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IMPERIAL ECONOMIC
UNITY

IMPERIAL ECONOMIC UNITY

BY

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AUTHOR'S NOTE

At the time of writing statistics of production for many countries are available only up to the end of 1927, so that year has been used generally, but later information has been included in certain cases.

In comparing the post-War position with the pre-War position the average of the years 1909-13 has been used as a basis of comparison and is referred to as the "average year."

In many tables the quintal is used as the unit of quantity. This is the unit used for international statistics, and consists of 100 kilograms, equal approximately to 220 lb. *avoirdupois*.

I wish to acknowledge the valuable assistance given to me by Mr Herbert G. Williams, the Secretary, and by Messrs S. G. Soman and W. A. Morris, B.Sc., of the staff of the Empire Economic Union, both in the preparation of this book and the compilation of the tables of statistics.

MELCHETT

January 1, 1930

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INTRODUCTION

THE British Empire as we know it to-day has grown up throughout the centuries like most British institutions, rather by a series of accidental circumstances than by any long-planned, intentional design. A great deal of its territory is the result incidentally of wars in Europe, from which we acquired, as part of the peace treaties resulting from these wars, large tracts of country, such as Canada, South Africa, and a great deal of India. Hardy pioneers or explorers also are responsible for a large part of what is now the Empire's territory. The ever-expanding and restless search for adventure of the British people, the pressure often of economic circumstances, the desire to escape from the narrow circles of a home life, have done much to help to populate and develop the vast territories of the Empire. It would be impossible in the scope of a preface on one of the most modern aspects of our Imperial problems to cover the historical ground which has led to the present quasi-independent position of the Dominions, the somewhat anomalous position existing in India, the entirely different circumstances of the Crown Colonies, and the newly created mandated territories.

Suffice it to say that we have, perhaps in an excess of reverence for the rights of self-government or self-determination, permitted the developing self-governing Dominions to carry out fiscal policies of their own without any relation to the economic position of the Mother Country or of each other. That such policies

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would naturally be of a protective character must have been foreseen as a foregone conclusion. That young and ambitious communities should aim at becoming to a large extent self-sufficient, and wish that their countries should present balanced communities similar to the countries from which they came, is only to be expected. Combine with this the almost religious worship of the doctrines of unhindered and free exchange of goods known in this country, somewhat erroneously, as "Free Trade," which swept away at one time in an indiscriminating flood many of the trade relations which formerly existed. It is natural enough that during a period of great industrial upheaval, when there was a rise in wealth, an increase in population, and for some time almost the monopoly of the market of manufactured goods, little or no attention was given to this problem, especially as the Dominions themselves in their infancy were both small producers and consumers of commodities.

The early Free Traders undoubtedly imagined, from the evidence of their writings, that the world must in time follow the example they were setting, and that the tariff barriers of the world would fall like the walls of Jericho at the trumpet blast of their economic doctrines, and that the exchange of all commodities would take place on purely economic lines, without regard to any other aspect of a problem much more complicated than they imagined. This has not been the case. There have been ups and downs in the movements of the world's tariffs. There has undoubtedly been the abolition of many tariff walls within territories which were politically united, such as, for instance, the German Customs Union, the union of the Italian states into one kingdom, and the United States of America itself, in which this question of state right to create tariffs against the Federal Government's sole right to impose such duties

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formed one of the principal, if not the principal, elements of the great Civil War. Within our own Dominions the confederation of the provinces of Canada, the states of Australia, and to some extent the Union of South Africa have produced internally great Free Trade areas, but externally these political units have always guarded their industry or agriculture against the open competition of the rest of the world. In spite of all hopes and aspirations one has to face the world as it is, even if economic reason may not always be in agreement with the action of human beings.

There have been many ideas and theories put forward to endeavour to bind together by constitutional machinery and closer union the widely separated and far-flung parts of the British Empire, but the genius of the British people has never been very patient or amenable to paper machinery. The development of recent years has been rather in the direction of greater political independence than stronger political union. On the other hand, there has grown up a policy of preference between parts of the Empire, partly owing to the Right Hon. Joseph Chamberlain's daring and far-seeing attempt to change the course of the British economic system, partly owing to the wisdom and statesmanship of the great Canadian statesman Sir Wilfrid Laurier, who worked from an entirely different angle—namely, that of the Canadian Free Trader. I refer to the system of preference between the Mother Country and the Dominions, which, whatever its decriers may say, has exercised considerable influence on the flow of commodities between the Mother Country and the various Dominions and has produced a feeling of economic solidarity which I think is now ripe for much further development. Chamberlain's appeal on the Imperial side always had a great attraction for the younger men

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among us, of whatever party, and I remember myself being captivated with the idea. Unfortunately, all too soon it became confused with the discussion of the purely domestic problem of general Protection, for which at that time some of us could not see the real justification from the point of view of British trade and industry during those years. It was also very limited in scope, and seemed to carry with it, rather unnecessarily, proposals which inherently and antagonistically were against the ideals of the British people, to whom the days of the Corn Laws were still a memory. In fact, one might say that, as with the visions of all prophets, the period of expression of the idea anticipated very considerably the economic conditions under which its advocacy could be proved most fruitful. But since that time there have been such great changes both in the economic position of the world and of this country, the Great War itself has produced such radical dislocation in territories, markets, and financial conditions, that one is entitled to review the situation entirely afresh.

The lessons of the War are being forgotten with extraordinary rapidity—the exhaustion it left, the loss it occasioned, the suffering it created, still so fresh in the memories of many. Yet the repetition of such events seems to be regarded as almost an impossibility, and the substitution of paper guarantees is considered as a real protection for the future. But if we go back to the facts we must remember how vital was the assistance in men, material, and money of the British Empire in a common cause in the most critical hour of its history. One would have thought that the natural lesson to draw from this would be that the development of the Empire in every possible direction was not merely a problem of trade or economics, but also a great problem of Empire defence for the future. It is an aspect which I certainly

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do not feel can be disregarded in considering this whole question. From the economic standpoint the United States of America, the greatest single economic unit in the world, with its vast territory, its enormous resources, its energetic and virile population, which was already making itself felt before the War, has been enormously advanced by the impoverishment of the European world in that exhausting struggle. America, which used to be tributary to Europe, has become from a debtor a creditor. The change which this is causing to the whole economic structure is making itself more and more felt. So much so that far-seeing statesmen and business men on the continent of Europe are seriously considering the almost impossible task of some kind of European economic unit, and in practice, in industries like steel and chemicals and in other directions, old enemies have become industrial allies. Economic necessity is forcing this position. Great Britain, still a great industrial country dependent, unfortunately, so largely on its export trade for its existence and so ill-balanced in relation to industry and agriculture, is being placed in an extremely difficult position. With great new economic units existing or being formed, with tariff walls rising rather than falling, with the greater difficulty of placing its manufactured and other goods on the export markets of the world, it must of necessity either form an economic unit for itself or adhere to one greater than itself. To some an adherence to an economic unity of European states seems the right course. There are many advocates of this policy. But such an adherence would seem to carry with it almost logically, under present conditions, the destruction of any attempt to maintain in the future the commonwealth of nations we know as the British Empire.

But there exists in this Empire an economic unit

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whose area is so much greater, whose population is so much larger, whose range of products and raw materials is so much more varied and predominant, whose natural sentiment to trade together is so much more obvious, that it would appear the blindest folly, the most criminal act, not to make the greatest possible effort to see whether an economic unit cannot be created in which the larger vision of Empire will replace the narrower one of the country, in which development of any part of the Empire will be gladly welcomed and encouraged for the common good, in which the best and most economical use will be made of the accumulated knowledge, finance, business experience, and trained industrial population of the Mother Country, the greatest possible use of the vast existing and potential agricultural possibilities of every part of the British Empire, both in the moderate climes and in the tropical zone, in which the control of great raw materials—mineral, vegetable, and of every other kind—will be stimulated and directed in the first instance to the benefit of the citizens of the Empire. In fact, to be a citizen of this great economic unit should confer advantages which alone would make it worth while for people to be glad to belong to it. It is no impossible dream. It is a perfectly practicable proposition. It requires very careful study and investigation. There are no one or two methods by which it can be achieved; there is no method which should not be employed or tried to achieve this end. It is not just a question of putting duties on this or that product or giving preference to this or that commodity. It is more far-reaching and complicated than that, although they are all means which in turn may have to be, and should be, freely utilized. While we cannot set back the hands of the clock—and nobody would endeavour to do so—we cannot deny the great

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communities the right, of developing themselves not merely in one, but in all possible directions. It must be remembered that trade is not static, but dynamic, that we have to consider to-day a large volume and a growing volume. One is glad to think that the present volume of inter-Imperial trade will appear very small indeed to future generations, and that without great disturbances or dislocation of existing interests much could be done immediately to provide for this within the Empire at no greater cost than the present Empire needs. Our modern methods of production enable us, with assured markets and the certainty of large consumption, to sell goods at not higher, but lower prices. Stability to-day and the more assured knowledge of markets enable the producer to operate at a greater profit, and at the same time allow him to offer price advantages to the consumer.

There is plenty of room within the great family. There is plenty to share out now, and there will be a great deal more in the future. If such a policy is not seriously attempted and carried to success, while sentiment may still bind together parts of the Empire, and possibly will for a considerable time, the foundations will lack that stability and certainty which are essential and necessary to the greatest and most beneficent of Empire creations in history.

Those who devote themselves to this task think it a task to which it is well worth giving all the energy and sacrifice it demands. They neither underrate its difficulties nor over-estimate them. If in August 1914 the British people and the British Empire had been told what would be demanded of them in man power, in money power, and in material power during the ensuing four years, they would have stood aghast, and almost unanimously would have declared such a task to be

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beyond their powers. Events proved that this was not the case, and the grave emergency of what seemed impossible became possible. When need called, difficulties which theoretically could never be surmounted were overcome. Sacrifices which were called for were made, and gladly. With the quieter days of peace, difficult as they may be, with no enemy knocking at the door, with time in front of us, with the same goodwill, the same enthusiasm, and the same spirit, we can obtain the solution of the problem of welding this great Empire into some form of economic unity—the same success and victory is certain. Critics once more will be confounded. Doubters once more will be refuted. The “No” Brigade will once more be defeated.

I hope that this book, which endeavours to set forth dispassionately many of the leading facts bearing on this problem, will help those who read it to formulate their own conclusions, to come to their own decisions, to see the importance of the subject, and, when they do see it, to enrol themselves in the great and growing army of those who believe that in the solution of this problem lie the future economic prosperity of the Empire, the future protection of civilization, and the greatest community of civilizing influence the world has ever known.

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CHAPTER I

THE ECONOMIC GROUPING OF THE WORLD

IF it were possible to take a bird's-eye view of the whole world one would realize at once that there were three outstanding manufacturing areas—namely, Great Britain, Central and Western Europe, and the eastern part of the United States of America—with, in addition, a small amount of manufacturing carried on in nearly every country of the world. We should see, however, that the manufacturing area of the eastern part of the United States of America was associated with gigantic agricultural activities spreading over the rest of the United States and also with very widespread mineral activities. In Great Britain we should observe important mineral activities and only a small amount of agricultural, while in Europe we should see a more satisfactory balance of agriculture and industry, varying very much in different countries.

These manufacturing areas are all situated in the temperate zone, and it is almost certainly the case that the inhabitants of temperate climates are more likely than those of tropical lands to possess the qualities to enable them to undertake successful manufacturing enterprises.

Over the tropical part of the world we should see, broadly speaking, only agricultural activity, and we

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should also observe that such activity was in many areas only just beginning in any serious sense.

It must be with this bird's-eye view of the world in mind that we approach the problem of the economic grouping of the world.

The United States of America now contain 120,000,000 people, federated into one unit for fiscal purposes and for all the problems of defence and external relations, though perhaps somewhat hampered by the possession of forty-eight separate legislatures and governments for the purpose of dealing with its domestic problems. It is to a very large extent economically self-contained, capable of supplying practically the whole of its needs in most kinds of manufactured goods, raw materials, and foodstuffs, and in its sub-tropical parts producing many foodstuffs and raw materials of a kind that Great Britain and Europe must always need to import. Its major deficiencies are probably rubber and tin and certain classes of vegetable oil-seeds. The United States of America has succeeded, by the restless energy and adaptability of its people, applied to its natural resources, in providing the highest standard of living that any large body of people has ever known in the world's history. Although its overseas trade is large in the aggregate, it is small in relation to its internal trade, and it still remains a small exporter of manufactured goods in relation to its consumption of its own manufactured products. Now, however, it is reaching the stage at which its manufacturing output is tending to grow out of balance with its consumption of manufactured goods, and accordingly it will tend to become an ever-growing competitor in sending manufactured goods to the markets of the world.

When we turn to examine the continent of Europe we observe that, treated as a unit, it also is well balanced as

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between manufacture and agriculture, though, as in the United States of America, the manufacturing activities are somewhat concentrated. The bulk of the exports of the manufacturing countries of Europe is absorbed by the agricultural parts of Europe, and therefore it is not altogether surprising that Monsieur Briand, the French Foreign Minister, should be seeking to bring about a United States of Europe in the economic sense, though very obviously the differences in language and race would make it a very remote possibility in the political sense. That we should ever see Europe a Free Trade area with a common external tariff is exceedingly improbable, but the development of inter-European preferential arrangements is a possibility that we must contemplate very seriously indeed.

We now pass to the consideration of the United Kingdom.

Here we find about seven-eighths of the population depending upon manufacturing and the ancillary occupations of transport, commerce, banking, and insurance. It is incapable of being self-sustaining in the matter of foodstuffs, and yet its agriculture is declining. Its mineral enterprises are large in the aggregate, but apart from coal and iron ore there are none of outstanding importance.

This nation, dependent as it is on its success in exporting a large proportion of manufactures, finds itself between the highly protected United States of America on the one hand, ever seeking to increase its exports to the agricultural parts of the world, and Europe on the other hand, almost every country of which is highly protected and some of the countries of which are also seeking to develop largely their exports to the agricultural parts of the world. Both America and Europe are also able to dispose of large

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quantities of manufactured goods in the unsheltered British market.

In the United States of America we have people with a high standard of living, but nevertheless with also such a high standard of productive efficiency that they are enabled to compete with our products. On the continent of Europe we have people in the main with a much lower standard than ours and also in the main of a lower productive efficiency; but nevertheless the relation of the two is such that they also are enabled to compete seriously with us. It is clear that if this country is not merely to raise the standard of living of its people, but even to maintain the existing standard, it must seek its markets where it has an advantage in competition as compared with the United States of America and with the countries of Europe. These can be found only within the Empire. For what are the alternatives? The one a Customs Union with the United States of America, which would result in our ultimately becoming a mere subsidiary unit, the other a Customs Union with Europe, which would involve our permanent association with peoples of a lower standard than our own, and in the end an almost inevitable degradation of our own standard.

The temperate parts of the British Empire are predominantly producers of the foodstuffs that we need to import, and they are also very large producers of the minerals and raw materials which are the products of agriculture that we need for our industries; while they are very large importers of manufactured goods, and only to a small extent competitors of our manufacturing industry. The tropical parts of the Empire are in many respects the principal world producers of the tropical foodstuffs and raw materials which we need to buy, and perhaps the largest potential customers for our

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industries. Accordingly, the British Empire as an economic unit consists of elements which in the main are complementary to one another and not competitive.

Economic association with either the United States of America or with the continent of Europe involves profound political difficulties, while, on the other hand, economic association with the rest of the Empire is politically very obvious and natural. In the past the people of the United Kingdom have had many opportunities of developing this economic association, but on each occasion the United Kingdom has, largely for reasons of internal politics, refused these opportunities. If we continue indefinitely to refuse these opportunities when they are offered, the time may come when the last opportunity will pass us by, and then soon the United Kingdom will begin to decline economically and politically into a state as unimportant to the rest of the world as its physical size has always been. The United States of America has a population of 120,000,000; the continent of Europe one of about 450,000,000; and the British Empire has a population approximately the same as that of the whole of the continent of Europe.

As will be seen in the chapters dealing with various agricultural and mineral products, the economic position of the British Empire *vis-à-vis* the rest of the world is an enormously powerful one, and if we are prepared to make use of every device and instrument, fiscal and otherwise, for the purpose of developing the Empire as an economic unit there is not the slightest possible doubt that we can enhance indefinitely the prosperity of the United Kingdom and of every other part of the Empire.

For nine years we have been fighting the most serious crisis that the United Kingdom has known since the terrible time which followed the Napoleonic wars.

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Every kind of artificial device has been tried, and still the problem remains practically in a static condition. Because of ancient prejudices we have continued to refuse to adopt the only economic plan which offers us not merely the certainty of curing the unemployment which exists, but the certainty of giving to our people full activity, accompanied by an ever-increasing standard of life.

CHAPTER II

THE HISTORY OF CUSTOMS UNIONS

It is valuable, in order to form a clearer view of the possibilities of Imperial Free Trade or a British Customs Union—whether the policy is immediately practicable or not, or if, indeed, it would be possible only within certain limits—to study what other nations have achieved in the past in creating Free Trade areas, either totally or partially, by means of Customs Unions. Nearly all the many objections now raised against inter-Imperial Free Trade—the dislocation of existing industries, the interference with established interests, the diversion of present trade channels—have been faced and met in the formation of the successful existing Customs Unions. In one case only have those who entered into such arrangements wished to return to the old conditions, and almost universally the policy has led to great economic development and prosperity.

The earliest Customs Union was that of the United States of America in 1789, while the latest of importance is the Union of South Africa. Other notable Customs Unions are those of Germany, Canada, and Australia.

Luxemburg, which joined the German Zollverein in 1842, transferred to a Customs Union with Belgium in 1921.

From 1874 to 1890 there was a Customs Union between Sweden and Norway, which was dissolved owing to disagreements on policy. Several years later they became entirely separate kingdoms.

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An examination of the history and effects of the principal Customs Unions leads to the following general conclusions :

(1) The establishment of a Customs Union takes place as a rule only after a long series of negotiations. This was the case in South Africa and Australia. The German Zollverein "was the outcome of laborious perseverance and diplomatic negotiations which passed through all kinds of vicissitudes."

(2) The Customs Unions which have been examined have been unions of contiguous states, which were either previously or subsequently joined by a political link. Each is really a federated state, and not a union for Customs purposes between states otherwise separate. No such union of any importance exists, and although many proposals have been made for European tariff unions, it is doubtful if the conflict of nationality could be overcome. Proposals for a Franco-Belgian Customs Union, for a Customs *rapprochement* between Belgium and Holland, for a Customs Union of the Central European countries, Germany, Austria-Hungary, Holland, Belgium, Italy, and Denmark ("Mitteleuropa"), have in turn failed to materialize.

(3) Where a bond of national sympathy exists closer economic co-operation is more readily possible.

(4) The removal of inter-state Customs barriers in the Dominions, the United States of America, and Germany was an undoubted aid to commercial development.

(5) The Customs Unions are more convenient and efficient units for purposes of foreign Customs policy than the individual states would have been.

(6) The establishment of a Customs Union is facilitated if the states to be federated are complementary in their economic development. The difficulties which

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are inherent in an attempt to unify tariff policy when the agricultural interest is opposed to the manufacturing interest were seen in the case of the United States of America, and were sufficient to prevent German and Austro-Hungarian commercial union after the War.

(7) The value of a Customs Union to its members depends largely upon the size of the market which it encloses within a tariff wall. The usefulness of a small tariff union to a Great Power is vitiated by the fact that it affects a relatively small proportion of the Power's total exports.

If a large part of the export market of the Power can be comprised within the tariff union, the union is likely to be of greater value. A general Customs Union of all European countries, including Great Britain, would have absorbed only 29 per cent. of Great Britain's exports in 1928, but it would have absorbed 70 per cent. of Germany's exports. A great Customs Union of the members of the British Commonwealth of Nations would absorb a great (46 per cent. in 1928) and growing percentage of Great Britain's exports.

The following pages give a brief history of the outstanding Customs Unions in the order in which they came into existence.

THE UNITED STATES OF AMERICA

In the early years of the American Union the constituent states maintained commercial independence, which they were unwilling to surrender. The considerations which eventually impelled them from political union into economic union were the desire for protection from the high tariff and the Navigation Acts of Great Britain and, still more, the necessity of revenues. These aims could be more readily attained by concerted action.

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Congress was given power in the Constitution of 1787 "to regulate commerce with foreign nations, and among the several states."

The first general Tariff Act of the United States was passed in 1789. The motives behind tariff policy until about 1816 were financial rather than protective.

During the twenties Protection assumed for the first time the prominent place in controversial American politics which it has since held. The Tariff of 1828, known as the "Tariff of Abominations," caused a prolonged political conflict between the North and South. It illustrates the difficulties which lie in the way of a homogeneous tariff policy in a union of which one part is predominantly manufacturing and another predominantly agricultural. The Southern states protested that the Federal Tariff of 1828 taxed the manufactures which they needed and imported, while the revenues derived from it were spent in developing public works in the manufacturing North. It resented the Tariff so bitterly that it contested the right of the Federal Government to control the tariff policy of the states. South Carolina declared the Tariff Act null and void within the state, and declared its intention to withdraw from the Union if it were enforced. The crisis was averted by "Clay's Compromise," which modified the Tariff, but the principle was settled only by the Civil War.

During the nineteenth and the present centuries the output of tariff legislation by the Federal Government has been continuous.

Until recently the United States have not entered into commercial treaties to the extent that other Customs Unions have done. They rejected a proposed treaty with the German Zollverein in 1844. The Reciprocity Treaty with Canada will be referred to later. Practically all other proposals for tariff treaties were rejected,

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except one with Hawaii, which was merely a prelude to annexation.

An interesting movement was that instigated by Blaine in 1889 for a Pan-American Customs Union. Blaine's conception was of a union of the United States of America and the South American states on the lines of the Zollverein. It was found to be unworkable, because most of the South American states depended upon the Customs for their revenues. A series of reciprocity treaties was substituted. These were based upon an ingenious principle. The President of the United States of America was authorized to impose duties on sugar, molasses, coffee, tea, and hides (then duty-free) which came from countries which placed "unreasonable" duties on United States produce. The United States got the benefit of considerable reductions by the mere threat to impose these duties.

GERMANY

Germany after the Napoleonic wars consisted of thirty-nine states, each of which had its own Customs system. These systems were archaic and unwieldy, and were a barrier to commercial intercourse.

The beginning of the German Customs Union was the reform of the Prussian tariff in 1818. Prussia's sixty local tariffs were abolished and uniform duties imposed on manufactured imports, while raw materials were admitted free.

The Prussian Union was pushed outward, over a period of more than twenty years, until it included the whole of Germany. The Zollverein was built up gradually by a series of treaties between Prussia and other states: with Hesse-Darmstadt in 1825, with Bavaria, Württemberg, and Saxony in 1833, and so on. By 1844 practically all Germany was in the Union.

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The Zollverein was beneficial, even essential, to commercial development, but it met with opposition at first from the South German states and Austria, which disliked Prussian supremacy. The negotiations were long and difficult. Partial unions were formed, such as the Steuerverein, consisting of Hanover, Oldenburg, and Brunswick. The ideal of complete German unity in the Zollverein was realized only by the patient diplomacy of Prussia.

The mechanism of the Zollverein was as follows. Its policy was determined at meetings of the representatives of its member states, and unanimity was essential to changes. The fundamental principles were complete Free Trade between the members and a common tariff against states outside the Union. There were moderate duties on manufactures and revenue duties on produce, raw materials being imported free. The receipts from the Customs were divided among the states in proportion to population. This organization lasted until the formation of the Empire in 1870, after which Customs were collected by the Imperial Government.

When organized, the Zollverein conducted an active foreign policy. It entered into negotiations with the principal neighbouring Powers. When necessary to gain concessions, its policy was aggressive. For example, when Holland increased its duty on imported grain, the Zollverein replied by increasing its duty on Dutch sugar and by withdrawing privileges held by Dutch vessels on the Rhine.

The economic unity of Germany in the Zollverein made possible its eventual political unity under the hegemony of Prussia.

After 1840 the Zollverein began to increase its protective duties, under the influence of the great Protectionist Friedrich List and in response to the demands

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of the iron-manufacturers and the cotton-spinners for protection against the overwhelming industrial supremacy of Great Britain. After 1866 there was a reaction toward Free Trade, and the duties were lowered again with great rapidity, until in 1873 many of the protective duties were entirely abandoned. This phase of the Zollverein's policy was succeeded by a return to Protection in the trade depression after the Franco-Prussian War.

CANADA

The Customs unity of Canada was brought about coincidentally with the confederation of the provinces of Upper and Lower Canada, Nova Scotia, and New Brunswick into the Dominion of Canada in 1867. These provinces were to have Free Trade between themselves and a general tariff on imports—an arrangement extended to include other territories as they were absorbed into the Dominion.

The achievement of fiscal unity took place at the time when Canada was adopting Protection as a permanent feature of its commercial policy.

It was not until 1859 that it made good its claim to self-determination in matters of tariff policy, in a memorandum which Sir A. Galt addressed to the British Government. Previously Canada's tariff policy had been directed from Great Britain. Between the acquisition of the British North American Colonies and 1846 there was in operation an elaborate scale of preferences, which were directed to reserving Canadian raw materials for Great Britain and to protecting the Canadian market for British manufactures against foreign encroachment. In accordance with the Free Trade doctrines of the Corn Law agitation all these protective duties were swept away between 1846 and 1860.

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In consequence there was depression in Canadian trade, and a movement for closer union with the United States of America. The Reciprocity Treaty of 1854 provided for Free Trade in natural products between the two countries.

The Free Trade era in Canada was short-lived, for Canada had reached the stage where it desired to establish manufactures in order to work up itself some of its riches of raw materials. The first Tariff was enacted in 1858, in spite of the protests of British manufacturers. It placed duties of 20-25 per cent. on imports. The Reciprocity Treaty with the United States of America was abruptly ended in 1866. This was the stage which tariff policy had reached when confederation took place. The first general tariff was fixed at 15 per cent.—a reduction on the 1858 tariff in deference to the lower tariff policy of the Maritime Provinces. The tariff was again increased, to 17½ per cent., during the world trade depression which commenced in 1873, and to an average of about 30 per cent. in 1879.

The Customs unity of Canada was attained without difficulty as a detail of the political movement for confederation. In tariff policy there has been a considerable measure of unanimity between the provinces of the Dominion. The Dominion has held steadfastly to Protection since 1858. Canada was the first Dominion to give a preference to Great Britain. The reciprocal tariff, was established in 1897, giving a preference of one-eighth of the duty on imports from the United Kingdom and later on imports from some of the Colonies and from countries having "most-favoured-nation" treaties with Great Britain.

The British preference was increased to a quarter in 1898 and to one-third in 1900. The existing rates are based upon the 1907 Act, which established a system,

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similar to that in Australia, of three scales of duties: a British³ preferential tariff, an intermediate tariff, to be used in negotiating with other countries for tariff concessions, and a general tariff of maximum rates applicable to other countries.

THE UNION OF SOUTH AFRICA

There was an incomplete Customs Union in South Africa before the Boer War. It comprised Cape Colony, the Orange Free State, the Crown Colonies of Swaziland and Basutoland, and the Bechuanaland Protectorate, and was established by Convention in 1889. Natal and the Transvaal refused to accede to the Convention.

A commercial agreement between the Transvaal and Portuguese East Africa was also in existence. It had been negotiated in 1875, in consequence of ill-feeling which had arisen between the Transvaal on the one hand and the Cape and Natal on the other. The Transvaal and the Orange Free State had no seaports, and all their imports passed through coast countries. The Cape and Natal taxed these imports, and retained the revenue thus obtained. The Portuguese Treaty gave to the Transvaal the right to import goods free of duty through Portuguese East Africa, and provided for Free Trade between the two countries. The treaty was continued when the Union of South Africa was established.

The South African Customs Union, as it now exists, was formed in 1902. After a conference Cape Colony, Natal, the Orange Free State, the Transvaal, Southern Rhodesia, and the Crown Colonies agreed to establish Free Trade among themselves and a common tariff on imports.

The conference also determined that the Customs

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Union should grant preferences to Great Britain and to reciprocating British countries. That this measure was carried was largely due to the support of the High Commissioner, Lord Milner. It met with strong opposition from two sections in Cape Colony: the Dutch party and those who feared retaliation to the preference by Germany, the best customer for Cape wool.

One member of the Customs Union, Rhodesia, has maintained a different policy in regard to Imperial Preference from that of the rest of the Union. It restricts duties on British imports to the very low scale fixed at the South African Customs Convention of 1896. All the other members have since increased their duties on imported British goods.

North-eastern Rhodesia is compelled to maintain the "open door" under the provisions of the final Act of the Berlin Conference of 1885.

AUSTRALIA

The Commonwealth Act of January 1, 1901, which federated the Colonies of New South Wales, Victoria, Queensland, South Australia, Western Australia, and Tasmania to form the Commonwealth of Australia, provided that the Commonwealth should have a uniform tariff, with Free Trade between its states.

Prior to federation each state possessed its own scale of Customs duties, which it enforced along its inland frontiers as well as in its overseas trade. The tariff policies of the states had been widely different, and the divergence had been one of the main obstacles to federation. New South Wales had been firmly attached to Free Trade, while Victoria and South Australia had been strongly Protectionist. Queensland was mildly in favour of a general external tariff for the Commonwealth.

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Western Australia agreed to the principle of inter-state Free Trade, subject only to an exception in favour of its mining industry.

The legislative Act creating the Customs Union was the Customs Act of October 4, 1901. It established complete freedom of trade between states, subject to the reservation by Western Australia of the right to levy duty on the goods of other states for a period of five years.

