SOUTH AMERICA.

Progress of the War in Paraguay.

The Relations Subsisting Between the United States and Colombia.

The Peruvian Revolution Becoming More Threatening.

GREAT ALARM IN LIMA.

THE PARAGUAYAN WAR.

The steamer South America, Captain Tinklepaugh, from Rio Janeiro December 25, arrived at this port yesterday.

SPECIAL CORRESPONDENCE OF THE HERALD.

Position of the Allies—Raids into Paraguay—Lopez Sending Troops to the Gran Chaco—Brazil Purchasing Iron-clads—The Interior of Buenos Ayres Unsettled.

BUENOS AYRES, S. A., Dec. 14, 1867.

The present attitude of the belligerents in Paraguay is the most interesting that we have yet seen in the history of the war.

The allies have a line extending over thirty miles, along which thirty thousand men are placed as garrisons or guards. They are attempting to shut in Lopez in and near Humaitá. In spite of the utmost care Lopez keeps a line of communication open with the interior. This is done partly by piercing the lines and partly by obtaining supplies from across the river below the point where the allies command it.

Tayi is a little town on the Paraguay river, which, from its eminence and the narrowness of the channel there, can command the whole river. The allies are strongly fortifying it, and they now have a force of about eight thousand there. It intercepts easy communication by steam between Humaitá and the capital. Between Tayi and Humaitá the Paraguayans have an outpost that is very strong, and it will be defended with the most desperate purpose. The allies are preparing to attack it. So certain is it that a means of communication exists, in spite of the lines of the allies, that recently Lopez made a flying visit to the capital and returned without the least interruption by the way.

Colonel Correa has made a raid into the Paraguayan interior as far as the river Tebicuari, and found abundance of horned cattle, goats and pigs, but very few persons and no troops, except at the mouth of the river on the bank of the Paraguay, where there is a fort of considerable strength. Two thousand men are there. In the vicinity there were several steamers and flatboats, and at that point there are cattle shipped across the river to go to Humaitá, opposite which place they again cross the river. Colonel Correa returned with about eight hundred horned cattle. So wild are they and so difficult to drive away from their range that he was not able to bring a large proportion of what he saw. There is in contemplation a raid aiming at the capital of Paraguay. It is said that by crossing the Tebicuari river higher up no opposition would be met before reaching Asuncion, and once there a provisional government would be established, morally dethroning Lopez and proclaiming the revolution completed and Lopez an outlaw. This is a grand and imposing scheme, and would be brilliant if its historical face would be the same as its prophetic.

Lopez has been recently noticed to be passing troops over to the Chaco side of the Paraguay, for what purpose no one can surmise. As he is capable of the boldest measure, some imagine that he intends to go down the river, attack the comparatively undefended island Cerrito, at the mouth of the Paraguay, and come on the allies from the rear. What the proximate movement will be cannot now be defined.

The squadron remains still at its old position between the two powerful Paraguayan forts, Humaitá and Curupaity, a little further down the river; and it is believed to be unable to pass up by one or down by the other. Meanwhile the fleet is firing away at the outposts of Humaitá. The schooners that have held up the chain across the river have been shot away, and now if the chain house on the bank can be demolished the chain will sink. To go over the chain in high water would not be possible.

The comparative forces of the allies and Paraguayans are estimated respectively at 40,000 and 23,000 men, and the relative advantages of position bring up the abilities of the latter to be about equal to the former.

It is published in all the papers here that the Brazilians have bought six new iron-clads, of the best model, fully equipped and ready for immediate action. They draw one foot of water in sailing, but can be submerged in action, and are proof against the largest iron bolts, balls or shells. Where these modern marvels come from they do not tell us. They are coming here very soon, in a few days, is confidently asserted. For myself, I do not believe the story; but I will hasten to inform you of the first intimation of its confirmation.

One thing is certain, that this great war is about to assume a new phase and soon after suddenly end.

The Paraguayan forces have been recalled from the province of Matto Grasso, the province first captured from Brazil. By abandoning the defences above the effective army at the front will receive an addition of three or four thousand men.

It is said that Lopez is quite willing now to reciprocate, but the allies still insist on the original agreement with each other, that no treaty shall be made with him whatever.

The steamer Stonewall, built for the Confederates at Bordeaux, and cornered and then surrendered at Havana, under Captain Page, and subsequently sold to Japan by the United States, has recently passed this port to Japan. Two Japanese officers were on board. She is a permanent-turreted monitor and is of great strength. The Japanese will give trouble to their neighbors with this steamer, and perhaps also to ourselves.

The cholera is prevailing now all along the river Paraná, and quarantine rules prevail at all the little ports. In this city it can hardly be said to be an epidemic, yet the deaths from it amount to ten or twelve per day.

The warlike advices from Europe have had a sad effect on the wool market here. Prices are ruinously low, and even at the low rates there are no parties desiring to buy. It is having the effect to drive out of the business all small sheep farmers, and thousands of sheep are driven to the tallow factories and the tallow extracted. There is also increased attention given to agriculture.

