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James A. Colvin

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SIR WILFRID LAURIER AND THE BRITISH PREFERENTIAL TARIFF SYSTEM

JAMES A. COLVIN

WHEN IN April, 1897, the Laurier Government announced its intention to give a tariff preference to goods imported into Canada from the United Kingdom, the London *Times* recorded that "Conservatives and Liberals alike have hardly yet recovered from the astonishment with which the new tariff has affected them."¹ Astonishment was certainly the word for it, for the new tariff was completely at odds with the commercial policy which the Liberals had been advocating zealously throughout the previous decade. In the years preceding their sudden reversal of 1897 Liberal spokesmen had called for intimacy with the United States in terms of commercial union or unrestricted reciprocity; and it was in fact but six years earlier that the party had met political defeat in pursuit of that very course.

For their pains the Liberals thus paid dearly. Imperial sentiment was a formidable factor in political affairs at the time and Canadians of the day regarded intimacy with the United States as the very antithesis of that with the United Kingdom. These facts Sir John Macdonald knew and exploited. Affirming his determination to die a British subject, Macdonald burdened the Liberals with the charge of disloyalty sufficiently to win the election of 1891 and to impress upon his opponents the need for a modified policy. Modification of Liberal opinion came slowly, but come it did; and in subsequent years steps were taken to accommodate and win support from those electors who had hitherto favoured the British leanings of the Conservatives. Eventually came the unheralded British Preference and in part on that account a Liberal heyday. Then in 1911 the opportunity for reciprocity with the United States again prevailed, and the Liberals prepared to return to their first love. But again the Canadian electorate intervened and as in 1891 the Liberals went down to defeat.

Thus between their two unsuccessful campaigns for reciprocity with the United States, the Liberals in 1897 sandwiched a tariff preference for the United Kingdom; and with Joseph Chamberlain at the Colonial Office to give their venture the support it appeared to solicit, they inadvertently inaugurated a new era in the history of imperial commerce.

Before he became leader of the Liberal Party in 1887 Wilfred Laurier had gone on record at one stage or another in favour of both protection and free trade, but he had never actually figured prominently in the trade question, and this perhaps accounts for the fact that he has since been regarded by some students as a free trader and by others as a protectionist. But whatever his attitude toward the basic principles, following his election as Liberal leader, he swung rapidly in favour of "some kind of reciprocity with the United States."² He

¹ *The Times*, April 24, 1897. For a more detailed analysis of Laurier's trade policies, see the author's unpublished Ph.D. thesis, *Sir Wilfrid Laurier and the Imperial Problem, 1896-1906*, University of London, 1954.

² Sir Wilfrid Laurier Papers, Public Archives of Canada, undated letters to members of the Liberal Party, 1887.

was not yet prepared to say so publicly, but to his colleagues he wrote stressing that while "the idea is still uncertain", commercial union "is the most advantageous that the people of Canada could look to."³ The crucial question, however, was "whether if commercial union is to be made an article of our programme it would be advisable to do so at once, or to wait for some future occasion."⁴

Before a year had passed the party leaders had made up their minds. The policy of unrestricted reciprocity with the United States was adopted at a party caucus on March 14, 1888, and from this time on Laurier, Cartwright, and John Charlton were particularly active in educating the country to its virtues.⁵ In 1891 Laurier fought his first election as Liberal leader on a platform of unrestricted reciprocity. But his effort was unsuccessful, and because of the annexationist implications associated with the proposition prominent Liberals were now writing to him "suggesting that the party quietly drop its policy."⁶ Still Laurier pressed on, though in doing so he appears to have been one of the more insistent of a small minority.

Following the elections of 1891 Laurier made two trips to the United States to discuss trade relations. In a speech at Boston in November he outlined his aims which he based upon the possible separation of Canada from the Mother Country. "The first article in the programme of the Liberal party", he said,

is to establish absolute reciprocal freedom of trade between Canada and the United States for all the products of the two countries whether natural or manufactured. Our object is . . . to offer to the United States the free entrance to our territory of all American products, provided the United States extend the same privileges to the products of Canada.⁷

At the same time Laurier took the opportunity of discounting the proposal for "an Imperial Trade League whereby England and her possessions would be united to trade together to the exclusion of the rest of the world."

