several bureaus of the War Department and the operations of the army. The strength of our military force on the 30th of September last was forty-eight thousand men, and it is computed that, by the 1st of January next, this number will be decreased to forty-three thousand. It is the opinion of the Secretary of War that within the next year a considerable diminution of the infantry force may be made without detriment to the interests of the country; and in view of the great expense attending the military peace establishment, and the absolute necessity of retrenchment wherever it can be applied, it is hoped that Congress will sanction the reduction which his report recommends. While in 1860 sixteen thousand three hundred men cost the nation $16,472,003, the sum of $65,682,940 is estimated as necessary for the support of the army during the fiscal year ending June 30, 1870. The estimates of the War Department for the last two fiscal years were, for 1867, $33,814,601, and for 1868, $25,205,609. The actual expenditures during the same periods were, respectively, $65,324,415 and $127,316,648. The estimate submitted in Dece ber last for the fiscal year ending June, 30, 1869, was $77,121,707; the expenditures for the first quarter, ending the 30th of September last, were $27,219,117, and the Secretary of the Treasury gives $66,000,000 as the amount which will probably be required during the remaining three quarters, if there should be no reduction of the army—making its aggregate cost for the year considerably in excess of ninety-three millions. The difference between the estimates and expenditures for the three fiscal years which have been named is the sum of $173,545,343 for this single branch of the public service.

The report of the Secretary of the Navy exhibits the operations of that Department and of the navy during the year. A considerable reduction of the force has been effected. There are forty-two vessels, carrying three hundred and fifty guns, and six squadrons which are established in different parts of the world. Three of these vessels are returning to the United States and four are used as store ships, leaving the actual cruising force thirty-five vessels, carrying three hundred and fifty-six guns. The total number of vessels in the navy is two hundred and six, mounting seventeen hundred and forty-three guns. Eighty-one vessels of every description are in use, armed with six hundred and ninety-six guns. The number of enlisted men in the service, including apprentices, has been reduced to eight thousand five hundred. An increase of Navy yard facilities is recommended as a measure which will, in the event of war, be promotive of economy and security. A more thorough and systematic survey of the North Pacific Ocean is advised in view of our recent acquisitions, our expanding commerce, and the increasing intercourse between the Pacific States and Asia. The naval pension fund, which consists of a moiety of the avails of prizes captured during the war amounts to $14,000,000. Exception is taken to the act of 23d July last, which reduces the interest on the fund loaned to the Government by the Secretary, as trustee, to three per cent, instead of six per cent., which was originally stipulated when the investment was made. An amendment of the pension laws is suggested to remedy omissions and defects in existing enactments. The expenditures of the Navy Department during the last fiscal year were $30,120,894, and the estimates of the coming year amount to $30,968,184.

The Postmaster-General's report furnishes a full and clear exhibit of the operations and condition of the postal service. The ordinary postal revenue for the fiscal year ending June 30, 1868, was $16,292,600, and the total expenditures, embracing all the service for which special appropriations have been made by Congress, amounted to $22,750,592, showing an excess of expenditures of $6,457,992. Deducting from the expenditures the sum of $1,196,995, the amount of appropriations for ocean steamship and other special service, the excess of expenditures was $5,511,996. By using an unexpended balance in the Treasury of $4,000,000, the actual sum for which a special appropriation is required to meet the deficiency is $1,511,996. The causes which produced this large excess of expenditure over revenue were the restoration of service in the late insurgent States, and the putting into operation of new service established by acts of Congress, which amounted, within the two years said to be last past, to about 26,000 miles—equal to more than one-third of the whole amount of the service at the close of the war. New postal conventions with Great Britain, North Germany, Belgium, the Netherlands, Switzerland, and Italy, respectively, have been carried into effect. Under them the rates of postage between those countries have resulted in reduced rates of international postage, and enlarged mail facilities with European countries. The cost of the United States trans-Atlantic ocean mail service since January 1, 1868, has been largely lessened under the operation of these new conventions, amounting to a saving of over one-third of the cost of the service performed under the new arrangements for ocean mail steamship service which went into effect on that date. The attention of Congress is invited to the practical suggestions and recommendations made in his report by the Postmaster-General.

