A STUDY OF EMPIRE TRADE

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A STUDY OF EMPIRE TRADE.

Chapter I.

Trade and Policy in the Old Empire.

The earliest precursor of empire trade appeared in the fishing expeditions to the Newfoundland Banks. In Elizabeth's time, long before there was any British settlement overseas, there were four hundred vessels in the trade, of which a quarter were English. In Charles the First's time there were a hundred and fifty fishing ships sent to the Banks regularly from Devon alone. Since this early period discussion of empire trade has flourished, and still the controversy goes on. Moreover, the essential basis of the arguments used has changed very little from generation to generation. Yet the world environment has changed enormously, so that a new importance has been given to aspects hitherto too often neglected. But before the problems can be tackled properly an adequate grasp of the outlines, at least, of imperial development is essential.

There is an almost total lack of trustworthy information as to the general imperial policy pursued by British statesmen in the Seventeenth Century. Yet the drift of opinion was powerful and unmistakable, and opportunists were very susceptible to its influence. With
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the growth of a vigorous nationality based on commercial prosperity, the opinion that all overseas possessions should be exploited for the benefit of the proprietor nation became clearly dominant. The resulting trend of national policy becomes apparent for the first time in the Puritan period (1650-60). In the time of James I and Charles I there had been strong court interests in commercial and colonial affairs, but these were now entirely eclipsed, and the Commonwealth government attended only to the views of the City of London. The influence of the merchants grew, and the restrictive system developed.

The earliest settlers on the American coast and in the West Indies had enjoyed a very complete freedom from British control. The primitive conditions made an extensive trade out of the question. Ordinances of Charles I confining colonial trade to the mother country were quite unnecessary. The most important article of trade in this early period was tobacco. Virginia and Bermuda, the pioneer producers, thrrove till the British West Indies began to take up the cultivation extensively. Then, about 1636, the supply became excessive and all cultivators faced ruin. Cotton was considered as a new staple, but had to be abandoned because of persistent technical difficulties connected with its spinning and weaving. Just as the Civil War broke out the Lesser Antilles found their vocation in sugar growing. The British government was in no condition to supervise
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colonial affairs properly and the Dutch, who had introduced the crop, were able to engross most of the trade. The colonists were content to remain entirely aloof from the strife in England. But when, in 1649, it appeared that home control would become effective, the colonies revolted, using the Royalist cause as a mere pretext. The weakness of the British navy at this time is indicated by the fact that it was two years before the revolts were quelled.

In 1650 the Commonwealth government passed a Navigation Act which, though it was intended to cope with the emergency then existing, contained the outlines of most of the features included in the later restrictive enactments. It was supplemented by an Act of 1651, which, in general, confined all colonial trade to British ships. These acts were not passed primarily for commercial purposes: their object was to build up the British navy -- and they succeeded very well. Britain needed mariners, but could not afford to pay them in time of peace. Long sea voyages, like those involved in the colonial trade, would furnish admirable training.

It was not till after the capture of Jamaica in 1655 that the interest of the English merchants was sufficiently aroused to induce them to urge the government to formulate a definite commercial and colonial program. The great expression of the new policy was the Navigation Act of 1660. This, supplemented in 1663 and frequently amended, remained in force for nearly two centuries. The principal
features of the Act were:

(1) No goods might be brought to or from the plantations except in ships owned in England or built and owned in the plantations.

(2) The master and three-quarters of the crew must be British.

(3) Certain colonial exports were monopolized by the mother country. Sugar, tobacco, cotton, wool, indigo, ginger, and such dye woods as fustick, log-wood, and Brazelletto were "enumerated", that is, they could be exported to England only. There was nothing novel in this principle, though Britain had not expressed it in legislation before. The trade in most products which the English merchants considered important was restricted in this way, yet the system scarcely affected the northern American colonies till well on in the eighteenth century.

(4) The Act of 1663 added an important principle: it provided that all goods produced in Europe, and destined for the plantations, should first be brought to England, Wales, or Berwick-on-Tweed and there put on shore before being carried to America.

Only a few colonies protested, and soon all acquiesced. This was, no doubt, largely because the acts were either ignored or not enforced strictly. Smuggling was always widespread. But Britain kept tightening up on the administration till the peak of mercantilism was reached,
just after the Seven Years' War. An Act of 1696 was particularly important in improving enforcement, though it did little to check smuggling. On the whole, the system worked fairly well so far as enumerated commodities were concerned, but it was less successful in directing the flow of manufactured goods, especially from Europe.

Throughout the seventeenth century Britain had to secure naval stores from the Baltic, but as the navy developed there grew up a demand for an adequate empire source of supply. It was decided to encourage the production of the articles concerned in New England, and in 1705 they were enumerated. Bounties were paid on their importation into England. Modifications in the system were numerous, for British mercantilists never tired of devising new ways of encouraging the production of naval stores within the empire.

The colonies always remained definitely outside the fiscal system of the United Kingdom. Colonial goods usually were charged duty on importation into England, though they frequently entered at preferential rates. To ensure that colonial goods would never be in a more favourable trading position than British, imperial export duties were usually imposed on goods leaving the colonies.

In 1699 the English manufacturers began to view colonial manufacturing with alarm, and the export of wool and woolens from the colonies was prohibited. In 1700 the English export duties on wool were removed to increase
British competitive power. These and other discouragements to colonial manufacturing were not well enforced, but this was not necessary, for colonial industry was too primitive to compete with British except in the local markets of the colonies themselves.

Throughout the Old Empire tropical colonies, which furnished goods that could not possibly be produced in England, were especially favoured. The plantation rather than the settlement colony was considered valuable. To the average Englishman the value of the British West Indies appeared to be enormous relative to that of, say, New England. The discussion after the Seven Years' War as to whether Canada or Guadeloupe should be retained is well known. It was not till the development of the northern colonies opened a considerable market for British goods well on in the eighteenth century that their value began to be appreciated.

In the eighteenth century the West Indies formed the pivot of several important branches of British trade. Important English interests were involved in the sugar trade. For a long time there was serious concern over the low prices at which foreign sugar was being marketed. The cause was apparently the cultivation of virgin soils, whereas that of the British West Indies was becoming comparatively exhausted. While it was recognized that shipment via England helped keep the price up, enumeration was continued in the fear that the whole restrictive system would break
up if colonial sugar could be sent direct to Europe.

Foreign sugar was illegally imported into all the colonies. The British West Indies themselves imported it, and then sent it on to England under the preferential rates, claiming it as their own. At this period, as always, it was not easy to reconcile the interests of colonial merchants and planters. Contraband trade between New England, New York, and Pennsylvania and Guadeloupe and Martinique flourished particularly. Protests from the British sugar islands produced remedial legislation, but it could not be enforced. When, in 1739, the British West Indies actually obtained the right to export sugar direct to Europe, they found themselves quite unable to compete with foreign supplies.

The development of the sugar islands was also closely associated with the slave trade, which supplied the necessary plantation labour. "The English slave trade had a life of about a century and a half as an active branch of national commerce, and during that period it contributed greatly to the building of the overseas empire on both the eastern and western coasts of the Atlantic. To it in no small measure was due the economic progress of the American seaboard colonies and of the West Indies, while from the posts established for the pursuit of the trade the British West Africa of today has developed." This trade became important between 1650 and 1675, though other British
commerce with Africa was established earlier. To 1750 the accepted policy was to confine the trade to a company with monopoly powers, but free traders were always active. This trade also provided the most popular method of acquiring a share of Spanish wealth. The "asiento" or contract granting the right to trade in slaves became eagerly sought after, for it could be used to cloak various other branches of trade, which were not strictly legal. Determined to acquire a share in this, Britain connived at illegal Spanish trade in the Caribbean. The British West Indies naturally became the headquarters for this — another branch of trade which helped build up their prosperity.

Many attempts were made to encourage colonial iron production to remedy Britain's dependence on Sweden. Opposition from British manufacturers was, however, always strong. Iron manufacturing in the colonies was strictly prohibited. However, colonial production remained negligible until modern times.

The mercantile system reached its height at the close of the Seven Years' War, and almost immediately the decline began. Numerous exceptions were made in favour of the American colonists, and the recognition of their independence marked the beginning of a new policy altogether — that of laissez-faire. "When the merchants of London came to consider the position created by the recognition of the independence of the United States in 1783 they arrived at
the conclusion that the superiority of British manufactures would ensure them a preference over those of other countries, and if the future trade was conducted on a liberal system it was not likely that the Americans would make attempts to set up manufactures of their own."(21) But vestiges of the old system were to survive for many years. For a time trade with the United States was prohibited to both Canada and the British West Indies, a policy resented strongly in both colonies. American trade with Canada was open from the time of the Jay Treaty (1794), (22) but Britain became involved in a series of very exasperating disputes with the British West Indies and in a tariff war with the United States. The result was a "heavy decline and partial ruin of the West Indian trade, once the most flourishing and valuable of all branches of British colonial commerce."(23) However, smuggling eased the decline considerably. (24) British West Indies ports were opened to the United States in 1830. (25)

From about 1800 on the restrictive system was considerably relaxed by the creation of free ports, the opening of the colonies to foreign shipping, and the allowance of the freer movement of goods. (26) Of great importance were the reforms of Huskisson, who, in 1822, exacted that the colonies might trade in numerous products with foreign countries. Foreign vessels might participate provided they confined their activities to specified ports. Trade with
North Europe still could be carried on only in British ships. Both colonial and imperial duties were to be levied on goods leaving the colonies, but the benefits of the latter were to accrue to the colonies in accordance with the Declaratory Act of 1778. In 1825 Huskisson introduced measures for further freedom, but they were withdrawn when it became apparent that the United States would protect against the restrictions that still remained. The American deadlock continued till 1830.

The effects of the new policy of comparative freedom were softened by a system of preferences for colonial products. In 1809 and 1810 Britain granted substantial preferences on colonial timber. However, the purposes of the preference were largely nullified by the shipment of both American and Baltic timber via Canada to take advantage of it. This preference was reduced in 1820; further reductions were made in 1843, 1847, and 1851, and Gladstone equalized the duties in 1860. Slight wheat preferences to the colonies can be traced back to 1776. The differential was greatly increased in 1791 and 1804. But this was of little value to the colonies till 1840, owing to the negligible surplus for export available. Lord Stanley's action in 1843 in increasing the preference on colonial wheat was a real boon to colonial farmers, and, more especially, to the Canadian millers, who ground up American wheat and sold it as Canadian flour. This preference was completely repealed in 1846-49.
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Till 1844 foreign sugar was subject to a very high duty in England - a duty which kept prices at a high level. Preference to colonial sugar was increased in 1826, 1830, and 1831 by reducing the duties on the empire product. In 1845 the preference was greatly reduced, and in 1854 abolished entirely. Before 1842 there was a substantial preference allowed on British coffee imported from territory within the Charter of the East India Company. Foreign producers shipped coffee to the Cape of Good Hope, which was within the Charter, and thence to England, with the benefit of preferential entry. Only the foreign merchants benefitted from the transaction. Practically no coffee was produced at the Cape. A similar preference on Cape wine stimulated production there, but the product was of very inferior quality, used mainly for adulterating good foreign wine.

The abolition of all these preferences was roughly contemporaneous with the abolition of the British protective duties in general. The importance of this latter movement can scarcely be over emphasized. If we ignore entirely its effect on the price of food we must still recognize that it embodied the outstanding manifestation of the policy which has been largely responsible for the direction of the development of the modern British Empire. It sprang, of course, from the tendency to minimize governmental interference in economic activity, which had seemed to the
propertied classes (except the landlords) to safeguard their interests best. Britain’s dependence on foreign trade and her preeminence in manufacture robbed the opposition’s most potent arguments of their force. It is clear that the whole free trade agitation was meant to further the interests of the industrial capitalists and merchants only, and it is probable that the attitude of Britain toward the whole question was not affected one way or the other by the consciousness of possessing an empire which in the future might become self-sufficient. Among the leaders of thought the case was somewhat different. “The strongest free traders were the most antagonistic to the empire, and obviously without the empire free trade would have been very much more necessary to the islanders than it has been with it.” Ever since the American Revolution the idea had been gaining headway that the colonies were only encumbrances to Britain, who would do well to rid herself of them as soon as possible. This attitude persisted till the rise of a number of protagonists of the empire occurred in the latter part of the century.

It is doubtful whether, to any appreciable extent, Britain’s early mercantilistic and preferential policy altered the natural flow of trade. The avenues of commerce were then comparatively few, and in any case Great Britain would have got the bulk of the trade. What foreign trade was advantageous was, to a considerable extent,
carried on illegally. The determining role played by the private investment of capital, the granting of credit facilities, and the mutual confidence due to known commercial customs must not be overlooked. However, we must conclude that on the whole, from the British viewpoint at least, the policy was measurably beneficial. Considering the activities of other powers it is difficult to see how Britain could have built up an empire without it; and it is certain that Britain's position has been improved enormously by her world wide colonial activities. A combination of policy and colonies, inextricably mingled as cause and effect, built up the British navy, and with it British power. Whether it was well that Britain should improve her position thus at the expense of other nations and impose her institutions on vast areas overseas is a question which few, if any, British subjects can answer without prejudice. From the point of view of the colonies too the system was beneficial; for, by providing a specially favoured market for British capital, it greatly hastened their development, and with it all the advantages of civilization. It must also be remembered that Great Britain subsidized the colonies heavily throughout this period. Only in the case of the West Indies can there be doubts as to the benefits conferred.
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Notes on Chapter I.