Clearly then, Laurier's objectives had not changed since the March elections, notwithstanding the unhappy results. But the Liberals were not insensible to the political force of the country's imperial sentiment, and at their convention in Ottawa in 1893 they suggested that the benefits of reciprocity with the United States would be confined not merely to Canada but "that the interests alike of the Dominion and the Empire would be materially advanced by the establishment of such relations."⁸

Meanwhile John Charlton was posted to Washington "to watch proceedings in reference to the tariff changes" and to keep tab on what

³ *Ibid.*

⁴ *Ibid.* This point was also raised in another letter dated July 14th.

⁵ Sir John Willison, *Sir Wilfrid Laurier, The Makers of Canada*, (Toronto, 1926), IX, ii, 147-50.

⁶ See Underhill, F. H., "Laurier and Blake, 1882-1891", *Canadian Historical Review*, December, 1939, 403-4.

⁷ *The Globe*, November 27, 1891, p. 5.

⁸ *Official Report of the Liberal Convention, 1893*, Ottawa, p. 81.

the Conservatives were doing.⁹ In Parliament the latter were the subject of a full-scale attack for their failure to establish reciprocity, which in the main their opponents attributed to the Government's protective instincts and false sense of loyalty. On the last point Laurier made it clear that he himself suffered no inhibitions. "I am ready any day," he said, "whether I am charged with annexation or not, to take a Yankee dollar in preference to an English shilling;"¹⁰ while to a Boston audience he declared his willingness, if the need arose, to be hostile to Britain.¹¹

So inclined, the Liberals prepared for the 1896 elections by issuing a pamphlet in which they stressed the importance of free trade, reciprocity, and the United States;¹² and two months before the elections Edward Farrer was able to inform a United States Tariff Commission that the Liberals' reciprocity plank of 1893 was still "their platform today".¹³

Events were about at this stage when the Conservatives under Tupper began to reassert the virtues of imperial preference, and the Liberals showed concern.¹⁴ John Willison advised Laurier to soft-pedal reciprocity;¹⁵ while Mowat wrote, urging him before it was too late to make a public statement on tariff which would appeal to wavering Conservatives.¹⁶ Laurier heeded counsel and changed his tack to catch some of the prevailing breeze. In a speech at London, Ontario, he reviewed the question in a way which suggested that the Liberals far more than the Conservatives had their minds on imperial preference, and *The Globe* spread the good word throughout Ontario the next day.¹⁷

Shortly after the elections, however, the party's thoughts turned again to reciprocity. In September, Cartwright, in Washington to discuss issues arising out of the Venezuela boundary dispute, sounded Joseph Chamberlain on the possibility of Canada throwing in her commercial lot with the United States;¹⁸ while shortly afterwards Laurier was looking for a favourable opportunity to go to Washington himself. The Republic was just then settling down after a presidential election, however, and John Charlton advised the Prime Minister to bide his time.¹⁹ Accordingly, Laurier waited, but he entrusted the task to Charlton and Edward Farrer; and subsequently he, Cartwright,

⁹ Curnoe, L. J., *John Charlton and Canadian-American Relations*, unpublished M.A. thesis, University of Toronto, 1939, p. 88.

¹⁰ Canada, Parliament, House of Commons, *Debates*, 1892, I, 1144.

¹¹ See *ibid.*, 1894, I, 1859.

¹² See *Platform of the Liberal Party of Canada*, 1895, pp. 11, 55, 61-3. Also see *Federal Elections, 1895, the Issues of the Campaign*, pp. 21, 58-62.

¹³ April 16, 1896. See United States Congress. H. R. *Report of the Committee on Ways and Means concerning Reciprocity and Commercial Treaties*, 1896, p. 69.

¹⁴ See Sir Charles Tupper, *Recollections of Sixty Years in Canada*, (Toronto, 1914), p. 254.

¹⁵ Sir John Willison, *Reminiscences, Political and Personal*, (Toronto, 1919), p. 296.

¹⁶ Laurier Papers, May 22, 1896.

¹⁷ *The Globe*, June 4, 1896, p. 4.

¹⁸ J. L. Garvin, *The Life of Joseph Chamberlain*, (3 v., London, 1932-1934), III, 184.