The Act set up the necessary machinery for the collection of Customs on a federal basis, instead of on a state basis as heretofore. It did not lay down a scale of duties for the Commonwealth tariff. Before the amounts of the duties to be imposed upon imports into the Commonwealth could be agreed upon, the rivalry between the Protectionist majority and the New South Wales Free Trade minority had to be fought out in the Houses of Parliament. The tariff schedule eventually drawn up was moderately protective in character, and was given force by the Customs Tariff Act, 1902.

This Act has been several times amended, and, in particular, the uniformity of the tariff was breached by Imperial preferences granted to South Africa (1906), Great Britain (1908), New Zealand (1922), and Papua and New Guinea (1926). The piecemeal legislation has been consolidated, and the tariff now in operation (as given in the *Official Year Book of the Commonwealth*, 1928) provides a British preferential tariff, an intermediate tariff, and a general tariff. The provisions of the British preferential tariff may be applied wholly or in part to any portion of the British Dominions, and the provisions of the intermediate tariff may be applied wholly or in part to any portion of the British Dominions or to, say, a foreign country by negotiation.

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The general tariff applies to all goods not having a preference. In 1928 an amended tariff schedule was ratified, giving a further measure of Protection to some Australian industries and extended Preference to British trade. The proposals introduced in 1929 raised the duties on a large number of items.

CHAPTER III

THE PROBLEM OF TREATY BARRIERS TO EMPIRE ECONOMIC UNITY

MOST-FAVoured-NATION CLAUSE

IF the policy of the development of the Empire as an economic unit is to be carried to its logical conclusion it is clear that the constituent countries of the Empire must be free of all international obligations of a kind that would in any way limit their freedom in treating preferentially British goods as compared with foreign goods.

Some of the pre-War commercial treaties might possibly have hampered our freedom through the form taken by what is known as the Most-Favoured-Nation Clause included in those treaties, but fortunately that hindrance no longer exists. The customary form in which the Most-Favoured-Nation Clause now appears in our commercial treaties is as follows :

Articles produced or manufactured in the territories of one of the High Contracting Parties, imported into the territories of the other, from whatever place arriving, shall not be subjected to other or higher duties or charges than those paid on the like articles produced or manufactured in any other foreign country.

It will be noticed that the clause relates only to articles produced or manufactured in any other foreign country, and means that while we must treat goods from one foreign country on exactly the same terms as goods from

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any other foreign country, we are nevertheless entitled, if we so desire, to treat every part of the British Empire on terms more favourable than those we accord to any country with whom we have a commercial treaty embodying the clause just quoted.

THE INTERNATIONAL CONVENTION FOR THE ABOLITION OF IMPORT AND EXPORT PROHIBITIONS AND RESTRICTIONS

The Convention bearing the above title was drawn up at a conference held under the auspices of the League of Nations at Geneva in the autumn of 1927. This Convention is a somewhat lengthy document, containing nineteen Articles, together with an explanatory Protocol, and it must be read in conjunction with the Supplementary Agreement made at Geneva on July 11, 1928.

The principal operative Article is No. 2, which reads as follows :

Subject to the exceptions provided for in the following articles, the High Contracting Parties undertake to abolish within a period of six months from the date of the coming into force of the present Convention, in so far as the respective territories of each of them are concerned, all import and export prohibitions or restrictions, and not thereafter to impose any such prohibitions or restrictions. During this period each of the High Contracting Parties will adopt all appropriate measures in order to reduce existing prohibitions and restrictions to a minimum and will refrain from imposing any new prohibitions or restrictions. Further, the High Contracting Parties undertake to adopt the necessary measures to ensure that the provisions of the present Convention are strictly observed by all authorities, central or local, and that no regulation is issued in contravention thereof.

Article 4 specifies the prohibitions and restrictions which are not prohibited. It reads as follows :

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The following classes of prohibitions and restrictions are not prohibited by the present Convention, on condition, however, that they are not applied in such a manner as to constitute a means of arbitrary discrimination between foreign countries where the same conditions prevail, or a disguised restriction on international trade :

1. Prohibitions or restrictions relating to public security.
2. Prohibitions or restrictions imposed on moral or humanitarian grounds.
3. Prohibitions or restrictions regarding traffic in arms, ammunition and implements of war, or, in exceptional circumstances, all other military supplies.
4. Prohibitions or restrictions imposed for the protection of public health or for the protection of animals or plants against disease, insects and harmful parasites.
5. Export prohibitions or restrictions issued for the protection of national treasures of artistic, historic, or archæological value.
6. Prohibitions or restrictions applicable to gold, silver, coins, currency notes, banknotes or securities.
7. Prohibitions or restrictions designed to extend to foreign products the *régime* established within the country in respect of the production of, trade in, and transport and consumption of native products of the same kind.
8. Prohibitions or restrictions applied to products which, as regards production or trade, are or may in future be subject within the country to State monopoly or to monopolies exercised under State control.

The first paragraph of Article 10 reads as follows :

Any High Contracting Party may at the time of signature, ratification or accession declare that, in accepting the present Convention, he does not assume any obligations in respect of all or any of his colonies, protectorates or territories under suzerainty or mandate ; and the present Convention shall not apply to any territories named in such declaration.

It is important to note in connexion therewith that the British delegate, Sir Sydney Chapman, in signing, stated

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that his signature did not include any of His Britannic Majesty's Colonies, Protectorates, or territories under suzerainty or mandate.

This Convention was ratified by the United Kingdom on April 12, 1929, but the necessary number of unqualified ratifications was not obtained, the majority of them being conditional on ratification by other countries which had not ratified.

In these circumstances a further conference was held in Paris in December 1929, and the following decisions, which were embodied in a Protocol, were arrived at :

(1) That the Convention should be formally brought into force between the signatories to the Protocol on the 1st January, 1930.

(2) That those countries signatory to the Protocol which have made their ratification of the Convention conditional on the ratification of Poland and Czechoslovakia should not be bound, unless they choose to remain bound, by the provisions of the Convention after the 1st July, 1930, unless Poland and Czechoslovakia should have ratified by that date.

(3) Any of the signatories may withdraw from the obligations of the Convention on the 30th June, 1931, or on the same date in 1932, 1933 or 1934, unless in the meantime 18 unconditional ratifications or 18 ratifications with conditions, which have been fulfilled, have been made.

The following seventeen countries were in a position to sign the Protocol forthwith : Austria, Belgium, Denmark, France, Germany, Great Britain, Holland, Hungary, Italy, Japan, Luxemburg, Norway, Portugal, Rumania, Switzerland, United States of America, and Yugoslavia.

The remaining two, Sweden and Finland, were prevented for special reasons from signing, but are expected to do so shortly.

My own view is that our adherence to this Convention may prove very hampering, and that for the development of Imperial trade we may find it necessary to relieve ourselves from its obligations as soon as possible.

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THE AFRICAN TREATIES

So far as the bulk of the British possessions in Africa are concerned, it is at the moment impossible to develop the conception of the Empire as an economic unit, because, though we are free to accord preference to the products of those Colonies, the bulk of those Colonies are debarred from according reciprocal preference in respect of United Kingdom or other British goods.

There is also the difficulty which arises under the mandatory system of the League of Nations. I will now proceed to state briefly the nature of these African treaties and of the restrictions under the League of Nations mandates.

(1) By the Convention of Saint-Germain-en-Laye of September 10, 1919, the nationals of the signatory Powers (Great Britain, the United States, France, Belgium, Italy, Japan, and Portugal) are entitled in the area known as the Congo Basin to equal treatment in all matters relating to residence, business, taxation, trade, and duties on merchandise. The British Colonies and Protectorates included in this area are Kenya, Uganda, Nyasaland, Zanzibar, and the northern part of North-eastern Rhodesia. A portion of the Anglo-Egyptian Sudan is also included.

These territories are therefore prevented from accord-
ing tariff preferences in respect of British goods. A special arrangement, however, is made in the case of Northern Rhodesia, which is compelled to maintain two Customs zones; the northern zone, known as the Congo Basin Zone, is governed by the Convention of Saint-Germain-en-Laye, while the Zambezi Basin Zone is not subject to the Convention, and in it preferential duties are permissible. The mandated territory of Tanganyika is also included in the area; but, apart from this

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Convention, the territory is precluded from according preference by the terms of the mandate, under which equal treatment is secured for nationals of states members of the League of Nations.

Under Article 15 of the Convention the Powers are to reassemble at the expiration of ten years from its coming into force in order to introduce such modifications as experience may have shown to be necessary. Ratifications were deposited at various dates from 1920 onward; and as the Convention came into force for each signatory on the date of its ratification, the earliest date on which steps might be taken with a view to revision would be the summer of 1930.

(2) A Convention was concluded between the United Kingdom and France on June 14, 1898, and ratified on June 13, 1899, for delimiting certain possessions in West Africa. The British possessions concerned are Nigeria and the Gold Coast. Article 9 provided that British subjects and British protected persons and French citizens and French protected persons, as far as regards their persons and goods, and the merchandise and produce of the manufacture of Great Britain and France, their respective Colonies, possessions, and Protectorates, shall enjoy for thirty years . . . the same treatment in all matters of commerce and of tariff and fiscal treatment and taxes of all kinds. The period of thirty years expired on June 13 of last year; but neither Power having given notice to terminate this Article it remains in force until the expiration of one year from the date on which either party denounces it; and so long as it remains in force Nigeria and the Gold Coast are precluded from giving tariff preference to British goods.

(3) The territories of British Togoland and the British Cameroons are mandated, and, as in the case of Tanganyika, the terms of the mandate precluded the grant

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of any preference. These territories adjoin the Gold Coast and Nigeria respectively, and are administered as integral parts of each.

(4) Palestine also, being a mandated territory, is precluded from granting any preference.

(5) Iraq, though now treated for certain purposes as an independent foreign country, is nevertheless a mandated territory, the mandate being held by the United Kingdom. On account of this mandate Iraq cannot grant any preference on Empire goods.

There are also the territories the mandates for which are held by certain British Dominions, but the mandates for these territories do not contain any provision as to economic equality such as applies to other mandated territories, and accordingly preferences can be granted by these mandated territories. These territories are the Territory of Western Samoa (mandate held by New Zealand), New Guinea (mandate held by the Commonwealth of Australia), South-Western Africa (mandate held by the Union of South Africa), and Nauru (jointly mandated to the United Kingdom, the Commonwealth of Australia, and the Dominion of New Zealand).

The position created by the African treaties is one which fortunately can be dealt with almost forthwith.

The imports of foreign goods into these territories are substantially greater than the import of British goods into the territories in Africa which belong to other European countries, and accordingly we stand to gain more than we stand to lose should we free ourselves of the obligations of the African treaties, and should our Colonies in Africa decide to accord us preference, and should at the same time the Colonies of other countries decide to adopt preferences in favour of those countries.

Under these circumstances it seems to me desirable

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that we should free ourselves of the restrictions imposed upon us by the African treaties.

Equally well we ought to consider whether it is possible for those territories which are mandated to the United Kingdom to be freed from the fiscal restrictions at present imposed upon them. Quite obviously it would not be an easy matter to obtain what I think is necessary—namely, the unanimous support of all the members of the Council of the League—but should we put forward a claim we should be able to quote in support of it the fact that those territories which are mandated to parts of the British Empire other than the United Kingdom are free from these fiscal disabilities.

CHAPTER IV

THE EMPIRE'S DEVELOPMENT OF IMPERIAL PREFERENCE

It is not always realized that Empire Preference is not an entirely new departure, for it existed in England and her Colonies from the seventeenth century until the middle of the nineteenth century. The system was one of bounties, preferences, and prohibitions, which would be quite inapplicable to present conditions, but which is, nevertheless, interesting from many points of view.

The Navigation Acts laid it down that :

(1) No goods could be shipped from or to the Colonies except in British ships built and manned by English or Colonial labour.

(2) All goods imported into the Colonies from foreign countries had to go *via* England.

(3) Certain "enumerated" articles could not be exported direct from the Colonies to foreign countries, but only to England. Among these articles were sugar, tobacco, cotton, molasses, furs, and timber.

* The purpose of the Acts was to secure the carrying trade, which was then in the hands of the Dutch, and to secure to England a plentiful supply of Colonial produce. One or two individual cases may be mentioned.

The export of timber, furs, and pig iron from the American Colonies was encouraged by taking off the Customs duty during the eighteenth century. As an example of the prohibitions, the manufacture of woollens

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or iron and steel was forbidden in the Colonies and the cultivation of tobacco was prohibited in England.

The Canadian lumber industry was entirely built up by means of Empire Preference. The preference was decided upon in 1807, and high discriminating duties were placed on foreign timbers entering British ports. In 1819 the duties were £3 5s. a load on foreign deals and only 2s. 6d. a load on Canadian deals. There were also preferences on Canadian wheat and Canadian ships until the repeal of the Acts.

A striking result of early preference was the expansion of the wine industry in the Cape. A substantial preference was put on in 1813, and in ten years the imports into England from the Cape increased ten times. In 1860, when the duties were finally removed, the import was 600,000 gallons; as a result of the removal this fell to 40,000 gallons in 1870 and to under 10,000 gallons in 1896.

From the time of the general adoption of Free Trade in the first half of the nineteenth century there was, I believe, no form of Imperial Preference in operation until 1897, when Canada decided to accord preference to the products of the United Kingdom entering that Dominion. During the five years preceding that action on the part of Canada there had been a steady decline in the exports of United Kingdom goods to Canada, the total having fallen from £6,870,000 in 1892 to £5,172,000 in 1897. The effect of the preference was very marked indeed, and the following five years showed a great increase year by year in the exports of United Kingdom goods to Canada, and by 1902 the total was no less than £10,345,000, while for the last pre-War year, 1913, the total had risen to £23,795,000—figures which make it perfectly clear that the preference had completely changed the trend of our trade with Canada.

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New Zealand followed the example of Canada in the year 1903, and the effects were similar in character to those produced by the Canadian preference, and our exports to New Zealand increased from £6,905,000 in 1903 to £10,838,000 in 1913.

Action was taken by South Africa a year after New Zealand, and our exports grew from £17,819,000 in 1904 to £22,185,000 in 1913.

Australia came into line in 1907, and our exports grew from £24,096,000 in that year to £34,470,000 in 1913.

It will be noticed that the effects were more marked in the case of Canada than in the case of the other Dominions, the reason being, no doubt, that in Canada we were exposed to much fiercer competition, owing to the proximity of the United States to Canada, than that we met with in the other Dominions, but the general character of the statistics in all cases was the same, and there can be no doubt whatsoever that a large proportion of our present enormous trade with these four Dominions is the direct result of the tariff preferences in operation.

At various Colonial Conferences, as they were then called, the overseas representatives never failed to raise the question of the development of inter-Imperial trade by means of tariff preferences, but it was at the Conference of 1907 that the most notable debates took place, and it is interesting to quote the views expressed by Sir Wilfrid Laurier, then Prime Minister of Canada, and in particular to note that he definitely proclaimed his belief in the ideal of Empire Free Trade, though he urged that circumstances made its realization impossible at that time. The passage in his speech is as follows :

Though I hold as the ideal policy, a policy of Free Trade within the Empire, even if at this moment the British Government were to tell us, "Yes, we are prepared to give you a

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preference ; that is to say, we are prepared to give Free Trade all over the Empire," I would not be prepared, for my part, to accept it. . . . I should have to say for Canada that we are not prepared to do that *because we must insist upon our system of customs duties in order to raise our revenue*.¹

It is interesting to note the difficulty in translating the phraseology of one country into even that of one of our own Dominions. The Englishman would describe Great Britain as a Free Trade country, whereas Great Britain has always derived a large amount of its revenue from Customs duties, and the objection raised by Sir Wilfrid Laurier at the time, and often repeated since, is a misconception. Everybody recognizes the importance and necessity of some form of indirect taxation, but everybody equally knows that the more protected an article is the less revenue value it has. The problem of creating a Customs revenue and still giving the Empire virtually Free Trade is by no means insoluble.

At the Conference of 1902 the following resolutions were passed unanimously by the Prime Ministers of the self-governing Dominions :

I. That this Conference recognises that the principle of Preferential Trading between the United Kingdom and His Majesty's Dominions beyond the seas would stimulate and facilitate mutual commercial intercourse, and would, by promoting the development of the resources and industries of the several parts, strengthen the Empire.

II. That this Conference recognises that, in the present circumstances of the Colonies, it is not practicable to adopt a general system of Free Trade as between the Mother Country and the British Dominions beyond the seas.

III. That with a view, however, to promoting the increase of trade within the Empire, it is desirable that those Colonies which have not already adopted such a policy should, as far

¹ *Colonial Conference Report*, p. 409.

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as their circumstances permit, give substantial preferential treatment to the products and manufactures of the United Kingdom.

IV. That the Prime Ministers of the Colonies respectfully urge on His Majesty's Government the expediency of granting in the United Kingdom preferential treatment to the products and manufactures of the Colonies, either by exemption from or reduction of duties now or hereafter imposed.

In a further resolution the Prime Ministers present at the Conference undertook

to submit to their respective Governments at the earliest opportunity the principle of the resolution and to request them to take such measures as may be necessary to give effect to it.

As I shall show in the next chapter, the first response by the United Kingdom to the above four resolutions came seventeen years later, in the first post-War Budget, introduced by a Government of which I was privileged to be a member.

On account of the tremendous change in the purchasing power of money, comparisons of present-day trade with pre-War trade are somewhat misleading, but it is possible to make comparisons illustrating the progressive importance of our Empire trade to the United Kingdom by considering what percentage of our trade is transacted with foreign countries and with British countries respectively. In making such a comparison, however, difficulties are introduced, owing to the fact that the present political boundaries of the Empire are substantially different from those in pre-War days. The establishment of the Irish Free State has led to the inclusion of our trade with her as external trade, and accordingly our transactions with the Irish Free State are now included in our imports and exports. Again, before the War Palestine, the Sudan, the South-West African Protectorate, Tanganyika Territory,

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Nauru, British Samoa, British Togoland, and the British Cameroons were not parts of the British Empire, and our trade with them was, of course, trade with foreign countries. In order to institute a comparison which is not misleading, trade in 1928 with the Irish Free State has been ignored, while trade with all the other territories mentioned has been treated as if it were still foreign trade, except that with British Togoland and the British Cameroons, which cannot be separated, because trade with those countries is now incorporated with the trade of our pre-War West African possessions.

In 1913 24·87 per cent. of our imports came from British countries; in 1928 the proportion had increased to 27·2 per cent. In 1913 37·18 per cent. of our exports went to British countries; in 1928 the proportion had increased to 41·95 per cent.

If we take trade with the Empire as it now stands and not as it was before the War, we find that in 1928 30·4 per cent. of our imports came from British countries and 45·3 per cent. of our exports went to British countries.

Our main export of raw materials of course consists of coal, and the bulk of the coal we export goes to foreign countries. Accordingly, when we come to examine the exports of manufactured goods we find that in round figures the British Empire, containing a quarter of the population of the globe, takes half our exports; in other words, the average Briton overseas is twice as valuable as the average foreigner as a purchaser of British manufactured goods.

It is rather interesting to compare our exports to other countries per head of the population of those countries. New Zealand headed the list in 1928, with a purchase of £13 5s. 5d. per head of her population, the highest foreign country being the Argentine, with £2 18s. 7d.,

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followed by the Netherlands, with £2 17s. 7d. The Irish Free State, from its nearness, naturally takes a high place, with a total of £11 17s. 7d., and then we have in order Australia (£8 17s. 3d.), the Union of South Africa (£4 2s. 2d.), British Malaya (£3 18s. 10d.—a very remarkable level, having regard to the fact that the population is a coloured population), and Canada (£3 12s.) All these Empire countries, though very far distant (except the Irish Free State), stand far higher in the list than any of the European countries. Germany, which in the aggregate was an important customer of this country, bought only 12s. 9d. worth per head, and France, another big customer, only 12s. 3d. worth per head, while the United States of America takes a very low place, at 7s. 9d. per head.

These figures are a clear indication of the already realized importance of Empire countries, and it is evident that further developments of their systems of Imperial Preference are capable of leading to even more striking results.

I conclude this chapter with a summary showing the nature and extent of the tariff preferences at present accorded to goods produced in the United Kingdom by the self-governing Dominions and certain Colonies.

TARIFF PREFERENCE ACCORDED TO UNITED KINGDOM MANUFACTURES

The following is a summary statement of these preferences:

Newfoundland accords no tariff preference to United Kingdom goods.

Australia. In the majority of tariff headings, under which the rate is *ad valorem*, the preference amounts to a minimum of 10 per cent. In a substantial number

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of cases it is 15 per cent., and upon certain articles reaches 20 per cent.

The recent Budget proposals do not materially affect the margin of British preference. This has been in each case maintained, and in some instances increased.

Certain textiles are admitted free, notably cotton and linen piece-goods required for cutting into tablecloths, handkerchiefs, etc., lace for attire, and embroideries. There is a duty of from 20 per cent. to 25 per cent. *ad valorem* upon such goods imported from foreign sources.

The duty on British pig iron (20s. per ton) is half that on foreign pig iron, and a similar ratio exists in the case of many iron and steel products.

Typewriters, printing machines and presses, and cash-registers are free, as against those from foreign countries, which have a 10 per cent. duty.

Canada. In addition to the preference for British goods, there is an intermediate tariff rate for imports from France, Belgium, Italy, Spain, and certain other countries. The general tariff deals with imports from all countries not covered by the intermediate tariff. The general tariff exceeds the British preference by 10 per cent. to 12 per cent. in most cases where the rate is *ad valorem*. There are a few items upon which the Empire preference falls to $2\frac{1}{2}$ per cent., notably dressed leathers further finished than tanned; belting and sole leather from Empire sources is dutiable at $12\frac{1}{2}$ per cent., as against $17\frac{1}{2}$ per cent. from other countries.

There are specifications in many cases governing the grant of full preference to products of the United Kingdom, requiring that shipment shall be made direct from a United Kingdom port to a Canadian port.

British yarns of certain types used in the production of fabrics are admitted free into Canada, as against a tariff of 15 per cent. under the general tariff.

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There are special trade agreements in operation between Canada and Australia (1925), which were later extended to New Zealand. These agreements contain a schedule of tariffs in respect of certain commodities passing between the Dominions in quantity. This schedule is separate from the British preferential tariff.

New Zealand. In the majority of headings the preference ranges from 10 per cent. to 20 per cent. *ad valorem*.

There is no intermediate tariff in operation, as in Canada.

Irish Free State. The Irish Free State accords a preference to Empire products in certain classes of manufactured goods. This usually amounts to a reduction of the tariff rate by one-sixth. A rebate of one-third of the *ad valorem* rate of duty on motor-cars and musical instruments is allowed on Empire productions. From 30 per cent. to 50 per cent. of the tariff rate is allowed as rebate upon Empire wines.

Northern Rhodesia. On all dutiable goods, as specified, there is a preference which ranges from 3 per cent. to 25 per cent. *ad valorem*. In about three-fourths of the items this is 11 per cent.

Southern Rhodesia. Southern Rhodesia allows a preference rate on Empire goods of from 10 per cent. to 12 per cent. In the case of most classes of British manufactured goods this represents a tariff on the British product of 9 per cent. *ad valorem*, as against 20 per cent. on foreign supplies.

The *Union of South Africa* allows a preference to certain classes of goods manufactured in the United Kingdom, as specified in the Customs Amendment Act of 1925. In these cases the *ad valorem* duties are reduced by 5 per cent.

Cotton piece-goods (cheap grades) are admitted free,

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as against a 5 per cent. duty on foreign supplies. A few commodities—*e.g.*, motor-cycles and electrical domestic appliances—receive a preference of 15 per cent.

The duties on lamp-ware, lamp-bulbs, and certain hollow-ware goods are removed in the case of British products. Crude manufactures of iron and steel are free, as against a 3 per cent. duty on foreign supplies.

The list of preferences is limited, and has no general application, as in the case of other Dominions.

India. There has not generally been any preference accorded to United Kingdom manufactures. In 1927 new rates of duty upon certain classes of iron and steel goods were introduced. These rates are mostly 36 rupees per ton or 17 per cent. *ad valorem*, whichever gives the higher result. In the case of British goods in these classes a rebate of 15 rupees per ton is allowed.

Basutoland, Bechuanaland Protectorate, and Swaziland. The Customs tariff of the Union of South Africa is in operation.

Fiji. In the majority of tariff headings under which preference is accorded the preference is 15 per cent. *ad valorem*. This has recently been increased from $12\frac{1}{2}$ per cent.

Bahamas. The preference takes the form of a drawback equal to 25 per cent. of the amount of the duty leviable on similar goods of foreign origin. In respect of food-stuffs of prime necessity the drawback is increased to 50 per cent.

Jamaica. The preferential rate of duty is, in most cases, three-fourths of the rate under the general tariff. On all main classes of manufactured goods the preference is 5 per cent. *ad valorem*.

St Lucia. The preference on nearly all manufactured goods has recently been increased from $5\frac{5}{8}$ per cent. to $9\frac{3}{8}$ per cent. *ad valorem*.

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St Vincent. The preference is similar to that in St Lucia, with a recent increase to $5\frac{5}{8}$ per cent.

Barbados. The preferential rate is, with very few exceptions, one-half that under the general tariff. This amounts to 11 per cent. (in most cases) *ad valorem*.

Virgin Islands, Grenada, St Christopher, Nevis, Antigua, and Montserrat. In nearly every case the preferential rate of duty is two-thirds that of the general tariff.

Dominica. The general preference has been recently increased from 5.4 per cent. to $5\frac{3}{4}$ per cent. *ad valorem*.

Trinidad and Tobago. The rate of duty on Empire goods is, with very few exceptions, one-half that of the general rate. On most manufactured goods the preference is $10\frac{3}{4}$ per cent. *ad valorem*.

British Honduras. In nearly every instance the same conditions of preference prevail as in Trinidad. In a few cases of manufactured articles the preference amounts to 15 per cent. *ad valorem*.

British Guiana. The preference is generally at the rate of $16\frac{2}{3}$ per cent. *ad valorem*.

Cyprus. A general preference is granted of $3\frac{1}{3}$ per cent. *ad valorem*. This is usually one-sixth of the general rate on manufactured goods.

Mauritius. The classes of goods receiving preference have recently increased. The preference varies from 5 per cent. to 10 per cent. *ad valorem*, and in most cases is equal to a rebate of one-fifth of the general rate.

Brunei. A preference of $2\frac{1}{2}$ per cent. *ad valorem* is allowed in favour of motor-vehicles.

Gibraltar. Preferences are granted in favour of perfumed spirits, spirits, and malt liquors.

British North Borneo. A preference is allowed on certain classes of goods, including textiles, cutlery, machinery, and vehicles. The rate of preference is $2\frac{1}{2}$ per cent. *ad valorem*.

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Bermuda. The general preference is 1 per cent. *ad valorem*.

Samoa. The general preference is $7\frac{1}{2}$ per cent. *ad valorem*.

General Note. In the above cases, where the preference is referred to in terms of a percentage, this figure relates to the value of the merchandise concerned—e.g., belting and sole leather imported into Canada is dutiable at $12\frac{1}{2}$ per cent. *ad valorem* from Empire sources, as against $17\frac{1}{2}$ per cent. from foreign countries. This constitutes a British preference of 5 per cent.

Kenya, Uganda, Nyasaland, Zanzibar, part of North-eastern Rhodesia, and part of the Sudan cannot grant preferences to British goods, as explained in the previous chapter. Under the terms of their mandates British Togoland, British Cameroons, Palestine, and Iraq are also debarred from granting preferences. There is, however, no restriction debarring the territories mandated to the British Dominions from granting preferences.

CHAPTER V

GREAT BRITAIN'S DEVELOPMENT OF IMPERIAL PREFERENCE

IMPERIAL DEFENCE

THE pre-War Customs tariff of the United Kingdom was a Free Trade tariff—that is to say, it consisted of duties imposed either on goods the supplies of which were entirely imported or on goods which, if also produced in the United Kingdom, were taxed by an internal duty or excise. It was true that the United Kingdom, by its policy, conferred certain advantages on the rest of the Empire which could be regarded to some extent as an acknowledgment of the valuable benefits which the United Kingdom obtained from the tariff preferences accorded by other parts of the Empire. The fact that the United Kingdom accepted, both financially and in man-power, the main responsibility for the defence of the Empire meant that the other parts of the Empire enjoyed a security which would have been exceedingly costly for those parts each to obtain for itself if it had not been part of the Empire, and which, in fact, many parts would have been quite unable to provide for themselves.

TRUSTEE SECURITY ACT

The other important advantage which the United Kingdom conferred on the rest of the Empire was that inaugurated by the Colonial Stock Act of 1900, which brought stocks within the scope of the Trustee Act of

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1893. The law on this subject is now consolidated by means of the Trustee Act of 1925. Under the Trustee Act persons who administer trust funds are permitted to invest them only in the classes of securities specified in the Act. As there are at all times very large sums held by trustees, this Act creates a special demand for the classes of investments which are scheduled as trustee investments, and accordingly their market price is higher than otherwise it would be, and any trustee security can therefore be raised at a lower rate of interest than if it were not such a security.

Accordingly, the Colonial Stock Act of 1900 meant that the overseas parts of the Empire were in a position to borrow from the London money market on more favourable terms than otherwise would have been the case, and this has been of very material financial advantage to all those overseas possessions which from time to time have found it necessary to raise loans in London.

The pre-War value of this system was very substantial, but the issue of such a gigantic quantity of War Loan stocks of one kind or another so much enlarged the volume of trustee security that the present value of the advantage in respect of new issues is less than the pre-War advantage.

Since the War there have been certain valuable forms of preference other than tariff preferences, which call for a brief comment.