In the interior there is not yet quiet restored. The powerful province of Entre Rios has indicated to the general government that it sympathized with the provinces of Rioja in a recent rebellion rather than with the national government. This has called out a very severe but well expressed letter from the Minister of State, Dr. Rawson.

The election for President, to occur in three weeks, is moving this country profoundly. Of course, the result is mere speculation so far, but indications are in favor of the election of Dr. Adolfo Alsina, at present Governor of this province. He is young, popular, and he is a fine executive officer.

For two days we have had about forty deaths a day from cholera. To-day the weather is cooler and health better.

NEWS FROM THE WEST COAST

The steamer Arizona, Captain Maury, from Aspinwall January 14, arrived at this port yesterday. The following is her specie list:—

FROM SAN FRANCISCO.

Panama Railroad Company	$24,083
A. Belmont & Co.	180,716
Eugene Kelly & Co.	100,400
Weil & Co.	49,848
L. Von Hoffman & Co.	103,000
Lees & Waller	454,500
Wells, Fargo & Co.	39,157
FROM ASPINWALL.	
D. H. B. Davis	4,070
J. W. Elwell & Co.	360
Ribon & Munoz	310
Juan C. de Mier	160
S. L. Isaacs & Asch	2,000
Totals	$958,615

Elections in Ecuador will take place during this month. At the expiration of the present Presidential term it was believed that Dr. Javier Espinosa would be elected President, he having been nominated for the office in Quito. General Darquea had been nominated in Guayaquil, but with small chance of success. Congress had revoked the extraordinary powers given by the President, by which he was at liberty to confine any person or persons considered dangerous to public order; consequently all those who were in confinement have been set at liberty, and those who may have been expatriated can return to the country. Recruiting has been prohibited; in future soldiers are to be drawn for and everybody drawn must serve or find a substitute. Peruvians, Chileans, Bolivians, Columbians and Venezuelans are enabled by a decree of the 25th October to obtain the rights of citizenship without being, as heretofore, subject to a previous term of residence. A commission had been appointed for the edification of the laws. Cerasques and Esmeraldas are now ports of entry.

In Bolivia Melgarejo had issued a decree convoking a National Assembly for the 6th of August, 1868, which is to be charged with the scrutiny of the Presidential election, the proclamation of the President and the reform of the constitution. Chilean produce and articles manufactured in this country sent to Mejillones must, if shipped from Valparaiso, be accompanied by a Custom House certificate vised by the Bolivian Consul General, and from all other Chilean ports a Custom House certificate only. According to the tenor of last advices the internal state of the country was unsatisfactory, and serious fears were entertained that public tranquillity would be disturbed.

A revolution has broken out in Bolivia, under the leadership of General Achá, who promises after his victory to call for new elections, in which he will not be one of the candidates.

The following is from the Panama (January 14) correspondence of the *Evening Telegram* of yesterday:—The conservatives have elected their candidate to the Presidency of Candinamarca. The threats of Aldana, the present incumbent of that office, to forcibly retain possession of the government if he were not himself re-elected to the place he holds were promptly met by the federal government with the assurance that he would not be allowed to disturb the public tranquillity. As Aldana had previously depended on the government to aid him in his nefarious scheme, he was compelled, by the opposition of Acosta, to abandon altogether the idea of revolutionizing the State.

The conservatives have gained another victory in Bolivar, one of the States verging on the Caribbean. Carthagena, the capital, has heretofore been considered a stronghold of the liberals; but a recent municipal election was carried by the opposite party.

The Assembly of Tolima has elected Gaspar Diaz to the ensuing Presidential term. All parties were apparently satisfied with the result of the election.

Advices from Ecuador state that all expatriated natives of that country are at liberty to return to their homes by virtue of the repeal of certain laws. There are many exiles in the United States who will doubtless take advantage of the favorable turn of events.

Panama news is uninteresting. The Christmas festivities, which, from peculiar habit, did not begin until the 3d inst., were prolonged until the 6th. During this interval the natives were continually engaged in horse racing and bull teasing and dancing in the Arabal.

The United States steamer Wateree sailed for Callao on the 4th inst, and the Mohican for California, via the Mexican ports, on the 9th. The Minnesota left Aspinwall for the United States on the 4th. The Suwanee remained at Panama.

The British corvette Molacca dropped anchor in this port on the 8th inst. The British transport Urgent arrived at Aspinwall on the 6th, with reinforcements for the Pacific squadron.

COLOMBIA.

SPECIAL CORRESPONDENCE OF THE HERALD.

Diplomatic Relations with the United States—Important Despatch from Secretary Seward on Mosquera and Salgar.

PANAMA, Jan. 13, 1868.