(3) Williamson, op. cit., page 214.


(6) Andrews, op. cit., page 274.


(9) Rees, op. cit., page 582.

(10) Rees, op. cit., page 589.


(12) Rees, op. cit., page 580.

(13) Rees, op. cit., page 581.

(14) Rees, op. cit., page 582.

(15) Rees, op. cit., page 583.

(16) Rees, op. cit., page 585.


(18) Martin, op. cit., page 449.
(19) Penson, op. cit., page 334.

(20) Rees, op. cit., pages 586-588.

(21) Rees, op. cit., page 602.


(23) Shortt, op. cit., page 536.

(24) Shortt, op. cit., page 537.


(27) Shortt, op. cit., pages 570-571.


(29) Shortt, op. cit., page 573.


(34) Ibid.

(35) Ibid.

(36) Drage, op. cit., page 110.

(37) Drage, op. cit., page 111.

16.


(40) Ibid.


(43) Rees, loc. cit.

Chapter II.

The Development of Empire Trade 1846-1914.

The seventy years between the abolition of the corn laws and the Great War witnessed the development of the tendencies which have made the British Empire what it is today. A survey of the trends of that period will, therefore, be particularly valuable for our purpose -- that of understanding the present situation. In 1846 the territorial basis had already been well laid. Canada, Newfoundland, the British West Indies, India, Australia, and New Zealand were British, though of course only the fringes of the larger Dominions were occupied. The great territorial achievements of the period were in Africa, Northern India and Burma, and Malaya and the Pacific. Africa was not seriously appropriated at all till the nineties, and Britain's portion came as the result of her desire to obtain her share in the inevitable partition of the activities of certain individuals more imperially minded than the home government. The great problems faced and, partially at least, solved had to do with the development of both Dominions and tropical areas. Development was just as necessary in India, but here the conditions were in many respects unique. Everywhere the achievements depended almost wholly on the support of the mother country, expressed chiefly in enormous loans, both public and private. These were large throughout the period, but after 1880 they became tremendous. The dependence was
perhaps least in the case of Canada, and certainly was greatest in the tropical colonies of exploitation.

It will be only possible to indicate the general trends over long periods. The consolidation of the statistics of several countries is a formidable task, and the outlines of the situation will be tolerably clear without it. Sir Charles Dilke said that "no figures of trade ever came within 20% of the truth" and "it is impossible to trace one and the same operation of trade, carried on through a port of import and a port of export, by any resemblance in the statistics of the two countries concerned."(2) For instance, the practice of diverting cargoes on the high seas, which occurs frequently, would destroy the balance. Further, we are not interested in values so much as in physical quantities of the goods concerned. It must be remembered that from 1850 to 1874 prices rose about 30%, from 1875 to 1896 they fell over 40%, and that, finally, between 1896 and 1914 they rose about 30%. A correction for these amounts in the statistics of value over the periods concerned will be sufficient to reduce the figures to a fairly accurate volume basis. Over long periods, too, the fluctuations due to the business cycle may be disregarded without serious consequences.

In 1810 the total foreign trade of the British Empire amounted to about £136 millions. By 1880 it had grown to £1,016 millions, and by 1913 to £2,443 millions. The increase reveals clearly that we are here concerned with
a period of enormous development. But the principal foreign nations had participated in the movement to an even greater extent: in 1810 empire trade was over twice as important as theirs, but by 1880 it was approximately of equal value. The relation was about the same in 1913. The rest of the world has progressed relatively to the empire, but this adjustment is now evidently complete. Any further charges in the ratio will probably be favourable to the empire, owing to the development of its overseas portions. In 1913 the empire accounted for about one quarter of the total foreign trade of the world.

In 1810 the United Kingdom accounted for about two thirds of the empire total, for about the same proportion in 1880, and for about one half in 1913. As we should expect, colonial trade has increased relative to that of Great Britain. In 1810 practically all the colonial trade (or what was recorded) was with the United Kingdom. But during the third quarter of the century a great change took place: in 1880 Britain received only 51% of the colonial trade, a figure which had fallen to 41% in 1913. But evidently Britain's share remained enormous. Whereas in 1810 foreign nations did scarcely any recorded trade with the colonies, in 1880 they took 10% of the colonial trade, and in 1913 they took 26%.

Till about 1860 the total imports into the empire were regularly less than the exports from it. But since that date there has been a regular excess of imports. The
change has been due to factors which concern the United Kingdom. In 1854 Great Britain stopped making official valuations of imports and began to record the declared market value. This action raised the recorded value greatly. In addition, in the latter part of the century Britain's services to foreigners and her receipts on foreign investments increased greatly, necessitating surplus imports in payment. For the colonies alone there has usually been an excess of exports.

In 1810 inter-colonial trade was negligible; in 1880 it was nearly 40% of the total trade of the colonies, and amounted to £115 millions. By 1913 it had grown to £929 millions, but the percentage of the total colonial trade had fallen to 33, owing to the growth of foreign commerce.

To be more specific, let us now turn to the trade of each of the empire units. The total trade of the United Kingdom, which has always accounted for the bulk of empire trade, was in 1913 about £1,293 millions, and had practically doubled since 1880. The growth in the trade of the overseas units has been greatest in the latter part of the period, to which, therefore, we shall devote our attention.

In 1868 Canada's foreign trade was about £25 millions. It rose irregularly to £62 millions in 1899, and then much more sharply to over £200 millions in 1913. Australia received a tremendous stimulus from the gold rush of 1851. In fact, the trade jumped from £4.6 millions in 1850 to £23 millions in 1851. It then rose steadily to £74.8 millions
in 1900 and to £158 millions in 1913. New Zealand's trade increased from £9 millions in 1853 to £27 millions in 1903 and to £45 millions in 1913. The trade of British South Africa grew as follows:

£ millions. (averages)
1860 - 4.8 (15) 1906-09 - 72 (16)
1890 - 20.1 (15) 1910-14 - 93.9 (16)

The trade of British India increased as follows:

£ millions.
1860 - 69 (17) 1913 - 323 (18)
1890 - 192 (17)

During the latter part of this period, from 1860 to 1913, the United Kingdom's purchases from the empire remained at about 28% of her total imports. In 1913 Great Britain sent about 35% of her exports to the colonies. The highest percentage of British exports to the colonies was reached in 1900-04, when abnormal exports to South Africa for war and reconstruction purposes occurred.

The imports of empire goods into each principal unit in 1900 and 1913 were as follows:

<table>
<thead>
<tr>
<th>£ millions</th>
<th>Country</th>
<th>1900</th>
<th>1913</th>
<th>Country</th>
<th>1900</th>
<th>1913</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>India</td>
<td>9.</td>
<td>10.</td>
<td>Straits Settlements</td>
<td>16.</td>
<td>27.</td>
</tr>
<tr>
<td></td>
<td>Canada</td>
<td>.8</td>
<td>4.7</td>
<td>Ceylon</td>
<td>5.</td>
<td>7.</td>
</tr>
<tr>
<td></td>
<td>Australia</td>
<td>4.6</td>
<td>8.9</td>
<td>British West Indies</td>
<td>.75</td>
<td>1.97</td>
</tr>
<tr>
<td></td>
<td>New Zealand</td>
<td>2.6</td>
<td>5.0</td>
<td>Mauritius</td>
<td>1.17</td>
<td>1.07</td>
</tr>
<tr>
<td></td>
<td>British South Africa</td>
<td>4.3</td>
<td>5.0</td>
<td>Newfoundland</td>
<td>.6</td>
<td>1.2</td>
</tr>
</tbody>
</table>
22.

Aden was the only other colony taking British goods to the value of over a million pounds during this period. The figures clearly indicate the surprisingly large trade of the Straits Settlements; the comparatively slow expansion of the Indian and South African markets for empire products, and the great dependence of Australasia on the empire relative to Canada.

That the empire's imports from foreign countries were growing much more rapidly is made clear in the following table:

<table>
<thead>
<tr>
<th>Country</th>
<th>1899</th>
<th>1913</th>
<th>Country</th>
<th>1899</th>
<th>1913</th>
</tr>
</thead>
<tbody>
<tr>
<td>United Kingdom</td>
<td>400</td>
<td>601</td>
<td>Nigeria</td>
<td>.128</td>
<td>1.7</td>
</tr>
<tr>
<td>Canada</td>
<td>25</td>
<td>101</td>
<td>Gold Coast</td>
<td>.289</td>
<td>1.2</td>
</tr>
<tr>
<td>India</td>
<td>12</td>
<td>43</td>
<td>British South Africa</td>
<td>5</td>
<td>13</td>
</tr>
<tr>
<td>Straits Settlements</td>
<td>9</td>
<td>22</td>
<td>Australia</td>
<td>9</td>
<td>29</td>
</tr>
<tr>
<td>British West Indies</td>
<td>3</td>
<td>5</td>
<td>New Zealand</td>
<td>1</td>
<td>3</td>
</tr>
</tbody>
</table>

The empire's exports to foreign countries had risen in about the same proportions.

The sources of imports from the empire, excluding Great Britain, in order of importance in 1913 were:

<table>
<thead>
<tr>
<th>Country</th>
<th>Sources of empire imports in order of importance</th>
</tr>
</thead>
<tbody>
<tr>
<td>India</td>
<td>Australia, Straits Settlements, Aden, Mauritius.</td>
</tr>
<tr>
<td>Australia</td>
<td>India, New Zealand, Canada, Ceylon.</td>
</tr>
<tr>
<td>New Zealand</td>
<td>Australia, Canada, India, Ceylon.</td>
</tr>
<tr>
<td>Canada</td>
<td>India, British West Indies, British Guiana, New Zealand, Newfoundland, Australia.</td>
</tr>
</tbody>
</table>
In every case the United Kingdom was a more important source than any of those listed.

The United States was the most important foreign exporter to the empire, followed, in order of importance, by Germany, France, the Argentine Republic, and Russia. The most important foreign buyers of empire products, in order, were the United States, Germany, France, and Belgium. The most valuable import into the empire was raw cotton, which came principally from the United States to the United Kingdom. Of practically every commodity imported from foreign nations the United Kingdom took more than any other part of the empire. Important imports into the rest of the empire were:

- meat to Canada, Newfoundland and South Africa;
- sugar to Canada, Straits Settlements, and Australia;
- wheat and flour to Canada (for mixing and re-export);
- oil to India, Canada, and Australia;
- and various manufactured goods to Canada, Australia, South Africa, and India. Canada actually imported more
24.

machinery from foreign nations than did Great Britain.\(^{(28)}\)

The United Kingdom was, of course, far ahead in the export of manufactured goods to foreign nations, and the Dominions led in the similar export of raw products. Great Britain also led in the export of coal, coke, meat, and sugar. Sales from India to foreigners of cotton, jute, and hides and skins were very important. India, Canada, and Australia led in exports of wheat; India and Ceylon of tea (after the United Kingdom); and Canada in exports of cattle, sheep, and swine. More raw wool was sent to foreign countries from the United Kingdom than from Australasia or South Africa.\(^{(29)}\)

Within the empire, the United Kingdom found her most important markets in India, Australia, Canada, South Africa, and New Zealand, in order of importance. In each case the increase in the value of the exports between 1899 and 1913 was over 100\%.\(^{(30)}\) Great Britain received her supplies of empire goods from India, South Africa, Australia, Canada, New Zealand, and the Straits Settlements.\(^{(31)}\) Wool, wheat, meat, and rubber were Britain's most important imports from the colonies;\(^{(32)}\) her most valuable exports to them were cotton piece goods, iron and steel products, and clothing.\(^{(33)}\) Australia, New Zealand, and India were importing manufactured goods from other parts of the empire (principally Canada) to the value of £6,700,000 annually.\(^{(34)}\) Of the larger colonies, India and Canada were the empire's most important markets for foodstuffs.\(^{(35)}\)
In 1914 the British Empire was (except for India) a group of vast, sparsely populated, agricultural areas, largely dependent on Great Britain for both the physical and psychical goods which make civilization possible. Canada alone was being seriously affected by a foreign nation.

Notes on Chapter II.


(2) In "Problems of Greater Britain", page 554; quoted by Fuchs, op. cit., page 111.

(3) Hughes, W. M., The Splendid Adventure, Toronto, Doubleday, Doran, and Gundy, Ltd., (no date), page 417.

(4) France, Germany, the United States, and Japan.

(5) Hughes, ibid.

(6) Ibid.

(7) Ibid.

(8) Ibid.


(10) Hughes, loc. cit.

(11) Ibid.


(13) Official Year Book of the Commonwealth of Australia, 1929, page 204.


(15) Fuchs, op. cit., page 401.

(17) Fuchs, op. cit., page 401.


(22) Statistical Abstract for the British Empire in each year from 1899 to 1913, 11th number, H.M. Stationery Office, London, 1915, pages 119-120.

(23) Ibid., pages 35-36.

(24) Ibid., pages 37-38.

(25) Ibid., pages 111-118; for the United Kingdom, pages 79-80.

(26) Ibid., pages 7-8.

(27) Ibid., pages 9-10.


(29) Ibid., pages 41-42, 55-60.