EMPIRE MARKETING BOARD

In view of the fact that the results of the election in 1923 made it impossible to give effect to the new provisions proposed at the Imperial Economic Conference in 1923, it was decided by the Conservative Government which was formed in November 1924 to endeavour to accord to the other parts of the Empire advantages

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equivalent to those which would have accrued from these suggested new preferences. Accordingly, in 1926 the Empire Marketing Board was brought into being, and the Government of the United Kingdom decided to place at its disposal a sum not exceeding £1,000,000 a year, which, of course, is borne by the taxpayers of this country. The Empire Marketing Board seeks to assist inter-Imperial trade, and in particular the sales of Empire products in the United Kingdom, in a variety of ways, the best known of which is the system of poster advertising and displays of Empire products at exhibitions. The Empire Marketing Board, however, spends far more of its money on other purposes, such as the grants to scientific research likely to be of economic value in developing the production and sale of various Empire products.

MERCHANDISE MARKS ACT

The value of the work of the Empire Marketing Board in creating a demand for British Empire goods would not be fully effective unless the public were easily able to distinguish between imported goods of foreign and Empire origin respectively. Accordingly, the Merchandise Marks Act of 1926, which prohibits the sale of goods imported into this country bearing the name of any manufacturer, dealer, trader, or the name of any place in the United Kingdom, unless the name is accompanied by an indication of origin, is very helpful in this direction.

In addition to the above provision, the Act also laid it down that after inquiry by a committee under the Act an Order in Council might be made prohibiting the sale of goods of any class or description which had been the subject of inquiry unless these goods bore an indication of origin. The Act, in its definition of the words "indication of origin," states that, at the

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option of the person applying. the indication, it means either (a) in the case of goods manufactured or produced in any foreign country, the word 'foreign,' in the case of goods manufactured or produced in any of His Majesty's Dominions outside the United Kingdom, the word 'Empire'; or (b) a definite indication of the country in which the goods were manufactured or produced.

Quite clearly, therefore, the Merchandise Marks Act constitutes a valuable form of preference in favour of Empire goods.

CINEMATOGRAPH FILMS ACT, 1927

This Act, among other things, provides that a progressively increasing quota of British films must be shown in all cinema theatres, and as a British film is defined—broadly speaking—as a film made by a British subject or a British company, by a British author, filmed in a studio in the British Empire, where three-quarters of the wages and salaries are paid to British subjects or persons domiciled in the British Empire, it is seen that a substantial advantage is conferred on the United Kingdom and on all parts of the Empire.

GOVERNMENT PURCHASES

Finally, in this category of preferences reference must be made to the fact that it is now the established practice of Government Departments to purchase only United Kingdom or Empire goods, provided such goods are available and provided there are no price differences.

UNITED KINGDOM TARIFF PREFERENCES

Having briefly reviewed those forms of preference which do not involve tariffs, let me now proceed to consider what the United Kingdom has done in the

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matter of actual tariff preferences. The first step in this direction was taken in the Budget of 1919, when it was decided that in respect of practically all the items on which import duties were then imposed the rates on Empire products should be lower than those on foreign products.

IMPERIAL PREFERENCE—DEVELOPMENTS IN THE UNITED KINGDOM SINCE THE ARMISTICE

For about sixty years prior to 1919 the British tariff system had been almost exclusively a tariff for revenue, without any protective features, the only notable exceptions being a small duty of 3*d.* per cwt. imposed on imported wheat from April 15, 1902, to July 1, 1903, a slight discrimination in the duties on raw tobacco, whereby stripped tobacco was charged at a rate 3*d.* higher than unstripped tobacco—this duty operated in full only for a short period, from April 30, 1904, to May 1, 1906, when it was reduced to $\frac{1}{2}$ *d.*—and, lastly, the McKenna duties imposed on imported motor-cars, musical instruments, and clocks and watches and cinematograph films in 1915, for the purpose of reducing demands on shipping space and pressure on the American exchange. In the Budget of 1919, however, Sir Austen Chamberlain provided that our existing tariff should be modified so as to give a preference to Empire products over foreign products. Clause 8, Section 1, of the Finance Act of that year reads as follows :

(1) With a view to conferring a preference in the case of Empire products, the duties of customs on the goods specified in the Second Schedule to this Act shall, on and after the dates provided for in that schedule, be charged at the reduced rates (hereinafter referred to as “preferential rates”) shown in the second column of that schedule, where the goods are shown to the satisfaction of the Commissioners of Customs and

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Excise to have been consigned from and grown, produced or manufactured in the British Empire.

For the purposes of this section :

“The British Empire” means any of His Majesty’s dominions outside Great Britain and Ireland, and any territories under His Majesty’s protection, and includes India:

Provided that, where any territory becomes a territory under His Majesty’s protection, or is a territory in respect of which a mandate of the League of Nations is exercised by the Government of any part of His Majesty’s dominions, His Majesty may by Order in Council direct that that territory shall be included within the definition of the British Empire for the purposes of this section, and this section shall have effect accordingly.

Goods shall not be deemed to have been manufactured in the British Empire as aforesaid unless such proportion of their value as is prescribed by regulations made by the Board of Trade is the result of labour within the British Empire.

(2) Where the Board of Trade is satisfied as respects any class of goods to which the preferential rates apply that those articles are to a considerable extent manufactured in the British Empire from material which is not wholly grown or produced in the Empire, the Board may by order direct that the preferential rate shall be charged only in respect of such proportion of those goods as corresponds to the proportion of dutiable material used in their manufacture which is shown to have been grown or produced in the Empire.

(3) Where goods are manufactured in a bonded factory in Great Britain or Ireland from dutiable material shown to the satisfaction of the Commissioners of Customs and Excise to have been consigned from and grown or produced in the British Empire, the duty on the manufactured goods shall, to the extent to which they are shown to have been manufactured out of such material, be charged at the preferential rate.

(4) Any Order in Council or regulations made under this section shall be laid before each House of Parliament forthwith, and, if an Address is presented to His Majesty by either House of Parliament within the next subsequent twenty-one days on which that House has sat next after the Order or the regulations are laid before it, praying that the Order or regulations may be annulled, His Majesty in Council may annul the Order

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or regulations, and the Order or regulations shall thenceforth be void, but without prejudice to the validity of anything previously done thereunder.

The Second Schedule referred to above is as follows :

PREFERENTIAL RATES

Goods	RATE OF DUTY
Tea	Five-sixths of the full rate
Cocoa	
Coffee	
Chicory	
Currants	
Dried or preserved fruit (within the meaning of Section 8 of the Finance (No. 2) Act, 1915)	
Sugar	
Glucose	
Molasses	
Saccharin	
Motor spirit	
Tobacco	
Articles chargeable with the new import duties imposed by Section 12 of the Finance (No. 2) Act, 1915	Two-thirds of the full rate
Wine :	
Not exceeding 30° of proof spirit	60 per cent. of the full rate
Exceeding 30° of proof spirit	66 $\frac{2}{3}$ per cent. of the full rate
Sparkling wine in bottle (additional duty)	70 per cent. of the full rate
Still wine in bottle (additional duty)	50 per cent. of the full rate
Spirits	Rates equivalent to the full rates as chargeable under this Act to September 1919

The preferential rates shall be charged

- (a) In the case of tea, on and after the second day of June 1919.
- (b) In the case of any other goods, on and after the first day of September 1919.

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In the above the phrase "Articles chargeable with the new import duties imposed by Section 12 of the Finance (No. 2) Act, 1915," refers to the duties commonly known as the McKenna duties.

In order that dutiable goods produced within the United Kingdom should be on the same basis as goods imported from the Empire provision was made in Section 9 of the Act as follows :

On and after the first day of September, nineteen hundred and nineteen, the following excise duties shall be reduced by one-sixth, that is to say, the excise duties payable on tobacco, sugar, molasses, glucose, saccharin and chicory.

And in Clause 10 as follows :

Where the duty of customs or excise on any chicory, coffee, tobacco or molasses, or in respect of the material from which any molasses is produced, is payable under this Act at a reduced rate, any drawback or allowance payable in respect thereof shall be reduced to an amount bearing to such drawback or allowance the same proportion as the rate payable under this Act bears to the full rate or the former rate (as the case may be).

The necessary modifications were made in respect of drawbacks.

The next development in the policy of Imperial Preference was contained in the Dyestuffs Import Regulation of 1920, which provided that dyestuffs should not be imported into the United Kingdom except under licence from the Board of Trade, but, as will be seen from Section 2, Sub-section 4, there was unrestricted import in respect of dyestuffs produced in any part of the Empire :

If on an application for a licence under this section the committee are satisfied that the goods to which the application relates are goods wholly produced or manufactured in some part of His Majesty's dominions, a licence shall be granted in accordance with the application.

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In the Safeguarding of Industries Act, 1921, which imposed duties on key industry goods and provided for duties on other goods after inquiry, it was laid down in Section 1, Sub-section 3, that there should be no duty on Empire key industry goods. The sub-section runs as follows :

No duty shall be charged under this section on goods which are shown to the satisfaction of the Commissioners to have been consigned from and grown, produced or manufactured in the British Empire, and for the purposes of this sub-section goods shall be deemed to have been manufactured in the British Empire which would be treated as having been so manufactured for the purposes of section eight of the Finance Act, 1919 (which relates to Imperial Preference), and that section shall apply accordingly.

Under the other part of the Act, which dealt with the imposition of duties after inquiry, it was provided that the Act was concerned only with goods which were being dumped by foreign countries, and such duties as would be imposed would apply only to countries specified in the Order made under the Act, and, therefore, there would have been no duty on goods coming from Empire countries.

With the constitution of the Irish Free State as a Dominion the Irish Free State became a Customs area separate from the rest of the United Kingdom, and thereafter any preferences granted in respect of British Empire goods became applicable to Irish goods, which, however, prior to the constitution of the Irish Free State, came into this country free of duty, as of course what is now the Irish Free State formed part of the United Kingdom Customs area. This took effect from April 1, 1923. From that date the trade statistics of the United Kingdom included imports from and exports to the Irish Free State, but excluded imports into and

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exports from the Irish Free State to other overseas countries.

At the Imperial Economic Conference in the autumn of 1923 His Majesty's Government placed before the Conference certain proposals with regard to increased preferences on Empire products. The following is the extract from the "Summary of Conclusions" of the Conference (Cmd. 1990), bearing on this and allied matters :

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(1) TARIFF PREFERENCE

It was decided to adopt the following Resolution:

This Imperial Economic Conference, holding that, especially in present circumstances, all possible means should be taken to develop the resources of the Empire and trade between the Empire countries, desires to reaffirm the Resolution on the subject of Imperial Preference passed by the Imperial War Conference of 1917.

Further, as regards Imperial Preference under the United Kingdom Customs Tariff to Empire goods, His Majesty's Government intimated that they intended to submit to Parliament the following proposals :

Dried Fruit. At present dried figs, raisins and plums (including apricots) are dutiable at the rate of 10s. 6d. per cwt. if from foreign countries, and enjoy if of Empire origin a preference of one-sixth—i.e., of 1s. 9d. per cwt.

It is proposed to admit these goods free of duty from the Empire so that Empire raisins, figs and plums will enjoy a preference of 10s. 6d. per cwt.

Currants. At present dried currants are dutiable at the rate of 2s. per cwt. and enjoy a preference of one-sixth, which on the existing duty amounts only to 4d.

His Majesty's Government are prepared to offer free admission to Empire currants and to consider what increase in the duty on foreign currants may be necessary to make the preference effective, such increase to come into force at a future date to be agreed upon.

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Other Dried Fruit. At present there is no duty on any other dried fruit, but whilst continuing to admit such Empire dried fruit free, His Majesty's Government would propose to impose a duty of 10s. 6d. per cwt. on such foreign dried fruit (e.g., apples, pears and peaches) as the Dominion representatives may consider of interest to their trade.

Other Preserved Fruits. Preserved fruits other than those mentioned above are not dutiable save in respect of sugar contents, if any. It is proposed in addition to any such duty on the sugar contents to impose an all-round duty of 5s. per cwt. on the principal forms of preserved fruit not at present dutiable, except fruit pulp for jam manufacture, which will remain free of duty. All such fruit will be admitted free from the Empire.

Sugar. At present sugar is dutiable according to a scale dependent on the polarisation of the sugar, with a basis rate of 25s. 8d. per cwt. on fully refined sugar.

Empire sugar enjoys a preference of one-sixth or 4s. 3½d. per cwt., being nearly a halfpenny a pound on refined sugar.

It is not possible at present to offer an increase in this preference, but His Majesty's Government are ready to guarantee that if the duty is reduced the preference shall for a period of ten years not fall with it, but be maintained at its present rate of nearly ½d. per pound so long at least as the duty on foreign sugar does not fall below that level.

Tobacco. At present the duty on tobacco varies according to kind, being of course higher on cigars than on unmanufactured tobaccos. On the latter it is about 8s. 2d. per lb., on which the Empire enjoys a preference of one-sixth or, say, on raw tobacco of 1s. 4d.

His Majesty's Government would be prepared to adopt the course proposed in regard to sugar—i.e., to stabilise the existing preference for a term of years—or alternatively they are prepared to increase the preference to one-quarter—i.e., to about 2s. on unmanufactured tobacco at present rates, the amount of the preference of course varying as the basis varies.

As a result of consultation with the oversea representatives concerned, it has been decided to adopt the second alternative—i.e., to raise the preference from one-sixth to one-quarter.

Wines. The proposals are :

(1) To double the existing preference of 2s. per gallon on the

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duty of 6s. per gallon on wines of a strength exceeding 30 and not exceeding 42°. The rate of duty on such wines coming from the Empire would thus become 2s. per gallon.

(2) To increase from 30 per cent. to 50 per cent. the preference on the surtax of 12s. 6d. per gallon on sparkling wine.

Raw Apples. It is proposed to levy a duty of 5s. per cwt. on raw apples of foreign origin and to admit raw apples from the Empire free of duty as at present.

Canned Salmon and Canned Lobster, Crayfish and Crabs. It is proposed that a duty of 10s. per cwt. shall be imposed on foreign canned salmon and canned lobster, crayfish and crabs, and that these goods shall be admitted free of duty from the Empire.

Honey. It is proposed that a duty of 10s. per cwt. shall be imposed on foreign honey, and that honey of Empire origin shall continue to be admitted free of duty.

Lime, Lemon and other Fruit Juices. The proposal of His Majesty's Government is that a duty at the rate of 6d. per gallon shall be imposed on foreign lime and lemon juices, and His Majesty's Government would consider a list of other fruit juices which the Dominions regarded as of interest to their trade. The same duty would fall on fruit syrups, and would be exclusive of the duty on the sugar content of such syrups. Fruit juices from the Empire will continue to be admitted free of duty.

(2) IMPERIAL PREFERENCE IN PUBLIC CONTRACTS

It was decided to adopt the following Resolution:

(1) That this Imperial Economic Conference reaffirms the principle that in all Government contracts effective preference be given to goods made and materials produced within the Empire except where undertakings entered into prior to this Conference preclude such a course or special circumstances render it undesirable or unnecessary.

(2) That so far as practical, efforts be made to ensure that the materials used in carrying out contracts be of Empire production.

(3) That State, provincial and local government authorities should be encouraged to take note of the foregoing resolutions.

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These proposals were a matter of controversy during the General Election which shortly followed. The Conservative Government which had made the proposals was defeated at the election, but as a result of undertakings given during the election the Prime Minister, Mr Ramsay MacDonald, agreed that the proposals should be submitted to a free vote of the House of Commons, and accordingly a debate took place on the subject on June 17 and 18, 1924. The whole of the proposals were not divided on, but the proposals with regard to dried fruit and currants were defeated by six votes, those with regard to tobacco by thirteen, those with regard to wine by seventeen, and that with regard to sugar by twenty. In view of the fact that those proposals which involved decreases of duties on Empire products had been defeated, Mr Baldwin, in whose name the resolution stood, did not divide on the subject of the other proposals, which involved the imposition of new duties.

Mr Churchill in his first Finance Act, that of 1925, took steps to give effect as far as possible to those proposals of the Imperial Economic Conference of 1923 which did not involve the imposition of new duties on foodstuffs, and accordingly it was provided that for a period of ten years beginning on July 1, 1925, refined Empire sugar was given a fixed preference of 4s. 3½d. per cwt., and it was provided that if at any time during the period of ten years the full rate of the Customs duty chargeable in respect of sugar was decreased so as to be equal to or less than the amount of this preference, then Empire sugar should be free of duty. At the same time the preference on tobacco of one-sixth was increased to a quarter, while the duty on Empire dried fruit was removed entirely; and in the case of wine exceeding 30° of proof spirit the preference was altered from 2s.

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a gallon to one of one-third of the ordinary duty, and in the case of the additional duty on sparkling wine the preference was increased from 30 per cent. to 50 per cent.

In the same Finance Act the McKenna duties were reimposed and the preference on them was fixed at one-third, while duties were imposed for the first time on silk and artificial silk; in this case the preference was fixed at one-sixth, while in respect of the duties then imposed on hops, lace, and embroidery the preference was fixed at one-third.

The Government made it quite clear that it was their intention with regard to all safeguarding duties to accord preference to Empire products, and when in December of 1925 duties were imposed on cutlery, gloves, and gas mantles a preference of one-third was granted in respect of Empire products.

In the Finance Act of 1926 a further step was taken in the development of Imperial Preference by the stabilization of the rates of Imperial Preference. The provisions to this effect are contained in Section 7, Sub-section 1, as follows:

Where immediately before the first day of July, nineteen hundred and twenty-six, the duty of customs chargeable in respect of any article was by virtue of section eight of the Finance Act, 1919, as amended by any other enactment, chargeable at a preferential rate in the case of any such article being an Empire product, that article shall, during a period of ten years beginning on the said day, be charged, if an Empire product, with a customs duty at a preferential rate representing the full rate of the customs duty for the time being in force reduced by an amount equal to the difference between the full rate of the duty in force on the said day and the preferential rate in force on the said day, or, where the customs duty is chargeable at a rate representing a proportion of the value of the article, reduced by an amount representing the propor-

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tion of the value of the article by which the amount of the preferential rate in force on the said day was less than the amount of the full rate in force on the said day :

Provided that, if at any time during the period aforesaid the full rate of the customs duty chargeable in respect of any article is decreased so as to be equal to or less than the amount of the reduction to be allowed as aforesaid, that article, if an Empire product, shall be free of duty.

In the same Act the safeguarding duty was imposed on wrapping paper and preference provided at the rate of one-third.

In the Finance Act of 1927 a safeguarding duty was imposed on translucent or vitrified pottery, with a preference of one-third in favour of Empire pottery.

In the Finance Act of 1928 steps were taken to assist the British sugar-refiners by reducing the rate of duty on unrefined sugar, while maintaining unaltered the preference on imported foreign refined sugar. At the same time the duty on Empire refined sugar was increased to 5s. 8d. per cwt. In the same Act safeguarding duties were imposed on buttons and enamelled hollow-ware, while the usual preference of one-third in respect of Empire products was accorded.

In the Finance Act of 1929 the duty on tea was remitted entirely, and therefore there is no longer any Empire preference in respect of tea.

The effects of the tariffs which have been accorded are shown in an interesting table published in the annual return of the Commissioners of Customs and Excise. This table shows what percentage of the imported dutiable goods on which a preference is given was imported from Empire countries. The table, unfortunately, does not include any statistics relating to key industry goods. These products, if of Empire origin, are admitted free.

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On account of the fact that the figures are available only for the present United Kingdom—that is to say, Great Britain and Northern Ireland—for the year which ended March 31, 1923, the percentages for the earlier years are omitted, as they tend in the case of some commodities to give a rather misleading picture. It will be noticed that in respect of most of the commodities there has been a very remarkable advance in the percentage of the imports of Empire goods.

The table is as follows :

**TABLE SHOWING THE PERCENTAGES OF THE IMPORTED DUTI-
ABLE GOODS UPON WHICH A PREFERENCE IS GIVEN WHICH
CAME FROM EMPIRE COUNTRIES**

ARTICLE	1922-23	1923-24	1924-25	1925-26	1926-27	1927-28	1928-29
Spirits							
Brandy . . .	0.2	0.4	0.5	0.2	0.2	0.3	0.5
Rum . . .	88.1	91.2	93.4	94.7	95.5	96.7	98.9
Other sorts ¹	63.2	57.3	79.1	63.1	45.9	77.7	69.1
Total spirits . .	59.7	59.3	66.7	60.8	55.5	66.1	63.6
Wine ² . . .	5.7	5.2	4.8	6.3	9.3	17.7	18.0
Tea . . .	88.5	88.2	84.1	87.1	84.0	81.9	84.8
Cocoa, raw . . .	93.4	92.6	90.8	91.9	92.4	94.2	93.4
Cocoa butter . .	—	—	—	—	—	—	—
Cocoa preparation	0.8	0.5	0.6	—	0.2	—	—
Coffee . . .	35.4	47.9	44.2	49.9	47.9	49.2	50.9
Chicory . . .	0.5	—	—	—	—	—	—
Sugar, etc. ³							
Sugar, raw and refined . .	22.6	25.4	10.1	22.6	30.4	27.0	38.0
Articles contain- ing sugar . . .	3.5	5.2	3.1	3.6	3.0	1.6	3.9
Molasses ⁴ . . .	7.2	4.6	4.7	4.6	4.2	2.8	—
Glucose . . .	0.9	—	—	1.5	0.1	—	—
Saccharin . . .	—	0.4	—	—	—	—	—
Fruit, dried or pre- served							
Currants ⁵ . . .	6.6	6.9	15.5	10.5	13.0	7.4	1.2
Raisins . . .	16.9	19.3	32.3	36.4	23.1	41.6	21.7
Figs . . .	—	—	—	—	—	—	—
Plums . . .	2.1	4.8	0.5	4.2	6.4	7.2	6.2

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ARTICLE	1922-23	1923-24	1924-25	1925-26	1926-27	1927-28	1928-29
Tobacco ¹							
Unmanufactured	6.2	7.3	8.5	10.9	13.6	15.2	16.7
Cigars . . .	8.8	7.6	9.3	8.9	8.1	9.7	8.6
Cigarettes . .	—	0.5	1.4	4.8	1.2	2.1	1.4
Other manufac- tured . . .	4.8	4.5	4.1	5.3	5.1	5.8	7.8
Total tobacco	6.2	7.3	8.5	10.9	13.5	15.2	16.7
Cinematograph films ² . . .	0.4	0.2	—	0.5	0.3	0.3	0.4
Clocks and watches ³	0.2	0.2	—	1.3	1.9	1.1	0.9
Motor-cars, etc. ⁴	32.6	36.4	—	36.9	18.4	26.2	20.9
Musical instru- ments ⁵ . . .	0.6	0.5	—	1.6	0.9	0.8	0.8
Hops . . .	—	—	—	1.8	7.3	10.5	5.6
Gas mantles . .	—	—	—	—	3.9	5.9	7.7
Silk and artificial silk							
Specific . . .	—	—	—	0.7	1.0	2.3	0.7
<i>Ad valorem</i> . .	—	—	—	0.9	1.0	0.3	0.1
Lace and embroi- dery . . .	—	—	—	0.8	0.9	0.5	0.3
Cutlery . . .	—	—	—	8.7	12.3	—	1.0
Gloves . . .	—	—	—	—	0.1	0.1	0.3
Paper (packing and wrapping) . .	—	—	—	—	2.4	1.6	1.9
Pottery — translu- cent or vitrified .	—	—	—	—	—	—	—

¹ Does not include methylic alcohol delivered free of duty for use in arts or manufactures.

² Preference increased 1925.

³ Preference reduced 1924 and restored 1925.

⁴ Does not include molasses delivered free of duty for use in distilleries or for purposes of food for stock.

⁵ Duties lapsed August 2, 1924, and reimposed July 1, 1925.

CHAPTER VI

INDUSTRIAL BRITAIN'S RELATIONS TO THE OVERSEAS EMPIRE

IT is a commonplace of modern business that economy of production frequently depends upon the size of the market which is available. While there are some products in which mass production can be associated with production on a comparatively small scale, in the main mass production is necessarily associated with big-scale production.

In the United States of America there is a very large Free Trade area inside a high tariff wall; the producers inside that area have at their disposal the market of 120,000,000 people belonging to the most prosperous community in the world, and accordingly the market is sufficiently large to enable the mass production of the most diversified types of nearly every commodity.

When we consider the position of the United Kingdom we find a market less than two-fifths as numerous as the whole market of the United States of America, and probably of only about one-quarter of the purchasing power of the American home market. Except in those trades which have been safeguarded the British home market is in no sense secure to the British manufacturers, and accordingly, in spite of many products, the scale of manufacture is insufficiently large to ensure a maximum of proficiency of production.

Even if Safeguarding were extended so as to be applied, broadly speaking, to the whole range of manu-

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factured goods, it would still be true that the size of the home market would not be large enough to ensure maximum efficiency in the case of a great many commodities. If, however, associated with a safeguarded home market, there is also open to the British manufacturer on preferential terms the markets of the whole Empire, then the British manufacturer will have available to him a market far larger than the home market which the American manufacturer enjoys on preferential terms as compared with his competitors in any other country.

For these general reasons the policies of Safeguarding and Imperial Preference must be associated from the point of view of enabling British manufacturers to carry on their business in the most efficient manner possible, thus enabling them to afford to their workpeople employment on the highest possible standard consistent with the present stage of development in the art of industrial production.

At the moment, as has been shown in a previous chapter, the British manufacturer enjoys a substantial measure of preference in many of the Empire markets, but enjoys none in his own market except in the safeguarded industries. If for any reason the preferences which are at present accorded to us are withdrawn, the reduced size of the markets in which the British manufacturer had an advantage would result in his efficiency of production being reduced more than it is at present in competition with foreigners both at home and abroad.

In seeking to obtain from the overseas part of the Empire developments of the preferences which are already accorded, the people of the United Kingdom must recognize that many parts of the Empire have already built up important manufacturing industries, and are desirous of extending them. It is also true, however, that the home market open to those industries

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in certain of our Dominions is naturally very restricted, and accordingly it is only in respect of certain products that they can develop efficiency. Any developments of inter-Imperial Preference must take this factor into account, and we should seek to do all we can to help the Dominions to develop those industries which already are or can be made economic, while at the same time seeking to obtain far greater advantages in respect of those commodities the bulk of the supplies of which the other parts of the Empire must for the time being, at any rate, rely on importing for their needs.

In view of the very considerable amount of literature that has been published illustrating the beneficial effects of the safeguarding duties that have been imposed in recent years I do not intend to elaborate that side of the argument in this book, but one example is perhaps worth quoting.

Though since 1919 the scale of the sugar duty was such that there was a preference in favour of Empire sugar as compared with foreign sugar, nevertheless the home refiners of sugar did not in any way share in this advantage, and as a result the British refiners were exposed to very serious competition indeed, particularly on the part of the beet-sugar producers of Continental countries. Nearly every year there were substantial periods when the British refiners were on short time, and sometimes some of them closed down entirely. This situation was aggravated by the fact that much of the home-grown beet-sugar was refined not by the general industry, but by the special sugar-beet factories. This home-grown sugar nearly all came on the market during a comparatively short period, and during that period the British refiners who dealt with imported sugar were exposed to the double competition of imported foreign sugar and home-produced beet-sugar. In the Budget of

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1928 the duty on imported raw sugar and also the duty on home-produced beet-sugar was reduced by $\frac{1}{4}d.$ a lb., representing a preference of about 7 per cent. in relation to the retail price of sugar. The effect of this comparatively small advantage has been almost startling, as we can see by examining the figures for the first nine months of 1929 in comparison with the figures for the first nine months of 1927.

IMPORTS OF SUGAR, IN CWT.

—	JAN. 1-SEPT. 30, 1927	JAN. 1-SEPT. 30, 1929
Refined . . .	7,446,000	855,000
Unrefined . . .	17,314,000	31,896,000

It will be seen from the above table that the imports of refined sugar have been cut down by nearly 90 per cent., while the imports of unrefined sugar have increased enormously, and as a consequence the British refiners have been far busier and have afforded a larger and steadier employment of labour than was the case prior to the change.

It has been the general experience of safeguarding duties that with a more assured home market the industries can produce more economically, and thus are the better enabled to compete for export trade, and this result has occurred in connexion with the sugar industry. In the first nine months of 1927 the exports of refined sugar from this country totalled 1,316,000 cwt., while in the first nine months of 1929 this had increased to 2,302,000 cwt.

Having briefly stated the general argument for the relationships between Imperial Preference and Safeguarding, it may be of interest to survey cursorily the

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position which prevails in respect of inter-Imperial trade.

In the most complete pre-War year—namely, 1913—the total imports of the overseas Dominions, Colonies, and Protectorates amounted to £573,282,000, of which £242,884,000 was drawn from the United Kingdom, £89,442,000 from the other Dominions, Colonies, and Protectorates, and £240,956,000 from foreign countries. Ten years later—namely, in 1923, which is the last year before our trade with the Irish Free State became treated as overseas trade—the position in respect of the same territories was that imports from the United Kingdom amounted to £314,045,000, from other Dominions, Colonies, and Protectorates to £106,929,000, and from foreign countries to £375,884,000. So it will be seen that the position of the United Kingdom had deteriorated in relation to that of foreign countries.

Of course, it must be realized that certain of the imports into Empire countries from foreign countries consist of things that Great Britain is unable to supply.

A very notable item in overseas trade to-day is, for example, petroleum and its products, and it is, unfortunately, the case that the Empire is a small producer of petroleum, and consequently the ever-increasing imports of petroleum into the Empire and into most other countries have to be drawn from those countries which are the principal sources of petroleum.

