I will deal, in the first place, with the point raised as to the obligation of the Australian Colonies to conform to the seventh article of the Zollverein Treaty.

Her Majesty's Government apprehend that the constitutional right of the Queen to conclude treaties binding all parts of the Empire cannot be questioned; subject to the discretion of the Parliament of the United Kingdom or of the Colonial Parliaments, as the case may be, to pass any laws which may be required to bring such treaties into operation.

But no Acts of the Australian Legislatures could be necessary to give validity to a stipulation against differential duties, inasmuch as, by the Australian Colonies Government Act, 13 and 14 Vict. cap. 59, section 27, it is provided that "no new "duty shall be imposed upon the importation into any of the said Colonies of any "article the produce and manufacture of, or imported from, any particular "country or place which shall not be equally imposed on the importation into the "same Colony of the like article, &c., from all other countries and places what-"soever." And the Constitution Acts of New South Wales, Victoria, and Queensland contain like provisions. Moreover, the Australian Colonies Government Act and the New Zealand Constitution Act prohibit the Colonial Legislatures from levying any duty, imposing any prohibition or restriction, or granting any exemption or privilege, upon the importation or exportation of any articles, contrary to or at variance with any treaty concluded by Her Majesty with any Foreign Power.

If, therefore, article seven of the Zollverein Treaty were construed to prevent the Australian Colonies from imposing higher duties upon goods imported from the Zollverein than upon goods imported from each other, it is manifest that Her Majesty would not have exceeded her constitutional powers in agreeing to such a stipulation, and that the Colonies could not refuse to consider themselves bound by it without repudiating the treaty.

Her Majesty's Government, after a further careful examination of the Zollverein Treaty, remain of opinion that the strict literal interpretation of the seventh article of that treaty does not preclude the imposition of differential duties in one British Colony or Possession in favour of the produce of another British Colony or Possession; but they must, at the same time, point out that it could hardly have been intended that, by reciprocal arrangements between Colonies, perhaps far distant from each other, the produce of the Zollverein should be placed at a disadvantage as compared with Colonial produce, whilst Colonial produce should enjoy, in the ports of the Zollverein, all the privileges of the most favoured nation.

No doubt the negotiators of this treaty thought that they had obtained sufficient security for the Zollverein, as regards the intercolonial trade, by the provision that "in the Colonies and Possessions of Her Majesty, the produce of "the States of the Zollverein should not be subject to any higher or other "import duties than the produce of the United Kingdom;" but if the Colonies are to be at liberty to impose differential duties as against British produce, it is obvious that this security altogether disappears.

Apart, however, from the obligations of existing treaties, it is necessary to consider the effect of the general views expressed by the Australian and New Zealand Governments on the subject of Commercial Treaties.

It is easy to understand the claim asserted in the second of the Resolutions to which the Victorian Delegates were parties, that no treaty entered into by the Imperial Government with any Foreign Power should in any way limit or impede the exercise of the right of the Australian Colonies to enter into reciprocal tariff arrangements with each other; but it is not at first sight so clear what is meant by the statement in the other set of Resolutions, that no treaty can be properly or constitutionally made which directly or indirectly treats those Colonies as foreign communities.

It seems inconsistent to object to stipulations which treat the Colonies as separate communities, so far as relates to their fiscal arrangements, on the ground that the Colonies are thus treated as foreign communities, when a claim is at the same time set up by the Colonies to treat the United Kingdom itself as a foreign community by imposing differential duties in favour of other parts of the Empire, as against British produce.