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TO

MY PARENTS

FOREWORD

The present study is a slightly altered version of a thesis accepted by the University of London for the degree of Doctor of Philosophy. The thesis was based on a series of memoranda I wrote as research assistant to Dr. W. Arthur Lewis (London School of Economics) at the invitation of the Colonial Office. For this purpose the Colonial Office put at my disposal some of their files on imperial trade policy. Part I is based on the material found in these files. But I wish to make it quite clear that it contains no information that can in any way be regarded as confidential and that nobody but myself is responsible for the arrangement and the interpretation of the facts.

It gives me great pleasure to acknowledge my indebtedness to all those who have helped with advice, criticism, and encouragement, and in particular to Dr. W. Arthur Lewis. Most of the good ideas are his. The blunders are all mine. Among the many others who have helped I would like to mention Dr. Vera Anstey, who has made many valuable suggestions; Mr. W. Ford, of the Belgian Embassy, who kindly put some material at my disposal for the preparation of the section dealing with British colonial trade with Belgium; and all those members of the Colonial Office who have assisted greatly with much valuable advice. I am indebted to Professor A. G. B. Fisher for his help in putting this study 'into shape' for publication. My thanks are due to the Royal Institute of International Affairs for accepting this study for publication under their auspices. To repeat, nobody but myself is responsible for the views expressed in the following pages.

The bulk of this study was written in the Colonial Office Library. The helpfulness of the Librarian and the staff of this Library is beyond praise. Other libraries consulted include the following: the American War Library (American Embassy, London), and the libraries of the British Museum, the Royal Institute of International Affairs, and the Royal Statistical Society. To the librarians of all these institutions and their staffs I would like to proffer my thanks for their invaluable help.

Last but not least, my thanks are due to Miss M. de Becker who has done most of the typing.

London, 1947 F. V. MEYER

THE BRITISH COLONIAL EMPIRE IN 1938

British West Indies

BAHAMAS
BARBADOS
GRENADA
JAMAICA AND DEPENDENCIES
LEEWARD ISLANDS:
- ANTIGUA (WITH BARBUDA)
- DOMINICA
- MONTSERRAT
- ST. CHRISTOPHER AND NEVIS
- VIRGIN ISLANDS

ST. LUCIA
ST. VINCENT
TRINIDAD AND TOBAGO

BERMUDA
BRITISH GUIANA
BRITISH HONDURAS

Eastern

BRITISH DEPENDENCIES IN EAST INDIAN ARCHIPELAGO:
- BRITISH NORTH BORNEO
- BRUNEI
- SARAWAK

BRITISH MALAYA:
- STRAITS SETTLEMENTS
- FEDERATED MALAY STATES
- JOHORE
- KEDAH
- KELANTAN
- PERLIS
- TRENGGANU

CEYLON
HONG KONG
MAURITIUS
SEYCHELLES
WESTERN PACIFIC:
- FIJI
- GILBERT AND ELLICE ISLANDS
- SOLOMON ISLANDS
- TONGA
- NEW HEBRIDES (BRITISH-FRENCH CONDOMINIUM)

British West Africa

GAMBIA
GOLD COAST
NIGERIA
SIERRA LEONE

British East Africa

KENYA
NORTHERN RHODESIA
NYASALAND
BRITISH SOMALILAND
TANGANYIKA TERRITORY
UGANDA
ZANZIBAR

Mediterranean

CYPRUS
GIBRALTAR
MALTA
PALESTINE

Other Colonies

ADEN
FALKLAND ISLANDS
ST. HELENA

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CHAPTER 1

INTRODUCTION

THE British Colonial Empire covers an area of 2 million square miles, or 3·9 per cent. of the world total, and has approximately 56 million inhabitants, or 2·6 per cent. of the world total. Its importance in world trade is disproportionately large in comparison to its size or population. Between 1936 and 1938 the value of the imperial and foreign trade of the British Colonial Empire averaged £436 millions per annum or 7·5 per cent. of world trade. The only countries whose trade was larger than this figure were the United Kingdom, the United States, and Germany; and the growth of British colonial trade during the fifty years preceding the second world war was phenomenal. In terms of value the development was as shown in Table I. The importance of the Colonial Empire in world trade rose to an even larger extent. Its share in world trade in the eighteen-eighties was negligible. By 1911–13 it accounted for 2·9 per cent. as compared with the 7·5 per cent. in the later nineteen-thirties.

The British Colonial Empire imports mainly manufactured articles from the United Kingdom, the Dominions, the continent of Europe, the U.S.A., and to a lesser extent from the more advanced countries of the Far East. The exports consist almost exclusively of raw materials and tropical foodstuffs, and are sold to the same industrialized countries. The distribution of the trade is shown in Table II. This table somewhat under-estimates the proportionate importance of the Empire, the continent of Europe, and the U.S.A., since it includes the entrepôt trades of British Malaya, Hong Kong, and Aden. If these Colonies are excluded the position is as shown in Table III. The principal raw materials exported from the British Colonial Empire are as shown in Table IV. Other exports exceeding £500,000 in value in 1937 were citrus fruit, bananas, copra, coco-nut oil, hides and skins, sisal, spices and condiments, diamonds, coffee, iron ore, wood and timber, pine-apples, manganese ore, unmanufactured tobacco, phosphates of lime, and desiccated coco-nuts, in that order.

British colonial trade was large and important. Could it have been larger and more important still? Who is responsible for the

TABLE I. THE TRADE OF THE BRITISH COLONIAL EMPIRE

	Imports in £000			Exports in £000		
	1886–8 annual average	*1911–13 annual average*	*1936–8 annual average*	*1886–8 annual average*	*1911–13 annual average*	*1936–8 annual average*
British West Indies	7,501	11,726	22,336	8,440	10,235	15,776
British West Africa	1,179	13,074	22,803	1,328	13,072	26,160
British East Africa	Not available	4,409[a]	18,226[b]	Not available	3,120[c]	23,228[d]
Eastern Colonies	26,992[e]	82,689[f]	128,142[g]	23,638[h]	81,088[i]	139,739[j]
Mediterranean Colonies	Not available	3,265[k]	20,466[l]	Not available	1,809[m]	6,038[n]
Other Colonies	106[o]	4,674	5,646	69[p]	5,070	7,038
Total	35,778	119,837	217,619	33,475	114,394	217,979

Sources: *Statistical Abstract for the British Empire.*

[a] Excludes German East Africa.
[b] Without Tanganyika 14,650.
[c] As [a].
[d] Without Tanganyika 19,366.
[e] British North Borneo, Brunei, Sarawak, Hong Kong, W. Pacific Islands (other than Fiji) not available.
[f] Brunei, Hong Kong, and New Hebrides not available.
[g] Of which Hong Kong 34,982.
[h] As [e].
[i] As [f].
[j] Of which Hong Kong 27,593.
[k] Excludes Palestine.
[l] Of which Palestine 14,708.
[m] As [k].
[n] Of which Palestine 4,802.
[o] Excludes Aden.
[p] As [o].

TABLE II. THE DISTRIBUTION OF THE TRADE OF THE BRITISH COLONIAL EMPIRE IN 1938

(A) *Imports from:*	*U.K.*		*Other British Empire*		*Continent of Europe*		*U.S.A.*		*Other countries*		*Total*
Into:	£000	%	£000	%	£000	%	£000	%	£000	%	£000
British West Indies	8,246	35	5,980	25	1,844	8	5,329	23	2,067	9	23,466
British West Africa	10,034	55	1,573	9	3,374	18	1,560	9	1,681	9	18,222
British East Africa	7,476	38	4,679	24	2,295	11	1,737	9	3,585	18	19,772
Eastern Colonies[a]	20,520	16	23,789	19	9,630	8	5,738	4	65,064	53	124,741
Mediterranean Colonies	6,040	30	1,516	7	8,437	41	1,198	6	3,163	16	20,354
Other Colonies[b]	545	19	1,644	28	372	7	71	1	3,109	55	5,741
Total: British Colonial Empire	52,861	25	39,181	18	25,952	12	15,633	7	78,669	38	212,296

(B) *Exports to:*	*U.K.*		*Other British Empire*		*Continent of Europe*		*U.S.A.*		*Other countries*		*Total*
From:	£000	%	£000	%	£000	%	£000	%	£000	%	£000
British West Indies	8,027	48	5,219	31	1,055	6	1,118	7	1,211	8	16,630
British West Africa	8,520	46	499	3	6,508	36	2,061	11	746	4	18,334
British East Africa	7,669	34	5,960	26	7,087	31	807	4	1,247	5	22,770
Eastern Colonies[c d]	22,147	18	19,855	16	15,626	13	25,743	22	36,711	31	120,082
Mediterranean Colonies	3,159	46	264	4	3,195	46	196	3	113	1	6,927
Other Colonies	487	36	50	4	12	1	203	15	602	44	1,354
Total: British Colonial Empire	50,009	27	31,847	17	33,483	18	30,128	16	40,630	22	186,097

Sources: *Colonial Blue Books.*

[a] Includes British Malayan and Hong Kong imports for re-exportation.
[b] Includes Aden imports for re-exportation.
[c] Includes British Malayan and Hong Kong re-exports.
[d] Excludes exports to U.K. from British Solomon Islands and Tonga, which are included under Europe; margin of error probably less than £50,000.

TABLE III. THE DISTRIBUTION OF THE TRADE OF THE BRITISH COLONIAL EMPIRE IN 1938
(EXCLUDING THE TRADE OF BRITISH MALAYA, HONG KONG, AND ADEN)

(A) Imports from:	*U.K.*		*Other Br. Empire*		*Continent of Europe*		*U.S.A.*		*Other countries*		*Total*
Into:	£000	%	£000	%	£000	%	£000	%	£000	%	£000
British West Indies, British West Africa, British East Africa, Mediterranean Colonies	31,796	39	13,748	17	15,950	19	9,824	12	10,496	13	81,814
Eastern Colonies	5,133	23	9,173	41	1,581	7	357	2	5,977	27	22,221
Other Colonies	142	34	10	2	89	21	6	1	177	42	424
Total	37,071	35	22,931	22	17,620	17	10,187	10	16,650	16	104,459

(B) *Exports to:*	*U.K.*		*Other Br. Empire*		*Continent of Europe*		*U.S.A.*		*Other countries*		*Total*
From:	£000	%	£000	%	£000	%	£000	%	£000	%	£000
British West Indies, British West Africa, British East Africa, Mediterranean Colonies, Other Colonies	27,862	42	11,992	18	17,857	27	4,385	7	3,919	6	66,015
Eastern Colonies	11,379	52	4,498	21	2,270	10	2,574	12	1,042	5	21,763
Total	39,241	45	16,490	19	20,127	23	6,959	8	4,961	5	87,778

TABLE IV. PRINCIPAL BRITISH COLONIAL EXPORTS IN 1937

Commodity	*World exports*	*British colonial exports*		*British Colonies chiefly concerned*
	000 tons	000 tons	£000	
Rubber	1,279	621	51,173	Br. Malaya, Ceylon, Br. North Borneo, Nigeria.
Tin and tin ores	307	93	24,947	Br. Malaya, Nigeria.
Cocoa	593	362	14,783	Gold Coast, Nigeria, Trinidad, Ceylon, Grenada, Jamaica.
Tea	428	103	13,573	Ceylon, Kenya, Nyasaland.
Copper	1,472	333	11,196	Northern Rhodesia, Cyprus.
Sugar	8,132	1,050	9,451	Mauritius, Br. Guiana, Trinidad, Fiji, Barbados, Jamaica, Leeward Islands, Kenya and Uganda, Windward Islands.
Palm-oil and palm-kernels	736	623	7,903	Nigeria, Gold Coast, Sierra Leone, Br. Malaya.
Gold	1	0·03	6,945	Gold Coast, Fiji, Tanganyika, Kenya and Uganda, Br. Malaya.
Cotton	2,896	9	5,807	Uganda, Tanganyika, Nigeria, W. Indies, Nyasaland.
Mineral Oil	188,000	1,335	5,390	Trinidad, Br. East Indies.
Ground-nuts	1,942	418	5,001	Nigeria, Gambia, Tanganyika.

Sources: League of Nations: *International Trade Statistics* and *Economic Survey of the Colonial Empire*, 1937, Colonial No. 179 of 1940.

commercial policy of the British Colonies? What has been done in the past and what can or should be done in the future?

Responsibility for the general policy pursued in the Colonies rests with the Secretary of State for the Colonies. Responsibility for the day-to-day administration of this policy rests with the various colonial governments. It is for the Secretary of State to decide whether a policy of imperial preference or an open-door policy is to be pursued. It is for the Secretary of State to see that intra-imperial and international agreements are honoured in the Colonies. For it is the Secretary of State or his representative who *either* negotiates such agreements (as a member of the United Kingdom delegation) on behalf of the Colonial Empire and enjoins the various colonial governments to fulfil the obligations he has assumed on their behalf, *or* allows such agreements negotiated by individual Colonies to come into force through using his power of non-disallowance in respect of the requisite enactments of the colonial legislatures. The Secretary of State also issues directives if uniformity of action throughout the Colonial Empire seems desirable (such as, for example, in regard to the quota regulation of textiles in the non-open-door Colonies, as part of the imperial policy to combat Japanese competition); in these cases a certain latitude has usually been allowed to colonial governments to fit the policy to the peculiar local conditions as long as the principal object of the policy was not endangered. But if a Colony merely raises or lowers an import duty within the limits of its intra-imperial and international obligations, without in fact taking a new initiative, the responsibility rests with the colonial government.

Which commercial policy is best for the British Colonies? Is it imperial preference? The history and the economic consequences of this policy will form the subject of Part One of this study.

Or would free trade be preferable? Here the answer clearly depends on the trade policy pursued by the principal commercial Powers. Chapters 9 and 10 set out to answer this question in respect of the Colonial Empire's trade relations with the principal continental Powers and the United States.

Suppose that, for whatever reason, universal free trade has to be ruled out as an unattainable ideal. Is economic imperialism the only alternative? Would it not be preferable for the Colonies to join an economic bloc with the countries in the geographical region to which they belong? This question really resolves itself into two parts, i.e. 'Is economic regionalism preferable to economic imperialism from the point of view of the economic development of the territories in the region?' and 'Would economic regionalism enhance the bargaining strength of the territories concerned *vis-à-vis* third parties?' The merits and demerits of regionalism will be touched upon in Chapter 10, and will be discussed at length in Chapters 11 and 12 in respect of the trade of the British West Indies and of British Malaya.

Chapter 13 is an attempt to summarize the answers to these questions, and to state what the 'ideal trade policy' from the British colonial point of view appears to be.

PART ONE

IMPERIAL TRADE POLICY

CHAPTER 2

GENERAL SURVEY OF THE HISTORY OF COLONIAL IMPORT PREFERENCES

THE old colonial system was founded on imperial preference, and this was the rule at the beginning of the nineteenth century. By the end of the century, however, imperial preference had been dethroned. Britain had embraced free trade, and while the self-governing Dominions remained free to grant preferences if they desired, the Crown Colonies had been cleared of preferential arrangements and an open-door policy enunciated. There remained at the end of the nineteenth century only a few remnants of preferential treatment: a Jamaican prohibition of coffee from non-Empire sources, which was more probably intended as protection for a local industry than as a measure of imperial preference; a preference in the same Colony on rum and certain kinds of livestock, which, however, included not only the Empire but also the United States, and an old preference on Australian wines, granted by Fiji, Ceylon, and various other Eastern Colonies, by the indirect method of entering 'Bordeaux (claret) Australian' as a separate item in the tariff at a special rate.

These were all old initiatives. For many years before the turn of the century public sentiment had favoured an open-door colonial policy; old discriminations had been swept away and no new ones imposed. The first small breach in this policy occurred in 1900, when the Falkland Islands established a curious preference in favour of British 'tobacco forming an ingredient in sheep-dip or hop powder'. Then in 1903 the 'Zambesi basin' part of Northern Rhodesia, as a part of the South African Customs Union, granted some preferences to United Kingdom goods; and when in 1906 the Customs Union tariff was raised above the level which the constitution permitted to be imposed on goods from Empire sources, a whole range of commodities from any imperial source began to be liable for preference in the Zambesi basin.

More important was the breach that emerged from the trade relations between the West Indies and Canada. Canada adopted imperial preference in 1896, but up till 1902 the West Indies were more interested in the United States than in Canadian markets, and showed no willingness to reciprocate. After 1902, however, the United States market ceased to absorb West Indian sugar because the United States annexed Puerto Rico and granted special preferences to Cuba and the Philippines. The West Indies then turned its attention to cultivating trade with Canada, and a series of discussions culminated in the appointment in 1908 of a Royal Commission on Canada–West Indies trade. The Commission reported two years later in favour of preferential arrangements, and accordingly the first Canada–West Indies trade agreement was negotiated in 1912, coming into force in 1913. The preferences granted to Canadian goods in West Indian markets were also extended to the United Kingdom and Newfoundland, but not to the rest of the Empire (except by Barbados in 1913 and Trinidad in 1917).

In permitting the West Indies to enter into closer relations with Canada, the United Kingdom could claim that she was pursuing no selfish interest on her own account, and that the preference which she received in the West Indies was incidental and not due to any initiative on her part. This attitude of mind, however, altered during the Great War of 1914–18. The war strengthened sentiments of imperial possession, and left the United Kingdom willing to adopt measures giving her particular advantages in trade with the Colonies to the exclusion of foreign countries.

In June 1920 it was announced that 'an invitation to consider the practicability of preferential rates for goods of imperial origin has been addressed to all Colonies and Protectorates, except those which are precluded by existing international agreements from doing so, and a few others in which preference is already in force'. The preferences already in force in the West Indies were increased under a new Canada–West Indies agreement of 1920, and generalized to benefit goods from all Empire sources. In addition, imperial preference was adopted by Cyprus (1920), Fiji (1921), Mauritius (1924), Gibraltar (1926), Sierra Leone (1932), and Gambia (1932).

Certain Colonies were not free to accept the invitation to discriminate because of international treaties. This applied to most of the Colonies in Africa; discrimination on that continent was possible only in a very small area. Under the Convention of St. Germain (1918) it could not be applied in any part of the East African territories, or the 'Congo basin' part of Northern Rhodesia.

Tanganyika, Togoland, and the Cameroons were also excluded as mandated territories. Nigeria and the Gold Coast were excluded by the Anglo-French treaty of 1898; and when this was denounced in 1936 Nigeria became free to discriminate, but the Gold Coast continued to be protected by the Anglo-Dutch treaty of 1871. Hence, the only African Colonies free to discriminate before 1936 were Sierra Leone, Gambia, Somaliland, and the Zambesi basin part of Northern Rhodesia, which had all adopted imperial preference by 1932. (Nigeria did not adopt imperial preference after 1936 as the state of international public opinion seemed adverse to preferential arrangements.)

Thus, when the Ottawa Agreement was signed in 1932, the only major Colonies (some minor Pacific islands are excluded) which were free to adopt imperial preference, but which had not yet done so, were the Malayan Colonies, Hong Kong, and Ceylon; and Malaya and Ceylon with much reluctance then joined in. The view that it was at Ottawa that Britain abandoned her traditional open-door policy for the Colonies is widely held, but without foundation. Preferences were sharply increased after Ottawa, and in 1934 quotas were imposed on certain goods from foreign sources, but Ottawa marked only a stage in the abandonment of the open door.

In the process the right of all members of the Empire to equality of treatment has had to be decided. The issue first came up for discussion in connexion with the Canada–West Indies Agreement of 1912. The United Kingdom insisted that she must have the same privileges as Canada in West Indian markets, but other Empire countries were not given the benefit of these privileges until much later (1913 in Barbados, 1917 in Trinidad, 1920–2 in the rest of the West Indies). It arose in Northern Rhodesia in 1930, when a new customs union was agreed with Southern Rhodesia and the Union of South Africa, as a result of which these countries received more favourable treatment than the rest of the Empire. It arose still more acutely in Fiji in 1931, when special preferences were granted to New Zealand, the United Kingdom, Canada, and Hong Kong, but withheld from other Empire countries, as part of a trade war against Australia, and again in the Malay States when, in 1932, preferences were granted to some Empire countries and not to others. At Ottawa it was decided that such special preferences must go, and that all Empire countries are to be treated equally in colonial markets. The only exception allowed is the Customs Union between the Rhodesias and the Union of South Africa. The decision is of great importance; presumably it would not rule out further customs unions, for example between the West Indian or the West African Colonies; but it does prevent the United Kingdom from receiving concessions not equally extended to India or Hong Kong, and this is important in spheres where the competition of these two promised to be as significant as the competition of Japan after Japan was excluded by quota or tariff.

The principle does not work both ways: all the Colonies do not receive equal treatment in the self-governing parts of the Empire. The United Kingdom maintains no distinction between Colonies and Dominions, except in respect of sugar, where the Colonies receive a special preference not shared with the Dominions. Eire makes no distinction. The Dominions and India agreed at Ottawa to extend to the Colonies any preference granted to the United Kingdom, but would go no farther; the Colonies have not, therefore, even most-favoured-nation rights, except in Canada, which conceded them in 1937, and are liable to receive worse treatment than foreigners (*liable* to, but seldom receive), except in those commodities in respect of which a preference has been accorded to them directly or via the United Kingdom. In addition most of the Dominions insist on reciprocity, refusing to grant preferences to Colonies which, without being prevented by international obligations, refuse to grant imperial preference; this affects Hong Kong especially. There are also some particular reservations, even to this limited and conditional equality: India may make special terms with Burma; Southern Rhodesia, Northern Rhodesia, and the Union of South Africa may make special terms within their own Customs Union; and Canada has reserved a special preference on West Indian cocoa which is not shared with West Africa. The concept that the Empire should be treated as a whole, without discrimination inside it, did not find favour with all the participants at Ottawa. It should also be noted that formal equality of treatment does not necessarily exclude real granting of limited favours: since all Colonies do not produce the same commodity, a Dominion can specially benefit one group of Colonies by selecting the commodities in which they and they only are specially interested and according an Empire-wide preference to those commodities. A special illustration of this was very much to the point in 1936, when Canada, thinking that her manufacturers of coco-nut products were making excessive profits, reduced the duty on desiccated coco-nuts. Now Canada bought whole coco-nuts from the West Indies, but desiccated coco-nuts from Ceylon, and West Indian producers, fearing that the result would be a smaller trade in whole coco-nuts and a larger trade in desiccated coco-nuts, benefiting Ceylon at the expense of the West Indies, joined with the Canadian manufacturers in protesting against the reduction of the duty. The original rate was then restored.

Nevertheless, given some acceptance, however limited, of the principle that concessions are to be Empire-wide, it has seemed to follow that negotiations, too, should be Empire-wide. It was therefore decided, in the course of preparations for Ottawa, that the Colonies should not bargain individually but should all be represented by the United Kingdom; an additional argument for this was that it was thought that they might be able to secure better concessions when considered together than if taken individually. The first breach of this principle occurred in 1939; as the Indian representatives had not been informed beforehand that the discussions which they were coming to the United Kingdom to conduct would include colonial trade as well as trade with the United Kingdom, it became necessary to allow separate subsequent discussion between India and Ceylon. The principle was again at stake when the Canada-West Indies agreement was drawing to its close, as the West Indian Governments were anxious to negotiate for its renewal; war broke out, however, before action could be taken. It will probably prove difficult permanently to deny the right of Colonies to negotiate separately with adjacent Dominions.

An important limitation emerged out of the Anglo-American Trade Agreement, in the negotiations for which the United Kingdom represented the Colonies. In that agreement maximum limits have been put to the preferences allowed on a number of commodities, and in a few cases the preference has actually been reduced. This was the first check to the steady increase in preferential margins which had been proceeding for twenty years, and may well prove to be the beginning of a movement for extending to non-African colonies principles which already govern a large part of the African continent.

In the following pages an account is given, Colony by Colony, of the adoption of imperial preference, the changes which have occurred, and so far as can be estimated, their effects in altering the sources from which the Colonies derive their imports. This last-named task is particularly hazardous. There is first a technical difficulty due to the fact that in the early thirties a number of Colonies changed the basis of recording the sources of their imports from country of consignment to country of origin; with the result, for example, that the statistics show a rise in imports from Canada at the expense of the United States. This has not, however, proved an insuperable difficulty. More formidable is the logical difficulty that it is not possible to prove that changes in the source of imports are due to tariff changes: the fallacy *post hoc ergo propter hoc* must be avoided. Statistics may show for some particular Colony, in a year immediately after preferential margins are increased, a sharp increase in the proportion of imports from British sources, but the one may not be due to the other; it may be due to the depreciation of sterling, or to cessation of Italian competition because of pre-occupations with war elsewhere, or to an increase in demand for some particular commodity usually purchased from British sources, an increase due not to tariffs, but simply to increased prosperity, immigration, change in taste, or any number of other causes. Hence the results of a superficial analysis of changes in the sources of imports for any Colony taken by itself must necessarily be inconclusive. However, under each Colony, as the history of preferences is given, it is accompanied by the relevant statistics. A later section studies the trade in individual commodities, and a final section compares the results for all the major Colonies and deduces from similarities and dissimilarities how effective imperial preference has been.

CHAPTER 3

DETAILED ACCOUNT OF PREFERENCES ON IMPORTS INTO THE COLONIAL EMPIRE

A. THE WEST INDIES

As the Canada–West Indies Trade Agreement was the first major breach in the open-door policy, it may be worth while treating at some length the steps which led up to it.

Proposals for mutual preferences dated from at least as early as 1890, in which year the Canadian Minister of Finance visited the West Indies to discuss the matter. The West Indian Governments were not, however, interested at this time, as they were just negotiating with the United States for most-favoured-nation treatment under the McKinley Tariff Act, and feared that the grant of preferential treatment to Canada would be followed by penalizing West Indian sugar in the United States. The West India Committee was equally opposed to such a reciprocal arrangement with Canada, pointing out that the Dominion could then consume only about one-third of the West Indian sugar crops, of which the bulk went to the United States. Evidence taken by a Royal Commission in 1897 shows that at that date the views of the West Indian sugar proprietors remained unchanged. When Canada extended the preferential tariff treatment to the West Indian Colonies in 1898 and even put raw sugar on the dutiable list in order to accord to them an advantage, she claimed to do this solely in order to help the Colonies in the times of distress then prevailing, out of a feeling of imperial responsibility towards H.M. Government in the United Kingdom. The Dominion neither received nor asked for anything in return.

The next move was made when Trinidad sent a delegation to Ottawa in 1900. The Canadian proposals already foreshadowed the terms of the future agreement, although at that time the negotiations came to nothing.

During the following decade the Canadian market became more attractive to the West Indies, in view of the surtax on German goods entering Canada; the annexation of Puerto Rico by the United States and the preferential treatment granted by the United States to Cuba and the Philippines, leading to a virtual cessation of the American demand for West Indian sugar; and the increasing Canadian consumption of sugar.[1] And soon the Colonies started taking an interest in the matter.

Thus, the Barbados House of Assembly passed a Bill in 1908 increasing by 20 per cent. the duties on certain specific articles when not imported from Canada or any other British country. The Bill provided that it should not come into operation until the Dominion Parliament had passed the necessary legislation to authorize the admission into Canada of Barbados sugar at a rate of 20 cents per 100 lb., the duties on the general and intermediate rate to remain at a higher level. Antigua submitted a similar Bill to the Secretary of State for the Colonies, omitting the condition. In the meantime Canada had increased the general rate of duty on raw sugar to a considerable extent, while the preferential rate was increased by a smaller fraction only in 1907.[2] At the same time the duty on refined sugar remained unchanged. Consequently the Canadian refiners received somewhat less protection, with the result that larger amounts of West Indian raw sugar went to the Clyde, whence it was exported to Canada when refined. To counteract any hardship on their sugar refiners, the Canadian Tariff Act of 1907 permitted them to import raw sugar 'when imported to be refined in Canada by Canadian sugar refiners to the extent of twice the quantity of sugar refined during the calendar years 1906, 1907, and 1908, by such refiners from sugar produced in Canada from Canadian beet root' at the preferential rate regardless of origin. This concession to the refiners in the Dominion was an impairment of the preference granted to the West Indies, but in view of the small quantities of beet sugar grown in the Dominion it was rather insignificant. But the matter assumed more serious proportions for the West Indies when, in introducing the annual budget in 1909, the Canadian Minister of Finance stated that the Canadian refiners alleged they could not get sufficient British colonial sugar of the right grades; that through a combination the West Indian planters, in order to

[1] Canadian imports of sugar:

1899	104,000 long tons.
1909	185,000 ,, ,,

[2] Canadian duty on raw sugar of 96° polarization:

	1897	*1907*
General . . .	71½ c.	83½ c.
Preferential . . .	45⅝ c.	52½ c.

decrease the amount to be sold in Canada and to keep the Canadian price up at a point where the West Indian planters would gain the full benefit of the preference, sold to the British refiners on a more favourable basis than to the Canadian refiners, and that the West Indian planters thus absorbed all of the preference. He then announced that any Canadian refiner would be allowed to import foreign raw sugar at the preferential rates to the extent of one-fifth of the weight of sugar refined from raw sugar by such refiner in Canada during the calendar year in which such sugar was imported.

It is true that the total Canadian importations of sugar came close to the total British West Indian production in 1909 and 1910.[1] But the supply for the British Columbia refineries could not conveniently come from the West Indies, and this was especially true before the opening of the Panama Canal. In 1910 the concession to the Canadian refiners became even more serious to the West Indies when the surtax on German sugar was removed.

In Canada there was developing a movement in favour of making the grant of Canadian preferences conditional upon the receipt of return advantages. The controversy between the Dominion refiners and the colonial planters, who in turn claimed to benefit only very little, if at all, from the preference, also attracted attention to the commercial relations between Canada and the British West Indies. In 1907 the Boards of Trade of Toronto, Halifax, and St. John sent a commission to the West Indies to investigate the trade relations of the Colonies. This in turn led to the summoning of a general conference at Barbados in 1908, at which Canada and most of the British West Indian Colonies were represented by official delegates. The representatives had no power to bind their governments, the purpose of the conference being to secure an exchange of views. Resolutions in favour of reciprocal

[1] Figures in millions of pounds.