Before leaving the general side of the question for the purpose of considering the problems of policy, it is of interest to consider the general character of the trade of the United Kingdom with the rest of the world. Taking the Empire as it is at present constituted, but treating Iraq as a foreign country, even though it is in mandated territory, we find that in 1928 just over 30 per cent. of our imports were drawn from Empire countries, the

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value of these imports totalling £364,000,000. The exports of British produce to Empire countries represented just over 45 per cent. of our total imports, and amounted in value to nearly £328,000,000.

The subdivision of our exports into the classes of foodstuffs, raw material, and manufactured goods respectively is not available for 1928, but judging from the developments of recent years, and with the guidance of the figures for 1927, which are available, it is, broadly speaking, true to say that the Empire now takes half of our exports of manufactured goods.

An examination of the results of the last Census of the Production of Great Britain, which was taken in respect of the year 1924, shows very clearly the degree of dependence of many of our industries on export trade. It is, of course, true that quite substantial changes have taken place since 1924, but since the figures are not available for any later year, it is only possible for me to examine the position as revealed by the Census of Production for that year.

A full statement on the subject would involve a great mass of figures, and for that reason I have abstained from making more than a short statement in order to illustrate the position.

In the case of the iron and steel industry 29 per cent. of the products were exported, and the percentage was the same in the case of our outstanding raw material—namely, coal. •

In cutlery the proportion was 39 per cent., while in electrical goods generally the position was that roughly a quarter of the total production was sold abroad.

When we turn to textile machinery we find that our exports constituted nearly 60 per cent. of our production, while in cotton piece-goods the proportion was just under 86 per cent. Woollen textile tissues were

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also high, at 52 per cent., while in many classes of chemicals a very high proportion was exported, but in the case of other classes of chemicals the proportion was trifling. Taking all the chemical trades, one-third of the production was exported.

There are no less than fifteen important headings in respect of which our exports were more than half our production, and a very much larger number in which the proportion of exports lay between 20 per cent. and 50 per cent. There are also a very substantial number of manufactured products where our imports exceeded 50 per cent. of the production in this country.

Anyone examining in detail the tables on which I have based the paragraphs above would be led to the conclusion that there is a great deal of quite unnecessary traffic in manufactured articles, and that a proper system of safeguarding would diminish this traffic, but increase enormously the imports of raw materials to be used in our industries. Broadly speaking, raw materials represent long hauls for our shipping and manufactured goods short hauls, and of these very great quantities are brought to this country in foreign ships. An appropriate rationalization of our trade in manufactures would inevitably lead to a more active demand for British shipping.

In this chapter so far I have presented a number of general considerations and a certain amount also of general information as a preliminary to making certain suggestions with regard to future policy, and I will now proceed to suggest the various methods available for the purpose of the economic consolidation of the Empire.

METHODS OF EMPIRE CONSOLIDATION

The surveys of the position of the British Empire as a producer of raw materials and foodstuffs contained in

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later chapters of this book reveal the fact that in respect of many commodities the Empire is not merely self-supporting, but on balance is a large exporter to the rest of the world. In other commodities the Empire is practically self-supporting, and only a slight increase in production would be necessary to make it entirely so. But there are many commodities where Empire production is much below Empire consumption. This group falls into two classes—(1) where a very rapid increase in Empire production is easy, and (2) where the possibility of the Empire being self-sustaining is apparently remote.

Where the Empire is practically self-sustaining it should be easy to direct the sources of supply into Empire channels and take full advantage of the possession of food, raw materials of all kinds, and the capacity to produce the necessary manufactured goods. To produce these results may mean alterations in or the creation of new Customs duties; it need not necessarily mean an increase in price to consumers. The effect of a tariff depends economically on the rates of untaxed to taxed supply, and where the former is sufficiently large experience has generally shown that any rise in the cost of the taxed article is practically negligible.

Where the Empire is not self-sufficing different considerations apply. The case of raw cotton illustrates this picture very clearly. The Empire produces in the aggregate nearly nine-tenths of its consumption of raw cotton. India is by far the largest Empire producer, and the bulk of India's exports of raw cotton goes to Japan, presumably on the ground that the quality is such as to be suitable for use in the Japanese mills, but not suitable for the mills of Lancashire. Accordingly, though at first sight the Empire appears to be nearly self-sustaining in the matter of cotton, yet as a matter of fact the United

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Kingdom, as the largest Empire consumer of raw cotton, is still dependent in the main on the United States of America for the supply of the raw material for producing the medium and coarser qualities of cotton fabrics.

This brief examination of the cotton situation, therefore, makes it clear that at the moment it would be quite impossible to use the method of Imperial Preference for the purpose of stimulating the production of cotton within the Empire, for the bulk of the cotton imported into the United Kingdom would be coming from a foreign country, and a duty imposed on that cotton would inevitably lead to a rise in price probably nearly equal to the amount of the duty, owing to the fact that the supply of untaxed Empire cotton would not be sufficient through its competition to force the American producers of raw cotton to cut their price in an effort to retain their market. However, the problem of the supply of cotton has long been the subject of stimulation through the instrumentality of the British Empire Cotton Growing Corporation, and steady progress is being made, and the time may arise many years hence when the position may be so altered that the method of Imperial Preference will then become desirable.

The stimulation of inter-Imperial trade in a food-stuff like meat, for instance, is another illustration of this point. Whereas in lamb, mutton, and bacon the Empire could within a relatively short time be made self-supporting, beef in present circumstances presents greater difficulties, owing to the longer distance from its market of the most important potential supply from outside this country (namely, Australia), and the technical difficulties of refrigeration, in which connexion the chief competitor is the Argentine. Such difficulties, being of a scientific and technical nature, will probably be over-

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come by sufficient application of research methods. The best way of stimulating such a course is obviously one that requires expert and detailed investigation.

It is possible to elaborate instances of this kind, but they would point only one moral, which must be obvious to anyone who has thought about the whole problem, and that is that there can be no one exclusive line of approach to the solution of a problem of such variety. This does not prevent the broad statement of a policy which requires an open mind and absence of economic prejudices of the past, a readiness on behalf of all parties if necessary to make some sacrifice, especially of an immediate character, for the ultimate good of the whole, for agreements to be durable must give the feeling of a sense of fairness to all concerned, and any policy of Imperial economic unity must be conceived on these terms.

The ideal of the policy in its broadest aspects implies the minimum amount of tariff barriers within the Empire and the greatest measure, therefore, of free exchange of goods, and necessarily protection against competition from sources outside the Empire. Whether this can be achieved by means of an Imperial tariff or by each different member of the Empire arranging its own tariff matters so as to arrive at the result aimed at would have to be carefully studied. It is even possible that a combination of the two methods may be practicable. The first is almost analogous to the Customs Unions of the past, and would be simpler if it could be adopted, but it might create difficulties of a political or other character, thus making it necessary to accept the second-best rather than the ideal method. But all the other machinery must be available and must be used, such as, for instance, that of prohibition, of non-Empire importation subject to licence, analogous to the Dyes Act, which, on the whole, has worked not unsatisfactorily as far as

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concerns the establishment of an industry that was almost non-existent in this country before the War. In other cases an Imperial merger of great combinations, either existing or to be created, in various large industries might prove to be a useful weapon, such combinations carrying with them carefully worked-out systems of selective manufacture best adapted to the country of each market. With large financial strength and big technical management ability behind them they would merely be extending the well-recognized industrial principles of to-day.

While undoubtedly within the Empire the existing interests in industries must receive full consideration, and their future development be studied from a local national as well as from an economic point of view, there must be circumstances under which, in the general interest, individual interests would have to be set aside, and machinery for a compensation fund of an Imperial character may form a necessary adjunct to carrying out successfully the policy we have in mind. There will be nothing unprecedented in this, which, after all, is a form of procedure commonly adopted in all mergers and cartels and is even foreshadowed in the Government Bill on coal-mines.

In our daily lives we are always constantly making bargains, in some of which we make a sacrifice for the purpose of gaining a larger benefit and in others of which we only take the risk of making a sacrifice, and it seems to me incredibly foolish that in our national commercial bargains we should, because of prejudice, abstain from taking the risk that every one of us daily takes in our own personal commercial bargains, whether on a big scale by a large commercial undertaking or on a small scale in the individual transactions of the humblest members of the community.

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In my suggestions above I have contemplated the use of the instruments of tariff preference, import prohibitions, commercial agreements, and subsidy in general terms, but when one came to apply the policy it is probable that in the first place one would seek to negotiate a series of separate agreements with different parts of the Empire, the terms of each agreement being such that both the United Kingdom and the Empire country concerned stood to gain, and the public of this country would be able in a proper way to express their views as to the merits or demerits of each particular agreement, and to consider whether the price which might have to be paid for certain obvious advantages was a reasonable price or not. Later on, no doubt, it would be possible, and even desirable, at an Imperial Economic Conference to consolidate these agreements into a general Empire agreement of a kind that would ensure that each part of the Empire should afford equality of treatment to the products of every other part of the Empire, but it would by no means follow that that would be the situation initially.

Certain parts of the Empire in their preferential agreements treat some parts of the Empire more favourably than they treat other parts, because of reciprocal advantages which they have obtained, and there is no reason why the United Kingdom should not do the same.

If at this stage I am asked whether my policy involves a tax on this or that I decline to answer, because that is a question which can be answered only after the problem of each commodity has been investigated from every point of view. All that I seek now is that the people in this country should accord to some future Government of this country freedom to take the steps necessary to make the Empire a real economic unit,

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subject to the condition that each decision is preceded by an appropriate investigation to ensure that its results will on balance tend to enlarge British trade and raise the standard of living of the British people.

Of course the policy of Imperial Preference cannot stand by itself, and it must be associated with a policy for the safeguarding of home industries. Wisely conceived measures of safeguarding, coupled with larger markets for our industries in other parts of the Empire, will make it possible for many of our industries to be conducted on that scale which results in the maximum efficiency of production. This condition of our trade would naturally be followed by a larger volume of employment of labour, together with good rates of pay, fair rates of profit, and a cheap selling price for the commodities concerned.

As I have intimated elsewhere, much of the success of the United States of America lies in the fact that it has its own home protected market, which is large enough to ensure economic working of its industries, and if this is possible to the United States of America with 120,000,000 of people it is still more so in the case of the British Empire, with its 450,000,000 of people.

The earlier part of this chapter deals more specifically with the relation of Great Britain as part of the Empire with other parts of the Empire in welding the Empire into an economic unit, but I want it to be distinctly understood that the policy is one which must embrace every part of the Empire and its relations to every other part. The dominating thought is to develop all the resources of the Empire to the best advantage, to use its raw materials, its lands, and its climate so as to produce at economically the best costs and give the members of the Empire the advantage of this unique economic combination. The growth of inter-Imperial trade is

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one of the most satisfactory steps taken in recent years toward the goal at which we are aiming.

Various countries of the Empire, recognizing the possibilities, have taken initial steps by enacting certain inter-Imperial trade agreements. Reciprocal tariff arrangements exist between New Zealand and South Africa ; Australia and New Zealand ; Canada and South Africa ; Canada and the British West Indies ; and Canada and New Zealand.

These arrangements, together with a natural desire throughout the countries of the Empire to trade one with the other, have already resulted in the building up of a substantial inter-Imperial trade. The volume of trade passing between Empire countries—exclusive of the United Kingdom—was valued at £57,677,000 in 1913 and at £133,946,000 in 1927, so that after allowance is made for a rise in price of about 50 per cent., and for the alteration of boundaries, it is evident that a very considerable increase in trade took place.

This occurred in a striking degree in certain cases. For example, imports of the British West Indian islands from Canada rose from £911,051 in 1913 to £3,549,131 in 1927 ; imports of Canada from Australia from £146,584 to £1,089,774 ; imports of Australia from South Africa from £271,034 to £927,993.

The grand total of inter-Imperial trade, including the United Kingdom, was £861,907,000 in the year 1927.

CHAPTER VII

MINERALS

IN this chapter a short survey is made of the Empire's production of the most important minerals.

Although the Empire is richly endowed with mineral wealth, minerals are not distributed in such a way as to make the Empire completely self-supporting and independent of the outside world. As is well known, there are certain important mineral raw materials for which the Empire is dependent to a high degree upon foreign countries, although, on the other hand, there is a small number of valuable minerals of which it has either a virtual monopoly or supplies far in excess of its own needs.

The mineral which makes the most vital gap in the self-sufficiency of the Empire is petroleum. The Empire production of crude petroleum is only some $1\frac{1}{2}$ per cent. of the world production, as is seen from the following table :

—	1913	1926	1927
	Millions of gallons	Millions of gallons	Millions of gallons
Empire production .	385	677	699
World production .	13,500	37,950	43,806
Excess of Empire imports over exports .	831	2,919	3,304

Petroleum is produced in India (principally Burma), Trinidad, Sarawak, and Canada. Great Britain produces oil from oil-shales, situated principally in Scotland.

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Petroleum is widely distributed in Canada. A considerable reduction in dependence upon foreign countries is likely to result from the new discoveries of petroleum in the Empire, and more especially from the progressive development, possibly on a very large scale, in the distillation of petrol and other oil products from coal and lignite.

The Empire is also deficient in supplies of natural nitrates, potash minerals, and phosphates, as the following table shows :

LATEST AVAILABLE FIGURES OF PRODUCTION (YEAR 1926)

—	NATURAL NITRATES	POTASH MINERALS	PHOSPHATES
	Tons	Tons	Tons
Empire production . . .	5,700	6,280	603,000
World production . . .	2,168,500	10,732,000	9,600,000
Percentage Empire production of world production . . .	Negligible	Negligible	6.3
Excess of Empire imports over exports . . .	166,260	239,834 (potassium salts)	1,043,000

The Empire still imports a certain amount of Chile nitrates and synthetic nitrogen products, but the developments which have taken place in the last two years in the production of synthetic nitrates in the form of nitrate of ammonia, sulphate of ammonia, calcium nitrate, ammophos, at the Billingham works of Imperial Chemical Industries, Ltd., make it unnecessary in the future for the Empire to rely on outside sources. The imports and exports of phosphates likewise include manufactured superphosphates and basic slag, of which Great Britain is a large producer, although the production figures are for natural phosphate rock only. The Empire's natural phosphates come mainly from Nauru, Ocean, and

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Christmas Islands. The reserves of the first two islands are estimated to be of the order of 140,000,000 tons. There are also important deposits of phosphates in Palestine. The Empire is almost entirely dependent upon foreign sources for its supplies of potash minerals, as there are no large deposits within the Empire. It is not yet possible economically to recover potash from blast-furnace dust or to extract the salts from potash-bearing silicates.

The remaining members of the group of minerals in which the Empire is deficient are classified in the next table :

MINERAL	EMPIRE PRODUCTION	WORLD PRODUCTION	EXCESS OF EMPIRE IMPORTS OVER EXPORTS
Sulphur .	77,000 tons	2,700,000 tons	449,500 tons
Mercury .	1,568 lb.	10,000,000 lb.	1,645,779 lb.
Antimony .	563 tons (in terms of metal)	29,000 tons (in terms of metal)	5,800 tons (of ore)
Borates .	—	About 144,000 tons	20,557 tons

The Empire is at present almost entirely dependent upon foreign sources for sulphur. There is a small production in New Zealand; and Great Britain produces sulphur in spent oxide, which is consumed by the sulphuric-acid industry. Sulphur occurs in Canada, India, and Papua, but has not yet been worked there on a large scale.

We turn next to the minerals at the other end of the scale—those with which the Empire is especially well provided. Here the position can be stated simply. The Empire produced in 1927 about 72 per cent. of the world's gold, 82·5 per cent. of its diamonds, 88 per cent. of its nickel ore, 90 per cent. of its asbestos, and 50 per cent. of its mica. In each of these minerals the Empire

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supplies a very large proportion of the requirements of the rest of the world. Two Empire countries share in the main burden of this achievement. South Africa, of course, produces most of the gold and diamonds, Canada most of the nickel and asbestos and much of the mica.

The remainder of the minerals defy classification in this simple way. Some are produced in excess of the Empire's requirements, some fall short of the Empire's requirements. Some are exported from the Empire in one part, and imported from foreign countries in another part. To take an example, in 1927 the exports of pyrites from all the countries of the Empire, taken together, amounted to more than the imports by 8600 tons. There was a net outflow from the Empire, yet Great Britain imported over 200,000 tons, a large proportion of its requirements, from Spain. The explanation is that the cost of pyrites is low in relation to its bulk, and it is normally imported from the nearest source. It will be convenient to deal with the remainder of the more important minerals one by one, and in doing so we shall notice other apparently anomalous cases of this kind, which, while not always indicating an unhealthy state of affairs, nevertheless merit our close attention.

Aluminium. The Empire produced, in Great Britain and Canada, about 18 per cent. of the world's aluminium in 1927. Both countries import large quantities of the ore bauxite. Great Britain imports practically the whole from France, and Canada nearly all from the United States of America. There are large deposits within the Empire, in British Guiana, Australia, India, and possibly in the Seychelles, and these are capable of being developed. Production in British Guiana commenced only in 1917, and has now reached large proportions. The production of aluminium in Great Britain, and in the world as a whole, increased nearly threefold between

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1913 and 1927, and the industry is an important one. It seems *prima facie* possible that a development of the use of Empire-produced bauxite could take place in Great Britain and Canada.

Barium Minerals. Barium minerals are needed for the preparation of white pigments for paints and of fillers in the rubber, asbestos, and other trades. The Empire as a whole exported 4450 tons in 1927 and imported 42,339 tons, and is, therefore, dependent on foreign sources. The deposits existing in the Empire are sufficient, if developed, to supply its needs without any import.

Bismuth and Cadmium. Bismuth is one of the minor metals, and is used in the preparation of fusible alloys, which melt below the temperature of boiling water, and in the preparation of medicinal products. The quantity used annually in Empire countries is not large, but is imported almost entirely from foreign countries, although considerable Empire resources are available. Cadmium is a similar metal in the same category which finds a number of minor industrial uses. The Empire produces more than it requires.

China Clay. The Empire produces about 30 per cent. of the world's china clay, and has a large net export. Great Britain is the most important producer in the world.

Chrome Ore. Chromium is employed in the steel industry for the manufacture of very hard chromium steels and of rustless steels for cutlery. It also finds increasing use in chromium plating, and has a number of other industrial uses. The Empire has large resources of chrome ore, and supplies about 64 per cent. of the total production.

Coal. The United Kingdom production in 1927 was just over 17 per cent. of the world production, which was a reduction of about $4\frac{1}{2}$ per cent. against 1913. The

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production of the rest of the Empire increased from nearly 2 per cent. to nearly 5 per cent. of the total production in the same period. There is, of course, a net export of coal from the Empire, the amount in 1927 being 56,600,000 tons. There are large resources of coal in many parts of the Empire.

Copper. The position in regard to copper is a curious one. The Empire produces only about 7 per cent. of the world's output of copper ore, and it exports more than it imports; yet its annual requirements of metallic copper are 60 per cent. more than the total amount of metal in the ore which it produces. Its own manufacture of metallic copper from ores is less than 4·5 per cent. of the world's production, and it imports the bulk of its copper from foreign countries. Great Britain, for instance, in 1927 imported 14,000 tons of copper in the form of ingots, plates, tubes, wire, etc., from Empire countries and 140,700 tons from foreign countries. At present the United States of America and Bolivia produce between them 65 per cent. of the world's copper ore. The Empire production, however, can be very largely increased. The Canadian output has grown by 80 per cent. since 1913, and there are immense resources to be utilized in other parts of the Empire. North-west Rhodesia may well be destined to become one of the world's principal sources of copper.

Felspar, Fluorspar, and Gypsum. Felspar is utilized in glazing china and earthenware, and in enamels for metal wares. The Empire sources are in Great Britain and Canada, and are more than sufficient for its own requirements. Fluorspar is employed as a flux in metallurgical operations, especially in the open-hearth process of steel manufacture. The Empire production in 1926 was just under 16 per cent. of the total production, and there is a net export. Gypsum is the raw material of plaster of

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Paris. The Empire produced nearly a million and a half tons in 1927, and exported a third of its production.

Graphite. The Empire production in 1927 was over 10 per cent. of the world production, and is more than sufficient for its needs. Ceylon is the principal producer. A large proportion of the United Kingdom imports are, however, from foreign countries.

Iron Ore. The United Kingdom produced 11,200,000 tons in 1927, and the whole Empire produced 15,700,000 tons, which was just over 9 per cent. of the total world production. The Empire imported 5,000,000 tons more than it exported, which was accounted for by the large imports into the United Kingdom from foreign countries. The Empire producers other than the United Kingdom are India, Newfoundland (which possesses two of the largest iron-mines in the world), Australia, British Malaya, and South Africa. There are also large undeveloped resources in various other parts of the Empire.

Lead. The Empire in 1927 produced 28 per cent. of the world's lead ore, and its smelter production of pig lead from this was nearly 23 per cent. of the world production. The United Kingdom took 61 per cent. of its imports of pig lead from Empire countries, as compared with only 49 per cent. in 1923.

Magnesite. Calcined magnesite is used as a refractory for lining electric furnaces and for making crucibles. It is also employed in the preparation of oxychloride composition floorings and in paper manufacture. The Empire production is over 50,000 tons annually, but the chief importing country, Great Britain, derives nearly all its imports, amounting to over 30,000 tons annually, from foreign sources.

Manganese Ore. Manganese is required in the form of ferro-manganese in the manufacture of steel. The

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Empire produced 37 per cent. of the total production in 1926, and has a large net export.

Platinum Metals. The Empire production in 1927, nearly 20 per cent. of the world production, was mainly from South Africa and Canada. This production is, however, rapidly increasing, especially in connexion with the nickeliferous pyritite ores of the International Nickel Company of Canada in the Sudbury area, which are expected in a few years to produce platinum and palladium and other precious metals much in excess of the Empire demand. In addition, there is the increase in development of the South African platinum fields.

Pyrites. The Empire production in 1926 was only 2·5 per cent. of the world production. The mining of pyrites in Cyprus has expanded rapidly recently, but only a small proportion of its exports goes to the Empire. Great Britain imports mainly from Spain, by far the largest producer.

Salt. The Empire production in 1927 was 4,100,000 tons, over 16 per cent. of the world production. The net Empire import was over half a million tons.

Silver. The Empire produced 42,400,000 troy ounces in 1927, over 16 per cent. of the world production. Great Britain imported 54,800,000 troy ounces from foreign countries, and India imported the immense total of 116,500,000 troy ounces, nearly half the whole world production.

Talc (including Steatite). Talc is employed in the manufacture of paper and moulded rubber goods, in foundry work, and for toilet preparations and French chalk. The Empire production in 1927 was over 21,000 tons, which was about 5 per cent. of the world production. Canada, India, and Australia are the principal Empire producers. Great Britain imported 14,600 tons from foreign countries in 1927, and there was a net import into the Empire of over 10,000 tons.

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Tin. Tin might almost have been included with gold, diamonds, asbestos, and nickel as one of the minerals which are especially abundant in the Empire. The proportion of the Empire production of metallic tin to the world production is high—81 per cent. in 1927. There are, however, several points of interest which distinguish tin from the minerals just mentioned. In the first place, the Empire's production of tin ore was only 46 per cent. of the world production, British Malaya contributing 34 per cent., so that a part of the metallic tin was refined from ores produced outside the Empire. Indeed, the trade figures show, not (as might be expected in view of the important position of British Malaya as a producer) an export of tin ore from the Empire, but a net import. There are three reasons for this: most of the tin ore is refined on the spot and exported as metal; the import into British Malaya from neighbouring states; and the United Kingdom import, of which 80 per cent. came from foreign sources in 1927 (principally from Bolivia).

Titanium. This metal is used in the form of ferro-titanium in the iron and steel industry, and in the form of oxide as a pigment for paints. The Empire produces nearly 60 per cent. of the total production.

Tungsten. As well as being used in lamp filaments, tungsten is employed in the manufacture of high-speed tool steel. There are deposits of wolframite and scheelite, the ores of tungsten, in Burma, British Malaya, Australia, Rhodesia, Great Britain, and elsewhere in the Empire which are sufficient to supply the Empire's requirements. One-third of the import into the United Kingdom, however, comes from China, where the ores are abundant and cheaply worked.

Uranium. Pitchblende, the ore of uranium, is the source of radium, which is extracted from pitchblende

MINERALS

residues. Deposits of the ore occur in Cornwall, and have been mined on a small scale in India and Australia. About 70 per cent. of the world's requirements of radium was obtained in 1927 from uranium ore in the Belgian Congo.

Vanadium. Vanadium is another of the group of metals which are utilized in the steel industry. Chromium-vanadium steel is employed where great tensile strength is required. South-West Africa is the chief Empire producer, and has resources in excess of present requirements.

Zinc. The Empire production of zinc ores in 1926 was 18 per cent. of the world production, and was derived mainly from Australia, Canada, and India. There was a net export of ore from the Empire, and the only Empire import, that into the United Kingdom, was drawn almost entirely from Australia. The smelting of crude zinc from these ores was, however, insufficient for the Empire's requirements. It amounted to only 10 per cent. of the world production. The net export of ores from the Empire in 1926 represented about 255,000 tons in terms of metal, and in 1927 about 245,000 tons. The United Kingdom imported in these two years 150,000 tons and 135,000 tons respectively of crude zinc from foreign countries, principally Belgium, Germany, and the United States of America. The position is, in short, that in the years for which the last figures are available the Empire's production of ore was sufficient for its requirements, but its smelter capacity was insufficient.

As Great Britain is the principal country in the Empire importing minerals, its imports from Empire and foreign countries give a general view of the present position. They are given in the table on the following page.

This completes the necessarily brief stocktaking of

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the Empire's mineral resources. These resources are very great, in variety and extent, and are not yet fully surveyed and developed. Certain directions have been indicated in which greater utility can be derived from them. A more comprehensive study of the position will reveal the scope of a policy which will facilitate inter-Imperial trade and, by creating markets and promoting sympathetic understanding between the mineral producing and using countries, act as a stimulus to increased production.

IMPORTS OF PRINCIPAL MINERALS INTO THE UNITED KINGDOM FROM EMPIRE AND FOREIGN SOURCES IN 1927

MINERAL	FROM EMPIRE COUNTRIES	FROM FOREIGN COUNTRIES
Aluminium ores	990 tons	89,343 tons
Antimony ore (including crude antimony)	1,598 "	4,659 "
Arsenic	118 "	3,284 "
Asbestos	32,279 "	1,270 "
Barium minerals and com- pounds	—	37,888 "
Bismuth ore and metal	162 "	4,088 "
Borates	18 "	24,323 "
Cadmium	288,960 lb.	2,998 lb.
China clay	1,070 tons	444 tons
Chrome ore and chromium	8,498 "	9,275 "
Coal	304,045 "	186,242 "
Cobalt.	2,125 cwt.	1,347 cwt.
Copper—ores	27,515 tons	12,562 tons
Copper—metal	14,031 tons	140,701 tons
Diamonds	3,165,430 metric carats	24,217 metric carats
Gold (incl. bullion and coin)	6,595,389 fine troy oz	1,239,427 fine troy oz.
Graphite	1,498 tons	12,124 tons
Gypsum	4 "	50,552 "
Iron ore	13,837 "	5,150,613 "
Lead—ore	889 "	1,729 "
Lead—pig lead	171,884 "	110,077 "
Magnesite	2,403 "	30,231 "
Manganese ore	177,392 "	21,135 "

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MINERAL	FROM EMPIRE COUNTRIES	FROM FOREIGN COUNTRIES
Mercury	100 lb.	1,418,030 lb.
Mica	2,102 tons	795 tons
Nickel—ore	12,738 tons (nickel content)	2 tons
Nickel—metal	1,513 tons	1,134 "
Nitrates	657 "	89,301 "
Petroleum, crude and refined (including motor spirit) .	65,434,000 gal.	1,985,438,000 gal.
Phosphates	4,000 tons	647,000 tons
Platinum	288 troy oz	45,316 troy oz.
Potassium salts	705 tons	191,670 tons
Pyrites	13,390 "	273,153 "
Salt	264 "	111,119 "
Silver	1,086,605 fine troy oz.	54,818,358 fine troy oz.
Sulphur	11 tons	113,556 tons
Talc (including steatite) .	877 "	14,556 "
Tin—ore	12,367 "	51,972 "
Tin—metal	11,341 "	2,640 "
Tungsten ore	1,604 "	1,157 "
Zinc—ore	132,574 "	1,403 "
Zinc—metal	23,768 "	135,459 "

CHAPTER VIII

TIMBER

THE Empire possesses vast timber resources. One-seventh of its land area is covered by forests, although only one-third of these forests, 624,000 square miles in extent, is at present useful for commercial purposes. The remaining two-thirds are either in remote parts of the Empire, far from any existing means of transport, or consist of immature timber or of timber which is not in demand for commercial use. Canada, with its great lumber industry producing spruce and pine and fir, India, with its practically complete monopoly of teak, British Honduras and West Africa, with their mahogany, supply timbers which are in everyday use for building and woodworking. Other Empire forests produce timbers which are more novel, and are only gradually gaining acceptance. Among these timbers may be mentioned jarrah and karri from Australia, maple from Canada, and greenheart from British Guiana. Behind these, again, there lies a wide range of timbers, with valuable commercial qualities, which are as yet undisturbed in primeval forests, their names and usefulness known only to the forester.

In spite of this great actual and potential wealth of timber, there is one important respect in which the resources of the Empire fall short of its needs. Timbers are generally classified broadly as hardwoods and softwoods. Hardwoods are such woods as oak, teak, mahogany, walnut. Softwoods are the lighter woods used in building, and also in great demand for paper-

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pulp making—fir, pine, spruce, etc. In all the forests of the Empire except those of Canada and Newfoundland hardwoods predominate, Canada possesses about one-sixth of the softwood supplies of the world, but every other country of the Empire has to import softwoods. As, for various reasons which are mentioned below, a very large proportion of the annual output of Canadian lumber is sold to the United States of America, the Empire is forced to rely upon foreign countries for a great part of its consumption of timber.

