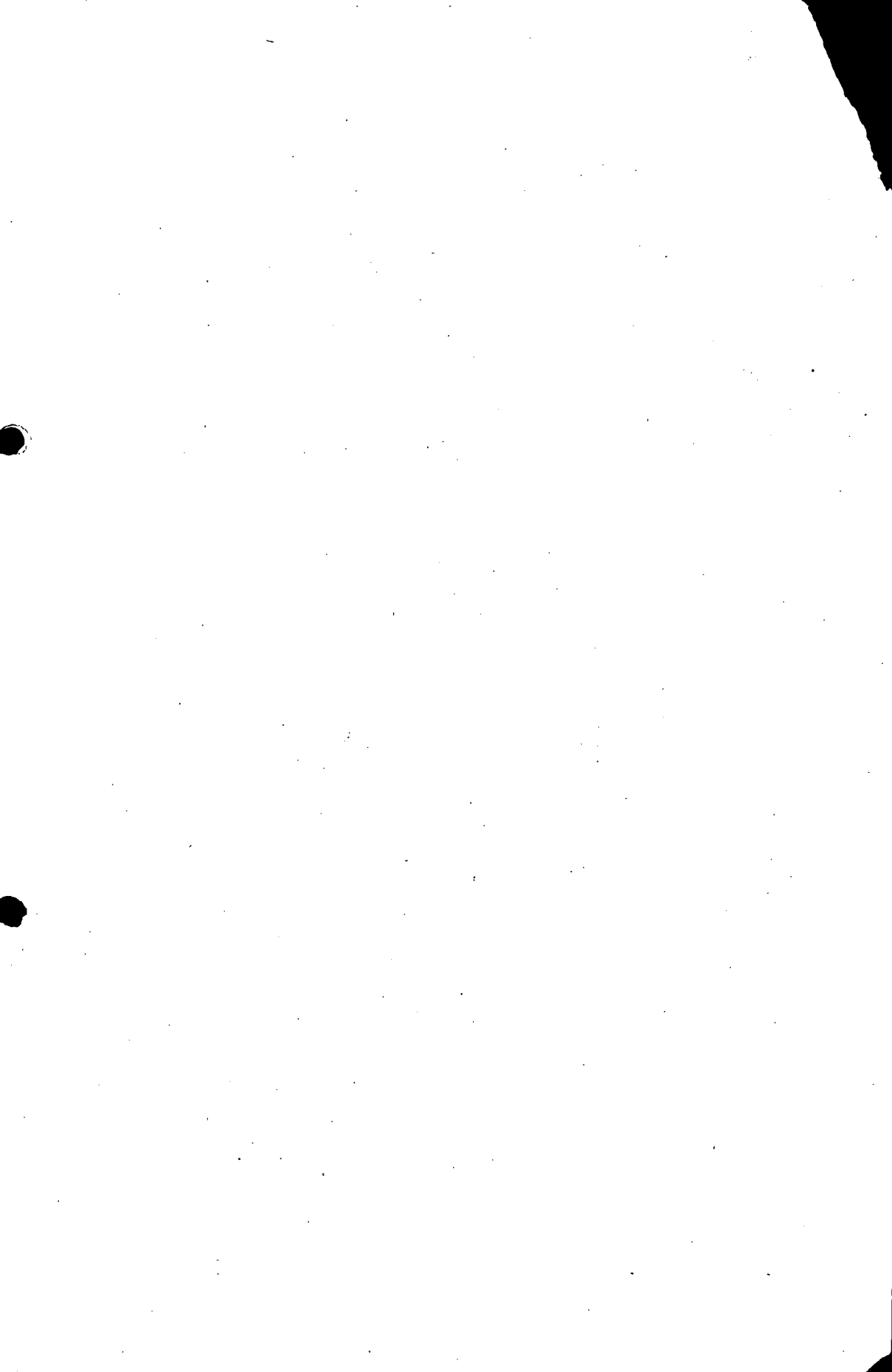
1898



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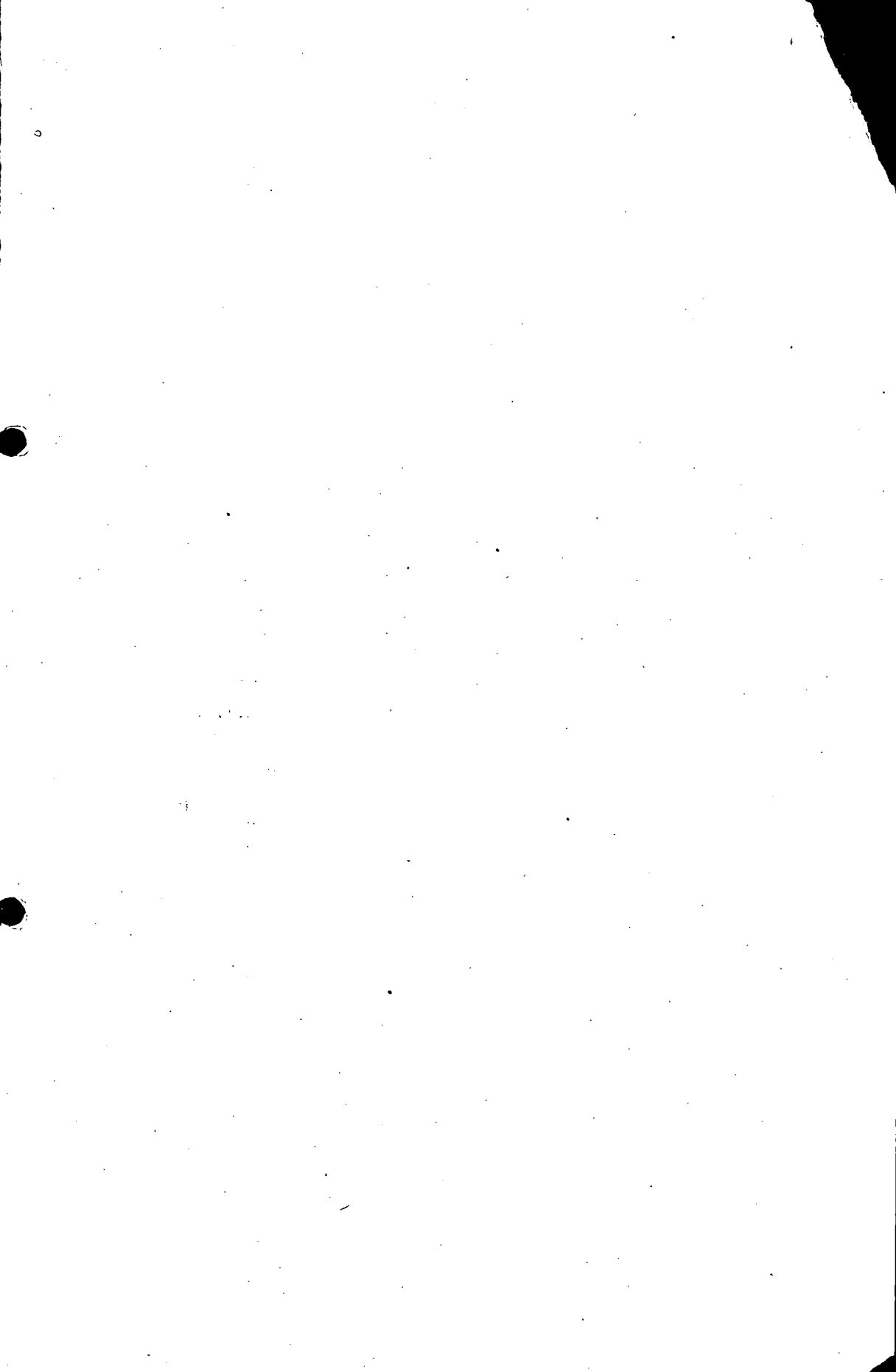
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1898



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MINISTER OF FINANCE

IN THE

House of Commons, at Ottawa, Tuesday, 5th April, 1898

WAYS AND MEANS—THE BUDGET.

The MINISTER OF FINANCE (Mr. Fielding) moved that the House resolve itself into committee to consider of the Ways and Means for raising the Supply to be granted to Her Majesty.

He said: I rise, Mr. Speaker, in accordance with notice, to make the motion which you have put from the Chair, and before concluding my remarks I shall place upon the Table of the House a series of resolutions to which it is my desire to invite the attention of the House.

A little less than one year ago, under circumstances which perhaps marked the occasion as one of some importance in the history of Canada, I had the honour to deliver in this House my first Budget speech.

In rising to-day to perform a similar duty, I am sure that I have ample grounds on which to congratulate the House on the condition of the country, and on the results of the policy of the Government which it was my privilege to announce to the House in April last. Canada has had an eventful year, a year marked by great political advancement, material progress and steadily increasing prosperity.

FISCAL YEAR 1896-97.

Following the usual practice in Budget speeches, I shall first ask the attention of the House to a brief review of the operations of

the financial year 1896-97, which ended on the 30th of June last, the accounts of which have been in the possession of the House for some time past. The revenue for that year yielded \$37,829,778, as against \$36,618,590 for the year 1895-96, or an increase of \$1,211,187. The total expenditure on Consolidated Fund reached \$38,849,759, as against an expenditure of \$36,949,142 in 1895-96, or an increase of \$1,400,617. The outcome of 1896-97 left us with a deficit of \$519,981, as against a deficit on the previous year of \$330,551. That, in brief, is the result of the year's operations on account of Consolidated Fund.

Following the usual custom, I give the details of the revenue, as compared with the previous year:

--	1896-97.	1895-96.	Increase.	De-crease.
	\$	\$	\$	\$
Customs ..	19,478,247	19,833,279	355,032
Excise....	9,170,378	7,926,005	1,244,372
Miscella- neous...	9,181,152	8,859,305	321,846
	37,829,778	36,618,590	1,566,219	355,032
			355,032	
			1,211,187	

It will be noticed that there was a slight decrease in the customs revenue, which can be attributed to the restrictive effect on the imports of the anticipated changes of the

fiscal system inaugurated 23rd April of last year, and to the reduction in the duties between that date and 30th June. The large increase of excise is, of course, accounted for as an anticipation of the current year's receipts, in view of expected changes in the duties of excise. In the items composing miscellaneous, the chief increase is in the receipts from post office. Taking up the report of my colleague the hon. the Minister of Customs, I find that, on the following articles, important increases in duty have been received :—

Animals, living.....	\$ 17,122
Carriages	59,072
Fancy goods	9,902
Glass and manufactures of.....	10,760
Leather do	17,103
Oils, coal, kerosene and products of	24,880
Sugar of all kinds	584,396
Spirits and wines.....	221,733
Tobacco and manufactures of.....	33,755
Watches	17,574

On the other hand, in the following articles important decreases have taken place in the duties collected, as compared with the previous year :

Books, periodicals and other printed matter	\$ 15,371
Grain of all kinds.....	101,121
Flour and meal of all kinds.....	36,229
Cotton, manufactures of	154,418
Flax, hemp and jute, manufactures of	52,137
Fruit and nuts, dried.....	68,337
do green.....	22,192
Furs and manufactures of.....	28,113
Gloves and mitts.....	40,943
Gutta percha and India-rubber, manufactures of	11,495
Gold and silver, manufactures of..	13,660
Hats, caps and bonnets	16,138
Iron and steel, and manufactures of	63,574
Musical instruments.....	12,010
Oils, all other than coal, kerosene, n.e.s.....	30,293
Oil cloth.....	9,887
Pickles, sauces and capers of all kinds	8,192
Silk, manufactures of.....	166,656
Stone and manufactures of.....	8,917

The details of the increase in excise are as follows :—

CONSUMPTION OF SPIRITS, &c.

The per capita consumption of the following articles usually finds a place in the Budget, and I give it, as follows :—

	Spirits, Galls.	Beer, Galls.	Wine, Galls.	Tobacco, Lbs.
1894	742	3,722	089	2,264
1895	666	3,471	090	2,163
1896	623	3,523	070	2,120
1897	723	3,469	084	2,243

It will be noticed that there is an apparent increase in the consumption of spirits in 1897, but that, I think, is to be accounted for by the fact that in anticipation of the changes in the excise duties last session, very considerable quantities were entered for duty, which will probably affect the consumption for the next year, so that the figures which show an increase, rather show an increase in mercantile operations than in actual consumption. The average per capita consumption was as follows :—

Spirits	Gall.	1.026
Beer	do	2.920
Wine	do	1.130
Tobacco	Lbs.	2.173

We come now to the expenditure of the year.

Mr. FOSTER. Before going to the expenditure of the year, can my hon. friend tell me what amount of the increase is due to the Jubilee stamps of 1896-97 ?

The MINISTER OF FINANCE. I have not included that in my statement, but I shall be glad to give it later on. The post office revenues in the public accounts show it in general terms. I shall furnish it later on if the hon. gentleman desires.

The expenditure on consolidated revenue reached \$33,349,759, being an increase of \$1,400,617 over that of the previous year. Taking up the details of the outlay, I find

Articles.	Quantity, 1896.	Quantity, 1897.	Duty, 1896.	Duty, 1897.	Increase.
			\$	\$	\$
Spirits..... Galls.	2,344,767	2,782,514	3,973,300	4,732,506	759,206
Malt..... Lbs.	51,690,278	63,443,353	775,354	1,026,652	251,298
Cigars..... No.	108,290,260	113,276,105	648,462	678,029	29,567
Cigarettes... No.	80,461,900	93,798,000	120,692	156,257	35,565
Tobacco and Snuff..... Lbs.	9,392,487	10,690,765	2,228,697	2,398,443	169,746
			7,746,505	8,991,887	1,245,382

that in the following services there is an increased expenditure :

Interest on public debt	\$143,233
Charges of management	29,905
Sinking funds	46,526
Premium, discount and exchange...	36,333
Civil government	22,218
Administration of justice	16,491
Dominion Police	1,085
Legislation	230,084
Penitentiaries	24,370
Arts, agriculture and statistics...	13,512
Immigration	7,239
Quarantine	24,914
Pensions	4,801
Militia	530,374
Public Works, Consolidated Fund..	163,949
Railways and canals	7,961
Mail subsidies and steamship sub- ventions	18,395
Ocean and river service	1,805
Marine hospitals	1,447
Fisheries	16,336
Geological Survey	14,331
Subsidies to provinces	2,394
Indians	27,655
Miscellaneous	9,392
Customs	43,912
Post Office	124,467
Trade and Commerce	5,141

On the other hand, there have been decreases on the following :—

Superannuation	\$ 3,439
Mounted Police	6,352
Lighthouse and coast service	20,314
Scientific institutions	1,705
Government of the North-west Ter- ritories	10,167
Excise	6,443
Weights and measures and gas	6,150
Railways and Canals, collection	100,535
Dominion lands	3,492
Public Works, collection	11,392

The main increases will be found to be in the interest on public debt, legislation, militia, public works, and post office, and the causes operating in these cases were explained in my remarks of the 22nd of April last year and are sufficiently well known. I need not refer to them further than to say that they are the direct result of the apparent economy accomplished by my predecessor in 1895-96, an economy, which I am justified in saying was only apparent, because I think hon. gentlemen themselves will admit that it was not possible to continue the expenditure on the figures of that year. Indeed, hon. gentlemen on the other side, by the remarks they have made on these subjects, have frequently admitted as much.