¹⁹ See Laurier Papers, Charlton to Laurier, December 15, 1896.

and Sir Louis Davies also paid their respects to the new American administration.

But in all their attempts the Liberals were unsuccessful, and to make matters worse the Dingley Bill was now clearly on the horizon and their own budget day forthcoming. Although Laurier had Farrer at Washington to advise him of any change on the part of the Republicans, the Liberals were becoming convinced "that no proposals looking towards a . . . reciprocity treaty . . . would be entertained",²⁰ and they began to ponder a change of strategy. As the Americans had no ear for the suppliant, the Liberals elected to take a firmer stand and on the off chance that the Republicans might be susceptible to their own tactics, they prepared to give tit for tat.

"I am strongly impressed with the view that our relations with our neighbours should be friendly," Laurier wrote to Charlton, "at the same time I am equally strong in the opinion that we may have to take the American tariff . . . and make it the Canadian Tariff."²¹

Macdonald had suggested reprisal as the key to reciprocity two decades earlier,²² and it was precisely in this direction that the Liberals were now inclining. The party leaders were well aware that sections 3 and 4 of the Dingley Bill, confining though they were, still offered a degree of scope for reciprocity; though whether or not the Republicans would agree to negotiate even within these limits was of course another thing.²³ In any event it was under just such ominous circumstances that William Fielding rose in the House of Commons on April 22 to deliver the budget and amend the tariff. To the despair of the party's free traders, the proposed tariff was much like that of the Conservatives. It was to remain protective and to retain the standing offer of reciprocity written into it by the Conservatives in 1879.²⁴ But here the similarity ended, for the Conservative offer of reciprocity had been directed simply toward the United States. The Liberals now made it to "all the world." More extenuating than the offer itself, however, was the interpretation placed upon it. Singularly qualified for the preference inherent in the new tariff clause, said Fielding, was not the United States, but the United Kingdom.

The implied departure from the party's traditional policy was more apparent than real. In his budget speech Fielding admitted that a treaty with the United States was still the party's intent.²⁵ But until the Americans were prepared to negotiate the best that the Liberals could do was adjust the tariff Act in a way that would render it readily adaptable to any change on the part of the Republicans. This the offer of reciprocal preference did to perfection, since the qualification for the preference was simply reciprocal treatment. At the same time, by conferring the preference upon Great Britain while applying the general tariff to the United States, the Canadian Govern-

²⁰ See J. M. V. Foster, "Reciprocity and the Joint High Commission of 1898-1899," *Report of the Canadian Historical Association*, 1939, p. 88.

²¹ Laurier Papers, January 18, 1897.

²² Canada, Parliament, House of Commons, *Debates*, 1878, p. 862.

²³ See *United States Statutes at Large*, 1897-9, v. 30, Sec. 3, 4.

²⁴ Statutes of Canada, 1879, 42 Victoria, C. 15, Sec. 6.

²⁵ Canada, Parliament, House of Commons, *Debates*, 1897, I, 1134, 1254-5.

ment was actually exerting pressure on the Americans to comply with the terms of its latest offer.

In the comedy of errors which now was about to transpire the Mother Country was thus intended to play a major role. She was selected by the government of her senior dominion as the trade correspondent necessary to allow its new tariff scheme to function, since by the very terms of the tariff there had to be some one with whom to reciprocate; she was used to impress upon the Americans should they remain obdurate that Canada could project her trade in other directions; and more extenuating than either of these, her nomination by the Canadian Government as the recipient of the preference was a titbit to satisfy the Dominion's imperial sentiment and demands for a pro-British tariff.²⁶

Doubtful of the American market, the Liberal board of strategy simply deduced that Great Britain by her unique policy of free trade had met the prescribed terms of the new tariff and thereupon made her the recipient of the preference.²⁷ The illogical conclusion that the Mother Country was so entitled was of course fraught with dangerous implications on account of Great Britain's numerous agreements with other countries. But this the Liberals elected to ride over roughshod. England neither sought nor qualified for the dubious advantage imposed upon her and Canada acquired no advantage in return. Her products entered the United Kingdom as before — in open competition and on the basis of free trade.