An important question has occurred during the last year in our accustomed cordial and friendly intercourse with Costa Rica, Guatemala, Honduras, San Salvador, France, Austria, Belgium, Switzerland, Portugal, the Netherlands, Denmark, Sweden and Norway, Rome, Greece, Turkey, Persia, Egypt, Liberia, Tripoli, Tripoli, Tunis, Muscat, Siam, Borneo, and Madagascar.

Cordial relations have also been maintained with the Argentine and the Oriental Republics. The expressed wish of Congress that our national good offices might be tendered to those Republics, and to Paraguay, for the purpose of putting an end to the calamitous war which was so long raging in the valley of the La Plata, has been assiduously complied with, and kindly acknowledged by all the belligerents. That important negotiation, however, has thus far been without result.

Charles A. Washburn, the United States Minister to Paraguay, having resigned, and being desirous to return to the United States, the Rear Admiral commanding the South Atlantic squadron was early directed to send a ship-of-war to Asuncion, the capital of Paraguay, to receive Mr. Washburn and his family, and to convey them from a situation which was represented to be endangered by faction and foreign war. The Brazilian commander of the allied investing forces refused permission to the Wasp to pass through the blockading forces, and that vessel returned to its accustomed anchorage. Remonstrance having been made against this refusal, it was promptly overruled, and the Wasp therefore resumed her errand, received Mr. Washburn and his family, and conveyed them to a safe and convenient seaport. In the mean time an excited controversy has arisen between the President of Paraguay and the late United States Minister, which it is understood grew out of his proceedings in giving asylum in the United States legation to alleged enemies of that Republic. The question of the right to give asylum is one always difficult, and often productive of great embarrassment. Until it is regulated by fixed and established, foreign powers refuse either to concede or exercise that right, except as to persons actually belonging to the diplomatic service. On the other hand, all such Powers insist upon exercising the right of asylum in States where the law of nations is not fully acknowledged, respected, and obeyed.

The President of Paraguay is understood to have opposed to Mr. Washburn's proceedings the injurious and very improbable charge of personal complicity in insurrection and treason. The correspondence, however, has not yet reached the United States.

Mr. Washburn, in connection with this controversy, represents that two United States citizens attached to the legation were arbitrarily seized at his side, when leaving the capital of Paraguay, committed to prison, and there subjected to torture by the purpose of procuring confessions of their own criminality, and testimony to support the President's allegations against the United States Minister. Mr. McMahon, the newly-appointed Minister to Paraguay, having reached the La Plata, has been instructed to proceed, without delay, to Asuncion, and investigate the whole subject. The Rear Admiral, commanding the United States South Atlantic Squadron, has been directed to attend the new Minister with a proper naval force to sustain such just demands as the occasion may require, and to vindicate the rights of the United States citizens referred to, and of any others who may be exposed to danger in the theatre of war. With these exceptions, friendly relations have been maintained between the United States and Brazil and Paraguay.

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The correspondence herewith submitted will be found painfully replete with accounts of the ruin and wretchedness produced by recent earthquakes, of unparalleled severity, in the Republics of Peru, Ecuador, and Bolivia. The diplomatic agents and naval officers of the United States who were present in those countries at the time of those disasters furnished all the relief in their power to the sufferers, and were promptly rewarded with grateful and touching acknowledgments by the Congress of Peru. An appeal to the charity of our fellow-citizens has been answered by much liberality. In this connection I submit an appeal which has been made by the Swiss Republic, whose Government and institutions are kindred to our own, in behalf of its inhabitants who are suffering extreme destitution produced by recent devastating inundations.

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All commercial nations, as well as all friends of republican institutions, have occasion to regret the frequent local disturbances which occur in some of the constituent States of Colombia. Nothing has occurred, however, to affect the harmony and cordial friendship which have for several years existed between that youthful and vigorous Republic and our own.