PREDICTIONS AND RESULTS.

In concluding my observations upon the business of the fiscal year 1896-97, ending the 30th of June last, let me express the

hope that my hon. friends opposite will allow me to congratulate them on the very happy failure of some of the very gloomy predictions which they made respecting that year. It may be remembered that in the closing hours of the first session of this Parliament, my hon. friend the leader of the Opposition (Sir Charles Tupper) and my hon. friend the ex-Minister of Finance (Mr. Foster) made very strong attacks upon the financial position of the Government, and predicted that very direful things would happen in the first year of Liberal administration. I do not propose to detain the House with lengthy quotations from their remarks, but I may summarize their predictions very briefly. My hon. friends stated that we were entering upon a year of reckless expenditure which could only end in financial disaster. They declared that within that current year of 1896-97, I would be obliged to borrow at least \$10,000,000, and that I would have to go on the money market under conditions that would greatly damage our public credit. They will, I hope, be gratified to learn that during that current year we did not have to go on the general money market at all; that our total temporary borrowing, in the usual way of treasury bills, did not amount to ten million dollars or even half of ten million dollars; and that the only borrowing in which we indulged, over and above the renewal of a loan contracted by my predecessor, was less than three million dollars, and that when at a subsequent and proper time we did proceed to place a loan on the London market, instead of going with a damaged credit, as my hon. friends predicted, we went under favourable conditions and met with gratifying success.

They also stated that we would not be able to come out of the year's operations with a deficit of less than \$3,250,000. As late as the month of April last, my hon. friend the ex-Minister of Finance modified his calculation, but even then he predicted that we could not come out of the year with a deficit of less than \$2,000,000. He will, I am sure, be glad to learn that we came out of the year with a deficit, not of \$3,250,000, not of \$2,000,000, but of the modest sum of \$519,000. My hon. friend said that in the first year of Liberal administration we would have an expenditure of

at least forty million dollars. He will be glad to learn, I hope, that the expenditure of that year amounted to only \$38,349,759.

My hon. friend said that he could appeal with confidence to the great arbiter, time, to decide these things. Well, the great arbiter has given judgment, and has given judgment against my hon. friend and in favour of the Administration. I suppose it would be too much to expect of my hon. friends opposite that they will take the cheerful view which we, on this side, are disposed to take of the prospects of the country under a Liberal Administration. I suppose it is even possible that their sense of duty may oblige them to continue to draw the same alarming picture of the future under Liberal rule. We, on this side, will have to comfort ourselves with the thought, when we have these alarming predictions, that time, the great arbiter, will continue to decide against my hon. friends and in favour of the present Administration.

REVENUE FROM THE LIQUOR TRAFFIC.

I have given some figures respecting the consumption on spirits and intoxicating liquors, and it has occurred to me that, in view of the agitation on the subject of prohibition, which is likely to be continued and to take a more emphatic shape at an early day, there will be frequent references, no doubt, to the amount of duty and the revenues of the various departments of the Government arising from the liquor traffic. I think that, therefore, it might be convenient to include in the Budget a statement showing exactly what are the revenues derived from that source. The statement is for the year 1896-97.

	Quantity.	Duty.
Customs—		
Ale, beer, &c...Galls.	327,216	\$ 65,245 30
Excise—		
Malt	Lbs. 68,443,353	1,026,652 13
Customs—		
Spirits and wines.G'ls.	1,396,136	2,406,529 81
Excise—		
Spirits	Galls. 2,782,514	4,732,506 19
Or,		
Customs		\$2,471,775 11
Excise		5,759,158 32

Summing it up, we find that the revenues received from these sources are: Customs, \$2,471,775.11; excise, \$5,759,158.32, making a total revenue from that source of \$8,230,933.43.

THE CURRENT YEAR, 1897-98.

So far, Sir, I have dealt with the financial year ending June last. Now, let us turn our attention to the current year, of which nine months have elapsed. With this elapsed period as a basis of calculation, I shall endeavour to estimate what our position will probably be on the 30th June next. Up to 31st March last, according to the latest statements we have obtained, our customs revenue amounts to \$16,111,029.82.

Making due allowance for the increase we have lately been experiencing in the receipts from this source, and keeping in mind that after 1st July the preferential feature of our tariff obtains its full development and consequently there will be a slight check in the imports in May and June, I think I am within the mark when I estimate the customs revenue at \$21,000,000, as against last year's yield of \$19,478,247. From excise, I do not expect to receive more than \$8,000,000, as compared with \$9,170,378 received last year, on account of various disturbing causes. As between the two years, there is no doubt our revenue this year from that source will be less. From miscellaneous sources I anticipate our revenue will be \$10,300,000; or \$39,300,000 in all.

So much for the revenue. On the other hand, the actual expenditure up to the 31st March on account of consolidated fund amounted to \$22,987,258, which is just on about a level with last year, if we take into account the fact that there is a quarter's post office expenditure of last year which does not appear this year but will come in at a later stage of the accounts. We must add to the outlay against us the expenditures which will be imposed upon us in connection with the opening of the Yukon district and the maintenance of law and order in that territory. So, to be on the safe side, I put the total consolidated fund expenditure for the current fiscal year at \$38,750,000. If this estimate proves correct, and if we receive the estimated revenue of \$39,300,000, the business of this year, closing the 30th June next, will end with a surplus of \$550,000.

A PROBABLE SURPLUS.

My aim and expectation in that respect are that we shall have in this current year

a surplus which will wipe out the deficit of last year, and leave a balance, possibly even a larger balance than I would now care to state, on the right side. I feel confident that this is a safe and conservative estimate of the result of the year's operations. Some features of the year's business have been so abnormal, there has developed such buoyancy in trade, that I should not be surprised if the outcome of the year should be more favourable than I have indicated. The total consolidated fund expenditure for the current year I have just estimated at \$38,750,000, or some \$400,000 over last year's actual expenditure. The reasons for this are to be found in the additional interest on the public debt that has to be paid on account of the loan of last autumn, the necessary outlay in connection with the opening up of the Yukon district, an increased outlay resulting from a vigorous policy to be pursued in the Department of Agriculture, and also in the branch of the Department of the Interior which has special reference to immigration. The extension of the Intercolonial Railway to Montreal will also go to swell our gross expenditure, although I am assured by my hon. friend the Minister of Railways that the increased outlay will be offset at an early day by increased receipts that will accrue from the working of the extension. Although our borrowings in London, last October, as I shall show, were less than half the amount authorized, and it might be supposed therefore that we should have occasion again to resort to temporary loans at an early day, I am glad to be able to say that, owing to the buoyancy of trade and of revenue, our financial position has become so strong that I do not anticipate that it will be necessary, during the current year, to issue a single Treasury bill or borrow any money in any shape or form.

DEBT STATEMENT, 1896-97.

I desire now to refer to the debt statement for 1896-97. On the 30th June, 1896, our net debt stood at \$258,497,432.77. As a result of the year's operations, it has been increased by \$3,041,163.69, the details of which are as follows:—

Expenditure on Capital Account and on Canadian Pacific Railway	\$3,519,375 59
Deficit of the year.....	519,981 44
Railway subsidies	416,955 30
Rebellion in the N.W.T.....	3,284 64
Consolidated Fund transfers, including liabilities incurred	

prior to 30th June, 1896, Post Office Department	632,830 52
Total	5,142,977 49
Less—Sinking Fund investments	2,101,813 80
Net increase.....	3,041,163 69
Making the net debt on 30th June, 1897.....	\$261,538,596 46

For the current fiscal year, I find we have expended up to the 31st March on capital account, for railway subsidies and for discounts and charges in connection with the late loan, in all \$4,506,185. To complete the year's requirements on capital account and railway subsidies it is estimated that we shall need \$3,000,000, making a total of \$7,506,185. In order to ascertain the net increase of our debt, we must deduct the sinking fund investments which are estimated to amount to \$2,300,000 and estimated surplus of \$550,000, leaving an increase in the net debt of \$4,500,000 in round numbers for the year 1897-98.

Mr. CLANCOY. Where are the cheers?

Mr. MACLEAN. We are sitting on them.

THE YEAR 1898-99.

The MINISTER OF FINANCE. We propose that hon. gentlemen opposite shall continue to sit on those chairs for a long time yet. With regard to the fiscal year beginning on the 1st July next and ending on the 30th June, 1899, it is, of course, too early at this day to estimate in more than general terms. However, I do not think that, so far as the customs revenue is concerned, we should fall behind this year's income, which I have estimated at \$21,000,000. We have to remember, of course, that on the 1st July this year the second stage of our preferential tariff will be reached, and the reduction of 12½ per cent already accrued will be followed by a further reduction of 12½ per cent, making a total of 25 per cent. The first reduction of 12½ per cent was, perhaps, not large enough to make any great change in the stream of British imports. Besides it takes time for the British merchant to understand the operation of these tariff changes, and just about the moment when he became aware of the reduction, and was prepared to deal with it, the difficulty arose with respect to the Belgian and German treaties, which resulted in the so-called preference being for a time extended to a large

number of countries, and therefore Great Britain was not in a position to enjoy the 12½ per cent reduction as fully as we had expected and desired.

Mr. FOSTER. The difficulty arose before that, did it not?

The MINISTER OF FINANCE. No, only in the minds of my hon. friends opposite. There are no difficulties in this question on this side of the House; there were difficulties which my hon. friends opposite for years sought to remove without success, and which have been removed by this Government. I expect, therefore, that when the full reduction of 25 per cent takes place, when the preference is confined, as it will be, to imports from the mother country and from certain British colonies to which I shall refer, I expect there will be a considerable increase in imports from Great Britain, and on these imports we shall receive a smaller amount of revenue than we have hitherto received. With a view to maintaining our position as a sound one financially, to upholding our credit and guarding against deficits, it will be the part of wisdom to anticipate loss of revenue in that respect by making some increase to the revenue in other quarters, and of that I will speak later on. Excise should provide at least eight and one-half millions, and from miscellaneous sources, making due allowances for increase in railway receipts, from post office and interest on investments, we should receive eleven million dollars. These I estimate will give us a total revenue of \$40,500,000. I am speaking now of the year beginning on the 1st of July next, concerning which, of course, our estimates will have to be of a very general character, with very little opportunities of coming to close quarters, not such opportunities as we have with regard to the current year. We have laid on the Table of the House the Estimates for 1898-99, to the extent of \$39,124,000. These Estimates include two new items, one of \$396,000 for the expense of the Yukon district, and another of \$760,000 for the running expenses of the Intercolonial Railway extension to Montreal. Under our method of keeping accounts, the increased

cost of operating the Intercolonial Railway has to be added to our general expenditure, even though it might be a source of profit to us, represented by an increase on the other side of the account. These two new items for the Yukon and for the Intercolonial Railway, items which were not necessary in our past Estimates, but that we all recognize are necessary now, amount to \$1,156,000. If we take this from the total amount of the Estimates, it will be found that the remainder, \$38,168,000 is about the same as asked for in the main Estimates for the current year.

EVIDENCES OF PROSPERITY—THE BANK RETURNS.

In April last, in the course of my remarks on the financial outlook, I expressed my belief that when the details of the tariff were once settled and announced, trade would not only continue to flow in its usual channels, but that we might expect a large increase. When those words were uttered, the circumstances that I then enumerated pointed unmistakably in this direction. The good harvest, however, and increased prices have since that time lent their force to the tide of events, and the period of resulting prosperity that Canada is and has been for some time past enjoying must be indeed gratifying to every hon. member of this House, and to every citizen of Canada, and must confirm the conviction that we all have as to the great possibilities of the future development of our country.

I am sure, Mr. Speaker, you will bear with me when I turn aside for a moment to enumerate a few of the directions in which this development and prosperity have made themselves felt. I propose to speak first as an illustration of the increased prosperity of the country, of the increased business of the country—I propose to speak of the deposits in the banks. In the bank circulation the effect has been most pronounced. I need not weary the House by giving the details of the bank statements, but I may present a table showing the deposits in the chartered banks for the past six years, together with the totals:

	Chartered Banks.	Govt. Savings Banks.	Total.
30th June, 1892.....	\$ 160,942,778	\$ 39,529,547	\$ 200,472,325
30th June, 1893.....	170,817,433	41,849,658	212,667,091
30th June, 1894.....	174,930,936	43,036,012	217,966,948
30th June, 1895.....	180,664,121	44,450,498	225,114,619
30th June, 1896.....	183,769,992	46,799,318	230,569,310
30th June, 1897.....	201,141,688	48,934,975	250,076,663
31st December, 1897.....	222,002,147	49,466,656	271,468,803

That is to say, that in the six months from June last to December the deposits have increased by over \$21,000,000.

To carry on the increased business of the country there has been a very heavy

demand for Dominion notes and bank notes, which the elasticity of our banking system has been fully able to meet. I append the figures relating to note circulation for six years past :

	Government.	Banks.	Total.
31st October, 1892.....	\$33,688,429	\$18,647,063	\$57,335,492
31st October, 1893.....	36,906,941	19,844,248	56,751,189
31st October, 1894.....	34,516,651	22,212,884	56,729,535
31st October, 1895.....	34,671,028	22,893,259	57,564,287
31st October, 1896.....	35,955,150	21,607,553	57,562,703
31st October, 1897.....	41,580,928	24,751,932	66,332,860

Mr. FOSTER. May I ask my hon. friend if he took the same date in each case for the Government bank figures ?

The MINISTER OF FINANCE. Yes, the figures in both cases are for the 31st of October, 1892, and continuing at the same date each year.

The October circulation, which is, as a rule, the highest of the year, on account of the moving of the crops, ran about 56 or 57 millions of dollars for the year 1896 and the four preceding years. The business of October, 1897, required over 66 millions, or an increase of close to nine millions over 1896.

The volume of the general business of the country was such as to very markedly increase the aggregate bank clearings of the five principal cities—Montreal, Toronto, Halifax, Winnipeg and Hamilton. The total

clearings for the three years, 1895, 1896 and 1897, according to the "Monetary Times," were :

1895.....	\$1,039,967,000
1896.....	1,025,960,000
1897.....	1,151,906,000

or an increase of \$126,000,000 in the clearings of 1897 over 1896. For the four weekly periods—ending Thursday—in January, 1898, the total clearings were \$108,509,873, against \$89,901,000 for the similar periods of January, 1897, or an increase of over \$18,000,000. For February last, the total clearings for the five cities mentioned were \$108,385,302, as compared with \$74,612,552 for February, 1897, an increase of \$33,772,750.

RAILWAY TRAFFIC.

The railways, too, have experienced the benefits of this upward movement in trade,

and the published traffic returns are an index of the extent of the betterment so far as they are concerned. From 1st July to the end of February last, the weekly statements of the two great railways of Canada show continual and steady increases over the corresponding weeks of last year. The gross receipts of the Canadian Pacific Railway for the year ending 31st December, 1897, were \$24,049,534, against \$20,681,596 for the previous year. The gross receipts of the Grand Trunk Railway, according to their weekly returns, for the same period were \$19,521,588, against \$18,731,885 for the previous year. The increase in the earnings of the roads is mainly attributable to their freight and live stock business. The share and bondholders have, of course, profited by the improvement in the earning capacities of the roads, and the market values of their securities have advanced by bounds. Take the Canadian Pacific Railway ordinary \$100 shares. The closing price of December, 1896, was 56½; the lowest price of 1897 was 46½, and the latest December price was 83½. The closing price on 29th of January last, according to the "Economist," was 91½.