In spite of such anomalies the concession to the Mother Country ascribed to the Fielding tariff a quasi-imperialist air not easily discounted; for the renascent imperialism of the time, along with the emphasis which was sometimes ignorantly and sometimes wilfully placed upon the British advantage implied in the tariff, denied the facts. By their unilateral action in making a free and unsolicited grant to the Mother Country, the Canadian Liberals appeared to have taken a deliberate step toward the founding of a new imperial economic order. But meanwhile from behind the scenes at Washington, a despairing Charlton wrote to Laurier,

I have decided to take pretty high ground before the Subcommittee tonight for if the policy that has been entered upon at Washington is continued, we may just as well tell the Yankee to go to Hades and we will go to England.²⁸

Two months after the introduction of the Fielding tariff Laurier was in London to attend the first of Joseph Chamberlain's Colonial Conferences. To all but the most cynical, both in Canada and England, the tariff and the conference appeared to be expressions of a common purpose. Laurier was the hero of the hour. But as the Conference approached the Canadian Premier saw that the preferential tariff might serve another purpose. For some years the Liberals had sought to free Canada from the all-embracing commercial treaties which the United Kingdom had negotiated with foreign countries on

²⁶ See Laurier Papers, Willison to Laurier, April 12, 1897.

²⁷ Canada, Parliament, House of Commons, *Debates*, 1897, I, 2985.

²⁸ Laurier Papers, April 30, 1897.

behalf of the Empire at large. As a step toward Canadian commercial freedom Blake had called for the denunciation of such treaties in 1882²⁹ with Laurier and Cartwright supporting him, and Laurier had since done so repeatedly.³⁰

The essential feature of these "most favoured nation" or "parity of treatment" treaties was a clause precluding preferential tariff treatment for any third country on the part of either of the contracting parties. But even more crippling were the clauses written into Great Britain's agreements with Belgium (1862) and Germany (1865) which actually went the length of preventing differential treatment by British colonies on behalf of the Mother Country; and it was by virtue of this fact that George E. Foster's proposals for intra-imperial trade had foundered at the Ottawa Conference of 1894.³¹

The recent grant of preference to the Mother Country was in violation of the Belgian and German treaties, but from London the Canadian Premier had already received word that the time for contesting them was opportune. Sir Howard Vincent, the secretary of the United Empire Trade League, had written enthusiastically to assure him

that if Germany and Belgium set up their treaties . . . against your proposals, no pains shall be spared to bring about their immediate denunciation.³²

So primed, and conscious of Chamberlain's determination to effect imperial unity whatever the means, Laurier attended the Conference as the sponsor of imperial commercial unity, to which he represented the Belgian and German treaties as impediments. Impressed with Laurier's stand and the suggestion that he was encouraging the other colonial premiers to follow Canada's lead, Chamberlain took up the cause. At the conclusion of the conference Belgium and Germany were informed that Her Majesty's Government desired to terminate the commercial treaties to which they were party at the end of July, 1898; after which date all British colonies would be free to give a tariff preference to the Mother Country, should they so desire.

Regarding the United States and other countries, however, the Canadian preferential tariff system was still not out of the woods, for the Law Officers of the Crown after studying the question and hearing the Canadian point of view, decreed that whatever befell the Belgian and German treaties, so long as there existed valid, most favoured nation, treaties, the Dominion could not grant an independent preference to any third country. This ruling had the two-fold effect of precluding the United States from any immediate preference and conversely of limiting the Canadian preference to Great Britain and her possessions. And in the final analysis it left the Canadian Government with no alternative but to do the latter or rescind the Fielding tariff altogether.

²⁹ Canada, Parliament, House of Commons, *Debates*, 1882, p. 1075.

³⁰ *Ibid.*, 1889, I, 172-93; 1891, III, 6351; 1892, I, 1143.

³¹ *Report of the Colonial Conference*, 1894, C. 7553, p. 5.

³² Laurier Papers, April 28, 1897.

Advised of the Law Officers' decision while he was still in England, Laurier informed Chamberlain that under the circumstances Canada would alter its tariff "so as to confine its operation to the United Kingdom and British possessions."³³ This decision was aligned with the Mother Country's termination of the Belgian and German treaties; and on August 1, 1898, the very day that termination took effect the Canadian preferential tariff entered the second stage of its metamorphosis. On August 1, 1898, the Canadian tariff changed from *reciprocal* to *British preference*.