It is this unequal distribution of hardwoods and softwoods which accounts for the disturbing fact that Great Britain expends annually the vast sum of nearly £50,000,000 upon timber, of which over 90 per cent. is paid to foreign countries. This sum is exceeded only by the £68,000,000 paid out annually for imports of raw cotton, of which the same high proportion of 90 per cent. is paid to foreign countries, and by the £64,000,000 paid for raw wool imports, of which only 25 per cent. is paid to foreign countries. The distribution of the total imports of timber, and of softwoods, hardwoods, and miscellaneous woods separately, in 1927 may be seen from the following tables :

IMPORTS OF TIMBER INTO THE UNITED KINGDOM IN 1927

—	VALUE, IN THOUSANDS OF POUNDS	QUANTITY, IN MILLIONS OF CUBIC FEET
From Empire countries .	4,461	28
From foreign countries .	45,206	521
	49,667	549
Less re-exports . . .	741	2
Total imports . . .	48,926	547
Percentage of total from Empire countries . . .	8.9	5.1

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IMPORTS OF TIMBER INTO THE UNITED KINGDOM IN 1927, DISTINGUISHED BY KINDS

KIND OF WOOD	EMPIRE	FOREIGN	PERCENTAGE FROM EMPIRE
	Million cubic feet	Million cubic feet	
Softwoods . . .	17	301	5.3
Hardwoods . . .	10	26	28
Miscellaneous . .	1.7	189	1

Some £40,000,000 worth of the timber imports consists of softwoods. Great Britain supplies about 3 per cent. of its requirements of these woods from its own forests; 5 per cent. of the imports are from Canada. The remainder comes from foreign countries, principally from the great timber-producing countries of Northern Europe. About 37 per cent. comes from Finland and Sweden jointly, and about 26 per cent. from Russia, Latvia, and Poland. In respect of hardwoods the position is more favourable—30 per cent. of the total imports comes from the Empire. Half of these imports, however, consist of teak, of which India has nearly a world monopoly. Mahogany is imported in satisfactory quantities from British Honduras and West Africa, but the imports of the most traditionally British of all woods, oak, although amounting annually to over £2,000,000, are drawn from Empire countries to the extent of only 1 per cent.—75 per cent. is grown in the United States of America. Nevertheless, the hardwood position is not unsatisfactory, for the Empire possesses a great variety of woods which in the future may be substituted for foreign-grown hardwoods.

In examining the Empire timber resources in more detail it will be convenient to deal with softwoods and hardwoods separately.

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The softwoods of the Empire, except for supplies in the Dominions and the United Kingdom which are insufficient for domestic requirements, are concentrated in Newfoundland and Canada. Newfoundland uses its timber solely for the manufacture of paper, and has ceased to export lumber. The average cut in Canada between 1922 and 1926 was 1,860,000,000 cubic feet, in terms of standing timber. This is but little short of the amount required to supply the whole British Empire, including Canada, which amount is of the order of 1,900,000,000 cubic feet. If we care to assume for a moment that the whole of the product of the Canadian lumber industry is directed into Empire channels, we see that the 935,000,000 cubic feet (in terms of round timber) which Great Britain needs annually, the 735,000,000 cubic feet which Canada herself needs, the 145,000,000 cubic feet which Australia and New Zealand need, and the 70,000,000 cubic feet used in other parts of the Empire are provided, with little surplus either of supply or of demand. In fact this assumption is very far from the truth. Some 83 per cent. of Canada's exports of softwoods is destined for the United States of America, and the percentage is increasing year by year. In order to safeguard its resources, and to promote timber and pulp manufacture at home, at least one province—Quebec—has found it necessary to enforce for the past ten years a prohibition on the export of unmanufactured timber cut from Crown lands. The exports to the United Kingdom are about 7·5 per cent., and are decreasing year by year.

The circumstances which explain this state of affairs are in part of the nature of the case and irremediable and in part capable of modification. Canadian exports to the United Kingdom are discouraged by the high

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prices which are paid by the pulp mills and by the demands of the neighbouring American market. Canada is at a disadvantage owing to the established position of the Baltic countries in the English market. The Baltic countries have made a close study of the market's requirements. Timber arrives graded and sawn to the size in demand, and marked in a manner which enables buyers to purchase their supplies on specification, without previous inspection. The business of shipping timber from European countries has become systematized. If an English importer decided to import from Canada on a large scale instead of from European countries he would have to rearrange an established shipping procedure. Moreover, as Canadian timber is cut largely for the American market, it is cut to sizes which are different from the standard English sizes; and as speed of output is sought in the Canadian lumber industry the timber is not cut as accurately to size, or finished and graded as carefully, as is European timber and as the English market demands.

The Imperial Economic Committee, in its Report on Timber, 1928, suggested that if there were co-operation between Canadian producers and United Kingdom users there might be an increased demand in the British market for Douglas fir, the predominant Canadian timber. It drew attention to the desirability of more careful grading by the lumber firms, and suggested that Britain could help, on its part, if British architects and engineers would adapt their specifications to enable Canadian sizes to be used.

A similar position to that in the soft timber industry exists in the case of wood-pulp. The United Kingdom imports of pulp in 1927 were valued at nearly £11,000,000, of which just over 9 per cent. by weight came from Empire countries (Canada) and 85 per cent.

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from Norway, Sweden, and Finland. Canada is the second largest exporter of wood-pulp in the world, but over four-fifths of its imports are consigned to the United States and only one-tenth to the United Kingdom.

It is worthy of note here that a world shortage of softwoods is likely if the present rate of consumption continues. According to an estimate made by Mr Fraser Story, of the Forestry Commission, the whole of the accessible softwood forests of the world will be used up in as short a period as forty years at the rate of cutting and of destruction by fire and pests of the last few years. New planting will not have reached maturity to an extent sufficient materially to affect this result.

As a shortage of softwoods would inevitably have serious reactions in the building and construction and the pulp and paper industries, we may do well to inquire at this point whether an intelligent co-operation between users and producers within the Empire may not be an urgent necessity both for the present and for the future.

One method of approach to the problem may be the substitution for softwoods of certain of the lighter hardwoods of Empire growth. It is believed that the forests of India, Malaya, Nigeria, and elsewhere possess woods which, although classed as hardwoods, are sufficiently light in colour and weight to be capable of being used in place of imported softwoods. Investigation of these possibilities has not proceeded very far, and the way is clearly open to useful collaboration between the forestry departments of the Empire.

Turning now to hardwoods, we can see from the table overleaf the principal countries to which Great Britain turned for these woods in 1927 :

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IMPORTS OF HARDWOODS (MAHOGANY, WALNUT, OAK, TEAK, ETC.) INTO THE UNITED KINGDOM IN 1927

EMPIRE		FOREIGN	
COUNTRY	IMPORT, IN THOUSANDS OF CUBIC FT.	COUNTRY	IMPORT, IN THOUSANDS OF CUBIC FT.
Canada . . .	4 146	United States of America	18,481
British India . .	1,723	Poland	2,314
West Africa . .	1,484	Finland, Latvia, Russia, and Sweden . . .	1,250
Irish Free State .	1,026	Italy and France . .	971
Australia . . .	977	French Africa . . .	703
British Borneo . .	141	Japan	533
British Honduras .	150	Philippine Islands .	339
British Guiana . .	37	Yugo-Slavia . . .	252
New Zealand . .	21	Germany and Czecho- Slovakia	228
West Indies . . .	20	Siam	191
Straits Settlements .	14	Other foreign countries .	564
Other British coun- tries	152		
Total	9,991	Total	25,826

The sources of hardwoods are manifestly very varied and widely spread. The United States is at present by far the most important in point of volume. It exports to Great Britain some 9,500,000 cubic feet of oak and 7,500,000 cubic feet of unspecified hardwoods. It is also the principal source of sawn mahogany. No mahogany is grown in the United States of America, but logs from British Honduras and Nicaragua are sent there to be sawn and re-exported. As far as the British Colony is concerned, it will no doubt be found possible and desirable at some time in the future to establish saw-mills on the spot. Other important sources of mahogany are British and French West Africa. Walnut, the third of the better-known hardwoods, is derived

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mainly from the United States of America and France. The European countries other than France export to Great Britain oak and various unclassified hardwoods. The exports from Empire countries, except the exports of teak from India, lie rather in the realm of the lesser-known hardwoods. Canada sends birch, maple, basswood, and elm, Australia jarrah and karri.

Many of these Empire hardwoods are capable of being used in increasing quantity in place of foreign timbers. One or two specific examples may be quoted from the report of the Imperial Economic Committee already referred to. Tasmanian oak is becoming known as a substitute for foreign oak and American pitch-pine. From the East Burma can send us pyinkado, a timber of great value for construction work where durability is required. Burma and the virgin forests of the Andaman Islands in the Bay of Bengal produce padauk, gurjun, and other unfamiliarly named woods which are regarded as suitable for marketing in the United Kingdom, and are being sent there in increasing quantities. Nigeria and the Gold Coast have many timbers likely to be of commercial use in the future, in addition to the mahogany already exported. British Guiana has immense resources of greenheart, mora, and other timbers, which are at present inaccessible owing to lack of transport.

An interesting example of an untapped Empire source of timber wealth is supplied by the African pencil cedar, which grows abundantly in Kenya, Uganda, and Tanganyika. At present wood for pencils is obtained almost wholly from the United States of America. The African wood is equally suitable for the purpose, and furnishes a valuable alternative source.

The introduction of little-known Empire timbers to general use is necessarily a process to be spread over a considerable period of time. A good deal of work is

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already being done by such bodies as the Imperial Institute and the Forest Products Research Laboratory of the Department of Scientific and Industrial Research. The efforts of forest authorities throughout the Empire are co-ordinated at the British Empire Forestry Conferences which are held periodically.

The summary in this chapter has made it clear that the Empire timber problem falls sharply into two parts. There is firstly the problem of the conservation and the wise direction into Empire channels so far as may be necessary with a view to the needs no less of the future than of the present of the softwood forests of Canada. There is secondly the separate problem of the encouragement of the use in the more developed parts of the Empire of the amazing wealth of hardwoods which have been shown to exist in the Empire's hinterlands. Both of these problems need a clear vision of the economic unity of the Empire in accordance with the policy of this book.

CHAPTER IX

TEXTILE RAW MATERIALS

WOOL

THE British Empire produces about 45 per cent. of the raw material for the woollen and worsted industries of the world. Australia, of course, is the premier wool-growing country in the world, important not only for the quantity of its output, but because so much of it is high-quality merino wool. The estimated production of Australia and the principal other Empire producing countries in 1927 is given in the following table:

ESTIMATED PRODUCTION OF WOOL IN EMPIRE COUNTRIES
IN 1909-13 AND 1927

COUNTRY	PRODUCTION IN THE AVERAGE YEAR, IN THOUSANDS OF LB.	PRODUCTION IN 1927, IN THOU- SANDS OF LB.
Australia	741,377	924,411
New Zealand	198,474	202,386
Union of South Africa	165,888	240,000
United Kingdom	134,000	1176,76
India	60,000	55,000
Canada	11,210	18,673
Irish Free State	—	12,845
Total Empire production	1,310,949	1,570,991
Total world production	3,286,708	3,479,684

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Australia's production alone is more than a quarter of the total, and in terms of the world's production of merino wool is a half of the total.

Great Britain and Canada are the two Empire countries which import wool. The balance between the amount which they import and the amount which the wool-producing countries of the Empire export was (in 1927) 895,000,000 lb.—that is, over one-half of the production was sold to foreign countries. The production and the overseas trade figures are not strictly comparable for statistical purposes, because the former are estimated as the yield of 'greasy' wool, while the export and import returns comprise not only 'greasy,' but 'scoured and washed' wool, which is the equivalent of $2\frac{1}{8}$ times its weight of greasy wool. But it is clear that the Empire as a unit can fairly claim a position of priority among the wool-raising areas of the world. This, indeed, might be expected as "in the logic of history," for wool long played a part of surpassing importance in the economic life of Britain. When the rolling uplands of the Mother Country were no longer sufficient to supply demands, and iron and coal dethroned wool in the popular estimation as the source of wealth, the industry was transplanted on a changed scale to the magnificent pastoral areas of the Australasian Dominions and of South Africa, and now takes a large share in determining their prosperity. What the wool clip means to Australia may be judged from the fact that its exports of wool constitute 47 per cent. of its total shipments of merchandise.

Great Britain's imports of raw wool in 1927 were 854,784,000 lb., of which 348,304,000 lb. were re-exported to the Continent and elsewhere. It might be expected, in the light of the imposing figures of Empire production, that the whole or a very high percentage of

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Britain's imports would be taken from Empire countries. That is not the case, for as much as 21 per cent. was imported from foreign countries in 1927. The main sources of this percentage were as follows :

COUNTRY	IMPORTS INTO THE UNITED KINGDOM, IN THOUSANDS OF LB.
Argentine	72,077
Chile	28,029
France	20,829
Uruguay	17,374
Peru	9,359
United States of America	5,105
Belgium	2,653
Germany	1,649

The imports from the South American countries are chiefly of cross-bred wools. The imports of the finer quality wools are almost entirely from the Empire.

The production of the Empire growing countries is mostly exported. Australia retains only 6 per cent. for use in its own mills, although this percentage is growing. Taking the average of its exports of wool in the five years 1923-27, slightly more than 39 per cent. by weight was sent to the United Kingdom, 44½ per cent. to the principal Continental countries, and 15½ per cent. to Japan and America. Of New Zealand's production, a larger proportion, 78 per cent., was shipped to the United Kingdom in the same period, while from South Africa 47 per cent. (by value) was consigned to the United Kingdom and 40 per cent. to France and Germany.

It seems probable that a higher percentage of Great Britain's imports could be drawn from the available resources within the Empire without upsetting the balance of production.

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COTTON

The production of the United States cotton belt was 55 per cent. of the world production in the season 1927-28. As two-thirds of the Lancashire mills spin American cotton, the industry is dependent to a high degree upon the American supply. This supply forms such a large proportion of the total that it has a controlling action upon world prices, and the wide fluctuations which are liable to occur in the supply from season to season have the most serious effects upon industrial employment in Lancashire. Moreover, the United States' own mills absorb an increasing share of the normal crop. For these reasons the development of independent sources of supply in the Empire attracts much attention.

PRODUCTION OF COTTON IN EMPIRE COUNTRIES IN 1909-13 AND 1927-28

COUNTRY	AVERAGE ANNUAL PRODUCTION IN 1909-13	PRODUCTION IN SEASON 1927-28
	Tons	Tons
India	763,125	1,046,960
Uganda	4,323	23,768
Sudan	3,044	23,580
Nigeria	1,965	3,537 ¹
Tanganyika	1,669	2,848
Union of South Africa	—	2,358
British West Indies	1,178	884
Nyasaland	—	491
Cyprus	393	393
Other Empire countries.	98	98
Total	775,795	1,104,917

¹ Quantity marketed; total production estimated at between 14,000 and 15,000 tons.

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The production of Empire cotton in 1927 and before the War is shown in the table opposite. Superficially the total amounts to 86 per cent. of the Empire's requirements, but of course any assertion to that effect would be totally misleading, for much of the production is short-staple cotton, which is unsuitable for the fine counts in which Lancashire specializes. Of India's exports, for instance, only 5 per cent. is consigned to the United Kingdom, 55 per cent. going to Japan and China. Until the long-staple cotton can be produced in ample quantity—and much is being done—Empire self-sufficiency and any action based thereon are out of the question.

Noteworthy increases in the output of cotton have been made in Uganda, the Sudan, and Nigeria, and further progress may be expected in these and other areas when irrigation and transport and general development schemes are completed. The amount of long-staple cotton grown in India is increasing, although certain difficulties have to be overcome. The Empire Cotton Growing Corporation, which was formed in 1921, co-ordinates this work throughout the Empire. The potentialities for growing cotton in the Empire are very great, and there is no doubt that in time a substantial change in the present position will be brought about.

FLAX

The position in regard to flax is that, although it can be grown in various parts of the Empire, the production is declining in every part where it is at present grown, and a large proportion of the United Kingdom's imports is from such foreign countries as Latvia and Belgium. The position in Kenya and Uganda is probably typical. A Report of the Department of Agriculture points out

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that "Little interest is now taken in flax. The area under cultivation has dropped to 284 acres. Only stability of markets and some assurance that profitable prices could be secured would persuade farmers to renew the cultivation of the crop." The statistical position may be seen from the following table :

PRODUCTION OF FLAX IN EMPIRE COUNTRIES
IN 1913 AND 1927

COUNTRY	1913	1927
	Tons	Tons
Northern Ireland . . . }	14,714	4,990
Irish Free State . . . }		982
Canada	714 (in 1915)	1
Cyprus	—	10
Kenya	—	65
Total	15,428	6,047

The excess of imports into the Empire over exports from it in 1927 was 46,276 tons. As the extract quoted asserts, the market for flax is an unstable one, and the Continental producers are able at present to command it. It is evident that, given favourable conditions, a profitable industry could be restored to the Empire.

HEMP

Hemp is exported to the United Kingdom from the Philippines and from Italy; from a number of other foreign countries in smaller quantities; and, among British countries, from New Zealand, East Africa, the East Indies, Mauritius, and West Africa. The production of sisal in Kenya and Tanganyika is rapidly increasing, and is likely to be sufficient to displace imports from foreign countries.

¹ Figures not available.

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OTHER TEXTILE MATERIALS

Raw silk for the real silk industry is mainly the produce of China, France, Italy, Switzerland, and Japan. The Empire countries which export to the United Kingdom are India and Hong-Kong.

Jute is the produce of India, which has practically a world monopoly.

CHAPTER X

OTHER AGRICULTURAL RAW MATERIALS

OIL SEEDS AND NUTS

THE supply of the seeds and nuts from which vegetable oils are extracted has become of increasing importance during the last twenty years. The British Empire produces a large proportion of the world's requirements, and is capable of becoming more productive in directions in which it is not at present self-supporting.

Vegetable oils are used largely in the margarine industry, and it is because of the great expansion which has taken place in the last twenty years that the production of vegetable oils has increased. Copra, ground-nuts, cotton seed, linseed, and rape seed may be mentioned among the more important sources of edible oils. Vegetable oils are also used, of course, in the manufacture of soap, and in the paint and varnish, linoleum, and other industries.

The imports into Great Britain of seeds and nuts for expressing oil in 1927 amounted to 1,321,000 tons, valued at £18,500,000 ; 854,000 tons came from foreign countries, and 467,000 tons from countries within the Empire. This total was not far different from the total of imports in 1913—in fact, it shows a slight decrease. The composition of the imports, however, has changed. There is a decreased import of cotton seed, linseed, and rape seed and an increased import of palm-kernels, ground-nuts, and copra. This is shown in the following table :

AGRICULTURAL RAW MATERIALS

IMPORTS OF OIL SEEDS AND NUTS INTO THE UNITED KINGDOM IN 1913 AND 1927

—	1913	1927
	Tons	Tons
Cotton seed	615,332	536,646
Linseed	608,026	352,951
Rape seed	49,317	8,393
Sesame	— 1	350
Castor seed	60,277	35,267
Soya beans	76,452	83,121
Other seeds	25,290	14,314
Ground-nuts	— 1	48,927
Copra	30,868	53,454
Palm-kernels	— 1	183,740
Other nuts	9,087	3,857
Total	1,474,649	1,321,020

In order to understand something of the factors which affect the production and possible further development of these and other oil-producing raw materials in Empire countries it is necessary to know the conditions in the oil-seed-crushing industry. The seeds and nuts are not in general crushed in the countries in which they are produced, but are exported to Europe or America. The reason, apart from the cost of the crushing machinery and the difficulty of transport of the oil in some cases, is that the oil and the seed-cakes which are produced from the residue after the oil has been expressed have both to be marketed if the crushing is to be performed economically. The selling of the cakes as cattle-food plays an important part in determining the price of the oil and the extent to which one oil can be used in place of another. Originally linseed and cotton-seed cake were preferred by farmers in this country, and still are to a

¹ Included under "Other seeds" or "Other nuts."

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considerable extent, but palm-kernel, coconut, and soya bean cake have gradually found favour. The imports of palm-kernels into Great Britain from West Africa in 1928 showed a falling off of 17,000 tons as compared with the previous year, while the imports into Germany rose by 23,000 tons in the same year. The reason given for this is that agricultural Germany is a ready market for palm-kernel cake, whereas the British crusher is handicapped because, for a variety of reasons, the British farmer is inclined to prefer cotton-seed cake.

There is a large seed-crushing industry in Great Britain, centred chiefly at Hull and Liverpool. Its production of the main kinds of vegetable oils and cattle-cakes in 1924—the date of the last Census of Production—was 1,454,400 tons. An amount equal to 24·8 per cent. of the production was imported, and about 6·5 per cent. of the production exported.

The imports into the United Kingdom are from the Continent, which competes severely with British producers. Before the War a large share of the trade was in Germany's hands, but the War awakened this country to a sense of its deficiencies in this respect, and led to the more secure establishment of the palm-kernel industry in this country. Lately there seems a tendency for part of the industry to gravitate back to Germany, if we may judge from the imports of palm-kernels already quoted. Germany was before the War, and is now, protected by an import tariff on vegetable oils (but not on the raw oil seeds or nuts). The reader is referred to a very able account of the way in which the pre-War tariff aided the German industry which was given in a memorandum entitled *The Effect of Import Tariffs on the Oil-seed Crushing Industry*, which formed part of the Trade Enquiry into Indian Oil-seeds, published in 1920.

AGRICULTURAL RAW MATERIALS

After this sketch of the manufacturing side of the industry, we may proceed to examine *seriatim* some of the more important and interesting vegetable oil raw materials which are produced in the Empire. India is by far the largest Empire producer, followed by the West African countries.

Cotton Seed. The leading three producers of the world are the United States of America, India, and Egypt. Most of the cotton seed of the United States of America is retained in that country, and converted into cake and oil for domestic consumption. The world production in 1927-28 was just over 10,000,000 tons, of which the Empire produced 26 per cent. and India alone over 24 per cent. Production in British East Africa and the Sudan shows a considerable increase over the 1913 figures. Of Great Britain's imports of cotton seed 64 per cent. was taken from Egypt in 1927. The Indian production is very largely retained in the country. It amounted to 2,485,000 tons in 1927-28, of which 92,900 tons were exported—58,877 tons (in 1927) to Great Britain. With the successful development of cotton-growing in the Empire increased supplies of cotton seed are likely to become available.

Linseed. Linseed is important both as a source of edible oil and as a source of drying oil for paint and varnish. The principal Empire producing countries are India and Canada. Canada's export is almost entirely to the United States of America. Before the War Great Britain obtained most of its supplies from India. The Indian production has, however, declined, and the Argentine has assumed importance, as linseed can be produced cheaply there. Linseed crops could be developed in Empire countries, but such development is subject to the danger that linseed is one of the commodities any over-production or surplus of which due

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to a 'bumper' crop causes an immediate slump in price and loss to the producer.

Castor Seed and Rape Seed. Castor seed provides oil which is valuable as a lubricant, as well as for medicinal purposes. Rape seed is one of the sources of edible oil. The imports of both into Great Britain are largely from India.

Soya Beans. Soya beans have become an important item among the sources of vegetable oils. The imports of Great Britain in 1927 amounted to over 83,000 tons, which came entirely from China, Japan, and Indo-China. The Imperial Economic Committee has recommended that efforts to cultivate the soya bean in Empire countries should be given every possible encouragement.

Sunflower Seed. Sunflower seed is suitable for use as a source of edible oils, and is easily cultivated, but is not very generally used. There was a remarkable expansion in the production of this seed in South Russia in 1924-25, and the imports into Great Britain from this source in the latter year were 45,107 tons, out of a total import of 45,700 tons. The total import has since fallen, in 1927, to 773 tons. Efforts to cultivate this crop have been made in South Africa and other parts of the Empire and offer considerable possibilities.

Copra. Great Britain drew 74 per cent. of its imports of copra in 1927 from Empire sources, principally from the Straits Settlements, Malay States, Ceylon, Australia, the Pacific Islands, and the West Indies. The chief competing foreign sources are the Dutch East Indies and the Philippine Islands. There was a net export from the Empire in 1927 of about 226,000 tons.

Ground-nuts. India again is the main producer of ground-nuts, and accounted for nearly 70 per cent. of the world's production in 1926-27. West and East Africa are also important sources. There has been an

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expansion approximately fourfold in Tanganyika since 1913.

Palm-kernels. Nigeria is the chief exporting country. No statistics of production are available, but the Nigerian export in 1927 was about 45 per cent. of the total recorded export of all producing countries. The palm fruit is gathered in West Africa from wild or semi-cultivated forest trees owned communally by the natives, and there is some danger lest plantation cultivation in other parts of the world, such as the Dutch East Indies, should in the future damage the West African industry. The cultivation of oil-palm under plantation conditions has been encouraged in British Malaya, and the area under oil-palms increased from 1000 acres in 1920 to 19,321 acres in 1927. It is not impossible that plantation oil-palms will attain the same relation to the wild product as plantation rubber to the wild Brazilian rubber unless some change is made in the West African system of tenure and cultivation.

Other Seeds. Experiments have been conducted with a view to introducing seeds for the production of tung oil into Empire growing countries. Tung oil is indigenous to China and Manchuria, and has been used for a very long time in China. It is a drying oil which has been found eminently suitable for use in the paint and varnish industries. The Advisory Committee on Oils and Oil-seed of the Imperial Institute has taken an interest in this oil, and in conjunction with the botanic experts of Kew have made experimental plantings of the seeds in Australia, New Zealand, South Africa, India, Mauritius, East Africa, Nigeria, Cyprus, Palestine, the West Indies, and other Empire countries. These experiments were made in 1927, and it is yet too early to say whether the industry can be successfully developed.

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Perilla is another seed which it is hoped will be found suitable for Empire cultivation.

It has been seen from these particulars that the oil seed and nut industry is a very important one to the Empire, because of the intrinsic value of the raw materials to the tropical and semi-tropical parts of the Empire which produce them, and because of the increasing importance of the oils in manufacturing processes; it therefore deserves to be carefully nurtured and protected.

RUBBER

The total production of rubber in the world in 1928 was about 618,100 tons, and British Malaya alone produced nearly one-half of this. The growth of the plantation-rubber industry has been phenomenal. The

COUNTRY	PRODUC- TION	COUNTRY	CONSUMP- TION
	Tons		Tons
British Malaya . . .	286,000	United States . . .	400,000
Dutch East Indies . .	204,000	United Kingdom . .	84,900
Ceylon	58,800	France	38,900
South America and other countries supplying wild rubber	33,000	Germany	22,800
India	9,900	Canada	20,400
Sarawak	9,200	Unclassified European countries	20,000
French Indo-China . .	7,400	Japan	17,000
British North Borneo . .	5,800	Italy	10,200
Siam, etc.	4,000	Australia	7,000
		Other countries . . .	4,500
Total	618,100	Total	625,700

production of Malaya in 1905 was less than 200 tons, while the wild product of South America amounted to about 60,000 tons. The growth of the motor-car industry and the extension of other industrial and household uses of rubber caused a tenfold increase in the

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world's consumption—from 60,000 tons in 1905 to over 600,000 in 1928—which has been met by the plantation rubber of the East. The production of Empire countries is much more than the requirements for manufacture within the Empire, and there is a large net export. The latest figures for the world's production and consumption of raw rubber are given in the table opposite, supplied by the Malay States Information Agency in London.

OTHER RAW MATERIALS

There is a wide range of vegetable and similar raw materials which can be classified with the others dealt with in this chapter, but which are too varied to be discussed separately here.

Of the spices, pepper is probably the most important. The annual imports into the United Kingdom amount to over £2,000,000, of which half comes from the Empire. The chief sources of the imports are the Straits Settlements, India, and, among foreign countries, Java. Cloves, ginger, and cinnamon are minor Empire products which are imported into the United Kingdom almost solely from Empire countries.

Of the medicinal materials, such as cinchona bark, or barks and extracts for dyeing, none are imported into the United Kingdom in large quantities except chestnut extract and quebracho extract. The imports of the former were valued at £526,000 in 1927, and were derived mainly from France and Italy; the imports of quebracho were worth £459,000, and came chiefly from the Argentine, with small quantities from Natal.

For the vegetable and other gums, waxes, and similar products the United Kingdom is at present dependent to a considerable extent upon foreign countries. Rosin to the value of over £1,000,000 out of a total of

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£1,500,000 is imported from the United States of America. Copal comes mainly from Belgium and the Belgian Congo and the Dutch East Indies, with a smaller amount from the Straits Settlements. Carnauba wax and other vegetable waxes are imported principally from Brazil, and there is no import from Empire countries. Most of the turpentine imported is the product of the United States of America. Kauri gum, however, is produced entirely in New Zealand, and gum arabic and gum tragacanth largely in the Sudan.

CHAPTER XI

CEREALS

I HAVE collected the following details concerning the leading cereals in terms of the present requirements of the Empire, the method and source of supply, and the distribution of Empire production.

WHEAT

It is estimated that in the average year ¹ the world production of wheat was slightly more than 1,000,000,000 quintals, the Empire's share being 194,000,000 quintals. In 1927 the world production had increased by 12½ per cent. to 1,154,000,000 quintals and that of the Empire to 264,300,000 quintals, or 36 per cent. above its own figure for the average year. The table given overleaf states the Empire production in detail.