In Grand Trunk securities the advance was equally marked. Taking their 4 per cent guaranteed and their first preference stocks, I find the lowest price of 1897 was 39½ and 30½ respectively, while on the 29th January they were quoted at 76½, 77½ and 67½ to 68½ respectively.

Taking the Canadian Pacific Railway stocks quoted in the "Economist," and the principal Grand Trunk issues, I find that securities of these two railways to the nominal value of £88,187,497 were worth on the market: On 31st December, 1895, £48,814,887; on 31st December, 1896, £50,430,613; on 31st December, 1897, £62,317,910.

TRADE RETURNS.

I will now take a few figures from the Trade Returns for 1896-97.

The total value of the imports into Canada for the year amounted to \$119,218,609, which is nearly a million and a quarter of dollars in excess of the previous year, and over eight millions in excess of the fiscal year 1894-95.

Canada's export trade during the year was, by far, the largest and greatest in its his-

tory. The total value of the exports for the year amounted to the sum of \$137,950,253, which is over 16 millions of dollars in excess of the previous year, and 24 millions in excess of the fiscal year 1894-95.

The total value of the imports for home consumption, exclusive of coin and bullion, for the eight months of the current year, up to the end of February, amounted to \$80,821,831, which is \$12,081,330 in excess of the corresponding period of the last fiscal year.

Including coin and bullion, the imports for home consumption for the eight months amounted to \$83,785,737, which is \$10,506,815 in excess of the corresponding period of the last fiscal year.

The total exports for the eight months amounted to \$119,644,464, which is \$26,451,521 in excess of the export trade for the corresponding period of last year, and which is also in excess of the export trade for any whole year in the history of Canada, prior to 1896.

AGRICULTURAL PROSPERITY.

While we have thus placed before us the many evidences of the growing prosperity of Canada, let us not be unmindful of the chief causes of this happy condition of affairs. The general business of Canada has been prosperous because prosperity has come to the great agricultural class. There have been some mistaken notions in the past as to relations between manufactures and agriculture. The idea existed in some quarters that we could build up a prosperous farming community by stimulating manufactures. The home market was everything. Canada for the Canadians was the cry. There are some things in which it is well to have Canada for the Canadians, but we would do well to put a wise limitation on the meaning of the expression, and seek for prosperity through the markets of the world. I think the country has awakened to the fact that, in the effort to make prosperity for the farmers through the stimulating of manufactures, the cart was being placed before the horse. If we can fill up the farm lands of Canada with industrious, prosperous and happy settlers, producing, not for the home market only, but for the markets of the world, we shall have the truest possible foundation for a successful manufacturing industry and for general prosperity.

Let us then, while we rejoice in these figures which I have the privilege of presenting to the House, and while we rejoice in this prosperity, let us remember that that prosperity is due chiefly to the success of the farmer, and let us see that by every reasonable and proper effort we shall endeavour to encourage the development of agriculture throughout the Dominion of Canada.

THE 2½ PER CENT LOAN.

I desire now to draw the attention of the House—though it may be necessary only as a matter of form—to the new loan which I had the pleasure of raising on the London market last autumn. You will recollect that a Loan Act was passed last session for \$15,000,000. There were outstanding borrowing powers at that time to the amount of upwards of \$8,000,000, and that together with our powers under the Act of last session, gave us borrowing powers to the amount of upwards of \$23,000,000. The objects of these large borrowing powers are well known. We had entered upon large expenditures in respect to canals; we had incurred considerable obligations in respect of railways, and it was necessary to make provision for these as the obligations might arise. I may say that at the time the Loan Bill was before the House last session, the impression upon the minds of some hon. gentlemen was that the \$15,000,000 was rather less than we should require. However that may be, taking the \$15,000,000 which Parliament authorized us to borrow, together with the \$8,000,000 outstanding borrowing powers, we were entitled to borrow \$23,000,000. We did not, however, think it wise to exercise that power to the full extent. We came to the conclusion that it would be a wise policy to make our new loan for a moderate amount, and it was decided that we should make a loan for £2,000,000 sterling, or about \$10,000,000. There were several reasons for that. We did feel hopeful, in view of the growing prosperity of the country, that we should not need to borrow so large a sum as many hon. gentlemen thought would be necessary, and there was the further consideration, that after due deliberation we resolved to try a very serious experiment—if one can call anything like that an experiment—we resolved to take the somewhat serious step

of making a break in the rate of interest in the London market. Canada up to that time had no securities below 3 per cent, nor had any other colony. In view of the favourable condition of the money market; in view of the high position of Canadian credit; in view of the general tendency towards a reduction in the rate of interest, we thought the time had come when we could make the experiment—some called it a bold experiment—of going on the London market and asking the investors to buy our bonds at a 2½ per cent basis. And, Sir, having thought that matter out, we came to the conclusion that it would be a wise policy to make our first loan at that rate for a very moderate amount. We so decided for this reason: that in going upon the market with a new loan at a new rate, one always has to meet a certain degree of prejudice; one will never get in a first operation of that character so good a price as may be expected later. We thought, therefore, that if we could get along comfortably with £2,000,000 sterling, it would be wise to confine our loan to that amount in order that we might establish the market for our securities on a 2½ per cent basis, with the expectation that they would increase in value and that at no distant date, when it would be necessary for us to go on the market for the balance, we should have our credit fairly established on the 2½ per cent basis. Believing the moment favourable, in the month of October, we arranged to place our loan upon the market. The conditions of the market up to that time had been reasonably favourable, but the money market did take a slightly unfavourable turn at the eleventh hour of our transaction. After our prospectus had been issued the money market hardened somewhat, and on the very evening before our tenders were to be received, the Bank of England rate—which is the standard which governs all money transactions in London—was advanced a half per cent. Taking such a serious step as we were at that time, one might well have some anxiety as to the result in view of that unfavourable turn. However, I am glad to be able to state that so strong was the position of Canada in the money market, that when this proposal was made, even under that momentary adverse circumstance, the re-

sponse of the public was very satisfactory and our loan was more than doubly subscribed. We placed the bonds on the market at the price of 91 and they were taken at 91 pounds 10 shillings and 5 pence.

Considering, Sir, that it was the first operation of the kind that any colony had ever attempted, I feel that we all have great reason—and I am sure my hon. friends opposite will join in my words heartily when I say it—we have all great reason to congratulate ourselves, irrespective of party, upon the very high position that Canadian credit has taken in England. I have here a statement showing the rates of interest that have been paid for the various Canadian loans since confederation, and as it may be found useful for future reference I shall read it.

In 1869 Canada issued a loan which was partly a guaranteed loan, one portion bearing 4 per cent and one 5 per cent, at a price which made the cost to Canada $4\frac{1}{8}$ per cent.

In 1873, another loan was issued which was also a guaranteed loan, and the cost to Canada was 3 9-10ths per cent.

Of course I need hardly say that where a loan had the guarantee of the Imperial Government the rate was more favourable.

In 1874, a Canadian loan cost Canada $4\frac{3}{8}$ per cent.

In 1875, a loan which was partly guaranteed cost $4\frac{1}{8}$ per cent.

In 1876, a 4 per cent Canadian loan cost $4\frac{3}{8}$ per cent.

In 1878, a guaranteed loan cost $4\frac{1}{8}$ per cent.

In 1879, a Canadian 4 per cent loan cost $4\frac{1}{8}$ per cent.

In 1884, a $3\frac{1}{2}$ per cent loan cost $4\frac{1}{8}$ per cent.

In 1885, the cost of a 4 per cent loan was 4 1-12th in one case, and in another class of bonds 4 1-10th.

In 1888, the cost of a 3 per cent loan was $3\frac{1}{8}$ per cent.

In 1892, the cost of a 3 per cent loan was $3\frac{3}{8}$ per cent.

In 1894, the cost of a 3 per cent loan was $3\frac{1}{8}$ per cent.

In 1897, our $2\frac{1}{2}$ per cent loan was sold in London at a price which represents about $2\frac{7}{8}$ per cent.

MEMO. *re* CANADIAN LOANS.

Year.	Amount of Loan.	Rate of Interest.	Price realized per £100.			Actual rate of interest paid.
	£		£	s.	d.	
1869..	*1,500,000	4	105	12	11	$4\frac{1}{8}$
	500,000	5				
1873..	*1,500,000	4	104	7	8	$3\frac{9}{10}$
	*300,000	4				
1874	4,000,000	4	90	3	3	$4\frac{7}{8}$
1875..	*1,500,000	4	99	1	8	$4\frac{1}{8}$
	1,000,000	4				
1876..	2,500,000	4	91			$4\frac{3}{8}$
1878..	*1,500,000	4	96	11	9	$4\frac{1}{8}$
	1,500,000	4				
1879..	3,000,000	4	95	1	10	$4\frac{1}{8}$
1884..	5,000,000	$3\frac{1}{2}$	91	2	2	$4\frac{1}{8}$
1885..	4,000,000	4	101	1	8	$4\frac{1}{8}$
1885..	{ Canada reduced } { 6,443,136 }	4				$4\frac{1}{10}$
1888..	4,000,000	3	95	1	0	$3\frac{1}{8}$
1892..	2,250,000	3	92	0	10	$3\frac{3}{8}$
1894..	2,250,000	3	97	9	2	$3\frac{1}{8}$
1897..	2,000,000	$2\frac{1}{2}$	91	10	5	$2\frac{7}{8}$

* Guaranteed.

I have a more elaborate memorandum showing the comparisons between the various Canadian loans for some years, and this comparison has usually found a place in the Budget speech. If the House will permit me I shall, without reading it, have it incorporated in the statement so that it may be convenient for future reference.

MEMORANDUM respecting Canadian Loans placed on the London Market since 1867.

Loan.	Price in prospectus.			Duration of Loan, years.	Rate per cent.	Total issue.			Discount or Premium.			Amount realized.			Charges, including Discount for immediate payments and interest on part payments.	Net Amount of Cash realized.			Rate of interest.		
	£	s.	d.			£	s.	d.	£	s.	d.	£	s.	d.		£	s.	d.		£	s.
Intercolonial Railway, 1869, guaranteed.....	105	12	11½	35	{ 4	1,500,000			P. 112,946			2,112,946			29,896	18	5	2,083,049	1	7	.04125
do 1869, unguaranteed.....					{ 5	500,000															
do 1873, guaranteed.....	104	7	8	{ 30	4	1,500,000			P. 78,971	6	8	1,878,971	6	8	33,449	18	11	1,845,521	7	9	.03916
Rupert's Land, guaranteed.....				{ 31	4	300,000															
Loan of 1874.....	90	90	3	30	4	4,000,000			D. 393,476	17	6	3,606,523	2	6	60,289	9	9	3,546,233	12	9	.04875
do 1875, guaranteed.....				{ 35	4	1,500,000			D. 22,930	9	1	2,477,069	10	11	42,847	6	1	2,434,221	14	10	.0416
do 1875, unguaranteed.....				{ 30	4	1,000,000															
do 1876.....	91	91		30	4	2,500,000			D. 225,000			2,275,000			57,122	9	7	2,217,877	10	5	.0475
do 1878, guaranteed.....				{ 35	4	1,500,000			D. 102,347	12	6	2,897,652	7	6	36,602	15	7	2,861,049	11	11	.043
do 1878, unguaranteed.....				{ 30	4	1,500,000															
do 1879.....	95	95	1	10½	29	3,000,000			D. 147,206	6	4	2,852,793	13	8	47,988	8	3	2,804,805	5	5	.045
do 1884.....	91	91	2	25	3½	5,000,000			D. 445,870			4,554,130			94,693	3	4	4,459,436	16	8	.0423
do 1885.....	99	101	1	8	4	4,000,000			P. 43,416			4,043,416			82,098	2	1	3,961,317	17	11	.045
Canada reduced.....				24½	4	6,443,136	2	9	D. 54,576			6,388,560			32,977	1	0	6,355,583	19		.04083
Loan of 1888.....	92½	95	1	50	3	4,000,000			D. 197,904			3,802,096			67,598	4	3	3,734,244	7	6	.0327
do 1892.....	91	92		10½	46	2,250,000			D. 179,009	16		2,070,990	4		31,365	6	7	2,039,624	17	5	.0341
do 1894.....	95	97	9	2	43½	3	2,250,000		D. 57,145	6	9	2,192,854	13	3	24,807		3	2,168,047	13		.0316
do 1897.....	91	91	10	5	50	2,000,000			D. 169,625	5		1,830,374	15		22,358	7	8	1,808,016	7	4	.28628

* Or 50 years calculated for 25 years only.

Mr. FOSTER. Has my hon. friend (Mr. Fielding) finished his remarks on the loan business?

The MINISTER OF FINANCE. For the present; there is one point further, but I shall be glad to have my hon. friend (Mr. Foster) ask me any question now.

Mr. FOSTER. Would my hon. friend (Mr. Fielding) lay the prospectus on the Table?

The MINISTER OF FINANCE. I shall be very glad to.

Mr. FOSTER. What was the length of the last loan?

The MINISTER OF FINANCE. Fifty years. There is one other element in connection with that loan to which I may make a passing reference. Not only was it desirable that we should have our loan placed on a 2½ per cent basis, if possible, for the sake of the transaction itself, but such a change to the 2½ per cent rate became of further importance, in view of the early maturity of a large amount of our existing loans.

MATURING LIABILITIES.

By reference to page lxiy. of the Public Accounts, it will be found that between the years 1903 and 1910, we shall have loans maturing to the amount of £34,443,136, or \$167,623,262. To assist in meeting the payment of these liabilities, I estimate that we shall have accumulated sinking funds to the value of \$66,971,181. So that we shall have to renew or convert the balance of these maturing loans to the amount of over \$100,000,000. The net rate of interest on our last loan, taking into account all charges, was 2·86 per cent. At the rate of interest which these loans that are to mature now bear, it would take about \$4,000,000 to pay a year's interest on the \$100,000,000; but at the rate of 2·86 per cent, the interest on the \$100,000,000 would amount to \$2,860,000, or a difference of \$1,140,000. That is to say, if the money market when these various loans mature should prove as favourable to Canada, as it was when we placed our recent loan, there would be a saving of interest to the extent of over \$1,000,000 per year, as compared with the rate of interest which these loans now bear.

We may reasonably hope to effect that saving, and something more; for we all anticipate, I am sure, that the credit of Canada, high as it is now, will continue to improve, and that before the date is reached at which these loans fall in, we shall be able to borrow, not simply at the rate of 2·86 per cent, as we did last year, but at a rate which will come much closer to 2½ per cent, which will be the face value of the securities. I think, then, in view of these large maturing loans, as well as from the nature of the recent transaction itself, hon. gentlemen on both sides of the House will have been pleased to learn that we took the step of placing a 2½ per cent loan on the market; and I am glad to know that the transaction was not a subject of party dispute, but that its success was recognized by the press of the country irrespective of party.

CHEAPER CAPITAL.