To outward appearances Laurier and Chamberlain were working hand in glove. But from Ottawa, Cartwright, Charlton and Davies continued to visit Washington, and shortly after his return from the Conference Laurier was himself at the American capital to see what could be done about reciprocity. During the next two years the visits continued, and Cartwright, Charlton and Davies were nominated as Canadian representatives on the reciprocity committee of the Joint High Commission which met during the winter of 1898-9.

It was about this time that Canadian public opinion showed a renewed hardening against proposals for reciprocity with the United States, a point on which Laurier received all too frequent reminders from his colleagues in Canada. Disgruntled but not dissuaded, he wrote to John Willison from Washington:

If anything could discourage me it would be the attitude now maintained by our friends in Ontario, who instead of supporting us are preparing the ground for the attacks of the Tories against us We have held up the idea . . . that we should have more friendly relations with our neighbours and now that we are engaged in the task our friends urge us not to go any further There is a feeling . . . that I could make myself a hero by . . . breaking off . . . negotiations . . . and coming back to Canada But when a commercial warfare would be raging . . . what then . . . ? I think on this occasion again I shall act on my own judgment . . . and I will depend on you to defend me.³⁴

Once again the Canadian delegation made little headway against the American protectionists, and at the conclusion of the meetings Laurier declared to Willison that he would "never again . . . meet our American friends in conference until I should have in advance, and in writing, a certainty of the concessions which we should make."³⁵ But in the autumn the Prime Minister again found occasion to travel south of the border and he took advantage of the opportunity to tell members of the Chicago Board of Trade that if his efforts to extend Canadian-American trade relations succeeded it would mark the crowning success of his life.³⁶

It was during his absence from Canada on this occasion that the South African War began. Involved in spite of itself, the government saw fit to increase the incidence of the British tariff preference from twenty-five to thirty-three and one-third per cent; and in the subsequent Speech from the Throne Canadian participation in the war

³³ C.O. 42, 850, July 15, 1897.

³⁴ Sir John Willison Papers, Public Archives of Canada, January 7, 1899.

³⁵ *Ibid.*, February 23, 1899.

³⁶ See *The Globe*, October 11, 1897.

and the increased preference were carefully reviewed as evidence of the Government's staunch imperial sentiment.

Meanwhile the preference remained unilateral although Conservative critics complained that it should have been mutual; not only to win advantages for Canada over foreign competition in the British market, but also to make the project more unifying. This proposal the Liberals had easily countered with the argument that the divergent trade policies of the two countries rendered such an undertaking impractical. So it was that, much as he would have liked to have obtained a preference for Canada in the markets of the United Kingdom, Laurier had declared after the Conference of 1897 that there was no likelihood of its being accomplished.³⁷ Having renounced their former allegiance to free trade for practical purposes, the Liberals were thus on solid ground; and there seemed every reason to believe as Fielding had asserted that there was no probability "in the immediate or early future" of the British people adopting preferential trade on the basis of protection.³⁸

Then the bombshell burst. To help defray the costs of the war in South Africa Sir Michael Hicks Beach reimposed the old registration duty on corn imported into Great Britain and in doing so he cut deeply into Laurier's argument for a unilateral preference. Rumours that the Mother Country might put a tax on foodstuffs had reached Canada toward the end of 1901, and had immediately evoked from a number of municipal Boards of Trade demands that in such an event the Dominion Government should take steps to secure preferential treatment for Canadian produce. In the weeks that followed the Prime Minister's office was deluged with letters of a similar tone. Members of the Liberal Party spoke for preference. Commercial bodies and imperialists did likewise; while on the other hand no formidable group appeared to oppose it. The mood of the other self-governing colonies was reputed to be similar to that of Canada, and Sir Charles Tupper declared that under the circumstances "it only remained for Sir Wilfrid Laurier to press the matter to an issue."³⁹

The day after Beech's budget speech Robert Borden asked where the Government stood with regard to the new tax. Fielding answered that the Government was still intent on preference but was at the same time reluctant to force the hand of the Mother Country; and he suggested that a tax which was nothing less than a consequence of the war in South Africa should not be looked upon in the same light as if it had been imposed in time of peace.⁴⁰ Meanwhile Laurier cabled Lord Strathcona to ascertain the feelings of Beech and Chamberlain regarding preferential treatment for Canadian wheat and flour.⁴¹ But while the new duties were drawing the fire of doubting free traders in England, government policy in Canada remained vague and ill-defined. Laurier's replies to Borden's questions drew from one of the latter's followers the caustic complaint that

³⁷ *Ibid.*, October 7, 1897

³⁸ Canada, Parliament, House of Commons, *Debates*, 1898, I, 3139.