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I have been reluctantly obliged to ask explanation and satisfaction for national injuries committed by the President of Hayti. The political and social condition of the Republics of Hayti and St. Domingo is very unsatisfactory and painful. The abolition of slavery, which has been carried into effect throughout the Island of St. Domingo and the entire West Indies, except the Spanish islands of Cuba and Porto Rico, has been followed by a profound popular conviction of the righteousness of republican institutions, and an intense desire to secure them. The attempt, however, to establish republics there encounters many obstacles, most of which may be supposed to result from long indulged habits of colonial supineness and dependence upon European monarchical Powers. While the United States have, on all occasions, professed a decided unwillingness that any part of this continent or of its adjacent islands shall be made a theatre for a new establishment of monarchical power, too little has been done by us, on the other hand, to attach the communities by which we are surrounded to our own country, or to lend even a moral support to the efforts they are so resolutely and so constantly making to secure republican institutions for themselves. It is indeed a question of grave consideration whether our recent and present examples are not calculated to chess the growth and expansion of free principles, and make those communities distrust, if not dread, a Government which at will consigns to military domination States that are integral parts of our Federal Union, and, while ready to resist any attempts by other nations to extend to them European systems of monarchical institutions of Europe, assumes to establish over a large portion of its people a rule more absolute, harsh, and tyrannical than any known to civilized Powers.

The acquisition of Alaska was made with the view of extending national jurisdiction and republican principles in the American hemisphere. Believing that a further step could be taken to the same direction, I last year entered into a treaty with the King of Denmark for the purchase of the Islands of St. Thomas and St. John, on the best terms then attainable, and with the express consent of the people of those islands. This treaty still remains sub-judice for consideration in the Senate. A new convention has been entered into with Denmark, enlarging the time fixed for final ratification of the original treaty.

Comprehensive national policy would seem to sanction the acquisition and incorporation into our Federal union of the several adjacent continental and insular communities as speedily as it can be done peacefully, lawfully, and without any violation of national justice, faith, or honor. Foreign possession or control of those communities has hitherto hindered the growth and impaired the influence of the United States. Their revolution has scarcely there would be equally injurious. Each one of them, when firmly established as an independent republic, or when incorporated into the United States, would be a new source of strength and power. Conforming my administration to these principles, I have on no occasion lent support or toleration to unlawful expeditions set on foot upon the plea of republican propagandism, or of national extension or aggrandizement. The necessity of a change of our relations with these adjacent islands clearly indicates the duty which rests upon us of adapting our legislative action to the new circumstances of a decline of European monarchical power and influence, and the increase of American republican influence, interests, and sympathies.

It cannot be long before it will become necessary for this Government to lend some effective aid to the solution of the political and social problems which are continually kept before the world by the two republics of the island of St. Domingo, and which so repeatedly throw themselves more distinctly than heretofore upon the island of Cuba. The subject is commended to your consideration with all the more earnestness because I am satisfied that the time has arrived when even so direct a proceeding as a proposition for an annexation of the two republics of the island of St. Domingo would not only receive the assent of the people interested, but could also give satisfaction to all other foreign nations.

I am aware that upon the question of further extending our possessions it is apprehended by some that our political system cannot successfully be applied to an area more extended than our continent, but the conviction is rapidly gaining ground in the American mind that, with the increased facilities for intercommunication between all portions of the earth, the principles of free government, as embraced in our Constitution, if faithfully maintained and carried out, would prove of sufficient strength and breadth to comprehend within their sphere and influence the civilized nations of the world.

The attention of the Senate and of Congress is again respectfully invited to the treaty for the establishment of commercial reciprocity with the Hawaiian kingdom entered into last year, and already ratified by the contracting parties. The attitude of the United States toward these islands is not very different from that in which they stand toward the West Indies. It is known and felt by the Hawaiian Government and people that their Government and institutions are feeble and precarious; that the United States, being nearer a neighbor, would be unwilling to see the islands pass under foreign control. Their prosperity is continually disturbed by expectations and alarms of unfriendly political proceedings, as well from the United States as from other foreign powers. The treaty, if ratified, would not materially diminish the revenue of the United States, would be a guarantee of the good will and forbearance of all nations until the people of the islands shall of themselves, at no distant day, voluntarily apply for admission into the Union.

