

The duties payable are arranged therefore in Schedule A in three separate columns, viz.: (1) the British preferential tariff; (2) an intermediate tariff (explained below); (3) the general tariff.

As adopted in 1898 the British preferential tariff applied to the United Kingdom and to certain of the colonies, including Bermuda, the British West Indies, British Guiana and to any other British colony or possession whose tariff was as favourable to Canada as was the preferential tariff to such colony or possession. The act of 1907 continues the benefit of the British preferential tariff to those countries and extends it also to British India, Ceylon, the Straits Settlements, New Zealand, the Cape of Good Hope, Natal, Orange River Colony, Transvaal and Southern Rhodesia. Its future application to any other British colony or possession is provided for by vesting powers in the Governor in Council, who may, subject to the provisions of the act, extend the tariff to any such colony or possession, or withdraw it therefrom, by means of an Order in Council.

An important novel feature of the act of 1907 is the introduction of an intermediate tariff, which in amount is as a rule lower than the general tariff but higher than the British preferential tariff. The intermediate tariff is not applied by the act to any particular country; but provision is made for its extension, either in whole or in part, by Order in Council and in consideration of benefits satisfactory to the Governor in Council, to any British or foreign country the produce or manufactures of which have previously been subject to the general tariff. Power is also given for the withdrawal of the intermediate tariff by the same method of procedure.

As stated by the Minister of Finance when proposing the Customs resolutions in the House of Commons, the intermediate tariff is intended as an instrument of negotiation which may be used from time to time in treating for an agreement with other countries that may be willing to grant favourable conditions to Canada and afford new and larger markets for Canadian products. Its application is governed to a certain extent by the existence of treaties between the United Kingdom and other Powers containing most favoured nation clauses. These must be taken into consideration in connection with any new fiscal arrangements of which the Canadian intermediate tariff may form part.

For the avoidance of inconvenient fractions the duties are stated in multiples of a unit of $2\frac{1}{2}$ per cent. In some cases where the duties have been adjusted in accordance with this unit, the British preferential tariff is either slightly higher or slightly lower; but on the whole the effect is to leave the British preference more rather than less favourable to British exporters than it was before.

Certain articles which formerly were admitted free if used for a particular purpose, but which lend themselves to evasion of

Duties to be levied under three tariffs.

Application of British preferential tariff.

Intermediate tariff.

An instrument of negotiation.

Duties adjusted in units of $2\frac{1}{2}$ per cent.

Drawbacks on proof of com-