When the proposal for an Imperial economic unit was first made the Empire was not self-supporting in wheat. The margin of dependence upon foreign sources was gradually lessening, and in the average year dealt with in the table had been reduced to 9,450,000 quintals. This figure represents the net excess of imports over exports throughout the Empire.

By 1926 the position had become very different, and the Empire possessed an exportable surplus of more than 39,000,000 quintals. A market outside the Empire had to be found for this surplus, which in 1927 had increased to 40,600,000 quintals.

¹ See note on average year, p. 5.

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The importing countries of the Empire received in 1927 between them 62,000,000 quintals of wheat and 10,000,000 quintals of wheat flour. Of these quantities the United Kingdom imported 56,000,000 quintals of

COUNTRY	AVERAGE YEAR	1926	1927
	Thousands of quintals	Thousands of quintals	Thousands of quintals
United Kingdom . . .	15,875	13,880	15,176
Irish Free State . . .	356	314	386
Malta	50	84	80
Canada	53,647	110,806	119,757
Cyprus	603	494	650
India	95,755	88,355	90,844
Palestine	—	990	994
Kenya	—	72	72
Sudan	137	145	155
Basutoland	—	175	251
Rhodesia	—	20	20
Union of South Africa .	1,708	2,190	1,808
Australia	24,629	43,752	31,620
New Zealand	1,884	2,164	2,503
Total	194,644	263,441	264,316

wheat and 5,500,000 quintals of wheat flour, or 85·5 per cent. of the total Empire imports.¹ Re-exports of imported wheat and wheat products were 5,500,000 quintals in that year, leaving the net import requirements of the United Kingdom at 56,000,000 quintals.

The home production in the average year was 15,800,000 quintals and 15,100,000 quintals in 1927. Thus the United Kingdom in 1927 produced 21·2 per cent. of its own needs. Slightly more than half the imports of wheat and wheat products into the United Kingdom in 1927 were from foreign sources.

¹ The figures of wheat and wheat flour are combined in dealing with Empire totals. Allowance has been made, in wheat flour, for a loss of weight of 28 per cent. in milling.

CEREALS

The chief exporting countries of the Empire are Canada, Australia, and India.

EXPORTABLE SURPLUS IN 1927, IN THOUSANDS OF QUINTALS

—	WHEAT	WHEAT FLOUR
Canada	69,375	8,178
India	2,328	611
Palestine	33	—
Australia	22,039	4,771
Total surplus requirements of Empire importing countries	93,775 60,863	13,560 7,710
Final surplus	32,912	5,850

This gives, in terms of wheat, an Empire exportable surplus of 40,600,000 quintals. Leaving India out of account, as far as exports are concerned, owing to the large domestic consumption and smaller margin for annual crop variation, it is found that the United Kingdom imports in 1926 were 54 per cent. of the combined exportable surplus of Canada and Australia. In 1927, dealt with in the above table, the figure was 57 per cent. Actually less than 30 per cent. of the exports of breadstuffs from Australia reach the United Kingdom. Large quantities go to Italy, France, Belgium, Egypt, the Netherlands, and Japan. The countries designated are shown in the Australian Customs returns, but wheat ships are frequently instructed to call for orders at various ports, and the countries to which these ports belong cannot, therefore, always be considered as the ultimate destination of the whole of the wheat said to be exported to them.

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Large quantities of Canadian wheat are sent to Belgium, Germany, Greece, Italy, Spain, Scandinavia, China, and Japan. Considerable shipments of Canadian flour are made to the West Indies, China, Egypt, Finland, Germany, Greece, and Japan. The United States of America provide facilities for the milling of Canadian wheat in bond, and grant a drawback on flour made from it, if blended in a specified way, with United States produce.

It is impossible to state with precision exactly what proportion of the imports shown as arriving in United Kingdom ports from Canada is really the produce of Canada. About 40 per cent. of all Canadian exports are shipped *via* the United States, mainly during the winter months, because of the closing of the St Lawrence river. In the last return made for a calendar year it was stated that 82 per cent. of the grain shipped from United States Atlantic ports was of Canadian origin. On the other hand, an immense volume of United States grain from Chicago and the Middle West is routed through Montreal in the summer months, owing to congestion at New York, Philadelphia, etc. Grain shipped from Montreal is shown in the Customs and Navigation returns as being imported from Canada.

Whatever the balance of this position may be, it is a fact that only a proportion of Canadian exports of wheat is made to the United Kingdom. Canadian production of wheat was 53,600,000 quintals in the average year, 110,800,000 in 1926, and 119,700,000 quintals in 1927. In the average year 24,300,000 quintals were available for export and in 1927 nearly 80,000,000 quintals. This exportable surplus of Canada was nearly one and a half times the imports into the United Kingdom for that year. In 1926 there were 23,000,000 acres of land under wheat cultivation in Canada,

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representing an increase of 1,500,000 acres in three years. The cultivation of wheat in Western Canada is steadily pushing northward, and large sections of land are now showing valuable productivity that twenty years ago were hardly taken into account except as trading-posts. Vast areas remain completely undeveloped.

Australia also has increased her acreage under cultivation in recent years, as have, in fact, all the great exporting countries of the world. This has been done despite the steadily downward trend of prices since 1924. It seems reasonable to infer that any probable expansion of demand can be met by a corresponding increase of production. Quite clearly the Empire raises more than enough wheat for its own requirements, and the capacity of its mills is much more than sufficient to manufacture the flour consumed. Nevertheless, large quantities of wheaten breadstuffs produced outside the Empire are consumed within it.

OATS

The world production of oats in the average year was 655,500,000 quintals and 656,700,000 quintals in 1927, showing an increase of less than 1 per cent. The Empire production in the average year was 90,800,000 quintals and 101,200,000 quintals in 1927, an increase of 11.5 per cent. The United Kingdom produced approximately four-fifths of its own requirements in both 1926 and 1927; in the latter year the import requirements were 2,700,000 quintals. There is not a great deal of inter-Imperial trade in oats.

EMPIRE DEFICIENCY

Average year	7,034,000 quintals
1926	1,141,000 „
1927	1,370,000 „

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This deficiency is made up by the excess requirements of the United Kingdom over the exportable surplus of the rest of the Empire. The figure is relatively small, and a further increase of 1 per cent. in the total production will serve to make the Empire self-supporting.

BARLEY

The world production decreased from 380,200,000 quintals in the average year to 355,500,000 quintals in 1927. The Empire production increased during the same period from 57,500,000 quintals to 61,000,000 quintals.

Canada is the largest Empire exporting country of barley, and in 1927 shipped 7,000,000 quintals. Other parts of the Empire in the same year exported 1,000,000 quintals—chiefly India, Australia, Cyprus, and Palestine. The import requirements of the United Kingdom were 8,200,000 quintals in 1927. There is, therefore, a slight deficiency—200,000 quintals. This figure, however, represents only a necessary increase of 1 per cent. in Canadian production and 3 per cent. in the Canadian exportable surplus.

RYE

The Empire does not consume more than a proportion of the rye it produces. In the average year 795,000 quintals were produced in Empire countries out of a world total of 450,000,000 quintals. In 1927 the Empire production had increased to 4,200,000 and the world total to 461,000,000 quintals.

Great Britain and Northern Ireland are the only Empire countries importing rye. In 1927 they imported together 164,000 quintals. This represented only 6 per cent. of the Canadian exportable surplus in that year. Canada is now a large producer of rye.

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MAIZE

The Empire production in 1927 was equal to 63 per cent. of its total requirements. India is the largest Empire producing country, but has not at present a surplus available for export. The Union of South Africa is the Empire country with the largest surplus. This surplus is an average of one-seventh of the annual production of the Union, and is one-tenth of the import requirements of the United Kingdom.

YEAR	WORLD PRODUCTION, IN THOUSANDS OF QUINTALS	EMPIRE PRODUCTION, IN THOUSANDS OF QUINTALS
Average year	1,045,332	36,283
1926	1,133,846	37,244
1927	1,115,272	43,431

There were available in 1927 for export 907,000 quintals from Kenya, 557,000 from Rhodesia, 2,040,000 from the Union of South Africa, and a small quantity from Tanganyika. The total amount was 3,500,000 quintals. The total import requirements were 28,800,000 quintals, showing a deficiency of 25,300,000 quintals.

The import requirements are mainly in the United Kingdom, while Canada imported 4,000,000 quintals in 1927. The Irish Free State and Australia import small quantities.

RICE

India was responsible for 51·2 per cent. of the world's total production of rice in 1927 (see table on p. 130).

The Empire exportable surplus in 1927, after allowing for all of its own needs, was 8,700,000 quintals. There were twenty-five Empire countries importing rice

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and six countries exporting. Ceylon, British Malaya, and the Straits Settlements received together 46·3 per cent. of India's surplus. The United Kingdom requirements were 5 per cent. of the same figure. The total Empire exportable surplus in 1927 represented 164 per cent. of the requirements of Empire importing countries.

YEAR	TOTAL WORLD PRODUCTION, IN THOUSANDS OF QUINTALS	INDIAN PRODUCTION, IN THOUSANDS OF QUINTALS	PRODUCTION OF REST OF EMPIRE, IN THOUSANDS OF QUINTALS
Average year . . .	781,702	486,331	7,445
1926	852,422	464,563	9,443
1927	854,486	437,681	9,728

CHAPTER XII

MEAT

THE importation into the United Kingdom of beef, mutton, and lamb from South America increased 72·7 per cent. in value between the average year and 1928. From Empire sources the increase was 5·5 per cent., and the total of imports from all sources was 29·5 per cent. higher in 1928 than in the average year. The following table compares the imports from their various sources :

COUNTRY	AVERAGE YEAR	1927	1928	1928 VALUE IN MILLIONS OF POUNDS STERLING
	Tons	Tons	Tons	
Australia . . .	106,471	63,535	78,202	4·05
New Zealand . . .	121,798	153,409	162,690	11·60
Argentina . . .	362,696	654,740	546,188	28·95
Uruguay . . .	20,452	45,281	58,801	3·05
United States of America	15,603	3,901	2,038	0·25
Other countries . . .	60,266	25,910	42,415	2·30
Total . . .	687,286	946,776	890,334	50·20

That portion of its supplies that it appears the United Kingdom must continue to import is drawn from foreign countries to the extent of twice the value of imports from Empire countries.

BEEF

It is unfortunately the case that there are at present difficulties confronting any attempt to divert a part of that trade now done with South America into Empire

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channels. Certain facts, however, are interesting in view of methods that may develop in the future.

The consumption of beef in the United Kingdom in 1928 was 64 lb. per head of population. There is a much larger proportion of its requirements produced within the United Kingdom than is generally supposed, and in 1928 home-grown supplies dealt with 57 per cent. of the entire consumption. Imports from the Argentine were 432,000 tons of chilled and 38,000 tons of frozen beef, the purchases of beef from the Argentine being 30 per cent. of the total consumption.

The term 'chilled beef' is applied to carcasses carried at a temperature of 28° F. and arriving in soft condition. Frozen beef is carried at from 10° F. to 15° F.

Australia could well raise the additional number of cattle required to increase her trade with the United Kingdom. Official reports state that the lack of demand has caused many cattle-growers to go out of the meat-producing business entirely or to reduce largely their operations. The process of bringing beef from a temperature of 10° F., as shipped, to a condition ready for consumption, and leaving it in an unharmed condition, presents a problem that apparently has not yet been adequately solved. When beef is thawed a 'drip' escapes from the carcass, bearing with it some of the nutritive juices of the meat and leaving the joint relatively dry and unappetizing. The freezing of meat causes ice crystals to form in spaces between the cells of the tissue. These crystals push the meat cells apart, and the tissue becomes broken up and stringy; further, on thawing the water is not reabsorbed, but runs out as 'drip.' This change in structure does not take place if freezing is almost instantaneous, but beef, on account of the large bulk of its joints, freezes through so slowly that 'drip' results on thawing.

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Another problem which awaits solution is the transport of chilled meat over long distances. At present chilled beef from Australia and New Zealand cannot be landed in this country in the reliable condition essential for commerce owing to the growth of moulds and bacteria which are likely to appear if the period of chilling is too much prolonged. The possibilities of checking their activities are now being explored from various angles by competent research-workers. It is clear that if this difficulty can be adequately dealt with the radius within which the United Kingdom can obtain its supplies of beef could be extended to those countries of the Empire which are too far off to compete at present with foreign sources of supply."

The number of cattle in Australia did not, for the above reasons, materially increase between 1913, when it was 11,800,000, and 1926, when it was 11,900,000. Nearly every other cattle-raising country considerably increased its number during that term of years. Within the Empire the Union of South Africa showed the largest increase—5,700,000 to 9,700,000. Rhodesia and Kenya are paying a good deal of attention to the raising of cattle for the meat-exporting trade, and may be considered in the future as entering possibly the British market for chilled beef.

The opening of United Kingdom ports to Canadian live cattle in 1921 has proved disappointing. That trade reached a total of 110,155 head in 1925, but dwindled away to 405 head in 1928.

NUMBERS OF CATTLE IN THE UNITED KINGDOM AND IRELAND, 1928

Home supply	
Cows and heifers	4,255,322
Other cattle	7,842,989
From Canada	405
From Africa	140
	12,098,856

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It is estimated that 25 per cent. of the live stock in the United Kingdom is available for slaughter annually.

IMPORTED BEEF, 1928

SOURCE	CHILLED BEEF	FROZEN BEEF
	Quarters	Quarters
Argentine	5,523,375	102,916
Uruguay	415,061	9,740
Brazil	317,275	20,951
Australia	—	686,033
New Zealand	—	228,433
Total	6,255,711	1,048,073

MUTTON AND LAMB

The total number of sheep in the world in 1927 was estimated at 622,000,000; of these 226,700,000, or 36·4 per cent., were within the Empire. The world total had increased 6 per cent. between 1913 and 1927, owing to additional raising in Africa and Australasia, which also balanced a decrease of 18 per cent. in the numbers on the American continent, North and South.

The United Kingdom produced 303,300 tons of mutton and lamb in 1927 and 297,600 tons in 1928. This represents 52·3 per cent. and 51·3 per cent. respectively in each year of the total requirements, the consumption being 27 lb. per head of population in each year (see table opposite).

The progress of trade in mutton and lamb between New Zealand and Great Britain is important. The Dominion possessed more than 27,000,000 sheep in 1928, which number exceeded that of the peak year of 1918 by more than 500,000, although in the interval the number had been down to 22,000,000. A continued

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increase is indicated by the fact that the number of breeding ewes shows a steady rate of progress, and was

UNITED KINGDOM IMPORTS OF MUTTON AND LAMB, IN TONS

SOURCE	AVERAGE YEAR	1927	1928
Australia	64 044	31,398	27,411
New Zealand	104,296	136,866	139,754
Uruguay		15,863	20,141
Chile (Patagonia) }	72,858	13,815	17,603
Argentine		76,824	75,573
Other countries	—	1,402	1,726
Total	241,198	276,168	282,208

5 per cent. more in 1928 than in the previous year. The population of New Zealand being small, more than 75 per cent. of the slaughterings have been available for export during the last three years.

Mutton and lamb are always carried across the ocean in a frozen condition, which is a quite satisfactory method. Mutton, being in small portions, can be frozen through much more quickly than beef and so avoids loss of cell moisture. The future should, therefore, see an effort made to give to the Dominion producers a larger share still of the import trade with the United Kingdom.

NUMBERS OF SHEEP IN THE UNITED KINGDOM AND IRELAND, 1928

Breeding ewes	11,744,341
Other sheep	16,034,718
	27,779,059

About 40 per cent. of the sheep in the United Kingdom are available for slaughter annually.

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IMPORTED MUTTON AND LAMB, 1928

SOURCE	FROZEN MUTTON	FROZEN LAMB
	Carcasses	Carcasses
Australia	566,324	1,176,090
New Zealand	2,100,174	5,782,565
Argentine.	1,105,532	2,304,193
Uruguay	434,675	686,815
Patagonia.	856,993	696,645
Other countries	13,386	39,374
	5,077,084	10,685,682

PIG PRODUCTS

The annual surplus of the Dominions is quite insufficient to meet the requirements of the United Kingdom beyond its own present production. The value of the imports of bacon and hams in 1926 was more than £50,000,000, and of this sum £34,000,000 was paid to foreign countries, Canada, the Empire country with the largest share, securing £6,000,000 worth of trade.

Pig production is an industry that should be capable of organization, both in the United Kingdom and the Dominions, upon a large scale, sufficient to supply the entire Empire needs.

Official figures demonstrate that it is a very profitable industry, and that a relatively small capital investment is required. An improvement in the flour-milling industry, dealt with in Chapter XI, would largely assist in this object in the United Kingdom. The reopening of the mills would provide offals for the feeding of pigs, and would cheapen the production of ham and bacon.

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Number of pigs in the Empire in 1913 . . .	9,314,000
" " " 1926 . . .	10,512,000
" " " 1927 . . .	11,819,000
Total number of pigs in the world in 1913 . . .	193,860,000
" " " 1926 . . .	185,746,000

Great Britain and the whole of Ireland possessed 3,300,000 pigs in 1913. In 1927 the figure for Great Britain and Northern Ireland stood at 3,100,000 and that for the Irish Free State at 1,200,000. Canada increased from 3,400,000 in 1913 to 4,700,000 in 1927.

—	TOTAL OF THE UNITED KINGDOM IMPORTS	UNITED KINGDOM IMPORTS FROM ALL EMPIRE SOURCES	EMPIRE DEFICIENCY
	Tons	Tons	Tons
Bacon in 1926 . . .	373,564	65,476	308,088
" 1927 . . .	424,098	47,791	376,307
Hams in 1926 . . .	59,759	8,523	51,236
" 1927 . . .	44,436	7,333	37,103
Frozen and salted pork in 1926 . . .	16,016	4,900	11,116
Ditto in 1927 . . .	11,711	5,165	6,546

About 5 per cent. of the imports of bacon and ham were re-exported in each year. In addition to the above there were imported into Great Britain 21,792 tons of fresh pork from the Netherlands and other foreign countries in 1926. This importation from foreign countries ceased in 1927, under the Importation of Carcasses (Prohibition) Order of June 1926, by the Minister of Agriculture and Fisheries.

The Irish Free State shipped to Great Britain 10,000 tons of fresh pork in 1926 and 15,000 tons in 1927.

Danish shipments of *bacon* to the United Kingdom in 1927 were 254,000 tons—£23,400,000 in value. This represented 59 per cent. of the total imports into the United Kingdom for that year. The Balfour Report, in examination of trade between Great Britain and Denmark

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in 1924, stated that 68 per cent. of Denmark's total exports in that year were made to Great Britain, value £46,000,000,¹ whereas the purchases made by Denmark were only £12,750,000 and represented 20 per cent. of her total imports.

I do not suggest that it is possible, nor yet advisable, to reduce, within a short period of time, the volume of British trade with Denmark in foodstuffs to vanishing-point. A matter for serious consideration, however, is the amount of the adverse balance of trade between the two countries. Assuming that my proposal for the expansion of this industry within the borders of the Empire resulted in a decrease by half of the imports of bacon from Denmark, and taking the 1927 value of £23,400,000, there would be nearly £12,000,000 additional spending power in the hands of the British people concerned in the production.

There would be no loss to those people now dealing with the marketing of the commodity in Great Britain. The internal distribution would continue in the same manner, the figure of £23,400,000 quoted above being the sum paid to the Danish exporters of the bacon as its value at the port of arrival.

This position, if brought about, would still leave Denmark in receipt of a much greater sum from Great Britain than she annually pays for that portion of her imports that are British goods.

The Netherlands and the United States of America exported 40,000 and 32,000 tons of bacon respectively to the United Kingdom in 1927. Canadian shipments in the same year were 25,000 tons, and those from the Irish Free State 22,000 tons.

The British Isles require a much larger quantity of

¹ This figure includes, in addition to bacon, the value of dairy produce, which is dealt with in a separate chapter.

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ham than is available from the annual home productions, but with an increase of the latter a part of the present imports might be supplanted. The overseas quantities are derived almost entirely from North America, and of the 1927 total shown nearly 36,000 tons were from the United States, Canadian shipments being 6000 tons. Again there appears to be no reason why this disproportion should not be gradually reduced.

Lard is a further by-product of the pig-raising industry, and Great Britain requires to import a considerable quantity of this commodity annually.

SOURCE	1926	1927
	Tons	Tons
United States of America . .	94,267	98,977
Other foreign countries . .	6,539	10,135
The Irish Free State . .	2,494	3,091
Australia	119	—
Canada	12,689	12,584
Other Empire countries . .	39	11
Total	116,147	124,798

The value of the imports in 1927 was £7,700,000. The quantities imported respectively from the United States of America and Canada are in the same relation as the other pig products dealt with. Certainly a larger part of the value of the lard used by Great Britain should be paid to Empire producers.

CHAPTER XIII

DAIRY PRODUCTS

THE estimated production of milk in the United Kingdom in 1925, the last year for which a census figure is available, was 1,059,000,000 gallons. Apart from the whole milk sold, quantities were used in the manufacture of butter and cheese. An average of $2\frac{5}{8}$ gallons of milk is required to make one pound of butter, and 1 gallon of milk is contained in one pound of cheese.

TOTAL OF ALL DAIRY PRODUCTS IN THE UNITED KINGDOM IN 1925

Butter	60,305 tons
Cheese	20,080 „
Margarine and margarine cheese	183,500 „
Condensed milk in factories	39,150 „
Milk powder	6,150 „
Cream	824,000 quarts

The above figures are for quantities actually sold through the usual trade channels. In addition about 20 per cent. of the butter and 4 per cent. of the cheese made on farms is consumed by the producers' households. A quantitative comparison in home production can be made between the above and the year 1907, when a Census of Production was taken, only in certain cases. Where this comparison is practicable a marked increase in volume is demonstrated.

The United Kingdom imports considerable quantities of butter, cheese, and other milk products, the annual consumption of butter and cheese in a normal year being $22\frac{1}{2}$ lb. per head of population.

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The Dominions have all paid the most careful and complete attention to advancing the interests of primary production. Dairy produce is inspected and graded prior to shipment, a close supervision being exercised over the moisture content of butter and cheese as well as over the weights of such produce; dairy farm premises are inspected; in New Zealand herd-testing is promoted, and a system of semi-official testing of pure-bred dairy cows is in operation. The New Zealand Department of Agriculture assists the farmers, and co-operates with them in conducting experiments. Milk is tested for butter-fat content or for the presence of disease.

BUTTER

—	AVERAGE YEAR	1926	1927
	Tons	Tons	Tons
Net imports into the United Kingdom	202,000	252,800	277,600
Net imports into other Empire countries	4,000	3,700	7,750
Total Empire imports	206,000	256,500	285,350
" " exports	54,600	146,500	133,550
Excess of Empire imports over exports	151,400	110,000	151,800

The Dominions, including the Irish Free State, were responsible for 40 per cent. of the United Kingdom imports in 1927. Denmark shipped 99,000 tons, or 34 per cent. of the total. The balance was made up chiefly from the Argentine, Russia, Finland, Sweden, and the Netherlands.

New Zealand contributed one-half of the 40 per cent. figure from the Dominions—59,000 tons, value £9,000,000. Canada purchased nearly 6000 tons of New Zealand butter in 1927, and further quantities were

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shipped to the United States of America and throughout the Pacific, making in all 72,000 tons total exports from New Zealand in that year, in value £11,000,000.

The advance of the New Zealand export trade in butter has been rapid and continuous, in 1909 the value being only £1,600,000. In 1913, when prices had been steady for a considerable period, the shipments were worth £2,000,000. By 1922 the value had risen to £9,000,000, and in 1927, as stated, to £11,000,000. The worth of the exports in the latter year, at prices ruling in 1913-14, would have been £8,000,000.

Favourable weather conditions have played a leading part in the Dominion's steady expansion of its dairy-produce industry. This is also due in large measure to the careful attention paid by the farmers to the breeding, culling, and care of their stock and to the use of artificial manures. This has resulted in a greatly increased carrying capacity of their land, and they are now able to produce a very much larger quantity of milk from a given area than was possible a few years ago.

Australia supplied 24,500 tons of butter to the United Kingdom in the twelve months ending June 1927. This figure was 79 per cent. of all Australian butter exports during that period, the balance going mainly to India and Ceylon, with small quantities to Hong-Kong, Japan, and British Malaya.

The value of the imports from Denmark in 1927 was £17,600,000, and represented a considerable increase over the previous year. The combined value of the New Zealand and Australian shipments was £14,000,000.

The disparity between the United Kingdom import and export trade with Denmark has been referred to in the previous chapter, but it appears likely that Denmark will shortly make still further efforts to secure trade in butter. The German Government proposes materially

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to increase the import tariff on butter, which will undoubtedly decrease German purchases from Denmark. It is to be expected that, as a result, a larger proportion of the Danish production will be directed to the British market.

Finland and the Ukraine have made special efforts, by co-operative marketing, to secure trade in the London market, and exported between them 15,000 tons in 1927, this being an increase of 4000 tons over the previous year.

A large quantity of low-grade butter manufactured in the Argentine was suddenly thrown upon the London market last winter. A suddenly increased demand in France had caused the exporters to lower the standard of their grading, and when the French market collapsed the remainder of the stock was reshipped to England.

CHEESE

The position in the cheese industry allows of a much nearer approximation between Empire requirements and supplies than in the case of butter.

—	AVERAGE YEAR	1926	1927
	Tons	Tons	Tons
Net imports of cheese into Empire countries	118,050	150,450	145,900
Net exports of cheese from Empire countries	99,200	133,650	123,800
Excess of Empire imports over exports	18,850	16,800	22,100

There are very few countries of the Empire other than the United Kingdom requiring to import any appreciable quantity of cheese annually. Of the total Empire imports in 1927 the United Kingdom received 142,000 tons.

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The combined quantity shipped from Canada and New Zealand in that year was 83 per cent. of the total United Kingdom importation, Canada sending 42,000 tons and New Zealand 75,000 tons. The trade between Canada and Great Britain—value £4,000,000—absorbed 79 per cent. of the Dominion's exports of cheese in 1927.

New Zealand's production of cheese increased two and a half times between 1913 and 1927.

—	1926	1927
Production . . .	76,008 tons	78,214 tons (value £5,500,000)
Exports . . .	73,062 „	74,630 tons (value £5,300,000) (value of 1927 exports at prices ruling in 1913-14, £4,400,000)

New Zealand has practically no export trade in cheese with any other than the British market.

MILK

The Empire fails to supply, by a considerable margin, its own needs in condensed and preserved milk and other milk products.

CONDENSED AND PRESERVED MILK OF ALL KINDS, INCLUDING MILK POWDER

Net Imports of Empire Countries

—	AVERAGE YEAR	1926	1927
	Tons	Tons	Tons
United Kingdom . . .	32,750	113,500	113,600
British West Indies . . .	1,300	1,750	1,850
India and Ceylon . . .	5,000	9,150	11,900
Other countries . . .	650	2,700	2,450
Total . . .	39,700	127,100	129,800

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Net Exports of Empire Countries

	1926	1927
	Tons	Tons
Irish Free State	3,350 ¹	2,150
Canada	{ 14,750 ¹ 3,550 ²	14,900 2,900
Australia	{ 13,800 ¹ 1,000 ²	7,100 500
New Zealand	4,500 ¹	4,800
Total	40,950	32,350

Empire deficiency in 1926 86,150 tons
 „ „ 1927 97,450 „

The above table shows that the imports *into the United Kingdom* are continually increasing. Taking the figures for 1927—113,600 tons—it is found that less than 20,000 tons were received from Empire countries. The Netherlands are the largest shippers of condensed milk to Great Britain, and were responsible for more than half of the above total. Denmark and the United States of America shipped about 10 per cent. each, and a small quantity arrived from Switzerland.

The exports from Canada shown above—14,900 tons of condensed milk and 2900 tons of milk powder—were consigned partly through American ports. As far as can be ascertained, the above figures represent about 40 per cent. of Canadian exports for 1927.

Of the preserved and dried milk exported from New Zealand 80 per cent. was received in English ports. Australia does a considerable trade in preserved and concentrated milk with India, Ceylon, and British Malaya—65 per cent. of Australian exports of these

¹ Condensed milk of all kinds.

² Milk powder.

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commodities went in 1927 to those countries and to Hong-Kong and Japan. There should be no need for the large importations of these milk products into the United Kingdom from foreign sources. Developments must take place within the Empire of such an extent as to meet the need of every kind.

Not only in dairy-farming but in all *primary products of the soil* is it possible for the Empire to be self-supporting. If any evidence is necessary to emphasize this opinion, a recent estimate puts the total area under arable cultivation in Canada, Australia, New Zealand, India, and South Africa at less than 9 per cent. of the land surface of the Empire.

A series of extensive researches is now being undertaken into the chemical composition of pastures and the treatment necessary for their improvement. This work is in process in various parts of the Empire, and for the first time a problem of the first magnitude can be viewed as a whole. The information that has already been collected warrants the belief that, with the proper application of the results of the above investigations, the carrying capacity of pastures can be greatly increased and the health and quality of animals grazing on poor pastures can be improved. The ultimate effects of this will be of immense assistance in bringing about such addition to the output of the industries concerned as will make possible the satisfying of all the Empire's needs from within its own borders. This work moreover suggests deductions of great value to human health, and links up with much of the new work on the influence of foodstuffs on our whole resistance to disease.

It is worthy of note that a great expansion in the dairy industry in South Africa is confidently expected by the Union Government. An official report made recently by the (Union) Ministry of Agriculture states

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that "the progress has been slow, largely due to the lack of expected development in overseas markets."

The production of South African butter reached nearly 11,000 tons in the twelve months ending June 1927. A surplus of 149 tons was available for export, and with the proper interest and assistance by the people of Great Britain yet another powerful source of supply of foodstuffs could be added from within the Empire.