(30) Ibid., pages 81-82.

(31) Ibid., pages 79-80.

(32) Ibid., pages 83-84.

(33) Ibid., pages 85-86.

(34) Ibid., page 135.

(35) Ibid., page 135.
Chapter III.

Empire Trade Since the War.

In comparing empire trade in pre-war and post-war years we must again be careful to allow for the rise in prices which has taken place during the interval. Prices have risen about 50%, so it follows that to reduce 1929 trade values to the 1913 basis we must multiply by about 2/3. As before, it is intended to indicate here only the general tendencies. For our purpose the years 1913 and 1925-28 are considered fairly "normal" and therefore comparable. On this basis, then, how has empire trade changed in the last 15 years?

We find that the grand total of the trade of empire countries has increased nearly 70% in money value, to about £3,281 millions in 1927. The trade of empire countries with foreign nations has increased in roughly the same proportion, from £1,458 millions to £2,419 millions. The empire units still import from foreigners much more than they export to them, chiefly for the same reasons as before the war. The ratio of inter-empire trade to total trade has risen slightly, from 24.4% in 1913 to 26.3% in 1927. The inter-imperial trade, which has increased about 80%, now amounts to over £861 millions. Of this, however, only about £275 millions represents trade which does not concern the United Kingdom, about 30% of the total. The percentage has increased from 25 in 1913. By 1925 the empire accounted
for about 30% of the world's trade, an increase of 5% since 1913. (5)

We find that the greatest relative increases in trade have taken place in the West African colonies and Ceylon. (6)

<table>
<thead>
<tr>
<th>Country</th>
<th>1913</th>
<th>1927.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nigeria</td>
<td>12</td>
<td>30</td>
</tr>
<tr>
<td>Gold Coast</td>
<td>6</td>
<td>26</td>
</tr>
<tr>
<td>Ceylon</td>
<td>24</td>
<td>60</td>
</tr>
</tbody>
</table>

This has been due to the enormous development of the vegetable oil, ground nut, and cocoa trades in West Africa, and to a more general expansion in Ceylon.

The trade of Canada, Australia, and New Zealand practically doubled in value; that of the Union of South Africa and India increased scarcely enough to make up for the price rise. (7) Though the trade of the United Kingdom rose nearly 40% in value, its physical volume had only reached about 75% of the 1913 level in 1924. (8) Kenya and Uganda, Northern Rhodesia, and British Malaya all increased their trade well over 100%. In the British West Indies the trade of the Bahamas, Jamaica, and Trinidad increased most notably. The United Kingdom, Canada, Australia, and New Zealand all increased their trade with the empire greatly; India and the Union of South Africa did so only nominally. New Zealand's exports to foreign countries increased 600%.
South Africa's 500%, and Canada's 209%. Of course the aggregate increase was greatest in the case of Canada. The trend is definitely for empire countries to take a smaller proportion of their imports from the empire.

Great Britain remains the only great exporter of manufactured goods in the empire. However, Canada's exports of manufactures have grown considerably in recent years. Her exports of rubber goods, printing and writing paper, farm implements, automobiles, and musical instruments to Australia, New Zealand, and British South Africa have become quite important, as have her sales of rubber goods, automobiles, and silver bullion to India.

Canada's exports to the United Kingdom, Australia, New Zealand, British Africa, and Newfoundland greatly exceed her imports from those countries. In fact, she exports twice as much to empire countries as a whole as she imports from them. In 1914 twenty-one per cent. of Canada's imports came from the United Kingdom; in 1928 the percentage had fallen to 16.8. On the other hand, her imports from the rest of the empire grew in the same period from 3.6% to 5.7%. A similar tendency was evident in export trade, the percentage destined for the United Kingdom falling from 49.8 in 1914 to 33.8 in 1928, and for the rest of the empire rising from 5.4 to 6.9. Another notable feature of the period was the continued growth in the United States' export trade to Canada. Canada's exports to the empire outside the United Kingdom
are predominantly manufactured goods (78.1%), and her imports from it raw materials or semi-manufactured goods (70.6%). Only from India, Hong Kong, and Newfoundland are more than half of Canada's imports manufactured. On the other hand, in 1926 over 86% of Canada's imports from the United Kingdom were fully manufactured, and 67% of her exports to the mother country were raw products. Animal products continue to form the great bulk of Canada's imports from Australia, sugar products from the British West Indies, and tea and jute from India.

In 1928 Australia bought 55% of her imports from the empire, and 42% from the United Kingdom. Her exports to the empire were 48% of the total, and to the United Kingdom 38%. Her best empire customers, outside the United Kingdom, were New Zealand, India, and British Malaya. India, Canada, New Zealand, Ceylon, and British Malaya were, outside the United Kingdom, the largest empire exporters to Australia. New Zealand and the Pacific Islands are the only areas to which Australia exports manufactured goods. About 65% of her imports from India consist of bags and sacks, for use in handling the wheat crop.

New Zealand, like Canada, has a considerable excess of exports to the empire. This tendency results entirely from her trade with the United Kingdom, to which in 1928 her exports were 181% of her imports. The excess is caused, partly at least, by interest payments on London loans. On the other hand, she imports more from all the other
important divisions of the empire than she exports to them. In recent years her exports to Canada, Australia, and India have tended to increase. New Zealand's trade is in general like that of Australia, but New Zealand specializes the more narrowly in animal products. A considerable proportion of her imports from empire countries come via Australia.\(^{(18)}\)

South Africa's excess of exports to the United Kingdom is largely made up of gold bullion for sale in the London market. Her trade with the rest of the empire about balances. She has enormous excesses of imports from Australia and Canada, and a lesser one in imports from Ceylon. Her excesses of exports go to, besides the United Kingdom, India, Aden, Straits Settlements, and Rhodesia. A large proportion of the trade with the last is, of course, in goods which have already been imported into the Union. This peculiar relationship explains the fact that the Union exports manufactured goods to both Rhodesia and South-West Africa: these goods were not produced in the Union. Enormous exports of gold and diamonds enable this Dominion to prosper moderately while remaining comparatively undeveloped.\(^{(19)}\)

Since the war increasing stress has been laid on Britain's growing dependence on empire markets. In 1913 the empire took 35% of Britain's exports, and in 1927 about 46%.\(^{(20)}\) In the same period Britain's share in the total exports of the world has fallen from about 14% to 11%.\(^{(21)}\) Evidently the United Kingdom is not progressing as is the
rest of the empire. This is made clear in the following table:

<table>
<thead>
<tr>
<th>Country</th>
<th>1913</th>
<th>1927</th>
<th>Country</th>
<th>1913</th>
<th>1927</th>
</tr>
</thead>
<tbody>
<tr>
<td>Canada</td>
<td>2.78</td>
<td>3.76</td>
<td>Nigeria</td>
<td>.17</td>
<td>.23</td>
</tr>
<tr>
<td>Australia</td>
<td>2.00</td>
<td>2.35</td>
<td>Gold Coast</td>
<td>.13</td>
<td>.22</td>
</tr>
<tr>
<td>British Malaya</td>
<td>1.06</td>
<td>1.85</td>
<td>Kenya &amp; Uganda</td>
<td>.03</td>
<td>.10</td>
</tr>
<tr>
<td>Union of S. A.</td>
<td>1.38</td>
<td>1.26</td>
<td>Empire, except U.K.</td>
<td>8.10</td>
<td>10.47</td>
</tr>
<tr>
<td>New Zealand</td>
<td>.55</td>
<td>.70</td>
<td>United Kingdom</td>
<td>14.0</td>
<td>14.5</td>
</tr>
</tbody>
</table>

In addition, Nigeria is the only country in which Great Britain has increased her proportion of the total imports since the war. Though Britain's trade with the empire has grown absolutely, empire countries are trading with foreigners to an increasing extent. The situation is disquieting enough for Englishmen, and has been an important factor in the growth of interest in empire trade which has taken place in the last decade. Discussion of the fiscal solution has been revived: a solution whose fortunes we must now outline.

Notes on Chapter III.


(2) Ibid.
(3) Ibid.
(4) Ibid.
(6) Statistical Abstract, page 82.
(7) Ibid.
(9) Statistical Abstract, pages 82 and 86.
(10) Ibid.
(14) The Canada Year Book, 1929, pages 466-597.
(20) McDougall, op. cit., page 27.
Chapter IV.

Empire Tariffs and Preference to 1914.

We have seen how the mercantile system of the Old Empire began to break up after the American Revolution, and how numerous preferences on colonial goods in the British tariff introduced during the Napoleonic Wars came to an end with the adoption of free trade in England. There had also been preferences in favour of British goods in colonial tariffs, but these had all been repealed by 1855. Preferences presupposed protection, against which British official opinion was strong, and many of the colonies were not averse to retaliation for the loss of preference in the markets of the mother country. Formally, the United Kingdom had given up control of colonial tariffs, but in reality the colonies had only been given the right to adopt free trade. Lord Grey, the Colonial Secretary from 1846 to 1852, declared that when parliament adopted free trade "it did not abdicate the duty and the power of regulating the commercial policy not only of the United Kingdom, but of the British Empire. The common interests of all parts of the Empire require that its commercial policy should be the same throughout its numerous dependencies, nor is this less important than before, because the policy is now directed to the removal of, instead of, as formerly, to the maintenance of artificial restrictions on trade." For
many years this spirit prevailed among British statesmen. There was to be a lengthy struggle "under a continuous free trade bombardment from the Colonial Office before real fiscal freedom was achieved." (3)

Yet it was not long before some concessions had to be made. Canada was in the forefront of the struggle for fiscal independence. Lord Durham, in his report, had assumed that the control of trade would remain with the Imperial government. (4) Yet as early as 1846 an act conferred on the British North American Colonies the power to alter tariff provisions applicable to each other. (5) However, this was not necessarily effective, for "as early as 1843 a circular despatch had forbidden the imposition of differential duties in the colonies, and thereafter until 1878 the instructions to governors always contained a clause ordering them to reserve such bills." (6) But by 1850 Canada in fact enjoyed the right to impose differential duties, though Earl Grey protested against it and the Colonial Office protested in every instance till 1870. The right was exercised in 1854, when the Reciprocity Treaty with the United States was negotiated, and also in 1872. In 1859 and 1866 inter-colonial preferences in British North America were allowed. (7) On the other hand, in 1855, the British government vetoed a reciprocity agreement between Canada and the British West Indies. (8) An extremely important step was taken in 1858, when Canada, in effect, gained the
right to impose protective duties. The Imperial authorities were now extremely reluctant actually to interfere in the colonies. "In 1867 Victoria adopted protectionism under the preaching of David Syme; New Zealand followed, and the Colonial Office was dumb."(10)

The situation in Australia was of especial interest. In 1850 an Act regulating the Australian constitutions permitted them to levy duties freely, provided that no treaty obligations were violated, that no duties were levied on imperial military or naval stores, and that no differential duties were imposed. This only made more specific the statement prohibiting differential duties issued by Lord Stanley in 1843. The only real result of the prohibitions was to frustrate an incipient movement toward inter-colonial free trade. Settlers along the borders were naturally most vehement in their protests against the trade restrictions, and for their benefit a convention whereby a limited measure of free trade along and across the Murray River was allowed was actually permitted to come into effect. But an act passed by New South Wales in 1842 to admit freely the goods of New Zealand had been vetoed, and Tasmania's act of 1867 to treat New Zealand goods similarly was dealt with in the same way. A New Zealand Act of 1870 authorizing reciprocal agreements with the Australian colonies was not allowed to become effective. In fact, before 1873 New Zealand was demanding the right to
grant preferences to foreign countries as well as to other colonies. (16) During the sixties there was considerable agitation for permission to establish inter-colonial preferences, led by New South Wales, Tasmania, and South Australia. The Imperial government declared that it would sanction an agreement for a complete customs union or none at all. (17) Several inter-colonial conferences were held, at which there was apparently almost unanimous approval of the principle of a customs union, but there were interminable disputes over matters of detail, chiefly between protectionist Victoria and free trade New South Wales, and nothing was decided. (18) Petitions asking for the right to establish preferences were, however, regularly sent to the Imperial government. Then in 1872 Gladstone determined not to disallow a Canadian Act which favoured tea and coffee imported from the United States. (19) The incident apparently influenced him in favour of the colonies in general, for in 1873 he passed the Australian Colonies Customs Duties Act, which removed the restrictions so far as agreements between the Australasian colonies was concerned. The British House of Commons took no interest whatever in the measure. (20) But still the colonies could not come to an agreement, and their new freedom was never used. (21) In 1895 the Australian colonies were empowered to grant preferences to foreign nations. (22)

Throughout this period there was no widespread desire in British South Africa to grant preferences to other colonies.
Only the wine growers, championed by Mr. Jan Hoffmeyer, appeared to be enthusiastic about it. However, the right became clear when in 1889 Cape Colony and the Orange Free State agreed to enter into a complete customs union, and the Imperial authorities sanctioned the arrangement. The only precedent for such treatment of a foreign state was the Canadian Reciprocity Treaty of 1854.

India did not attain tariff autonomy before the war, nor, of course, did any Crown Colony. It must be remembered that in most important Crown Colonies the customs are arranged entirely by the local authorities. But, as is implied in the very term "Crown Colony," the Governor in every case has the power to veto all enactments, and he is, in turn, subordinate to the Colonial Office. The extent to which the home government has actually controlled the colonial levies is uncertain.

