

## 2. The Trouble With Trade

The British North American colonies enjoyed a special position, called a preference, in trading with Britain. Under the **Corn Laws**, Britain allowed wheat and flour from the colonies to enter Britain with a very low tax. On the other hand, Americans who sent their wheat and flour to Britain had to pay a much higher tax.

Suddenly, in 1846, Britain announced that it was putting an end to the trade preference. There would be **free trade**. Britain would allow goods from any country into its markets without a tax. Canadians had invested a great deal of money in trade with Britain. They had built a canal system and flour mills to grind American wheat so that it could reach British

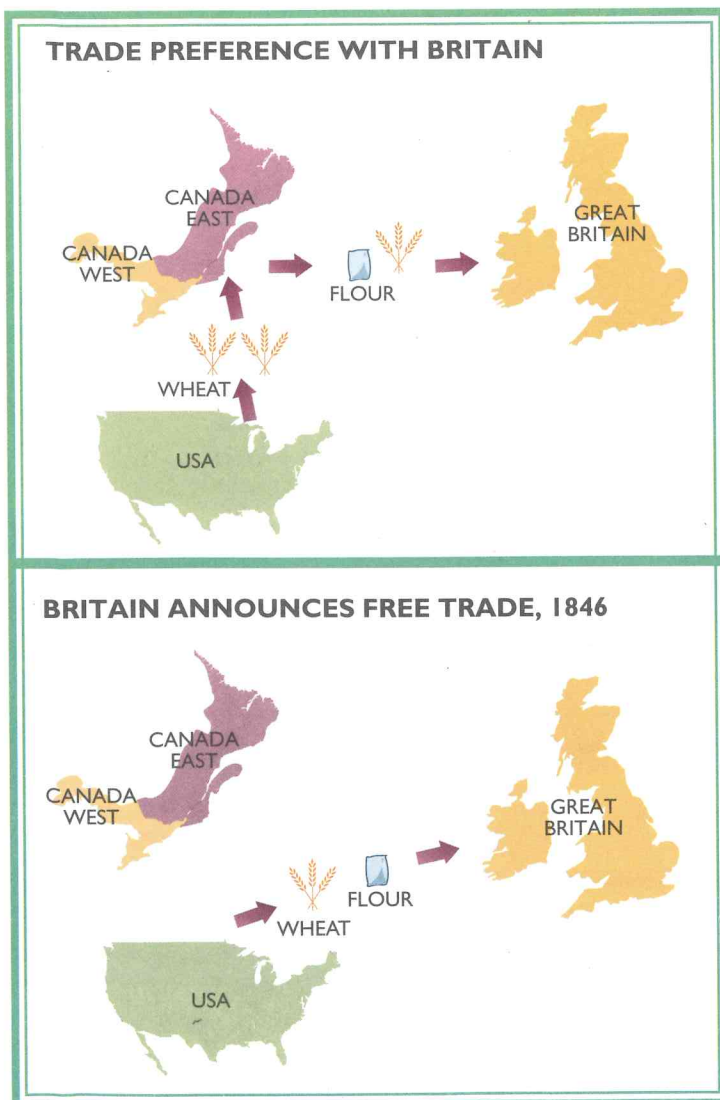
markets at the preferred rate. Now they found themselves in financial trouble. Some angry Montréal merchants felt they would be better off breaking away from Britain and joining the United States.

Britain's new free trade policy caused serious problems for the economy of the British North American colonies. The colonies would have to find new trading partners. The most obvious choice was their rapidly expanding neighbour to the south, the United States.

### *Reciprocity with the US*

In 1854, the British North American colonies signed a reciprocity agreement with the United States. **Reciprocity** is an agreement to allow trade in certain goods between countries without **tariffs** (taxes). The British North American colonies sent fish, timber, grain, and cattle to US markets. American coal and pork were sent north. Reciprocity did not include manufactured goods. The treaty was for a ten-year trial period. After that, either side could break the bargain.

With the trade preference from Britain, the British North American colonies were doing a booming business. Thousands of bushels of grain were shipped from Canadian ports to Britain every year. Canadians could also import American wheat, grind it into flour, and ship the flour to England at the preferred rate. But when Britain introduced free trade in 1846, Americans could ship their own goods directly to Britain at lower cost.



### Cost of shipping one tonne of wheat to Liverpool in 1849

From Chicago by way of Montréal	\$13.75
From Chicago by way of New York	\$10.50