I shall now address myself to a question which was brought very forcibly to my mind and to the minds of my colleagues of the Tariff Commission during our investigations of a year ago. Among the many complaints which were made to us by manufacturers and business men as to the disadvantages under which they laboured, one prominent complaint was that the cost of capital was considerably in excess of what many of their rivals and competitors had to pay. A very large amount of the business of the country is carried on by credit, and the cost of money to the merchant and the manufacturer is a very serious consideration. It might be said that this is a matter with which the Government has little or nothing to do—that it is a matter which must be left to the general law of demand and supply. But a little examination will show that in some ways the Government have the power of influencing the money market, and that, in fact, the money market has been influenced to some extent by the policy of the Government. The banks of the country are borrowers as well as lenders. The banks receive from the public a large amount of capital which they use in the business of the country in the way of loans. This capital is in the form of deposits, and when the banks have to pay an unreasonably high

rate of interest on deposits, that is a reason—at all events, it is an excuse—for their not giving lower rates of discount to the business men of the country. It has been said that the position of the banks in this respect has been a forced position. It has been said that they have been obliged in times past to pay more than a fair value for money, because the Government of the country has been doing so. I suppose it will be generally admitted that in the Government savings banks we have been for a long time paying a little more than the fair value of money; and some gentlemen may say that we ought to do so in the savings banks. But I do not think we ought to accept that position. I think the savings banks of the country were designed to afford a place of safe deposit to the people interested in that class of institution. By the way, I am inclined to think that the original design of the savings bank as a place in which the thrifty classes could put their small savings, has been long since lost sight of, and a very large proportion of the money in the savings bank does not represent that class of depositors at all. However that may be, we find that the Government in past years have been paying a little more than the value of money in the way of interest on savings bank deposits; and we came to the conclusion, after careful consideration of the matter, that it was desirable, in the interest of the business of the country, in the interest of successful manufacturing, in the interest of every man who had to carry on his business to some extent with borrowed capital, that we should not have an artificial value of money in Canada, but that a man should be able to borrow according to the reasonable laws of demand and supply. We believed that it was a desirable thing to encourage to some extent the savings bank deposits, and we remembered that the number of those deposits was large and that the advantage to the depositors was a matter of some importance; but we came to the conclusion that the interest of the greatest number of the people demanded that we should not pay to the savings bank depositors a larger rate of interest than the reasonable value of money.

Therefore, in July last we reduced the savings bank rate of interest from $3\frac{1}{2}$ to 3 per cent. Although it was not a matter of public criticism, there were some who felt at the time that it was a policy which would probably lead to large withdrawals of money from the savings banks. Such, however, did not prove to be the fact. I believe, as a result of that reduction, that there was some reduction in the cost of capital throughout the country—not universally, but to some extent. The banks of the country have their different classes of customers, of varying credit. There is the inner circle, who can get their discounts at pretty good rates; there is the next circle, who do not get them at so good a rate; and there is the outer circle who are glad to get them on any terms at all. I think that the inner circle, the class of corporations and business men who are in a very sound financial condition, already appreciate the reduction that has come to them in the rate of interest. Since that time an incident has occurred which has led us to go a step further. We did not think it was wise to make so radical a reduction as from $3\frac{1}{2}$ to $2\frac{1}{2}$ per cent at once; but we did make the reduction to 3 per cent; and since we have been able to place on the money market our own securities bearing a $2\frac{1}{2}$ per cent rate, we thought we should regard that as a standard value of money, and that we ought not to pay a rate in excess of that. We know that it costs about $\frac{1}{4}$ of 1 per cent to manage the deposits, and if you add that to the $2\frac{1}{2}$ per cent to be allowed upon them, you will be paying $2\frac{3}{4}$ per cent, which is about the same as we are paying for our money in the English market.

An hon. MEMBER. Less.

The MINISTER OF FINANCE. My hon. friend is right—a fraction less. But, as I have already stated, we expect the securities of Canada to advance in value. I have pointed out that in making a new loan at a reduced rate of interest, we suffer some disadvantage at the moment; but we all expect—barring temporary difficulties, wars and rumours of war, which we hope may soon pass away—that the securities of Canada will increase in value at a

very early date; and we may fairly regard a fraction above $2\frac{1}{2}$ per cent as the rate at which Canada can borrow all the money she requires. If therefore we pay the depositor $2\frac{1}{2}$ per cent for his money and pay $\frac{1}{4}$ of 1 per cent for the management of the savings bank, we are practically paying him $2\frac{3}{4}$ for the money, and at a very early day we shall no doubt be able to borrow money at that rate in England. We therefore propose that on the 1st of July next there shall be a further reduction of $\frac{1}{4}$ per cent in the interest payable to depositors making the rate $2\frac{1}{2}$ per cent.

Mr. SPROULE. A grand stroke of business for the poor man.

The MINISTER OF FINANCE. My hon. friend, no doubt, thinks that there are many poor men who have their money in the post office savings bank, but there are many more poorer men who are paying the interest, and who have no money in the savings banks. And the question is, whether a limited number of poor men shall be paid a higher rate at the expense of a larger number of poorer men who have no money to put in the savings banks. I quite sympathize with the desire of my hon. friend to pay a good round rate of interest, but I think he will agree with me that a very large amount of the money in the savings banks to-day belongs to a class of people who do not need any sympathy from us, but are very well able to look after themselves. And as far as the other depositors are concerned, if we give them the security of the public credit and pay them $2\frac{1}{2}$ per cent, besides the other $\frac{1}{4}$ per cent which the management costs us, I think we are dealing fairly and justly with them. But I do not put it before the House in that light only. The main ground I am arguing on is this, that it is not merely an advantage to the Treasury—though that is a point not to be lost sight of—but that the rate of interest we are now paying on savings banks deposits has a material effect on the cost of money to the business community at large in the Dominion; and if, by this step, we can bring about—not hastily, but gradually and surely—a reduction in the cost of capital to the merchant, the manufacturer, and to every

man who has to go to a bank to borrow money, we believe we shall be doing something which is for the good of the whole country.

Mr. SPROULE. The discount charged by the banks since the last reduction has been just as high as ever; so that the reduction has not resulted as the hon. gentleman predicts it will.

The MINISTER OF FINANCE. I am afraid the difficulty must be that my hon. friend and I belong to the outer class which cannot dictate to the banks, because I have reason to believe that that favoured inner circle is already receiving some advantage. But I do not put it on that ground alone. If that inner circle were receiving the advantage, and nobody else, then I would not argue that the step was a very advantageous one in the sense I mention. But we all know that the rates of interest do not change in a moment, and, if the borrower who now pays 6 per cent, can get a lower rate—my information is, and I believe it, that many are getting their discounts done at lower rates than twelve months ago—although for the present the advantage may be confined to that favoured inner circle, I believe it will gradually work out of it and my hon. friend and myself may some day get the benefit.

Mr. FOSTER. Is there any hope of our getting into that inner circle?

The MINISTER OF FINANCE. Not while we are in politics.

THE TARIFF OF 1897.

I want to say something now with regard to the tariff policy of last year. I find that there is a change of front on the part of some hon. gentlemen opposed to the Government on that question. When the tariff policy was announced last year, the Conservative speakers and organs—I remember particularly an article in a leading organ of public opinion in Toronto,—took the ground that we were making changes which were threatening the business interests of the country, that the busi-

ness of the country could not stand the policy which this Government had enacted. The Conservative speakers and organs told us that we were going to destroy the great industries of the country. Well, Mr. Speaker, the cry has changed to-day. Looking over the year's operations under that tariff, and finding that the business of the country has gone on increasing and expanding every day, finding that that cry cannot any longer be used, these hon. gentlemen have turned around and say: You did not make any changes in the tariff at all; you have the old National Policy after all. Well, each of these claims is unjust. We made a change in the tariff—a change that was moderate and reasonable, a change that guarded against rash disturbances, but which, nevertheless, effected substantial reductions on the rates of duty, so that the tariff of the country is no longer the old National Policy. I wish to remind the House that in the old tariff, which hon. gentlemen opposite admire so much, there were specific duties which ran up as high as 40 and 50, and I do not think I go too far when I say, 60 per cent of the value of the article. All these high duties, at all events a great many of them, have been removed. Many of the articles which in former times paid a duty, under the old tariff, of 40 and 50 per cent, and as high as 60 per cent, will be found scheduled in the present tariff at 35 per cent, subject to a further reduction, under the preferential clause; so that, as between the old and the present general tariff there is a considerable reduction of duties on a number of articles. And, when you take into account the reduction which has taken place, and which will be increased on the first of July next, by the operation of the second stage of the preferential tariff, you will find that this Government has given the country a very substantial measure of tariff reform. I hold a list of about sixty items taken from the tariff. I might have made the list much larger, but that sixty will be

sufficient for my illustration, and, perhaps, hon. gentlemen opposite will not want to listen to the whole list. The only reason I ask them to do so is, to get the list on "Hansard," but if, after I have read from the list a few minutes, they will dispense with my proceeding further—

Mr. FOSTER. Read it through.

The MINISTER OF FINANCE. My hon. friend is relentless; but other hon. gentlemen on that side may not be so insistent.

Mr. FOSTER. That is the only way you can get it on the "Hansard."

The MINISTER OF FINANCE. My hon. friend used to get some things into "Hansard" which he did not read in his Budget speech, and I hope he will not object to my being given the same privilege.

Animals, living, n.e.s.—Under the old tariff the rate is 20 per cent. Under our general present tariff the rate is 20 per cent; but if they should come in under the preferential clause, it will be 17½ per cent, and, after the first of July, the rate will be 15 per cent, as against 20 per cent under the old tariff.

Mr. FOSTER. Does my hon. friend expect many?

The MINISTER OF FINANCE. Not very many; but, such as they are, they will receive the benefit of tariff reform. There are a few cases in which you cannot expect the articles to come under the preferential tariff, because they will not come from Great Britain or the countries entitled to that preference. That is a fair criticism, and I do not want to urge that in every one of the cases the preferential rate will apply, but it will to most of the articles on this list. There are very few cases in which I quote a rate in which the importer will not receive the benefit of the preferential clause. The following is the list:—

STATEMENT showing the Old Tariff Rate, the New General Tariff Rate, the Preferential Tariff Rate to the 30th June, 1898, and the Preferential Tariff Rate from 1st July, 1898, on certain principal articles :

No. of Present Tariff Item.	Articles.	Old Tariff Rate.	General Present Tariff.	Preferential Tariff to 30th June, 1898.	Preferential Tariff from 1st July, 1898.
11	Animals, living, N.E.S.	20 p. c.	20 p. c.	17½ p. c.	15 p. c.
125	Books, printed, periodicals and pamphlets, or parts thereof, N.E.S., not to include blank account books, copy books or books to be written or drawn on.	6c. p. lb.	10 "	8½ "	7½ "
276	Brass, manufactures of, N.E.S. ...	30 p. c.	30 "	26¼ "	22½ "
540	Indian corn not for distillation... ..	7½c. p. bush.	Free.	Free.	Free.
325	Bicycles and tricycles.	30 p. c.	30 p. c.	26¼ p. c.	22½ p. c.
180	Coal, bituminous, &c.	60c. per ton of 2,000 lbs.	53c. per ton of 2,000 lbs.	46½c. p. ton of 2,000 lbs.	39½c. p. ton of 2,000 lbs.
360	Cotton fabrics, printed, dyed or coloured, N.O.P.	30 p. c.	35 p. c.	30½ p. c.	26¼ p. c.
371	Cotton sewing thread on spools. .	25 "	25 "	21¼ "	18½ "
362	Cotton clothing, including corsets or untrimmed.	32½ "	35 "	30½ "	26¼ "
368	Cotton velvets, velveteens and plush fabrics, N.E.S.	30 "	30 "	26¼ "	22½ "
312	Curtains, when made up, trimmed or untrimmed.	30 "	35 "	30½ "	26¼ "
447	Drugs, dyes and chemicals, N.O.P.	20 "	20 "	17½ "	15 "
294	Electric apparatus, parts of, electric light cables, electric batteries.	25 "	25 "	21¼ "	18½ "

I think that this is an article in which, probably, the Americans will do most of the business. But if the goods are imported

from Great Britain, the duty, under the preferential clause, after the 1st July next, will be 18½ per cent.

362	Fancy Goods— Braids, bracelets, cords, fringes, tassels, &c.	30 "	35 "	30½ "	26¼ "
	Laces, lace collars and similar goods, lace nets and nettings of cotton, linen, silk or other material.	30 "	35 "	30½ "	26¼ "
361	Flax, hemp and jute, manufactures of— Damask of linen, including napkins, doylies, tray cloths, sideboard covers, damask stair linen and diaper.	25 "	30 "	26¼ "	22½ "
77	Fruits— Dried currants } Dried raisins } Oranges, lemons and limes, in boxes of capacity not exceeding 2½ cub. ft.	01c. per lb.	01c. per lb.	¾c. per lb.	¾c. per lb.
		25c. per box.	25c. per box.	21¼c. per box.	18¼c. per box.

If I am asked whether I expect oranges to come from England, I reply that I do not, but I expect them to come from some other

place whence we shall receive them on more favourable terms than at the present.

STATEMENT showing the Old Tariff Rate, the New General Tariff Rate, the Preferential Tariff Rate to the 30th June, 1898, and the Preferential Tariff Rate from 1st July, 1898, on certain principal articles :

No. of Present Tariff Item.	Articles.	Old Tariff Rate.	General Present Tariff.	Preferential Tariff to 30th June, 1898.	Preferential Tariff from 1st July, 1898.
343	Furniture of wood or any other material, house, cabinet or office, finished or in parts.....	30 p. c.	30 p. c. .	26 $\frac{1}{2}$ p. c.	22 $\frac{1}{2}$ p. c.
406	Fur skins, wholly or partially dressed.....	15 "	15 "	13 $\frac{3}{8}$ "	11 $\frac{1}{2}$ "
201	Glass and manufactures of:— Common and colourless window glass, plain, coloured, stained or tinted or muffled glass in sheets.....	20 "	20 "	17 $\frac{1}{2}$ "	15 "
403	Hats, caps and bonnets, N.E.S.	30 "	30 "	26 $\frac{1}{4}$ "	22 $\frac{1}{2}$ "
280	Iron and steel, manufactures of:— Hardware, viz.: Builders', cabinet-makers', upholsterers', harness-makers' and saddlers', including curry combs, carriage hardware, &c.	32 $\frac{1}{2}$ "	30 "	26 $\frac{1}{4}$ "	22 $\frac{1}{2}$ "
227	Iron in pigs.....	\$4 00 per ton....	\$2 50 per ton....	\$2 18 $\frac{1}{4}$ per ton....	\$1 87 $\frac{1}{2}$ per ton.
315	Machinery, all other, composed wholly or in part of iron or steel, N.E.S.....	27 $\frac{1}{2}$ p. c.	25 p. c.	21 $\frac{7}{8}$ p. c.	18 $\frac{3}{4}$ p. c.
321	Manufactured articles or wares, not specially enumerated or provided for, composed of iron or steel, &c.....	27 $\frac{1}{2}$ "	30 "	26 $\frac{1}{4}$ "	22 $\frac{1}{2}$ "
212	Leather and manufactures of— Calf, kid, lamb and sheep skins, dressed, waxed or glazed.....	17 $\frac{1}{2}$ "	17 $\frac{1}{2}$ "	15 $\frac{5}{16}$ "	13 $\frac{1}{8}$ "
212	Upper leather, including dongola, cordovan, kangaroo, alligator and chamois skins, dressed, waxed or glazed.....	17 $\frac{1}{2}$ "	17 $\frac{1}{2}$ "	15 $\frac{5}{16}$ "	13 $\frac{1}{8}$ "
219	Boots and shoes, N.E.S.....	25 "	25 "	21 $\frac{5}{8}$ "	18 $\frac{1}{4}$ "
173	Oils— Coal and kerosene, distilled, purified or refined, naphtha and petroleum, N.E.S.	6 c. p. gall.	5 c. p. gall.		