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It cannot be long before it will become necessary for this Government to lend some effective aid to the solution of the political and social problems which are continually kept before the world by the two republics of the island of St. Domingo, and which so repeatedly throw themselves more distinctly than heretofore upon the island of Cuba. The subject is commended to your consideration with all the more earnestness because I am satisfied that the time has arrived when even so direct a proceeding as a proposition for an annexation of the two republics of the island of St. Domingo would not only receive the assent of the people interested, but could also give satisfaction to all other foreign nations.

I am aware that upon the question of further extending our possessions it is apprehended by some that our political system cannot successfully be applied to an area more extended than our continent, but the conviction is rapidly gaining ground in the American mind that, with the increased facilities for intercommunication between all portions of the earth, the principles of free government, as embraced in our Constitution, if faithfully maintained and carried out, would prove of sufficient strength and breadth to comprehend within their sphere and influence the civilized nations of the world.

The attention of the Senate and of Congress is again respectfully invited to the treaty for the establishment of commercial reciprocity with the Hawaiian kingdom entered into last year, and already ratified by the contracting parties. The attitude of the United States toward these islands is not very different from that in which they stand toward the West Indies. It is known and felt by the Hawaiian Government and people that their Government and institutions are feeble and precarious; that the United States, being nearer a neighbor, would be unwilling to see the islands pass under foreign control. Their prosperity is continually disturbed by expectations and alarms of unfriendly political proceedings, as well from the United States as from other foreign powers. The treaty, if ratified, would not materially diminish the revenue of the United States, would be a guarantee of the good will and forbearance of all nations until the people of the islands shall of themselves, at no distant day, voluntarily apply for admission into the Union.

The Hawaiian Minister has been accredited to the treaty negotiated here in January last for the security of trade-marks in the interest of manufacturers and commerce. I have invited his attention to the importance of establishing, now while it seems easy and practicable, a fair and equal regulation of the subject, lest controversies should arise which may be represented to be endangered by faction and foreign war. The Brazilian commander of the allied investing forces refused permission to the Wasp to pass through the blockading forces, and that vessel returned to its accustomed anchorage. Remonstrance having been made against this refusal, it was promptly overruled, and the Wasp therefore resumed her errand, received Mr. Washburn and his family, and conveyed them to a safe and convenient seaport. In the mean time an excited controversy has arisen between the President of Paraguay and the late United States Minister, which it is understood grew out of his proceedings in giving asylum in the United States legation to alleged enemies of that Republic. The question of the right to give asylum is one always difficult, and often productive of great embarrassment. Until it is regulated by fixed and established, foreign powers refuse either to concede or exercise that right, except as to persons actually belonging to the diplomatic service. On the other hand, all such Powers insist upon exercising the right of asylum in States where the law of nations is not fully acknowledged, respected, and obeyed.

The President of Paraguay is understood to have opposed to Mr. Washburn's proceedings the injurious and very improbable charge of personal complicity in insurrection and treason. The correspondence, however, has not yet reached the United States.

Mr. Washburn, in connection with this controversy, represents that two United States citizens attached to the legation were arbitrarily seized at his side, when leaving the capital of Paraguay, committed to prison, and there subjected to torture by the purpose of procuring confessions of their own criminality, and testimony to support the President's allegations against the United States Minister. Mr. McMahon, the newly-appointed Minister to Paraguay, having reached the La Plata, has been instructed to proceed, without delay, to Asuncion, and investigate the whole subject. The Rear Admiral, commanding the United States South Atlantic Squadron, has been directed to attend the new Minister with a proper naval force to sustain such just demands as the occasion may require, and to vindicate the rights of the United States citizens referred to, and of any others who may be exposed to danger in the theatre of war. With these exceptions, friendly relations have been maintained between the United States and Brazil and Paraguay.