All the early commercial treaties negotiated by Great Britain applied to all her colonies. In 1877, on representations from Canada, Britain agreed to include the self-governing colonies only if they agreed to adhere within two years. Soon it became customary to consult the Dominions to see if they had any special interest in the Treaty. The concession of separate withdrawal of the colonies was first obtained in 1899. Recently most foreign states have accepted most-favoured-nation agreements with individual colonies. Since 1854 Canadian representatives
have been associated with Imperial in commercial negotiations. In inter-imperial agreements the Dominions have been free since the end of the nineteenth century; but in negotiating with foreign nations they have been obliged to act with British ministers till the most recent times because of the lack of a general recognition of the Dominions as separate persons in international law. In 1865 and 1895 it was decided that the Dominion power of negotiation should be limited as follows: (1) No imperial treaty may be violated, (2) any advantage conceded to a foreign country must be immediately extended to the whole empire, and (3) no colony may seek an advantage which would operate to the disadvantage of any part of the empire. The first and third conditions have been observed, but the second is obviously quite obsolete. In addition there has existed since 1923 an agreement that each unit shall consult with any other part of the empire likely to be affected by its projected agreements.

It was inevitable that there should be, both in Great Britain and in the empire at large some sort of reaction against laissez-faire. In the United Kingdom the movement became marked in the eighties, when the Imperial Federation League and various tariff reform societies were formed. One outcome was the inauguration of the Colonial Conferences, the first of which convened in London in 1887. The principal item on the agenda was defense, but Mr. Jan
Hoffmeyer of South Africa found opportunity to advocate an empire super-tariff against all foreign nations, the proceeds to go into a fund for imperial defense. His argument was eloquent, and created a very favorable impression. Delegates from Newfoundland, Natal, Australia, and New Zealand spoke appreciatively, but no tangible results whatever emerged from the discussion.

But British opinion was apparently turning toward the idea of closer fiscal cooperation. In January 1891 Sir Gordon Sprigg, a former prime minister of Cape Colony, at a meeting of the London branch of the Imperial Federation League advocated a commercial union of the whole empire, and England received his proposal sympathetically. A month later proposals for a special conference to discuss empire trade were introduced in both Houses of Parliament, but did not meet with general approval. About the same time was founded the United Empire Trade League, whose program, however, was "vague and wordy." Membership in the new organization grew rapidly. At the meeting of the Congress of Chambers of Commerce of the Empire held in June 1892 occurred a very interesting discussion of empire trade, but one in which diversity of aims and interests became clearly evident.

As a result of informal resolutions of the Conference of 1887 in support of the Pacific Cable, a second Colonial Conference met in Ottawa in 1894. The principal purpose
was to discuss trade relations, especially those between Canada and Australia. In his presidential address Mr. Mackenzie Bowell advanced a comprehensive proposal for a unified empire economic policy, involving colonial tariff autonomy, uniform preferences for empire goods, and a joint tariff commission to ensure uniformity. Sir George Foster's address favouring preference was equally eloquent. However, the Cape delegates did not favour any imperial customs union which omitted the Orange Free State, and the Australian delegates were nervous of appearing to "dictate" to the United Kingdom by proposing a policy which would involve the abandonment of free trade. On Foster's motion resolutions were adopted expressing belief in the desirability of "a customs arrangement between Great Britain and her colonies by which trade within the empire may be placed on a more favourable footing than that which is carried on with foreign countries." Till the United Kingdom was in a position to reciprocate the colonies were to make agreements among themselves. For the purposes of the resolution the whole South African Customs Union was considered eligible for inclusion. Foster did not believe Britain could be persuaded to join any such arrangement at once, but he believed in the necessity for diffusing the idea in advance. In addition, the conference made an informal examination of existing tariffs and trade, which revealed the fact that there was a fairly wide range of articles
which might be profitably exchanged between the Dominions. As a direct result of a resolution of the Conference of 1894 Great Britain, in 1895, empowered the Dominions to enter into reciprocal trade agreements with one another. New Zealand negotiated such instruments with Canada and South Australia at once, but they failed of ratification.

The really important result of the Conference was the inauguration of a preferential policy by the Dominion of Canada. First there was passed, in 1897, a reciprocal tariff, offering special rates to nations reciprocating. The government frankly admitted that it intended to apply this only to the products of Great Britain and possibly some of the British free trade colonies. But Canada was bound by Imperial treaties with Belgium and the Zollverein, and in consequence was forced to extend the new concessions, if they were to be used at all, to a score of foreign countries. In fact, the United States was the only great trading nation which continued to trade with Canada subject to the general rates. This situation was very unsatisfactory, and immediate steps were taken to remedy it. In 1898 Great Britain denounced the hampering treaties, and Canada at once enacted a new measure containing provision for a real British preference. A reduction of 25% of the duty was to be allowed on goods from the United Kingdom, the British West Indies and British Guiana; a concession which in most cases amounted to about 8% of the value of
43.

The general rates had in most cases been raised, but the preferential duties remained lower than those payable under the tariff of 1894. In 1900 the preference was increased to 33 1/3%, and the tariff revision of 1907 introduced the principle, adhered to ever since, of granting a specified reduction on each tariff item. At this date Canada extended preferential treatment to the United Kingdom, Bermuda, the British West Indies, British Guiana, India, Ceylon, Straits Settlements, New Zealand, and British South Africa. The defeat of the reciprocity agreement with the United States in 1911 revived interest in empire preferences, and an Order-in-Council of January 25, 1913 extended the concessions to practically all parts of the empire.

In the early days the trade relations between Canada and the British West Indies had been of considerable importance. The shipping and shipbuilding industries of Lower Canada and the Maritimes, aided by the restrictions of the Navigation Laws, had developed considerable trade. But with the repeal of the corn laws, and of the British preference on colonial sugar, together with the decline of wooden shipbuilding, the trade of the islands began to veer sharply in the direction of the United States. The Canadian Maritime Provinces felt the trade loss especially keenly. But nothing could be done about it. Attempts to reach advantageous agreements between Canada and the British
West Indies were vetoed by the British government in 1855 and 1883. In 1890 the islands did not respond to overtures from Canada because they were negotiating with the United States. However, in 1898 Canada extended preferential treatment to their goods without requiring any return. The West India Islands had been severely crippled by the competition of bounty-fed European sugar, and had to make the most of every opportunity for obtaining markets. In fact, since Canada imposed no countering duty against bounty-fed sugar and the United States did, sugar from the West Indies could be sold more advantageously in the latter country, in spite of the Canadian preference.

In 1903 several events occurred which improved the situation materially from the imperial point of view. The Brussels Sugar Convention was signed, the United States made a reciprocity agreement with Cuba, and Canada imposed a surtax of 30% against German goods. In addition, the United States repealed the countervailing duty on sugar. The Canadian market now became comparatively attractive. In 1907 a delegation of Canadian business men visited the British West Indies, two years later a Royal Commission investigated, and in 1912 a trade agreement was signed. However, Jamaica, because of her close trade association with the United States through the banana business, and the Bahamas, Bermudas, British Honduras, Turks and Caicos Islands, and the Virgin Islands, which had comparatively little trade with Canada, would not become parties to
Meanwhile the movement in the United Kingdom had waxed and waned. The Marquis of Ripon, for the British government, had severely criticised the principles expressed in the resolutions of the Ottawa Conference of 1894. But Britain's apparent fiscal isolation and her relative commercial decline were certain to have their effects, and the new movement found an able leader in Joseph Chamberlain. The commercial imperialists increased in strength; Chamberlain's oratory was discussed on every hand; and then came the South African War and with it a tremendous outburst of imperialist feeling throughout the empire. For a short period the old registration duty of 1s. a quarter on imported wheat was reimposed. Chamberlain desired to use it to introduce a British preferential policy, but it was soon repealed, apparently partly to avoid this very possibility. On the preferential issue Chamberlain resigned from the government.

Between 1895 and 1903, while Chamberlain was Colonial Secretary, the British policy of prohibiting differential tariffs in the Crown Colonies was departed from in several instances. In 1898 Cecil Rhodes succeeded in having included in an Order-in-Council for the administration of Rhodesia a clause stating that the tariff on empire goods should never be higher than that existing in the South African Customs Union on similar goods at the
time of the passing of the order. As the tendency in the Union was for duties to rise, and as Rhodesia was forced for fiscal reasons to raise considerable revenue from import duties, a substantial preference was thus established. In 1903, when an enlarged South African Customs Union was formed, the principle of preference for Great Britain and reciprocating colonies was accepted. This step was taken under pressure from Lord Ilner, who was actively supported by Chamberlain. This was the first example since 1855 of the direct sanction by the British government of a colonial preference on British goods. In 1903 a differential export duty on tin was established in the Straits Settlements, which then furnished 60% of the world's supply of this mineral. Prohibitory duties were placed on the export of tin if satisfactory guarantees were not given that it would be smelted in the Straits Settlements, Great Britain (from 1904) or Australia (from 1916). The monopoly was so strong that the sale of tin from Malaya did not suffer. But the development of the smelting industry in the United States was hampered considerably.

A third Colonial Conference was held in 1897, but nothing of importance for empire trade was done. At a fourth in 1902 Chamberlain protested that the Canadian preference had been of little real value to Britain, and supported his assertion with a paper prepared by the Colonial Office which analysed the trade in detail.
Canadian representatives replied in a lengthy "Memorandum Respecting the operation of the Preferential Tariff," wherein the substantiality of the concessions was strongly argued. Apparently the preference really did something to arrest a comparative decline in British sales in Canada: the Canadian textile manufacturers, at least, were certain that it allowed serious competition with their products. The usual resolutions expressing confidence in the principle of preference were adopted.

Actual introduction of the principle into existing tariffs was becoming encouragingly frequent. In 1903 New Zealand established a preference, which applied immediately and unconditionally to all parts of the empire, by imposing a surtax against foreign goods. The preference amounted, on the average, to about one-third of the duty or 10% of the value of the goods. In 1906 an agreement for further reciprocal concessions was negotiated with Australia, but the New Zealand parliament considered it one sided and refused to ratify it. Negotiations with South Africa (1906) were more successful, and an agreement, which was revised in 1909, was signed. South Africa extended to New Zealand her preferential rates, and the latter allowed South African goods to come in under rates applying to no other country. In 1904 Canada gave New Zealand the benefit of her preferential rates, but attempts of the latter to make a special arrangement were unsuccessful.
In 1907 New Zealand increased her margin of preference by adding to the surtax against foreign goods. Reference was then allowed on about two-fifths of the items on her tariff.

In 1906 Australia reached an agreement with South Africa whereby she granted that colony special rates of duty on a large number of items. But at this time Australia imported from South Africa goods to the value of only £50,000 a year, and there is little doubt that many of the items had been included solely for "window dressing." On the other hand, Australia exported to South Africa goods to the value of £2,000,000 annually. In fact, the trade figures would suggest that there has always been a "triangular trade" with England as intermediary. Australia regularly imports from England more than she sells there, and the South African balance is of the opposite nature. Of course the actual method of settling the international obligations involved is vastly more complicated than this would suggest.

In 1898 Canada granted New South Wales the benefit of her preferential tariff, but the concession lapsed on the formation of the Commonwealth in 1901. Subsequent negotiations were fruitless because Australia would allow no concessions on Canadian agricultural implements and because Australia exported very little of anything to Canada. In 1914 the war caused the postponement of negotiations being carried on by Sir George Foster.

In 1907 Australia granted Great Britain preferential treatment, but with the proviso that to be eligible goods
must be brought in British ships manned entirely by white seamen. This condition was inconsistent with several British treaties, and the British Board of Trade stated that it would at once exclude 92% of British imports into Australia from eligibility for preference. The objectionable clauses were dropped. The preference which actually came into force applied to about 60% of Australia's imports from the United Kingdom. But as a result of the general tariff revision in nearly every case British goods had to pay higher duties than had been previously in effect. The preference had been granted "avowedly as a mere intimation of the willingness of Australia to negotiate with Great Britain for other and larger preferences on reciprocal terms." The Coventry and Birmingham Chambers of Commerce protested against what they considered unreasonable increases of duty, and it was generally estimated that the advantages were not sufficient to offset the disadvantages. Australia had no intention of seriously modifying her protective policy in anyone's favour. In 1911 some new articles were placed on the preference schedule, but, as before, in nearly every case the duty enforced after the revision was higher than that which had applied before.

Meanwhile the classic debate on the subject had taken place during the Colonial Conference of 1907. The British people had definitely decided against a reversal of the country's fiscal policy in 1906, and from that
date to this there has been no doubt about the attitude of the British electorate. The British delegates who attended the Conference, H. H. Asquith, David Lloyd-George, and Winston Churchill, were definitely committed to sanction no modification of free trade, and they were not backward in saying so. Mr. Deakin (Australia) proposed a resolution for a sort of most-favoured-nation arrangement, by which the concessions granted by each Dominion or Great Britain would be automatically extended to the whole empire. Despite a sympathetic reception from most of the delegates the proposal was somehow allowed to drop. In fact nobody except the British delegates criticised Deakin's able opening speech at all. The Dominions' representatives enlarged on the various benefits to be obtained from an extension of the preferential system and were opposed only by, besides the British delegates, Sir James Mackay of the India Office, whose connection with the central government was very close. Asquith opposed the tariff method of fostering trade with vehemence. Lloyd-George appeared to be more sympathetic, but would not favour any alteration in Britain's fiscal policy. Churchill exposed various defects in the proposed system and left no doubt about the British government's attitude. In his closing speech Laurier, in addition, gave the impression that Canada was not prepared to grant any substantially larger preference on any terms that were likely to be offered.
At the Conference of 1911 the fiscal question was not discussed.