Peter J. Sullivan, United States Minister to Bogota, had an official interview with the President of Colombia on the 1st of December last, during which he delivered a letter from Mr. Johnson, written on the 26th of August, in regard to the withdrawal of General Salgar, the former Colombian Minister at Washington. This letter, written at a time when Mr. Salgar's conduct in the Cuyler affair was not known to Mr. Johnson, is couched in terms very complimentary to the said diplomatic agent; and General Sullivan in delivering it thought it to be his duty to explain the circumstances and give his own views of the negotiation, which has seriously compromised the honor of Colombia, and given rise to the mission of Dr. Murillo to Washington. He also delivered a copy of a despatch of Mr. Seward's relating to the same matter. Both the speech of General Sullivan and Mr. Seward's despatch were published in the official paper of the Colombian government, from which I retranslate these interesting documents, as the originals have not been made public. General Sullivan expressed himself on this occasion as follows:—

MR. PRESIDENT—In presenting to your Excellency this sealed letter from Andrew Johnson, President of the United States of America, in answer to that of your Excellency of the 1st of June last, in which you announce to him the withdrawal of General E. Salgar, Colombian Minister at Washington, I will say that the manifestation I am about to make to your Excellency must cause you to believe that the confidence placed by the President of the United States in General Salgar was wrongfully abused. Shortly after his return to Bogota General Salgar published a pamphlet defending his conduct as Colombian Minister at Washington, explaining his motives in fitting out the war steamer R. R. Cuyler, alias "El Rayo," and referring with great complacency and satisfaction to the answer of President Johnson to the valedictory speech of the Minister on his recall from Washington. To a mind as clear as that of your Excellency it will naturally be evident, when you read the said pamphlet and the following proof, that General Salgar has become an official witness against himself. Five words cost Zachary forty weeks of silence; it is only necessary to read attentively the pamphlet of General Salgar to place him in a far worse position than that of the imprudent Zachary. On the 5th and 11th of last October I had the honor to address some notes to your government with regard to the acquisition fitting out, and despatching of the Rayo from [illegible] last September, which I have received from my government, and which I beg leave to read to your Excellency, it will easily be seen that General Salgar procured the sailing papers of said steamer, as well as the answer from President Johnson, under false pretences.

At this period of the interview Mr. Sullivan proceeded to read the following despatch from the Secretary of State:—

STATE DEPARTMENT, WASHINGTON, Sept. 27, 1867.

MR. PETER J. SULLIVAN, &c., &c., Bogota:—

SIR—I have the honor to acknowledge the receipt of your despatch of the 12th of August, No. 22, with enclosure, containing in the report of an interesting conference which you had on the 1st of that month with Mr. Carlos Martin, and several documents tending to explain the matters discussed on that occasion.

By these papers I perceive that the government of Colombia has ascertained that on the 28th of August, 1863, a secret treaty was concluded at Bogota between Plenipotentiaries of that republic and Peru, which was approved and declared to be ratified by Thomas C. de Mosquera, at that time President of the United States of Colombia, on the 20th of November, 1866; that in said treaty the republic of Colombia bound itself to buy certain vessels-of-war which the republic of Peru had contracted for or was contracting for in the United States, in order to use them again Spain in the war which Peru, with certain allies, was then and is still engaged in; that said United States of Colombia, before concluding that treaty, had neither allied nor engaged themselves in war against Spain, but became allies secretly by the treaty; that when the treaty was made the government of Peru had found itself embarrassed by the neutrality laws of the United States and consequently incapable of obtaining from the fiscal officers of the United States the despatch and release of the vessels-of-war which Peru had contracted for with citizens of the United States; that in the treaty it was stipulated that the vessels should become the property of the republic of Colombia, which State, nevertheless, should continue to be ostensibly neutral after the treaty; and that as soon as the vessels had arrived within the jurisdiction of Colombia they should be sold and delivered by the United States of Colombia to the republic of Peru at such prices and on such terms as show clearly that the sale made in the United States by Peru to Colombia was nothing more than fictitious and a violation of the neutrality laws of the United States; that according to the treaty Mr. Salgar, Minister Plenipotentiary of Colombia, announced to the government of the United States that the R. R. Cuyler, which had already been libelled in New York and been refused discharge and detained, for being fitted out in violation of the neutrality laws of the United States to make war on account of Peru and its allies against Spain, had been bought by the United States of Colombia for their own use, and was really the property not of the republic of Peru nor of any of its allies, but of the United States of Colombia, which were at peace with Spain; that this representation of General Salgar was accepted and the proceedings against the R. R. Cuyler were suspended; that the persons who, according to the representation of Mr. Salgar, had contracted the vessel for the republic of Colombia, gave bonds of security to the United States that she should be delivered within the waters of the Colombian government without violating the aforesaid neutrality laws during her voyage, and that on receipt of these securities and guarantees the R. R. Cuyler was discharged and went to her destination, which was Santa Martha, in the United States of Colombia. It also appears from the representations made to you by Mr. C. Martin, that when said treaty and the proceedings of Mr. Salgar in the United States afterwards came to the knowledge of the Congress of the United States of Colombia, that honorable body disapproved entirely of these proceedings, and that the government of Colombia disavows and repudiates them now as completely illegal, unconstitutional, fraudulent and void. President Mosquera, who assumed the direction of those proceedings, has been removed. The administration of that country under the Presidency of Mr. Acosta has been recognized. The latter approves and adopts entirely the above ideas and policy of the Congress of Colombia. It further appears that the republic of Colombia finds itself embarrassed by the presence of the R. R. Cuyler in the waters of the republic, which presence is supposed to imply the following dangers:—First, complications with Peru for the violation of the treaty between Peru and Colombia; secondly, complications with Spain for exposing the neutrality of Colombia, and thirdly, the probable loss of confidence in the good faith of the government of Colombia on the part of the United States; that the government of Colombia furthermore apprehends that the R. R. Cuyler, if permitted to leave the ports of the republic without a naval guard stronger than that which the President of Colombia can give her, might be converted into the scene of a mutiny, and even the officers and crew might take to piracy on the high seas; that under this supposition the government of Colombia would consider it as the most desirable and prudent way that the R. R. Cuyler should return to the port of New York under the naval protection of the United States, in order that this government might deliver her up to the government of Peru for whom she in reality was prepared as a vessel-of-war, and not for the United States of Colombia, as the matter is to be understood now.