CHAPTER XIV

FRESH FRUITS

THE importance of the fruit industries as a part of the commerce of the Empire is relative not only to their present position in monetary value and the needs of the United Kingdom, but to their future prospects in absorbing overseas settlers. The larger areas upon which the great primary crops are grown present certain difficulties in accepting emigrants at more than a very slow rate of progress. While these difficulties are by no means beyond early solution, I do not propose to deal with that particular phase of the situation in this review. There are other areas of land, which are either well supplied with water or offer facilities for irrigation, where various kinds of fruit may be cultivated. These areas, where more dense populations can be settled, attract a different type of settler, and the establishment of such communities will materially and rapidly open up valuable markets for the British manufacturer.

There is no reason why the United Kingdom should not be able to purchase, from within the Empire, the whole of its requirements of fresh fruit other than a part of the grapes and oranges needed for consumption during the winter. Apples, oranges, and bananas are imported in the largest quantities, and at the present time the market for each of these fruits is dominated by a foreign country, although this domination takes a different form in each case.

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¹APPLES

Both Australian and Canadian official reports state that in recent years the apple industry has declined and the acreage under cultivation has become slightly less, owing to difficulties experienced in disposing of their production. The principal contributory factor to this is the varying surplus production of the United States of America.

Total Empire production in	1923	.	.	.	567,050 tons
"	"	"	1924	.	484,250 "
"	"	"	1925	.	729,850 "
"	"	"	1926	.	464,150 "
"	"	"	1927	.	718,000 "

AVERAGE UNITED KINGDOM IMPORTS, 1923-27

From Empire sources	.	.	.	257,000 tons per annum
From foreign sources	.	.	.	235,000 " "

All statistics and information available cover production for 'commercial' purposes only—*i.e.*, the annual value of each individual orchard crop must be more than £50.

United Kingdom production ¹ in	1923	.	.	.	232,150 tons
" " "	1924	.	.	.	176,150 "
" " "	1925	.	.	.	384,300 "
" " "	1926	.	.	.	109,800 "
" " "	1927	.	.	.	388,800 "
Average annual production	.	.	.	.	about 260,000 "

The average Canadian production for the above quinquennium was 180,000 tons, and the Australian 150,000 tons.

The estimated average crop in the United States of America for the post-War years, excluding cider apples, has been 1,750,000 tons commercial production, the total annual crop being estimated at nearly double this figure.

¹ Part of above Empire totals.

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YEAR	PRODUCTION	EXPORT
	Tons	Tons
Twelve months, 1922-23 . . .	1,925,000	84,000
„ 1923-24 . . .	2,075,000	211,000

The increase in production from the first to the second period was 7 per cent., whereas the quantity of apples exported went up 151 per cent.

The United States of America have a home market of nearly 120,000,000 people, who consume a great deal more fruit per head than the population of Great Britain. The export trade of the American fruit-grower is merely a matter of the disposal of surplus production, whereas in Canada and Australia a steady and assured export market is vital to the very existence of the industry.

An examination of the above table of American production will show that the quantity retained for home consumption was practically the same in each period of twelve months—1,841,000 tons and 1,864,000 tons. The increase of the exportable surplus, amounting to 151 per cent., was really of little consideration to the American trade as a whole. Great Britain is the greatest of the European markets for fruit, and pays the best prices, and it was only a matter of course for the additional quantity to be dumped into the English market. The average total annual imports into the United Kingdom are 360,000 tons.

The increased supply of American apples from 84,000 tons to 211,000 tons in twelve months could be absorbed only at the expense of Dominion production. This quantity was equal to nearly two-thirds of the entire production of Canada and Australia during that time. These periods of twelve months 1922-23 and

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1923-24 were certainly exceptional in their fluctuation, but there is no reason, of course, why such a position should not arise again. It is a fact that in 1925 a large number of Dominion growers deserted their newly developed orchards. Many of these growers were ex-officers and soldiers who had emigrated with their families in the immediate post-War years. They had invested their capital in their orchards, and the cumulative effect of the position described above was very grave.

It may be argued that the growers in the Dominions have the same facilities for sale as the American producers. Such is not the case, as the enormous consumption within their own country enables the latter to make their selling arrangements upon such a scale as is not possible in Canada, Australia, or New Zealand. It is sometimes stated against Empire apples that they are imperfectly packed and graded. This again is a matter which can be thoroughly dealt with in the proper manner only if there is a more or less reasonable presumption that the fruit will be sold. Apple-growing in the overseas Empire is of recent establishment, and the new settlers have to face the old and firmly established industry in the United States of America.

The interests of the Dominion and the United Kingdom apple-growers are identical. The arrival of such supplies dealt with above, or, indeed, the mere knowledge that they will be forthcoming from the other side of the Atlantic, tends completely to disorganize the United Kingdom market. The effect is for the time being to wreck the prospects of both the home and the Dominion grower. Organization by the producers in each Dominion should be an important objective. This has been attempted in recent years in a small way, but has been merely local and has not embraced more than

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a part of the growers interested. About 40 per cent. of the apples grown in Nova Scotia and 80 per cent. of those grown in British Columbia are dealt with by central associations. This covers only a part of the Canadian apple industry, the largest field of operations being in Ontario, where the fruit is marketed upon completely individualistic lines. A co-operative association in New Zealand handles the output of a large number of growers, but its scope is limited. These are the only instances of any form of proper combination by producers, and are purely experimental. Scientific organization of the handling of this important product would react to the best interests not only of the growers, but also of the consumers.

Material assistance might be given by an examination into the question of freight rates, both land and ocean. The distribution in the United Kingdom could be organized upon a much more economical basis. As an example of the complete process between production and consumption, during 1926, when British Columbia boxed apples were being sold to the consumer at 8d. per lb., the growers were receiving slightly less than $\frac{1}{2}$ d. per lb. Instances of freight charges are: from British Columbia to the United Kingdom, when the sales prices are high, the rate averages from 34 per cent. to 36 per cent. of the value, and when prices rule at a low figure from 44 per cent. to 49 per cent. of the value; from Ontario the freight rates average from 19 per cent. to 24 per cent.

BANANAS

The trade in this fruit is new as compared with that in apples. The United Kingdom supplies were received in the early stages chiefly from the Canary Islands. The

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consumption gradually increased, and in 1912 the value of all imports was £2,000,000. The trade continued to progress, and imports were of the value of £6,000,000 in 1926 and £5,700,000 in 1927. The following table shows the source of these imports in the latter years, compared with the average year; figures are in millions of bunches.

SOURCE	AVERAGE YEAR	1926	1927
Canary Islands	1.93	2.59	1.80
Spanish Honduras	—	1.39	2.64
Costa Rica	1.97	2.17	2.04
Colombia	2.21	3.71	3.77
Brazil	—	—	0.45
Other foreign countries	0.10	0.10	0.10
Total from foreign sources	6.21	9.96	10.80
British West Indies	0.60	3.58	1.97
Other British countries	0.10	0.05	0.10
Total from all sources	6.91	13.59	12.87

Empire countries have shared to only a very limited extent in the increased trade in bananas with the United Kingdom. The above table shows Colombia as being the largest exporter to the English market, but prior to 1909 the supplies received from that source were negligible.

The United Fruit Company of America is an exceedingly powerful organization, and has developed an immense annual supply of bananas from Colombia and Central America. This corporation conducts a very large trade in the United States, and monopolizes the greater part of the trade with Great Britain. It has obtained a large measure of financial control over the Jamaican plantations, and is practically in a position to

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ration the supply of bananas for its various markets. In effect even that portion of the supply of bananas that is received from Jamaica comes to these shores under American direction.

This position is the reverse of that existing in the apple industry, but both sets of conditions result in the control of English supplies being largely in American hands. The prospects of the growers in Jamaica, in relation to new production in Central America, cannot be dealt with here, but an examination of alternative sources of supply to those now existing should certainly be made.

Queensland produces quantities of bananas for consumption in Australia, and in order further to encourage the industry the Commonwealth Government has imposed a Customs duty of 1*d.* per lb. on imported bananas. Australia, however, cannot be looked upon as a likely source from which the United Kingdom may draw supplies, owing to the difficulty of transporting soft fruit in good condition over such a distance. Consideration should be given to the prospect of developing the growth of banana plantations within the Union of South Africa. Output exists upon a commercial basis for local consumption, and small but increasing quantities have been exported. In 1927 these reached a value of £2000. The time required for freight steamers to reach England is very much the same in the case of South Africa as Central America.

Great Britain paid to America in 1926 nearly £15,000,000 for imported fruit supplies. The continuance of this cannot be helpful in keeping the exchange normal for the payment of the War debt, particularly as, in the case of cotton, purchases must continue.

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CITRUS FRUIT

Oranges. The United Kingdom's needs of oranges have shown an annual increase since the War, both for consumption in the raw state and for that quantity used in the manufacture of marmalade and preserves. The total imports in the average year were 283,100 tons.

IMPORTS FROM FOREIGN SOURCES IN 1926 AND 1927

SOURCE	1926	1927
	Tons	Tons
Spain	304,782	264,538
Italy	2,712	4,606
Egypt	2,658	2,637
United States of America	7,787	21,540
Brazil		965
Other foreign countries	7,141	3,034
Total from foreign countries	325,080	297,320

IMPORTS FROM THE EMPIRE IN 1926 AND 1927

SOURCE	1926	1927
	Tons	Tons
Palestine	50,195	67,959
Union of South Africa	18,883	26,205
British West Indies	4,308	3,038
Other British countries	141	307
Total from Empire countries	73,527	97,509

The total imports in 1927 were 394,829 tons, of value £7,800,000.

67 per cent. of the supplies were shipped by Spain and 24 per cent. from within the Empire.

Great Britain was almost entirely dependent upon

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foreign countries for its supply of oranges until 1924. Since that year the annual shipments from both Palestine and the Union of South Africa have rapidly increased in quantity. Palestine has doubled its exports in four seasons.

Planting is proceeding on a large scale throughout the Union of South Africa and Southern Rhodesia, and it is estimated that these countries will be able to send, within ten years, to the United Kingdom 10,000,000 cases per annum, or five times the present supply. This figure would nearly equal the total importation at present, and with a continued expansion of the output in Palestine supplies far beyond present requirements will be available. So long as the consumption continues to go up this position will be satisfactory, but a glut of supplies over a long period would not be to the benefit of the consumer. If it becomes unprofitable to produce, the supply inevitably lessens, and the entire Empire orange industry should be put upon a secure basis before any such position can arise.

Grape-fruit. The demand for this fruit is of recent origin, but is rapidly increasing. Imports went up from 2507 tons in 1923 to 18,930 tons in 1927. In the first year 40 per cent. of the imports were made from the British West Indies and the Cape of Good Hope, but the greater part of the increased trade went to the United States of America. In 1927 the latter country shipped 15,676 tons, or 82 per cent. of the total quantity received.

Lemons. The United Kingdom supplies are drawn almost entirely from foreign sources, chiefly Italy and Spain. The only Empire country exporting lemons is Palestine. The total imports in 1927 were 62,000 tons, of which 280 tons came from Palestine.

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SOFT FRUITS

The United Kingdom produces considerable quantities of pears, plums, and cherries. There is also a limited production in hothouses of grapes, apricots, and peaches. Supplies of these fruits are received from overseas, both from foreign and Empire sources. Certain other fruits—strawberries, gooseberries, black and red currants—are not imported from the Dominions, although the United Kingdom purchases quantities from near-by countries.

Pears. Details of the import of pears are given in the following table :

IMPORTS FROM FOREIGN SOURCES

SOURCE	AVERAGE YEAR	1926	1927
	Tons	Tons	Tons
Belgium	8,588	31,082	27,685
France	9,299	9,462	6,966
United States of America	5,423	12,061	9,963
Other foreign countries (including Germany and the Netherlands).	1,095	10,427	3,759
Total	24,405	63,032	48,373

IMPORTS FROM THE EMPIRE

SOURCE	AVERAGE YEAR	1926	1927
	Tons	Tons	Tons
Channel Islands	311	101	114
Cape of Good Hope	372	3,086	1,734
Australia	880	2,236	1,536
New Zealand	—	187	551
Canada	362	2,752	1,558
Other British countries	—	69	12
Total	1,925	8,431	5,505

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The total imports increased from 26,330 tons in the average year to 71,463 tons in 1926. There was a fall in the consumption in 1927, and imports from all sources were reduced. The largest individual increase in shipments is shown from Belgium, which country alone succeeded in shipping in 1927 five times the quantity from all Empire sources. The average home production of pears is about 26 per cent. of the total requirements.

Plums. In an average year the United Kingdom's consumption of plums is about one-half home grown. The quantity imported is received mainly from France, Germany, and Belgium, and in both 1926 and 1927 more than 95 per cent. of the imports were from European countries. Small quantities were shipped to the London market from South Africa and Canada.

Cherries. The United Kingdom requires to import about 60 per cent. of its consumption of raw cherries in each year. This figure is, of course, variable, owing to the size and condition of the home-grown production. The quantity imported in 1926 was 9739 tons and 6245 tons in 1927, all from Continental countries.

Grapes and Apricots. Apart from home-grown hothouse supplies, and small quantities grown in sheltered spots, the United Kingdom depends almost entirely upon foreign sources for its commercial supplies of these fruits. The amount from overseas parts of the Empire is small, but increasing quantities are arriving from South Africa.

Peaches. In this case Great Britain is able to draw a considerable part of its imports from Empire countries. The total imports in 1926 were 1243 tons and in 1927 1875 tons. The Union of South Africa was responsible for 359 and 1055 tons respectively.

The Dominions are making rapid progress in supplying the tremendous quantities of fruit consumed by

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the people in the Empire. An official report on the Horticulture of the Union of South Africa indicates the constant growth in production of fruits. There were in the Union in 1925 three and a half times as many deciduous fruit-trees, the fruit of which is grown for export, as there were seven years previously—*i.e.*, 1,700,000 as against 500,000. The exports of deciduous fruit (including pines) during the 1927-28 season reached the record figure of 1,900,000 cases. The two outstanding features of that season were the consistently good condition of the fruit and the very satisfactory working of the arrangements made in the Union for the expeditious shipment of the consignments.

The expansion in the production of citrus fruits in South Africa has also been considerable in recent years, and the 1927-28 season showed a total output 491 per cent. greater than in 1921.

The construction of new pre-cooling chambers was completed at Table Bay Harbour (Cape Town) early in 1927. These chambers, with their equipment, are regarded as the most up-to-date of their kind, and provide for the storage of 3828 shipping tons of fruit. The facilities provided enable fruit cargoes to be handled with extraordinary rapidity, and as many as 20,000 cases can be handled in twenty-four hours. Similar chambers are in course of erection at Durban Harbour, and will be capable of accommodating 3000 shipping tons of fruit, frozen and chilled beef, eggs, and butter.

The position of the Australian apple industry has been referred to. In citrus fruits and pears the exports are fairly considerable, and experiments are being conducted in regard to the dispatch of other fruits. There is hardly a fruit consumed in quantities which could not be grown in Australia if the questions of transport and marketing could be satisfactorily dealt with.

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In New Zealand there has been a marked increase in the area of commercial orchards since 1919, and the Dominion Government has made a considerable attempt to foster the export trade in fruit. From 1924 onward the growers of apples and pears have been guaranteed a net return of 1*d.* per lb. on fruit exported in compliance with the Government's requirements as to grading, etc. Since 1913 the State has had authority to borrow money for the purpose of making advances toward the establishment of cold stores for fruit.

Canadian climatic and soil conditions are eminently fitted for the cultivation of improved varieties of fruit, although commercial fruit-growing is a comparatively recent development. The continual building of new railroads and the introduction of improved refrigerator cars provide the means of bringing the production to the ports. I have stated the difficulties which operate against the proper expansion of this industry in Canada. There has been but very little increase in the number of bearing trees since 1911. Nevertheless, the statistics of production show a marked increase in the output of apples, peaches, plums, and cherries. This indicates that fruit-growing in Canada is on a much more scientific basis than in the past and that the yield per bearing tree is larger.

The fruits with which I have dealt, in a brief way only, constitute the leading items of importation in the United Kingdom in this division. There are other fruits of which we need to purchase supplies. A study, however, of the position which I have outlined demonstrates the important field of operations open in the fruit industry. Large sums of capital have already been put into fruit-growing in various parts of the Empire, but there remains an immense amount of work to be done, both in the proper organization of the existing production and in its steady and profitable increase.

CHAPTER XV

TOBACCO, WINE, AND OTHER PRODUCTS

TOBACCO

THE bulk of the tobacco consumed in the United Kingdom is imported in a raw state. In the twelve months ending March 1914 there was retained for consumption 96,500,000 lb., value £7,400,000, and yielding a net revenue of £17,600,000. In the same period of twelve months 13,300,000 lb. were re-exported on drawback.

The duty on all importations of tobacco at that time was 3*s.* 8*d.* per lb. Various changes were made in the rate of duty during the period of the War, and in 1919 it was raised to 8*s.* 2*d.* per lb. It remained at that figure until 1927, when the full rate was increased to 8*s.* 10*d.* per lb. Empire-grown tobacco became the subject of preference in 1919, when an allowance of one-sixth of the duty was made. At that time less than 2 per cent. of the imports were of Empire origin. The preference was increased in 1925 to one-fourth of the full rate.

The total imports of tobacco have been steadily increasing, and in 1926 reached 197,200,000 lb., this being slightly more than twice the quantity imported in 1913. In 1927 the importation figure had again risen to 222,200,000 lb., of which 40,900,000 lb. were from Empire countries. The value of the quantities imported in the latter years from foreign and Empire countries respectively was £14,500,000 and £3,200,000.

As will be seen from the table overleaf, the imports from Empire countries increased from 12,800,000 lb.

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in 1923 to 40,900,000 lb. in 1927. The largest increase took place from Rhodesia and Nyasaland, the exports of these countries combined being valued at £400,000 in 1923 and £2,080,000 in 1927.

UNITED KINGDOM IMPORTS, IN THOUSANDS OF LB.

SOURCE	1923	1927
United States of America	154,859·1	177,441·8
Other foreign countries	5,284·6	3,871·7
Total from foreign countries	160,143·7	181,313·5
Irish Free State	8·4	141·8
Cyprus	140·8	92·6
Union of South Africa	50·5	248·4
Rhodesia	366·5	11,088·4
Nyasaland Protectorate	5,891·1	13,781·3
India	4,574·5	8,432·6
North Borneo	894·2	1,301·8
Canada	955·5	5,812·9
Other British countries	12·9	51·4
Total from all sources	173,038·1	222,264·7

WINE

The United Kingdom imported 13,200,000 gallons of wine in 1923, of which slightly less than 1,000,000 gallons were from Empire countries. The figure of Empire imports gradually increased, and just reached 2,000,000 gallons in 1926, the total from all sources in that year being 15,900,000. In 1927 the preference upon Empire-grown wines was increased, and as a consequence the imports from those sources more than doubled in twelve months, the total for 1927 being 4,600,000 gallons. At the same time that this very considerable rise in the consumption of Empire wines took place that of foreign wines materially lessened, imports of

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the latter in 1927 being 13,800,000 gallons. The effect of the tariff preference is thus clearly demonstrated.

Australia is responsible for the greater part of the production of wines within the Empire, and of the United Kingdom imports in 1927 shipped 90 per cent. of the total from Empire sources.

COCOA

During the twelve months ending March 1914 the total imports of raw cocoa were 28,336 tons, of which 3907 tons were re-exported. A preference upon cocoa of Empire origin was granted in 1919, when a rebate of one-sixth of the full rate was allowed. Over 90 per cent. of the raw cocoa consumed in the United Kingdom is produced in Empire countries, the Gold Coast, Nigeria, and the British West Indian Islands shipping the largest quantities, in that order of importance. The imports of cocoa preparations are considerable, but arrive almost entirely from foreign sources.

UNITED KINGDOM IMPORTS, IN TONS

—	1926	1927
Raw cocoa from foreign countries . . .	3,831	4,189
" " British West Africa . . .	50,537	54,403
" " British West Indies . . .	4,413	4,515
" " Ceylon . . .	566	768
" " other British countries . . .	114	182
Total of raw cocoa . . .	59,461	64,057
Cocoa butter from foreign countries . . .	1,326	2,309
" " British countries . . .	1	—
Cocoa preparations from foreign countries . . .	10,176	11,090
" " " British countries . . .	86	38
Total imports of all cocoa products . . .	71,050	77,494

The value of the total for 1927 was £7,500,000.

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COFFEE.

The Empire's development of coffee production has been notable, particularly in Kenya. In 1923 the total imports from Empire sources were 212,000 cwt., of which 130,000 cwt. were from British East African territory and 82,000 cwt. from India and other British countries. In 1927 the Empire shipments to the United Kingdom had risen from the above figure to 319,000 cwt., of which East Africa supplied 234,000.

DRIED FRUITS

The products which come under this heading are of two varieties—vine fruits and tree fruits. The first division is composed of currants, raisins, and sultanas.

The chief sources of supply of the vine fruits were for a long period of time various Mediterranean countries, and until 1920 the only considerable exports were currants from Greece, raisins from Spain, and sultanas from Turkey. Since that year, however, while Greece is still in possession of the largest export trade of currants of any one country in the world, Spain has lost the greater proportion of her trade. The United States of America, Australia, and South Africa have rapidly increased their production of raisins and sultanas from negligible quantities to figures of considerable importance.

It may be noted that the sultana as grown in Turkey, Australia, and South Africa is the 'true' sultana, whereas the American product is one of several varieties of white grape of the sultana type. The Spanish fruit dealt with here is the raisin, and the decline in Spanish exports has been accompanied by an increase in exports from sultana-producing countries.

In 1924 Greece and Australia supplied the whole of

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the United Kingdom imports of currants—1,150,000 cwt. from Greece and 18,000 cwt. from Australia. The re-exports were 5 per cent. of the total. The duty upon currants was removed in respect of Empire supplies in 1925, and the portion subsequently drawn from Australia showed a steady increase; in 1928 the volume entering the United Kingdom free of duty from Australia was nearly one-half of the total.

The United Kingdom Customs and Excise statistics do not differentiate between raisins and sultanas, both being included under raisins. The removal of the duty in favour of Empire raisins was dealt with at the same time as that upon currants. In 1925 and 1927 the United Kingdom imports were made up as follows:

SOURCE	1925	1927
	Thousands of cwt.	Thousands of cwt.
Spain	179·1	178
Greece	30·9	19·3
Turkey	111·6	216·4
United States of America	366·8	531
Other foreign countries.	49·4	34·9
Total from foreign countries	737·8	979·6
Australia	352·1	565
Other British countries.	37·1	47·2
Total from all sources	1,127·0	1,591·8

It will be noted from the above table that, while the total imports were increased 41 per cent., those from Australia went up more than 60 per cent. The increase in Australian production is due largely to the repatriation policy of the Australian Government, whereby numbers of returned soldiers have been settled as fruit-growers.

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The Western Province of Cape Colony is very well suited to the production of dried fruits, and the Union Government's latest report states that a fairly rapid increase of output may be expected during the next few years.

The supplies shipped from California, under the control of the "Sun-Maid" organization, to the United Kingdom are regulated entirely at the will of that concern. Such regulation is exercised wholly with a view to the state of the American market, and with little reference to United Kingdom requirements.

Preserved plums constitute the leading item of dried tree fruits. This description includes greengages, damsons, prunes, and dried apricots. As recently as 1924 the bulk of these items was supplied to the United Kingdom from foreign sources, the United States of America alone sending no less than four-fifths of the total supply. Of Empire producing countries, South Africa was able to export 4000 cwt., but this represented less than 2 per cent. of the entire importation. This latter figure was 446,000 cwt. In 1927 the total imports of preserved plums decreased to 422,000 cwt., of which 390,000 cwt. arrived from foreign countries. The supplies from South Africa increased to 18,500 cwt. and those from Australia (less than 1000 cwt. in 1924) to 13,300. From less than 2 per cent. of the United Kingdom imports supplied in 1924, the Empire raised its share to 8 per cent.

The supplies of dried apples, pears, peaches, and nectarines required by the United Kingdom in 1924 were derived in much the same fashion as preserved plums. Practically the whole of the imports were from foreign countries. Canada was the leading Empire contributor, sending 5 per cent. of the supplies—mainly dried apples. Australia followed, with 2 per cent.—

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dried pears and peaches. The increase of supplies from the Dominions in the three years subsequent to the above was about 8 per cent. The United Kingdom purchased the whole of its supplies of figs from foreign countries, but cultivation has been undertaken in recent years in South Africa. The production has not yet reached the point of supplying the entire local needs, but is rapidly increasing, and there is every reason to expect an increasing exportable surplus within a short time.

BOTTLED AND CANNED FRUIT

Canning and bottling of fruit are carried out in practically all countries which grow fruit upon a commercial scale. The chief varieties of fruits used are pineapples and such soft fruits as apricots, pears, and peaches.

The consumption of canned pineapples in the United Kingdom increased very considerably between 1913 and 1927, the quantity imported having more than doubled.

UNITED KINGDOM IMPORTS, IN CWT.

SOURCE	AVERAGE YEAR	1926	1927
Union of South Africa . . .	Negligible	22,027	16,017
Straits Settlements and Malaya . .	244,747	502,065	472,977
Other British countries . . .	—	430	2,168
Total from Empire countries . .	244,747	524,522	491,162
United States of America . . .	3,521	61,177	69,503
Hawaii	8,969	21,957	34,232
Other foreign countries . . .	12,483	609	1,572
Total imports	269,720	608,265	596,469

4 per cent. of the 1927 total was re-exported.

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The greater part of the supplies in the average year came from Empire countries, and the greatly increased demand was met from the same source. While British Malaya and the Straits Settlements have had the great bulk of the trade, South Africa has also developed a fair export trade.

A certain amount of bottling and canning takes place in the United Kingdom each year, but no official estimate is made of the exact home output. It is certain that, with the constantly growing demand for this type of food, the greater part of the supplies must be drawn from overseas. These supplies can be shipped from Empire countries. Canada has developed an export trade of importance in recent years, and the bulk of these supplies has been received in Great Britain. The fruits exported have been mainly gallon apples (gallon tins without sugar), pears, plums, and peaches. The chief canning area in Canada is in Ontario, which has been responsible in recent years for nearly 80 per cent. of the Canadian exports of canned fruits.

The canning of fruit in Australia is a comparatively recent industry. Fruit is grown for canning throughout the Australian states, with the exception of Western Australia.

New Zealand has, in the same way as Australia, caused large numbers of returned soldiers to be settled in various branches of the fruit industry. Considerable attention has been given to fruit for canning, and the Dominion's own requirements are now largely met by the output of local canneries. There has not as yet been any surplus of note available for export.

The canning industry in South Africa is confined mainly to the Cape Province, and is rapidly developing.

The total of United Kingdom imports increased 55 per cent. in the period under review (see table

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below). Nevertheless, the volume imported from the Dominions was less ; in 1927 the Australian and Canadian shipments dropped 71 per cent.

IMPORTS OF FRUIT CANNED AND BOTTLED WITHOUT SUGAR, IN CWT.

SOURCE	AVERAGE YEAR	1926	1927
Australia	2,381	34,663	8,401
Canada	47,225	11,952	4,909
Other British countries	3,175	3,051	1,308
Total from Empire countries	52,781	49,666	14,618
Spain	90,039	143,072	125,310
United States of America	35,659	112,419	130,618
Other foreign countries	28,932	61,473	53,133
Total of all imports	207,411	366,630	323,679

I have already dealt with the aspect of American surplus supplies of fruit. The position in respect of canned and bottled fruits is precisely the same as that of raw apples. Large quantities of canned fruits are also imported from Continental countries, as shown in the above table, and, again, these countries are sending their surplus, whereas the Dominion industries, almost entirely dependent for their support upon overseas markets, cannot go on and develop if this support is likely to be withdrawn.

The organization of the canning industry in the Empire is in a very weak state, whereas in the United States the Californian Co-operative Cannery Association is a powerful and scientifically run organization, with an immense advantage resulting to the producers.

In Australia there is an association known as the Australian Fruit Cannery Association, but it has not

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been long in existence and does not embrace a very large number of canneries.

In South Africa and Malaya the production and canning is carried out entirely upon private lines.

TEA

The consumption of tea in the United Kingdom increased 52·6 per cent. between 1913 and 1927. In the latter year the Empire produced a volume of tea equal to 85·4 per cent. of its own requirements.

EMPIRE PRODUCTION IN TONS

COUNTRY	AVERAGE YEAR	1926	1927
Ceylon	84,220	96,770	101,161
India	124,034	174,660	173,808
Mauritius	36	—	15
Nyasaland	51	564	548
Union of South Africa	770	460	440
Fiji Islands	24	—	—
Total	209,135	272,454	275,972

The United Kingdom imported in 1927 a total of 239,000 tons, of which 21,300 tons were re-exported to the Irish Free State, Continental Europe, and North America. The quantity retained for home consumption—217,700 tons—was an increase of 69,700 tons upon the total for the average year. The production of tea in India is increasing, but not in entirely sufficient volume to cover all requirements. Nyasaland shows a steadily growing production, but at present it represents less than 1 per cent. that of India. In 1927 the total Empire production was equal to 85·4 per cent. of its requirements. The tea-consuming countries of the

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Empire do not, however, draw all their supplies from Empire sources. In the case of the United Kingdom nearly 17 per cent. of its supplies were received from foreign countries, chiefly Java and China.

Other Empire countries are annually importing a rising volume of tea, the Australian imports for 1927 being nearly 24,000 tons, which is a similar *per capita* consumption to that of Great Britain.