Thus in 1914 the Dominions appeared to be all in favour of a general preferential scheme, which, however, must not prejudice their established policy of protection. On the other hand Great Britain opposed all suggestions that she participate, on the ground that any alteration of her policy of free trade would increase the cost of living and endanger her position in foreign markets. The essence of the difference was that the Dominions had the advantage of possessing systems whose basis might remain untouched by whatever nominal preference was given: Great Britain had not.

Notes on Chapter IV.


(1a) Ibid., vol.II, page 370.


(5) Ibid.

(6) Knowles, op. cit., vol.II, page 60. This despatch originally referred to inter-imperial retaliation. Some of the colonies had taken to penalizing one another (ibid, page 371).
(7) Keith, op. cit., page 108.
(9) Ibid., page 62.
(10) Ibid., page 63.
(11) Keith, op. cit., page 110.
(13) Ibid., page 42.
(15) Ibid., page 765.
(16) Keith, op. cit., page 111.
(18) Ibid., page 114; et passim.
(20) Allin, op. cit., page 195.
(22) Gregory, op. cit., page 268.
(23) U. S. Tariff Commission, op. cit., page 739.
(24) Ibid., page 741.
(25) Ibid., page 727.
(28) Keith, op. cit., page 279.
(29) Ibid.
(30) Ibid., page 281.
(31) Ibid.

(32) Ibid., pages 286-287.


(35) Proceedings, 1887, loc. cit.

(36) Fuchs, op. cit., page 356.

(37) Ibid., page 361.

(38) Ibid., page 371.


(40) Ibid., pages 207-208.


(42) Ibid., page 189.

(43) Proceedings, 1894, pages 200-254.


(45) Ibid., page 668.

(46) Ibid.

(47) Ibid.

(48) Ibid., pages 674-675.


54.

(53) Ibid., page 698.
(54) Ibid., pages 699-700.
(55) Ibid., pages 703-710.
(58) Ibid., pages 642-643.
(61) Ibid., page 651.
(62) Ibid., page 756.
(63) Ibid., pages 742-743.
(64) Ibid., page 745.
(65) Ibid., pages 337-339.
(67) Papers Relating to a Conference between the Secretary of State for the Colonies and the Prime Ministers of the Self-Governing Colonies, Colonial Conference, 1902, Ottawa, King's Printer, 1903, pages 93-142.
(68) Ibid., pages 142-155.
(70) Ibid., pages 767-768.
(71) Ibid., page 769.
(72) Ibid., pages 769-771.
(73) Ibid.
(74) Ibid., pages 771-772.
(75) Ibid., page 784.

(76) Ibid., pages 785-787.

(77) Ibid., pages 789-796.


(80) Ibid., pages 796-797.


(82) Ibid., vol. II, pages 222-245.

(83) Ibid., vol. II, pages 254-255.
Chapter V.

Tariffs and Preferences Since the War.

The Great War, like the South African, resulted in a tremendous outburst of imperial feeling. So strong was it, indeed, that there grew up again in Great Britain an active movement for the reversal of the country's traditional policy. The most notable indication of the trend of opinion appeared in the final report of the Committee on Commercial and Industrial Policy After the War, which was submitted to the government on February 2, 1918. The majority recommended that a serious attempt be made to meet the wishes of the Dominions and readjust and develop economic relations within the empire. Protection should only be established in the United Kingdom after an investigation of the situation of each industry requesting it had been carried to a successful conclusion. Any tariff that gave a substantial preference would have to extend to foodstuffs and raw materials. The Committee therefore expressed the opinion that it might be well to make use of means other than the tariff, such as government contracts to purchase for a term of years at guaranteed minimum prices part or all of the colonial output of certain materials, or financial assistance toward the development of colonial resources. (1) In addition, in 1918 the Dominions Royal Commission presented its final report, which stressed the possibilities of improving trade relations by means other
than the tariff. During the war there actually existed widespread governmental activities to control imperial resources and trade for the benefit of the empire, but these lapsed almost entirely when peace returned.

British Finance Acts, from 1915 on, had imposed various protective duties, and in 1919 Austen Chamberlain proposed to inaugurate the recommended imperial policy by granting rebates to the Dominions on these. This policy was approved, and rebates of one-third on empire cinematograph films, clocks, watches, motor cars, and musical instruments, and of one-sixth on other dutiable articles, were allowed. To be eligible goods had to contain at least 25% of the value added as the result of empire labour. In addition Chamberlain asserted that the British government would strive to favour empire goods in official purchases and contracts.

In 1921 and 1925 the list of dutiable articles was extended considerably. In most cases a preference of one-third of the duty (which, in turn, is usually 33 1/3%) is allowed on empire goods. Certain key industry duties, which apply mainly to scientific instruments and electrical goods, are applicable only to goods of foreign origin. These preferences have made little change in the proportions of British and foreign goods purchased. The empire is either unable to compete, as in the manufactured goods, or sends the bulk of the supply available to England in any case, as is the case with tea, cocoa, and other raw products.
An important exception is sugar. The substantial preference allowed on this product when it is of empire origin has been of real value to colonial growers.

The changes made by Canada in her preferential schedules have not been of great significance. Between 1921 and 1930 there was a slight tendency to increase the margins of preference. In 1928 the benefit of the reduced rates was extended to Newfoundland. In 1920 a new trade agreement was made with the British West Indies, which was in 1925 replaced by another of wider scope. The reductions are substantial: concessions are made comparatively easily because the trade is practically all in complementary, not competitive, goods.

Canada extended to Australia the benefits received by France under the trade conventions of 1893, 1907-09, and 1922. These amount, in general, to the levies provided in the intermediate tariff, though a few are lower. These concessions have been extended to every empire country which treats Canada as favourably as it does any foreign country. In 1925 Canada and Australia reached a trade agreement whereby the former extended low specified rates on certain animal and dairy products and on fruits. Australia did not guarantee any particular rates, but undertook to allow certain Canadian goods (paper, fish, motor cars, iron and steel tubes and pipes) to enter under the preferential or intermediate schedule, as specified. Actual reductions were up to 10% of the duty, but the rates on manufactured goods remain at
a high level (30% to 65% of the value). Australia requires that, to be eligible for the reductions, the goods must undergo their final process in, and be consigned direct from, the country accorded the preference. If the goods compete with Australian products they must contain at least 75% of their labour and/or material value of the country allowed the reduction, otherwise 25% is sufficient.

Subsequently Australia raised the duties on many items, particularly since the coming of the great depression in 1929. The treaty itself is at present under revision.

Canada and New Zealand have continued to extend their preferential concessions to the goods of one another, and in 1925 Canada, in addition, gave New Zealand the benefit of the special concessions granted to Australia under the agreement. The New Zealand preferential rates are in most cases one-third to one-half lower than the general, and they are much lower than those charged by Australia. South Africa has continued to extend preferential treatment to Canada. Southern Rhodesia and the Zambesi Basin of Northern Rhodesia grant substantial preferences on all empire goods. Australia repealed her agreement with South Africa in 1926, and since then has applied her general rates to goods from that country. A special reciprocal agreement has been in force between Australia and New Zealand since 1922; as has South Africa's agreement with New Zealand. The Union of South Africa has, like Australia,
been extremely careful in allowing preferential reductions, and such concessions are limited to the United Kingdom, (18) Canada, and New Zealand.

There were some interesting extensions of the principle in other parts of the empire. Cyprus and Western Samoa since 1920 and Fiji since 1922 have conceded preferential treatment to the whole empire. Since 1926 Brunei has made concessions on motor vehicles from the United Kingdom and Canada; British North Borneo has treated a variety of manufactures from the United Kingdom (since 1927) and Canada (1928) similarly; Sarawak has remitted the whole duty on motor vehicles and accessories from any part of the empire since April 1, 1929. Mauritius had treated goods from the United Kingdom and Canada preferentially since 1925. Gibraltar has given preference to all dutiable empire goods since 1926, but nearly all goods from any source (except liquors and perfumed spirits) enter this colony freely. Between 1919 and 1922 the British West African colonies imposed export duties on palm kernels which were not destined for another part of the empire, and since 1919 there has been a Nigerian export duty on tin with a rebate of 50% if there is a guarantee that it will be smelted in a British country.

Opposed to the above tendencies must be placed the fact that India, which has become definitely protectionist since 1917, and has been fiscally autonomous since 1921,
has displayed no desire whatever to grant any concessions to empire countries as such.\(^{(22)}\)

In 1925 it was estimated that on the whole the margins of preference granted throughout the empire had risen from about 4\% ad valorem in 1914 to about 9\% ad valorem at the date of the investigation.\(^{(23)}\) Australia and New Zealand had increased their preferences by no less than 8\% to 8\%\(\frac{1}{2}\) ad valorem. Canada's increase had been 2\%\(\frac{1}{2}\), while there had been practically no change in South Africa. However, no increase in benefit to the British exporter was necessarily involved, for general tariff increases had been considerable. There was no doubt that the value of the preference to Britain was in fact substantial.\(^{(24)}\) The total amount which but for the preference would have been paid on British imports into the Colonies was in 1926 about £12,000,000 annually, while the Dominions enjoyed preference in the British market to about £1,000,000 a year.\(^{(25)}\) Mr. Havenga stated that in 1924 South African preferences on British goods amounted to about £890,000 a year, while England's preference to South Africa meant £12,000.\(^{(26)}\)

But if the actual extension of the preference principle has been, since the war, of a rather minor character, discussion of the subject by imperialists who are convinced that the present situation is unsatisfactory has not slackened. At the Imperial Economic Conference of 1923 the usual resolutions approving of the principle were adopted, and the
British representatives actually promised to increase the margins of preference already allowed in Great Britain. But there was a change of government, and when the matter came up in the House of Commons the proposals were turned down. At the Imperial Conference of 1926 the delegates stated their attitudes on the subject, and all apparently favoured the extension of empire trade through government action. But the tariff aspects were not emphasized, and no very promising alternatives were advanced. As usual, the Australasian delegates demanded action most strongly.

In recent years the discussion of empire tariffs has again increased. The belief appears to be common that "the parting of the ways" has been reached, and that a prompt decision must be made one way or the other -- as was advocated thirty years ago. In October 1929 Lord Beaverbrook issued a manifest, which gained enormous publicity, in which he enunciated the general principles of what he called "Empire free trade," which, of course, included provision for an adequate tariff against the rest of the world. In the empire, he said, we have a potential source of supply for practically all the raw materials we require. Our ties of race, loyalty, and outlook "must inevitably prove stronger than the chance of geographical neighbourhood, which, indeed, grows less important daily as transport is continually accelerated and improved." Let us have free commerce within the empire and impose a tariff
against competitive foreign goods. But there must always remain adequate safe-guards for the growth of Dominion infant and key industries, which could best be obtained through "a measure of protection." In addition, there is no desire to repeal duties which have been imposed purely for revenue purposes. By means of a cartel system and empire rationalization cooperation may well be substituted for competition in empire manufacturing.

In spite of Beaverbrook's declarations, his proposals are not, in essence, much different from those advocated by the commercial imperialists of the turn of the century. It is true that they laid less stress on the project of the empire as a single economic unit. This difference involves, in fact, one of the recent plan's greatest weaknesses: no suggestions, apart from the cartel system, are made as to how the divergent interests concerned are to be reconciled. In the absence of further details one is forced to the conclusion that his exceptions for "infant" and "key" industries and for revenue tariffs would operate to leave a system little different from the present, unless a central body with power to supervise the tariffs is created. There is no doubt, however, that the plan is by far the most comprehensive that has been put before the people for a long time, and deserves serious consideration at least. Comment on the scheme has been generally adverse: it has been openly ridiculed in Britain and is considered quite
impractical, undesirable, or meaningless in the Dominions.

But the feeling that empire trade relations should be improved remains as strong as ever. In July 1930 a resolution was adopted by a group of prominent London bankers which stated that Britain must be prepared to raise a general tariff against foreigners as part of a scheme to foster inter-imperial trade. But by no means all influential bankers favoured the resolution, which was not as definite in its proposals as one could wish. About the same time the Economic Committee of the Trades Union Congress stressed the need for a permanent imperial secretariat and for regular conferences on trade. In the same month the Congress of Chambers of Commerce of the Empire emphasized the need for immediate study of the whole question, and expressed the opinion that preferential tariffs form the most effective means of improving trade relations.

Then, in October, the Imperial Conference met and the Canadian Premier made his proposal for an all-round increase of 10% in the duties charged foreigners. Of course such a levy is far too simple to solve many problems; at best it would be a preliminary step in the right direction. A similar proposal has been made by Stephen Leacock. The British government was plainly unimpressed, and introduced its own proposals. These included (1) import boards, (2) bulk purchase plans, (3) the quota system of purchases, (4) the possibility of negotiating trade agreements between
Great Britain and the Dominions similar to that between Britain and Argentina (perhaps involving export credits), and (5) empire rationalization and allocation of production. The committees which examined these alternatives disclosed numerous and serious difficulties, and no decision was reached. The economic section of the Conference was adjourned to meet in the summer of 1931 in Ottawa. Something more definite may emerge from this meeting.