You have done very well to ask this department for instructions in this case, requesting in the meantime the commanders of all vessels or steamers of the United States that may be at Aspinwall, Carthagena, or Santa Martha to keep guard over the R. R. Cuyler in the interest of the government of Colombia, and prevent her from sailing until this government gives its opinion about the case which has been presented to it. Having received the orders of the President, it now behooves me to inform you:—

1. That your proceedings in the above mentioned conference with Mr. Martin have been approved.

2. That the President is very favorably impressed with the frankness, loyalty and prudence which the reorganized government of the United States of Colombia has given proof of in regard to the subject under discussion, and that he also deeply regrets the embarrassment of the Colombian authorities, of which the Minister of Foreign Relations speaks so extensively. You will assure the Minister that this government sympathizes sincerely with the republic of Colombia in the desire to free itself from that embarrassment.

3. That in permitting the sailing of the R. R. Cuyler this government acted entirely without suspicion, and in firm reliance on the representations it had received from Mr. Salgar, accredited Minister of the republic of Colombia. You will add that this government did not harbor the least suspicion that the confidence it reposed in the President and Minister Plenipotentiary of Colombia could be abused, as it now clearly appears to have been done. It is painful to the President to know that Mr. Salgar, as well of President Mosquera, who was then the Executive of the government of Colombia, acted fraudulently on the occasion referred to against the United States as well as Colombia.

4. As far as the United States are concerned, the R. R. Cuyler is and must be considered a foreign vessel, belonging now to the United States of Colombia, or which at least in no way belongs or can be recognized as belonging to the mercantile fleet of the United States. There is no law in the United States by which the United States could exercise any restriction over the R. R. Cuyler, either in the waters of Colombia or on the high seas, or in the ports of the United States, so long as she does not do or threaten to do any injury to the United States. There is no law by which she could be received in the United States in any other character than as a vessel-of-war of that friendly republic; nor is there any law which could authorize her transfer or delivery here by the government of Colombia, by that of the United States or any other, to a foreign Power which is at war with another foreign Power with whom the United States are at peace. Much less could the United States undertake to receive her from the government of Colombia as neutral and transfer her or order or allow her to be transferred to any belligerent within the waters of the United States.

5. The government of the United States has no authority to exercise any vigilance over the R. R. Cuyler in Colombian waters as long as she does not commit or threaten to commit any act of hostility or injury to the United States. It is, therefore, hoped that you, after having given the corresponding notice to the President of Colombia, will withdraw the request or instructions which you had given to this effect to the naval commander of the United States on the coast. I cannot conclude this despatch without assuring you that I appreciate the vigilant attention you have shown in regard to the matters under discussion. I am your obedient servant, WILLIAM H. SEWARD.

This fiat of Mr. Seward will probably close the prolonged controversy about the Cuyler. The parties from whom she was purchased will not be able to derive much comfort from the despatch to Sullivan; neither will Mosquera and his man Salgar feel much elated over the exposure of their rascality. Salgar, of course, has taken exceptions at the plainness of Mr. Seward and General Sullivan, and has published a further vindication of his actions. He has not, however, been able to alter the facts nor to avert the natural consequences of his fraudulent proceedings. General Sullivan, after concluding Mr. Seward's letter, went on to address Acosta as follows:—

By this despatch you will perceive the sincere friendship which the government of the United States harbors for the government and people of Colombia; and in conclusion you will permit me to say, in the words of my note of the 11th of October, that as long as this spirit of friendship exists—and I hope it will be forever—the sister republics of America and Colombia will be happy in their mutual relations; and the attempts of bad and insidious persons to disturb these relations will be promptly discovered, censured and punished.

Acosta's reply mainly consisted of general remarks about the high value Colombia places on the friendship of the United States, and the dishonesty of public servants who have already been condemned by public opinion.