Year	*Production of sugar in B.W.I.*	*Imports into Canada*		
		Total	*From B.W.I.*	*Foreign at pref. rate*
1895	561·6	224·3	30·0	..
1901	633·5	373·7	42·9	..
1907	566·1	469·8	347·9	22·1
1909	505·3	500·2	271·3	53·2
1910	569·2	576·3	333·5	85·9
1912	502·7	641·6	280·8	39·3

preference and of improved means of communication and transportation between Canada and the West Indies were adopted.

Stimulated by the sugar conflict and perhaps also by the Barbados offer, and in view of the difficulties foreseen in concluding separate reciprocity agreements with the several West Indian Colonies, the Canadian Government suggested to the imperial authorities that the whole subject should be further considered by a conference organized by imperial authority in the form of a Royal Commission or otherwise.

The Royal Commission was appointed in 1908, and reported two years later.[1] They stated that, taking one year with another, those interested in the production of West Indian sugar had received from one-third to one-half, or approximately 9*s.* to 14*s.* per ton above the price they would have been able to get without the preference. They also drew attention to the value to the producers of the widened markets in Canada and at the Greenock refineries in Scotland. 'The Greenock competition in Canada', they wrote, 'does not exceed 12,000 or 13,000 tons a year. But it keeps the Canadian price down and compels the Canadian refiners to share that part of the preference which they do not give to the producer with the final consumer.' They thought that, provided the concession to the refiners were withdrawn, a smaller preference would attract West Indian sugar to the Dominion.

The Commission further pointed out that

> 'the geographical position of the West Indian Colonies must always tend to throw them under the influence of the fiscal system either of the United States or of the Dominion of Canada. Attempts have been made from time to time to obtain for these Colonies special advantages in the markets of the United States, whose proximity renders them of special importance to the West Indies. The colonial policy of the United States has now finally stopped advance in that direction; it would be unwise, except for the gravest reasons, now to oppose the natural desire of the West Indian Colonies for close connection with the Northern Dominion.'

Apart from various recommendations on transport and on communications in general, they expressed themselves in favour of the mutual grant of preferential tariff treatment between Trinidad, Barbados, British Guiana, the Leeward Islands (excluding the Virgin Islands), and the Windward Islands (except Grenada) on

[1] Cd. 5369 of 1910.

the one hand, and Canada on the other. Regarding the remaining islands in the group, they suggested that these Colonies should be left out of the proposed scheme in view of their relatively smaller, or practically non-existent, interest in the Canadian market, but that a way should be left open for their later adherence. The arrangement should be made subject to the observation of the 'cardinal point' of colonial trade policy, i.e. that the United Kingdom should receive no worse treatment in the Colonies than any other country, be it foreign or British.

In 1912 the Colonies concerned sent their representatives to Canada. Their main concern was an adequate preference on sugar and the assurance of its continuation for a long enough period to give promise of stability to the cane-sugar industry. They demanded that the above-mentioned concession to the Canadian refiners should not be renewed upon its expiry in 1914. They agreed, if this were done, to accept a smaller preference on their sugar. Some of the Colonies requested a preference on cocoa beans, some on limes and lime-juice, and so on. In their turn they agreed that on certain specified articles a preferential import duty should be levied at a rate of not more than four-fifths of the full duty, provided that on flour the preference in favour of Canada should at no time be less than 12 cents per 100 lb. Canada requested direct shipment of goods claiming preferential treatment upon entry into the Dominion, or shipment via one of the Colonies enjoying the benefits of the agreement, while the colonial governments reserved the right to require this condition at a future date.

The agreement, concluded on the above lines, came into operation in 1913 and remained in force until superseded by that of 1920. Of all the non-signatory Colonies Grenada alone acceded, but the remainder received the benefits of preferential treatment throughout the operation of the agreement. The preferences granted were extended by both parties to the United Kingdom and Newfoundland.

In 1913 the Canadian preferences were extended to all free-trade British Colonies with the exception of Gibraltar, Malta, Cyprus, and Hong Kong. The character of their trade and their proximity to foreign importers was the reason for their exclusion. In all, twenty-five more Colonies received preferential treatment in the Canadian market, including British Honduras, the only West Indian Colony till then excluded from these benefits.

Barbados in 1913 and Trinidad in 1917 extended the preferences to the whole Empire.

In a few instances actually more was done than required by the agreement. Canada, obliged to grant a preference of 15 per cent. per 100 lb. on sugar of 96°, actually increased the preference accorded from 31 to 33¾ cents per pound, which meant a preference of 24 per cent., although it was accompanied by a raising of the duty.[1]

The Colonies on their part in some cases granted somewhat higher preferences than 20 per cent. in order to avoid awkward fractions or amounts. Barbados alone made some articles dutiable (at 2 per cent.) under the general tariff and free under the preferential tariff. In subsequent tariff laws various Colonies made minor extensions of the preferential system beyond the provisions of the agreement, either by granting preferential reductions greater than one-fifth, or in admitting to the benefits of the agreement other parts of the Empire as already mentioned.

The outbreak of war in 1914 naturally brought about dislocations of trade far outweighing any possible effects of the agreement. It therefore is not surprising to see that the United Kingdom's place as the largest supplier of imports into the participating Colonies in 1912 had been taken by the United States in 1920, a state of affairs which, however, did not continue in the following year.[2]

[1] Canadian import duty on 96° raw sugar:

	1907	*1913–14*
General	83½ c.	$1·37½
Preferential	52½ c.	$1·03¾
Equivalent to an *ad valorem* preferential margin of	34·7 per cent.	24 per cent.

(*a*) *Imports into Participating Colonies* (1912 = 100)

From	*U.K.*	*U.S.A.*	*Canada*	*Total*
1913	93	133	121	101
1920	234	424	587	299
1921	161	268	453	203

(*b*) *Percentage of Total Imports of the Participating Colonies*

From	*U.K.*	*U.S.A.*	*Canada*
1912	40·6	31·6	8·7
1913	39·7	28·3	12·6
1920	30·9	36·4	17·1
1921	32·5	30·0	18·2

(*c*) *Percentage of Total Exports from* all *West Indian Colonies*

To	*U.K.*	*U.S.A.*	*Canada*
1912	24·3	36·1	21·9
1913	31·5	34·4	19·3
1920	40·7	24·5	19·3
1921	43·9	27·6	17·6

Exports to Canada relatively declined during the same period, while the proportion of exports going to the United Kingdom (not covered by the agreement) increased. These changes were due to war-time conditions resulting in a rise in prices which in the natural course of events led the West Indies to sell to the United Kingdom and to buy from the United States. This, as well as the preferences, must also be taken into account as a factor in the rise of imports from Canada.

Thus, the importance of the 1912 Canada–West Indies Agreement lies not in any diversionary effects, which are not discernible, but in the fact that it broke the ice, that it was the first important departure from the traditional policy of equality of opportunity for traders of all nations in the Colonial Empire.

After the first world war a new agreement, negotiated in 1920 and coming into effect in 1922, superseded the agreement of 1912. This differed from its predecessor in several respects. First, it was signed not by a few but by all the West Indian Colonies and Bermuda; all but Bermuda also ratified it and brought it into force. Secondly, the Colonies granted a general preference throughout the tariff schedule (with the exception of tobacco) instead of confining it to a number of selected articles. And thirdly, the preference granted was much bigger than in 1912. The more important Colonies which had accepted the preferential policy in 1912 agreed to increase the differential to 50 per cent.; the others introduced preferences at the rate of one-third or one-quarter of the full duty.[1]

In 1920–1 more frequently than in 1912–13 the West Indies granted preferences which exceeded the terms of the agreement with Canada either by extending the preference to the whole Empire, or by including preferences of amounts greater than those

[1] Preferential reductions granted in 1912–13 and 1920–1.

	In 1911–13 per cent.	*In 1920–1* per cent.
Trinidad	20	50
British Guiana	20	50
Barbados	20	50
Windward Islands	20	33⅓
Leeward Islands	20	33⅓
British Honduras	none	33⅓
Jamaica	none	25
Bahamas	none	10 (extended to 25)
Bermuda	none	25 (not ratified)

pledged, or by putting the new preferential schedules into effect before the obligation matured. Thus the representative of the Bahamas had agreed to a preference of only 10 per cent., but the legislature of the islands not only increased it to 25 per cent., but made it effective from 26 August 1920 onwards. Some of the other Colonies, too, put the agreement into effect in 1920, although the proclamation to this effect was not made before 1 September 1921. Jamaica, on the other hand, did not give effect to the agreement until June 1922. The spirit in which the 1920 agreement was operated was more imperial than in 1912. Four years after the 1912 agreement had been operative only two West Indian Colonies had extended their preferences to the Empire, whereas in 1920–1, before the day had arrived for a formal operation of the agreement, all the Colonies concerned except Jamaica had granted preferences to Great Britain or the Empire.

Regarding the extension of the preferences to the United Kingdom, the all-round tariff differential as granted in 1920 was of far greater importance to the British manufacturers than the extension of the 1912 agreement which was confined to certain articles of special interest to Canada.

The greater preferences in the West Indies frequently were accompanied by raising the rates on foreign articles. To mention a few examples, Trinidad, British Guiana, and British Honduras increased the general rate from 15 to 20 per cent.

The United States Tariff Commission wrote in 1922:

'As the preference is in each case a percentage of the duty payable on foreign products, the difference between 20 per cent. (the 1912–13 preference) and 25 per cent., 33⅓ per cent., and 50 per cent. (the 1920 preference) does not measure the full increase in the differential which burdens importers from non-preferred sources. The typical preference in 1913 may be said to have been one-fifth of the 10 or 15 per cent. *ad valorem* duty, while now it is one quarter, one third, or one half of 15 or 20 per cent. *ad valorem*, and while British Honduras in 1921 somewhat decreased the British preference by assigning to the pound sterling a value of $4·86 instead of $4, a number of other Colonies have increased the preference, so far as American competition is concerned and to the extent to which they employ *ad valorem* duties, by providing that foreign currencies shall be converted at market prices.'[1]

As already mentioned, Jamaica was comparatively late in putting

[1] United States Tariff Commission, *Colonial Tariff Policies* (Washington, 1922), p. 365.

the Canada–West Indian Agreement into effect. But she was the first West Indian Colony to grant a preference to the United Kingdom other than a mere extension of a differential introduced primarily for the benefit of Canada. A few days before the signature of the agreement with that Dominion in 1920, Jamaica enacted that the duty on cotton piece-goods manufactured in the United Kingdom should be £10 on every £100 value, and that the duty on such cotton piece-goods, if made entirely of cotton grown within the British Empire, should be £8. 6*s*. 8*d*. on every £100 value. The general duty was £16. 3*s*. 4*d*. on every £100 value. This preference was extended to the whole Empire. However, when the Canada–West Indies Agreement came into force in the Colony, cotton piece-goods, like most other items in the tariff schedule, were made subject to a 10 per cent. differential, and 20 per cent. general rate of duty, which in fact meant an increase in the preference.

As to the effects of the arrangement made in 1920, a glance at Table V—showing the sources from which the most important West Indian Colonies received their imports in 1921 and two of the years during which the agreement was in force—shows that the import trade tended to become more British. Imperial preferences probably played some part in bringing this about. At the same time it must not be forgotten that the period under consideration was still greatly influenced by the return to the 'normal'

TABLE V. IMPORTS INTO[a]

From:	*U.K.*		*Canada*		*British West Indies*[b]		*Total Br. Empire*		*U.S.A.*		*Total foreign*		*Grand total*
	£000	%	£000	%	£000	%	£000	%	£000	%	£000	%	£000
						JAMAICA							
1921	1,601	29	637	11	40	0	2,361	43	2,991	55	3,112	57	5,473
1923	1,524	27	748	14	54	1	2,603	50	2,337	44	2,679	50	5,282
1925	1,631	30	816	15	97	2	2,851	53	2,143	40	2,530	47	5,381
						BARBADOS							
1921	948	36	594	22	219	8	1,879	71	585	22	764	29	2,643
1923	827	33	604	24	230	9	1,856	74	494	20	666	26	2,522
1925	835	36	480	21	226	10	1,663	73	427	19	631	27	2,294
						TRINIDAD							
1921	1,727	25	1,155	17	148	2	3,155	46	2,458	36	3,651	54	6,806
1923	1,271	28	867	20	94	2	2,503	59	1,067	25	1,728	41	4,231
1925	1,324	31	964	23	87	2	2,654	63	930	22	1,576	37	4,230
						BRITISH GUIANA							
1921	1,528	47	610	19	120	4	2,304	71	814	25	969	29	3,273
1923	1,387	52	555	21	113	4	2,094	78	417	16	574	22	2,668
1925	1,539	53	599	21	101	3	2,285	79	446	15	619	21	2,904

[a] Table compiled from the *Statistical Abstract for the British Empire*, 1907–23 and 1924–33.
[b] Including Bermuda and British Guiana.

channels of trade which had been interrupted during the war. Consequently a certain decline in the percentage share of goods purchased from the United States in favour of the United Kingdom and other Empire sources was to be expected.

In 1923 Jamaica entered into a special arrangement with Newfoundland—apparently orally—resulting in the mutual grant of preferential treatment on certain articles. This agreement is still in force. But in view of the very small volume of trade involved there is hardly any need to deal with it in detail.

In order to strengthen further the trade relations between Canada and the West Indies, another conference took place at Ottawa in 1925. The agreement reached there came into effect in 1927, and was still in force when war broke out in 1939. Its main provisions were the maintenance, on the part of the Colonies, of the preferential margins in their tariff schedules agreed to in 1920. In addition the Bahamas undertook to use their best endeavours to make the preference 50 per cent. (instead of 25 per cent.). This time Bermuda too joined in and granted preference by exempting Canadian goods from the obligation to pay a 25 per cent. surtax on imports. Furthermore some of the West Indies granted special preference on certain articles of particular interest to Canada. In the case of Jamaica, the Bahamas, and British Honduras this was confined to a preference of 2*s*. per barrel of 196 lb. on flour and preference of 50 per cent. *ad valorem* on certain foodstuffs. Barbados, Trinidad, and British Guiana granted specific preferential margins or in some cases a 66⅔ per cent. preference on a somewhat wider range of foodstuffs and also on boots and shoes and cordage.[1] British Guiana wanted to give a specific preference of 4 cents a gallon on kerosene instead of the usual 50 per cent. *ad valorem*, which, it was alleged, allowed the producer in Trinidad too great an opportunity for profiteering at the expense of the consumer. The Trinidad delegate at the conference did not object, provided that the preference was confined to oil produced *and* refined in the British Empire. British Guiana agreed to this proviso. As on previous occasions, the preferences were extended to Newfoundland and the United Kingdom. This time this was done entirely out of the free will of the parties to the agreement. In fact, the United Kingdom representative at the conference expressed the desire of the Secretary of State to assist in every way

[1] See Schedule B to the Agreement, West Indian No. 214 of 1925.

to secure increased preference between the Colonies and Canada, and in particular not to insist upon an extension to the United Kingdom of such increased preferences if this would prevent a Colony in any instance from granting to Canada concessions otherwise practicable.

Apart from the tariff concessions made, further provision was made for improving the steamship service between the Dominion and the West Indies. This naturally put a further premium on the trade between the two parties.

Again, in some cases more was done than pledged, for example British Honduras granted a 50 per cent. preference (instead of 33⅓ per cent.). But as the duties in British Honduras were much less than in most of the other Colonies concerned, the actual reduction was correspondingly less.

The following is an estimate made of the value of the preferences granted in the 1925 agreement, taken from a Colonial Office memorandum on 'Negotiations between the Colonial Empire and the Dominions at, and before, Ottawa'.

Country	*Value of Preference (expressed as a percentage of the value of goods imported)*	*Preference (percentage of general rate)*
British Guiana	19	50
Trinidad	11	50
British Honduras	11	50
Barbados	11	50
St. Lucia	9·4	33⅓
Grenada	7·5	33⅓
Dominica	6·7	33⅓
Antigua	6·4	33⅓
St. Vincent	5·6	33⅓
Jamaica	5	25
St. Christopher and Nevis	5	33⅓
Montserrat	5	33⅓
Virgin Islands	4·1	33⅓
Bahamas	3·1	25
Bermuda	2·5	Removal of 25 per cent. surtax

More often than not the increased preference meant an increase in the duty on foreign goods.

The agreement came into force in April 1927 for twelve years. It was provided that it should continue thereafter, unless twelve months' notice of its denunciation had been given by either

Canada or the Colonies concerned. In 1938 the Dominion gave notice of the denunciation of the West Indies agreement as from 31 December 1939 onwards. Since then it has been prolonged, subject to six months' notice, until the time arrives for a new agreement to be negotiated.[1]

Table VI shows the development of the import trade of Jamaica, Trinidad, British Guiana, and Barbados in 1925, 1927, and two more years during which the 1925 agreement operated, but before the coming into force of the Ottawa Agreements. The most outstanding feature on this table is the comparative stability of the share of total imports coming from the Empire and foreign countries respectively, the largest variation being 6 per cent. In the case of Canada the trend is rather downward as far as her relative share is concerned. On the whole the 1925 agreement merely continued an already existing preferential situation and did not introduce perceptible changes.

TABLE VI. IMPORTS INTO

From:	*U.K.*		*Canada*		*British West Indies*		*Total British Empire*		*U.S.A.*		*Total foreign*		*Grand total*
	£000	%	£000	%	£000	%	£000	%	£000	%	£000	%	£000
						JAMAICA							
1925	1,631	30	816	15	97	2	2,851	53	2,143	40	2,530	47	5,381
1927	1,656	29	1,075	19	166	3	3,281	57	1,939	34	2,432	43	5,713
1929	1,771	26	1,218	18	342	5	3,682	55	2,089	31	3,060	45	6,742
1931	1,405	30	830	18	273	5	2,862	58	1,430	30	1,870	42	4,732
						BARBADOS							
1925	835	36	480	21	226	10	1,663	73	427	19	631	27	2,294
1927	764	34	439	19	267	12	1,624	71	454	20	654	29	2,278
1929	691	34	382	19	216	11	1,431	70	400	20	608	30	2,039
1931	517	35	263	17	171	11	1,050	70	280	19	439	30	1,489
						TRINIDAD							
1925	1,324	31	964	23	87	2	2,654	63	930	22	1,576	37	4,230
1927	1,574	32	966	19	139	3	2,908	59	1,376	28	2,051	41	4,959
1929	1,859	32	992	16	184	3	3,284	57	1,492	28	2,472	43	5,756
1931	1,375	36	657	17	187	4	2,348	62	718	19	1,464	38	3,812
						BRITISH GUIANA							
1925	1,539	53	599	21	101	3	2,285	79	446	15	619	21	2,904
1927	1,264	51	538	22	87	3	1,951	79	346	14	519	21	2,470
1929	1,258	57	416	19	73	3	1,790	73	274	12	425	27	2,215
1931	935	59	229	14	91	6	1,291	81	177	11	303	19	1,594

Table compiled from the *Statistical Abstract for the British Empire*, 1924–33.

Ottawa introduced a new situation. Hitherto the agreements were primarily local in spirit. The United Kingdom was indeed entitled to all the concessions granted on either side, and other

[1] See also below, Chapter 6.

parts of the Empire were also sometimes included in the privilege. But this was a mere extension by grace, and whenever preference was being granted on a specific list of articles it was the Canadian interests that determined the list. It was not until 1932 that imperial preference became part of an Empire-wide scheme, with the imperial rather than the local interest predominant. This also is evidenced by the way the agreements were negotiated. Previously, the West Indians bargained directly with the Canadians. The United Kingdom sent a representative who acted as observer rather than as negotiator. The final word then rested with the Secretary of State without whose consent none of these arrangements could be put into effect. At Ottawa and after, the Secretary of State not only had the last word, but also the first. He conducted the negotiations at Ottawa without any colonial delegates being present. The colonial participation was confined to submitting the requisite material before the negotiations opened. The Colonial Schedules became an integral part of the United Kingdom agreements. Then the Colonies were invited to put them into effect. For the Colonial Empire it was Hobson's choice: participate or have your exports subjected to the general tariff rates in the Dominions and India.

In the West Indies it meant granting preferences to Canada in addition to those already given under the Canada–West Indies Agreement, granting preferences predominantly in the interest of other Dominions, and making all preferences Empire-wide. The latter proviso was not particularly popular with some of the West Indian Governments, who wished for super-preferences among the West Indies themselves and with Canada. However, the new imperial principle of Empire-wide preferences had to be strictly maintained throughout.

In the interest of Canada a preference of 20 per cent. on 'motor vehicles and parts' was granted; a preference of 1*s*. per pair on boots and shoes; 6*d*. per pair on hosiery of cotton and artificial silk and 9*d*. on silk hosiery; 1½*d*. per pound on butter; assimilation of the tariff treatment of pitch-pine to that of other woods and timbers, and the establishment of a margin of preference of not less than 10*s*. per 1,000 feet, &c. The preference on boots and shoes was aimed at Japan and the United States; most of the others, especially the preference on pitch-pine, principally at the United States. The butter preference was welcomed also by

Australia, who secured in addition a preference on brandy and wines; the Australian export of wine was small, but was expected to grow under the shelter of preference. Southern Rhodesia secured preferential treatment for Empire tobaccos, varying according to Empire content.[1] None of the other Dominions asked for particular preferences. Some of these tariff differentials were also in the interest of the United Kingdom, such as those on boots and shoes and on textiles. Something will be said about the effects of certain specific preferences in a later section. For the time being, let us consider the general effect of Ottawa on West Indian trade.

Table VII shows sources of imports from 1929 to 1938. The most marked feature is the increase in imports from the United Kingdom from 1931 onwards, followed by a decline in the proportion of imports from Empire sources after 1935. This cannot have been due to Ottawa; it began before Ottawa, and Canada and the United Kingdom were affected differently. The main reason for it was the depreciation of sterling relatively to the dollar (United States and Canadian) from 1931 to 1933. This depreciation made Canadian and United States goods very expensive, and gave a marked fillip to imports from the United Kingdom in 1931 to 1933, with corresponding declines in imports from Canada and the United States. After 1933 the dollar also was depreciated and Canadian and United States trade again grew. The effects of the depreciation were so large as to overshadow any effects of Ottawa, and to make it difficult to decide just how much of the change was due to Ottawa. We can only say that by 1938 Canadian trade had recovered from the effects of United Kingdom depreciation more than the United States had recovered, at least in Jamaica and in Barbados; on the other hand, in British Guiana the United States had recovered better than Canada; indeed in British Guiana, while imports from Empire sources were lower in 1938 than in 1929, imports from foreign sources were higher. The general effect of Ottawa does not therefore seem to have been large, compared with the other factors operating at the same time, and this is not very surprising in view of the fact that the preferential system had been established in the West Indies long before Ottawa. The bargains at Ottawa affected particular commodities (about which something will be said in Section F) with relatively little impact on the course of general trade.

[1] For a full list of Ottawa preferences see Cmd. 4174 of 1932.

TABLE VII. IMPORTS INTO

From:	U.K. £000	U.K. %	Canada £000	Canada %	British West Indies £000	British West Indies %	Total British Empire £000	Total British Empire %	U.S.A. £000	U.S.A. %	Japan £000	Japan %	Total foreign £000	Total foreign %	Grand total £000
JAMAICA															
1929	1,771	26	1,218	18	342	5	3,682	55	2,089	31	27	0	3,060	45	6,742
1931	1,405	30	830	18	273	5	2,862	58	1,430	30	52	1	1,870	42	4,732
1932	1,887	41	687	15	272	6	3,172	69	817	18	184	4	1,397	31	4,569
1933	1,695	40	675	16	272	6	2,952	70	688	16	200	5	1,264	30	4,216
1935	1,954	40	794	16	291	6	3,475	72	880	18	83	2	1,379	28	4,854
1937	2,006	34	891	15	319	5	4,012	67	1,083	18	128	2	1,939	33	5,951
1938	2,050	33	1,041	17	276	4	4,072	65	1,359	22	70	1	2,163	35	6,235
BARBADOS															
1929	691	34	382	19	213	11	1,431	70	400	20	Comparatively unimportant		608	30	2,039
1931	517	35	263	17	171	11	1,050	70	280	19			439	30	1,444
1932	750	46	249	15	203	13	1,295	79	168	10			348	21	1,643
1933	820	42	206	12	172	10	1,325	77	180	10			394	23	1,719
1935	755	41	259	14	160	9	1,360	74	215	12			480	26	1,840
1937	915	42	323	15	187	9	1,622	74	251	11			597	26	2,219
1938	849	41	272	14	131	6	1,497	72	244	12			591	28	2,088
TRINIDAD															
1929	1,859	32	992	16	178	3	3,284	57	1,492	28	24	0	2,472	43	5,756
1931	1,375	36	657	17	187	4	2,348	62	718	19	47	1	1,464	38	3,812
1932	1,583	44	498	14	180	5	2,427	67	469	13	67	2	1,179	33	3,606
1933	1,780	46	477	12	146	3	2,606	66	513	13	117	3	1,322	34	3,928
1935	1,892	44	522	12	74	2	2,816	65	684	16	76	2	1,470	35	4,286
1937	2,685	36	905	12	114	2	4,251	58	1,746	24	126	2	3,100	42	7,351
1938	2,690	37	881	12	99	1	4,191	58	1,721	24	100	1	3,064	42	7,255
BRITISH GUIANA															
1929	1,258	57	416	19	73	3	1,790	81	274	12	2	0	425	19	2,215
1931	935	59	229	14	91	6	1,291	81	177	11	22	1	303	19	1,594
1932	1,078	64	207	12	87	5	1,417	84	117	7	54	3	272	16	1,689
1933	1,115	61	225	13	87	5	1,494	83	114	6	77	4	307	17	1,801
1935	1,010	55	271	15	75	4	1,473	80	167	9	42	2	359	20	1,832
1937	1,285	54	345	14	89	4	1,902	79	235	10	61	2	502	21	2,404
1938	1,115	50	327	15	95	4	1,707	78	252	11	33	1	504	22	2,211

Table compiled from the *Statistical Abstract for the British Empire*, 1929–38.

As some of the preferences granted had a special anti-Japanese tinge, a word or two may be said about Japanese trade. Expanding during the depression owing to the cheapness of Japanese goods, it reached its peak in 1933, and has been on the decline ever since, partly owing to the specific duties on boots and shoes and hosiery, the impact of which on the cheapest articles was strongest as intended, and also owing to the introduction of the quota system on cotton and rayon piece-goods in 1934.

Opposition to these duties in the Colonies was concentrated on those on certain textiles and rubber boots and shoes, in view of the fear that these articles would no longer be within the reach of the poor, and to the tariff increase on pitch-pines and shooks.[1] Certain shooks apart, no concessions could be granted, as it was found inadvisable to approach the Canadian Government about waiving the margins guaranteed to the Dominion, particularly since the West Indies had a favourable balance of trade with Canada, and the Canadian preferences granted to the Colonies were regarded as very valuable. In later years substitutes became available for a range of the foreign articles shut out by prohibitive duties.[2]

In course of time the general import duties were raised and the margin of preference enlarged whenever it was felt that the duties had not attained their objective, i.e. to expand the colonial markets for Empire suppliers; or simply for revenue reasons combined with a desire to let the foreigner pay rather than the Empire manufacturers. In some West Indian Colonies, duties were approved equivalent to 100 per cent. *ad valorem* or more on foreign articles.[3]

In 1937, when the original Ottawa Agreements expired, a new Canada–United Kingdom Agreement came into force for three years. All the existing preferences were continued in Article 15 of the agreement, provided 'that in the event of denunciation and termination of the Canada–West Indies Trade Agreement of July 1925 either Government shall be at liberty on giving at least six

[1] Pitch-pine is essential for building; shooks are used by the agricultural industry for packing their produce.

[2] See also Section F below.

[3] To quote but one instance, Barbados, in 1935, introduced the following import duties:

	Preferential	*General*
Shirts per dozen . .	2*s*. 6*d*. or 15 per cent.	12*s*. 6*d*. or 50 per cent.
Ties	6*d*. or 15 per cent.	1*s*. 3*d*. or 50 per cent.

months' notice to terminate the provisions of this article not earlier than the termination of that Agreement'.

The Ottawa Agreements between the United Kingdom and the other Dominions have not yet been superseded by new agreements. Up to the outbreak of war in 1939 the old arrangements were still in force, except in India.

The 1932 agreements provided that 'in the event of circumstances arising which in the opinion of either party necessitate a change in the rates of duty or margin of preference settled by the agreement on any particular description of goods, that party shall notify and consult with the other party with a view to adjustment being agreed upon'. This clause was of great importance when it came to making the requisite alterations in preferences necessitated by the United Kingdom–United States Trade Agreement of 1938.

British colonial–American trade is on a very large scale, and the balance is very much in favour of the Colonies. When the agreement was negotiated, the United Kingdom trade delegation agreed to make concessions on a long list of specific items in specific Colonies.[1] In the great majority of cases where concessions were given, the United States was the principal supplier of the article in question. Where the preferential margin was reduced, it generally was not by more than half; this was in order to balance the fact that the American negotiators had no power under the Reciprocal Trade Agreement Act to do more than reduce the American tariff rates by 50 per cent.

The West Indian lists of concessions are longest. This was due to the fact that there the United States is the principal foreign supplier of more commodities than any other country. The concessions frequently were given in the form of conventionalization of existing preferential margins. The Canada–West Indies Trade Agreement, however, was not infringed upon.

The value of the trade covered by concessions in the Colonial Empire where preferential margins were reduced exceeds the colonial trade in those cases where the United States reduced her tariff. On the other hand, the amount of trade covered by the American conventionalization of duty-free entry in favour of colonial products was many times in excess of the amount of United States trade covered by the conventionalization of the existing preferential margins in the Colonial Empire.

[1] See Schedule III to the Trade Agreement, Cmd. 5882 of 1938.

Canada agreed to waive certain margins of preference bound to her under the United Kingdom–Canada Trade Agreement. Among these was the 20 per cent. preference on motor-cars and parts, now reduced to 15 per cent.,[1] various preferences on foodstuffs, timber, electrical appliances, &c.

The agreement became operative in the West Indies in December 1938 or in January 1939. A few instances apart, the agreement meant a tariff reduction as desired by H.M. Government in the United Kingdom, and not an increase in the preferential rate.

As the United Kingdom–United States Trade Agreement had not yet been in force for even one full year when war broke out in 1939, nothing much can be said about the effects of the tariff reductions secured.