Notes on Chapter V.

(3) Ibid., pages 152-159.
(4) The duties on these articles are protective, there being no corresponding excise duties.
(6) Ibid., page 823.
(7) Gilchrist, op. cit., pages 9-11.
(8) Ibid., page 7.
(9) Ibid., page 24.
(10) Ibid., page 13.
(11) Ibid., page 17.
(12) Ibid., pages 12-16.
(13) Ibid., page 17.
(14) Ibid., pages 22-23.
(15) Official Year Book of the Commonwealth of Australia, 1929, page 244.

(16) Ibid.


(24) Ibid.


(26) The Times, April 26, 1928, quoted in Knowles, loc. cit.


Chapter VI.

Means other than the Tariff for Improving Trade Relations.

It is obvious that the various countries in the empire tend to trade with one another primarily because of their common race and culture. Many elements in the empire have not these traditions, but they are not the elements which engage in trade. This is, of course, the real reason why it is necessary for anybody to discuss empire trade as such at all.

The dependence of the empire on good transportation is equally obvious, yet deserves more than a passing reference. Empire transportation routes are almost exclusively water, and they have been developed almost wholly through the activity of British shipping. Within each empire country development was all but impossible till adequate rail and road communication was provided. The rôle of Great Britain in the construction of these facilities was of great importance. In the Crown Colonies only the British subsidies have made development possible; in the Dominions the aid has been more indirect. Empire shipping has been aided by the establishment of the Imperial Shipping Committee in 1920, to enquire into and seek a remedy for all complaints and to report to all empire governments. This was a partial recognition of the soundness of the view taken in the report of the Dominions Royal Commission, which had
emphasized the importance of organization for the equalization of freight rates, imperial harbour development, and other shipping matters. "So long as freights are cheaper and means of communication better, between the mother country and the Dominions overseas, and between the Dominions themselves than between foreign countries and the Dominions, so long will trade naturally follow imperial channels." 

"Subsidized mail services exist between New Zealand and Canada, between Canada and South Africa, and between Canada and the West Indies, (1920 agreement) under contracts which contain provisions intended to foster the exchange of produce between the Dominions concerned." The system of cables which connects all parts of the empire has been essential for the development of modern commerce. The most notable achievement in this field was the completion of the Pacific Cable in 1902, following a long discussion in the Colonial Conference of 1894. Between 1898 and 1914 a system of imperial penny postage was in force throughout the empire (Australia did not adhere till 1905), but since the war rates have been raised without uniformity. Further concessions, especially on printed matter such as trade catalogues, would doubtless be of considerable benefit to traders.

Great Britain has found it advantageous to establish a considerable number of more or less technical organizations to deal with the problems of tropical development, but which
do not disregard those of the Dominions. Such are the Imperial Bureau of Entomology (1913), the Imperial Bureau of Mycology (1916), the Imperial Mineral Resources Bureau (1918), and Empire Forestry Bureau (1923) to supplement the work of the Imperial Forestry Conferences, the Tropical Diseases Bureau (1899), and the Imperial Department of Agriculture, established for the British West Indies and supported by Imperial funds. "The Imperial government in 1910 promised a grant of £10,000 a year for five years towards the experiments to be conducted by the British Cotton Growing Association, and it was empowered in 1923 to levy 6 d on each bale of cotton used by the spinners to be devoted to empire cotton growing. A similar cess is levied in India." "To develop the cotton possibilities of the Sudan the British government guaranteed between 1919 and 1923 loans of £9,500,000 for railways and irrigation there. The 44,000 bales of good cotton produced there in 1924 are expected to reach a million in 15 years time." 

The advantages of uniformity of statistics and commercial practices are well known. There is a possible saving of numerous unnecessary calculations and needless perplexity. The needs in the fields of statistics, commercial law, industrial standardization, publication of industrial stocks, order in marketing, commercial documents, etc., have been frequently pointed out. In the past cooperation has been entirely voluntary, and consequently incomplete.
Publicity for empire products has taken many forms. The Trade Commissioner system has been of great value, though its activities are not confined to the empire. The colonies have been permitted to use the facilities of the British consuls or trade commissioners when they have no representatives of their own. The facilities of Canada and South Africa are developing satisfactorily: Canada has at present trade commissioners at 13 stations within the empire and at 21 in foreign countries. Industrial exhibitions, "Empire Shopping Weeks," and legal provisions for the distinctive marking of empire goods have been used to stimulate trade, with moderate success.

In lieu of the preferences which the British government had led the Dominions to believe it would extend to them; the British government made, in 1924, a grant of £1,000,000 to be spent in aiding the sale of empire produce in Great Britain. The Imperial Economic Committee, the body formed in 1925 to carry on economic work between Imperial Conferences, advised the establishment of a new body to supervise the expenditure of this money. Accordingly the Empire Marketing Board came into existence in 1925, dependent entirely on the government of the United Kingdom, and has published a score of reports on various aspects of trade of special interest to colonial shippers.

In the unofficial sphere the Federation of Chambers of Commerce of the British Empire has brought together
business men from all parts of the empire to discuss common problems. Empire governments have frequently been urged to give preference to British goods and workers in all government contracts. The exact extent to which this has been done is unknown, but notable instances have occurred. For example, in 1907 Cape Colony paid a premium of $625,000 so that British manufacturers could fill an order for $7,500,000 worth of railway stock, which otherwise would have been supplied by foreigners. At the Colonial Conference of 1907 the Cape Colony Commissioner of Public works stated that the Agent-General of the colony had instructions to allow British manufacturers an advantage of 10% in their bids in respect of railway material. It appears that several of the more important local governing bodies in New Zealand make it a practice in considering tenders for important public works not to accept the offers of non-British companies, even though their bids are lower than those received from British concerns. The Wellington harbour board has been especially noted for its adherence to this practice. The most important method whereby India until recently helped Great Britain was by official purchases by the government or the railways being made through the Indian Contracts Department, which gave a deliberate buying preference to British goods. It is stated that these official or semi-official purchases represented from one-fifth to one-quarter of the total
Indian imports. (20) In addition, Indian import trade is chiefly in the hands of British import houses who have trade connections with Great Britain, and who naturally prefer British goods. The familiarity of trading methods likewise influences the direction of trade. This relation applies, in fact, to all the Crown Colonies and protectorates in a marked degree.

A factor which must not be overlooked is the enormous export of British capital to the rest of the Empire. From 1860 to 1876 Britain loaned about £712,600,000, of which about 40% went to foreign governments, A third to private companies, and about 25% to the governments of the colonies and India. The annual export increased rapidly, especially after 1900, till in 1913 alone Britain exported £181,000,000, and held abroad capital estimated at £4,000,000,000. France, Germany, and the United States were by this time also exporters of capital, but Britain was by far the foremost. About half her vast investment was within the empire, where, except for Canada, Britain had a virtual monopoly of investment. Since the war Britain's investments have fluctuated severely, and her total holdings have been reduced by considerable selling of securities.
### Total British Capital Invested Abroad, in £ millions (22)

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<td>Canada and Newfoundland</td>
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<td>Australia and New Zealand</td>
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<td>India &amp; Ceylon</td>
<td>379</td>
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<td>South Africa</td>
<td>370</td>
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<td>Rest of the Empire</td>
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<td><strong>Total Empire</strong></td>
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Investments in the empire have increased slightly since the war, but foreign investments have fallen, owing chiefly to the sale of American securities. The net result is, of course, that a larger proportion of British investors have a direct interest in empire development than was the case in 1914. One notable change has been that Britain has definitely lost her predominant interest in Canadian industry. American investments in Canada have risen from £150,000,000 in 1914 to £800,000,000 in 1925, while British have remained stationary.

Though the export of capital obviously tends to cause a relative increase in exports from the lending country and of imports into the borrower, we find actually that there is no discernible relation between British exports to the colonies and loans over the same period. This is chiefly, of course, because the exchange of goods and services involved were usually made indirectly. Britain
spread its export surplus over many countries, and the colonies their purchases similarly.

In 1900 Great Britain passed the Colonial Stock Act, which placed colonial stocks in the category of legal trustee securities, and so enabled the colonies to borrow especially cheaply.\(^{(27)}\) Under the act £750 millions worth of colonial stocks have been used in this way.\(^{(28)}\) In 1911 Sir Edgar Speyer estimated that the saving to the colonies was at last £10 millions annually.\(^{(29)}\) The Finance Act of 1920 and the Trade Facilities Act of 1924 contained clauses with a similar purpose, but the colonies have not taken advantage of them to any considerable extent.\(^{(30)}\) "Public opinion in Great Britain regards these acts in the light of a quid pro quo for the extension of Dominion preferences on British goods.\(^{(31)}\) Britain's disproportionate share in the costs of imperial defense is viewed similarly by many.\(^{(32)}\)

Notes on Chapter VI.


(3) Ibid., page 108.

(4) Knowles, Industrial and Commercial Revolutions in Great Britain during the Nineteenth Century, page 333.


(9) Knowles, Industrial and Commercial Revolutions, page 351.

(10) Ibid.


(13) The Commercial Intelligence Journal, passim.


(19) Ibid., page 775.

(20) McDougall, Sheltered Markets, page 78.

(21) Ibid., pages 78-79.


(23) The Economist, Nov. 15, 1930, page 896.

(24) Estimate of Paish.


(30) Ibid.


Chapter VII.

The Alternatives.

The reasons for the remarkable vitality of the movement to increase empire solidarity are not hard to find. A considerable section of the English public has always felt that they possess a sort of proprietary right over the colonies, though this has seldom been openly asserted in recent years. Overseas, memories of the achievements of the mother country, combined with the consciousness of a common race and cultural background, consolidated by political ties, produce a feeling closely akin to the narrower nationalistic patriotism with which we are all familiar. The inevitable result has been the ever present conception of the empire as a whole. Moreover, the conviction that trade relations may play a decisive role in advancing the cause of unity has taken firm root. This is very reasonable, for there is no doubt that the whole population concerned is interested in economic relations as it is in no other aspect of group life. Throughout his existence every member of the community is a buyer and, more or less directly, a seller. Any changes in the character of the goods he may most advantageously buy, or in the markets in which he may sell most profitably are certain to effect profound changes in his whole outlook on life. On the other hand cultural, political, religious, or other similar forms of social
intercourse can at best affect only selected groups for limited periods. Large sections of the population cannot be reached effectively at all through these channels, but all are of necessity affected promptly by economic changes. In short, a people's knowledge of those with whom it exchanges goods is certain to grow, and those with whom it deals little will be regarded as alien and queer.

All this is, of course, obvious enough. The real questions are (1) can a broad policy of imperial trade development be rationally justified, and (2) is it expedient to attempt to inaugurate any proposed plan; what are its prospects of success? The theoretical and practical aspects cannot be separated at all definitely, however, and in a situation of this kind it is well to keep as close as possible to the concrete facts of the case. But we must, in principle, unhesitatingly approve of any movement whose result will be to increase understanding and friendly co-operation. Also, there is no doubt that it will normally be much easier to co-operate with blood relations, with a similar culture, than with others. Working with the former should be easy, but negotiations with those of a different race and with distinct institutions may drag on indefinitely with insignificant results. Co-operation within the empire seems, then, to be obviously advantageous and desirable. The difficulty is that practically every plan that has been advanced involves different and less desirable results also.
This problem is not solely, or even primarily, economic. Its ramifications can only be adequately described by the extremely broad term "social". The end whose attainment by economic means the commercial imperialists have advocated is certainly not narrowly economic. As has already been stated, the facts which explain the existence of the conception of the empire as an economic unit are primarily political and cultural. Of course the economic aspects must constitute as vital an element in our discussion as any others.

Most imperialists have regarded the tariff as the most proper means of improving trade relations within the British Empire. The reasons are not obscure. A tariff is convenient because it is enforced where a considerable governmental organization is necessary in any case -- at the national frontiers. Also, the administrators need not go out of their way to reach the goods to be taxed; these all naturally pass through the established offices. The popularity of the tariff is in no small measure due to the fact that its effects in stimulating home industry are concentrated and obvious, while the burden on consumers is diffused and obscure. By means of a tariff the flow of trade may be controlled without interfering directly with the businesses of those who engage in it. Hence the tariff has become the customary means of influencing the flow of international trade, and it has won the support of industrial
and commercial interests because it involves no loss of independence.

The scheme advanced by Lord Beaverbrook involves all aspects of the tariff type of solution; it will therefore be convenient to make this particular plan the basis for our discussion.

Beaverbrook commences by stating the the empire is a potential source of supply for all the food and nearly all the raw materials which it requires, and he later declares that the basis of his plan is the fact that the empire can supply itself with food. The first problem to be considered deals with the extent to which the empire can become self-sufficient.