Our relations during the past year with Bolivia, Ecuador, Peru, and Chili have been cordially friendly, and cordial, Spain and the Republics of Peru, Bolivia, and Ecuador have expressed their willingness to accept the mediation of the United States for terminating the war upon the South Pacific coast. Chili has not finally declared upon the question. In the mean time the conflict has practically ceased of itself, since no belligerent operation has been made by either party during the last two years, and there are no indications of a present purpose to resume hostilities on either side. Great Britain and France have cordially seconded our proposition of mediation, and I do not forego the hope that it may soon be accepted by all the belligerents, and lead to a secure establishment of peace and friendly relations between the Spanish American Republics of the Pacific and Spain—a result which would be attended with common benefits to the belligerents and much advantage to all commercial nations. I communicate, for the consideration of Congress, a correspondence which shows that the Bolivian Republic has established the extremely liberal principle of receiving into its citizenship any citizen of the United States, or of any other of the American Republics, upon the simple condition of voluntary registry.

The correspondence herewith submitted will be found painfully replete with accounts of the ruin and wretchedness produced by recent earthquakes, of unparalleled severity, in the Republics of Peru, Ecuador, and Bolivia. The diplomatic agents and naval officers of the United States who were present in those countries at the time of those disasters furnished all the relief in their power to the sufferers, and were promptly rewarded with grateful and touching acknowledgments by the Congress of Peru. An appeal to the charity of our fellow-citizens has been answered by much liberality. In this connection I submit an appeal which has been made by the Swiss Republic, whose Government and institutions are kindred to our own, in behalf of its inhabitants who are suffering extreme destitution produced by recent devastating inundations.

Our relations with Mexico during the year have been marked by an increasing growth of mutual confidence. The Mexican Government has not yet acted upon the three treaties celebrated here last summer for establishing the rights of naturalized citizens upon a liberal and just basis, for regulating consular powers, and for the adjustment of mutual claims.

All commercial nations, as well as all friends of republican institutions, have occasion to regret the frequent local disturbances which occur in some of the constituent States of Colombia. Nothing has occurred, however, to affect the harmony and cordial friendship which have for several years existed between that youthful and vigorous Republic and our own.

Negotiations are pending with a view to the survey and construction of a ship canal across the Isthmus of Darien, under the auspices of the United States. I hope to be able to submit the results of that negotiation to the Senate during the present session.

The very liberal treaty which was entered into last year by the United States and Nicaragua, has been ratified by the latter Republic.

Costa Rica, with the earnestness of a sincerely friendly neighbor, solicits a reciprocity of trade, which I commend to the consideration of Congress.

The convention created by treaty between the United States and Venezuela in July, 1863, for the mutual adjustment of claims, has been held, and its decisions have been received at the Department of State. The heretofore recognized Government of the United States of Venezuela has been subverted. A Provisional Government having been instituted under circumstances which promise durability, it has been formally recognized.

I have been reluctantly obliged to ask explanation and satisfaction for national injuries committed by the President of Hayti. The political and social condition of the Republics of Hayti and St. Domingo is very unsatisfactory and painful. The abolition of slavery, which has been carried into effect throughout the Island of St. Domingo and the entire West Indies, except the Spanish islands of Cuba and Porto Rico, has been followed by a profound popular conviction of the righteousness of republican institutions, and an intense desire to secure them. The attempt, however, to establish republics there encounters many obstacles, most of which may be supposed to result from long indulged habits of colonial supineness and dependence upon European monarchical Powers. While the United States have, on all occasions, professed a decided unwillingness that any part of this continent or of its adjacent islands shall be made a theatre for a new establishment of monarchical power, too little has been done by us, on the other hand, to attach the communities by which we are surrounded to our own country, or to lend even a moral support to the efforts they are so resolutely and so constantly making to secure republican institutions for themselves. It is indeed a question of grave consideration whether our recent and present examples are not calculated to chess the growth and expansion of free principles, and make those communities distrust, if not dread, a Government which at will consigns to military domination States that are integral parts of our Federal Union, and, while ready to resist any attempts by other nations to extend to them European systems of monarchical institutions of Europe, assumes to establish over a large portion of its people a rule more absolute, harsh, and tyrannical than any known to civilized Powers.

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