B. THE AFRICAN COLONIES

Most East African Colonies and Protectorates are precluded from granting imperial preferences owing to international obligations. The same holds true of the Gold Coast, and, until 1936 when the Anglo-French Convention (1898) came to an end, Nigeria too was not allowed to introduce a tariff discriminating in favour of the Empire. No use has been made of the right to introduce preference into the last-mentioned Colony. The African Colonies where preferential tariffs have been put into effect are Sierra Leone, the Gambia, Northern Rhodesia, and British Somaliland.

Both *Sierra Leone* and *the Gambia* introduced a preferential tariff a few months before the signature of the Ottawa Agreements (April and June 1932 respectively). The purpose of their action was to safeguard United Kingdom and Empire trade in general against Japanese and other foreign competition. The margin of preference in the case of *ad valorem* duties became 25 per cent. in the Gambia, and 10 per cent. in Sierra Leone. However, the much wider use of specific duties made the preference in Sierra Leone far more restrictive on foreign trade than the Gambia tariff. In Sierra Leone the average specific margin of preference works out as being equivalent to 100 per cent. *ad valorem* on cotton piece-goods, and more on certain other articles. Rubber and canvas boots and shoes were subjected to an alternative specific duty equivalent to 300 per cent. *ad valorem* on the cheaper classes of shoes of non-British origin and to 100 per cent. *ad valorem*

[1] This does not include tyres and tubes.

under the preferential tariff.[1] The tariffs in the two Colonies concerned were regarded as sufficiently discriminatory in favour of the Empire, so that on the whole no further alterations were required to implement the Ottawa Agreements. Some modifications in the tariff were effected in subsequent years in order to enable British manufacturers to compete on even more favourable terms with foreign suppliers. In 1934 special action was taken against Japanese trade by means of discriminatory duties and quotas.

Table VIII shows the development of the import trade of the two discriminating Colonies and, for comparison's sake, the Gold Coast and Nigeria where discrimination was confined to Japanese goods. If we compare the two boom years 1929 and 1937, we find an increase in the Empire's percentage share of

30 per cent. in the Gambia,
18 ,, ,, ,, Sierra Leone,
4 ,, ,, ,, the Gold Coast,

and a decline of 11 per cent. in Nigeria. As far as the United Kingdom is concerned, the development in her favour was

12 per cent. in the Gambia,
11 ,, ,, ,, Sierra Leone,
1 ,, ,, ,, the Gold Coast,

and a decline of 16 per cent. in Nigeria.

One of the outstanding features of Table VIII is the relatively large increase in the share of the overseas Empire other than India and West Africa. This probably was due mainly to a change in the method of compiling the official statistics. The import figures in Sierra Leone and the Gambia relate to countries of consignment until 1931 and from 1932 onwards to countries of origin. The Gold Coast and Nigeria changed their statistics the same way in 1934. In each one of the four Colonies the share coming from the overseas Empire (other than India and West Africa) immediately 'rose' as follows:

	1929	*1931*	*1932*	*1933*	*1934*	*1935*	*1937*
Gambia (£000)	..	..	*3*	4	4	10	32
Sierra Leone (£000)	4	5	*22*	33	111	57	157
Gold Coast (£000)	51	13	7	9	*52*	109	254
Nigeria (£000)	4	2	1	1	*42*	50	131

[1] This subject has been dealt with in much greater detail in Charlotte Leubuscher's unpublished memorandum, *Trade and Trade Policy in Africa*.

TABLE VIII. IMPORTS INTO

THE GAMBIA

From:	U.K.		India and Burma		British West Africa		Total British		U.S.A.		Japan		Total foreign		Grand total
	£000	%	£000	%	£000	%	£000	%	£000	%	£000	%	£000	%	£000
1929	206	34	0	0	63	10	269	45	40	7	..	..	328	55	597
1931	94	37	12	4	24	10	130	52	21	8	0	0	120	48	250
1932	149	51	13	4	29	10	194	67	18	6	2	0	99	33	293
1933	219	50	33	8	36	9	292	66	14	3	28	7	144	34	436
1935	224	47	54	10	68	10	356	74	17	3	4	0	127	26	483
1937	323	46	109	8	60	9	524	75	21	3	7	1	181	25	705
1938	127	41	13	4	29	10	181	60	10	3	4	1	96	40	277
							SIERRA LEONE								
1929	957	57	7	0	53	3	1,022	61	254	15	1	0	645	39	1,667
1931	663	66	3	0	15	2	686	68	133	13	2	0	305	32	991
1932	822	67	33	3	12	1	889	73	134	11	23	2	331	27	1,220
1933	482	59	48	6	6	1	572	70	90	11	43	5	245	30	817
1935	801	71	77	7	4	0	939	83	74	7	9	0	188	17	1,127
1937	1,141	68	112	7	9	0	1,419	84	76	4	29	1	273	16	1,692
1938	905	66	64	4	11	0	1,161	85	87	7	20	1	206	15	1,367
							GOLD COAST								
1929	4,628	48	94	0	254	3	5,027	52	1,602	17	41	0	4,599	48	9,626
1931	2,402	55	53	1	121	3	2,589	58	769	17	34	0	1,849	42	4,438
1932	3,168	59	96	2	124	2	3,395	63	715	13	71	1	1,955	37	5,350
1933	2,825	55	133	3	136	3	3,103	61	650	13	167	3	1,993	39	5,096
1935	4,213	57	261	2	158	2	4,741	64	755	10	231	3	2,635	36	7,376
1937	6,049	49	311	3	219	2	6,833	56	1,362	11	503	4	5,474	44	12,307
1938	4,289	56	216	3	180	2	4,813	63	796	10	282	4	2,844	37	7,657
							NIGERIA								
1929	9,316	70	13	0	364	3	9,697	73	1,005	8	2	0	3,519	27	13,216
1931	4,595	71	72	1	118	2	4,788	74	584	9	12	0	1,721	26	6,509
1932	5,355	74	139	2	74	1	5,569	77	548	8	122	2	1,625	23	7,194
1933	4,391	69	203	3	61	1	4,656	74	399	6	317	5	1,683	26	6,339
1935	4,784	61	454	6	15	0	5,303	68	483	6	214	3	2,501	32	7,804
1937	7,960	55	898	6	31	0	9,020	62	948	6	917	6	5,604	38	14,624
1938	4,713	55	639	7	13	0	5,452	63	694	8	379	4	3,180	37	8,632

Table compiled from the *Statistical Abstract for the British Empire*, 1929–38.

But even though a large part of the 'advance' was due to the change in statistical data, the continued rise suggests that some of it must have been due to a genuine increase in trade. The advance was relatively (though not absolutely) largest in the two preferential Colonies, i.e.

	From 1929 to 1937
Gambia	11 per cent.
Sierra Leone . . .	8 ,,
Gold Coast . . .	0 ,,
Nigeria	1 ,,

If we look at the United Kingdom share of the trade, we find that, preference or no preference, her share was at a relative maximum in 1932 in the Gambia and the two non-discriminating Colonies. Only in Sierra Leone was the 1932 percentage share surpassed in 1935, but this had returned to slightly below the 1932 proportion by 1938. The high level of United Kingdom imports in 1932 is probably due mainly to the depreciation of sterling. In Sierra Leone the additional preferences and the quotas are probably responsible for the additional upswing in the United Kingdom's share.

Northern Rhodesia has granted preferential treatment to the United Kingdom and Canada ever since 1903 when she joined the South African Customs Union. Preferential treatment by means of a rebate of the duty on certain imports coming from any part of the Empire was granted in 1906.[1] Of present-day arrangements two are outstanding, i.e. the Customs Union with the Union of South Africa and Southern Rhodesia of 1930, and the Ottawa preferences. The former are the only super-preferences which have been permitted in the Colonial Empire since 1932. This arrangement was specially safeguarded in all commercial treaties negotiated between the United Kingdom and other parts of the Empire, so that territories enjoying most-favoured-Empire-nation treatment could not claim to be entitled to its benefits. All this applies to North-Western Rhodesia only, North-Eastern Rhodesia being debarred from entering into preferential tariff arrangements by the Congo Basin Treaty. North-Eastern Rhodesia, though covering over one-third of the area of the Colony, is negligible as far as foreign trade is concerned.

The trade between Northern Rhodesia and Southern Rhodesia

[1] See also section on Southern Rhodesia, Chapter 6, Section F.

and the Union of South Africa has the character of internal rather than foreign trade. Consequently it was only natural that Northern Rhodesia desired to enter into a close commercial alliance with the other Rhodesia and the Union. Her only access to the sea towards the south is via the Union or Portuguese East Africa.

The present Northern Rhodesia tariff is based upon the Union tariff of 1925, and was adopted in 1931 after the conclusion of the Customs Agreement with Southern Rhodesia, requiring identical tariffs in the two customs areas. Later, however, some divergencies occurred when the duties were raised for revenue needs and when similar, but not identical, concessions were granted to implement the Ottawa Agreements. A new agreement was concluded in 1933. Special arrangements also exist with the South African High Commission territories dating from 1915. In the last-mentioned case the volume of trade involved is negligible.

The outstanding provisions of the agreement with the Union and with Southern Rhodesia are as follows:[1]

1. On goods imported into the Union or Southern Rhodesia and removed to Northern Rhodesia, and vice versa,

> 'duty is collected by the Government of the territory into which the goods are first imported and is transferred to the Government of territory of ultimate destination. In the case of the Union Agreement, the duty is assessed at the Union rates, additional duty being collected and transferred to Northern Rhodesia on the more important of the items on which the Northern Rhodesia duty is higher. In the case of the Southern Rhodesia Agreement the duty is collected and transferred at the rate in force in the country of ultimate destination. A 5 per cent. collection fee is charged in all cases of the Union Agreement, but this was recently discontinued in the case of Southern Rhodesia. . . .[2] The only direct cost of the collections made by the Union and Southern Rhodesia is the collection fee of 5 per cent. payable to the Union which amounts to about £700 per annum.'

2. Certain alcoholic drinks of Union and Southern Rhodesia manufacture, and Union cigarettes and tobacco manufactures, are admitted into Northern Rhodesia at preferential rates subject to

[1] Cf. *Report of the Commission Appointed to Enquire into the Financial and Economic Position of Northern Rhodesia.* Colonial No. 145 of 1938.

[2] The amount of duty transferred in 1936 from the Union and Southern Rhodesia was £11,226 and £46,035 respectively. The amount transferred by Northern Rhodesia was negligible.

rebates of 25 and 50 per cent. on the former, 75 per cent. on the latter.

3. All other goods, the produce or manufacture of one of the territories covered by the agreement, are admitted free of duty, 'but the following payments are made to the Government of the territories to which manufactured goods are removed by the Government of the exporting territory:

	Union	*S. Rhodesian*
	Agreement free on rail value	
Manufacture of goods consisting of agricultural and animal products and foodstuffs and non-alcoholic beverages .	15 per cent.	12 per cent.
All other manufactured goods (excluding tobacco and cigarettes in the case of the Union)	10 per cent.	9 per cent.

The percentage payments are based on the duty which would be received by the Government of the importing country if the goods were charged on importation at preferential rates. They are intended to make up to some extent for the very heavy balance of trade in favour of the Union and of Southern Rhodesia. Under the 1930 Agreement with the Union and under the 1933 Agreement with Southern Rhodesia the percentages were fixed at 12 per cent. and 6 per cent. . . . It was found, however, in 1935 that owing to alterations in the type of goods and the general decrease in prices of goods liable to specific duties the preferential at Northern Rhodesia rates were higher than the percentage rates fixed in the Agreements. After negotiations the rates under the Union Agreement were increased to 15 per cent. and 10 per cent. and under the Southern Rhodesia Agreement to 12 per cent. and 9 per cent.'

Furthermore, provision was made for the transference of excise duties and surtaxes on certain commodities and the duty-free admittance of 50,000 lb. of Union leaf tobacco (of no value to the Union as none was imported).

Northern Rhodesia and Southern Rhodesia agreed in the 1933 Customs Agreement to allow each other the protection of the home-producer subject to prior consultations. The only cases where this clause became of importance was when Northern Rhodesia introduced a quota system for the import of leaf tobacco and a similar arrangement for maize in 1936.

In 1932 provision was made for certain preferences in Northern Rhodesia in the United Kingdom–Canada Agreement concluded at Ottawa which, of course, had to be made Empire-wide. The most important items involved were electrical machinery and motor-cars and trucks. In the latter case Canada actually desired no more than the assimilation of the tariff treatment accorded to United Kingdom and Canadian motor trucks. As a rule, the 1932 preferential rate was 10 to 12 per cent. *ad valorem*, the general rate 15 to 30 per cent. Alternative specific duties were provided for certain foreign textiles and a few more items.

TABLE IX. (*a*) IMPORTS INTO NORTHERN RHODESIA

From:	*U.K.*		*Canada*		*U.S. Africa and S. Rhod.*		*Total British Empire*		*U.S.A.*		*Total foreign*		*Grand total*
	£000	%	£000	%	£000	%	£000	%	£000	%	£000	%	£000
1929	1,533	43	93	3	862	24	2,541	71	570	16	1,061	29	3,602
1930	2,025	34	125	2	1,200	20	3,398	57	758	13	1,465	43	4,463
1931	2,270	44	96	2	1,372	27	3,796	74	695	14	1,345	26	5,141
1932	597	32	31	2	724	39	1,394	80	197	10	471	20	1,865
1933	647	34	37	2	751	40	1,483	78	181	10	449	22	1,932
1935	1,332	46	61	2	860	33	2,304	79	270	9	599	21	2,903
1937	1,473	37	98	2	1,340	34	2,990	60	475	12	1,014	40	4,004
1938	2,227	44	136	3	1,564	31	4,013	79	523	10	1,102	21	5,115

(*b*) IMPORTS INTO NORTHERN RHODESIA

Excluding Imports from the Union of South Africa and Southern Rhodesia

From:	*U.K.*	*Canada*	*Total British Empire*		*U.S.A*	*Total foreign*	*Grand total*
	%	%	£000	%	%	%	£000
1929	56	3	1,679	61	21	39	2,740
1931	60	2	2,424	64	19	36	3,769
1932	52	3	670	59	17	41	1,141
1933	45	2	732	62	12	38	1,181
1935	65	3	1,444	71	13	29	2,043
1937	55	4	1,650	62	18	38	2,664
1938	63	4	2,449	69	15	31	3,551

Table compiled from the *Statistical Abstract for the British Empire*, 1929–38.

Table IX (*a*) suggests an intensification of the trade between the members of the South African Customs Union as far as proportional share goes from 1931 onwards. The absolute figures show a tendency to rise and fall with the total, slightly more favourable towards the members of the Customs Union during the later peak than during the earlier one.

If intra-South African trade is excluded, and an attempt is made to estimate the effects of Ottawa, we must look at Table IX (*b*). This shows fairly wide fluctuations, but the general effect seems to be that the percentage of British trade increased after 1932 relatively to foreign trade.

British Somaliland adopted the principle of imperial preferences in 1932. According to one of the Governor's dispatches on the subject in 1936, it was stated that the effect could be regarded as negligible with the possible exception of Indian rice and tea.

C. THE EASTERN COLONIES

The earliest preferences in the Eastern Colonies, as in the West Indies, were differentials in favour not of the United Kingdom, but of a nearby Dominion, in this case Australia. In Chapter 2 reference has been made to the more favourable treatment accorded to Australian wines in Fiji than to wines coming from other sources. This was done by means of a subdivision of the tariff, classing 'Bordeaux (claret) Australian' separately. In 1911 'New Zealand and South African' was added to 'Australian'. Similar provisions were in force in the Straits Settlements, Ceylon, and various other Far Eastern Colonies. However, the only open preference was accorded by Tonga, where Australian wines enjoyed a preference of 25 per cent.[1] This can, however, be considered a minor breach of the principle of the 'open door'. The first imperial preferences of any importance in the Far East date from 1921 in *Fiji*.

The reasons for Fiji's adoption of a preferential tariff were the same as in the other parts of the Colonial Empire adopting it at that time. Perhaps Fiji's preferences were on a larger scale than anywhere else, as the free list in that Colony had been dwindling at such a rapid rate, so that in 1918 only 11 per cent. of all tariff items were admitted duty free. Before 1921 the duty on articles not on the specific list was 12½ per cent. *ad valorem*. In that year it was raised to 15 per cent. *ad valorem* British preferential and 27½ per cent. general. On items on the specific list the new preference was usually equivalent to 50 per cent. *ad valorem*. The preferences were made Empire-wide at once.

No perceptible changes were brought about by Fiji's adoption of the preferential principle in 1921. The proportion of the import trade coming from imperial sources was and remained predominant throughout. (See Table X.)

A general tariff revision—in the upward direction—was made in 1928, but the principle underlying Fiji's trade policy did not undergo any alterations before 1931. In that year a special agreement with New Zealand came into force by which Fiji and New

[1] Cf. United States Tariff Commission, op. cit., p. 359.

Zealand granted each other the benefits of about half a dozen special preferences. As far as the Colony was concerned, these super-preferences were accorded to all 'scheduled countries', i.e. the United Kingdom, New Zealand, Canada, and Hong Kong. In the words of the Governor, 'it being the intention to have

TABLE X. IMPORTS INTO FIJI

From:	*U.K.*		*Australia*		*N.Z.*		*Total British*		*U.S.A.*		*Total foreign*		*Grand total*
	£000	%	£000	%	£000	%	£000	%	£000	%	£000	%	£000
1913	186	20	494	53	90	10	858	91	50	5	79	9	937
1920	241	14	845	50	231	14	1,453	85	175	10	220	15	1,673
1922	219	24	422	44	103	11	845	89	76	8	101	11	946
1925	332	26	575	46	117	9	1,102	87	143	10	161	13	1,263
1929	419	29	534	37	135	9	1,273	88	121	7	181	12	1,454

Table compiled from the *Statistical Abstract for the British Empire*, 1907–23, 1924–33.

reciprocity with all parts of the Empire which extend to us treatment not less favourable than that which is given by New Zealand'.[1] Thus Fiji adopted a three-decker tariff, i.e. a British super-preferential, a British, and a general one, which meant discrimination against Australia without depriving the Commonwealth of any of the benefits previously accorded to her. The initiative for this step was taken by the Fiji Legislative Council as far back as 1926. The reason was that the Colony and Australia were constantly at loggerheads with each other, ever since the Commonwealth Government had embarked on high protectionism in favour of the Queensland growers of bananas and sugar, thus shutting out the Fiji produce.[2]

It was only natural that the Colony desired to find an alternative outlet for her surpluses by an intensification of her trade relations with nearby New Zealand. A similar attempt to come to a special arrangement with Canada had not yet borne fruit when the Ottawa Agreements materialized. In contrast to the Canada–West Indies Agreement of 1925—which, subject to minor qualifications and its extension to the whole Empire, was not incompatible with the spirit of Ottawa and could exist side by side with the 1932 preferences—the Fiji–New Zealand Agreement had to go, as super-preferences were regarded as incompatible with the spirit of Ottawa.

In short, Ottawa in this case revived the principle of 1921, i.e. equality of opportunity for all Empire traders. Additional preferences were granted on a range of articles of special interest to

[1] Address to the Legislative Council, 1 June 1931.

[2] See also Chapter 6, Section D.

Australia as, for example, on electrical lamps, and even more so to Canada as, for example, on boots and shoes, certain textiles, motor-cars and vehicles, and a rather high specific preference on timber.[1] All these except the last were also of interest to the United Kingdom. The object was to divert trade from foreign sources to the Empire, and in particular away from Japan and other Asiatic sources of supply.

No changes in principle occurred till 1938, when, under the United Kingdom–United States Trade Agreement, certain tariff reductions were brought about and maximum margins of preferences guaranteed, the most important cases being motor vehicles and parts, and certain oils.

Ottawa was nothing but a superstructure on already existing arrangements in Fiji and in *British North Borneo*, where a preferential rebate of 25 per cent. *ad valorem* had been given from 1927 onwards. Elsewhere in the Far East it meant the adoption of a principle entirely new to the tariff structure of the Colonies concerned—Mauritius and the few odd exceptions mentioned above apart. Even the free ports *Hong Kong* and the *Straits Settlements* joined in, although to a limited extent only. They granted a preference on tobacco, brandy, and wines to Australia and pleased Canada by imposing a registration fee of 20 per cent. *ad valorem* on foreign motor-cars. Their participation was due to the fear that otherwise they might be left out in the cold, as the Dominions reserved the right to withhold preference from Colonies which did not reciprocate although not prevented from doing so by international obligations. Therefore the free ports adopted the principle of discrimination, in so far as it did not interfere with their entrepôt trade. Hong Kong, however, was unlucky. Canada refused to reciprocate, claiming that Hong Kong goods could not safely be treated as British without enabling the Japanese and Chinese to evade the intermediate and general tariff respectively. The same happened in other Dominions with the exception of New Zealand. All the same, Hong Kong never withheld preference from Canada or any other part of the British Empire.

In the *Western Pacific Islands*, Tonga and the British Solomon Islands Protectorate introduced a preferential tariff in 1933, the Gilbert and Ellice Islands in 1934. Preference was given on almost all dutiable goods. Fiji has been dealt with already. The

[1] 2*s*. per 100 superficial feet; compare with 10*s*. per 1,000 feet in the West Indies.

only group which has not adopted imperial preference is the Anglo-French condominium in the New Hebrides, on account of its bi-national status.

The various customs tariffs in *British Malaya* so far had been confined to a small number of articles. To implement Ottawa, new duties on many foreign articles had to be imposed. Apart from the usual tariff differentials in favour of Empire boots and shoes, brandy, motor-cars and the like, Australia and particularly Canada were successful in securing the guarantee of 10 and 15 per cent. *ad valorem* preferences on a range of foodstuffs on which duties were being imposed at that time out of revenue needs. Canada further got similar margins on electrical batteries and printing and wrapping paper. Geographical propinquity made India particularly interested in these markets. She asked for a specific preference of 2 cents per pound on kachang and ginghelly oils, and a differential of not less than 10 per cent. on a range of commodities of which India had an export surplus far in excess of Malayan requirements. The most important of these cases was cotton piece-goods. In most cases India's requests were granted at Ottawa. But not in all; for example, when the Indian delegation asked for a preference on rice, the United Kingdom delegates represented that, in the then prevailing distressed state of the principal industries of Malaya, it would be impossible to take any action which might have the effect of raising the price of the staple food of the population; the request was accordingly withdrawn. All these favours to India were to be introduced by all 'those Governments of British Malaya with whose tariff policy it is consistent to impose duties on the commodities in question', the purpose of this clause being to exclude the Straits Settlements.

Nowhere in the Colonial Empire, with the exception of Ceylon, were so many difficulties encountered in putting the Ottawa Agreement into effect as in British Malaya. And the main difficulty was with the Indian Agreement. In several instances where preference had been promised at the Imperial Conference, the cost of imposing a differential duty was held locally to be out of proportion to the potential gain to India. In one case, paraffin wax, India was the only supplier of any importance. The whole position, together with the Colonial Office view on the matter, is summarized in the Secretary of State's dispatch to the High Commissioner of Malaya, dated 30 September 1932. He stated that the pledges given on behalf of the remainder of the Colonial Empire would be put into effect *in toto*, and that it would be unfortunate if Malaya were to be an exception. The Straits Settlements were exempt from placing duties on articles in which they have an entrepôt trade, and this clause was not intended to refer to such states as have no such trade, like Johore, Kedah, and Perlis.

'Johore in particular cannot hope to be granted a preference on such commodities as areca-nuts which are of great importance to her, without giving preferences in return. The refusal of a preference on cotton piece-goods which are of great importance to India, would be greatly resented, but even in the question of her other commodities, a question of principle is at stake. . . . Sharkfins and fishmaws and tanned hides and skins form part of the Indian Agreement, and although I agree that on merits there is no strong case for imposing a duty, for the reasons set out above, I attach importance to carrying out the Indian Agreement, except in the case of paraffin wax which is a very special case. I therefore trust that the minor inconvenience of making the articles dutiable will be accepted.'

The agreement was then put into effect in full.

A start had already been made a few months before the signature was affixed to the Ottawa Agreements. In March 1932, when the preferential policy had been decided upon, a limited range of preferences was introduced in principle in the Federated Malay States and the Unfederated Malay States on such articles as certain alcoholic beverages, cigarettes, cement, &c. The preference was, however, confined to the United Kingdom, Ireland, the Dominions, the Straits Settlements, and other British Malayan states. The reason given was that it is easier to extend preferences than to withdraw them; also, Hong Kong was excluded because of the difficulty of proving whether the goods from Hong Kong were genuinely British. However, this state of affairs did not last long, and when the Ottawa preferences came into force, they naturally were made Empire-wide.

A further difficulty arose from the fact that British Malaya is divided into seven distinct customs areas. At the time of the introduction of the preferential tariff, the High Commissioner informed the Governments of Johore and Kedah that all H.M. Government asked for was that the necessary margins of preference should be given. But at the same time he said that the conditions in Malaya required that when a tariff differential was imposed, it should be uniform in all the administrations of the Peninsula which adopt it. The two states wished for free admission of certain British goods, on which a lower preferential tariff had been imposed in other parts of Malaya. The Secretary of State ruled that as 'they do not wish to, and have appealed to me against being compelled to do so, there seems to be no administrative reason why the Governments of Johore and Kedah should be compelled to tax British goods. Moreover, the taxation of British goods at a low rate and of foreign goods at a higher rate is a form of preference less valuable than the free admission of British goods with a proportionate lower rate of duty on foreign goods'.[1] The rulers were informed accordingly that preference should be given in the form most suitable to local conditions, although the desirability for uniformity was stressed.

In 1936 the High Commissioner argued in favour of the abolition of the preference on certain foodstuffs which had been made dutiable on account of revenue needs in 1932, and on which Canada and Australia had secured a preference at Ottawa. The Secretary of State approved of the abolition of the duties under the British preferential tariff, but in view of the forthcoming revision of the 1932 agreements insisted upon the maintenance of the margin of preference. The only revision of importance in British Malaya that could be made as far as margins promised to Canada were concerned, was that the preference on electrical batteries was confined to electrical batteries for use in motor-cars, as Canada exported no other type to Malaya. No change in principle occurred throughout the period except for the tariff reductions and the binding of certain margins of preference under the United Kingdom-United States Agreement of 1938. The list of articles on which equality of trading opportunity was guaranteed to the United States is particularly long in the case of British Malaya.[2] The *ad valorem* margins enumerated in the relevant schedules of the agreement are usually small and there are no margins for specific duties. Article 14 of the American Agreement especially safeguarded the existence of the registration tax on foreign motor-cars—without actually mentioning it, although the schedules determine that it should be no higher than 15 per cent.

Not much enthusiasm was displayed for imperial preferences in

[1] Dispatch to the Governor of Straits Settlements, 20 February 1933.

[2] Cf. U.K.-United States Agreement, Cmd. 5882 of 1938, pp. 39–46.

Ceylon where the principle was originally adopted for three years only. Thereafter the Council of Ministers decided to prolong it for six months each time the arrangement was due to expire. Not even the United Kingdom's grant of preference on soya beans in 1935, so much desired by Ceylon, brought about any change in their attitude. It was only in 1938 when certain concessions were granted to Ceylon by taking grey cotton piece-goods out of the unpopular textile quota that imperial preferences were made permanent; and this only because it was the condition of the Colonial Office for the concession just mentioned.

The concessions granted to the Dominions on behalf of Ceylon at Ottawa were more modest in scope than in most of the other Colonies. Canada and Australia secured some differentials of either 10 or 15 per cent. on a limited range of foodstuffs. Australia also received the promise of specific preferences on brandy and wines. Pledges given to India, on the other hand, were more extensive in view of the natural interest of India in the nearby market. Preferences of not less than 10 per cent. *ad valorem* were promised on certain articles including cotton piece-goods; certain foodstuffs, including a mutual grant of specific preferences on tea, the purpose of which was to protect both countries against the imports of foreign teas which, when blended with a local brand, used to be re-exported as Empire produce; and a few more articles of special interest to India.

Trouble arose when Australia felt unable to grant a preference on tea for fear of offending the Netherlands East Indies, one of her best customers. The adoption of preference in Ceylon was immediately in danger. Finally a compromise was reached by which Ceylon acquiesced in Australia's action, but in her turn withheld the preference on brandy and wines.

Regarding the Indian Agreement the Colony's attitude was not too favourable. No preference was given on textiles, as Ceylon was not willing to participate in the anti-Japanese trade measures more than absolutely necessary, nor on some of the other commodities where a differential had been pledged. India protested and a Ceylon deputation subsequently visited India to discuss matters. It achieved no concrete results (1933). In July 1934 Ceylon imposed protective duties on eggs, vegetables, ghee, ginger, fish oil, and betel leaves. India again protested, and Ceylon invited her to send a delegation to Ceylon. In July 1935 India replied that they appreciated the invitation but had not yet completed their examination of the matter and would communicate again later. Nothing further transpired until April 1936 when the Government of India asked the India Office whether there had been any further developments, to which the reply was that the next move appeared to be with India. In 1937, when the negotiations between the United Kingdom and India started in London, a Ceylon trade delegation was invited to attend. Then the Indians were not in a position to negotiate about Ceylon (see also Chapter 6). Finally, when the United Kingdom–Indian negotiations had come to a successful conclusion, it was decided that, within six months from August 1939, local negotiations should start between India and Ceylon, to which the United Kingdom should send a representative. However, the outbreak of war prevented this scheme from materializing.

In the meantime the United States Agreement had been made operative, which necessitated the waiving by India of some preferences in Ceylon. The commodities involved were dried and preserved fruit and certain iron and steel goods.

As to the effects of the Far Eastern preferences on the distribution of the import trade between imperial and foreign suppliers, Table XI shows that the Empire share remained predominant in Fiji, though there was some decline in 1933. The United Kingdom experienced an improvement in her proportionate share, and by 1935 had surpassed Australia as the principal source of imports. The Commonwealth's continuous decline must be ascribed to the bad commercial relations between the two countries which did not improve after Ottawa. Perhaps it is safe to attribute the Empire's slight decline to this fact, which appears to have been far-reaching enough in its effects to outweigh any improvements in the United Kingdom share. However, a similar downward trend can be observed in the case of New Zealand, in spite of the cordial trade relations with that Dominion. 1932 is the only year since 1920 shown on Tables X and XI when New Zealand's share improved absolutely and relatively. This appears to have been the effect of the special tariff arrangements of 1931, which when made Empire-wide ceased to exert their initial stimulus any longer. The total foreign share moved rather parallel to the share of the United States. The dip in the latter in 1932 may be due to the depreciation of sterling.