PERU.

SPECIAL CORRESPONDENCE OF THE HERALD.

Efforts of Prado to Prevent the Effusion of Blood—Probability that He Will Have to Assault Arequipa.

HEADQUARTERS PERUVIAN ARMY, BEFORE AREQUIPA, Dec. 18, 1867.

My last letter, dated 15th, and forwarded by the mail steamer of that day, conveyed the intelligence of the flag of truce sent by President Prado to the revolutionary chiefs in Arequipa, offering a general amnesty to all who would lay down their arms. This offer was not made known to the revolutionists by the messenger at the time, however, as the insurgents declined to receive any official communication unless addressed to their leader, Canseco, as the legal President of Peru; and the revolutionists only learned the contents of President Prado's communication after it had been published in the official bulletin of the national army. At the same time there was published an official decree granting three days for non-combatants to leave the city. All the correspondence, &c., on this subject was forwarded to the HERALD on the 15th, and the three days of grace commenced about the hour of the departure of the courier with the mail for the coast. I refer to these circumstances in order to render this and succeeding letters upon the situation here more intelligible to the reader; and while on this subject might give a few interesting points connected with the flag of truce. From the first arrival of President Prado in the vicinity of Arequipa it was expected that some one would be sent by him to coax the revolutionists back to their loyalty; but instead of carrying out any such absurd idea the President planted his army within the suburbs of the city and opened upon the insurgents with artillery. After hard fighting he established a strong line of breastworks commanding the centre of the town, and then, before making a final assault, in order to prevent the useless effusion of blood, took into consideration the subject of offering terms to the revolutionists then penned up in the city. In the meantime he was busy putting guns in position, and not until he had about forty pieces of artillery, including one rifled sixty-eight pounder and a number of eighteen pound howitzers, did he put the alternatives of surrender or bombardment to the rebels. The latter expected that some mediator, some prominent man, friendly to both parties and loyal to none, would be sent in to reason with them. The arrival of a distinguished Peruvian, Señor Lastarria, at Islay, put everybody on the *qui vive*, as it was expected that he would induce President Prado to grant anything that the revolutionists would accept; but when the President desired him to take an offer of amnesty to all who laid down their arms and became good citizens, Señor Lastarria left in displeasure and returned home. Next, ex-Admiral Montero, who formerly commanded the allied squadrons of Peru and Chile, and who had persistently intrigued against and even openly defied President Prado, arrived at Islay and telegraphed to headquarters that nothing should be done until he reached the front. He wanted to visit the revolutionary chiefs, and, really, to do whatever he might think would result advantageously to ex-Admiral Montero. President Prado was on the point of arranging for Montero to have a conference with Canseco, and even went so far as to notify one of his staff of his intention; but upon reflection he changed his mind, and immediately despatched Colonel La Torre with the flag of truce and offer of amnesty or bombardment before Montero could arrive. I was present when Montero reached headquarters from Islay, and a more disappointed man than he was upon learning that the flag of truce had been sent I have rarely seen. Had he gone into Arequipa it would have afforded the revolutionists an opportunity for a grand powwow, resulting in nothing except insult to the national authority.

The three days of grace allowed for non-combatants to leave the besieged city expire to-night at sundown. I had a long conversation to-day with President Prado relative to the campaign and probabilities of an immediate attack, and was surprised to learn how much the subordinate officials of the government at Lima insist upon directing affairs at Arequipa. We are five hundred miles distant, with communication three or four times a month with Lima, and yet the acting President and his ministers seek to dictate to the commanding general here. It is the history of the campaigns of 1862 and 1863 over again, except that President Prado will not sacrifice everything to the military ideas of War Department generals, but will yield to their advice if it should be expedient. He is now ready to attack, but the concise in Lima demand that he shall wait for a 250-pounder gun that has already been creeping through the sand from Islay nearly two weeks, and which is still fifty miles distant, with a road before it which I am certain is impracticable for such a weight. He was opposed to waiting for the big gun from the first, but finally, "to keep peace in the family," consented to delay active operations until this ponderous gun should reach the front, or more probably some remote sand bank in the *quebradas* between the coast and Arequipa. He now says that he will wait eight days longer, and then if the gun does not get along any more encouragingly he shall attack. He has sent forty yoke of oxen and about one hundred and twenty-five men to help bring the gun, and food and water for these have to be transported on mules thirty miles across the desert. The river is parallel to the route, and this great task must be performed every day for nearly the whole time that the gun is crossing the sandy waste and mountains. I have no faith whatever in the gun ever reaching this place. Independent of the obstacles to be overcome in the rugged mountains, the gun is liable to be captured and spiked or otherwise injured at any time, as the force with be cannon cannot be relied upon to protect it in case of a sudden dash by the enemy in some of the narrow passes.