DISTRIBUTION OF EXPORTS IN 1927

FROM CEYLON	PERCENT- AGE	FROM INDIA	PERCENT- AGE
To the United Kingdom	65	To the United Kingdom	85
To Australia . . .	8	To Australia . . .	3
To New Zealand . .	4	To Iraq	2
To South Africa . .	4	To Persia	4
To Egypt	3	To Russia	6
To foreign countries .	12		
To Canada (re-exported from the United King- dom)	3		

The exports from India in the above year were 92 per cent. of the total production.

SUGAR

EMPIRE PRODUCTION

—	BET SUGAR	CANE SUGAR
	Tons	Tons
Average year . . .	55	14,220
1926	953	20,090
1927	1,189	20,520

Estimated total Empire production of beet and
cane sugar in 1927 21,709 tons

Estimated total world production of beet and cane
sugar in 1927 112,300 tons

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The Empire countries with an exportable surplus of sugar in 1927 were Mauritius, British West Indies, British Guiana, South Africa, Kenya (a very small quantity), Australia, and the Fiji Islands. India required to import a considerable quantity in addition to her own production. The Empire production stated on p. 171 in 1927 was equal to 67·7 per cent. of its consumption. The United Kingdom, India, and Canada are the leading Empire purchasers of sugar, but all countries of the Empire, other than the group stated above, require to import quantities.

CHAPTER XVI

THE MANUFACTURES AND OVERSEAS TRADE OF THE UNITED KINGDOM

THE outstanding fact of the present industrial situation in Great Britain is that, with an unrivalled industrial experience and ample supplies of capital, labour, and raw materials at hand, this country finds itself checked in its normal rate of industrial expansion. It is true that the net output recorded in the two Censuses of Production of 1907 and 1924 reveals a real increase of about 19 per cent. in the production of British factories and workshops during that period. Other evidence, with which most of us are familiar, makes it quite clear that this rate of expansion is less than can be regarded as a healthy and satisfactory one.

On the one hand, there is the fact that the existing level of industrial activity is high enough to employ only nine-tenths of the industrial population, leaving between one million and one and a half million unemployed. Since there is no ground for assuming that Great Britain is overpopulated to the extent of several million persons, we may say, rather, that it is under-productive in relation to its possibilities. The three reservoirs of labour, capital, and directing ability are not being utilized to their full capacity. The surplus capital is drained away to finance industry in other parts of the world. The residual supplies of the other factors remain idle and—translated into human terms—demoralized and discouraged.

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On the other hand, there is the evidence that our principal competitors, not only the United States, but France and Germany, are taking bigger strides in industrial development than are we. This is seen from the following table, giving for comparison the general indices of production for the four countries :

GENERAL INDICES OF PRODUCTION¹
(1928 = 100)

YEAR	UNITED KINGDOM	UNITED STATES OF AMERICA	GERMANY	FRANCE
1924 . . .	95.1	86.4	73.7	85.0
1925 . . .	—	94.5	89.5	84.3
1926 . . .	—	98.2	84.6	97.6
1927 . . .	101.5	96.4	103.9	85.8
1928 . . .	100.0	100.0	100.0	100.0
1929 (June) .	105.6	114.5	105.5	111.0

When we realize that Germany, despite the loss of Alsace-Lorraine, the Saar, and Upper Silesia, and the burden of reparation payments, and France, traditionally agricultural, are both increasing their industrial production more rapidly than is Great Britain, when we reflect upon the prosperity of our great transatlantic neighbour, we are impelled to consider every means by which the productivity of British industry can be stimulated.

The basic cause of the depression and of unemployment is the serious curtailment of overseas markets as a whole which was a result of the War. British industry was built up during the nineteenth century upon the basis of export markets, and is still dependent upon them in a peculiarly high degree. Whereas in 1925 (the date of the last Census of Production) the United States of America exported only about 8 per cent. of

¹ From the Monthly Bulletin of Statistics of the League of Nations,

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its production of manufactures, the United Kingdom exports in 1924 were of the order of 27 per cent. of production, while in individual industries the proportion was higher, rising to 86 per cent. in the case of both galvanized sheets and cotton piece-goods. Or, to take an industry for which more recent figures are available for purposes of comparison between the two countries, Great Britain is stated to have produced in 1928 about £84,000,000 of electrical and allied machinery and apparatus, of which 22 per cent. was exported, while the United States' exports (which were very slightly larger than Britain's exports in the aggregate) formed only 5·6 per cent. of the total production.

As the large share for export is a characteristic of Britain's economic organization, it is obvious that any recession in the export market must have a more magnified effect upon production than would be the case generally, and equally obvious that any policy which affords the possibility of increasing exports of manufactures is the most fruitful means of benefiting the people of this country.

Now, for a number of years after the War people commonly ascribed our reduced exports to the depreciated spending power of many of our customers, and to monetary conditions generally. These adverse conditions have practically passed away, and still no reversion to our pre-War exports is to be perceived. It has become manifest that more permanent causes are at work, and these causes are, firstly, the establishment of new manufacturing industries in a great number of countries owing to the cutting off of the usual sources of supply during the War, and, secondly, the very greatly strengthened position in which the War left certain of our competitors—notably, of course, the United States of America.

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The result of these forces upon Britain's exports is to be seen in the following table, which gives the approximate relative exports for a number of years, after the effect of price changes has been eliminated. The exports for 1913 are shown as 100. The last three figures have been adjusted approximately in order to eliminate trade with the Irish Free State and thus make them comparable with the previous figures.

BRITISH EXPORTS—RELATIVE FIGURES

1905-9	.	.	.	.	.	78·5
1913	.	.	.	.	.	100·0
1920	.	.	.	.	.	70·9
1922	.	.	.	.	.	68·9
1924	.	.	.	.	.	75·5
1926	.	.	.	.	.	67·7
1928	.	.	.	.	.	79·6

There can be little doubt that, in respect of foreign markets, the two causes which I have mentioned are permanent, and that Great Britain will have to face intensified competition in lines which at one period of its economic history it manufactured for the whole world. Many countries, including the Dominions and India, have developed their own iron and steel manufactures. The great Japanese cotton industry is a serious competitor in the coarser types of cotton cloths sold to the East, and European cotton industries compete in others of our markets, such as Egypt. In other countries, again, a certain proportion of the trade has been diverted to the United States of America through the influence of investment. Britain's proportion of the imports into the Argentine fell from 31 per cent. in 1913 to 19·9 per cent. in 1927, while the United States' proportion rose from 14·7 per cent. to 26·5 per cent.

It must not be assumed by opponents of the Empire trade policy which I advocate in this book that

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the policy aims at decreasing our trade with foreign countries. That, of course, is totally wrong. We must continue to do everything in our power to increase our foreign exports by up-to-date marketing methods and by impressing upon our foreign customers the quality which has almost always characterized British manufactures. At the same time, no one who is not wilfully blind to the facts can fail to perceive that foreign markets do not now present the scope for the great expansion which we desire. At one time these markets bought iron and steel, machinery, ships, and textiles from us, for the same reason that we tend to buy articles like fountain-pens, sewing-machines, or typewriters from the United States of America—because these things were first manufactured there and the technique of making them was localized. As I have shown, our predominance has disappeared, largely owing to the War, and we have to compete on equal terms—or more often on unequal terms, owing to tariffs.

Therefore I place my hope in a new policy. That policy is in its essence based upon two simple arguments. One is that a large-scale market is essential to British industry in order that it may produce more efficiently, and increase in competitive power by the reduction in cost per unit which accompanies large production. The second is that the countries of the British Empire represent a great demand for manufactured goods in addition to such as they may produce in their domestic industries; that they voluntarily give preferences to British imports, but nevertheless take much from foreign countries which could be imported from Britain; and, most important of all, that if Britain purchases the products of the Empire in place of the same products from foreign countries, the Empire countries will, as their primary and secondary industries

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develop, offer a cumulatively increasing market for British manufactures.

The total import from Great Britain into all foreign countries in 1928 averaged only 9·6 per cent. of their total imports, but the imports from Britain into Empire countries were on the average 36 per cent. of the total (according to a calculation made in the Empire Marketing Board's pamphlet, *The Growing Dependence of British Industry upon Empire Markets*). Increased demand for manufactures in the Dominions and colonies is, therefore, more advantageous to the industries of this country than an equivalent increase in foreign countries, because so much larger a proportion is derived from Britain.

The Empire took a slightly increased percentage of Britain's exports between 1913 and 1928; in the earlier year 37·2 per cent. was consigned to Empire countries; in 1928 the percentage to the same territories—*i.e.*, excluding the Irish Free State and mandated territories—was 42 per cent. The relative positions of individual parts of the Empire are seen in the following table, and the imports, together with the development of manufacturing production in each part, are dealt with in the succeeding chapter :

BRITISH EXPORT TRADE

—	1913	1924	1925	1926	1927	1928
Total (in thousands of pounds) .	525,254	800,967	773,381	653,047	709,081	723,579
Percentages to						
India . . .	13·4	11·3	11·1	12·5	12·0	11·6
Australia . .	6·6	7·6	7·8	9·4	8·6	7·7
Irish Free State .	—	6·0	5·2	5·3	5·1	4·8
South Africa .	4·2	3·8	4·0	4·9	4·3	4·4
Canada . . .	4·5	3·5	3·6	4·0	4·1	4·8
New Zealand .	2·1	2·5	3·0	3·2	2·8	2·7
British Malaya .	1·4	1·1	1·8	2·2	2·1	2·1
West Africa .	1·3	1·3	1·8	1·8	2·1	2·0

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Of Britain's imports in 1928 as much as 66·6 per cent. of foodstuffs, raw materials, and articles mainly unmanufactured and 90 per cent. (£263,543,000) of manufactured articles came from foreign countries. As Britain is capable of producing more manufactures herself, and, as previous chapters have shown, other Empire countries are able to supply all the raw materials needed within the Empire, with very few exceptions, these figures reflect two unsatisfactory conditions.

Much wheat and meat and other primary produce is imported from countries which use the purchasing power thereby acquired to buy manufactures from our competitors. The Argentine—important market for British goods though it is—illustrates the point. Imports from the Argentine in 1928 were valued at £76,788,817 and exports to the Argentine at £31,209,978.

In the second place, Great Britain is entitled to draw annually from abroad about £500,000,000 as a result of past investment of capital and of current shipping, banking, insurance services, etc. Of this £150,000,000 is invested, and £350,000,000 is the measure of the balance of our imports over our exports. Instead, however, of paying for the foodstuffs and raw materials which we need, over £260,000,000 is paid for foreign imported manufactures. Much of the capital is invested in the Empire, but instead of the Empire's raw materials coming to us in payment, large quantities of their raw materials go to foreign countries, and then the payment comes to us in manufactured goods.

The aim of co-operation in an Empire unit must be to alter the character of imports and exports in such a degree as will ensure to the Empire increasing markets for its produce and to Great Britain a wider field for its manufactures without prejudicing the individual industrial or agricultural development of the separate parts.

CHAPTER XVII

THE OVERSEAS EMPIRE AS A MARKET FOR MANUFACTURES

THE possibility of all the constituent countries of the Empire moving toward an economic condition approximating to one unit would have a very material effect upon the industry of Great Britain.

The overseas parts of the Empire require to import the major portion of their supplies of manufactured commodities. Some of the Dominions, notably Canada and Australia, have developed the production of certain articles as secondary industries to their own supplies of raw material. Quite naturally the Dominions in question will seek to protect the growth of this industrial part of their existence.

Their people are deriving an ever-increasing standard of wealth from their great agricultural and mineral resources, and consequently their needs will continue to expand. The domestic industries will have ample opportunity for substantial growth, but so large and varied is the consuming power of these prosperous communities that there remains an immense and profitable field for British enterprise. Too great a part of this consumption is being met to-day by foreign-made goods.

The semi-tropical and tropical countries of the Empire produce, as previous chapters of this book have demonstrated, a great part of the world's supplies of foodstuffs and raw materials. Their potentialities for the future

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production of wealth are almost illimitable. But very little manufacturing takes place in these countries, and in many of them none at all, and as markets for the products of British factories they should be one of our prime considerations.

I have shown the present dependence of Great Britain upon the markets of the Empire for nearly one-half of our total export trade. Following is a short analysis of the production and importation of Empire countries of manufactured goods.

CANADA

The products of the *iron and steel and engineering industries* produced in the Dominion in 1927 were valued at £108,000,000, nearly one-third of which represented the output of the automobile industry. The imports for the same year were valued at £51,000,000, and were drawn to the extent of 90 per cent. from the United States of America, 7 per cent. from Great Britain, and the balance from other European countries. Many of the commodities imported in this group are not produced in Canada at all, because of the limited local market. In view of the present depressed condition of our own iron and steel industries it is a wrong state of Empire economic policy whereby nearly £48,000,000, which Canada finds it necessary to spend abroad, goes to foreign countries.

The manufacture of *cotton goods* in 1927 required raw cotton valued at £4,700,000, practically all of which was purchased from the United States of America. There is no possibility of changing this source of supply until the research work which is proceeding in various cotton-growing countries of the Empire is successful in producing those grades of cotton now grown in the United States.

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Many productions of the cotton industry must, in the same way as iron and steel, have a very large output in order to make it profitable to manufacture. Such output requires a world market, which can be only gradually built up during a long period.

Canada imports quantities of *finished cotton goods*, and the value of these in 1927 reached £6,800,000. Nearly one-half of this—£3,070,000—came from the United States, and more than £800,000 from other foreign countries, Lancashire's share being worth £2,850,000. There is great scope for a further share of this trade being transferred to British hands.

There are many other trades which have developed local production in Canada, while at the same time the importation of the same type of commodities has increased. Notable examples are shown in the following table:

IMPORTS INTO CANADA IN MILLIONS OF POUNDS

COMMODITY	AVERAGE YEAR	1927	PERCENTAGE FROM THE UNITED KING- DOM IN 1927
Electrical supplies . . .	1·97	3·51	9·7
Glass and glassware . . .	1·15	1·80	17·5
Soaps and toilet preparations .	0·28	0·88	20·5
Manufactured silk goods . .	1·72	4·50	8·0
Products of the rubber industry	1·28	1·40	3·5

The total imports of Canada in 1928 (Customs returns being available for a later period than Dominion production) of manufactured and semi-manufactured goods, and excluding all agricultural productions, were as follows:

From the United Kingdom . . .	£26,000,000
From other Empire countries . . .	£2,300,000
From the United States of America . . .	£130,000,000
From other foreign countries . . .	£18,500,000

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NEWFOUNDLAND

There is very little domestic manufacture. An amount of iron ore from local deposits is worked, and there are a few factories making boots and shoes and clothing. The greater part of the consumption of manufactured commodities is supplied by importation. The value of iron and steel products, textiles, and miscellaneous articles imported in 1913 was £528,000 and in 1927 £936,000. Canada, because of her proximity, secured a portion of the trade in the latter year, but more than 50 per cent. of the total represented purchases from the United States of America.

AUSTRALIA

The leading industry in which goods are produced ready for use is headed in the returns published by the Commonwealth Government as "metal works, machinery, etc." The value of the output for the twelve months

COMMODITY	VALUE OF OUTPUT IN THE TWELVE MONTHS 1926-27 IN MILLIONS OF POUNDS
Clothing and textile fabrics	52·8
Musical instruments	1·5
Vehicles, saddlery, and harness	13·1
Furniture, bedding, and upholstery	9·9
Drugs, chemicals, and by-products	11·4
Products of the rubber industry	7·6

1926-27 was £83,000,000. Much of this would represent the completion of goods imported in a semi-manufactured state, including iron and steel products. The imports of "metal works, etc." increased from £14,800,000 in 1913 to £26,700,000 in 1927. Motor

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chassis to the value of £12,000,000 were imported in 1927, as against little more than £1,000,000 in 1913. Other industries in which any real degree of manufacturing has been reached are as given in the table on p. 183.

The figures dealing with imports published by the Australian Customs authorities are not in many cases placed under the same group-headings as are contained in the Census of Production. The figures in the table on p. 183 are extracts from the latter. A comparison between production in the Commonwealth and imports of similar goods cannot, therefore, be complete. The following totals are evidence that, while local industrial activity is providing for part of the needs of the people, the importation of manufactured commodities is not only as great as in previous years, but is continually increasing :

IMPORTS INTO AUSTRALIA, IN MILLIONS OF POUNDS

COMMODITY	AVERAGE YEAR	1926	1927	PERCENTAGE FROM THE UNITED KING- DOM IN 1927
Iron and steel products and machinery	14·8	23·7	26·7	54·0
Motor chassis	1·0	10·3	12·2	24·2
Textile piece-goods	9·5	20·6	22·3	51·2
Products of the rubber in- dustry	1·1	5·2	5·1	20·0
Manufactures of paper and stationery	1·5	3·7	4·3	63·4
Glass and glassware	0·6	1·3	1·3	36·0
Earthenware and china	0·5	0·9	0·9	58·3
Musical instruments	0·5	1·2	1·5	22·8

The imports of iron and steel products and machinery in 1927 from the United Kingdom included bars, rods, tubes, piping, galvanized sheets, and wire of a total value of £10,000,000. The 51·2 per cent. of textile piece-goods (£11,400,000) contained £7,700,000 worth of cotton piece-goods.

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In making an examination of the above figures due allowance must be made for the increased value of commodities in the later years. A full study covering this change of prices would occupy a great deal of space, but when this factor has been taken into account there still remains a definite increase in the volume of imports. The people of Australia contribute largely toward that total of the United Kingdom's exports that goes to the overseas Empire. Nevertheless, there remains a margin of imports derived from foreign sources which is all too large.

AUSTRALIAN IMPORTS OF ALL COMMODITIES, IN MILLIONS
OF POUNDS

SOURCE	AVERAGE YEAR	1927	PERCENTAGE OF INCREASE
United Kingdom	40·9	67·7	65·5
United States of America	10·9	41·5	280·7
Other foreign countries	18·5	33·3	80·0

A part of the increase of trade is required to make up for advance of prices. The figure for serious consideration is the enormously increased share held by the United States of America. The value of Australian exports in 1927 to the United Kingdom and the United States respectively was £48,000,000 and £8,000,000.

NEW ZEALAND

The population of New Zealand is as yet insufficient to maintain a wide range of secondary industries. The Dominion's industrial field is for the main part limited to the treatment of its principal primary products. The following table shows the value of manufactured goods in the leading classes of production (not including food-stuffs):

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COMMODITY	VALUE OF OUTPUT IN THE TWELVE MONTHS 1926-27, IN MILLIONS OF POUNDS
Clothing factories	2.60
Hosiery factories	0.30
Boots and shoes	1.16
Woollen mills	1.06
Iron and brass foundries	0.48
Engineering works (including repairs)	1.85
Machinery and agricultural implements	0.61
Motor-cars and cycles	1.83
Furniture	1.41

New Zealand stands at the head of the list of overseas customers of the United Kingdom in *per capita* imports. The value of all imports from the United Kingdom in 1913 was £13,200,000, and £21,400,000 in 1927.

The Dominion's imports from the United States of America were worth in 1913 slightly more than £2,000,000, and £8,000,000 in 1927. Imports from both countries are concerned largely with hardware and iron and steel goods. Electrical goods and motor-cars figure prominently in purchases from the United States of America. The total of cotton piece-goods imported in 1927 was £1,800,000, of which £1,200,000 were received from the United Kingdom.

UNION OF SOUTH AFRICA

The mainspring of the prosperity of South Africa is well known to be the great diamond and gold production. Other minerals and agriculture also play an important part in the activity of the Dominion. A certain amount of manufacturing has taken place, but the growth has been slow, greater attention having been paid to the very remunerative development of the natural resources.

THE OVERSEAS MARKET

COMMODITY	VALUE OF OUTPUT IN THE TWELVE MONTHS 1926-27, IN MILLIONS OF POUNDS
Iron and steel goods	0·78
Boots and shoes	2·12
Clothing in factories	2·93
Hardware	1·36
Soap and candles	1·90

The import trade of South Africa is different from that of the other Dominions on account of the large native population, who require a lower grade of article than is sold to the white communities; this is especially applicable to textiles. For this portion of the trade the United Kingdom feels the more keenly the competition of Continental Europe. The export of South African produce to the United Kingdom, particularly fruit and dairy products, has made rapid progress in recent years, and it should therefore be possible to make such arrangements as will ensure a lessening of the imports from foreign countries. The chief commodities imported are as follows :

IMPORTS, IN MILLIONS OF POUNDS

COMMODITY	AVERAGE YEAR	1927	PERCENTAGE FROM THE UNITED KING- DOM IN 1927
Metal goods and machinery .	4·80	9·15	84·5
Cotton manufactures and piece- goods	3·03	6·41	65·0
Silk piece-goods	0·05	1·10	Negligible
Woollen manufactures and piece-goods	0·65	2·10	86·0
Other textiles (including wear- ing apparel and linen goods)	6·30	8·38	58·9
Motor-cars	0·75	5·06	20·0
Drugs and chemicals	0·91	1·14	58·3

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INDIA :

The chief industry of the Indian Empire has always been agriculture. The number of the population supported by agriculture was, according to the last census, 230,000,000, out of a total population of 318,000,000. Trade, military forces, police, public services, professions, transport, mineral production, and fishing account for more than 50,000,000. Domestic service, hotels, etc., occupy nearly 15,000,000 people. The manufacturing industries which have any important value are cotton and jute mills, iron and steel, shawl- and carpet-weaving, and wood-carving.

In the early days of the cotton industry the energies of the mill-owners were concentrated on the production of yarn for the China market and the hand-loom of India. Increasing competition by Japan has greatly curtailed these markets, while the Japanese mills are large users of Indian raw cotton.

The bulk of the imports of the higher counts of yarn continue to be derived from the United Kingdom. The Indian production of all grades of yarn and twist compared with imports is as follows :

YEAR	IMPORTS, IN MILLIONS OF LB.	PRODUCTIONS OF INDIAN MILLS, IN MILLIONS OF LB.
Average year	41·8	646·7
1926-27	49·4	807·0
1927-28	52·3	809·0

It is not possible here to go fully into the position of the trade in cotton piece-goods. Certain it is that the markets for both Indian and Lancashire production are in a very unsatisfactory condition. Any examination of

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their prospects, and plans made to advance them, can be successful only if the interests of both industries are considered conjointly. The matter is far more complicated than appears at first sight. A great part of the Indian output is not in competition with the finer goods of Lancashire at all, but is itself being displaced by enormous quantities of goods from Japan and other foreign countries, including China. The total production of all Indian mills is shown in the following table :

PRODUCT	1926-27	1927-28
Grey and bleached goods . .	1577 million yds.	1675 million yds.
Coloured piece-goods . .	681 " "	680 " "
Total piece-goods . .	2258 " "	2355 " "
Miscellaneous, including cotton goods mixed with silk or wool	4157 million lb.	4210 million lb.

The quantitative imports of the three main classes of piece-goods are as follows :

PIECE-GOODS	AVERAGE YEAR	1927-28	PERCENTAGE FROM THE UNITED KINGDOM IN 1927-28
	Million yards	Million yards	
Grey, unbleached . .	1534	874	74·4
White, bleached . .	793	556	94·5
Coloured, printed, or dyed .	831	504	68·5

The total value of the above in 1927-28, taken at the exchange rate of 1s. 6d., was £40,650,000.

Dealing with the import trade in cotton goods, as apart from Indian production, the most marked feature is the increasing business in Japanese and Continental goods. There has been a very rapid advance in the importation of *artificial silk* piece-goods, and in this instance, again, British manufacturers of fine-quality

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goods are at a disadvantage. The great majority of the Indian consumers have limited means, and do not trouble much about quality. They are attracted by lustre and bright colours, and by the relatively low price of Continental products, which accounts for the increasing imports from Italy and Switzerland.

There appears to be no reason why British manufacturers should not be able to obtain a much larger share of the business if their interests are properly considered. The trade in artificial silk is so new that the native buyer knows nothing of quality or of the superiority of British production. Official reports from India state that store-keepers frequently have Continental artificial silk cloths brought back to them after a few days' wear, with the complaint that the colours are not fast in water. The trade is likely to be a quickly expanding one, and will help to redress the balance caused by the reduced imports of cotton goods. The full significance of this should be realized in the United Kingdom.

A hopeful feature in authoritative reports upon Indian trade is the likelihood of considerable expansion in the demand for *iron and steel goods*. It is expected that new undertakings of all kinds, both industrial and of public utility, will not only absorb the increasing local production, but will also result in a steadily increasing use for imported steel. The imports in latter years fell below pre-War levels until 1927-28. The following table shows the improved present position :

YEAR	IMPORTS, IN THOUSANDS OF TONS	PERCENTAGE FROM THE UNITED KINGDOM
Average year. . . .	1013	59·8
1921-22	613	45·0
1926-27	845	48·1
1927-28	1197	57·2

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The new Customs duties, which give a preference to British-manufactured material, should result in British steel-masters continuing to improve their position.

The Indian manufacture of *skins and leather* has steadily increased in recent years. Prior to the War the bulk of the exports of hides and skins went to foreign countries, Hamburg being the greatest emporium for Indian hides. The report of the Industrial Commission of the Government of India in 1919 resulted in legislative action being taken to ensure that "Indian hides and skins shall be converted into fully tanned leather and articles of leather so far as possible in India, and, failing this, in other parts of the Empire." To this end an export tax of 15 per cent. *ad valorem* was placed upon raw hides, with a rebate of 10 per cent. in favour of exports to Empire countries.

It is worthy of consideration that, in all countries of the Empire where manufacturing takes place, or is at any time contemplated, a natural preference is shown for British-made machinery. If our desire for a reduction of the volume of Empire purchases from foreign countries results in quantities of these goods being made in any part of the Empire, immense benefit must accrue to British engineering and the iron and steel industries. The setting up of machinery is continued by the supply and maintenance of equipment, which would be drawn largely from the United Kingdom. The development of manufacturing in the Dominions must also have an eventual effect upon their ability to absorb further numbers of British emigrants who are not suitable for agricultural settlement.

I have dealt, in some detail, with those countries of the Empire which have initiated factory production to any appreciable extent. There remain the Crown

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Colonies and Protectorates and dependencies, as well as the mandated territories. These countries, vast in extent, are concerned with the development of their great primary resources. In the chapter dealing with the Empire's preferential arrangements in favour of British goods I have shown the measure of their existing assistance given in their endeavour to promote trade in manufactured goods with the United Kingdom. Nevertheless, there is great room for the improvement of the British share of this trade, in relation both to its present volume and its future expansion. The United Kingdom is already the largest consuming market for many of their products. In other instances, both of raw materials and foodstuffs, their output is not increasing at a proper rate, because of the lack of fair possibility of a market. It has been one of the main purposes of this book to show how much that the Empire—particularly the United Kingdom in the case of primary products—now buys from foreign sources could be produced in these Empire countries. The consequences of such rearrangement would be a vast added purchasing power, and in return for our further contribution toward their prosperity these countries of the Empire would undoubtedly give further facilities for British trade.

CONCLUDING NOTE

I HAVE endeavoured to set out within a manageable compass the leading ideas of the Empire economic policy. It is not possible within the limits of a book of this size to enter into all the many detailed aspects of the problem or to deal with all the objections and arguments in support of economic development, which is coming to be more universally recognized as vitally important for the future continuance of the British Empire. General information, of which statistics naturally form a large part in a book of this kind, is given to enable the student to judge for himself the trend of inter-Imperial trade, its volume and possibility of future development. As I have already stated, it can only be looked upon, not as the end, but as the beginning. Large as its volume is, future generations will see it enormously enhanced if this moment is not allowed to slip by in inaction, but positive measures are taken as rapidly as possible to stimulate and assist in every possible way what is happening. Happily, business interests, sentiment, Imperial necessity, all call for such action, and influential and able men all over the Empire are beginning day by day to think more and more along the same lines. Certainly there is everywhere an expression of goodwill, a desire to explore, and the wish to find a solution. This being the case, I cannot but feel that the future of this movement, its successful issue, must be assured. If I have been able to contribute, to however small an extent, by the publication of this volume

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toward that end I shall feel myself more than amply rewarded, for it is a privilege to be allowed to assist in any shape or form an Empire movement on the outcome of which the destinies of the British race must ultimately depend.

APPENDIX

SUMMARY OF STATISTICS

Total area of the British Empire	13,355,426 square miles
Total population (estimated in 1927)	449,583,000
Total trade with foreign countries in 1927	£2,419,477,000
Total inter-Imperial trade in 1927	861,907,000
Grand total of trade in 1927	£3,281,384,000

PERCENTAGE OF TOTAL EMPIRE TRADE IN 1927

With foreign countries	73·7
Inter-Imperial	26·3

PRODUCTION OF PRINCIPAL COMMODITIES

'The figures given in the following table are for the year 1927, unless otherwise stated:

COMMODITY	EMPIRE PRODUCTION	PERCENTAGE OF WORLD TOTAL
Wheat	264,300,000 quintals	23
Oats	101,200,000 "	16
Barley	61,000,000 "	18
Rice. . . .	447,409,000 "	52
Cocoa	2,753,000 "	42
Cattle	214,499,000 } 1926, numbers in	39
Sheep	226,708,000 } existence	36
Wool	1,570,991,000 lb.	45
Jute	18,470,000 quintals	99
Rubber	369,700 tons	59
Gold	13,800,000 fine troy oz.	72
Silver ore	42,400,000 fine troy oz. (in terms of metal)	16
Diamonds	6,090,000 metric carats	82·5
Coal	320,000,000 tons	17
Iron ore	15,700,000 "	9
Copper ore	106,000 tons (in terms of metal)	7
Tin ore	72,000 " "	46
Nickel ore	29,907 " "	88
Asbestos	321,000 tons	90
Petroleum	699,000,000 gallons	1·5