TABLE XI. IMPORTS INTO

FIJI

From:	U.K.		Canada		Australia		New Zealand		India and Burma		Total British		U.S.A.		Japan		Total foreign		Grand total
	£000	%	£000	%	£000	%	£000	%	£000	%	£000	%	£000	%	£000	%	£000	%	£000
1929	419	29	85	6	534	37	135	9	69	5	1,273	88	121	7	24	2	181	12	1,454
1931	257	29	40	4	371	41	81	9	33	4	793	88	52	6	24	3	108	12	901
1932	251	30	26	3	317	38	99	12	34	4	738	89	26	3	30	4	96	11	834
1933	297	33	34	4	342	38	79	9	34	4	802	89	38	4	35	4	107	11	909
1935	435	40	51	5	277	26	41	4	81	8	916	84	86	8	36	4	183	16	1,099
1937	533	35	95	6	463	30	51	3	107	7	1,297	84	109	7	57	4	247	16	1,544
1938	494	34	92	6	453	30	46	3	110	8	1,234	84	116	8	38	3	239	16	1,473

CEYLON

From:	U.K.		British Malaya		Australia		Union of S. Africa		India and Burma		Total British		U.S.A.		Japan		N.E.I.		Total foreign		Grand total
	£000	%	£000	%	£000	%	£000	%	£000	%	£000	%	£000	%	£000	%	£000	%	£000	%	£000
1929	6,715	22	345	1	800	3	499	2	12,228	40	21,335	71	1,012	3	806	3	2,676	8	8,890	29	30,225
1931	3,036	19	97	0	383	2	249	2	6,822	41	11,045	68	680	4	802	5	1,457	9	5,331	32	16,376
1932	2,781	19	83	0	367	2	116	0	6,049	41	9,802	67	320	2	992	5	1,380	9	4,902	33	14,704
1933	2,319	17	107	0	341	3	145	1	5,220	39	8,544	64	242	2	962	7	1,149	9	4,742	36	13,286
1935	3,515	21	161	0	395	2	287	2	6,311	37	11,242	66	364	2	917	5	1,248	7	5,812	34	17,054
1937	4,036	22	199	1	471	2	125	0	6,530	36	12,060	66	467	3	1,233	7	1,515	8	6,135	34	18,195
1938	3,647	27	147	0	459	3	151	0	6,464	37	11,867	67	383	2	1,155	7	1,286	7	5,798	33	17,665

BRITISH MALAYA

From:	U.K.		Hong Kong		Australia		India and Burma		Total British		U.S.A.		Japan		N.E.I.		Total foreign		Grand total
	£000	%	£000	%	£000	%	£000	%	£000	%	£000	%	£000	%	£000	%	£000	%	£000
1929	16,718	16	3,305	3	1,735	12	8,585	8	35,814	35	3,715	4	2,705	3	31,851	31	66,989	65	102,803
1931	7,244	14	578	1	935	2	4,869	9	15,448	29	1,344	3	2,088	4	20,127	38	37,449	71	52,897
1932	6,426	15	409	0	967	2	3,911	9	14,255	32	851	2	1,986	5	15,486	35	29,702	68	43,957
1933	5,912	14	426	1	923	2	3,613	9	13,198	32	650	2	3,103	8	12,883	31	27,664	68	40,862
1935	8,764	16	448	0	1,109	2	4,038	7	18,082	33	1,064	2	3,547	7	17,246	32	36,360	67	54,442
1937	12,362	15	961	1	1,695	2	5,369	7	26,084	33	1,856	2	4,723	6	25,673	32	53,240	67	79,324
1938	11,898	19	990	2	1,526	2	4,803	8	23,429	37	1,998	3	1,450	2	17,246	27	40,342	63	63,771

Table compiled from the *Statistical Abstract for the British Empire*, 1929–38.

In Ceylon we find a slight downward trend in the Empire's share. A comparison of 1929 with 1937 shows a 5 per cent. decline. The United Kingdom, on the other hand, supplied 22 per cent. of the total imports in 1929 and in 1937. In the meantime she had experienced a decline up till 1933, and a recovery afterwards. Her absolute share never reached the 1929 level again. The most important supplier is India. Her proportion of the total remained fairly stable with rather a downward tendency (4 per cent. less in 1937 than in 1929).

The figures for British Malaya must be used with caution in view of the large entrepôt trade. Thus any consideration of the problem under review in connexion with Malaya must by the very nature of her case be no more than a guess. It is, however, remarkable that a comparison between the two boom years 1929 and 1937 shows that no considerable changes in the import trade had taken place as far as the relative shares of the most important British countries and the Empire as a whole were concerned.

There is a good deal of documentation as to the effect of imperial preferences on the entrepôt trade of Malaya. On balance it can hardly be denied that the regulations adopted to render the preference effective encouraged a tendency towards direct shipment and the avoidance of the Malayan ports by through traffic. On the other hand, the general trend towards bilateralism in the nineteen-thirties, the world over, was already having that effect in any case. Again, it would be naïve to hold imperial preference alone responsible for the fact that the absolute figures for 1937 lay considerably behind the 1929 ones. This was a world-wide phenomenon, subject to some exceptions of course, and also occurred, for example, in Ceylon. True, the fact that the 1937 peak of the world cycle was comparatively modest was no doubt due to economic nationalism all round. But it would be rash to conclude that the inclusion or exclusion of the Straits Settlements or even of Malaya as a whole in the differential system could have made all the difference for the Colony. This does not mean that no difficulties were caused by these regulations, in particular regarding the trade between the Colony and its hinterland. As the Malayan Trade Commission pointed out in 1933,[1] the difficulties arose from the fact that stocks held in the Colony were admitted into the Federated

[1] *Report of the Commission appointed by the Governor of the Straits Settlements to inquire into and report on the Trade of the Colony*, 1933–4.

Malay States with claim to preference 'only in the form of the original unbroken case with original document subject to duty being paid at Singapore or Prai and the goods being forwarded by rail. Through goods are also admitted either on direct importation at Port Swettenham or after trans-shipment on a through bill of lading at a colony port. These regulations are required, it is contended by the Federal Government, to make the preference effective and to safeguard the revenue.' The Commission also inquired into the regulations governing the admission of goods to preference in the Unfederated Malay States. They found that none of these Governments insisted on the unbroken case.

'The Government of Johore for example admits goods to preference if the importer's certificate is supported by a declaration from the original importer into Singapore; for small consignments preferential treatment is granted if the Customs Officer is satisfied that the goods are of Empire origin; and for cotton piece goods and similar articles where proof of origin is difficult to establish, preference is refused when there is any doubt. In Kedah the preferential rate is allowed only at certain stations and when the origin of the goods is established to the satisfaction of an Assistant Superintendent of Customs. Similar regulations exist in the other Unfederated Malay States. The result of the regulations in the Federated States is that some goods which are entitled to receive preferential treatment do not receive it, while the result of those in the Unfederated States is that some goods which ought not to receive preferential treatment probably do receive it, and thus the preferences fail to be truly effective in both cases for opposite reasons in the two areas.'

Evidence taken by the Commission also shows that frequently the regulations were so burdensome that traders found it cheaper to buy full duty goods.[1] As no important changes in the administration were made throughout, the above still held true in 1939. All this suggests that the main difficulty was administrative.

It seems safe to conclude that the imposition of imperial preference had only a negligible effect on the proportion of imports from British sources; but that the difficulties involved in administering the system imposed a check on trade between the Straits Settlements and the Malay States and therefore curtailed the entrepôt functions usually performed by the Straits Settlements.

Mauritius started to grant preferential treatment to United

[1] Ibid., vol. iv, Appendix 50.

Kingdom goods in 1924 and Ottawa brought about no more than an intensification in the application of a principle already well established.

Seychelles adopted imperial preference after Ottawa (apart from a curious preference on United Kingdom dogs granted in 1914).

D. THE MEDITERRANEAN COLONIES

Following the Secretary of State's invitation to introduce preference in favour of the British Empire both *Malta* and *Cyprus* adopted this principle in 1920. In Malta it was only short-lived. The elected members were opposed to it, and the Secretary of State declared he did not wish to coerce Malta. In Cyprus the preferences were made Empire-wide and were granted on all dutiable articles. Some important articles were accorded a differential of one-third of the full duty, while all other items received a preference of one-sixth of the full rate. As most of the more important commodities paid a 10 per cent. *ad valorem* duty at the full rate, the difference in favour of the British Empire was only 3⅓ per cent. *ad valorem*; in other cases less.

At Ottawa, Cyprus was asked to make the preference one-third instead of one-sixth on such articles as butter, cheese, timber, and tinned fish.

Malta, on the other hand, remained aloof, and did not implement the pledges given on her behalf at Ottawa. Revenue needs made it imperative that any such action should be confined to an increase in the duty on foreign goods rather than a duty reduction on British imports. At the same time, the Government of Malta felt that no steps should be taken which would in any way enhance the cost of living for the poorer classes, which made a 2*s*. per 100 kg. preference on wheat flour, as requested by Canada and Australia, impossible. The same argument applied to the various other requests made by Australia in respect of certain foodstuffs. In addition there was a virtual absence of any reciprocal interest in the preferential system. Malta had hardly any physical exports, and such as she had happened to go to foreign markets.[1]

It was not before 1934 that Malta was induced to adopt some measure of preference. Even then, the above-mentioned reasons prevented the grant of any of the differentials Australia had asked for two years earlier, with the sole exception of brandy. Preference

[1] i.e. her peculiar variety of potatoes which went to Holland.

on various sub-headings of boots and shoes was given, varying in amount from 6*d.* to 1*s.* 6*d.* per pair, a 20 per cent. *ad valorem* preference on motor-cars and parts, and various other preferences. It was not before 1939 that a preference was given on wheat, when following the recommendations of the Ramage Report[1] the duty was reduced from 3*s.* 9*d.* per 100 kg. to 1*s.* 9*d.* per 100 kg. general and 9*d.* British preferential. In the meantime various attempts were made by the Board of Trade to secure additional preferences for the United Kingdom, but met with only very limited success.

In spite of various tariff alterations no change of principle occurred in the two Mediterranean Colonies just reviewed, except for the binding and the reduction of various margins of preference under the United Kingdom–United States Trade Agreement.

Gibraltar introduced a preferential tariff in 1926. However, the only duties leviable there are on alcoholic beverages, tobacco, perfumes, and gasoline. The volume of trade involved is negligible. *Palestine* being an *A* mandate could neither receive nor grant preferences.

Table XII suggests a long-term trend in Cyprus slightly in favour of the British Empire, and in particular in favour of India and Australia. Imperial preferences may have done something to stimulate that development. The Malta figures are of interest as they show that the Empire's share in the total trade in 1937 was about equivalent to the 1929 level. The fact that after the stability of trade in 1934, as compared with 1933, the general improvement went rather in favour of the Empire as a whole, so that the 1929 share was recovered, can probably be said to have been fostered by the preferential system. But it must not be overlooked that many other circumstances played their part. The principal sources of supply of Malta's imports are Roumania, Italy, and Germany, and of Cyprus's imports the same countries and Greece. There were sanctions operating against Italy in 1935 and 1936; not only did this mean a loss to that country during these two years, but it was quite likely that alternative sources maintained some of their share even afterwards. In neither case did Italy completely recover her 1934 position in any of the subsequent years.[2] Then there was

[1] *Wine Committee's Report*, 1937.

[2] Imports from Italy into:

	1934	*1937*	*1938*
Cyprus (£000)	94	66	63
Malta (£000)	330	311	271

the important factor of totalitarian trade policy in Germany and Italy. In short, some development in favour of the Empire would certainly have taken place even without the preference. Taking all this into consideration it becomes quite impossible to say what part was played by the preference in bringing about the development shown in Table XII.

TABLE XII. IMPORTS INTO

CYPRUS

From:	U.K.		Total British		Total foreign		Grand total
	£000	%	£000	%	£000	%	£000
1913	177	26	183	27	492	73	675
1920	774	51	875	58	648	42	1,523
1922	433	30	517	37	902	63	1,419
1925	423	30	701	44	882	56	1,583

CYPRUS (*cont.*)

From:	U.K.		Australia		India and Burma		Total British		Total foreign		Grand total
	£000	%	£000	%	£000	%	£000	%	£000	%	£000
1929	512	26	216	11	70	4	865	44	1,118	56	1,983
1931	412	30	137	10	31	2	610	44	803	56	1,413
1932	386	29	117	9	24	2	553	41	794	59	1,347
1933	400	32	54	4	26	2	499	40	758	60	1,257
1935	528	36	51	3	57	4	672	45	810	55	1,482
1937	660	30	160	8	148	7	1,025	51	1,193	49	2,218
1938	726	32	141	7	139	6	1,088	48	1,157	52	2,245

MALTA

From:	U.K.		Australia		Canada		Total British		Total foreign		Grand total
	£000	%	£000	%	£000	%	£000	%	£000	%	£000
1929	1,153	29	135	3	177	4	1,464	37	2,561	63	4,025
1931	920	25	118	3	87	2	1,164	31	2,532	69	3,696
1933	992	29	98	3	73	2	1,188	34	2,270	66	3,458
1934	960	28	74	2	65	2	1,192	34	2,270	66	3,462
1935	1,024	27	147	4	125	3	1,399	37	2,362	63	3,761
1937	1,031	26	162	4	145	4	1,468	37	2,547	63	4,015
1938	1,078	28	153	4	95	2	1,445	37	2,419	63	3,864

Table compiled from the *Dominion and Colonial Statistical Abstract*, 1909–23, and the *Statistical Abstract for the British Empire*, 1924–33, 1929–38.

E. OTHER COLONIES

In the *Falkland Islands* imperial preference dates back to 1900, but the only commodity affected was 'tobacco forming an ingredient in sheep-dip or hop-powder'. In the nineteen-thirties further preference was conceded on alcoholic beverages, matches, tobacco, and tobacco manufactures of British origin.

St. Helena adopted a preferential tariff in 1933.

F. THE TRADE IN PARTICULAR COMMODITIES

In the foregoing pages we have examined the effect of preferential treatment on the trade figures taken as a whole. The method is not very conclusive because so many factors other than tariffs alter the direction of trade from year to year, that changes in totals are not a clear test of the effect of tariff changes. It is even more useful to consider particular commodities, and analyse the development of the trade in these commodities. This is all the more valuable because the duties adopted in 1932 were designed to protect particular commodities in which the United Kingdom or one or other of the Dominions was interested.

First, let us take an anti-Japanese measure, the preferences on rubber and canvas boots and shoes.

Imperial preferences on boots and shoes had first been imposed in some of the West Indian Colonies as a result of the Canada–West Indies Agreement of 1925, as *ad valorem* preferences, and other Colonies, not obliged to do so under the agreement, had nevertheless put them into effect in favour of the United Kingdom manufacturer. At Ottawa the preferences were converted from *ad valorem* to specific duties, and sharply increased, as a concession to the United Kingdom and Canada, and in the Far East to Australia. The Japanese had recently begun to undermine considerably the British share in colonial markets, and it was calculated that a specific differential of 1*s*. per pair as against all foreign suppliers would help to restore the former position.

This was a serious blow to Japan, as it meant an increase in the price of Japanese shoes by roughly 40 to 60 per cent. But soon it was realized that the imposition of this duty was not sufficient to eliminate foreign, especially Japanese, competition. The Secretary of State, therefore, again addressed the Governors of the Colonies concerned on the subject in 1934. He asked that the tariff classification should be altered to make no further evasions possible,[1]

[1] From 'rubber boots and shoes, and canvas boots and shoes, rubber soled' and the like to the following elaborate formula worked out by the Board of Trade: 'Boots, bootees, shoes, overshoes, slippers, and sandals of all descrip-

and that the next suitable opportunity be taken to amend the customs tariff so as to provide a preferential margin of 2*s*. per pair on this type of footwear. Leather boots and shoes also were subjected to a specific preferential margin when the Secretary of State's requests were carried out.

The imposition of these increased duties practically closed the colonial markets to Japanese trade and also reduced the amount coming from other foreign sources, such as Czechoslovakia, whose exports of boots and shoes had been expanding since 1932, particularly to the West Indies. But if Britain and Canada were expected to get the full benefit of Japanese exclusion, the results were disappointing. For though Japanese goods had to some extent been competing with Empire goods in the quality market, they had even more been opening up a new market for cheap shoes among the hitherto barefooted classes, a market which in the absence of the cheap Japanese articles remained unfilled, at least for a certain period of time.

Many of the reports of the colonial Governors[1] regretted this enforced falling off in the demand for boots and shoes on the part of the poor, particularly in view of its repercussion on the health of the natives. The Governor of North Borneo wrote: 'I cannot but view with concern the decline of the number of shoes imported into a country where such a debilitating disease as hookworm is prevalent, and if the decline continues, I shall have to reconsider the position as regards the import duty.' And the same applied *mutatis mutandis* to all the Colonies concerned.

It was decided at the time (1936) to wait for another year, to see whether alternative supplies were not forthcoming. There were some indications already of Hong Kong and India filling the gap. This hope was fulfilled in subsequent years. At the same time Czechoslovakia partially recovered from the effects of the duties imposed in 1934 or 1935, while Japan did not.

Czechoslovakia paid the same duties as Japan. The shoes were cheap, and no wage protection arguments could possibly be put forward in this case. The standard of living of the Czech workers was high and the cheapness of the shoes was a result of the most

tions, made wholly or partly of rubber, balata or gutta percha (except where the outer part of the uppers apart from stitchings, fastenings or ornaments is made entirely of leather or leather and elastic).'

[1] Replies to the Secretary of State's circular telegram inquiring about the effects of the anti-Japanese duties, dated 17 January 1936.

scientific application of the principle of the division of labour. And although certainly penalized, her trade was not killed as was the case with the Japanese articles.

The answer to this apparent paradox can only be that, in the long run, quality is the decisive factor, as long as good quality can be had at a reasonable price. Apparently a cheap article can well create a new demand. But in the course of time the consumer will attempt to strike a balance between quality and price. The United Kingdom and the Canadian manufacturers supplied first-class quality at a high price. The enhancement of the price of the Japanese shoes undoubtedly put a premium on United Kingdom and Canadian shoes. But at the same time the Hong Kong manufacturers, the Indians, and even the highly taxed Czechs put shoes on the market cheaper than the British and Canadian, and of a fairly competitive quality.

This helps to explain why the preference had such entirely unforeseen results. The natural trend in favour of Hong Kong and India was stimulated and the demand for the Japanese articles was abruptly checked. The natural trend in favour of Czechoslovakia was held back to a certain extent. And the demand for the more expensive kinds of shoes apparently remained almost unaffected.

Table XIII illustrates the points raised for three of the Colonies affected. Naturally, there were slight variations from Colony to Colony. In some cases the preference granted was, in the interest of the consumer, not as high as was requested, and in some cases somewhat more was done. However, the trend of trade as shown in these three cases can be regarded as typical for all the colonial territories involved in this policy. A comparison between the proportionate variations in quantities and values will be found to be particularly illuminating.

The experience in rubber boots and shoes is not dissimilar to that in the other cases where preferences have been employed to divert trade from Japanese into imperial channels. The preferences on cotton piece-goods were largely ineffective and when the heavy artillery of trade policy, i.e. quotas, was introduced, it was possible to kill Japanese trade, but the main beneficiaries were not the United Kingdom manufacturers, but India and Hong Kong.[1] British North Borneo's experience in bicycles is also worth noting.

[1] See Chapter 4.

TABLE XIII (a). IMPORTS FOR HOME CONSUMPTION OF BOOTS AND SHOES (ALL KINDS) INTO BRITISH GUIANA

From:	U.K.				Canada				Hong Kong				India				Total British			
	dz. prs.	%	$	%	dz. prs.	%	$	%	dz. prs.	%	$	%	dz. prs.	%	$	%	dz. prs.	%	$	%
1929	7,602	46	152,909	63	7,571	45	82,214	34	225	1	261	0	..	..	..	..	15,398	92	235,384	97
1931	7,529	40	131,377	69	2,865	15	24,300	2	300	1	412	0	..	..	..	..	10,694	56	156,089	81
1932[a]	8,891	31	140,581	66	497	2	5,309	3	136	0	297	0	..	..	..	..	9,524	33	146,187	69
1933	11,224	51	168,021	75	1,094	5	7,341	3	2,327	11	8,450	5	..	..	..	..	13,645	67	183,812	83
1935[b]	10,008	45	123,193	67	1,868	8	11,446	6	7,872	33	28,557	16	530	2	1,555	0	20,278	88	164,750	89
1937	14,983	38	185,887	64	4,966	13	30,491	11	13,772	35	48,094	17	4,781	12	13,205	5	38,503	98	277,670	97
1938	15,957	47	204,255	72	2,823	8	21,247	7	11,407	34	35,902	13	3,045	9	10,056	4	33,232	98	271,460	96

From:	U.S.A.				Japan				Czechoslovakia				Grand total	
	dz. prs.	%	$	%	dz. prs.	%	$	%	dz. prs.	%	$	%	dz. prs.	$
1929	516	3	4,123	2	150	0	331	0	..	..	..	..	16,658	242,317
1931	144	0	977	0	6,100	32	25,078	13	8	0	138	0	18,831	191,259
1932[a]	114	0	630	0	17,377	68	52,965	25	40	0	718	0	29,031	211,799
1933	26	0	395	0	1,242	6	3,811	2	816	4	9,005	4	22,095	223,332
1935[b]	4	0	38	0	471	2	574	0	1,882	8	18,604	10	23,376	182,470
1937	2	0	28	0	3	0	20	0	1,490	4	10,884	4	39,535	288,913
1938	3	0	35	0	..	..	..	..	1,851	5	13,104	5	33,771	285,058

[a] Rate of duty altered in 1932 from 30 per cent. *ad val.* general and 10 per cent. *ad val.* preferential to 30 cents per pair general and 6 cents per pair preferential on rubber and canvas shoes, unchanged for 'other kinds'.

[b] Rate of duty altered in 1934 to 50 per cent. *ad val.* plus 24 cents per pair general and 16⅔ per cent. preferential on rubber and canvas shoes, and to 30 per cent. *ad val.* plus 48 cents per pair general and 10 per cent. preferential on 'other kinds'.

TABLE XIII (b). IMPORTS OF BOOTS, SHOES, AND SLIPPERS (ALL KINDS) INTO TRINDIDAD

From:	U.K.				Canada				Hong Kong				India and Ceylon				Total British			
	dz. prs.	%	£	%	dz. prs.	%	£	%	dz. prs.	%	£	%	dz. prs.	%	£	%	dz. prs.	%	£000	%
1925	10,645	45	42,665	62	5,946	25	15,620	23	..	..	..	..	..	..	..	..	16,591	70	58	84
1927[a]	16,534	48	65,049	66	13,699	40	26,689	27	3	0	17	0	..	..	..	..	30,280	88	92	93
1929	22,038	50	86,775	72	15,134	34	31,900	26	..	..	..	..	..	..	..	..	37,194	83	119	98
1931	17,952	54	60,754	75	5,298	16	9,932	12	74	0	247	0	..	..	..	..	23,358	70	71	88
1932[b]	20,626	44	67,984	73	2,842	6	5,597	6	43	0	49	0	..	..	..	..	24,855	53	75	79
1933	15,546	41	53,415	70	2,026	5	2,027	3	2,867	11	2,349	3	..	..	..	..	26,883	71	61	78
1935[c]	20,856	48	53,371	65	5,339	12	6,546	8	10,491	24	7,671	10	..	..	..	..	38,215	88	68	87
1937	32,115	44	94,659	69	12,655	17	16,221	12	15,257	21	13,385	10	8,650	12	5,063	4	68,709	92	129	94
1938	29,813	52	84,999	75	5,916	10	10,659	9	6,383	11	4,518	4	5,502	10	3,655	3	47,614	84	104	92

From:	U.S.A.				Japan				Czechoslovakia				Grand total	
	dz. prs.	%	£	%	dz. prs.	%	£	%	dz. prs.	%	£	%	dz. prs.	£000
1925	6,885	29	9,996	16	16	0	100	0	..	..	..	..	23,714	69
1927[a]	2,133	6	5,275	5	1,271	4	612	0	..	..	..	..	34,282	98
1929	633	1	1,559	1	6,321	14	571	0	..	..	..	..	44,507	121
1931	326	0	747	0	8,734	26	7,099	9	102	0	347	0	33,419	81
1932[b]	144	0	260	0	17,033	37	12,124	13	4,291	9	7,056	7	46,625	95
1933	142	0	192	0	4,691	12	2,571	3	5,719	15	11,977	16	37,686	77
1935[c]	315	0	705	0	1,058	2	1,374	2	3,625	8	7,299	9	43,281	78
1937	29	0	50	0	290	0	67	0	4,314	6	4,281	3	73,355	137
1938	14	0	63	0	18	0	3	0	9,255	16	6,123	5	56,629	113

[a] Rate of duty altered from 20 per cent. *ad val.* general and 10 per cent. *ad val.* preferential to 30 per cent. *ad val.* general and 10 per cent. *ad val.* preferential.

[b] Rate of duty altered to 1*s.* 6*d.* per pair general and 6*d.* per pair preferential on rubber and canvas boots and shoes with rubber soles, and 30 per cent. *ad val.* general and 10 per cent. *ad val.* preferential on 'other kinds'.

[c] Rate of duty altered to 36 cents (= 1*s.* 6*d.*) per pair general and 12 cents per pair preferential, and then to $4.80 per doz. pairs general and $1.60 per doz. prs. preferential on boots, bootees, &c., wholly or partly of rubber, &c., and to 30 per cent. *ad val.* or 10 per cent. *ad val.* plus 72 cents of whichever is highest general and 10 per cent. *ad val.* preferential on 'other kinds'.

TABLE XIII (c). IMPORTS OF BOOTS, SHOES, AND SLIPPERS (ALL KINDS) INTO FIJI

From:	U.K.				Canada				Australia				New Zealand				Hong Kong				India			
	Pairs	%	£	%	Pairs	%	£	%	Pairs	%	£	%	Pairs	%	£	%	Pairs	%	£	%	Pairs	%	£	%
1929	?	..	4,248	60	?	..	56	0	?	..	1,904	27	?	..	557	8	?	..	72	0	?	..	30	0
1931	?	..	2,781	36	?	..	1,205	16	?	..	1,314	17	?	..	194	3	?	..	36	0	?	..	55	0
1932[a]	?	..	2,083	29	?	..	309	4	?	..	1,897	26	?	..	294	4	?	..	272	4	?	..	53	0
1933[b]	6,000	12	2,024	33	..	..	..	..	8,392	20	2,502	40	703	2	178	3	14,783	35	765	12	780	2	53	0
1935[c]	4,440	8	1,552	16	1,954	3	266	3	17,513	27	4,679	49	1	0	1	0	21,363	32	1,087	11	16,498	25	894	9
1937	7,075	9	2,541	23	2,299	3	319	3	10,949	14	4,171	38	20	0	15	0	45,376	57	2,541	23	9,036	11	753	7
1938	8,738	12	3,044	28	961	1	177	2	9,939	14	3,863	35	..	..	..	..	24,717	34	1,566	14	22,577	31	1,643	15

From:	Total British				U.S.A.				China				Japan				Czechoslovakia				Grand total	
	Pairs	%	£	%	Pairs	%	£	%	Pairs	%	£	%	Pairs	%	£	%	Pairs	%	£	%	Pairs	£
1929	?	..	6,867	97	?	..	276	0	..	..	..	..	..	..	..	..	..	..	..	..	?	7,145
1931	?	..	5,663	74	?	..	2	0	..	..	..	..	?	..	2,043	27	..	..	..	..	?	7,676
1932[a]	?	..	4,949	69	..	..	..	..	..	..	..	..	?	..	1,977	27	..	..	..	..	?	7,191
1933[b]	33,516	78	5,806	93	3	0	2	0	228	0	8	0	10,332	24	425	7	..	..	..	..	42,677	6,214
1935[c]	64,561	98	8,736	92	68	0	21	0	673	1	34	0	717	1	74	0	72	0	21	0	66,055	9,455
1937	74,755	94	10,662	96	600	0	223	2	316	0	31	0	178	0	17	0	255	0	56	0	79,316	11,061
1938	66,940	93	10,293	94	1,408	2	509	5	796	1	116	1	702	0	201	2	188	0	44	0	71,994	10,997

(?) Unavailable.

[a] Rate of duty changed from 30 per cent. *ad val.* general and 10 per cent. *ad val.* preferential to 2*s.* per pair general and 1*s.* per pair preferential on rubber and canvas shoes, and 6·35 per cent. general and 20 per cent. preferential on 'other kinds'.

[b] Rate of duty altered to 40 per cent. *ad val.* general and 20 per cent. *ad val.* preferential, and varying from 1*s.* to 2*s.* per pair general and from 6*d.* to 1*s.* preferential according to size on rubber and canvas shoes. Other kinds unchanged.

[c] Rate of duty altered to 40 per cent. *ad val.* and varying from 1*s.* 7½*d.* to 2*s.* 0½*d.* according to size general, 20 per cent. *ad val.* and 6*d.* to 1*s.* varying according to size preferential on rubber and canvas shoes, &c.; and on leather shoes 40 per cent. and from 2*s.* 9½*d.* to 3*s.* 4½*d.* varying according to size general, 20 per cent. *ad val.* and from 6d. to 1*s.* varying according to size preferential.

Table compiled from the *Blue Books.*

As the Governor of that state reported in 1936, a surtax of $3 per foreign bicycle had been imposed there. This cannot have been of great value as the average value of a United Kingdom bicycle in 1934 was $28 and in 1935 $29, and of a Japanese bicycle $17 in 1934 and $9 in 1935. In spite of this, the demand for the Japanese article declined while that for United Kingdom bicycles increased. The natives had found out that the high-quality and expensive bicycle of British make proved to be a better investment in the long run than the cheap, poor-quality Japanese article. In short, the United Kingdom bicycle manufacturers understood how to strike a balance between quality and price and benefit even without a substantial preference. The United Kingdom and Canadian shoe manufacturers failed to do so, and consequently were unable to expand their markets in the desired way, in spite of the preference.