There is no doubt that the empire could easily become self-supporting in the cereal products wheat, maize, oats, barley, and rye. There are vast areas diversely situated which are suitable for the production of these commodities on a large scale, and the simultaneous failure of all crops would be extremely unlikely. Reserves would certainly be sufficient to tide over any period of temporary scarcity. If the cereals now exported from the empire were kept within it there would be little difficulty in dispensing with foreign supplies. Present empire rice production is undoubtedly deficient, but the potential production of British Guiana, Kenya, Uganda, West Africa, Malaya, and Australia could easily meet all empire needs.
At present vast quantities of fruit are imported into the empire. But in this field also there is no doubt that empire production could be made ample for all our needs. South Africa, Australia, the tropics, and, to a lesser extent perhaps, Canada, might expand their production enormously. The present difficulty is in transportation and refrigeration. It is very difficult to bring Australian or South African fruit to Britain without some damage. These problems, however, are practically certain to be solved in the very near future. Similarly, the wines of Australia, South Africa and Cyprus could easily satisfy the empire demand. But there is no probability that these regions can duplicate the special qualities produced in foreign nations.

There is no difficulty whatever about vegetable oils and fats. The production of India, West Africa, and the other tropical colonies is at present sufficient to meet all empire needs. Over half the empire's requirements of linseed and cotton-seed oil now originate within it, and there is apparently no great obstacle to the extension of cotton and flax production to supply the remainder. The situation in regard to sesamum, olive oil, rape, castor oil, and soya beans is similar.

Britain imports five times as much timber from foreign sources as she does from the empire. But, were the markets assured, the empire could easily supply all its own
needs. The real problem here, that of the more imminent exhaustion of forest resources if empire production is increased, and consequently a more favourable position for the rest of the world, can only be overcome by scientific forestry or the development of adequate substitutes for wood in paper making and construction.

The present empire sugar situation is far from satisfactory. Not only is foreign sugar used within the empire in large quantities, but empire producers have been handicapped by the competition of foreign sugar aided by bounties and other artificial encouragements. Whatever our general policy may be, it is undoubtedly desirable that the empire sugar industry should be encouraged, in view of the increasing control exercised by the United States over foreign production and the determined American attempt to gain markets at the expense of empire producers. An Imperial Royal Commission recently appointed to study the situation in the British West Indies has recommended, besides technical improvements, an increase in the preference now allowed in the United Kingdom, and that, if possible, a single purchasing agency buy all the sugar for the United Kingdom, taking empire sugar at £15 a ton C.I.F. and other sugar at market prices. The Imperial authorities are, however, unwilling to tax the British public by guaranteeing £15 a ton. However, there is no doubt that empire sugar production can only be extended considerably with the aid
of such artificial favours in empire markets.

There are sufficient potential sources of supply of cotton in British Africa, India, and Australia, but the extension of cultivation depends largely on the establishment of especially favoured markets within the British Empire, accompanied by, in Australia's case particularly, a substantial rise in price. But we cannot afford to ignore the possibilities of the development of empire cotton cultivation on the ground of increased costs, for it is fairly clear that a world shortage in the near future can only be averted by the development of cotton growing in new areas. The position of Lancashire can only be safeguarded by extending the cotton areas under British control.\(^{(11)}\)

There is no difficulty whatever in the production of sisal hemp, jute, and similar fibres, and in addition a considerable number of excellent substitutes grow wild in many parts of the empire.\(^{(12)}\) To make empire supplies of flax and silk adequate considerable artificial stimulation would be necessary. The development of synthetic substitutes, for which the raw materials are abundant in the empire, makes the establishment of sufficient manufactures not difficult, though it probably also needs some nursing.\(^{(13)}\) Empire wool production is already adequate, as is that of spices.\(^{(14)}\)\(^{(15)}\)

The production of tobacco within the empire is at present very deficient, but its importance is growing. It appears, however, that, regardless of artificial restrictions
on importation, special qualities produced in foreign countries, which the empire cannot duplicate, will continue to be popular. There is no real objection to allowing their importation if the consumers are willing to be taxed heavily in using them.

No doubt a considerable time must elapse before the empire could become even moderately self-sufficient in drugs. The possibilities are doubtful, and are the subject of technical controversy. Empire dyes could easily be supplied by the synthetic industry, regardless of natural sources.

Empire cocoa production has grown enormously in the last few years. The empire now provides half the world's supply, and the Gold Coast over two-thirds of the empire's production. Similarly, the empire production of tea and coffee is adequate.

The difficulty in the rubber industry is over-production rather than the reverse. Similarly, there would be no difficulty in supplying all the empire's needs of fish without resorting to foreign produces. But the empire cannot attempt to appropriate its fisheries to itself, except those which are entirely inland. Foreign nations may either use the salt water fishing grounds or prevent the fish from getting proper access to them. The empire does not at present produce enough meat and dairy products to meet its own needs, but a sufficient stimulus to
production would not be difficult to create.

The empire has an almost complete monopoly of the production of asbestos, chromite, cobalt, felspar, molybdenum, monazite, and nickel. It has less complete control of the output of gold, mica, tin, and tungsten. About half the world's production of asphalt and manganese, and about a quarter of that of barium, bismuth, and gypsum is British controlled. Smaller percentages of the production of aluminium, iron ore, lead, and magnesite come from the empire. Imperial supplies of borates, copper, graphite, nitrates, petroleum, phosphates, pyrites, mercury, sulphur, talc, uranium, vanadium, and zinc are definitely insufficient to meet the needs of the British Empire. It must be remembered that vast areas in the empire, especially in Canada, South Africa, and Australia have been very incompletely prospected and possess unknown, but probably great, potentialities. It is certain that under the stimulus of a moderate rise in price empire production of copper, phosphates, pyrites, and mercury could be considerably increased. The supply of all minerals cannot, however, be made adequate till very heavy expenditures in both prospecting and plant development have been met. It must be remembered that while we continue to take the cheaper products of richer foreign mines we are hastening the exhaustion of those sources while conserving our own resources. It is hard to see how the empire could supply its own needs
for some minerals unless considerable technical improvements are made in their extraction. Since the empire has, however, more complete monopolies of the production of certain minerals than have foreign nations, one cannot avoid the conclusion that it would be absurd to prevent a mutually profitable exchange. The phenomena accompanying the production of minerals as by-products also make the broadest possible markets very advantageous. Some measure of freedom of trade in minerals is absolutely necessary to secure balanced production.

The empire possesses enormous coal resources, and only the assurance of steady markets is necessary to bring about a great increase in production. But petroleum is very poorly represented in the empire. The existence of untapped resources is notoriously uncertain, but the prospects are not very bright. However, there are huge deposits of bituminous sands and oil-shale in Canada, Scotland, and Australia, from which oil could be obtained at a price only slightly higher than that which is current at present. The oil problem is not confined to the empire. A shortage everywhere in the not distant future seems probable. Some substitute will have to be found. Here again we should note that the exhaustion of empire resources would be hastened by their rapid development.

Evans Lewin concludes that "the whole empire could be, in fact, self-supporting and almost exclusive of the
rest of the world were that economically possible and politically desirable, which it is not. \(^{(26)}\) It could probably become self-supporting in agricultural and animal products with, after the initial adjustments had been made, only a small economic cost; it could become so in minerals only at a much greater cost, which, in some cases, would be so great that nobody would seriously advocate incurring it. In regard to fuel, an important consideration is the probable development of the empire's water power resources in the near future. Yet with any sort of fuel or power the great problem will be found to be transportation. If access to the supplies of nearby foreign countries is cut off the costs of transfer over the enormous distances involved in the empire will be very heavy.

Granted that the empire can supply most of its needs for raw materials, there is no technical reason why it should not do all its own manufacturing. But there are economic reasons against it. The costs of transportation between empire markets would necessarily be higher than between each of these markets and nearby foreign countries. Until Dominion markets have grown tremendously costs could be kept low only by concentrating production of many lines in plants catering for the needs of the whole empire. Admittedly such production would result in highly standardized products, leaving the consumer little choice in his purchases. But this standardization would be altogether
negligible compared with that involved in the policy of shutting out the innumerable qualities of goods obtainable from foreign countries which the empire could not possibly duplicate. Were each Dominion to do its own manufacturing freights would certainly be saved, but this would be completely overshadowed by the higher costs of production involved. As Mr. Crompton has pointed out, secrecy in industry presents a real difficulty. It may take up to half a century to develop a new industry to the point where it can compete economically with well developed concerns; provided, of course, that there is not a wholesale migration of personnel. A most extraordinary reform of our industrial system must take place before this factor can be eliminated. Even at the close of this lengthy period of adjustment the optimum amount of economy could not be realized unless the population of the Dominions increased to a point considerably beyond the optimum for general purposes.

In practice a somewhat lengthy period of adjustment between the launching of a plan for empire self-sufficiency and its complete establishment would be inevitable. It is probable that this transition era would never reach the anticipated conclusion. The difficulties involved would become increasingly apparent, and business men would not be slow to realize that the benefits to be gained would not outweigh them. Apparently loyal Britishers would begin to think it foolish to prescribe the excellent opportunities
for buying and selling in foreign markets which would become very apparent with the partial stoppage of trade with the world of "foreigners." Smuggling would become highly profitable, and would flourish as it did in the Old Empire. The only remedy the empire governments could apply would be an extremely costly and quasi-naval coastguard service.

But even with the aid of all the state's propagandist and coercive power it would be impossible to prevent some sort of commercial relations with foreigners. There would grow up increasing misunderstanding and suspicion between the two economic worlds. These, stimulated by frequent international "incidents," would sooner or later result in either war of the reestablishment of more "normal" commercial relations.

Here we have the real reason why the scheme would fail: it would be impossible to enforce the system without arousing the most serious kind of international friction. In practice the advantages to be gained in imperial solidarity would be infinitesimal in comparison with the new problems created. It is even improbable that the unity of the empire would be advanced at all, for the empire contains local interests only a little less diverse than those among the nations of the world in general. Unless there were a remarkable improvement in the social outlook of the elements in question it would be quite impossible to secure the whole-hearted cooperation throughout the
empire which alone would make success possible.

Compared with these difficulties the purely economic aspects are of little importance. Could the system be established the bulk of the consuming public would, after the initial adjustments were over, probably notice little change in the cost of living unless they were reminded of it by politicians or economists.

In fact, there is no likelihood that a scheme of this kind will ever be launched. There is no doubt that the great majority of those who have thought at all about Beaverbrook's scheme have rejected it as impossibly visionary merely because it is comprehensive enough to demand some sacrifice of those who would inaugurate it, or because, as in Great Britain itself, the present fiscal policy has been made a veritable fetish. It is indeed fortunate that on this subject at least popular prejudice condemns the unsound course of action. As Lewin declares, "there is not room on the globe for two economic worlds, one inside and one outside the British Empire, and any attempt to bring this about on purely selfish economic issues would be doomed to failure."(28)

The Press Lord's scheme is, then, unsound because of the empire's inevitable association with the rest of the world. But even if we regard the empire purely as a world in itself we are faced with serious flaws. The impossibility of obtaining sufficient cooperation has already
been mentioned. The right of each unit to erect "key" and "infant" industry tariffs against the others is admitted. As has already been intimated, the resulting situation would be only imperceptibly different from that existing at present unless a powerful central organization with real coercive power were established. The plan makes no provision for this: its author states that if we can agree on the principle the details may be worked out later. In this statement we have the essence of the scheme's weakness: it is the facile assumption that a plan to attain the desired objects can be applied before the difficulties involved are examined in any detail. There is a failure to recognize that the value of any proposed policy depends on the probable resultant of all its consequences.

There remains one more specific difficulty that should be mentioned. Should the "key" and "infant" industry tariffs be by any chance insufficient, the protectionists are apparently to retain a very useful weapon in the tariff for revenue. Beaverbrook does not urge its abolition. Now it is altogether impossible to tell when a tariff ceases to be imposed for revenue and becomes protective. Economic textbooks tell us that revenue is inconsistent with protection. This is true when we consider any specific transaction, but in the tariff itself the two are entangled inextricably. Individual items serve both purposes to some extent. Any lowering of duties would probably diminish revenue to some
extent, and could easily be represented as a serious interference with financial stability. Newfoundland undoubtedly uses its tariff as a revenue producer of prime importance, and the duties imposed are among the highest in the empire.

The one suggestion for organization made in the "manifesto" is that there are great possibilities in the rationalization of industry under a system of empire cartels. But only a few industries are at all suitable for such organization, and to be effective the cartel must be well enough organized both within each country and inter-imperially to control the great bulk of the trade concerned. Government action would certainly be necessary to bring such cartels into existence, for there is no adequate natural economic force in operation to build them up in the near future. Such government action could be effective only when exercised by a central body empowered to interfere in the economic affairs of each Dominion--an organization for which Beaverbrook makes no provision. Such cartels, too, would control a market so vast that they would either be kept under close-government supervision or would be constantly in imminent danger of being broken up for activities contrary to public policy. With the best intentions in the world, the managers of the trusts could not always act in accordance with the government's conception of the general advantage unless constant consultation took place. More serious difficulties would be bound to arise. The prices of
trust controlled articles would not, of course, be fixed by competition, and public opinion would certainly insist that the government see that they be "fair." The basis on which the price is determined cannot possibly please everybody. It is probable that great blocs of sectional opinion would be created, furnishing serious causes for dissension. The government would find it very difficult to prevent its action going far beyond the mere regulation of price: if prices are to be controlled output must be carefully regulated, and the dependence of price on the cost of raw materials and wages would make control of these necessary. In short, empire cartels could succeed only if organized somewhat as those which at present exist in the Union of Socialist Soviet Republics. Should the people whole-heartedly support such a system production might be stimulated and empire development accelerated; but it is certain that the great majority would vigorously oppose it at present. The difficulties in the way of a rapid conversion are stupendous if not insuperable. It is true that there is at present discernible in some industries a tendency to greater division of labour between empire units, but there is no indication that it will develop into anything of importance in the near future.