I do not put anything in the preferential list for that.

169	Flaxseed or linseed, raw or boiled.....	20 p.c.....	25 p.c.	21 $\frac{7}{8}$ "	18 $\frac{3}{4}$ "
158	Paints and colours— Dry white and red lead, orange mineral and zinc white	5 "	5 "	4 $\frac{3}{8}$ "	3 $\frac{3}{4}$ "
140	Paper and manufactures of— Envelopes, papeteries, blank books, and manufactures of paper.....	35 "	35 "	30 $\frac{5}{8}$ "	26 $\frac{1}{4}$ "
139	Paper, all kinds, N.E.S.....	25 "	25 "	21 $\frac{7}{8}$ "	18 $\frac{3}{4}$ "
347	Watch actions or movements	10 p. c.	10 "	8 $\frac{1}{4}$ p. c.	7 $\frac{1}{2}$ p. c.
334	Wood, manufactures of, N.E.S..	25 "	25 "	21 $\frac{7}{8}$ "	18 $\frac{3}{4}$ "
394	Wool, manufactures of— Cloths	5c. p. lb. and 25 p. c	35 "	30 $\frac{5}{8}$ "	26 $\frac{1}{4}$
	Coatings.....				
	Tweeds				
	All fabrics, composed wholly or in part of wool, worsted, &c., N.E.S.....	30 p. c.	35 "	30 $\frac{5}{8}$ "	26 $\frac{1}{4}$

Mr. TAYLOR. That is good protection.
The MINISTER OF FINANCE. That only shows how thoroughly fair I am putting these items in. I am putting a fair statement before the House. There are a

few cases in which the rates of the general tariff are increased, but in every one of these rates it will be found that when you apply the preferential tariff you have a lower rate than under the old tariff.

STATEMENT showing the Old Tariff Rate, the New General Tariff Rate, the Preferential Tariff Rate to the 30th June, 1898, and the Preferential Tariff Rate from 1st July, 1898, on certain principal articles :

No. of Present Tariff Item.	Articles.	Old Tariff Rate.	General Present Tariff.	Preferential Tariff to 30th June, 1898.	Preferential Tariff from 1st July, 1898. <small>W.H.U.</small>
	Clothing, ready-made, and wearing apparel of every description, composed wholly or in part of wool, worsted, N. O. P., &c.....	5c. p. lb. and 30 p. c.	35 p. c.	30 ⁵ / ₈ p. c.	26 ¹ / ₂ p. c.
397	Carpets, Brussels.....	30 p. c.	35 "	30 ⁵ / ₈ "	26 ¹ / ₂ "
	Carpet tapestry.....	35 "	30 "	26 ¹ / ₂ "	22 ³ / ₄ "
26	Pearline and other soap powders.	40c. p. brl.....	25c. p. brl.....		
47	Corneal.....	15c. p. bush.....	12c. p. bush.....		
55	Wheat.....	15c. p. bush.....	12c. p. bush.....		
56	" flour.....	75c. p. brl.....	60c. p. brl.....		
152	Surgical belts and trusses, and suspensory bandages of all kinds	25 p. c.	20 p. c.	17 ¹ / ₂ p. c.	15 p. c.
153	Surgical and dental instruments (not being furniture) and surgical needles.....	15 p. c.	10 p. c.	Free from 1st	January, 1898.
171	Lubricating oils, composed wholly or in part of petroleum, costing less than twenty-five cents per gallon.....	6c. per gall..	5c. per gall..		
199	School writing slates	30 p. c.	25 p. c.	21 ³ / ₄ p. c.	18 ³ / ₄ p. c.
245	Stove plates, stoves of all kinds, sad or smoothing, hatters' and tailors' irons, &c.....	27 ¹ / ₂ "	25 "	21 ³ / ₄ "	18 ³ / ₄ "
248	Cast iron pipe of every description	\$10 per ton but not less than 35 p. c.	\$8 00 pe. ton...	\$7 00 per ton...	\$6 00 per ton
255	Iron or steel cut nails and spikes (ordinary builders'): and railroad spikes.....	³ / ₄ c. per lb..	¹ / ₂ c. per lb..	⁷ / ₁₆ c. per lb..	³ / ₈ c. per lb.
257	Wire nails of all kinds, N.O.P....	.01c. "	³ / ₈ c. "	¹ / ₁₆ c. "	³ / ₁₆ c. "
288	Files and rasps N.E.S.....	35 p. c.	30 p. c.	26 ¹ / ₂ p. c.	22 ¹ / ₂ p. c.
289	Adzes, cleavers, hatchets.....	35 "			
	Saws.....	32 ¹ / ₂ "			
	Hammers, cantdogs, picks, mattocks, anvils, vises and tools of all kinds for hand or machine use.....	35 "	30 "	26 ¹ / ₂ "	22 ¹ / ₂ "
363	White cotton embroideries.....	30 "	25 "	21 ³ / ₄ "	18 ³ / ₄ "
433	Binder twine or twine for harvest binders of hemp, jute, manilla or sisal, and of manilla and sisal mixed.....	12 ¹ / ₂ c. "	10 "	till 1st Jan., 1898 and	then free.
469	Tailors', milliners' and mantle-makers' fashion plates.....	6c. per lb.	and 20 p. c.	Free.	
479	Artificial limbs.....	20 "			
538	Cream separators.....	27 ¹ / ₂ "			
617	Brass trimmings for bedsteads...	30 "			
627	Wire of zinc.....	25 "			
633	Zinc in plates.....	25 "			

I am afraid that I have wearied the House by reading that long list, but I think it was necessary, in view of the criticisms that have been offered, to show that we have made, if not all the reforms that we desired, a very extended tariff reform and one which I am sure the country will appreciate.

The **POSTMASTER GENERAL**. Has appreciated.

The **MINISTER OF FINANCE**. Has appreciated, my hon. friend says, and I accept the amendment.

THE PREFERENTIAL TARIFF.

The most striking feature of the tariff policy of last session was the preferential tariff. That policy was designed chiefly to bring about preferential trade with the mother country, and I am sure the House will agree with me when I say that that portion of our tariff policy has been successful beyond measure, and has given Canada a world-wide fame. When I say this I do not forget that my hon. friend the leader of the Opposition, not many days ago, stated that that policy had been a complete failure. I do not know whether my hon. friend wished us to take that remark seriously. But if we are to treat it seriously for a moment, let us consider what grounds he has for that statement. In order that he might give himself some apparent ground, my hon. friend had to create a policy in his own imagination in order that he might have one much easier to attack. He says, addressing the members on this side of the House: "You told the House that you were going to establish preferential trade with the mother country, you said you could do it, you said you would do it, you said you knew all about it, that you had not any doubt about it and you were going to do it; but you did not do it, therefore your policy is a complete failure." That in substance was the statement of my hon. friend not many days ago. Now, what was the attitude of the Government on this question last year? Was it described correctly by my hon. friend? Did we say we knew all about this matter, that we were going to give preferential trade, that there were no doubts and no difficulties, and that we were sure to do it? No, Sir, every fair-minded man knows that that is not a

correct description of what occurred in this House.

CANADA AND THE TREATIES.

What we did say was this: That while we knew well that the Belgian and German treaties had for years been regarded as standing in the way of any such arrangement, we felt that the issue respecting these treaties had never been fairly and properly tried out before the British Government; we felt that the moment had arrived when we should challenge the position that was taken on that question, to see if something could not be done to bring about a change for the better. I have stated that we knew that the Belgian and German treaties appeared to stand in the way, but we felt the time had come when we could present the question before Her Majesty's Government in a new form. In the first place, there was room for argument, and we did argue, that inasmuch as the Belgian and German treaties had never been ratified by the Parliament of Canada, or by the legislatures of the province of Canada, or by any particular legislation anywhere, there was fair ground for contending that those treaties could not be made to apply to a self-governing colony like Canada. We had to take the position, in Canada's interest and as the advocates of Canada, that it was our duty to put forward every argument we could put forward in favour of and in support of our claim. We had presented the question to the House in a form not confined to preferential trade with the mother country alone. We presented our proposition to Parliament in the form of an offer to extend preferential trade to such countries as might be willing to extend equal advantages to us. There was a reciprocal condition in the treaty which opened a new question, new at all events as regards Canada and the mother country. There had been no previous proposal on such lines, and therefore we felt there was room for argument, and we were bound to argue, that new conditions that existed enabled us to question whether those treaties would have the effect which hon. gentlemen opposite in this House said they had. We went on to contend, and we did contend, that even if Belgium and Germany were standing in the way, as they had been standing, in the

way in the past, the new conditions that were imported into the question since the offer was made to other countries, even to Belgium and Germany, if they were prepared to avail themselves of the offer, placed Canada in a position which Her Majesty's Government should consider. We were well aware that these were debatable subjects, that some of them in times past had been the subject of difficulties; we knew there were doubts and difficulties surrounding them; and we further knew that Her Majesty's Government, in dealing with foreign nations, would always be disposed to interpret treaties in a very liberal spirit to the contracting parties; but knowing all these facts, we nevertheless felt that we were bound as the advocates of Canada to put forward every claim which could be put forward in its behalf. That was the position the Government took, and that was the position which my hon. friend the Minister of Marine and Fisheries took in this House, and which he took outside of this House, and as an advocate of Canada he was bound to put forward every claim he could in order to sustain Canadian interests.

In order to show that this was the position we took, that we knew there were doubts, that we did not take the position which hon. gentlemen opposite say we took, I am going to ask the House to bear with me while I read a quotation from my Budget Speech of last year, and I read it because I desire to show that from the beginning the position we took was this, not that there were no doubts, not that the course was clear, but that doubts and difficulties prevailed, and that we were resolved to go forward with the firm conviction that even though the views we held could not be sustained by Her Majesty's Government, the outcome of the whole matter would be to present the Belgian and German treaties in a new light and one which was likely to bring about good results. Speaking at the time when I was asking the adoption of this new policy, I used the following language:—

Now, I shall not undertake to pass any judgment upon this very important question of the most favoured-nation clauses of these Imperial treaties. It is an international question, and it is well that we should reserve our final judgment upon it. We recognize that it is a question upon which we shall ultimately have to consult with Her Majesty's Government, and I need not say that any view that may be taken by Her Majesty's Government will be considered

by the Government of Canada with the respect that is due to any representation that might be made upon any subject, but above all, on the question of an international character. I say that it does not seem fair and reasonable that we should be obliged, while we are offering certain terms not to Great Britain only, but to all countries which will place themselves in the same position—it does not seem to be fair and reasonable that we should be obliged to extend the privileges of this schedule, which we call a reciprocal tariff, to nations which are not willing to do anything in return.

I admit there may be difficulties in the way. It may be possible that the view we take of this matter is not the correct view, but we say it is only fair and reasonable in the interests of Canada, in the interests of fair trade between ourselves and Great Britain, that we should to-day take the position that the favoured-nation clauses do not apply;—

I regret that I have mislaid for the moment the page on which I have extended the balance of the sentence.

Mr. DAVIN. It is as follows:—

—and that this resolution, which I put upon the Table of the House, will only extend to such countries as are prepared to give admission to our products under fair terms.

The MINISTER OF FINANCE. Perhaps the hon. gentleman will proceed with the reading; because it is very good sense.

Mr. DAVIN. Sir Charles Tupper then said—

Some hon. MEMBERS. Oh, oh.

The MINISTER OF FINANCE. At that stage of the discussion the leader of the Opposition exchanged a few words with me in which he took the ground that the treaty in express terms stood in our way. I continue the quotation:

The MINISTER OF FINANCE. Even if it does, the world moves, and possibly the step we are taking to-night may have the effect—and that may be one of the advantages of it—of drawing the attention of Her Majesty's Government and of the English public to the position of those treaties, and thus opening up the question. Meantime, Sir, recognizing the difficulties, recognizing the possibilities that our judgment may be mistaken, and recognizing the obligations we may owe as part of the Empire, we intend for the present to take the view that inasmuch as we offer these conditions to other nations, if they do not see fit to accept them, the responsibility rests upon them and not upon Canada.

From these passages, Mr. Speaker, it will be seen that from the beginning we recognized the debatable character of the subject, and the doubts and difficulties which were before us; and we went forward, not with the assurance that the views which we had advanced would in all respects pre-

vail, but that even if our interpretation of the treaties should not be upheld, we should place the question before the public in such a manner as would show most effectually the objectionable character of the Belgian and German treaties.

True, Sir, the hon. leader of the Opposition said from the beginning that there was no ground whatever for our contention, and that no good could come from our action. But better authorities than he admitted that the grounds we had taken demanded grave consideration. A great organ of British opinion, usually well informed in Imperial and colonial matters, the London "Times," emphatically declared that it was doubtful whether these treaties applied to such a case as was created by the action of Canada. Her Majesty's Ministers in London deemed the position taken by our Government so important that they reserved their judgment until the question could be fully argued before the law officers of the Crown.

Our views were presented to Her Majesty's Ministers and to the law officers and to the British public by my hon. friends the Prime Minister and the Minister of Marine and Fisheries, assisted in the legal argument by Hon. Edward Blake. Sir, what was the result? The Imperial authorities held that under the treaties in question Germany and Belgium were entitled to receive in the British colonies the same tariff conditions as were available to Great Britain.

DENUNCIATION OF THE TREATIES.

Well, Sir, if the matter had ended there, if that were the whole story, undoubtedly my hon. friends opposite would be in a position to tell us that our policy had borne no good fruit. But we all know that the matter did not end there. While these negotiations were going on, while arguments were being heard before the law officers of the Crown in England, as to the position of Canada under these treaties, a great public opinion was being created in the United Kingdom and throughout the Empire which became a potent factor in settling this question. For the first time the people of England were made to fully understand what these treaties meant, and how they stood as a barrier between the mother country and her colonies. Public men in this country had

been talking of preferential trade for years, but they had never got beyond the stage of talking. If we had followed on the same lines no doubt we would have been equally unsuccessful as others had been in disturbing the objectionable treaties. If we had continued to make speeches on preferential trade, and to pass meaningless resolutions which could accomplish nothing, I have no doubt we should have failed in removing the barriers which stood in our way, and I have no doubt we should have gone on for years without accomplishing any substantial result. Efforts have been made by hon. gentlemen opposite to make it appear that we could have obtained preferential duties in the British markets in return for our concessions, if we demanded such. It has been said by these hon. gentlemen that my right hon. friend the leader of the Government had opportunities when he was in England of receiving what are called better terms from the mother country, and that he failed to take advantage of these opportunities; indeed it is said that he refused offers which it is alleged had been made to him.