So much for the duties the special purpose of which was to divert trade from Japan to the British Empire. Next, let us see how far the United States of America was affected by one of the preferences chiefly directed against her trade, that on motor vehicles and cars. Canada, at the time of Ottawa, felt able to compete successfully with the United Kingdom and the United States, and desired a 20 per cent. *ad valorem* preference against the foreigner in all those Colonies and Protectorates which were in a position to grant this preference but had not yet granted a differential of the amount requested.

Table XIV shows the development in Jamaica and Fiji, two Colonies which can be regarded as fairly typical, in spite of the fact that the tariff change in Fiji in 1932 did not alter the already existing margin of preference. In the case of the United Kingdom we find a long-term upward trend in both cases. As far as the proportionate share is concerned, the main advance was made in 1932, i.e. shortly after the depreciation of sterling and at the very beginning of the first signs of recovery from the slump. In 1935 her percentage share was considerably less than in 1933, in spite of a further absolute advance. This was due to the relative and absolute increase on the part of Canada, and the American recovery, which coincided with the depreciation of the dollar. This in turn coincided with the general increase in prosperity. Before 1934 there was the double contest between the sterling bloc and the dollar bloc, i.e. the United Kingdom versus Canada and the United States, and the Ottawa bloc, i.e. the United Kingdom and Canada versus the United States of America. From 1934 onwards it became entirely a question of the Empire versus the

TABLE XIV. IMPORTS OF MOTOR VEHICLES AND CARS INTO JAMAICA

From:	*U.K.*		*Canada*		*U.S.A.*		*Total*
	No.	%	No.	%	No.	%	No.
1929	99	5	575	30	1,199	64	1,867
1931	113	12	365	38	487	50	967
1932[a]	291	35	327	39	209	25	833
1933	341	38	343	38	205	24	901
1935	368	24	845	56	309	20	1,523
1937	402	24	810	47	400	24	1,663
1938	309	22	734	51	322	22	1,436

[a] Rate of duty altered from 20 per cent. *ad valorem* general and 15 per cent. *ad valorem* preferential to 30 per cent. *ad valorem* general and 10 per cent. *ad valorem* preferential.

FIJI

From:	*U.K.*		*Canada*		*U.S.A.*		*Total*
	No.	%	No.	%	No.	%	No.
1929	33	14	145	63	40	18	230
1931	27	31	44	50	1	0	86
1932[a]	40	67	7	12	..	..	59
1933	77	63	31	25	..	..	122
1935	90	36	116	48	29	12	236
1937	150	34	233	53	58	13	441
1938	203	36	162	37	65	15	437

[a] Rate of duty altered from 30 per cent. *ad valorem* general and 10 per cent. *ad valorem* preferential to 40 per cent. *ad valorem* general and 20 per cent. *ad valorem* preferential.

Table compiled from the *Statistical Abstract for the British Empire*, 1929–38.

United States of America. The preference favoured the Empire and penalized the United States throughout. Thus, that the development went particularly in favour of the United Kingdom before 1934, and particularly in favour of Canada afterwards, can probably be explained by arguing that the depreciation of sterling outweighed any possible effects of the preference, but that when the currency war was over the preference exerted its effects in favour of Canada at the expense of the United States of America. All the same, the preference did not kill the American trade, as can be seen from the United States' reconquest of some lost ground, but certainly acted as an obstacle on the way of her expansion.

Under the 1938 agreement, the United States secured a reduction of the preferential margin to 15 per cent. *ad valorem* throughout the discriminating parts of the Colonial Empire.

Finally, there were some Ottawa preferences, the purpose of which was to enable Canada and Australia to dispose of their export surpluses in certain commodities, behind the shelter of a favourable tariff differential. One of these was butter. Canada had received a similar preference under the 1925 agreement with the West Indies. The success, if any, was rather short-lived and the 1932 alterations did not help her either. Australia and New Zealand, on the other hand, expanded their markets, both in the Far East and in the West Indies. But was this really due to the preference? Table XV shows a typical development of the butter imports into the West Indies. The preference had not been utilized at all by either Australia or New Zealand before 1928, and not to an appreciable extent before 1931.[1] When the two Pacific Dominions started to expand their butter exports to the colonial markets, the tariff differentials, no doubt, were valuable. However, Canada's continued decline proved that the preference alone could not do the job. It was the expansion of a good quality trade at a reasonable price that did it. Consequently, the preference on top of this was useful to the Commonwealth and New Zealand.

Australia was not, however, always so successful. Her keenness for a preference on brandy in the colonial markets was due to the hope of creating entirely new markets for that product behind the preferential shelter. But she was disappointed, for the consumers' taste for Australian brandy could not be whetted by means of a preference alone.

G. COMPARISONS AND CONCLUSIONS

To take each Colony in isolation and examine the source of its imports is not a completely satisfactory method, since one cannot be certain that changes which follow alterations in the tariff are not in fact due to some other concurrent event. A more satisfactory method is to take all the Colonies together, and discover how far they show parallel trends. Accordingly, the percentage

[1] The Trinidad preferences had been Empire-wide ever since 1917.

TABLE XV MPORTS OF BUTTER FOR HOM CONSUMPTION INTO TRINIDAD

From:	U.K.		Canada		Australia		New Zealand		Eire		France		Total	
	lb. 000	£	lb. 000	£	lb. 000	£	lb. 000	£	lb. 000	£	lb. 000	£	lb. 000	£
1925	123	8,401	178	15,703	..	..	..	..	..	..	484	31,930	971	67,950
1927[a]	131	8,093	222	18,738	..	..	..	..	..	..	816	49,274	1,344	86,939
1929	87	6,514	149	13,672	14	1,276	1	123	..	..	1,203	74,707	1,524	102,780
1931	246	13,322	152	7,899	11	1,460	0	7	..	..	648	35,045	1,086	59,799
1932[b]	610	32,771	111	7,015	15	918	11	580	..	..	260	17,000	1,024	59,472
1933	970	47,541	20	1,267	13	735	3	156	..	..	198	12,414	1,217	62,838
1935	446	20,842	19	931	88	3,955	175	8,809	280	11,887	181	8,862	1,200	57,656
1937	292	15,823	13	845	136	7,597	222	12,572	406	19,874	163	9,237	1,280	68,295
1938	253	15,209	5	301	126	7,502	207	13,456	302	17,241	237	12,920	1,223	70,624

[a] Rate of duty altered from 8*s*. 4*d*. per 100 lb. general and 4*s*. 2*d*. per 100 lb. preferential, to 8*s*. 4*d*. per 100 lb. general and 2*s*. 1*d*. per 100 lb. preferential.

[b] Rate of duty altered to 16*s*. 8*d*. per 100 lb. general and 4*s*. 2*d*. per 100 lb. preferential.

Source: *Blue Books*.

which imports from the British Empire bore to total imports in each of the years 1909 to 1913 and 1919 to 1938 has been calculated for each important Colony (excluding Malaya and Hong Kong whose large entrepôt trade is not recorded separately and would make the results misleading). These percentages are shown in Chart I.[1]

Certain results immediately strike the eye. One is the trend of trade in the nineteen-twenties. The share of the British Empire fell steadily in all open-door Colonies (including the East and West African Colonies, Malta, and Ceylon) while it was maintained or showed a rising trend in all the Colonies that had adopted imperial preference (West Indies, Cyprus, Fiji, Mauritius) except Northern Rhodesia; and the Northern Rhodesian exception may be due to the fact that the average value of the preference was relatively low (in the neighbourhood of 10 per cent.). It is possible that there were factors at work in Africa which did not apply elsewhere, and that these, rather than the preference, explain the marked difference in trends; but if so, how is one to account for the different trends of Ceylonese and Fiji trade; or, most conclusively of all, in the trade of Malta and Palestine and Cyprus, three Mediterranean Colonies presumably subject to similar influences? Before 1913 Cyprus took relatively little from the Empire and much less, in percentages, than did Malta; after the first world war Cyprus adopted imperial preference, while Malta did not, and while the trade of Cyprus with the Empire rose, that of Malta fell to well below Cyprus levels. To conclude that imperial preference was really effective is not therefore very rash.

This is confirmed again if we look at the trend of trade in the nineteen-thirties. Here, however, there is a complication, owing to the fact that a number of Colonies changed the basis of compiling their statistics from country of consignment to country of origin, the most important effect of this being an increase in imports shown as coming from Canada at the expense of the United States of America. Of the Colonies represented in the charts, this change affected the Gambia and Sierra Leone (fully effective 1933), the Gold Coast, Nigeria, Nyasaland, Barbados, Trinidad, British Guiana, Fiji, and Palestine (1934). Careful examination of the statistics suggests, however, that this was nowhere significant. (The suggestive 'kinks' in the charts for Trinidad and the Gold

[1] See end of volume.

Coast are due to vagaries in the trade with Venezuela in the one case and the European continent in the other.)

Referring therefore to Chart I, we find that in all Colonies the Empire's share increased in 1931, with the devaluation of sterling, and in most it fell off again somewhat in 1933 with the devaluation of the dollar. Compare, however, the level of Empire trade in the nineteen-thirties with the level of the nineteen-twenties. The only territories which remained completely open-door in the nineteen-thirties were the East African Colonies and Palestine. In the East African Colonies the Empire percentage fell steadily during the nineteen-thirties to a level below that of the nineteen-twenties. In Palestine the Empire percentage rose, but political conditions were so special in that country during the nineteen-thirties that it is probably best omitted. In West Africa, Sierra Leone and the Gambia adopted highly preferential tariffs; the Empire percentage rose well above the level of the nineteen-twenties; Nigeria and the Gold Coast, on the other hand, remained open except for strict quotas on textile imports; the trend of both is downward, though this is not so marked in the Gold Coast. In Northern Rhodesia, Malta, Cyprus, and Mauritius the level of the nineteen-thirties is markedly above that of the nineteen-twenties. In Ceylon the long decline of the Empire share is arrested in the nineteen-thirties. In the West Indian Colonies the increase in the Empire percentage with devaluation is very marked; after 1933 the Empire trend is slightly downwards despite Ottawa and quotas, but the level continues to be above that of the nineteen-twenties. Again the effectiveness of tightening up imperial preference in 1932 and of quotas in 1934 does not seem to be open to question.

One final comparison is useful, namely, that between the level of imports from Empire sources in different Colonies at the same time, say, 1938. The lowest are the Mediterranean Colonies, but in this area Cyprus, with the higher preference, is above Malta, and both are well above Palestine, which grants no preference. The only comparable Colonies are the Bahamas and Bermuda, the two West Indian Colonies with the lowest preferences; one might be tempted to attribute the low level in these two to their proximity to the United States, but on examining other West Indian figures, the percentages seem to correspond more with the height of the tariff than with distance from the United States, since Trinidad with a moderate preference buys less from the Empire than

Jamaica which is nearer to the United States, but offers a larger preference, and much less than British Guiana, which is not much farther from the United States, but offers the largest preferences of the group. In the East African group the difference between Northern Rhodesia and the open-door Colonies is very striking; and so also is the position of Mauritius which is perhaps best taken here.

One would like to be able to estimate from these figures what imperial preference is worth, in the sense of 'how much does its existence add to the percentage of trade coming from Empire sources', but this is clearly impossible since the continuance of trends in the absence of imperial preference cannot be assumed. and different Colonies cannot be compared. Whatever the figure, there can be no doubt that it is substantial.

To assert that imperial preference was an effective means of raising the Empire's percentage share in the colonial import trade does not mean to say that it was a positive policy in the sense that it actually increased the Empire's sales in the Colonies. This was by no means the case. Chart II reveals that the only Colonies which bought more from the Empire in the nineteen-thirties than in the nineteen-twenties were Palestine, Cyprus, Northern Rhodesia, and Bermuda, to which Jamaica and Trinidad can be added as more doubtful cases. Palestine gave no preference but was in a state of rapid economic development. Bermuda's imports depended on the vagaries of the American tourist trade which apparently was most important when American tourists could not afford journeys farther afield. The increase in the imports from the Empire in Northern Rhodesia and Cyprus was entirely due to the development of the copper mines in the two Colonies. This is particularly noticeable in Northern Rhodesia. There the purchases of the necessary capital equipment were chiefly responsible for the rise in the curve in the later nineteen-twenties leading to the peak in 1931. Thereafter the increased wealth of the Colony resulting from this capital investment kept the purchases from the Empire in the nineteen-thirties above their level in the nineteen-twenties. In West Africa imports from the Empire were less in the nineteen-thirties than in the nineteen-twenties. True the sales fell most in Nigeria which gave no preference, but recovered better from the nadir in 1931 in the open-door Gold Coast than in the discriminating Colony of Sierra Leone. In the Bahamas, Barbados, British

Guiana, Fiji, and Mauritius purchases from the Empire in the nineteen-thirties were definitely below the level of the nineteen-twenties in spite of some increase in the preferences in the early nineteen-thirties. And the same applies to Ceylon where imperial preference was introduced in 1932. The development in Mauritius and Ceylon actually was less favourable to the Empire than the development in open-door Kenya and Uganda.

It thus appears that imperial preference effectively increased the Empire's share of the colonial import trade, but it could not create an expansion of the Empire trade. Leaving aside Bermuda's tourist trade which is a special case, such an expansion only took place in those Colonies where capital investment created new industries as in Northern Rhodesia, Cyprus, and Palestine.

CHAPTER 4

THE QUOTA REGULATION OF TEXTILES

A. ORIGIN

One of the industries particularly hard hit during the Great Depression in the early nineteen-thirties was the cotton industry. World trade in cotton piece-goods dropped from 8,000 million square yards in 1929 to 5,000 million square yards in 1933. The effects were not evenly distributed. Lancashire's exports to the British Colonies fell, but Japanese exports of cotton goods to the Colonies were increasing. To some extent Japan was creating a new market for the cheaper kinds of textiles. But her trade drive also seemed to be threatening to drive the United Kingdom manufacturer from the colonial markets.

The first step taken to counteract this drive was to substitute specific for *ad valorem* duties in the course of 1931 and 1932. Partly these were preferential duties, imposed not merely to meet Japanese competition but also in fulfilment of obligations imposed on the Colonies at Ottawa. In the open-door Colonies preferential treatment was not possible, but it was hoped that specific duties would favour British trade at the expense of the Japanese, since a given specific duty falls proportionately more heavily on cheap goods, such as the Japanese supplied, than on the more expensive British article.

When in pursuance of the new policy the import duties on foreign cotton and other goods were raised in this manner, the Japanese Government resented this change in the Malay States, Tonga, and Fiji, and suggested this to be a contravention of the tariff truce of 12 May 1933. In view of the pending textile discussions between British and Japanese industrialists, the Japanese requested that neither side should raise the duties on the other's goods. To this the British Government replied that the change was not contrary to the tariff truce, as it was not a new initiative, and that in one case (Fiji) it was due to revenue needs; it also asserted that the Colonies were independent of the United Kingdom in the administration of tariff matters.[1]

In February 1934 the Secretary of State for the Colonies asked the Governors and officers administering the various Colonies to

[1] See p. 6.

submit reports on the effect of the substitution of specific for *ad valorem* duties on textiles and other goods in the last year or two, with particular reference to any effect these changes might have had in checking Japanese imports, and the possible desirability of either extending the range of goods affected or increasing the specific duties applicable to foreign goods. The replies showed that although Japanese trade was penalized, it continued to increase, apart from a few articles in some of the Colonies. An increase or extension of the specific duties was, on the whole, not recommended in view of the potential effect on prices.

In the meantime an attempt was made to overcome the problem of Anglo-Japanese competition in the textile trade by direct discussions between the industrialists of the two countries. It was suggested that the Japanese trade drive should come to a halt, but that any increase in United Kingdom or world trade should be accompanied by a corresponding increase in Japanese trade. (Although the discussions were mainly intended to benefit the Lancashire cotton industry, rayon goods were included in their scope, as they compete directly with cotton goods.) The conference met in London as suggested by the British Government. In March 1934 the Chairman of the British delegation reported to the President of the Board of Trade that the discussions had had to be broken off, in view of the failure to reach an agreement on the geographical scope of the negotiations. The United Kingdom merchants had suggested that the markets within the British and Japanese Empires should be regarded as separate groups, to be discussed when suitable progress had been made in connexion with other areas. The Japanese, on the other hand, insisted that discussions about territories outside the sovereignty of either Government would be futile, as any agreement reached would not be binding on third parties. They wanted to discuss the United Kingdom and the Crown Colonies only.

H.M. Government thereupon invited the Japanese Government to put forward proposals on their part. The Japanese Ambassador, however, returned the initiative to the British Government. H.M. Government then decided to take action.

B. THE DECISION TO IMPOSE QUOTAS

Straightforward discrimination against Japan was not legally possible, because of her most-favoured-nation rights. It would only have been possible if the Anglo-Japanese commercial treaty of 1911 had been denounced for the whole Colonial Empire, and then only after twelve months. Whatever action was taken would therefore have to discriminate equally against all foreign countries. This raised legal difficulties in parts of Africa. In East Africa it was not permitted by the Convention of St. Germain; neither was it possible in the mandated territories of the Cameroons and Togoland. Accordingly, when quotas were imposed these Colonies were excluded (the subsequent withdrawal of Japan from the League of Nations was not exploited in the mandated areas). Again in West Africa there were difficulties. Under the Anglo-French Convention of 1898, there could be no discrimination against French goods in Nigeria and the Gold Coast, and Dutch trade in the Gold Coast was similarly protected by the Anglo-Dutch treaty of 1871; these treaties in turn meant that all nations enjoying most-favoured-nation rights were protected against discrimination in these West African markets. The solution adopted was to denounce the Anglo-Japanese treaty with respect only to West Africa (16 May 1934); special discrimination could then be practised against Japan in these markets, while in the rest of the Empire the discrimination applied equally to all foreign countries. Sierra Leone and the Gambia were not included in the treaties with the French and Dutch, and general discrimination could have been applied; they already had, indeed, high preferential duties, but when it came to imposing quotas, they too applied them only to Japan, for the sake of uniformity with the other two West African Colonies. Outside Africa there were no legal obstacles to a general discrimination except in Palestine (mandate); quotas were duly applied in the West Indies, the Mediterranean and the Eastern Colonies, with the exception of Hong Kong and Gibraltar, two Colonies dependent on an entrepôt trade, and without a hinterland under British rule, and a few of the smallest Colonies, such as Tonga, St. Helena, and the Falkland Islands.

At a later stage the situation changed in West Africa. The Anglo-French Convention expired in October 1936, on denunciation by the French. General discrimination then became possible in Nigeria, and was accordingly adopted, especially as it was desired to impose quotas on a growing Chinese trade. It remained impossible in the Gold Coast, because this Colony was covered by the Anglo-Dutch treaty, and the Dutch refused to renounce their rights. Accordingly, when a quota system was introduced in 1937, British goods had to be quotaed as well as foreign goods. The situation in West Africa was then (after 1937) that Sierra Leone and the Gambia had quotas only against Japan, but high preferential duties against all foreign countries; Nigeria had quotas on all foreign countries; and the Gold Coast had quotas on all countries, including the United Kingdom.

It was decided to discriminate by imposing quotas rather than by introducing or increasing preferential import duties, partly because it was thought that import duties would have allowed the Japanese to continue their expansion at the expense of foreign countries, and partly because the colonial governments had advised against any further increase of import duties. The use of quotas, however, presented another legal difficulty. The Anglo-German treaty of 1924 did not allow an absolute limit to imports from Germany, and, consequently, from any other country enjoying most-favoured-nation rights. Accordingly, it was necessary to insert into various quota ordinances a clause permitting the Governor to allow imports in excess of the quota on payment of additional import duties. This clause was put to an unexpected use, being invoked on behalf of the United States of America in Bermuda (1937, 1938, 1939), the Bahamas (1938), and St. Vincent (1938), when her quotas were exhausted. In Bermuda corresponding increases were made in the quotas of all foreign countries; in the other two cases the concession was confined to American trade.

On 7 May 1934 the President of the Board of Trade informed Parliament of H.M. Government's decision to impose quota restrictions on foreign textile imports into the Colonial Empire. The same day the Secretary of State sent a circular telegram to the colonial governments concerned, inviting them to take action against Japanese competition in cotton and artificial silk piece-goods by means of quantitative import regulations. The quotas were based on the average imports from each foreign country during the years 1927–31, wherever possible, but no country was allotted less than 2½ per cent. of the total imports, so that the system did in fact operate mainly against Japan.

Actually, an earlier period such as 1925–9 would have proved more restrictive against Japan. The period chosen, 1927–31, included two years during which the Japanese export drive had already come into effect. However, quotas on this basis involved a considerable reduction of Japanese trade below the level attained in 1933. The British colonial quotas were in fact more restrictive against Japan than the quotas introduced in the Netherlands East Indies, where the base chosen was 1929–33.

The Japanese Government suggested that the imposition of colonial quotas on the 1927–31 basis was contrary to the most-favoured-nation clause. They further proposed that the quotas should not be allotted to the various foreign supplying countries individually, but that global quotas should be introduced instead, the foreign suppliers being allowed to compete for the total foreign quota. Finally, they desired exemption from the quota regulations for all goods contracted for before 7 May 1934.

H.M. Government felt unable to concur. As regards the first suggestion, it was pointed out that similar quota laws had been passed in other countries where Japan enjoyed most-favoured-nation rights. As for the second, it would have defeated one of the purposes of the quota, special discrimination, if Japan had been allowed to fill the total of the foreign quota, i.e. her own, the quotas of all other important foreign suppliers, and in addition the 2½ per cent. allocated to every single 'insignificant' country. Nor could the third proposal be accepted *in toto*, as this again would have made the quota ineffective, for 1934 at any rate. Pre-orders were, however, admitted, but had to be debited against the quotas of subsequent years.

In no Colony were the quotas received with enthusiasm. The official majority could, however, be used to push them through everywhere except in Ceylon, where elected members are in a majority on the Legislative Council. As this Council refused to pass the necessary ordinance, the quotas had to be imposed by order in council. As the opposition continued, concessions had to be granted in 1938, when greys were taken off the cotton quota, and all other quota items increased in return for a promise of permanent preferential treatment for the United Kingdom in Ceylon markets.

C. APPLICATION OF THE QUOTAS

When the various Quota Ordinances were introduced, they were made retrospective as from 7 May 1934 onwards (17 May in West Africa), as any date chosen after the announcement of the pending introduction of these regulations would have opened the gates for forestalling. Bona-fide pre-orders were admitted in most cases, subject to the payment of additional duties to bring up the price of the Japanese articles to that of competing British textiles. In Malta alone were bona-fide pre-orders admitted without the payment of these additional duties, and without being debited against future quota allowances. In British Guiana, on the other hand, not even bona-fide pre-orders were admitted in 1934 after the promulgation of the Quota Ordinance in July.

The textiles which were made subject to quota regulations were cotton and artificial silk piece-goods, containing 50 per cent. or more of cotton or artificial silk or any combination thereof. Exceptions to this were Bermuda, where all cotton and rayon goods were quotaed, Malaya, where sarongs, slendangs, and kains were regulated as well, and the Gold Coast, where cotton towels were included in the regulations. Regarding unregulated textiles, the situation was closely watched, and this led to the inclusion of headkerchiefs into the West African quota regulations in 1936, and of made-up textiles into the Malayan ones in 1938. As we have seen, when in 1938 quota concessions were granted to Ceylon, greys were taken out of the quota.

In the Gold Coast, where British goods were quotaed as well, reductions in the quota allowances were found necessary. Too large a quota would have made the system ineffective, while too small a quota would have restricted United Kingdom trade unduly and would also have created a market shortage. Consequently, as trade declined in 1938, quota reductions became necessary for the quota years 1938–9 and 1939–40. For the sake of uniformity similar reductions were made in Nigeria as far as it was practicable to do so. There was also a reduction in the quota amounts in the Virgin Islands in 1935.

In some cases the quotas were subdivided into two six-monthly periods to prevent the exhaustion of the annual allowance at the beginning of the quota year.

In Malaya, Ceylon, Nigeria, the Gold Coast, Sierra Leone, British Somaliland, and the British Solomon Islands Protectorate the quota was subdivided into the various subheadings of regulated textiles, which in the case of Malaya applied to 'scheduled' countries only, i.e. countries exceeding the minimum allowance of 2½ per cent.

Some Colonies decided to administer the quota by means of a licensing system (West Africa, Ceylon, Malaya, Fiji, British Guiana, British Honduras, Jamaica, Trinidad, and St. Vincent). Usually, not the whole allowance was issued at the beginning of each quota period, a certain amount being held back for unforeseen reasonable requirements. British Guiana, Trinidad, St. Vincent, and from 1938 onwards also Fiji required licences only for imports from countries likely to exhaust their quotas. Japan invariably was one of those countries, in Fiji the only one. Imports during the basic period apparently were an essential precondition for the grant of a licence to a particular trader in Fiji, while imports in 1933 determined the issue of a licence in British Guiana. After 1935 proof of past imports was required in Jamaica. In all cases past imports provided the applicant with something in the nature of a first claim. In Nigeria and the Gold Coast it was decided in 1939 to give special consideration to applicants who had made full use of their allowance during the preceding quota period, while unused licences were made to lapse on 28 February each quota year,[1] to be redistributed by the Comptroller of Customs after that date.

To avoid evasions of the quota laws a 'spun, woven, and finished' certificate for imports from the United Kingdom was required from 1935 onwards. These certificates were issued by the various Chambers of Commerce, their purpose being to prevent foreign goods from being imported into the United Kingdom, being slightly altered here, and re-exported as British. The Government of India did not wish for a similar certificate to be required for imports into the Colonies from India. From June 1937 onwards similar certificates were required for regulated textiles coming from Hong Kong, as this Colony had been used as a sort of smuggling centre for quotaed goods.

D. EFFECTS OF THE QUOTA SYSTEM

The aim of the framers of the quota legislation was to restore the United Kingdom trader to his former position in the colonial markets from which Japanese competition threatened to expel him. Any attempt to discover from trade statistics whether this policy succeeded or not is handicapped by two minor difficulties.

The first difficulty is that we cannot tell whether the change revealed by the figures was due to the quotas or to other factors operating at the same time. Of these there were four. First of all

[1] The quota years in these two Colonies began on 1 July.

there was the trade cycle. It is widely believed that the United Kingdom textile trade in colonial markets tends to expand more than proportionately in times of prosperity and vice versa during a depression, the opposite holding true of suppliers of poor quality textiles at lower prices. It is thus conceivable that the British share would have increased in any case, and the Japanese diminished during the upward swing of the cycle; nevertheless it is unlikely that the change would have been as marked as was actually the case. Secondly, the pre-1934 Japanese trade drive may have been to some extent a result of the unexpired benefits of the depreciation of the *yen*, benefits which would have worn off in due course, quota or no quota. However, as Japanese textile exports continued to increase throughout the nineteen-thirties, no importance need be attached to this argument. Thirdly, quotas were not the only protectionist device employed, for example in Sierra Leone and the Gambia the import duties were raised in April 1934, and from 1935 the Japanese quotas were never filled. There the duties were clearly more important than the quota. Finally, it is conceivable that in the absence of quotas Lancashire might possibly have found means of lowering costs. British sales would then have increased in quantity though not necessarily in value terms.

The other difficulty is that in some cases the statistics exaggerate the extent to which the Japanese were actually driven from the colonial markets. The quota laws were evaded by means of smuggling over the land frontier from Abyssinia into British Somaliland, from Togoland under British Mandate into the Gold Coast, from the Cameroons under British Mandate into Nigeria, and from Siam into Kelantan. More important probably were false customs declarations, particularly in Singapore, where there was no rigorous customs examination, unless the goods were declared to be subject to the quota. Soon textiles of the most original designs made their appearance in Singapore, such as shirts with tails four yards long, trousers with cuffs which when unrolled proved to have legs twelve yards in length, mosquito nets of piece-goods material which could be unstitched without doing any damage to the piece-goods, and the like. Soon after the imposition of the Malayan quota, a number of Chinese tailors moved to the Riao Archipelago, a group of islands near Singapore, under Dutch sovereignty, but outside the Netherlands East Indies customs area. Piece-goods from the Singapore export depots were exported to Riao, and there-from were re-imported into Singapore, sometimes made up, sometimes even in the piece. This trade took place in small craft, and prosecution of the offenders was not easy. The Chinese boycott of Japanese merchandise in 1938 solved the problem. According to an estimate, about seven million square yards of quotaed textiles entered Malaya by illegal means during one year. Smuggling in small craft also occurred in the Virgin Islands. A further problem came to light in 1936, when piece-goods were landed in Jamaica, bearing a mark purporting to be that of the Silk Inspection Office of the Japanese Government, guaranteeing that the goods contained more than 50 per cent. of real silk and less than 50 per cent. of artificial silk, thus claiming exemption from the quota. On analysis it was found that the opposite was the case. Similar instances occurred elsewhere as well. The Manchester Chamber of Commerce then offered to analyse samples in their testing houses, and the offer was accepted. A further evasion consisted in sending goods to countries with non-exhausted quotas where they received finishing touches, and whence they were sent to the colonial markets. Thus, the Japanese apparently used the Siamese quota for imports into Malaya, until stricter ruling about the certificate of origin put an end to this. Similarly, the American quota is alleged to have been a means for evading the Japanese quota in Jamaica. Up till 1937 Hong Kong served as a smuggling centre, where Japanese textiles were 'naturalized' and then re-exported as British. After 1937 the stricter certificates of origin and the Chinese boycott were believed to have stopped this trade.

However this may be, one thing is certain, and that is that Japanese trade was effectively penalized in spite of all these evasions. A comparison between United Kingdom and Japanese trade in cotton piece-goods in the British colonial markets in 1933 and 1938 will illustrate the position (see Table XVI).