In the meantime the revolutionists in Arequipa are strengthening their defences continually and building barricades to resist the big gun if possible. These barricades are of square bocks of stone and cement, built into solid walls across the streets, from twelve to fifteen feet thick and from ten to twelve feet high. In the interior of the barricades are platforms for the defenders to stand upon, and the loopholes are protected with bags of sand and bales of wool. Each day's delay renders these defences more formidable and increases the necessity of heavy ordnance. An attack ten days ago would have been almost certain of success. Now it is a matter of serious consideration; and if, after further delay, the big gun has to be abandoned, the assault must be desperate indeed.

President Prado is sanguine of success, and all his troops are enthusiastic. General Bustamente, with the right wing of the army, is in the plain of Pancarparta, thus placing the besieged city strictly between two fires. What the plan of attack will be is, of course, a secret. Several days must elapse before the final assault; but in the meantime the artillery will shell the city, and the infantry will shoot every insurgent that shows himself in the streets or on the housetops.

Yesterday the Arequipenos sent out a small squad of mounted men and made another raid into the suburban village of Tingo, capturing several prisoners. In the indiscriminate firing the mother-in-law of Sa Roman, one of the revolutionary leaders, was killed. She was just stepping out of one of the large swimmig baths when a bullet whistled over my head and struck her—only a few rods distant from me. Her lifeless body fell upon the steps of the bath, and the affrighted bathers fled in all directions. This evening I shall try to enter the besieged city again, although there is a greasiest of firing going on and the streets may not be very salubrious even to a non-combatant.

This is President Prado's birthday, and every one in camp is enthusiastically celebrating it. A supper is given to-night by the officers of the column of honor.

AMONG THE REBELS.

Situation of Affairs in Arequipa—Money Scarce—Forced Loans from Foreigners—Earthquake.

HEADQUARTERS REVOLUTIONARY FORCES, AREQUIPA, Dec. 20, 1867.

Night before last I was passed through President Prado's lines, and came into the besieged city without adventure. This is the third time I have visited the place since the first of the month, and I am surprised at the change that has taken place. Nearly all the houses are closed, the streets are empty, and one only hears the hollow echo of exploding shells that now and then fall among the buildings and the ceaseless "ping" of rifle bullets. When I came to the entrance to the city two or three men in citizens' dress stood, with rifles in their hands, near a deep ditch with about three feet of water in it. My horse hobbled over the rude bridge of loose poles to where the sentinels were, but they did not accost me and I passed on. The first house had a parapet on its flat roof, and three pieces of old stovepipe frowned in battery from the fortified housetop, no doubt a terror to assailants. A little way down the street I came upon thirty or forty men, some in new uniforms, and many in rough artisans' clothing, collected in the middle of the way and all intently listening to some one who was retailing a bit of news. A few rods further and I reached the barricade of stone and cement. Here I had to enter a hole cut through the wall of a house, and after passing through a small yard emerged into the street again behind the barricade. There was a lieutenant lounging on a bench; a sentry dozed on the platform of the barricade, and the sound of loud voices in discussion issued from an adjacent room crowded with revolutionists. From the barricade to the place where I stopped the way was somewhat dangerous as the national troops were firing sharply and their shots whistled unpleasantly up the streets. Leaving my horse in the courtyard of a large English mercantile house, I took a run of a few rods and reached my quarters in safety. During my absence a shell had knocked off a piece of a window sill of the house, and the bullets had spattered the walls in all directions. We had bales of wool piled up at all the doors and windows, and are now comparatively secure, though the ugly hiss of the balls sometimes make us "scrouch" a little, and we take care how we expose ourselves to the range of President Prado's concealed riflemen. Now barricades are being erected in various parts of the city, the old ones are being strengthened, and some have mines near them; one has two barrels of powder and is intended to blow up the attacking column if it assaults there. Additional parapets are being built on the flat roofs, and in some places houses are converted into small forts. There are about fifteen hundred revolutionists armed and under military discipline, and these are stationed in the stone houses near the barracks fronting the position of President Prado and General Bustamente. They have two rude mortars, made out of bells from the churches, and two other bells are also being prepared for the same purpose. The manner of using them is rather novel. The bells, which are quite large and wide-mouthed, are firmly fixed in a frame and are loaded with stones, bits of old iron and cannon shot thrown into the city by the national forces. A fuse is put in among the mass of missiles, and the concern is fired just as miners fire a blast in the rocks, everybody looking out for his head until all the pieces had fallen. The first time the bells were fired off the author of the idea received a severe rap in the jaw from a bit of old iron, and the question is whether the improvised mortars are not less dangerous to foes than to friends. The other bells now being converted into mortars will soon be completed and ready to blow up some of the enterprising fellows that are managing them. None of the missiles have fallen within the lines of President Prado, and the only result of the invention is a succession of tremendous roars in the night just when sensible folks are trying to sleep.