I believe, Sir, for my part that every man who has had opportunities of sounding public opinion in England on this subject realizes that there was no ground whatever for expecting such preferential terms as we are told we should have demanded. I do not believe that any intelligent man will say candidly to-day, that there is any probability in the immediate or early future of the British people adopting a policy of preferential trade on the terms mentioned by my hon. friends opposite.

Mr. FRASER (Guysborough). Nor on any terms.

BRITISH PUBLIC OPINION.

The MINISTER OF FINANCE. My hon. friend (Mr. Fraser) says "nor on any terms," but I will not go so far as that. I will however go this far, and I will say that upon the terms which hon. gentlemen opposite talked preferential trade, there is not and never was a ghost of a chance of Great Britain accepting it. I believe that every man who has gone to England and has met public men there, and has met the representatives of the press, and has got down among the masses of the people, must realize the fact that you cannot get the masses of the Eng-

lish people to impose differential duties for the benefit of the colonies. There is a cardinal point in respect to these duties which reaches the masses very quickly. The first step is a movement of preferential trade of that sort must of necessity look towards the imposition of duties on grain; a renewal of what are called in England the old Corn Laws. I ventured to discuss this phase of the subject in my remarks a year ago, and I shall ask the House to bear with me; while I read a brief extract from what I then said. These were my opinions then:

This question of preferential trade has been mentioned in the House in times past. Leading public men have advocated preferential trade, but always annexing to their suggestions a demand with which it was well known England could not comply. All the advocates of preferential trade, at all events all who have taken an active part in that movement, have assumed that as the first step, England must consent to put a duty on grain. We know that England does not view that project with favour. We know that no more unpopular project can be offered the English people than to ask them to put a duty on breadstuffs. It may be, as time rolls on, and at an early day, they may change their views. It may be that they may see it in their interest to make this distinction, and they may offer some preferential terms to the grain of Canada. If they can be induced to do that by fair argument, I have no doubt it will be a good thing for Canada. But why should we wait for England to take action? England has dealt generously with us in the past. England has given us a larger degree of liberty perhaps than is possessed by any other country on the face of the earth. She has given us liberty to tax her wares even when she admits our goods free, and we have taxed them to an enormous degree. Why should we wait for England to do more? Somebody must make a move in this matter, and we propose that Canada shall lead the way.

As a gauge of the public sentiment in England I believed that these words were true on the 22nd of April last, and I believe they will be found to be equally true to-day. There was no prospect then; there is no prospect now that the English people will agree to tax their bread to please the Canadian people.

Some hon. MEMBERS. Hear, hear.

The MINISTER OF FINANCE. I do not say that such a thing is impossible. On the contrary, I admit it is within the bounds of possibility, though by no means likely to come in the near future.

Some hon. MEMBERS. Hear, hear.

The MINISTER OF FINANCE. I venture to say, with the fullest confidence, that if such a policy is to be adopted by the

mother country, it will not be brought about by any huckstering policy on the part of Canada, or on the part of any of the colonies making demands of an unreasonable character; but it will come as the result of a grand Imperial sentiment which will override all questions of an economic nature. I repeat that if such a policy is to come it will come as the fruit of the growth of an Imperial sentiment, and nothing that has occurred in colonial history has done so much to create and develop that sentiment as the very measure which the Parliament of Canada placed on the Statute-books of this country last year.

It being Six o'clock, the Speaker left the Chair.

After Recess.

The MINISTER OF FINANCE. Mr. Speaker, when you left the Chair at six o'clock I had been discussing for a few minutes the question of preferential trade, with some reference to the denunciation of the Belgian and German treaties, and also with particular reference to the views on preferential trade which are sometimes expressed by hon. gentlemen on the other side of the House. In order to show the views which the Government entertained last year on that subject, I had taken the liberty of quoting a passage from my own speech. It had been represented occasionally—and my right hon. friend the Prime Minister had been particularly attacked on that score—that the Government of Canada, in return for concessions granted to Great Britain, could and should have obtained certain preferential advantages in the British market. I had quoted from my remarks of last session to show that the view which the Government entertained on that question was that, owing to the strong opinion known to prevail in the mother country on the question of protective duties generally, but particularly on the question of protective duties affecting articles of food, there was no reasonable ground for believing that any such preferential terms could have been obtained in the British market.

What was it that moved the British public as the British public had never been moved before by a colonial legislative enactment? It was that the Government and Parlia-

ment of Canada, not demanding impossible conditions, not asking things which they knew or should know the British public were not prepared to grant, not raising any demand of an unreasonable character, not trying to have any huckstering or bargaining in the transaction, but in a free and generous spirit, in recognition of the liberal manner in which England has always treated her colonies, had not been content to talk preferential trade, but had acted preferential trade. It was because Canada had thrown open the door, and had declared that at every custom-house, from ocean to ocean, the goods of the mother country should be admitted on terms of preferential trade. It was when that step was taken that the great heart of the English people was moved on this subject; and so, when the moment arrived when the Imperial authorities were obliged by the terms of the German and Belgian treaties to declare that they were not at liberty to accept the conditions of preferential trade which we offered—when the English people found that Canada had opened the door of her custom-houses in the manner I have described, and that by the conditions of those treaties the Imperial Government were obliged to close the door and refuse the offer—then the British people understood, as they had never understood before, the true character of those treaties, and thus there was secured the public opinion which enabled Her Majesty's Government to take the step from which in former years they had been obliged to shrink. I pointed out, Sir, that if we had simply failed to sustain our ground with respect to the application of the Belgian and German treaties, that the reciprocal character of our tariff entitled us to claim that the treaties did not apply, and that had been the whole story, there would have been some ground for the claim of hon. gentlemen opposite that our tariff policy in that respect had not been a success. But when we were able to show, as a direct and immediate result of the step which Canada had taken, that the denunciation of those treaties, which had been sought by the colonies for so long a time without success, was brought about, then I say the Government of Canada had a splendid vindication of the policy they had pursued on that question. We

all know, Sir, with what joy the view taken by the Government of Canada was received by the English people. We know that while the Government of Canada was backed up, and promptly backed up, by the action of the sister colonies, it was backed up still more strongly by British public opinion; and but for that public opinion, which I claim was the direct outcome of the Canadian policy itself, those Belgian and German treaties would not have been denounced down to the present moment.

FAVOURED-NATION TREATIES.

I have spoken of the effect of the Belgian and German treaties on our movement for preferential trade; and now I must say something with regard to another class of treaties, those commonly called favoured-nation treaties. Great Britain has treaties with many nations, containing what is called the favoured-nation clause, by the terms of which it is declared that if at any time Great Britain should grant to any third power any commercial advantages, she shall be obliged to grant those advantages likewise to the contracting power. When, therefore, by the action of Her Majesty's Government, it was determined that the Belgian and German treaties must apply to Canada, and that we must admit Belgian and German goods on terms as favourable as the goods of England, then it followed that by the terms of the favoured-nation treaties, we were obliged to concede like advantages to every one of the nations which had a treaty of that kind with the mother country. I have here a statement showing the several countries which have been brought under the operation of the Canadian preferential tariff:

Countries admitted by the reciprocal character of their tariff: New South Wales, British India, Netherlands, Japan.

Countries admitted under the Belgian and German treaty: Belgium and Germany.

Countries admitted under the favoured-nation treaties: France, Algeria, and the French Colonies; Argentina, Austria, Hungary, Bolivia, Columbia, Denmark, Persia, Russia, Sweden and Norway, Tunis, Venezuela, Switzerland, Liberia, Morocco, Salvador, South African Republic, Tonga, Spain.

The case of France, Algeria and the French colonies was governed by our own Franco-Canadian Treaty, which had, of course, received the approval of the Canadian Parlia-

ment. In the other cases, the favoured-nation treaties had never received the approval of the Canadian Parliament; but they were nevertheless held to apply to Canada. Thus it will be seen that the preference which we wished to give and which we actually did give for several months to Great Britain, had to be extended to the countries I have named; and we refunded to importers duties which had been collected in the interim upon goods from those several countries.

But all this will come to an end at a very early day. At the end of July in the present year the Belgian and German treaties will expire. Canada will not then be obliged to give the preference to either Belgium or Germany.

PREFERENTIAL TRADE—AMENDMENT
OF THE ACT.

With the fall of the treaties, the claims of other nations, under the favoured-nation treaties, to receive equal advantages will also fall. Canada will then be free to confine the benefits of her preferential tariff to the mother country and to such colonies as, in the judgment of Canada, should be admitted. That is, Mr. Speaker, what we can do, and that is precisely what I shall have the honour of proposing to the House. Under the terms of the preferential tariff, as it now stands, the second reduction of 12½ per cent, making 25 per cent in all, will take effect on the first of July next. For the moment, it will be necessary for us to give that greater reduction, not only to Great Britain, but to the various nations I have mentioned, because the treaties do not expire until the last day of July. We propose to repeal the section of the law and the schedule dealing with the preferential tariff. We propose that that repeal shall take effect on the first of August next, which will be the day when Canada will no longer be bound by the Belgian and German treaties, and we propose to substitute for the existing law on the subject a new section and schedule, in accordance with the statement I have made. This new section and this new schedule will provide that the preferential tariff shall, in the first place, apply to the products of the United Kingdom of Great Britain and Ireland, and also that it shall apply to the products of

any British colony or possession the tariff of which is deemed to be favourable to the trade of Canada. Under this provision, New South Wales and British India will be admitted, as they now are, to the benefits of the preferential tariff. There will be a further provision respecting the operation of the preferential tariff, to which I shall refer as I proceed.

Mr. McNEILL. Will the hon. gentleman kindly say, how the denunciation of the Belgian and German treaties affect the favoured-nation clause with regard to other countries?

The MINISTER OF FINANCE. By the favoured-nation clause we are obliged, as part of the Empire, to give to any country having a favoured-nation treaty with Great Britain any privilege which may be granted to any third power. Belgium and Germany are third powers within the meaning of these works. Therefore, when we were obliged, by the decision of the Imperial authorities, to give the privileges of the tariff to Belgium and Germany, these being third powers as respects all other nations, the favoured-nation treaties began to apply, and we had to extend the advantages to the several countries as well.

Mr. McNEILL. I think I did not make my question quite clear to my hon. friend. I was not asking with regard to Belgium and Germany, but with regard to other countries. For example, Holland had a right to come in under the favoured-nation clause; would not all other nations having that clause in their treaties, have the right to come in as soon as Holland was admitted, irrespective of Belgium and Germany altogether?

The MINISTER OF FINANCE. I see the hon. gentleman's point now. The point is, that having admitted Holland, we would be obliged, even irrespective of the German and Belgian treaties, to admit the other nations as well. That would be quite correct, but we could easily have refused to admit the goods of Holland, and then there would be no trouble. But we could not refuse to admit the goods of Belgium and Germany with the same freedom as we could the goods of Holland.

Mr. McNEILL. Does the hon. gentleman say that he could, in the face of his recipro-

cal offer of last session, have refused admission to the goods of Holland ?

The MINISTER OF FINANCE. That, possibly, is a question upon which legal gentlemen might differ. I am strongly inclined to think that there was a measure of discretion remaining in the hands of the Government on that question. I will not say, however, that the question is beyond debate. I think, perhaps, there is room to doubt whether or not we were obliged to admit the goods of Holland. However that may be, Holland received the benefit of the doubt, and we did admit her goods. The hon. gentleman is quite right in stating that the moment any foreign nation, no matter by what method, received the benefits of our preferential clause, we were then obliged, under the Imperial decision, to give every other nation having the favoured-nation clause in its treaty the same advantages.

TARIFF CHANGES.

I wish now to say something with regard to changes which may be deemed necessary in the present tariff. The Government have been gratified, and exceedingly gratified, by the manner in which the tariff policy of last year has been received by the country. We believe that that policy has given unbounded satisfaction. We did not make the mistake, and we do not make the mistake now, of supposing that the tariff is perfect. There are duties in it which are higher than some of us would like them to be. There are duties which we hope will not remain for ever or for a very long time. There has been, however, a very general recognition among the friends of the Government of the fact that, in a matter of this kind, it is necessary that we should proceed in the spirit of compromise. It was realized that, in a large question, affecting such a wide area of country, with so many conflicting interests, we could only hope to work out the details of the tariff by giving and taking, as respects the different sections of the country. It was recognized by the people that we ought to avoid, as we did, such radical changes as might be calculated to seriously disturb the business of the country. All these considerations, into which the Government were bound to enter, and which influenced the policy of the Government to

a considerable extent, have been recognized by the public at large. I believe the people are reasonable in that respect, and will not ask us to make at once that which would be a radical change, and that which might have a disturbing influence on business. I think it will be admitted that frequent tariff changes are not desirable. Something in the nature of tariff stability is much to be desired. It is better, even, that we should bear with some inequalities that may exist, than suffer the greater evils which would arise from frequent tariff changes. We have had representations made by a number of interests which, they think, ought to receive more consideration. Some of these presented cases which have, to some extent, commended them to our judgment, and if we were opening up the general revision of the tariff, or a revision to any considerable extent, we would be able to lend a willing ear to some of the representations that have been made to us. But we think, Sir, on the whole, believing as we do that the changes in the tariff should not be numerous or frequent, believing that we should have a large measure of tariff stability, believing that the public understand the policy of the Government in this respect and will be content to have us carry it out in that spirit of moderation and caution that we have so far evinced, we wish to announce to the House that it is not our intention to make any numerous changes in the tariff at the present session. In fact, I may state that, so far as the rates of duty are concerned we have only one change to announce. There are some other changes which are more matters of form than of substance. The preferential tariff will have to be amended in the direction I have already indicated. We think it is expedient to make a change that is purely technical in the section of the law relating to prohibited goods. As respects the duty on raw leaf tobacco, which we imposed a year ago, we propose that, after the 1st July next, it shall be collected through the Department of Excise instead of through the Department of Customs. It has been arranged that in the Excise Department the duty shall be collected on a basis on what is called in the Inland Revenue Department the standard weight. Under the existing law, tobacco is dutiable on the weight when

it passes through the customs. Arrangements have been made by some of the large manufacturers to dry tobacco before it passes out of the warehouse, so that they do not pay on the moist weight. Other manufacturers, not being so well able to do that, are obliged to pay on the moist weight. It seems only fair and equitable that we should treat all alike, and when it is to be dealt with by the Excise Department, that the regulations of that department should be adopted in the matter. With regard to the duties on tobacco, which were increased last year to a considerable extent, I am free to say that I have doubts that this is as wise a measure as we hoped it would prove. I may say frankly that I am afraid it has led to an increase of smuggling to a very considerable extent, and we may well consider, at a future day, whether or not we can successfully enforce so high a scale of duty. However, the law in that respect has been in force for a very short time, and we think it only reasonable to give it a fairer trial before we condemn it. So we do not propose to make any change with regard to tobacco except as I have just announced.

TARIFF STABILITY.