Two facts stand out. First, that in the only non-quotaed area, East Africa, Japanese trade increased, doing so at the expense of both the United Kingdom and all other countries taken together. This seems to prove pretty conclusively that the Japanese decline elsewhere must have been due to the quota, and that in the absence of this quota the Japanese would have benefited at the expense of all other exporting countries. The other fact that stands out is that the principal gain accrued not to the United Kingdom but to other

TABLE XVI. IMPORTS OF COTTON PIECE-GOODS INTO THE COLONIAL EMPIRE[a]

(In million yards)

From:	U.K.		Japan		Total	
	1933	1938	1933	1938	1933	1938
Into:						
West Indies[b] . .	29·4	31·7	10·1	0*	45·9	51·3*
West Africa . .	111·5*	72·9*	15·1*	4·3*	145·5*	108·1*
Ceylon . . .	9·6*	20·4*	41·4*	23·7*	60·7*	63·5*
Malaya . . .	25·9	46·6	99·5	26·4	145·9	115·0
Malta and Cyprus .	2·6	6·0	5·9	0·3	9·7	10·3
East Africa[c] . .	11·1	7·1*	77·4	103·9	103·8	122·4*

* Square yards.

INCREASE OR DECREASE

(In million yards[d])

From:	U.K.	Japan	Other countries	Total
Into:				
West Indies[b]	+ 2·3	−10·1	+13·2	+ 5·4
West Africa	−38·6	−10·8	+12·0	−37·4
Ceylon	+10·8	−17·7	+ 9·7	+ 2·8
Malaya	+20·7	−73·1	+21·5	−30·9
Malta and Cyprus . .	+ 3·4	− 5·6	+ 2·8	+ 0·6
East Africa[c]	− 4·0	+26·5	− 3·9	+18·6
Total	− 5·4	−90·8	+55·3	−40·9

[a] Tables in this Chapter compiled from the annual reports of the Governors of the various Colonies on the working and the effects of the textile quota system and from the colonial *Blue Books*.

[b] Bahamas, Barbados, Jamaica, Leeward Islands, Trinidad and Tobago, Grenada, and St. Lucia only.

[c] Kenya and Uganda, Nyasaland, Tanganyika, Zanzibar.

[d] In this and some subsequent tables changes in the compilation of statistics have sometimes made it necessary to add linear yards to square yards. This introduces an error in so far as the width of cloths recorded in linear yards differs from one yard. It does not substantially affect the basic conclusions.

countries. In every quotaed area the other countries increased their exports, even in West Africa, where the United Kingdom export declined. And, strikingly, while the United Kingdom export in 1938 was lower than in 1933, before the quotas were imposed, other countries were up by 55 million yards. One might be tempted to say that what was lost by Japan either disappeared through a fall in total trade, or was captured by countries other than the United Kingdom. This, however, would be a misleading generalization, since the United Kingdom did increase its trade in every quotaed area except West Africa, where the competition of other countries was especially marked, and, in the absence of quotas, United Kingdom trade might have fallen to a greater extent.

A similar comparison for the artificial silk piece-goods trade is possible in a few cases only, owing to the lack of adequate statistics relating to this item before 1934. The development in the more important of these Colonies was:

TABLE XVII. IMPORTS OF ARTIFICIAL SILK PIECE-GOODS

From:	*U.K.*				*Japan*				*Total*	
	1933		*1938*		*1933*		*1938*		*1933*	*1938*
Into:	000 sq. yds.	%	000 sq. yds.	%	000 sq. yds.	%	000 sq. yds.	%	000 sq. yds.	000 sq. yds.
British Guiana	168	8·5	724	55·7	1,673	83·6	160	12·3	1,969	1,325
Sierra Leone	184	32·9	305	87·4	353	63·0	1	0	563	349
Gold Coast	905	41·1	554	26·0	952	43·3	737	35·0	2,199	2,126
Ceylon	716	8·6	860	25·3	6,398	77·0	1,828	53·6	8,304	3,405
Malaya (in linear yards)	400	2·3	578	3·9	15,813	93·0	11,612	72·0	16,984	14,728

INCREASE OR DECREASE

(000 square yards)

From:	*U.K.*	*Japan*	*Other countries*	*Total*
Into:				
British Guiana	+556	−1,513	+ 313	− 644
Sierra Leone	+121	− 352	+ 17	− 214
Gold Coast	−351	− 215	+ 493	− 73
Ceylon	+144	−4,570	− 473	−4,899
Malaya (in linear yards)	+178	−4,201	+1,767	−2,256

(The Malayan figures are inflated owing to the large re-export trade.)

The figures show the same United Kingdom loss in the Gold Coast market as was seen in the cotton piece-goods trade. The rise of other exporters in other markets is not, however, so marked.

Statistics for the trade in *all* regulated textiles can be given from 1934 onwards. Bearing in mind that Japanese textiles were shut out to a considerable extent already in 1934, a comparison between 1934 and 1938 may be of some use, for lack of anything better:

TABLE XVIII. IMPORTS OF REGULATED TEXTILES (ALL KINDS)

(In million square yards)

From:	*U.K.*		*Japan*		*Total*	
	1934	*1938*	*1934*	*1938*	*1934*	*1938*
Into:						
Various West Indian Colonies[a]	18·2	14·2*	4·3	0·7*	28·0	29·3*
West Africa	69·5*	75·2*	21·4*	6·3*	113·0*	114·7*
Ceylon	12·4*	21·3*	59·1*	25·5*	86·0*	66·9*
Malaya	29·5	47·4	126·9	39·0	183·0	137·6
Malta and Cyprus	3·4	6·6	6·3	0·6	11·0	12·5

INCREASE OR DECREASE

From:	*U.K.*	*Japan*	*Other countries*	*Total*
Into:				
West Indies[a]	− 4·0	− 3·6	+ 8·9	+ 1·3
West Africa	+ 5·7*	−15·1	+11·1*	+ 1·7*
Ceylon	+ 8·9*	−33·6	+ 5·6*	−19·1*
Malaya	+17·9	−87·9	+24·6	−45·4
Malta and Cyprus	+ 3·2	− 5·7	+ 4·0	+ 1·5
Total	+31·7	−145·9	+54·2	−60·0

* Linear yards.

[a] Bahamas, Barbados, British Guiana, British Honduras, Trinidad and Tobago, Grenada, and St. Vincent only.

The trade of Japan with the quotaing Colonies declined more than the total trade of these Colonies. But the United Kingdom did not get all the difference; more than half of it accrued to other countries.

Why did not the United Kingdom trade fare better? The two main reasons were the changes in Japanese trade and the rise of other countries.

The Japanese adjusted their trade even within the quota, where this was possible, concentrating on the better quality goods. That is to say, where the cotton piece-goods quota was not subdivided into various headings, they concentrated rather on the type of goods in which the United Kingdom was previously interested. A good example of this is the Gold Coast's experience with cotton velveteens. A separate quota was fixed for this item in 1934, but from 1937 onwards it was merged in the cotton piece-goods quota. The trade was as follows:

TABLE XIX. IMPORTS INTO THE GOLD COAST OF VELVETEENS

From:	U.K.		Japan		Total
	000 sq. yds.	%	000 sq. yds.	%	000 sq. yds.
1933	102·8	63·8	40·8	25·3	161·5
1935	87·6	67·4	0·6	0·4	129·7
1937	121·1	63·9	49·9	17·3	287·8
1938	13·3	6·1	135·4	62·9	214·9
1939	7·8	4·2	144·4	78·4	183·0

Similarly, in those Colonies where there was no subdivision of the quotas into separate allowances for cotton and artificial silk piece-goods, such as the West Indies, the tendency was for the Japanese quotas to be filled more and more, sometimes exclusively, with rayon piece-goods. The following figures illustrate the point:

TABLE XX. IMPORTS OF REGULATED TEXTILES INTO VARIOUS WEST INDIAN COLONIES[a]

ALL KINDS

(In thousand yards)

From:	1934	1938
U.K. . . .	18,237	14,204*
Japan . . .	4,342	718*
Total . . .	28,014	29,266*

Of which Artificial Silk Piece-goods

(In thousand yards)

From:	1934	1938
U.K. . . .	991	2,424*
Japan . . .	917	700*
Total . . .	3,018	3,846*

* Square yards.

Proportion of Artificial Silk Piece-goods to Total Imports of Regulated Textiles

From:	1934	1938
	%	%
U.K. . . .	5·4	17·0
Japan . . .	23·7	97·5
Total . . .	10·7	13·1

[a] As in Table XVIII.

This did not prevent an absolute and proportionate advance of the United Kingdom in rayon piece-goods. Japan's absolute share was down even in this item. All that happened was that within the limits set to Japan by the quota regulations her share tended to be made up to an ever-increasing extent by the more valuable kinds of regulated textiles, i.e. exactly those lines which are of relatively greater interest to the United Kingdom trader than the cheaper ones.

The other factor holding back United Kingdom trade was that other countries benefited more from the quotas on Japanese goods than the United Kingdom did. This was especially marked in cotton goods, where United Kingdom sales actually declined absolutely between 1933 and 1938, whereas those of other countries increased. In the rayon trade the United Kingdom held its own much better.

Among the 'other countries' which benefited in the cotton piece-goods trade, the most important were India, Hong Kong, Italy, the U.S.S.R., and the United States of America. The following figures show the benefit secured by India and Hong Kong:

TABLE XXI. IMPORTS OF REGULATED TEXTILES FROM INDIA AND HONG KONG

	1933	*1934*	*1938*
Into:	000 yds.	000 yds.	000 yds.
The West Indies[a]	2	24	1,269*
West Africa	2,455*	2,154*	15,516*
Ceylon	10*†	21*†	21*†
Malaya	5	5	32
Malta and Cyprus	12	118	1,885

* Square yards. † From India only.

[a] Barbados, British Guiana, British Honduras, Jamaica, Trinidad, Grenada, and St. Vincent only.

Italy's sales of regulated textiles to Malta and Cyprus increased from 1,148,628 sq. yds. in 1933 to 1,937,649 sq. yds. in 1938, the increase being particularly large in artificial silk piece-goods. The U.S.S.R. made itself felt in West Africa. In the Gambia the immediate effect of the imposition of the quota was the transference in the second half of 1934 to the United Kingdom and the U.S.S.R., on an almost equal percentage basis, of a considerable proportion of the trade in cotton piece-goods formerly enjoyed by Japan. On 30 June 1934 the position was as follows:

	000 sq. yds.	Per cent.
U.K. .	759	47·8
Japan .	630	39·7
U.S.S.R.	127	7·9

By 31 December 1934 it had changed to:

	000 sq. yds.	Per cent.
U.K.	1,831	57·1
Japan	653	20·3
U.S.S.R. . . .	543	16·9

Similarly, in the Gold Coast and Nigeria there occurred the danger of Japan being replaced by U.S.S.R. Russian competition was, however, disposed of by means of a gentleman's agreement, and Russia's share became negligible after 1935. More important than these cases was America's reappearance in the West Indian cotton piece-goods trade, which sometimes led to the exhaustion of the United States quota and the grant of some concessions (see p. 70). The United States competed in the high-quality market, and it is therefore doubtful whether she can be said to have replaced Japan. Moreover, American competition became strong towards the end of the period only. However this may be, the fact that it was the high-quality market of cotton piece-goods where American competition was strongest, made the matter very important from the point of view of United Kingdom trade. American exports of cotton piece-goods to the West Indies[1] amounted to some 17,058,000 yards in 1938, as compared with only 5,181,000 yards in 1933, being 33·1 per cent. of the total as against 10·5 per cent. in 1933.

The advance of India and Hong Kong apparently was due to the fact that the prices at which they offered their goods to the colonial consumers were much nearer to the Japanese prices than the articles the United Kingdom could offer. It is alleged that Japan frequently had created new markets amongst the poorest classes during the depression, which the United Kingdom could not supply. This demand became partially filled by India and Hong Kong. In the American case the answer must be a different one. The opinions expressed by various local merchants to the Governor of Bermuda may help to explain the problem, to some

[1] Bahamas, British Guiana, Jamaica, Leeward Islands, Trinidad and Tobago, Grenada, and St. Lucia only.

extent at any rate. One firm, which was extremely anxious to maintain its British connexions, stated: 'In fact the American product is so far ahead of the British that the latter is absolutely unsaleable in this market.' Or another: 'We buy British, particularly English and Scotch, at every opportunity. The only reasons why our purchases from British sources are not larger are because of the delay in having our orders filled and the difficulty we experience in having things made exactly as we want them, and the more costly and less convenient methods of packing which are still indulged in by the British manufacturer.' In addition, they declared there were many items which they had to buy from the United States owing to their better style and value. It also appears that British manufacturers were less prepared to sell in small quantities than their competitors elsewhere, a point—if true—which is of the utmost importance if it is desired to sell high-class and expensive goods, particularly in times of bad trade. Whatever the reasons, United Kingdom manufacturers were unable to hold their own in colonial markets in competition with others, and in the cotton piece-goods trade got no share in the gap created by the exclusion of Japan. This is not to say that they did not benefit from the imposition of the quotas; for if East Africa is any guide, the United Kingdom cotton trade with the Colonies would have declined still more if quotas had not been imposed.

It remains to consider the indirect effects of the quotas on other United Kingdom trade. This can be discussed under three heads; diversion of Japanese competition from quotaed to non-quotaed textiles; effects in the Netherlands East Indies; and intensification of Japanese textile competition in markets outside the British Colonies.

As to the trade in non-quotaed textiles, the following table illustrates what happened:

TABLE XXII. IMPORTS OF APPAREL
(*other than Boots and Shoes* (in £000))

	U.K.			*Japan*			*Other countries*			*Total*		
From:	*1933*	*1938*	*Incr.*	*1933*	*1938*	*Incr.*	*1933*	*1938*	*Incr.*	*1933*	*1938*	*Incr.*
W. Indies[a] .	51	113	+62	32	20	−12	42	59	+17	125	192	+67
W. Africa .	72*	74	+ 2	70*	74	+ 4	40	126	+86	182	274	+92
Ceylon .	47	57	+10	56	108	+52	33	46	+13	136	211	+75
Malaya .	54	82	+28	116	102	−14	209	245	+36	379	429	+50
Malta and Cyprus .	40	56	+16	31	29	− 2	16	43	+27	87	128	+41
Total .	264	382	+118	305	333	+28	340	519	+179	909	1,234	+325

* 1934.

[a] Bahamas, British Guiana, Jamaica, Trinidad and Tobago, Grenada, and St. Lucia only.

It will be seen that the Japanese did not make notable gains in apparel, except in Ceylon. Elsewhere there was clearly no diversion of Japanese competition to the non-quotaed articles.

The effects on United Kingdom trade with the Netherlands East Indies, if any, were very indirect. The point is that when in 1937 the Dutch asked for concessions in the Gold Coast they were refused, for fear of still further offending Lancashire interests which were annoyed because the Ceylonese quotas had recently been relaxed. The Dutch then looked less favourably on British claims to more favourable treatment in the Netherlands East Indies market. The argument is that if there had been no quotas on Dutch goods in the Gold Coast, the Dutch might have treated United Kingdom goods in the Netherlands East Indies more favourably. It is clearly a somewhat subtle argument. The Dutch were in any case discriminating much more heavily against Japan than against the United Kingdom, as the figures show:

N.E.I. Cotton Piece-goods Imports

(000 sq. yards)

	1933	*1938*
From U.K. . .	20,915	26,946
,, Japan . .	26,688	7,202

The third factor, the diversion of Japanese competition to other markets, may have been much the most important; it is certainly the most difficult to assess.

United Kingdom exports to the quotaing Colonies were in 1933 only 8 per cent. of her total exports of cotton piece-goods. If the only effect of protecting the colonial market were to increase competition for the remaining 92 per cent., the quotas would not be of much value. Indeed, if what the Japanese lost in the colonial market they promptly gained elsewhere from the United Kingdom, the quotas would have imposed great hardship and cost on the Colonies without at all benefiting the United Kingdom trader. Moreover, as we have seen, it is 'other countries' that benefited most in colonial markets from the exclusion of Japanese competition in cotton piece-goods. If the United Kingdom then proceeded to lose elsewhere she would have done herself positive harm by imposing the quotas.

The relevant statistics are as follows:

Exports of Cotton Piece-goods to all Destinations

(Million sq. yds.)

	1933	*1938*	*Difference*
U.K.	2,031	1,386	−645
Japan	1,855	2,181	+326

The U.K. exports were subdivided as follows:

	1933	*1938*	*Net loss*	*Per cent. decrease*
To quotaing Colonies	187	173	14	8
To other British Empire	905	700	205	23
To non-Empire	939	509	430	46
All destinations	2,031	1,382	649	32

Sources: *The Trade of the United Kingdom* and *Japanese Trade Returns.*

Japanese trade was up by 18 per cent. United Kingdom trade was down by 32 per cent. in total, 8 per cent. in the quotaed Colonies, 23 per cent. in the rest of the Empire, and 46 per cent. in foreign markets.

The trade in artificial silk piece-goods shows the same result:

Exports of Artificial Silk Piece-goods, all Destinations

(million sq. yds.)

	1933	*1938*	*Difference*
U.K.	43	38	− 5
Japan	109	337	+228

Sources: *The Trade of the United Kingdom* and *Japanese Trade Returns.*

It is not possible to prove that the United Kingdom would have lost less in non-quotaed markets if she had allowed herself to lose more in the colonial markets. It may be that the Japanese competition in the non-quotaed markets would have been just as fierce. But there does seem to be a reasonable presumption that the Japanese, on being turned out of the colonial markets, sent their agents and diverted their energies elsewhere, and many people have asserted that this was the case. If so, the whole business of imposing quotas on the Colonies hit the poorest section of the British Empire without in any way benefiting the richest as had been intended. If so, the United Kingdom abandoned her traditional policy of trusteeship to grasp a shadow.

Whether this was the case or not the figures help to put the policy in perspective. United Kingdom exports of cotton piece-goods to the quotaed Colonies in 1933 were 8 per cent. of the whole. In non-quotaed markets she lost 655 million square yards, which was three-and-a-half times her entire piece-goods trade with the quotaed Colonies.

The following points emerge. In the cotton piece-goods trade the United Kingdom lost less in quotaed markets than she did in unquotaed markets. Other countries, however, actually increased their sales. It was these countries, especially India, Hong Kong, Italy, and the United States of America, which benefited most from the exclusion of Japan. In non-quotaed markets United Kingdom trade declined heavily, while the Japanese trade increased. It is not possible to prove that the United Kingdom lost more in these markets than she would have done if the Japanese had not been driven out of colonial markets; but this seems likely. Adequate statistics are not available for the artificial silk trade. The United Kingdom seems to have fared better in the quotaed markets. Total United Kingdom exports, however, declined, while total Japanese exports trebled. Here again, the trade in other markets seems to have been much more important than the quotaed markets.

CHAPTER 5

DISCRIMINATORY EXPORT DUTIES IN THE COLONIAL EMPIRE

MERCANTILIST economics not only stresses the importance of securing profitable outlets for a country's surplus produce in other markets, but also emphasizes the need to secure an abundance of raw materials for domestic industries. The discriminatory measures relating to colonial exports disappeared in the nineteenth century. Since 1903 they have made their reappearance in a few isolated instances.

The first case was the simultaneous imposition of a discriminatory export duty on tin ore in the Federated and the Unfederated Malay States, chargeable on tin ore exported without guarantee that it would go for smelting to the Straits Settlement. Its imposition coincided with the beginning of Joseph Chamberlain's campaign for protection and imperial preferences, but escaped discussion in contemporary literature, so that no direct connexion can be established between the two events. It also coincided with, or rather followed, an attempt by the United States Steel Company to set up a smelting plant at Bayonne, New Jersey. Sir Frank Swettenham, Resident General at the time the duties were imposed, wrote in his book *British Malaya*:[1] 'An American attempt to transfer this tin-smelting to American soil, and so to obtain, in time, complete control of Malay tin production, was frustrated by imposing a prohibitive duty on the export of tin ore, and giving an equivalent rebate on all ore smelted in the Straits Colony.' A writer in *The Times* of 9 July 1903[2] regarded the imposition of the duty as an act of self-preservation, and one of dire necessity on the part of the miners, the trading community, and the Government. In 1904 the United Kingdom was added to the list of places where the smelting might take place without the payment of this duty, Australia in 1916. The duty was levied in addition to the general export duty of about 10 per cent. *ad valorem* and was prohibitive, as intended. It amounted to $3·30 (Straits Settlements currency) per picul or £58. 8*s*. per long ton. Consequently, when the price

[1] Lane, 1907. Quoted by the United States Tariff Commission, op. cit.
[2] Quoted by the United States Tariff Commission, op. cit., p. 338.

of tin rose as high as £300 per ton, it was equivalent to 19·4 per cent. *ad valorem*, and when it fell as low as £100 per ton—which actually happened in 1931—to 58·4 per cent. *ad valorem.*

Thus, Straits Settlements, United Kingdom, and Australian smelters alike were protected against foreign competitors making use of Malayan tin ore. Then, during the first world war, a second attempt was made in the United States to set up smelting plants there. Before 1914 Bolivian tin ore used to be exported and smelted in England. Owing to shipping difficulties that trade temporarily came to a standstill. In 1916 the American Smelting and Refining Company set up a plant at Perth Amboy, New Jersey, followed in 1918 by a plant in Jamaica Bay, New Jersey, a joint undertaking by the National Lead Company of the United States and Messrs. William Harvey, one of the Lancashire smelters. Owing to the greater technical difficulties in treating Bolivian ore as compared with Straits ore, the American enterprise was successful only up to the time when British competition was resumed, cutting the price by about one-half. It then became more profitable to send Bolivian ore to England where it was mixed with ores from the Straits Settlements and Nigeria. The owners of the plant at Perth Amboy then hoped to secure ores not so complex as the Bolivian, and, as Malaya was ruled out owing to the preferential export duty, cast their eyes upon Nigerian supplies. The British Government, however, let it be known that should any tin ore be exported from Nigeria to the United States of America, a discriminatory export duty would be imposed. It actually was imposed in 1916, but on account of the war not put into operation before 1919. It was made chargeable on all Nigerian tin ore exported without guarantee that the smelting would take place in the United Kingdom or in any other British country. The duty was 50 per cent. of the maximum royalty payable on tin ore which worked out to be equivalent to a sliding scale varying with the price of tin, i.e. 1 per cent. of the London price whenever that price was less than £180 per ton, varying upwards up to 5 per cent. when the London price was over £300 per ton. It was thus more scientific than its Malayan counterpart. It achieved the same purpose: foreign competition was eliminated once more, and British smelters secured in their monopoly. The duty was removed as from 1 January 1938, under the terms of the United Kingdom–United States Trade Agreement of 1938.

In contrast to the export duties on tin ore, those on palm-kernels did not achieve their purpose and were repealed after only a few years of operation. During the first world war the Empire Resources Development Committee made a good deal of propaganda for mercantilist action regarding palm-kernels. The West African Sections of the Chambers of Commerce in London, Liverpool, and Manchester asked for an investigation. In 1915 the Government appointed a Committee 'to consider the present conditions and the prospects of the West African trade in palm-kernels and other edible and oil-producing nuts and seeds, and to make recommendations for the production in the United Kingdom of industries dependent thereon'.[1] Before 1914 the chief market for palm-kernels was in Hamburg. Germany had become the centre of the crushing industry and Holland of the manufacture of margarine. The Committee reported that the previous German market could be established in Great Britain, provided the crushing industry was also established there. They regarded the problem as a question of Germany versus Great Britain. In order to divert the industry into this country, they suggested an export duty of £2 per ton, to be continued for five years after the end of the war. And, 'if a duty of £2 per ton be found insufficient to divert the trade to this country, the amount should be raised until the duty is adequate to effect its purpose, and this determination should be made clear from the outset'. Although enacted in 1916, the duty did not come into force until 1919.

This happened at the same time as the imposition of the Nigerian export duty on tin ore, and similar provisions relating to hides and skins in India. Professor Hancock remarks that 'these facts make it clear that the palm-kernel policy cannot be regarded as an isolated episode; the "question at issue" was not merely a struggle "between England and Germany", it was also a struggle between the idea of monopoly and the idea of mandate'.[2] In support of this view two events are outstanding. One, the remark of the Government spokesman in the House of Commons, 3 August 1916, to the effect that the duty would not be imposed against France during the war, but that Holland could hope for no exemptions from it. Secondly, the manner in which it actually was imposed in 1919 is also rele-

[1] Cf. Cd. 8247 of 1916.

[2] Cf. W. K. Hancock, *Survey of British Commonwealth Affairs* (Oxford University Press, 1940), vol. ii, part i, p. 115.

vant. The British Government instructed the Governor of the Gold Coast to force the measure through in spite of the opposition of the unofficial members of that Colony's Legislative Council.

In addition to the preference, export prohibitions on the larger proportion of the palm-kernels, ground-nuts, and copra from the West African Colonies were imposed in the interest of British industry. This soon disappeared, but the preference remained. The result was that by 1922 the British West African trade with the continent of Europe was in a hopeless position. Particularly for Nigeria and Sierra Leone this state of affairs was most critical. While the French were selling palm-kernel produce at a price of £5 a ton, the British could not offer them below £9. In July 1922 the preference was withdrawn.

But some permanent effects remained. Threatened by the British export duty the Dutch expanded their production in Sumatra. Great concern about this threat to the prosperity of West African Colonies was expressed by a committee appointed by the Secretary of State for the Colonies to consider the best means of securing improved and increased production of West African palm-oil and palm-kernels.[1] And, although the West African Colonies recovered from the blow, some invisible permanent loss remained.

Comparing the discriminatory duties on tin ore and palm-oils, the contrast in their effectiveness in diverting trade is easily explained. Such duties can be effective only where the country imposing them already controls a large part of the available supply, and where the search for alternative new sources is frustrated. Uncertainty as to the latter consideration must make it always a doubtful policy, certainly in the case of agricultural products, and even to some extent in the case of minerals. With tin ore it was successful mainly because transport costs make it cheaper to smelt the Far Eastern ores in the Far East anyway (though the Dutch Government, which produces nearly all the Netherlands East Indies tin, chooses to smelt it in Holland), while of the Atlantic ores, the Bolivian could not for technical reasons be smelted economically without being mixed with other ores. It is doubtful whether there are many other cases in which discriminatory export duties would not in the long run have had the same effects as the palm-oil duties.

[1] Colonial No. 10 of 1925.

CHAPTER 6

PREFERENCES IN THE UNITED KINGDOM AND DOMINION MARKETS

DISCRIMINATORY export duties are designed to benefit other members of the Empire at the expense of the Colonies; preferences, on the other hand, are designed to benefit the Colonies. Both are capable of similar diversionary effects. The following pages give an account of those preferences in the United Kingdom, the Dominions, India, and the self-governing Colonies which relate to colonial exports.

A. THE UNITED KINGDOM

In the middle of the nineteenth century Britain embraced free trade. From the end of the century the Dominions abroad and propagandists at home were urging that she should return to a system of imperial preference, but there was little sympathy for this view until the war of 1914, with its effect in fostering feelings of imperial solidarity. At the Imperial Conference of 1917 the United Kingdom representatives yielded in principle to the Dominions' demand for imperial preference. The result was that in the Finance Act of 1919 lower duties were imposed on Empire wines (of interest to Cyprus) and spirits (of interest to Jamaica and British Guiana) than on foreign ones, and on a range of articles subject to revenue duties a preferential rate five-sixths of the full duty was introduced. Among these articles were:

Commodity	*Of special interest to*
Tea	Ceylon Nyasaland
Cocoa	British West Africa British West Indies
Coffee	British East Africa British West Indies
Sugar	British West Indies Mauritius Fiji
Molasses	British West Indies
Tobacco and Tobacco manufactures .	Nyasaland Northern Rhodesia

At the Imperial Conference in 1923, the question of imperial preferences was raised once more. The Conservative Government, prepared to introduce a protectionist tariff in order to meet the Dominions' requests, was defeated at the polls. After Mr. Baldwin's return to power he compromised. An annual grant of £1 million was given to the Empire Marketing Board, set up at the time to do propaganda for the consumption of imperial produce. In the Finance Act of 1925, the Baldwin Government increased some of the preferences already in existence. Thus, the preference on sugar, molasses, glucose, and saccharine was put on a specific basis, and guaranteed for ten years. It was provided, however, that if the full rate were reduced during this period, so as to be equal to or less than the then existing margin of preference, the Empire produce should be admitted free of duty. At the same time the preference on tobacco was increased to a margin of 25 per cent. instead of 17 per cent., and the preference on wines and spirits was increased. In the Finance Act of 1926, the Government went a step further, and guaranteed all existing margins of preference for ten years, subject to the same proviso as was inserted in the case of sugar the year before.

Then came the Great Depression. In 1931, Great Britain's balance of payments became extremely adverse. At the same time tariff walls were mounting everywhere else, in the Dominions no less than abroad. In June 1931 the Macmillan Committee reported that the only alternative to going off gold was to go protectionist. A few months later Great Britain was off gold and went protectionist. The victory of Birmingham over Manchester was complete. At the same time the door was left fairly wide open to colonial goods.

The first action taken was the Excessive Import Duties Act, a provisional measure, empowering the Board of Trade to impose duties up to 100 per cent. *ad valorem* on foreign goods, but not on imports coming from the British Empire. A flat rate of 50 per cent. *ad valorem* was actually imposed. It was superseded by the Import Duties Act of February 1932, which, subject to minor modifications, remained the basis for the United Kingdom's tariff policy up till the outbreak of the second world war. The underlying principle was: the home producer first, the Empire second, foreign countries third. A general 10 per cent. *ad valorem* duty and various additional duties came into operation on foreign goods, colonial goods being exempt. Most colonial produce enjoyed free admission, as there are few cases where the colonial producers competed directly with the United Kingdom.

Thus the way was paved for Ottawa. True, the Ottawa duties were imposed mainly in the interests of the Dominions. All the same, some of them were of importance to the Colonies as well, such as:

Commodity	*Rate of duty on foreign goods*	*Colonies interested*
Bananas	2*s*. 6*d*. per cwt.	British West Indies
Grapefruit	5*s*. per cwt.	British West Indies
Oranges	3*s*. 6*d*. per cwt.	Cyprus
	(1 April–30 November)	British West Indies
Honey	7*s*. per cwt.	British West Indies
Maize	10 per cent. *ad valorem*	Kenya
		Northern Rhodesia
Coco-nut oil	15 per cent. *ad valorem*	Ceylon

In 1935, soya beans from foreign sources, so far on the free list, were made dutiable at 10 per cent. *ad valorem*. Ceylon had been very keen on this preference. Considerable difficulties had to be overcome before this could be done. Once in operation it proved to be of no practical value to Ceylon, since United Kingdom agriculturists were unwilling to change their source of supply. Various other modifications were made in the United Kingdom's tariff structure, mainly in order to fulfil her obligations under the various trade agreements concluded since Ottawa. Colonial interests in the United Kingdom market were, on the whole, jealously safeguarded. The only sacrifices demanded under the Anglo-American Trade Agreement were the withdrawal of the preference on grapefruit and a reduction of the preferential margin on honey to 5*s*. per cwt.