³⁹ See *Canadian Annual Review*, 1902, 133.

⁴⁰ See Canada, Parliament, House of Commons, *Debates*, 1902, I, 2739-53.

⁴¹ Laurier Papers, April 15, 1902.

We have listened as usual with delight to the eloquent words of the leader of the Government and I defy any honourable gentleman to stand . . . and say what is the policy that the Government intend to carry out when they go to England.⁴²

Meanwhile Laurier's problem was being partially solved by the assurances emanating from the British Government that the corn tax was entirely disassociated from either imperial trade or protection. Accordingly, when eventually Borden drove Laurier to say that he would seek a preference for Canadian wheat, the fat, in London, was in the fire.

Referring to the Canadian debate, Campbell-Bannerman asked the Government at Westminster whether the duties were the foundation of a new imperial policy.⁴³ Although Balfour assured the House to the contrary the Opposition remained doubtful. They argued that the principle of protection was inherent in the tax, and that consequently Canada could no longer be assuaged with the claim that Great Britain's fiscal policy precluded preferential treatment for the colonies. So events progressed until mid-June when Hicks Beech disclaimed altogether any association between the new tax, the colonies, or Sir Wilfrid Laurier's attendance at the pending Colonial Conference.⁴⁴

Beech's speech enabled Laurier to press for preference without running the risk of obtaining it, and he arrived in England to receive from his Secretary of State, Sir Richard Scott, a quasi-congratulatory reference to the speech.

Beech has made your line of action re preferential trade easy. He seems to have given Chamberlain the snub. I always felt that the latter could not carry his views . . . so that question has its quietus, though *The Mail* still harps on it and hopes you will put Sir M. H. Beech right.⁴⁵

The Canadian Premier had arrived in London about the middle of June, and immediately applied himself to a study of the trade question. He discussed it both with members of the Government and of the Liberal Opposition,⁴⁶ and he knew how intense was the feeling against protection and especially against the use of the corn duties as a medium of preferential treatment for the colonies.⁴⁷ Colonel G. T. Denison who had just completed a lecture tour of the Mother Country urging the adoption of mutual preference has recorded that,

When Sir Wilfrid Laurier came over just before the Conference, knowing that I had been discussing the subject for two months, he asked me if I thought the proposition I had been advocating could be proposed at the Conference with any prospect of success. I replied that I did not think it could, that Great Britain was not ready for it, that Australia at the time was engaged in such a struggle over her revenue tariff that she could not act, and that if I was in his place I should not attempt it.⁴⁸

⁴² Canada, Parliament, House of Commons, *Debates*, 1902, II, 4732.

⁴³ *British Parliamentary Debates, House of Commons*, 1902, VIII, 151-4.

⁴⁴ See *ibid.*, IX, 167.

⁴⁵ Laurier Papers, June 26, 1902.

⁴⁶ See Viscount Simon, *Retrospect, The Memoirs of the Rt. Hon. Viscount Simon*, (London, 1952), pp. 66-7; Hewins, W. A. S., *The Apologia of an Imperialist*, (2 v., London, 1929), I, 119.

⁴⁷ See *ibid.*

⁴⁸ Colonel G. T. Denison, *The Struggle for Imperial Unity*, (London and Toronto, 1909), p. 341.

The Conference proper began on June 30 and was just nicely started, when the King underwent an appendectomy and Chamberlain suffered a cab accident. It was thus not until July the 18th that commercial relations were discussed. In the meantime Laurier, who had been joined by four members of his Cabinet, continued to take soundings; and when the Conference resumed the Canadian Premier, reversing his stand of 1897, pressed strongly for a colonial preference in the markets of the Mother Country.