The revolutionists seem to be in great straits for money. After having locked up one man, and put irons on him till his friends gave $4,000 for his release, and serving other individuals in a similar manner, although on a smaller scale, the revolutionary chiefs still find themselves short of funds, and are employing every possible means, except force, to get money of the foreign merchants. Scrip is offered, secured by the property of the officials, but no one wants to take it, although it is given for cash at from sixty to seventy per cent discount, and bears twelve per cent interest. It is reported to-day that the mercantile firms of Fletcher & Co., Gibbs & Co., Stafford & Ward, Harmsen & Co., and Braillard & Co., will have to give $5,000 a piece, or have their vaults broken open and the money taken forcibly. Some of these firms have from $70,000 to $100,000 in their vaults, and it is probable that if force be resorted to the revolutionists will not be careful as to how much they take. The British Consul, Mr. Birnie, is here, and has thus far prevented any outrage from being committed upon his countrymen; but it is apprehended that the revolutionists, rendered desperate by the situation, may employ violent measures to get money, without regard to future claims for damages.

It is also rumored that the city of Cuzco has fallen into the hands of revolutionists, and is about to send aid to Arequipa. This is the third time that we have heard such a report, and the probabilities are that this, like the two preceding rumors, is untrue.

Yesterday morning we had a severe shock of earthquake—heavier than I ever felt before. I was awakened from sleep by the shaking of the house, and, without haste, had time to put on my pantaloons and slippers and reach the courtyard before the vibrations ceased. The earthquake was accompanied by a loud rumbling noise, something like what a peal of thunder in the Mammoth Cave might sound to a person above ground. About noon there was another shock, but not heavy. I watched the crater of the volcano just above the city, but did not observe any signs of action.

IN THE LOYAL ARMY AGAIN.

Prado's Base of Supplies Cut Off—Cuzco Captured by the Rebels.

HEADQUARTERS PERUVIAN ARMY, Dec. 20, 1867.

This afternoon I left the besieged city, reaching headquarters in about two hours. As I came out I found that the forces of General Bustamente had changed their position and are now encamped much nearer President Prado. The picket line is also much stronger, and is evidently intended to prevent communication with the besieged. I should have stated in my previous letter that Colonel Cordova went out night before last to attack General Bustamente, and was severely wounded in the breast, the ball passing out through the shoulder blade. Several of the revolutionary troops were killed and a number taken prisoners. The movement, however, has no importance except to those who got hit, and whose bad luck will probably deter others from making another raid upon a regular military camp. Upon my arrival at headquarters I found the telegraph to Islay had been cut this morning, and that Colonel Segura, with a force of mounted revolutionists, was advancing from Mogegua upon the base of supplies. Señor Carnejo, the Adjutant General of President Prado, had gone out with two hundred and fifty cavalry to drive Segura from Islay; but nothing had been heard from the line of communication since morning, and every one about headquarters seemed to feel as we used to when General Stuart was careering widely among our oats and mules at our rear. It is now five P. M. President Prado has just returned from a ride along the lines, and, with military jacket and broad Panama hat, is standing on the flat housetop watching the other side of the river with his glass. The staff are bustling about for dinner, but each one seems to be occupied with his own thoughts, and is evidently worried considerably respecting the interruption of communication and the uncertainty of what the morrow may bring forth.

The report respecting Cuzco is confirmed here. It is stated that San Roman after being driven out of Puno by Colonel Bustamente, advanced on Cuzco and is now established in that city. The troops in the place, to the number of about one hundred and twenty, are said to be on their way to join the national forces here.

The mail steamer passes Islay on the 23d, and as there are no prospects of an early attack here I shall start for the coast at five o'clock to-morrow morning, to look after Segura, who, it is reported, has five hundred men, and to send off my mails in safety. All quiet along the lines.

Raiding Operations of the Rebels Under Colonel Segura—Fears for the Town of Islay.

ISLAY, Dec. 23, 1867.

The revolutionary forces under Colonel Segura have done more harm than even the Arequipenians expected, and are now threatening this place, the base of supplies of President Prado's army. Some time ago a report reached Prado that Segura was about to set out on an expedition from Moquegua, and the gunboat Meteora was sent to Arica with a telegram for the military authorities in Tacna to attack Moquegua as soon as Segura departed on his raid. Several days elapsed, and nothing being heard of the raiding party the uneasiness respecting this place subsided; but last week Segura started again, and, after capturing the valley and town of Tambo, a few miles distant, prepared to march upon Islay. His force amounted to five hundred men, with two pieces of artillery; and, when a body of troops sent out from town to reconnoitre encountered Segura's advance guard, they beat a hasty retreat, spreading great alarm. A portion of the crews of the Union and Meteora were put ashore and set to work building barricades of bales of wool, mounting heavy guns, and removing on shipboard all the stores of the government, and in a few hours Islay became quite a fortified town. In addition to the thirty-two pounders there were a number of boat howitzers, planted in the streets, with cannister, to sweep all approaches, and troops were stationed in the upper story of the Custom House for the purpose of holding the principal square of the town, just in front. Segura remained in Tambo a few days, sufficient to lead every one to believe that he intended to attack Islay, and Prado sent from Arequipa his Adjutant General, Cornejo, with two hundred and fifty cavalry, to protect Islay and drive Segura back upon Moquegua. Cornejo found the telegraph cut about twenty miles from Arequipa, and, leaving a few men to repair it, pushed on to Islay.