The most important of all the United Kingdom preferences was the sugar preference, which was somewhat complicated. The preference, like the full rate of duty, was graded according to the degree of polarization from the outset. This by itself made it possible to discriminate against high-grade sugars, e.g. when the sugar duties were reduced in 1928 the reduction was least on sugars over 99° of polarization. Mauritius had been a pioneer in the manufacture of direct consumption sugars by the sulphitation process, and prior to 1928 she mainly exported sugar of 99·5° of polarization. Since then the Colony has been forced by the penalization of high polarization sugars in the British market to reverse this development and raw sugars of 98·5° of polarization became the most important export.[1]

With Britain's return to protection, the sugar duties became even more complex. In addition to the full rate of duty, and the preferential rate, a super-preferential rate came into being for colonial sugar, and a super-super-preferential rate on colonial sugars accompanied by a quota-certificate, i.e., a certificate issued by the Secretary of State certifying that the sugar in question forms part of the quantity of sugar which may be imported from the Colonies and other countries to which Section 2 of the Finance Act of 1932 applied (Colonies, Protectorates, and Mandates). The purpose of paying special preference on certified sugar was to stabilize colonial sugar production at the level prevailing in 1932. A reduction in the duties on certified colonial sugar was made in 1934 and the quantity covered by these quota certificates increased (in order to make allowance for production in 1933 which could no longer be influenced at the time the Finance Act of 1932 was passed). At the same time the general colonial rate was abolished, i.e. sugar imports from the Colonies in excess of the quota had to pay the full Empire rate. The Empire rate was adjusted to the Canadian preference. The duty then remained unchanged till April 1939. The importance of the adjustment of the Empire rate in the United Kingdom to the Canadian preference was this: as both Canada and the United Kingdom were granting imperial preference on sugar, West Indian sugar tended to be diverted from the one to the other, according to whichever was for the time being offering the higher preference. Canada outbid the United Kingdom in the nineteen-twenties and West Indian exports showed a downward trend in an expanding market. In 1932 the United Kingdom preference became the greater and there was a big upward swing in the United Kingdom imports from the West Indies. This trade diversion was accentuated by the fall in the value of the Canadian dollar which further lowered the value of the preference in terms of sterling. The adjustment of the preference was followed by a decline in West Indian sugar exports to the United Kingdom. However, soon afterwards (in 1937) United Kingdom imports

[1] Cf. C. J. Robertson, *World Sugar Production and Consumption* (London, John Bale, 1934), p. 47.

from the West Indies reached their peak (see Table XXIII (*a*)). This appears to have been due to the fact that the Jamaican sugar industry expanded under the stimulus of the preference. Incidentally, this meant that the assistance to Jamaica per ton exported became less than that received by Colonies which did not expand their production, since the number of certificates allocated to each Colony could not be varied. This led to a certain amount of resentment in Jamaica; but nothing could be done about it until 1944, when the total number of quota certificates was increased and its distribution made more flexible. The alterations made in 1944 were as follows: each Colony is entitled to a quota equal to one-third of its average exports of sugar to all destinations during the three calendar years immediately previous to the commencement of the financial year in respect of which the certificates are issued; provided that no Colony's quota is reduced below the quota to which it was entitled under the previous arrangements (no guarantee was given that this proviso be continued indefinitely); and that any Colony that exports during the financial year a quantity of sugar less than the amount represented by its special preference quota is required to surrender so much of its quota as corresponds to the deficiency. The percentage of colonial exports to benefit was put at one-third so as to give an overall preference of 1*s*. per cwt., the value of each certificate being 3*s*.

Next a word about manufactured tobacco. The preference, as mentioned above, was established in 1916, stabilized at 2*s*. 0½*d*. per pound for ten years in 1926, and then guaranteed till 1942. It was specially safeguarded in the United Kingdom–Canada Agreement of 1937 and the American Trade Agreement of 1938. True, the United States of America remained the principal supplier throughout and India,[1] too, accounted for considerable quantities. All the same, the preference was welcome to Nyasaland and some other colonial producers. A glance at Table XXIII (*b*) shows that in spite of some quite considerable progress the colonial producers apparently were unable to convince the English smoking public of their quality. On the whole, Empire tobaccos are useful blends for pipe tobacco, but very much less so for cigarettes.

When the preference was imposed the results were not entirely beneficial. Partly, colonial producers anticipated too much and resorted to over-production. Apart from this, Empire tobaccos

[1] But less than Nyasaland.

TABLE XXIII (*a*). IMPORTS INTO THE U.K. OF UNREFINED SUGAR

From:	*Mauritius*				*British West India Islands*				*British Guiana*				*Fiji*				*Kenya and Uganda*				*Total British Empire*				*Grand total*	
	cwt.	%	£	%	cwt.	%	£	%	cwt.	%	£	%	cwt.	%	£	%	cwt.	%	£	%	cwt.	%	£	%	cwt.	£
1921	3,694	23	5,003	25	1,394	9	2,106	10	811	5	1,103	5	..	..	..	..	..	..	..	..	6,857	42	9,606	47	16,297	20,422
1923	4,460	19	5,631	19	1,314	6	2,018	7	659	3	920	3	..	..	..	..	..	..	..	..	7,535	32	9,887	33	23,358	29,605
1925	1,697	6	1,377	7	1,958	7	1,728	9	622	3	484	2	..	..	..	..	..	..	..	..	6,677	24	5,400	28	27,049	19,494
1927	3,851	15	3,667	20	1,207	5	1,106	6	639	3	557	3	..	..	..	..	..	..	..	..	8,250	35	7,409	40	23,538	18,399
1929	5,501	13	3,845	17	1,370	3	961	4	478	1	336	1	536	1	368	1	..	..	..	..	14,060	34	9,654	43	40,941	22,732
1931	3,096	9	1,651	12	719	2	488	4	627	2	333	2	286	0	144	1	1	0	3	0	12,007	34	6,355	44	35,547	14,302
1932	3,889	8	2,117	12	2,454	5	1,238	7	1,529	3	828	4	1,012	2	549	3	..	..	..	..	14,008	30	7,436	41	47,014	17,997
1933	4,161	10	2,243	15	3,910	10	2,060	14	1,656	4	850	5	1,169	3	608	4	120	0	37	0	15,579	39	7,819	52	40,167	14,968
1935	3,702	10	1,672	14	1,751	5	849	7	1,109	3	517	4	1,349	4	528	4	236	0	115	0	16,050	42	6,925	56	38,303	12,237
1937	5,731	13	3,780	19	5,751	13	2,965	15	1,605	4	785	4	1,690	4	1,078	5	210	0	147	0	26,506	60	14,341	72	44,318	19,995
1938	5,645	12	3,601	19	3,493	7	1,733	9	1,098	2	527	2	1,535	3	955	5	190	0	133	0	23,966	51	12,510	66	47,377	18,873

Rate of duty as imposed in 1918: unrefined sugar of less than 76° of polarization, 12*s*. 4*d*. per cwt.; of less than 96° of polarization, £1. 2*s*. 11·9*d*. per cwt exceeding 98° of polarization, £1. 5*s*. 8*d*. per cwt.

Preference of five-sixth of full rate introduced in 1919.

1924. Full rate of duty reduced to 5*s*. 7*d*., 10*s*. 5·4*d*., and 11*s*. 8*d*. respectively.

1925. Pref. rate of duty made specific at 3*s*. 6½*d*., 6*s*. 7·4*d*., and 7*s*. 4*d*. respectively.

1928. Full rate of duty reduced to 4*s*. 6*d*., 8*s*. 4·3*d*., and 11*s*. 8*d*. respectively, pref. rate to 2*s*. 5*d*. on sugar of less than 75° of polarization, 4*s*. 6·3*d*. on 96°, ar 5*s*. 10*d*. if exceeding 99°.

	Full rate	*Empire*	*Colonial*	*Certified Colonial*
	s. *d*.	*s*. *d*.	*s*. *d*.	*s*. *d*.
1932				
Less than 76°	4 6	2 5½	1 10·8	1 4·2
Less than 96°	8 1·6	4 4·8	3 4·8	2 4·8
Over 99°	11 8	5 10	4 8·2	3 6·5
1934				
Less than 76°	4 6	2 5½	..	9 6
Less than 96°	8 4·3	4 6·3	..	1 5·8
Over 99°	11 8	5 10	..	2 4·7
1939 April				
Less than 76°	5 7·2	3 6·6	..	1 10·8
Less than 96°	10 5·5	6 7·4	..	3 6·4
Over 99°	14 0	8 2	..	4 8·7

TABLE XXIII (b). IMPORTS INTO THE U.K. OF UNMANUFACTURED TOBACCO

From:	Cyprus				Nyasaland				Northern and Southern Rhodesia								British North Borneo				Total British Empire				Grand total	
	lb. 000	%	£000	%	lb. 000	%	£000	%	lb. 000	%			£000	%			lb. 000	%	£000	%	lb. 000	%	£000	%	lb. 000	£000
1921	16	0	2	0	4,777	2	371	2	175	0			16	0			739	0	142	0	7,460	3	619	3	227,837	22,213
1923	141	0	5	0	5,891	3	409	3	367	0			31	0			894	0	156	0	12,895	7	833	6	173,038	14,961
1925	14	0	1	0	7,070	4	490	3	1,031	0			86	0			830	0	156	0	18,921	10	1,211	8	188,981	15,477
									lb. 000	%	£	%	lb. 000	%	£	%										
1927	93	0	6	0	13,781	6	1,079	6	1,899	0	118	0	9,222	4	890	5	1,302	0	248	0	40,952	18	3,279	18	222,265	17,834
1929	393	0	26	0	10,672	4	695	4	1,162	0	57	0	4,023	2	239	1	705	0	124	0	31,531	13	1,851	11	240,026	17,187
1931	249	0	16	0	11,116	6	629	6	413	0	21	0	5,909	3	319	3	669	0	84	0	34,328	18	1,858	18	194,064	10,397
1932	231	0	8	0	15,069	9	805	8	715	0	37	0	10,431	6	567	6	668	0	88	0	47,708	27	2,629	28	174,912	9,523
1933	350	0	16	0	10,373	5	493	4	403	0	20	0	10,032	5	495	5	530	0	73	0	49,192	23	2,563	23	211,108	10,961
1935	457	0	17	0	10,099	4	477	3	442	0	15	0	15,096	6	625	4	1	0	0	0	45,108	18	2,043	12	251,620	16,380
1937	279	0	13	0	13,505	6	585	3	328	0	14	0	14,519	5	795	5	251	0	34	0	57,336	21	2,799	16	267,460	17,315
1938	200	0	8	0	13,378	4	622	3	557	0	31	0	18,801	5	1,165	5	417	0	54	0	82,822	24	4,643	20	344,858	22,713

Rate of duty as imposed in	*1918*	*1919*	*1925*	*1927*	*1931 Sept.*	*1939 April*
On unstripped or unstemmed tobacco, containing 10 per cent. or more of moisture per lb. . .	8/2	8/2	8/2	8/10	9/6	11/6
Containing less than 10 per cent. of moisture per lb.	9/0½	9/0½	9/0½	9/9½	10/6	11/6½
Preferential rate: If more than 10 per cent. . .	. .	Five-sixths of the full rate	Three-quarters of the full rate, i.e. 6/1½	6/9½	7/5½	Five-sixths of the full rate, i.e. 9/5½
If less than 10 per cent. of moisture per lb.	. .		i.e. 6/9⅜	7/6⅜	8/2⅞	i.e. 10/2⅞
On stripped or stemmed tobacco containing 10 per cent. or more of moisture	8/2½	8/2½	8/2½	8/10½	9/6½	11/6½
Containing less than 10 per cent. of moisture.	9/1	9/1	9/1	9/10	10/6½	12/6½
Preferential rate: If containing more than 10 per cent. of moisture . . .	. .	Five-sixths of the full rate	Three-quarters of the full rate, i.e. 6/1⅞	6/9⅛	7/5⅞	Five-sixths of the full rate, i.e. 9/5⅞
If less than 10 per cent. of moisture	. .		i.e. 6/9¾	7/6¼	8/3¼	i.e. 10/3¼

Table compiled from *The Trade of the United Kingdom*, 1925, 1930, 1933, 1938.

were sold in brands, the only advertisement for which was their cheapness.[1] Towards the end of the nineteen-twenties, the producers started to take more notice of the taste of their customers in Great Britain, and since then quality is said to have improved a little. That the success was not much greater than before was not only due to the failure of the preference to do what quality alone can do, but also to the diminishing importance of tobacco in Nyasaland's agriculture. In 1930 it still accounted for 80 per cent. of her domestic exports, in 1936 only for 48 per cent.

All these cases were pre-Ottawa-preference on specific commodities. With the exception of sugar they can all be regarded as revenue duties, towards which the foreign articles were asked to contribute more than the colonial. In sugar alone did the principle of 'the home producer first' come in, which made itself felt in the grading of the duties discriminating against imported sugar of the highest degrees of polarization. At the same time the Colonies were granted even more favourable treatment than the Dominions. However this may be, in all these instances the colonial produce was taxed as well, even though at a preferential rate. The Ottawa duties, on the other hand, were imposed against foreign countries only, the Colonies enjoying free entry throughout.

Table XXIV shows the position as regards bananas and honey, which in view of the above discussions explains itself. The 'kink' in 1933 in both cases, the expanding market for bananas, and the fairly stable market for honey, are the outstanding features. Apart from this, quality, of course, played its part.

TABLE XXIV. IMPORTS INTO THE U.K. OF

(*a*) BANANAS

From:	*British West India Islands*		*British West Africa*		*Total British Empire*		*Grand total*	
	Bunches 000	£000	Bunches 000	£000	Bunches 000	£000	Bunches 000	£000
1927	1,971	640	..	..	1,972	640	12,696	5,750
1929	4,015	1,210	..	..	4,015	1,210	14,937	5,646
1931	6,971	1,997	..	..	6,979	2,000	16,162	5,539
1932	10,736	2,540	..	..	10,736	2,540	17,108	4,430
1933	6,628	1,304	..	..	6,630	1,304	15,908	4,349
1935	15,725	3,334	242	86	15,967	3,420	20,064	4,780
1937	19,582	4,307	361	93	19,942	4,400	22,527	5,097
1938	18,483	3,878	426	105	18,909	3,984	22,179	4,854

[1] Cf. 31st Report of the Imperial Economic Committee, *Tobacco*, 1937.

(*b*) HONEY

From:	*British West India Islands*		*Total British Empire*		*Grand total*	
	cwt. 000	£000	cwt. 000	£000	cwt. 000	£000
1927	16	37	36	96	84	147
1929	16	37	48	147	97	266
1931	17	30	41	92	78	176
1932	19	25	42	84	80	143
1933	14	19	44	93	80	145
1935	18	19	46	90	64	120
1937	19	34	55	105	90	160
1938	17	34	72	143	102	189

Table compiled from *The Trade of the United Kingdom*, 1930, 1933, 1938.

At Ottawa the United Kingdom also promised a preference of 2*d*. per pound on electrolytic copper. In the interest of the United Kingdom consumer it was never put into operation. Northern Rhodesian interests were not harmed through the suspension of the tariff. At the time of Ottawa all Rhodesian copper was fire-refined. Although, with the aid of a Colonial Development Fund loan, the Rokhana Company in Northern Rhodesia began the construction of an electrolytic refinery in 1933, the imposition of the tariff would have been of little or no value, since the Empire as a whole has an export surplus in copper.

B. CANADA

Canada's pioneer work in establishing the modern system of imperial preference has been dealt with in Chapter 3(A). Soon after the end of the first world war her trade relations with the West Indies became intensified once more through the 1920 agreement with these Colonies. In contrast with 1912, Canada now granted a uniform preference on all West Indian goods, except spirits and alcohol. Specific preferences were given on sugar, rum, lime-juice, cocoa beans, and various other commodities of special interest to these Colonies. The agreement came into effect from May 1921, and its benefits were extended to the United Kingdom, and all those parts of the Colonial Empire which already enjoyed preferential tariff treatment in the Canadian market. Actually, more was done than pledged, and a preference of $2 per proof gallon on rum and 15 cents per gallon on lime-juice came into force, instead of the promised 60 and 10 cents respectively.

The most important concession was the increased preference on sugar, which was granted by means of a rise in the general rate from \$1·37½ per 100 lb. to \$1·678 on raw sugar of 96° polarization, and a reduction of the preferential rate from \$1·034 per 100 lb. to 85 cents, thus increasing the margin of preference from 33¾ to 83·7 cents. Since the establishment of a preferential tariff in Great Britain, much of the West Indian sugar had been going to the Clyde. The preference there was greater than that accorded by Canada before May 1921. Owing to the greater preference granted in Great Britain, the representative of British Guiana at the Canada–West Indies conference of 1920 urged that a large preference should be granted by Canada in order to attract West Indian sugar, thus providing return freight for the subsidized steamship service between Canada and the West Indies. Canada granted this increase (as above) and outbid the United Kingdom preference by a small fraction.[1]

Table XXV shows the trend of the Canadian import trade in raw sugar and the general development of the export trade of

TABLE XXV. (*a*) CANADIAN IMPORTS OF RAW SUGAR

From:	*British West Indies*		*Total British Empire*		*Cuba and Santo Domingo*		*Grand total*
Canadian fiscal years	000 tons	%	000 tons	%	000 tons	%	000 tons
1921	55	6	62	18	188	54	347
1923	187	33	193	34	285	51	572
1925	190	45	218	52	125	30	419

Table compiled from *The Trade of Canada.*

(*b*) EXPORTS

From JAMAICA

To:	*Canada*		*Total British Empire*		*U.S.A.*		*Grand total*
	£000	%	£000	%	£000	%	£000
1921	416	14	1,322	45	1,399	48	2,936
1923	589	14	1,861	44	2,102	50	4,225
1925	830	22	1,894	49	1,586	41	3,877
From BARBADOS							
1921	653	67	896	92	67	7	973
1923	1,281	67	1,830	96	53	3	1,898
1925	768	67	1,070	94	55	5	1,144

[1] Cf. U.S. Tariff Commission, op. cit.

From Trinidad

To:	Canada		Total British Empire		U.S.A.		Grand total
	£000	%	£000	%	£000	%	£000
1921	361*	9	2,340	58	1,080	27	3,986
1923	293*	7	2,661	63	890	21	4,213
1925	262*	6	2,952	65	932	21	4,515
			From British Guiana				
1921	1,011	31	2,304	70	67	2	3,283
1923	1,241	46	2,095	78	157	6	2,669
1925	844	29	2,304	73	186	6	2,940

Table compiled from the *Statistical Abstract for the British Empire*, 1907–23, 1924–33.

* To Canada and Newfoundland.

the four principal West Indian Colonies to Canada, following the 1920 agreement. It suggests that the West Indian share in the Canadian sugar imports steadily increased, but that there was no long-term tendency in favour of the West Indies in the Canadian market as far as total trade is concerned.

The trade relations between Canada and the West Indies underwent another overhaul in 1925, when the Colonies secured additional specific preferences in the Dominion's tariff. Once more the Canadians gave an increased differential on sugar ($1·02567 per 100 lb. on raw sugar of 96° of polarization as against the previous $0·83712) by reducing the preferential rate to 66 cents. Some of the Colonies were keen on additional taxation of bananas and cocoa entering the Dominion from other sources of supply. The Canadians, on the other hand, were keen on a reduction of duties on foodstuffs, but after lengthy negotiations they agreed to the free entry of 'bananas, when imported from the place of growth by ship, direct to a Canadian port' as against a general tariff of 50 cents per stem or bunch. However, to safeguard the consumers' interest, a clause was inserted empowering the Governor in Council to admit bananas from all countries free of duty, or to reduce the duty thereon so as to give to the public the benefit of reasonable competition in the article, should the Minister of Customs and Excise be satisfied of the existence of a conspiracy, combination, agreement, or arrangement among the growers, dealers, shippers, or carriers of bananas at the expense of the consumers. The Colonies of Jamaica and British Honduras were to be notified of any such alteration. Jamaica and Trinidad also secured a preference on cocoa of $2 under the general tariff, and also of $1·50 under the intermediate tariff. Canada even undertook not to grant a preference on cocoa to any other British country which did not itself grant a preference to Canada. This was directed against the British West African Colonies, which were prevented from granting preferences to any country owing to international obligations. Various other concessions were granted, either being new initiatives, such as the preference on rum, or merely modifications or continuations of already existing ones.[1]

Table XXVI shows the development of the West Indian export trade to Canada in 1925, 1927, and two more years before the Ottawa Agreements. The 1927 preference apparently gave an additional stimulus to West Indian sugar exports to Canada, and also benefited Fiji. As far as the absolute export figures for all commodities are concerned, it can be seen that once the initial stimulus was over, the preferences could not overcome the decline in Canadian purchases from three of the Colonies shown, Trinidad being the exception. Proportionately the Colonies concerned suffered less in the Canadian and Empire markets than in world markets as a whole during the economic world crisis.

The agreement remained in force until the outbreak of the second world war (see p. 26), and thus existed side by side with the Ottawa arrangements from 1932 onwards.

The Ottawa negotiations were conducted by the Secretary of State on behalf of the Colonial Empire as a whole.[2] The requests he put forward were: (1) most-favoured-Empire-nation treatment for all Colonies in the Dominion markets, and (2) increased preferences for colonial goods either by means of a reduced preferential rate, or an increased duty on foreign goods, or new duties on some foreign goods.

Canada had already granted the benefits of the preferential tariff to most Colonies, but not to all. After Ottawa the Dominion added Zanzibar, the Cayman Islands, and the Unfederated Malay States to the list, but not Malta in view of the lack of reciprocity, nor Hong Kong, claiming that the genuineness of the Empire con-

[1] Cf. Canada-West Indies Agreement, 1925, and the *Report by Mr. R. A. Wiseman, Representative of H.M. Government at the Conference, Ottawa, June-July 1925*. West Indian No. 214 of 1925.

[2] See also Chapter 3, Section A.

TABLE XXVI. (*a*) CANADIAN IMPORTS OF RAW SUGAR

From:	*British West Indies*		*Fiji*		*Total British Empire*		*Cuba and Santo Domingo*		*Grand total*
Canadian fiscal years	000 tons	%	000 tons	%	000 tons	%	000 tons	%	000 tons
1925	190	45	7	2	218	52	125	30	419
1927	208	37	18	3	280	49	241	42	570
1929	229	54	84	20	327	76	74	17	427
1931	274	62	42	10	406	93	29	7	440

Table compiled from *The Trade of Canada.*

(*b*) EXPORTS

To:	*Canada*		*Total British Empire*		*U.S.A.*		*Grand total*
	£000	%	£000	%	£000	%	£000
From JAMAICA							
1925	830	21	1,894	49	1,586	41	3,897
1927	845	18	1,755	37	2,002	42	4,786
1929	1,101	24	1,968	45	1,568	34	4,605
1931	860	26	1,951	59	1,030	31	3,286
From BARBADOS							
1925	768	67	1,070	94	55	5	1,144
1927	1,024	78	1,242	95	58	4	1,312
1929	799	79	942	93	58	6	1,012
1931	619	73	730	86	114	13	852
From TRINIDAD							
1925	262	6	2,952	65	947	21	4,515
1927	407	8	2,428	46	1,580	30	5,244
1929	589	10	2,838	48	2,077	35	5,927
1931	657	18	1,861	50	944	25	3,714
From BRITISH GUIANA							
1925	844	29	2,304	78	186	6	2,940
1927	1,210	38	2,447	75	196	6	3,243
1929	928	37	1,943	78	180	7	2,478
1931	747	40	1,536	82	177	9	1,875

Table compiled from the *Statistical Abstracts for the British Empire*, 1924–33.

tent of Hong Kong goods could not be guaranteed in a satisfactory manner. Not even most-favoured-nation treatment was made universal before the United Kingdom–Canada Agreement of 1937, when Canada undertook to accord no worse treatment to any non-self-governing Colony, Protectorate, or Mandate under the British

Crown than to similar goods coming from foreign sources. This relieved, for example, Hong Kong from the burden of the general tariff, but did not mean most-favoured-Empire-nation treatment for her goods. The benefits of the preferential tariff were, however, extended to Malta, since that Colony had adopted the preferential principle in the meantime.[1] Furthermore, Canada undertook to grant to all Colonies, Protectorates, or Mandates which enjoyed the benefits of the preferential tariff in the Dominion all preferences accorded to any other part of the British Empire, subject to the inviolability of existing special arrangements: in short, limited conditional most-favoured-Empire-nation treatment. One of these special arrangements was the Canadian guarantee to the West Indies under the terms of the 1925 agreement not to accord preference to British West African cocoa. Previously Canada was only bound to grant to the Colonial Empire the preferences accorded to the United Kingdom.

Among the Canadian concessions, listed in Schedule F to the United Kingdom–Canada Ottawa Agreement of 1932,[2] the most important were as follows:

Commodity	*Margin of Preference over the Intermediate Tariff*	*Colonies particularly interested*
Semi-refined petroleum	1 cent per gallon	Trinidad
Various vegetable oils	10 per cent. *ad valorem*	British West Africa
Tomatoes	2 cents per lb.	Bahamas Bermuda Leeward Islands

In addition, Canada undertook to reduce the duty on canned pine-apples from 2 cents to 1 cent per pound, in the interest of British Malaya, subject to the consent of the Australian Government. This was necessary in view of the Canada–Australia Trade Agreement of 1931. It was eventually obtained.

The history of the pine-apple negotiations was as follows: Malaya produced a grade of pine-apple selling at between 8 and 15 cents a case, and Australia a superior grade selling at 30–35 cents. Before May 1931 the preferential duty was ½ cent, but under the Canada–Australia Trade Agreement of that month Canada, in order to assist the development of the Australian trade, which was

[1] See also Chapter 3, Section D. [2] Cmd. 4174 of 1932.

then still small, bound herself to raise the preferential rate to 3 cents per pound, the intermediate rate to 4 cents, and the general rate to 5 cents, while Australian pine-apples were to come in at a specially low rate of 1 cent per pound. The Franco-Canadian treaty did not allow a rate higher than 2 cents per pound to be charged to most-favoured-nation countries, and the preferential rate was at first set at this level, but raised to 3 cents when the Franco-Canadian treaty terminated. Even at 2 cents per pound the duty represented about 50 per cent. *ad valorem* on Malayan pine-apples; and at 3 cents it was 75 per cent. The trade could not stand this rate, and the Malayan pine-apples were diverted to London, where the price is said to have fallen in consequence. It was felt that the Malayan pine-apples could not stand more than 1 cent per pound, and this was urged at Ottawa, it being pointed out that the markets for Malayan and Australian pine-apples were quite different because of difference in quality. The Canadians accordingly agreed to reduce the preferential rate of 1 cent, and this was subsequently agreed to by the Australians. Table XXVII illustrates the position for Malaya and Fiji, another Colony interested in the trade.

TABLE XXVII. EXPORTS OF CANNED PINE-APPLES

From:	*British Malaya*		*Fiji*	
To:	*Canada*	*All destinations*	*Canada*	*All destinations*
	tons	tons	lb. 000	lb. 000
1927	3,248	40,134	102	149
1929	5,718	58,690	8	128
1931	7,120	52,341	53	297
1932	2,942	64,649	211	621
1933	6,241	58,292	79	380
1935	8,890	67,778	0·2	115
1937	8,591	71,592	86	87
1938	8,491	73,169	82	135

Malayan figures from: *Malaya Imports and Exports.* Fiji figures from the *Blue Books.*

The fall in Malayan exports to Canada in 1932 and the subsequent revival stands out quite clearly.

The preference on petroleum did not have much effect in diverting Trinidad oil from the United Kingdom to Canada, as the following figures show:

TABLE XXVIII

Year	*Trinidad exports of petroleum and petroleum oils to Canada*	*Total Canadian imports of petroleum and petroleum oils*	
	Million gallons	Million gallons	
1930	. .	1930–1	1,269·0
1931	2·3	1931–2	1,275·3
1932	17·7	1932–3	1,033·9
1933	20·7	1933–4	1,162·5
1934	4·7	1934–5	1,194·1
1935	. .	1935–6	1,298·6
1936	2·0	1936–7	1,372·1
1937	. .	1937–8	1,501·0
1938	. .	1938–9	1,443·4

The first important alteration in the Canadian tariff after Ottawa was effected under the United States–Canada Agreement of 1935. None of the Ottawa obligations or the obligations of the Canada–West Indies Trade Agreement was affected. What happened was that certain preferential margins which had existed without being guaranteed under either of these agreements, or which were larger than the agreements guaranteed, were reduced. Cases in point are tomatoes, grapefruit, and tinned pine-apples. American oranges were put on the free list; the current margin of 35 cents per cubic foot had not been guaranteed. United States soya beans were free-listed as well. The Colonial Empire was not directly interested in that trade to Canada, but fears were expressed of unfavourable repercussions on the colonial export trade in competitive lines such as oil seeds. Most important of all, the United States of America got most-favoured-nation treatment in the Canadian tariff. This led to a situation in which West Indian goods shipped directly to Canada entered at the preferential rate, but if shipped via the United States of America entered on less favourable terms than American merchandise, i.e. at the general rate. This state of affairs was remedied when Canada was induced to grant most-favoured-nation rights to the West Indies, in November 1936. The Dominion was rather reluctant to make this concession, fearing that the direct shipment clause of the Canada–West Indies Agreement would become less valuable, to the detriment of the subsidized Canadian National Steamship Service.