The request of the Canadian Ministers . . . for reciprocal preference marked, therefore, a distinct change in the policy of the Liberal Party with reference to the preferential duty.⁴⁹

Chamberlain was now in a difficult position. His hopes for imperial military and political unity had already suffered setbacks, and commerce seemed the only way. But from the Canadians came threats that unless reciprocation for the preference already accorded the Mother Country was soon forthcoming, the Canadian grant might be repealed; from the free traders of England came opposition to any proposal entailing in particular a tax on food. And when in 1903 C. T. Ritchie prevailed upon the British Cabinet to repeal the corn duties rather than grant Canada a preference, Chamberlain had lost his medium of exchange.

For the Colonial Secretary the situation was now worse than before. His imperial policy was in direct conflict with his country's fiscal policy, and to meet the Canadian demands he would now have to establish duties on which to base a preference for the Dominion. This was out and out protectionism, and Chamberlain knew it. Rather than abandon the fruits of his labours at the Colonial Office, however, he determined to make the try. In September, 1903, he resigned from the Cabinet and shortly after he launched his campaign for tariff reform.

Chamberlain's decision to resign and campaign for tariff reform was made on the understanding that he would have the co-operation of the Canadian ministers in establishing a comprehensive system of mutual preferences. But it is now apparent that the Canadian ultimatum which prompted his action was served not so much to win preference from the United Kingdom as to provide an escape from further entanglement in the system of imperial commerce which they themselves had accidentally inaugurated in 1897. Instead of co-operating as Chamberlain expected them to, the Canadian ministers stood aloof from the tariff reform movement, once it was underway.

In 1905 Chamberlain actually sent a representative to consult with Laurier and Fielding with a view to presenting the British electorate with an outline of what additional preferential treatment the Dominion would give the Mother Country in return for any preference accorded Canada. But Laurier and Fielding were non-committal. They proffered no proposals, except to repeat that they might withdraw the original preference; and they were specific on but one point — there must be a preference for Canadian wheat.

⁴⁹ *Colonial Tariff Policies*. Report of the United States Tariff Commission of 1922, p. 671.

Under the circumstances Chamberlain prepared to walk the last mile alone. He had reached no understanding with the Canadians as Taft was able to do in 1911. He had no attractive alternatives to put before his country men; and he had, in fact, to admit that the adoption of mutual preference would entail a duty on grain. The British elections on January 12 and 13, 1906, resulted in the most crushing defeat of the Conservative Party since the days of the first Reform Bill. The dangerous implications of imperial integration inherent in the preferential scheme had been removed by the votes of the British electors, and the Canadian Government could now back out of the system, at leisure. Under the circumstances Laurier and Fielding regained the grace and composure that had been theirs in 1897.

Three weeks after the elections, Laurier wrote to the secretary of Chamberlain's Tariff Reform League, "We are now . . . preparing . . . our tariff. I may tell you, as indeed you probably know, that we have no intention of discontinuing the British preference."⁵⁰ In November, Fielding presented his eleventh budget. Since the elections in the United Kingdom he too felt more kindly toward the Mother Country. "We adhere to the principle of British preference," he said, "because . . . we believe it has been a good thing for Canada . . . It has given Canada prominence in the eyes of the empire and all over the world."⁵¹

In England the free trading Liberals had come into power to bang, bolt, and bar the door against the principle of tariffs for imperial preference; and in Canada the Liberals, exonerated by their own superficial request for preference and the action of the British voters, were free to cast about in other directions for preferred trade correspondents. As far as the Laurier Government was concerned, British preference had run its course. The original purpose of the project had not been realized, for the American market still lay behind a protective wall. But Canada had been liberated from two of the more confining of Britain's imperial commercial treaties, and pro-British votes had been won into the bargain. The way to Washington was still not open, of course, but if and when it should be, the Government was excellently placed to say that it had done its best for imperial trade, and that the rejection of the plan was of British doing.*

⁵⁰ Laurier Papers, Laurier to W. A. S. Hewins, February 7, 1906.

⁵¹ Canada, Parliament, House of Commons, *Debates*, 1906-7, I, 289-90.

* A brief report of the discussion which followed the reading of this, and the following pages, appears on page 32.—*Editor*.