

For the first half century of British rule, Canadian commerce was carried on almost exclusively with or through the United Kingdom, the merchants of New England complaining, after the American Revolution, of being shut out from the Canadian trade. The geographical juxtaposition of the United States to British North America was, however, a factor which could not permanently be ignored. Smuggling became more and more prevalent as the process of settlement extended westward along the international boundary. In 1822 Great Britain made considerable trading concessions to United States traders. In 1846 she abolished the preferential treatment which she had given to Canadian wheat, and by 1860 all vestige of preference to colonial products had disappeared from the British tariff. As a consequence the colonies, which, like Canada, were by this time enjoying responsible government, could not any longer be refused the right to control their own commercial policy—a fact which was emphasized in an important report prepared in 1859 by the Minister of Finance, Sir A. T. Galt, and forwarded to the British Government. This report declared that the responsibility of the Canadian Government must be to the Canadian people, more especially in matters of taxation, (the greater part of the revenue being raised by customs duties), and that the Canadian Government must affirm the right of the Canadian Parliament to adjust the taxation of the people in the way it deemed best, even if this should happen to meet with the disapproval of the British Ministry. This doctrine remained unchallenged by the British Government, and coming at a time when all important parties in Great Britain had accepted free trade as a *fait accompli*, it facilitated the setting up of a protective tariff in Canada, designed to secure the establishment in Canada of manufacturing industries at a time when British opinion desired that the colonies should concentrate their attention on the production of food and raw materials, importing from Great Britain the manufactured commodities which they required.

The immediate effect of Confederation was to abolish the tariff barriers which existed between the provinces entering the Dominion. As the area of Canada increased until, except for Newfoundland and Labrador, it became coterminous with British North America, the area of internal free trade was thereby extended, while protection against outside competition was maintained. The tariff was the same against all countries, British or non-British, until April, 1897 when Canada adopted what was called a "reciprocal" tariff, one-eighth lower than the general. This "reciprocal" tariff was at once applied to the United Kingdom and afterwards to New South Wales and to British India, while Belgium and Germany, in virtue of their trade treaties with Great Britain, were also admitted to the benefits of the "reciprocal" tariff, together with Argentina, Austria-Hungary, Bolivia, Colombia, Denmark, Persia, Russia, Sweden, Switzerland, Tunis and Venezuela, on account of most-favoured-nation treaties between these countries and Great Britain, and France and her colonies in consequence of the Franco-Canadian treaty of 1893. A little later the "reciprocal" tariff was extended to the Netherlands, Japan, Siberia, Morocco, Salvador, South African Republic, Tonga, and Spain, also under most-favoured-nation treaties between these countries and the United Kingdom.

The numerous concessions mentioned above were, however, of a merely temporary character, ceasing to exist in 1898 as a consequence of the denunciation by Great Britain of her most-favoured-nation treaties with Germany and Belgium. This left Canada free to confine her lower tariff rates to the United Kingdom and to sister Dominions and colonies. A British preferential tariff, consisting at first of a remission of 25 p.c. of the duty ordinarily paid (Aug. 1, 1898), and later of a remission of 33½ p.c. of the ordinary rate of duty (July 1, 1900) was established. This method