But, Sir, while it is a good thing to avoid what is called tariff tinkering, there is just a possibility that in condemning that practice we may go too far. I find that tariff tinkering is an expression which means different things in the minds of different men. A man who is quite satisfied with the tariff thinks that any interference with it is tinkering, whereas a man who is not satisfied thinks that some change such as he desires would be high statesmanship. We wish to guard against frequent changes in the tariff, against tariff tinkering, but let us be careful how we convey the impression to the public, because we do not mean it, that we regard the tariff as final. Let it not be supposed that the tariff is settled for ten years or even for five years. So long as there are high duties, there must be demands for tariff changes. Nothing is settled until it is settled in accordance with right, and so long as there are high duties, we may expect agitation for reduction. I am afraid there is no rest for the protected manufacturer. I am inclined to think, Sir,

that he will find eternal vigilance to be the price of his protection. He must be on guard all the time against the attack that he knows must always come. So long as there are high duties, there will also be consumers to protest against them, and I think that the manufacturers will show the best understanding of their own position, and best consult the permanent interests of manufacturing enterprises, if they will realize that very important fact. It is well, if they are to-day in a position which affords them some comfort and advantage, that they should apply their time and use their opportunity to get their business upon such a basis that it will be as little as possible dependent upon tariff aid. The tendency of a high tariff policy is to lead men to look too much to tariff and too little to the efforts they should make for the benefit of their business. What a world of good might have been accomplished for the true interests of manufacturing in the Dominion of Canada, if all the time, and all the energy, and all the labour, and all the money that have been expended in the last twenty years in tariff watching and tariff wire-pulling at Ottawa, had been expended in the factories, in the development of business, in new invention and discovery, in producing labour-saving machinery, in learning what might be done with waste products, in dealing with all those forms of industrial progress which have to be dealt with by the manufacturer when he has keen competition. We would, therefore, say to the manufacturer that if he desires permanency in the tariff, he must never expect permanency until the tariff gets down to a moderate point; and to-day there are duties in the tariff so high that I am sure the Government are not prepared to treat them as part of a permanent tariff. I say this, Sir, in no spirit but that of friendliness to the manufacturing interests. While the manufacturers are in a fairly good position to-day, it would be a mistake for them to fail to realize the fact that Canada has turned her face away from a high tariff policy, and though we may proceed slowly, whatever progress we make from this time forward must be and should be in the direction of greater freedom of trade.

TRADE WITH THE WEST INDIES.

Hon. gentlemen have already observed that in the Imperial Parliament the Colonial Sec-

retary, the Right Hon. Mr. Chamberlain, made some reference to negotiations that were taking place between the Dominion of Canada, United States and the West Indies with regard to reciprocal trade. These negotiations, so far as Canada is concerned, have not gone very far, and we have not much to communicate to the House concerning them. But we are of opinion that, without waiting for the completion of these negotiations, without waiting for the development of all that is likely to arise in connection with that subject, there are opportunities opening to us to-day of which we should take advantage to enlarge the trade between Canada and the West Indies. We think that something of this kind should be attempted in the interest of Canadian trade, because there are large opportunities of development in that quarter. There are a million and three-quarters of people in the British West Indies, if we include Bermuda, who are our natural customers, with whom we should have more extended trade relations. When we remember that of the 330,000,000 pounds of sugar consumed in the Dominion of Canada, only 25,500,000 pounds come from the British West Indies, our natural customers, and that the remainder comes from other countries, largely from continental nations which supply us with beet sugar and take little or nothing from us, I think the House will agree with me that we ought to desire an extension of our trade with the West Indies and to consume to a larger extent the products of that country. If we were to put aside all other considerations, the advantages of trade with that country appeal so strongly to us that I am sure the House would desire us to make some special effort to extend our business in that quarter.

But there is another consideration which we may well take into our minds. The West India question to-day is one of the great problems of the Empire. In the olden days when sugar was king, when cane sugar was in great demand and at high price, the West India colonies were among the most prosperous colonies of the Empire. But times have changed in that respect, to some extent, and the West Indies are suffering to-day from a very severe depression. What the causes of that depression are, may possibly be a subject of contention, to some ex-

tent. It is alleged that the depression is the result of a failure on the part of the West India planters to live up to the times, and to improve their methods of growing and their methods of treating sugar. I give that as one reason which is sometimes alleged against them, not that I endorse the opinion. There is no doubt whatever that another condition has operated very largely against them, and that is the development of the beet sugar industry, particularly in the case of the continental nations where bounties are given. The West Indies claim that as respects the conflict between cane sugar and beet sugar, the West Indies could hold their own but for the difficulty which is created by the bounty system of Europe, notably of the various continental nations. Just how far that is correct is perhaps a matter upon which none of us can give a conclusive opinion. What we do know, however, is that these million and a half to a million and three-quarters of people in those islands, are suffering a very severe depression. Their finances are in a bad position, the business of the islands is in a bad position, the condition of the West Indies is at this moment a very serious subject to the people of the colonies, and a very grave problem for the Imperial Government and the Imperial Parliament. So keenly has this matter been felt of late, that a few months ago a royal commission was appointed by Her Majesty to inquire into the condition of the British West India colonies. That commission was composed of General Sir Henry Norman, Chairman, Sir David Barbour and Sir Edward Grey. These gentlemen made a very exhaustive inquiry into the condition of the West Indies, and they reached conclusions, some of which were unanimous, and some of which were matters of division. It was agreed that the financial position of the West Indies was so embarrassed that the Imperial Government would have to grant aid in the way of loans and grants for public works, and that, I may say, is being done at this moment by measures which are before the Imperial Parliament. The chairman of the commission, Sir Henry Norman, went further. He claimed that they were not likely to be successful in dealing with the West India question unless they were prepared to adopt a policy of countervailing duties, that is to say, that wherever a con-

tinental nation granted a bounty upon its beet sugar, there should be a countervailing duty upon that sugar if imported into Great Britain. That subject has been very much discussed in Great Britain. I do not think the advocates of countervailing duties there are very numerous, but they are certainly very intelligent, able and influential, and an impression existed in the minds of many people that Her Majesty's Government would yield to the recommendation of Sir Henry Norman and establish countervailing duties. However, any doubt that might have existed on that score has been removed of late by a speech delivered at Liverpool by the Colonial Secretary, Mr. Chamberlain. In that speech he indicated that the British Government were not prepared to accept the remedy of countervailing duties, but that they would seek in other ways to assist the position of the West Indies. I have already stated that measures are before the Imperial Parliament now to give aid in the shape of grants and loans for public works. It is also the desire of Her Majesty's Government to assist the West Indies in other ways. Efforts are being made to induce the West India people in some of the islands to give up the growing of sugar, and devote their attention to other products which it is thought the islands will successfully produce and no doubt something will be done in that direction. While the production of sugar has been steadily falling off, the production of other articles, chiefly fruits, has been very largely extended. Still, sugar is and must be the chief product of the West Indies for the present and for a long time to come ;

and unless there can be a profitable market for the sugar of the West Indies, I am afraid there is not very much hope of the relief which the West Indies desire being obtained. Knowing as we do that Her Majesty's Government are following this question very closely, knowing that they are dealing with a serious problem in the face of many difficulties, it has occurred to us that, as the West Indies are our natural market, as they are British colonies, though far away in one respect, colonies with which we have close relations, that we have some Imperial responsibilities in this matter—it has occurred to us that we should be willing in a small way to lend a helping hand to those colonies in the sunny south. If we adhere too rigidly to the underlying feature of our preferential tariff, I am afraid we shall have to admit that the terms of the tariffs of the West Indies are not favourable to us, and perhaps we could not by a mere reciprocal clause extend the preferential tariff to the West Indies.

WEST INDIA TARIFFS.

We have examined the tariff of the West Indies, and we find that while they are high tariffs to a considerable extent, they are in no sense protective tariffs. The duties imposed are largely on food products, and these, as we can well understand, are the very things that Canada might hope to sell. I have here a statement which I shall summarize, if my hon. friends will permit me to do so, showing the operation of these West India tariffs on some of the chief products of Canada :

STATEMENT showing the Import duty levied by the undermentioned British Colonies (British W. Indies, British Guiana and Bermuda),
on the various articles as given below :—

	Coal.	Flour.	Oats.	Potatoes.	Butter.	Cheese.	Codfish—dry, salted.	Planks and boards.
Jamaica	Free.....	8s. per brl ..	3d. per bush....	Free	1d. per lb.....	1d. per lb.....	3s. 6d. per 100 lbs	9s. per 1,000 ft.
The Bahamas	“	2s. 6d. per brl ..	6d. “	2s. per brl	20 p. c.....	12s. 6d. per 100 lbs	4s. per 100 lbs...	10s. per 1,000 ft.
Trinidad and Tobago.....	“	3s. 4d. “	4d. “	Free	1d. per lb.	1d. per lb.	Free	8s. 4d. per 1,000 ft
Grenada	“	4s. “	6d. “	“	1d. “	7½ p. c	1s. per 100 lbs...	10s. per 1,000 ft.
Barbados.....	2s. 6d. per ton	4s. 2d. “	9d. per 100 lbs ..	“	8s. 4d. per 100 lbs	8s. 4d. per 100 lbs	1s. ½d. per 112 lbs	5s. per 1,000 ft.
St. Vincent.....	£10 per £100 value	4s. “	4d. per bush....	“	1d. per lb.	1d. per lb.....	1s. per 100 lbs...	*
St. Lucia.....	6d. per ton.....	4s. “	4d. “	“	2d. “	1d. “	2s. per cwt.....	†
Dominica	5s. “	6s. “	6d. “	“	10s. per 100 lbs.	8s. 4d. per 100 lbs	2s. 6d. per cwt..	‡
Montserrat	2s. “	5s. “	3d. “	1s. 6d. per brl...	8s. 4d. per 100 lbs	8s. 4d. “	1s. 6d. “	§
Antigua.....	2s. “	5s. “	3d. “	1s. 6d. “	8s. 4d. “	8s. 4d. “	1s. 6d. “	§ ○
St. Christopher (St. Kitts).	2s. 1d. per ton	4s. 6d. “	3d. “	1s. 6d. “	8s. 4d. “	8s. 4d. “	1s. 6d. “	§
Bermuda.....	Free.....	15 p. c.....	15 p. c	15 p. c.....	15 p. c.....	15 p. c.....	15 p. c.....	15 p. c.
British Guiana ..	50c. per ton loose, 32c. p. hogshead	\$1.00 per brl	¼c. per lb....	Free.....	2 cts. per lb....	2 cts. per lb....	50 cts. per 112 lbs	\$3.00 per 1000 ft.

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* Spruce and white pine, 5s. per 1,000 ft. ; pitch pine, 10s. per 1,000 ft. ; all other kinds, 12s. 6d. per 1,000 ft.
† Pitch pine, rough or prepared for buildings, 16s. per 1,000 ft. ; white pine and spruce, 10s. per 1,000 ft.
‡ Pitch pine, 12s. 6d. per 1,000 ft. ; hard woods, £1 0s. 10d. per 1,000 ft. ; white pine and spruce and all soft woods, 8s. 4d. per 1,000 ft.
§ Pitch pine, 8s. 4d. per 1,000 ft. ; hard woods, £1 0s. 10d. per 1,000 ft. ; white pine and spruce, 6s. 3d. per 1,000 ft.

PREFERENTIAL TARIFF EXTENDED TO
THE WEST INDIES.

I think it cannot be contended that in any case these are protective duties. They are not designed to exclude the products of Canada, or indeed to exclude the products of any country, but those people find that the necessities of their revenue oblige them to tax food products very heavily. Therefore, as I said a moment ago, were we to apply too rigidly the principle of our preferential tariff to those colonies, I am inclined to think we could not properly admit them to the benefit of that tariff. Nevertheless, in view of the condition of affairs which exists there to-day, in view of our own desire to extend our trade relations with the West Indies, in view of the difficulties which are presented in the treatment of the question by Her Majesty's Government, and with a desire to assist in some small and modest way in working out these great and difficult problems, we propose that without waiting for anything further, without demanding concessions from our West India friends which their needs might not allow them to grant, without insisting upon a rigid compliance with the conditions, we propose, after the first day of August, when the treaties expire, and when we can give full play to our policy of preferential trade, to extend that policy to all the British colonies in the West Indies.

The principal imports to be expected from the West Indies will of course be sugar, but we may expect other things, and notably fruits. On the other hand, we should be able largely to increase our sales of Canadian products to those islands. The maritime provinces have long carried on a trade with those islands, chiefly in fish and lumber, though other products have been sold as well. If we increase our purchases of West India sugars, as we hope to do, there is no reason to doubt that our exports in these lines will be increased. But, Sir, we do not think this trade should be confined to the maritime provinces; there does not seem to be any reason why the products of the province of Ontario and the great west should not find a large market in the West Indies. If we look into the statistics of the islands we will find that the West Indies are large consumers of food products such as we raise in Canada, but we find that the bulk

of those products are being received from the United States. My hon. friend the Minister of Trade and Commerce says, through the United States. There is something in that point; but I think the great bulk of the food products for the West Indies are the products of the United States as well as having been shipped from the United States. There does not seem to be any good reason why the flour, cheese, bacon, ham, lard, butter, and the various articles which the farmers of Ontario and the west produce could not have as fair a chance of sale in the markets of the West Indies as similar products from the United States. There has been a difficulty in the past, I think, through lack of attention to these markets. Sometimes a merchant, with an unsaleable stock, thinks it a very simple thing to dump it on the West Indies market, and then he complains that he has not made any money on it. You cannot do business in the West Indies or anywhere else in that way. Our producers must realize that in order to sell their goods in the West Indies they must ascertain the conditions of the market and adapt themselves to these conditions. But surely there is no reason why the farmers and merchants of Canada cannot adapt themselves to those markets just as well as the farmers and merchants of the United States. We believe if care be taken to investigate the market, if care be taken in collecting the right articles as to quality, in sending them out at the proper time and in the manner of packing them, taking care that the quality is what the West Indian market wants and the style of package is what is required, there is a fair chance of very considerable extension of Canadian trade in that quarter. For some years we have had two steamship lines running to the West Indies; one from Halifax to Jamaica, and the other from St. John and Halifax to Georgetown, Demerara, which is on the mainland of South America. But the line from Halifax and St. John down to Demerara is by a route involving so many ports of call that by the time the destination is reached the voyage is a very long one, and the importers at the distant points claim they have not the same opportunity to trade with Canada as with the United States. It is very desirable, if it can be accomplished, and though we have

no proposal to make on the subject to-day we hope something of the kind will be brought about, that a quick and direct line from Canada, not calling at all these way ports, but calling at Barbados, Trinidad and British Guiana, may be established. If attention be given to this trade in the way suggested, we have a strong hope, from inquiries made, that a very considerable trade will be built up in that direction. Whether we are successful in doing so or not, one thing is certain, namely, that the present condition of the West Indies and the Canadian West India trade demands that some effort should be made on these lines, and we think the best we can do for the people of the West Indies is to say: We will give you the benefit of our preferential tariff, without bargain or anything else, and we do not expect you to make very great concessions to us; but if any means can be devised whereby obstacles to Canadian trade can be removed in that quarter, we have no doubt that you, our brother colonists, will meet us in the same spirit as we desire to meet you.

CHANGE IN THE SUGAR DUTIES.