It would be unprofitable to discuss the recent proposals for a flat rate of increase in all empire tariffs against foreigners. Whatever the effect, trade relations
would not be improved appreciably. Such levies can only be justified, if at all, as preliminary to the introduction of something more comprehensive.

In short, the utility of practically all empire tariff proposals is largely nullified by the determination of each Dominion to protect its own industries amply. Many observers conclude that this policy completely overshadows all existing preferences except those granted by Britain.

"Now our Canadian manufactureres strenuously object to sacrificing any part of the home market to competitors in Britain, and that they are quite capable of making their objections felt is evident from the partial repeal of the preferences in 1904. Once assure them adequate protection, however (and Americans will quite understand what that signifies), and they have no serious objection to taking as much further protection against the world beyond the empire as the Canadian people may be willing to grant them, under the impression that thereby they are affording a preference on British imports. And if, in return for such a preference, the British public can be persuaded to place a duty on those articles of food and raw material which we send them, when they come from beyond the empire, the manufacturers will hold up both hands for it, since it may have a tendency to increase the number of settlers in Canada to become customers for their goods."(21)

Similarly Pulsford has stressed the illusory nature of preference and has asserted that the people of the empire
"do not themselves care a brass farthing for preference."
Actually, we find that since the war the main increases in
tariff rates on British exports have been within the British
Empire, where the average ad valorem incidence has risen
two-thirds. The margin of preference has frequently been
increased when the rates were raised. In foreign tariffs the
average ad valorem incidence on British exports has decreased
one-fifth. Yet the incidence of empire tariffs on the goods
of the United Kingdom is still materially the lower, in the
(33) proportion of about 10:17. The protective aspects of
Dominion tariffs must not be overstressed. The policy has
not been carried to anything like its logical conclusion.
The Dominions all import large quantities of the goods on
which they levy their so-called "protective" duties. There
can be no doubt whatever that any preference allowed on
these goods is of some value to the favoured producers.
(34)

The tariff can never be a suitable means of enforcing
empire unity, for all existing tariffs are by nature the
creatures of special interests which only recognize the
advantages of mutual aid in log-rolling operations which
involve no direct sacrifices to the parties concerned. It is
too much to hope that these interests can be persuaded to
give serious consideration to the good of the empire as a
whole before they can be induced to give due regard to the
interests of domestic consumers. There will have to be a
remarkable reversal in the average business man's outlook
before the tariff can be of any real use in unifying the empire.

The alternatives advanced by the British government at the Imperial Conference of 1930 raise some additional points of interest. We have already discussed the possibilities of empire rationalization. The advantages of negotiating suitable reciprocal trade agreements involving the extensive use of export credits facilities are fairly clear. The value of this expedient cannot, however, be briefly discussed in general, for our judgment must largely depend on the details of each specific agreement, which will vary with the circumstances which each instrument is negotiated to meet. The three remaining suggestions, import boards, bulk purchase plans, and the quota system of purchase, are meant to apply to one empire unit only, that is, to Great Britain. These schemes therefore avoid many of the difficulties involved in a broader imperial policy, but their power to bring about real empire unity is correspondingly reduced.

The essence of these proposals is to restrict the importers' freedom to buy in the cheapest market. The crucial question is: at what point will the control be applied? The most direct and effective method would be to allow an official import board to do all the purchasing, acting as a new middleman between exporters and importers, though, of course, on a cost basis. This might well lower the costs of handling, with the elimination of numerous
petty competitive importing houses. The real difficulty, however, would be to avoid dissatisfaction among the buyers of the imported products. The board would necessarily be expert in the field controlled, yet differences of opinion would be bound to arise. Buyers would protest that the wrong quantities and qualities were purchased. When they believed supplies forthcoming to be insufficient, their protests would become especially insistent. They would demand the right to obtain what they considered necessary from foreign sources. So long as the purchases of these private individuals from the board were uncontrolled dislocations could not be avoided, for the board's views of market requirements could not possibly coincide with those of a large number of competitive business firms. The latter would tend to demand too much in times of prosperity and too little in times of depression. The board would be very unwilling to make large purchases when the demand was keenest, for then the downward movement in the trade cycle would be about to begin, involving falling prices and a surplus on the board's hands. Of course the board might perform very useful functions in helping control, in this way, cyclic fluctuations, but undoubtedly it would stir up antagonism in the business community. The important point is that the board would be inevitably forced to control the businesses of the buyers of the controlled products. In addition, the board's control over price would lead to difficulties
mentioned above in connection with cartels. The committees of the Conference which examined this matter pointed out that at present Great Britain is bound by several treaties that forbid the application of any import prohibitions or restrictions except where these are necessary to extend to imported products a system of control applicable to home products of the same nature. Unless Britain abrogates these treaties (which is very unlikely), the import board would have to purchase the entire home produced supply as well as that imported.

As an alternative, it was suggested that British buyers be required to take up a fixed proportion of empire produce. In the case of wheat a plan involving the issue and surrender of official certificates was worked out. It seems workable: the principal difficulties have to do with the issue of certificates to ensure the purchase of the whole home supply and the prevention of speculation in the certificates. In this case it would be convenient to collect the certificates from the millers, but no such convenient process through which all imports must pass exists in the case of most other imported goods. The sub-committees concluded that control at any point except that of importation would be administratively impracticable. A system whereby certificates for the required quota might be required of the importers of foreign goods would involve the same difficulties as would follow in the case of wheat.
On the whole, this plan, which does not attempt to fix quotas for the different empire sources of supply, seems to be the most practicable of those advanced.

Bulk purchase plans differ from the quota system in that there would in this case be no attempt to control the purchases of all importers. It is not probable, however, that the government could do anything very effective in competition with unhampered private enterprises. The latter, being readier to buy in the cheapest of foreign markets, would most of the time be able to undersell the official or state-subsidized concern. The loss to taxpayers would be out of all proportion greater than the gain in improved imperial relations.

These plans would, like almost every other conceivable plan for diverting the flow of trade, provide numerous causes of friction between the empire units. Each Dominion would be certain that it was not being sufficiently generously treated. The blame would be placed squarely on the government which supervised the working of the scheme.

The problems raised by the question of the control of empire trade are very similar to those involved in the extension of governmental control over industry in general. The arguments for controlling empire trade as such are not, however, nearly as strong as those for reform in numerous other directions. Not only is this true, but the commercial imperialists appear to advocate tackling the broad and most
difficult problem of international control before attending to those domestic reforms which should be faced first. It is certain that there can be no effective control of international trade so long as the domestic trade of the countries concerned is in the hands of individuals competing with one another and unable to see beyond their own immediate interests. While the domestic economic systems of the countries of the empire remain unreformed we can expect little better than the petty and piecemeal concessions in force at present, aside, of course, from technical improvements in the trading mechanism.

The crucial point in any empire scheme is organization. Without it no scheme of any significance can succeed: with it, accompanied, of course, by a fair amount of agreement between the units concerned, quite a number of schemes might well be moderately successful. It must be clearly recognized that if the scheme is to last a central authority with power to enforce its decisions on the matters in question must be created. Some degree of Dominion and of British autonomy must be surrendered. It must be remembered that the British Empire is a world in itself, containing regions whose interests are not all harmonious. It would be futile to attempt to formulate a common policy which promoted all the interests of all regions at once. Compromise would be inevitable, and the Dominions must become reconciled to it before any substantial plan is launched. Analogies in which empire free trade is compared
with free trade in the United States or China are not applicable: the empire units are naturally tremendously more distinct from each other economically than are the parts of these compact land masses. Apart from great natural barriers, such as deserts and mountains, whose importance modern transportation facilities is reducing tremendously, a country naturally becomes allied economically with the regions which are nearest to it geographically. Any attempt to link the empire units commercially must result in an artificial diversion of the natural course of trade.

The prospects for the creation of a central empire authority are not bright. An Imperial Economic Secretariat with purely technical and advisory functions has, indeed, received strong support in many quarters. There is no doubt whatever that such a body could carry on extremely useful activities. But apparently nobody thinks of giving this organization any real governmental authority, and the Dominions have shown no marked enthusiasm for even the harmless voluntary creation. There seems to be a feeling abroad that there would be a moral obligation to coöperate on the basis of the findings of the secretariat which the Dominions would be unwise to assume. In 1923 Canada objected to the creation of a permanent Imperial Economic Committee to link up the work of the Imperial Conferences. That Mr. King should prefer occasional "ad hoc" bodies
reveals a very low estimate of the urgency of common imperial organization. The Dominions are extremely jealous of their autonomy. It has been won through the steady breakup of effective imperial governmental ties based on inequality, and the advantages of building up an organization based on equality are not yet widely recognized.

It has already been stressed that the relation of the empire to the rest of the world is really the decisive factor in determining what our ideal of imperial organization should be. If we are prepared to consider ourselves permanently different from others and to organize accordingly we must be prepared for perpetual international friction, probably culminating in actual war. In the modern world no nation or group of nations can possibly avoid contact with its neighbours in countless ways, nor can it avoid misunderstandings, mistrust, and conflict unless relations are placed on the freest, most open, and friendliest terms. The tasks before mankind are indeed difficult enough without introducing unnecessary complications.

The British Empire, organized as an economic unit, would be especially likely to create international friction because it is not a natural economic area, and the attempt to make it an artificial one would appear to have a sinister political significance. Those imperialists who despise cosmopolitanism should consider the fact that as the empire is a world in itself, whose parts have interests only
slightly less divergent than those existing among the nations in general, the task of welding the whole into a unit is a cosmopolitan task. Even if we grant that the common cultural background of the Anglo-Saxon race makes close relations comparatively easy, let us consider the fact that 85% of the empire's population is not white, and that this 85% has remained under British rule only because the regime has been tolerant and comparatively free from exploitation. Any attempt to shut out foreign trade would be certain to stir up discontent among the native races. For awhile, perhaps, this would amount to nothing, but the established policy, which could not be reversed, of developing and educating these peoples would sooner or later precipitate a crisis. Yet the empire needs the cooperation of the native races absolutely if any sort of self-sufficiency is to be possible. India, of course, would not for a moment consider joining any empire union which involves discrimination against the foreigner. The attempt to impose such a union on the native peoples would certainly hasten the definite breakup of the empire, and involve the loss of areas supplying essential products.

Men have always liked to construct plans for attaining what they deem desirable. This is an extremely valuable propensity, to which we must ascribe much of men's progress, both material and intellectual. But in the empire we find an organization whose very existence appears to rest
on the fact that it was not planned. Its organization rests on tacit agreements which have grown up more or less haphazard as the result of usage. The effect of introducing formal centralization into such an institution must remain uncertain, yet the present situation indicates that sectional differences would be so distinctly revealed that disintegration would be imminent.

Any scheme comprehensive enough to require the united coöperation of all empire units over a long period would, if introduced in the immediate future, do little more than add to existing sectionalism. The plan would not succeed. The most promising single step that could be taken would be the creation of an Imperial Economic Secretariat with purely advisory powers. As experience in coöperation through this body accumulates mutual confidence will grow; the scope of the body will be widened and its powers increased. After a time the social sense of empire statesmen may become so developed that they will enter whole-heartedly into the elaboration of a true imperial policy. But these are not developments of the immediate future.

In conclusion, it should be again emphasized that any scheme which tends to exclude normal relations with foreign nations cannot be advantageous. The condemnation rests, however, on social, not narrowly economic grounds. The only commercial unions of distinctly separate economic
areas which can be advantageous are those which welcome new-comers and make a sincere attempt to find a place for them. The problems of world economic relationships are crying for solution, but that solution would only be retarded by exaggerating the common interests of the members of the British Commonwealth. The British Empire may well demonstrate to the world what international cooperation can do, but it will not do it by diminishing its cooperation with the rest of the world.

Notes on Chapter VII.


(2) Ibid., page 109.

(3) Ibid., pages 112-117.

(4) Ibid., pages 118-119; Commercial Intelligence Journal, vol.XLI, page 518.

(5) Lewin, op. cit., pages 120-130.

(6) Ibid., pages 130-131.

(7) Ibid., pages 131-133.

(8) Ibid., pages 134-144.

(9) Ibid., pages 147-148.


(12) Ibid., pages 165-169.

(13) Ibid., pages 167, 169-171.

(14) Ibid., pages 172, 180.
(15) Ibid., pages 180-184.

(16) Ibid., pages 184-189.

(17) Ibid., pages 189-191.

(18) Ibid., pages 192.

(19) Ibid., page 194.

(20) Ibid., pages 197-200, 200-202.

(21) Ibid., pages 202-207.

(22) Ibid., pages 208-214.

(23) Ibid., pages 226-227.

(24) Ibid., pages 269-272.

(25) Ibid., pages 272-277.

(26) Ibid., page 278.


(28) Lewin, op. cit., page 82.


(33) Committee on Industry and Trade, op.cit.,page 15.

(34) Ibid., page 24.
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