I came down on the 21st, passing the cavalry about eight A. M. As I came across the pampas of sand between La Hara and La Cruz, I saw off to the left a column of dust, which I suspected was some of Segura's troops; and next morning a courier came through stating that he had passed the gun, filled with stones and half buried in the sand, its carriage burned, and everything but the gun itself and a few pieces of iron destroyed. The men accompanying the gun had probably fled to Arequipa. After this feat and cutting the telegraph in various places Segura returned to the heights above Tambo, where Carnejo is supposed to be looking for him.

As soon as the news of Segura's operations reached Islay the guns in the barricades were dismounted, the barricades removed, the boat howitzers and ammunition sent on board and preparations made for evacuating the place by the troops. The Union and Meteora lay in the harbor, their guns bearing upon the town, and it was given out that if the revolutionists came in the place would be shelled. After several hours some of the boat howitzers were landed again and planted near the Custom House, around which high barricades of wool bales and sacks of barley were erected.

The mail steamer leaves at noon to-day. No mails have come through from President Prado, but a boy has managed to make the trip, bringing a letter from the English merchants to their Consul, who had returned here. The letter states that all is quiet at the front and that the report that Cuzco had fallen into the hands of the revolutionists is true.

No one can tell how easily the route to Arequipa may be blocked up by Segura, but it is feared that he intends to attack Islay. The authorities here have appealed to the British Consul to go out and meet Segura and represent to him that there is nothing to capture in the town and that if he comes in he will only expose the lives of women and children to the fire of the men-of-war without accomplishing any practical result. Prado will probably soon drive the revolutionists from his line of communication and have his telegraph working again. The big gun having been destroyed for all present use, it is very likely that the attack upon Arequipa will not be much longer delayed. The next mail steamer will probably convey the news of the conclusion of the war one way or the other, as affairs demand that a decisive blow should be struck.

Balta Intrenched at Chiclayo—Description of the Place—Fears of Colonel Bermudez in Lima.

LIMA, Dec. 26, 1867.

The decisive combat for supremacy in the north of Peru, though long heralded, has not at this writing taken place. Colonel Balta, the revolutionary chieftain, is strongly intrenched within the town of Chiclayo, and defies Comejo, President Prado's Minister of War, who commands the government forces in that section. The town of Chiclayo is comparatively a new place, having been founded since the war of the Independence, and in these countries anything counting from that date is considered a novelty. It is the most flourishing of the northern towns, being the site of several annual fairs, and Balta took it to possess himself of the merchandise brought thither by enterprising pedlers. It is very prettily situated in a valley about six miles from the sea, but offers no advantages whatsoever as a defensive position. The revolutionary army, composed of about six hundred men, is very strongly intrenched in the Plaza Mayor, or principal square, and have built strong barricades of brick, which until now have effectually shielded them. The government forces seized the only high ground near the city, and Cornejo took as his headquarters the rice mill of a very rich German company who have spent upwards of $1,000,000 in preparing a large hacienda for rice culture. On the top of this mill Cornejo mounted the only guns, six-pounders, which he had, and endeavored to force his way through the rebel defences. But against these formidable defences the cannon shot had no effect whatever, and Cornejo, after having been slightly wounded, found it necessary to send to Lima for ammunition and for guns which would enable him to make some impression on the almost impregnable position of Balta.

The steamer which left Callao on the 24th carried to him four rifled twelve-pounders and one thirty-two, with which he will no doubt speedily end the affair. If the government can gain the victory in this quarter the chances are that no more attempts would be made against them in the north; for the defeated party would have lost their favorite chieftain, and without hope, money or powder would no doubt speedily vanish into their last ditch.

This revolt, apparently insignificant from its littleness to those who saw the war in the United States, is of the very highest import to all residing in Peru. The mercantile life of the community is about expiring, business is completely prostrated, and commercial men state that for thirty years Peru has never passed through such a crisis as it now suffers. With the triumph of the government order and confidence would speedily be re-established.

Lima itself is now threatened by a leader whose name goes far to make us believe that danger is ahead. Colonel Bermudez, for a long time the Prefect of the great mining region of Peru, Cerro de Pasco, whose silver deposits are only second to those of Potosi, has, by his influence, caused nearly the whole province to revolt and declare Prado a usurper. The manner of revolutionizing a town or district in this country is quite unique. A long document is prepared, setting forth grievances and causes of discontent, signed by all of the citizens and then sent to one of the Lima newspapers. The document is published eagerly by the papers, always thirsting for something to fill up their columns, and the revolution is effected. So did Colonel Bermudez, and with such success that he immediately formed under his command about six hundred men very tolerably armed and very eager for a fight. Their desire was soon granted by their leader, who, it is said, has espoused the cause of every revolution in the country for forty years past, simply on principle; and they were led against the few troops faithful to the government in the vicinity.

The commander of these last did not even make his appearance on the