There is another direction in which we think we can do a little to help the people of the West Indies. The present method of levying the sugar duties in Canada operates unfavourably to the sugar trade with the West Indies. The duty is a flat specific duty of one-half cent per pound on raw sugar. It admits of very large variations and very large injustices. A sugar testing by the polariscope 75 degrees is worth 86c. per 100 lbs., and 50c. duty represents 58 per cent. Sugar testing 96 degrees is worth \$2.27 per 100 lbs.; 50c. duty represents 22 per cent, as against 58 per cent on the lower grade. I do not pretend that we can have absolute equality in these matters, but it will be admitted that the system of levying duties operates unequally. We had for some years in Canada the polariscope test, and I learn from the customs authorities and from all whom I have asked information, that it worked very well. Then, for several years raw sugar was free. In 1895, $\frac{1}{2}$ c. per pound was levied. I am not informed, of course, as to what was in the mind of the hon. member for York (Mr. Foster) when he levied it. It was

probably levied in a hurry, without much thought being given to it, and it has operated unfairly. The duty was a small one, and I can readily understand that one might imagine that there could not be very much inequality in applying it. But experience has shown that even with half a cent a pound there is inequality of duty against sugars of the lower grades, and a considerable quantity of the West India sugars is not of high grade.

When we deal with food products generally, it is not desirable to encourage low grades, and for that reason a specific duty on food is advocated by some hon. gentlemen who do not believe in specific duties in other cases; but I call attention to the fact that raw sugar, especially of low grades, is not a food, and is not likely to be eaten. Raw sugar is a raw material which only becomes a food after it is refined, and therefore we have no particular desire to legislate against it. Inasmuch as there is a considerable quantity of low grade sugar, not so low as 75 degrees, but of moderately low grades, on the market, it is not the business of Canada to turn away the trade which this sugar offers. While our tariff is operating in that way, the tariff of the United States is graduated so as to encourage the trade in these low grade sugars. They have adopted the polariscope test, and the effect is to establish a graduated scale of duties whereby low grades pay in proportion to their value. The polariscope system is practically under another name an ad valorem duty; low grade sugar pays its proportion and high grade pays according to its value.

We therefore propose to return to the polariscope system used in Canada so successfully a few years ago. We propose to begin at the limit of 75 degrees by polariscope test and charge for that degree or anything below it a duty of 40c. per 100 lbs., and we add $\frac{1}{2}$ c. for each additional degree. The average test of raw sugar used in Canada to-day is, so far as we can obtain information, 92 degrees by the polariscope. That information come from the refiners, who possess the best knowledge; one gave 91 $\frac{1}{2}$ and the other 92 degrees. Assuming that to be the correct average, and applying our new scale of duties to the present consumption of sugar in Canada, we

find that on 92-degree sugar the duty will be 65½c. per 100 lbs., as against 50c. per 100 lbs. under the present tariff.

In the early part of my remarks, I stated that in consequence of the reduction we are obliged to make in duties on British imports after 1st July, and to maintain our finances in a strong condition, we want to make some material additions to our revenue in some other quarters, and we propose to do it in the way of making a small increase in the duties on sugar, although the duties we propose will be very much less than those which prevailed in Canada a few years ago. At 92, if we take that as proper standard, the duty shall be 65½ cents per 100 pounds. But there must be considered in that connection the preferential tariff to which I have referred, and which will take effect as regards the West India sugar after the 1st day of August next. If we apply that preferential tariff to the 65½ cents per 100 pounds, the quarter of it under the preferential rate will be 16 37-50ths, which will leave the preferential rate at 49½ cents as against the existing rate of 50 cents per 100 pounds. That is to say, upon so much of our sugar consumption as we may be able to obtain from the British West Indies under the new order of things there will be no increase, but on the contrary there will be a slight reduction of duty, it being—if the average as given to me is correct—49½ as against 50 in the present tariff. But as respects that portion of the sugar which may not come from the West Indies, but which may come from other countries there will of course be the small increase I have mentioned.

Mr. WALLACE. It must be the production of the West Indies; not only sent from there but produced there.

The MINISTER OF FINANCE. Oh, yes; certainly. In the case of fractions of a degree we propose that where a fraction is five-tenths or less it shall not count, but where it is more than five-tenths it shall count as a degree, so that for the purpose of revenue we will have no fractions, not even to the extent of half a degree.

The effect of this upon the revenue is a very difficult question to deal with and we can only guess at it. It depends entirely upon how much sugar may come in under the

preferential rate. Upon all sugar that may come in from the West Indies under the preferential rate we will receive no increase whatever, but will receive a little less duty than under the present tariff; but for whatever may come in from other countries we will receive an increase to the extent of 15½ cents per 100 pounds. We think it will give us a moderate amount of revenue. One can only guess at how much revenue it will give, because we have no means of knowing as to what proportion of West India sugar will be drawn into our markets by this arrangement. Our hope and desire is that we shall largely increase the consumption of West Indies sugar. As I mentioned a moment ago, our consumption of sugar is 330,000,000 pounds out of which we receive at present only 25,500,000 pounds from the British West Indies and British Guiana, but we trust that the effect of this arrangement may be to largely increase that. If our anticipations in that respect are realized, we will of course get no increase of duty from that source but will actually get a little less. However, upon so much of the sugar as may not come from the West Indies, we will get an increase to the extent of 15½ cents per 100 pounds.

With respect to the duty on refined sugar, we propose to apply the polariscope to that also. In the case of raw sugar we take as our starting point 75 degrees, but in the case of refined sugar we take as a matter of course a higher starting point.

We propose that the duty on refined sugar shall be \$1.08 cents per 100 pounds on sugar testing 88 degrees, or anything below that; and for every additional degree there will be 1½ cents per 100 pounds added, just as in the case of the duty on raw sugar. On what is called yellow sugar testing 88 degrees, the increase of duty under this arrangement will be 8 cents per 100 pounds; although the increased duty on the raw material, or so much of it as may come from other countries than the West Indies, will be considerably in excess. If you start at \$1.08 for 88 degrees, and if you add 1½ cents for each degree, you will find that the granulated at 99½ will bear a duty of \$1.24½ per 100 pounds as against the \$1 duty of the present day. That is to say, the increase of the duty on the refined sugar will vary from one-twelfth

of a cent per pound on the yellow or soft sugars, running up on granulated as high as 24½ cents per 100 pounds, or practically on the higher and more valuable sugar an increase of a quarter of a cent per pound; while in the case of the cheaper refined sugars the increase will be about 8 cents per 100 pounds and upwards.

THE PREFERENTIAL SECTION AND SCHEDULE.

I have now explained all the tariff changes which we propose to make. I want now to read, with your permission, Sir, the new preferential section and schedule :

That it is expedient to provide that section seventeen of "The Customs Tariff, 1897" shall be repealed on and after the first day of August in the present year, one thousand eight hundred and ninety-eight, and that the following section shall be substituted therefor:—

17. Articles which are the growth, produce or manufacture of any of the following countries may, when imported direct into Canada from any of such countries, be entered for duty or taken out of warehouse for consumption in Canada at the reduced rate of duty provided in the British preferential tariff, set forth in Schedule "D" to this Act:—

- (a). The United Kingdom of Great Britain and Ireland.
- (b). The British Colony of Bermuda.
- (c). The British Colonies commonly called the British West Indies, including the following:—
The Bahamas.
Jamaica.
Turks Island and the Caicos Islands.
The Leeward Islands (Antigua, St. Christopher-Nevis, Dominica, Montserrat, and the Virgin Islands).
The Windward Islands (Grenada, St. Vincent and St. Lucia).
Barbadoes.
Trinidad and Tobago.
British Guiana.

These colonies are admitted specifically without regard to any reciprocal conditions.

- (d). Any other British colony or possession the customs tariff of which, on the whole, is as favourable to Canada as the British preferential tariff herein referred to is to such colony or possession.

Provided, however, that manufactured articles to be admitted under such preferential tariff shall be bona fide manufactures of a country or countries entitled to the benefits of such tariff, and that such benefits shall not extend to the importation of articles into the production of which there has not entered a substantial portion of the labour of such countries. Any question that may arise as to any article being entitled to such benefits shall be decided by the Minister of Customs, whose decision shall be final.

2. The Minister of Customs, with the approval of the Governor in Council, shall determine what British colonies or possessions shall be entitled to

the benefits of the preferential tariff under clause (d) of this section.

3. The Minister of Customs may, with the approval of the Governor in Council, make such regulations as may be deemed necessary for carrying out the intention of this section.

You will see, Sir, that under the arrangement proposed we admit by name the products of Great Britain and the products of the British colonies in the West Indies; and then we have a general clause whereby we may admit the products of any other British colony the tariff conditions of which are deemed to be favourable to Canada. Under that clause we will admit at once the products of New South Wales and the products of British India; and if the tariffs of any other colonies are or shall be made favourable and satisfactory to Canada, the same benefit may be extended to them. I shall move :

That it is expedient to provide that Schedule "D" to "The Customs Tariff, 1897," shall be repealed on and after the first day of August in the present year, one thousand eight hundred and ninety-eight, and that the following schedule shall be substituted therefor:—

SCHEDULE "D."

BRITISH PREFERENTIAL TARIFF.

On articles the growth, produce or manufacture of the United Kingdom of Great Britain and Ireland, or of any British colony or possession entitled to the benefits of this preferential tariff under section seventeen, the duties mentioned in Schedule "A" shall be reduced as follows:—The reduction shall be one-fourth of the duty mentioned in Schedule "A," and the duty to be levied, collected and paid shall be three-fourths of the duty mentioned in Schedule "A."

Provided, however, that this reduction shall not apply to any of the following articles, and that such articles shall in all cases be subject to the duties mentioned in Schedule "A," viz.:—wines, malt liquors, spirits, spirituous liquors, liquid medicines and articles containing alcohol; tobacco, cigars and cigarettes.

Provided further, that the reduction shall only apply to refined sugar when evidence satisfactory to the Minister of Customs is furnished that such refined sugar has been manufactured wholly from raw sugar produced in the British colonies or possessions.

That is to say, that inasmuch as we would not admit foreign sugar in its raw state under our preferential tariff, we will not admit the refined sugar made from that raw sugar; but if any sugar is refined in countries entitled to the benefit of this preference, from sugar grown not only in the West Indies, but anywhere in the British possessions, that refined sugar shall be admitted into Canada on the terms of the preferential tariff.

CONDITION AND PROSPECTS OF CANADA.

As we look back, Mr. Speaker, on the events of the past year, we have much cause for gratification, and when we turn to the future we find it bright and encouraging. The signs that meet us everywhere in Canada are those of peace, progress and prosperity. The one question which seriously threatened the harmony of our people and the good-will which should prevail between our citizens of different creeds—a question which a few months ago was a burning one and a cause of great anxiety—has been so happily settled that now it is scarcely mentioned. At no time in the history of the Dominion have the people been more united, more harmonious, and more hopeful and confident respecting the future of our country. In the centres of manufactures, trade and commerce, there is an activity which tells of confidence in the present and in the future. The great agricultural interests, which are the foundation of our country's prosperity, are on a better footing than for many years past. Encouraged to produce not only for the home markets but for the markets of the world, our farmers everywhere are applying themselves to their work with intelligence and skill. The ships which have come to our seaports during the past year, are insufficient to carry the increasing volume of commerce, and the shipwrights of the world are busy in constructing new vessels for this trade. Our long delayed canal enlargements are being pressed forward to early completion, and give promise of affording increased facilities for the transportation of the products of the great west to our shipping ports. Railway enterprises east and west are actively assisting in the good work. The fishermen of our Atlantic and Pacific coasts continue to reap the rich harvest of the sea. In all directions we find an extraordinary development of the mineral wealth of the Dominion. The powerful magnet of gold, which is found in several quarters of the Dominion, is doing much to attract capital and population. The new mines in the province of Ontario give promise of great development and profit. In the east, the mines of Nova Scotia, which have been working with considerable success for many years, are to-day giving most satisfactory results, and new discoveries are constantly being

made. In the west, the province of British Columbia is steadily growing in fame as a rich mining country. The northern regions of our Dominion, which were long regarded as of little value, have become sources of boundless wealth. A few years ago, as I sat at the breakfast table in a Paris hotel, I was addressed by a neighbour, of whose nationality there could be no doubt. "Sir," he said, "from what part of our little Republic might you be?" I answered that I was not from his "little Republic" but from the greater one to the north. My friend was puzzled for a moment, and I had to remind him that the greater part of the North American Continent did not belong to his "little Republic," but was under the British flag. "Well, sir," he said triumphantly, "we do not claim to own the ice house." These great northern regions, which my American friend described so contemptuously as "the ice house," are to-day counted among the famous lands of the world. The "Yukon" and "Klondike" are world-wide names, and the land through which these rivers run is attracting to itself many thousands of people from the great centres of civilization. In nearly every department of industry in Canada there is activity and confidence.

We are not foolish enough to claim that all this has been brought about by our policy, although we are well aware that if the results had been the reverse, the blame, justly or unjustly, would have rested upon our shoulders. We are well aware, and we gratefully recognize the fact, that the prosperity that has come to Canada is due to the liberality of a kind Providence in giving us a bountiful harvest. One thing we do claim, and all we claim, as respects our policy, is that so far as legislative measures may help to encourage and strengthen a people, such has been the result of the action we have taken. Against the representations of our opponents we place the record of the past year, and the judgment of the Empire at large. Never was a tariff policy submitted to Parliament, which was received with greater satisfaction by the people of Canada, than that which was announced a year ago. Never in the history of the British colonies was a measure proposed which in so large a degree commanded the interest and received the approval of Great and Greater Britain.

It was hailed with joy by the friends of British Imperial unity in every land. It was commended by Her Majesty in her Speech from the Throne in the Parliament at Westminster. It was the subject of thousands of articles of the most commendatory character, in the British and colonial press. Rudyard Kipling, the poet of the Empire, was quick to feel the wave of sentiment that passed over Great Britain, and within a few hours from the announcement of the tariff, he embalmed the subject in spirited lines which will live in the history of Canada, and which, even if, as some have thought, they may convey inaccurate impressions as to the coldness of our climate, will nevertheless tell to every reader that in 1897 the heart of "Our Lady of the Snows" was full of warmth and devotion to the interests of the Empire. British statesmen, both publicly and privately, expressed their satisfaction with Canada's action. The Colonial Secretary, the Right Hon. Mr. Chamberlain, in an official despatch to His Excellency the Governor General, which I shall place on the Table—a despatch communicating the decision of Her Majesty's Ministers respecting the effect of the Belgian and German treat-

ties—used some words which I may properly quote here :

"I desire," said Mr. Chamberlain, "to add, in conclusion, that the action of the Dominion Government and Parliament in this matter, although, unfortunately, its full effect will be temporarily postponed, has been warmly welcomed and appreciated by Her Majesty's Government and the people of this country, as a measure which cannot fail to result in material benefit to the mother country and to Canada, and to weld together still more firmly the ties which now unite them."

Sir, the policy which Her Majesty's Government so warmly commended, was a policy designed to establish preferential trade between Canada and the mother country. To-day we submit a proposal which enlarges the sphere of that preferential trade. To-day we propose to include within its benefits a large group of British colonies, the affairs of which are at this moment a cause of much anxiety to Her Majesty's Government. Thus step by step the good work goes on. One step remains to be taken, and I believe the day is not far distant when we shall be able to take it—a step which will extend the benefits of the preference, not only to Great Britain and the colonies which we have now included, but to every colony and possession of the Empire.

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