On 17 November 1938 the Canada–United States Trade Agreement was signed in Washington, on the same date as the United

Kingdom–United States Trade Agreement. Among the most important provisions as far as colonial interests are concerned was the free admission of American oranges between December and April. Canada reserved the right to change the period of free entry to January to July. This clause was inserted in the interest of the West Indian orange growers, whose main season is between September and March, in particular from mid-October till mid-February. More could not be done for the West Indies, as free entry was guaranteed to Australia from May to October, and the Commonwealth was not prepared to waive its rights, in spite of the fact that no Australian oranges were actually being imported into Canada. The second item of concern to the West Indies was the reduction of the duty on American tomatoes from 15 per cent. *ad valorem* with a minimum of 2 cents per pound to 10 per cent. *ad valorem* with a minimum of 1½ cents per pound and various other downward revisions of the intermediate tariff rates on various other vegetables. In view of Bermuda's reluctance to introduce those Ottawa preferences which she could have accorded to Canada and, more important, in view of the concessions the Americans had made on colonial exports, it was felt at the time that no strong case could be made against any of these concessions to the United States of America on the part of the Dominion.

C. NEW ZEALAND

Stimulated by the Canadian example, the other Dominions followed suit and established preferential tariffs. The Boer War had led to a rousing feeling of imperial sentiment. Dominion statesmen attempted to reconcile their feelings of imperial patriotism with their traditional protectionist outlook. Nothing seemed to serve the purpose better than the example set by Canada. At the same time, they made it quite clear that they expected something in return from the mother country. Australia and the Union of South Africa left the Colonies out in the cold. Not so New Zealand. When that Dominion introduced a preferential tariff in 1903, and modified it in 1907 and again during the 1914–18 war, imperial preference played each time an increasing part and no discrimination between the various members of the British Empire occurred. In this New Zealand was merely restoring an old tradition. During the few years between her attainment of tariff autonomy in 1841 and the free trade era, a preferential tariff was in operation discriminating against foreign countries, but not against any part of the British Empire. Thus she was merely returning to a principle established over seventy years before, only adapting it to the new conditions. After the 1914–18 war, when New Zealand adjusted her tariff, the rate on foreign goods rose from 30 per cent. *ad valorem* before 1921 to 40 per cent. *ad valorem* after 1927, but the British preferential rate remained at 20 per cent. Furthermore, after 1921, special dumping duties could be imposed if foreign goods were being sold to New Zealand under conditions which might adversely affect manufacturers in New Zealand or any other part of the British Empire. In addition certain specific tariff increases were made under both the general and the preferential tariff, which on the whole did not affect colonial interests.[1]

The trade relations between Fiji and Australia were far from satisfactory to the Colony, and an alternative outlet for Fijian produce had to be found.[2] In 1931 an agreement was concluded between Fiji and New Zealand, by which the Dominion undertook

'to admit free of duty Fijian bananas, cocoanuts, pineapples and other fruits so admitted, subject to the reserved right to impose primage duty on such goods of Fijian origin in the event of such duty being imposed on similar goods imported from other countries, the products of which are admissible under the British preferential tariff. The New Zealand Government have regretted that in view of the financial conditions now existing in the Dominion they cannot at present admit free of duty canned pineapples and fresh tomatoes of Fijian origin. . . .'[3]

At Ottawa New Zealand undertook to grant to the Colonial Empire all preferences accorded to the United Kingdom, which meant that the margin of preference could not be made less than 20 per cent. *ad valorem* on all goods subject to import duty, subject to the principle of reciprocity where no international obligations prevented a Colony from doing so; i.e. most-favoured-Empire-nation treatment became conditional. In addition, New Zealand guaranteed certain specific margins on some colonial goods, e.g. coffee and rum, and a 10 per cent. *ad valorem* preference on asphalt and unground spices, which so far had been admitted free[4] from all sources. The commodities concerned do not rank high in

[1] Cf. *New Zealand Official Year Book*, 1931.
[2] See Chapter 3, Section C, pp. 39, 40, and pp. 109-11 below.
[3] From the Governor's Address to the Legislative Council, 1 June 1931.
[4] See Schedule E to the United Kingdom–New Zealand Ottawa Agreement, Cmd. 4174.

importance in the New Zealand imports, nor has New Zealand become a substantial purchaser of any of these colonial goods.

The Colonies most interested in the New Zealand market are Fiji and Ceylon. It can be seen from Table XXIX that in spite of the preferences the trend for Fiji is downwards. To some extent this was due to the diminishing share of Fiji sugar taken by New Zealand, Fiji sugar tending rather to go to the United Kingdom, where the preference was more favourable. In 1927 £270,773 worth of New Zealand imports of sugar came from Fiji out of a total of £978,148; for 1937 the figures are £15,109 and £724,164 respectively. Ceylon fared better. Her exports to New Zealand fluctuated more or less with the world cycle, the absolute figures, however, being lower in the nineteen-thirties than those for the nineteen-twenties, with the sole exception of 1937, the peak year of the world cycle. Ceylon's principal export to New Zealand is tea. Out of a total of £891,608 she supplied £823,266 worth in 1927, and in 1937 £785,049 worth out of a total of £822,571. Tea, like sugar, was not among the articles on which new initiatives were taken at Ottawa. As regards fresh fruit, on which free entry was guaranteed in 1931, the effect of the preference is obscured owing to the existence of a quota system, about which Fiji and Tonga did not fail to complain from time to time. The proportionate share of the Colonial Empire in New Zealand imports can hardly be said to have improved owing to the preferential arrangements with the possible exception of the early nineteen-thirties (see Table XXIX).

TABLE XXIX. (*a*) IMPORTS INTO NEW ZEALAND

Originating from:	*Fiji*		*Ceylon*	
	£000 N.Z.	*Percentage of total imports*	*£000 N.Z.*	*Percentage of total imports*
1925	1,235	2·37	845	1·62
1927	425	0·95	855	1·91
1929	175	0·36	924	1·90
1930	210	0·47	735	1·66
1931	113	0·43	676	2·55
1932	117	0·47	386	1·57
1933	106	0·42	551	2·16
1935	80	0·22	634	1·75
1937	96	0·17	823	1·47

(*b*) PERCENTAGE OF TOTAL COLONIAL IMPORTS INTO NEW ZEALAND TO TOTAL IMPORTS INTO NEW ZEALAND

1925	4·75
1927	3·93
1929	3·29
1931	4·61
1933	4·70
1935	3·54
1937	2·87

Source: *New Zealand Annual Yearbooks*, 1933, 1939.

In short, the New Zealand market was not of great importance to the Colonial Empire, with the exception of Fiji and Ceylon. And these two Colonies hardly benefited from the preferential arrangements in New Zealand.

D. AUSTRALIA

Whatever the effects of New Zealand's tariff policy, its spirit finds no counterpart in Australia, where the Colonial Empire was not admitted to the benefits of the British preferential tariff at any time before Ottawa. In many cases the Colonies found their goods excluded in the interests of Queensland agriculture. Australia heavily subsidized her sugar industry, while Fiji had a surplus. There was no hope of any concession, not even at Ottawa. Fiji sugar production, it may be noted, is predominantly in the hands of the Colonial Sugar Refining Company, an Australian enterprise. Since 1921 the Commonwealth had high protective duties in favour of the home-producers of bananas. The duty was raised from 2*s*. per cental, i.e. about 1*s*. 8*d*. per case, to 1*d*. per pound, i.e. about 6*s*. 8*d*. per case. Its purpose was to exclude foreign competition, its effect to kill Fiji's banana export trade to the Commonwealth. In 1920 the Colony sold about 150,000 cases, in 1922 nil, and thereafter negligible quantities. In fairness to Australia it must be mentioned that the Fiji trade was already on the decline owing to the revival of foreign competition. But it cannot be denied that some very substantial harm was done. It annoyed Fiji the more since her balance of trade with Australia was very unfavourable, in spite of a steady decline in Australia's sales to the Colony.[1] True, the principle of 'the home-producer first' was no Australian monopoly; it was prevalent even in New Zealand, but it appears that nowhere were the effects of discriminatory action

[1] See also Chapter 3, Section C, pp. 39, 40.

crowned with so much success at the expense of a Colony. Fiji sold £543,523 worth of goods to Australia in 1913, £210,783 in 1921, but only £66,879 in 1922 and about £26,000 in 1929.

At Ottawa the Secretary of State secured the extension to the Colonies of the British preferential tariff. This was done, subject to the reciprocity clause. Apart from this, Australia undertook to grant certain preferences directly in the interest of the Colonial Empire,[1] some of the most important being:

Commodity	*Margin of preference*	*Colonies particularly interested*
Asphalt . .	10 per cent. *ad valorem.*	Trinidad.
Essential oils .	15 per cent. *ad valorem.*	Ceylon, British Malaya.
Bananas . .	40,000 centals per annum from Fiji to be admitted in reasonably equal monthly quantities at 2*s*. 6*d*. per cental, provided the goods are entered at the ports of Sydney or Melbourne.	Fiji.
Cocoa, raw . .	1*s*. 2*d*. per lb.	British West Africa.
Unground spices .	15 per cent. *ad valorem.*	Ceylon.

Australia, however, felt unable to grant a preference on tea in the interest of Ceylon, since a tariff differential on tea would have discriminated against the Netherlands East Indies, one of the Commonwealth's best customers. This almost led to a refusal of the Ceylon Ministers to introduce the preferential system. Finally a compromise was reached, owing to the intervention of the Secretary of State, by which Ceylon got no preference on tea, and Australia got none on wines and brandy in the Colony.

In addition the Commonwealth agreed to extend to the Colonial Empire any preference enjoyed by the United Kingdom, should the United Kingdom Government ask for such an extension. Some such requests were made in subsequent years.

The concession of a tariff quota for Fiji bananas proved to be far less valuable than anticipated. Fiji bananas were subject to various charges, such as primage duty, sales tax, inspection fees, and the like, from which the Queensland produce was exempt. In addition the Queensland growers threatened to blacklist any fruit-dealers who handled Fiji bananas. There was no breach of the letter of the agreement, but certainly of the spirit. Upon the

[1] See Schedule G of the United Kingdom–Australia Ottawa Agreement, Cmd. 4174.

receipt of representations from the United Kingdom Government the Australian Government decided to exempt Fiji bananas from the primage duty, in October 1934. Despite this concession the trade did not revive. On the contrary. Table XXX shows the development.

TABLE XXX. FIJI: EXPORTS OF BANANAS

	To Australia	*All destinations*[a]
	£	£
1931	4	57,368
1933	10,698	69,243
1935	3,732	66,863
1937	9	80,071
1938	2	73,578

[a] Canada, New Zealand, Australia.
Source: *Fiji Blue Books*.

Nor was Trinidad particularly successful with her asphalt in the Australian market. In 1929 she sold 3,513 tons, in 1931 only 1,370 tons. The trend from 1932 onwards was as follows:[1]

	Tons
1932	885
1933	1,550
1934	350
1935	1,300
1938	1,635

Again, the development of Ceylon's exports of cinnamon (one of the unground spices enumerated in Schedule G) suggests no important changes as a result of the preference (Table XXXI).

TABLE XXXI.[a] EXPORTS OF CINNAMON FROM CEYLON TO AUSTRALIA, IN HUNDREDWEIGHTS

1929	*1930*	*1931*	*1932*	*1933*	*1935*	*1937*	*1938*
1,931	2,273	2,038	2,953	2,377	2,216	1,502	2,472

[a] *Blue Book* figures.

No change in principle was made in Australia's tariff policy until the outbreak of the second world war, with the sole exception of the reintroduction of an intermediate tariff in 1937 which had been in operation already from 1921 to 1933 for goods enjoying most-favoured-nation rights in Australia.

[1] *Blue Book* figures (Asphalt—Dried).

E. UNION OF SOUTH AFRICA

Here, as in Australia, no preferences were accorded to the Colonies before Ottawa, with the exception of the special arrangements with the two Rhodesias, which has already been discussed in Chapter 3.[1] It should, however, be added that the only products of any importance exported from Northern Rhodesia to Southern Rhodesia and the Union are wood for sleepers sold by the Zambesi Saw Mills and electrolytic copper and zinc to the Union. The latter commodities are free under the Union preferential tariff, and even exempt from the percentage payments otherwise asked for when goods are removed from the territory of one member of the Customs Union to the other.[2] On wooden sleepers, however, when exported to the Union, the Northern Rhodesia Government pays the full 10 per cent. Northern Rhodesia, furthermore, enjoys an annual quota of 400,000 lb. of leaf tobacco free of duty on import into the Union.

At Ottawa the Union agreed to accord to the Colonial Empire all preferences granted to the United Kingdom subject to the reciprocity clause. In addition the Dominion undertook to impose a margin of preference of 1*d.* per pound on coffee, and a 10 per cent. *ad valorem* preference on asphalt and bitumen in bulk, the former in the interest of the East African Colonies, the latter in the interest of Trinidad. The South African Customs Union was not interfered with.

The South African Customs Union is an arrangement of local rather than of an external character. Table XXXII shows the trend of Northern Rhodesia's export trade to the Union.

TABLE XXXII. EXPORTS FROM NORTHERN RHODESIA TO THE UNION OF SOUTH AFRICA

	£000		£000
1927	184	1933	60
1929	72	1935	162
1930	54	1937	324
1931	58	1938	266

Source: *Statistical Abstract for the British Empire,* 1924–38.

As to the Ottawa preferences, the preference on coffee appears to have been successful. The conditions for the success of such a

[1] See pp. 35–8.

[2] See Chapter 3, Section B, and cf. *Report of the Commission appointed to Enquire into the Financial and Economic Position of Northern Rhodesia.*

policy were present. The South African market was expanding and East African exports were expanding as well. Brazil used to be almost the only important supplier, but tried to raise the price by means of a coffee valorization scheme. After Ottawa the Union took an ever-increasing share from East Africa. It is doubtful, however, whether the Brazilian price policy, the preference, or a change in taste in favour of the milder coffee produced in East Africa was responsible for this development. Although the Union market was not the most important one, the gains no doubt were valuable (see Table XXXIII). The preference on asphalt equally appears to have been a success. Again, the necessary pre-conditions were present (see Table XXXIV).

TABLE XXXIII. (*a*) IMPORTS OF RAW COFFEE INTO THE UNION OF SOUTH AFRICA

(In 000 cwt.)

From	*1929*	*1931*	*1932*	*1933*	*1935*	*1937*	*1938*
Kenya and Uganda .	12	8	10	38	62	113	123
Tanganyika . . .	1	2	3	19	42	33	23
All sources . .	255	283	222	255	281	269	332

(*b*) EXPORTS OF COFFEE TO ALL DESTINATIONS

Kenya and Uganda .	174	316	363	357	484	532	622
Tanganyika . . .	177	185	227	254	372	272	275

Source: *Statistical Abstract for the British Empire*, 1929–38.

TABLE XXXIV. (*a*) TRINIDAD EXPORTS OF ASPHALT—DRIED

(In tons)

To	*1929*	*1931*	*1932*	*1933*	*1935*	*1937*	*1938*
Union of S. Africa . .	773	209	70	342	1,056	1,734	2,208
All destinations	134,911	70,999	39,486	44,600	66,145	66,577	52,249

(*b*) IMPORTS OF ASPHALT AND BITUMEN INTO THE UNION OF SOUTH AFRICA

(In tons)

From all sources	20,170	26,583	18,114	20,224	22,579	34,765	25,090

Sources: (*a*) from the Trinidad *Blue Books*; (*b*) from the *Statistical Abstracts for the British Empire.*

However this may be, the Union market was, and remained, comparatively small for colonial produce. Table XXXV shows its comparative importance for the two most interested Colonies, Kenya and Ceylon. For the latter the Union became more important proportionately, but not absolutely, before Ottawa. It is not surprising that Ceylon did not gain from Ottawa arrangements with the Union of South Africa, as none of her most important exports to that market (tea, coir fibre, and coco-nut oil) was accorded preferential treatment. Nevertheless, her 1937 exports to the Union exceeded the 1929 ones in both absolute and relative importance.

TABLE XXXV. (*a*) EXPORTS TO THE UNION OF SOUTH AFRICA

From	*1929*	*1931*	*1932*	*1933*	*1935*	*1937*	*1938*
Kenya and Uganda (£000)	97	36	59	111	139	205	146
Ceylon (£000) . .	581	492	288	439	572	707	616

(*b*) PERCENTAGE OF EXPORTS TO ALL DESTINATIONS GOING TO THE UNION OF SOUTH AFRICA

Kenya and Uganda .	1	1	1	3	3	3	2
Ceylon	2	5	3	5	5	5	4

F. SOUTHERN RHODESIA

Like Northern Rhodesia, Southern Rhodesia introduced preferences on Empire goods as far back as 1906 by means of a rebate. This was made necessary in view of 'Clause 47' of the Southern Rhodesia constitution which stated:

'No customs duties levied on any articles produced or manufactured in any part of Her Majesty's Dominions or any British protectorate, and imported into Southern Rhodesia shall exceed in amount the duties levied on such articles according to the tariff in force in the South African Customs Union at the commencement of this order, or the tariff contained in the customs union convention concluded between the Cape Colony, the Orange Free State, and Natal in May 1898, whichever are the higher.'

Cecil Rhodes had drafted this clause and secured its inclusion into the Order in Council of 20 October 1898, which provided for the administration of Southern Rhodesia. Its implications remained unnoticed at the time, and were of no practical import till 1906 when a new customs convention raised the rates of the

Customs Union tariff to make them higher than the Cape tariff of 1896. In order to admit the Colonial Empire to the preferential tariff, as required by Clause 47, a rebate was granted to all imports from British sources.[1] It was Cecil Rhodes's imperial sentiment which brought about the constitutional proviso for imperial preferences. And it was during the Boer War that it was enacted, at a time when the imperial authorities still believed in free trade.[2] It meant the introduction of a two-decker preference. The most favourable rate was accorded to the United Kingdom, and Northern Rhodesia was admitted to its benefits. The Empire preferential rate necessitated by Clause 47 applied to the remainder of the Colonial Empire.

At Ottawa Southern Rhodesia agreed to extend to the Colonial Empire any preference accorded to the United Kingdom should the United Kingdom Government ask for this. In addition, preferences on tea, raw coffee, raw cocoa, cigars, rum, and bitters were given directly in the interest of the Colonial Empire.

Southern Rhodesia is also a party to the special arrangements between the Union of South Africa and the two Rhodesias.[3]

Southern Rhodesia's trade with the Colonial Empire is negligible. Even the trade with Northern Rhodesia is small. Table XXXVI shows the trend of trade.

TABLE XXXVI

	1927	*1929*	*1931*	*1933*	*1935*	*1938*
Northern Rhodesia exports to Southern Rhodesia (£000)	36	36	30	19	27	132
Total Northern Rhodesia exports (£000)	682	816	954	3,582	4,662	10,023
Total Southern Rhodesia imports (£000)	7,480	8,734	5,492	4,427	6,338	9,607

Source: *Statistical Abstract for the British Empire.*

G. NEWFOUNDLAND

Newfoundland has a special arrangement with Jamaica, dating from 1923, by which a 25 per cent. *ad valorem* preference is

[1] Preferences in favour of the United Kingdom and Canada had been in existence since 1903.

[2] Cf. United States Tariff Commission, op. cit., p. 756.

[3] See Section E of the present chapter and Section B of Chapter 3.

granted on all imports from that colony. At Ottawa, Newfoundland undertook to extend to the Colonial Empire all preferences accorded to the United Kingdom should H.M. Government in the United Kingdom so desire, and in addition granted a number of preferences directly in the interest of the Colonial Empire, viz. tea, coffee, tomatoes, desiccated coco-nuts, and certain kinds of fresh fruit. Again the reciprocity clause was inserted. The volume of trade involved was, and remained, negligible.

H. EIRE

The Irish Free State inherited imperial preference from Great Britain as established in 1919. Some discrimination in favour of the British Empire has remained a permanent feature in the Eire tariff ever since. The first changes, as far as imperial preference is concerned, were made in 1924 and 1925 when the preferences on unmanufactured tobacco and sugar were abolished, while free entry was accorded to tea, coffee, cocoa, and chicory from all sources. The duty on tea, and with it the preference, was restored in 1932. Following Eire's Ottawa Agreements with Canada and the Union of South Africa, preference was given on a wider range of articles than before. No agreement was concluded with the United Kingdom until the termination of the trade war between the two countries which lasted from 1932 to 1938. But preference was not withheld from the Colonies throughout this period. Irish-colonial trade, however, is small. Even in the case of tea the preference was of interest to India rather than the Colonies.

I. INDIA

India granted no tariff differentials in favour of the Colonial Empire before 1932. Subject to the reciprocity clause, India undertook at Ottawa to extend to the Colonial Empire all preferences accorded to the United Kingdom, should the United Kingdom Government so desire, and in addition agreed to a lengthy list of concessions, set out in Schedule H to the United Kingdom–India Agreement of 1932. Among the more important of these concessions was the guarantee of a 10 per cent. margin of preference on such commodities as coco-nuts, coco-nut oil, copra, citronella oil, oil seeds, plumbago, &c., i.e. preferences on commodities of great interest to Ceylon. Furthermore, a preference of 7½ per cent. *ad valorem* was promised on betel-nuts, an article largely purchased from British Malaya. In addition certain specific preferences were granted, among them a differential of 2 annas per pound on tea, in order to safeguard both India and Ceylon against the blending of the local produce with foreign teas for re-sale as 'Empire tea'. In view of their geographical propinquity Ceylon and Malaya are, of course, the two Colonies most interested in the Indian market.

India joined into the Ottawa Agreements only with reluctance. As one writer put it, her participation was 'a measure of insurance' against a potential loss in Empire markets.[1] There is no need to enter into a detailed discussion of the Indian difficulties in this connexion. But it had its effects on the spirit in which India carried into effect her Ottawa obligations; for example, the Indian tariff purported to give preferences to all sorts of goods coming from British Malaya. In fact, no Malayan goods were regarded as having proved their Empire origin. The matter was not put right before the 1939 United Kingdom–India Agreement.

In 1936 the Government of India denounced the Ottawa Agreement. It was then extended on a three-monthly basis until a new agreement was concluded in 1939. During the negotiations leading up to that agreement, the Indians wanted to exclude Ceylon and British Malaya from the discussions. The Colonial Office felt unable to agree, as the Ottawa principle to treat the Colonial Empire as a whole could not be interfered with. The Secretary of State, however, agreed to Ceylon sending a delegation to London to attend the negotiations in an advisory capacity to the United Kingdom representatives. When the Indian delegation arrived they declared that they had not been informed of the attendance of the Ceylonese, and that they did not have the necessary material at hand to negotiate about the Colonies. Finally an agreement was reached and most-favoured-nation treatment secured for the whole Colonial Empire in the Indian market. In addition the Government of India undertook to accord to all British Colonies, Protectorates, and B Mandates any preference accorded to any part of the British Empire, should the

[1] B. Madan, *India and Imperial Preference* (Bombay, Oxford University Press, 1939).

United Kingdom Government so request, subject to the reciprocity clause, in short conditional most-favoured-Empire-nation treatment. This served the purpose for Malaya. It was not possible to ask for special concessions for that Colony since the Malayan preferences were of no practical value to India. But most-favoured-Empire-nation treatment in India was hoped to be of substantial benefit to British Malaya. For Ceylon only an interim arrangement was made, resulting in a breach of the principle to treat the Colonial Empire as one unit. India continued to grant to Ceylon all the preferences accorded to the remainder of the Colonial Empire (Schedule V to the agreement)[1] and also continued for the interim period to grant to Ceylon and the other Colonies those preferences which were of special interest to Ceylon (listed separately in Schedule VI). It was agreed that local negotiations should start as soon as possible between the two parties concerned, the United Kingdom appointing a representative to attend the negotiations as well. One of the justifications for treating the Colonial Empire as one unit in tariff negotiations was to improve the Colonies' bargaining position. Since Ceylon had an unfavourable balance of trade with India, she was in a strong bargaining position even when standing alone.

Apart from India's direct neighbours, Uganda too had an interest in the Indian markets. The principal commodity involved was raw cotton, on which there was no preference.

In short, the only Colony which can be said to have secured any worth while concessions is Ceylon. The figures in Table XXXVII indicate no substantial benefit, if any. One reason for this—in addition to the usual ones—may have been the lack of cordiality in Indo-Ceylonese relations throughout the greater part of the period. If Ceylon got any benefit from the Indian preferences then it was the immediate upward swing of her trade to India in 1932–3 as compared with the preceding year. However, it did not last. The second argument that can be made out is that she suffered slightly less than all other suppliers taken together until the total trade recovered again to an appreciable extent. During the last two years she gained less and lost more than all other suppliers taken together. Hence the benefit, if any, was short-lived.

[1] Cmd. 5966 of 1939.

TABLE XXXVII. IMPORTS INTO INDIA

From	*Ceylon*		*British Malaya*		*Uganda*		*All sources*	
Indian fiscal years ending 31 March.	£000	Index No.	£000	Index No.	£000	Index No.	£000	Index No.
1927–8	1,425	139	4,402	204	1,632	67	187,377	197
1929–30	1,351	132	4,640	215	2,236	91	180,598	191
1931–2	1,026	100	2,161	100	2,451	100	94,779	100
1932–3	1,324	129	2,098	97	1,401	57	99,438	106
1933–4	967	94	2,017	93	1,594	65	86,518	91
1935–6	1,121	109	2,762	128	2,446	100	100,817	106
1937–8[a]	1,248	121	2,814	130	3,268	133	130,337	137
1938–9[a]	881	86	3,098	143	3,669	150	114,252	121

[a] Excluding Burma.

Table compiled from the *Statistical Abstracts for the British Empire.*

CHAPTER 7

THE BENEFITS OF IMPERIAL PREFERENCE

So far we have been concerned only with recording the extent of imperial preference and attempting to estimate its effectiveness in diverting trade. Now we shall attempt to assess what the benefits and losses of imperial preference have been, and how they have been shared.

Some preliminary theoretical analysis is necessary. A country on whose behalf a preference is instituted may benefit if in consequence it gets a higher price for what it sells, or sells more than it otherwise would, or both. It must not be assumed that either of these consequences necessarily follows the institution of a preference.

A preference confers no benefit at all if the countries eligible for it are producing in the aggregate more than is required by the preferential market and are disposing of it in freely competitive conditions. It is true that foreign produce will be driven out of the protected market, but the price received is set by the fact that the surplus has to be disposed of in unprotected markets, and that in the absence of monopolistic selling it is not possible to charge more in the protected than in the unprotected markets. The effect of this is to exclude a number of colonial products from the possibility of benefiting from preferential treatment, especially cocoa, rubber, and tin. The Colonies could benefit from the existence of a preference in these cases if they were to set up single selling agencies for the purpose of charging higher prices to the United Kingdom than to foreign buyers, but this would not be tolerated. This gives the United Kingdom an advantage over the Colonies, for United Kingdom producers are monopolistically associated in a number of industries, and there is nothing to stop them from taking advantage of colonial preferences to charge more, for example, for cement to Jamaica than to the Argentine.

The preference will also be beneficial even if protected supply exceeds protected demand, if markets are imperfect, and sales depend on maintenance of goodwill and trade contacts rather than on nice price considerations. For example, the United Kingdom produces more textiles than the Empire consumes, and has to dispose of the surplus in foreign markets. Colonial preferences help to drive the foreigner out of the colonial market, but in doing so they mainly divert his competition to foreign markets, and if competition were perfect, the United Kingdom would find that colonial preferences helped not at all, since their only effect was that more was sold in colonial markets and correspondingly less in foreign markets. It may be, in the case of textiles, that this is more or less the result; however, it cannot be denied that in the sale of many manufactured goods contacts are as important, if not more so, than price; and in these cases the use of preferences to drive competitors out of some markets does not necessarily react on others, if the position there is favourable.

A complication arises where the preferred and the foreign product are different qualities of the same commodity, imperfect substitutes for each other. The preferred product may not then entirely drive the foreign product out of the protected market. This is, for example, the case with Empire coffee, tea, vegetable oils, and hard fibres. Here in the limiting and most unfavourable case, the institution of a preference will simply raise the price (including tax) of the foreign product to the home consumer, without affecting either the price or quantity of the protected article. The greater the degree of substitutability, the greater the deflection of foreign supplies to foreign markets, and of preferred supplies to protected markets. What happens when, in addition, the country instituting the preference is a dominant consumer of the foreign supplies is illustrated by the case of the United Kingdom tea preference. When this was first accorded in 1919 its immediate effect was a fall in the price of tea from the Netherlands East Indies below the price of Empire teas of equal quality; as a result Netherlands East Indies teas undercut Empire teas in the Australian and United States markets, the main result of the preference being simply that Ceylon sold more to the United Kingdom and less to Australia and the United States. The effects of the short free entry period 1929–32 are complicated by the effects of over-production and voluntary restriction; but after the preference was restored in 1932, there was again a steady rise in Australian imports from the Netherlands East Indies, and a fall in her imports from Ceylon. There was also, however, an additional effect of greater importance to China than to the Empire producers. Chinese tea became more expensive in the United Kingdom and tended to be displaced by Empire teas; but the

Chinese were not able to retaliate in the unprotected markets as were the Netherlands East Indies because the taste for Chinese tea is rather specialized, and not very widespread outside the United Kingdom. Chinese tea exports therefore diminished, their place being taken largely by the Empire product. Here the Empire producers were able to gain because, while the duty on Chinese tea rendered Indian tea gradually an acceptable substitute for it, Chinese tea was not accepted elsewhere as a substitute.

To sum up, if preferred supply exceeds preferred demand, the preferred suppliers will benefit only if (*a*) they can discriminate in price against the preferred market; or (*b*) sales in the unprotected markets depend on contacts rather than on prices; or (*c*) the preferred product can drive foreign suppliers out of the preferred market but is safe in foreign markets because there the foreign product is not counted a suitable substitute. Neither (*a*) nor (*b*) applies to those colonial products whose supply exceeds Empire consumption, and (*c*) is only of limited use; all three, however, may prove to be of assistance to United Kingdom and Dominion manufacturers in the case of one or other of their exports.

If preferred demand exceeds preferred supply, the price will tend to rise; preferred suppliers will receive the world price plus the duty which foreign suppliers have to pay. The net rise will not, however, necessarily be as great as the amount of the preference, for if the preferential market has been a large and dominant consumer of the foreign product, the world price will tend to fall, and the net gain to preferred suppliers will be only the difference between the amount of the preference and the fall in the unprotected price (in the limiting case where this market is the only consumer and the foreign supply is inelastic, it will even be zero). Consequently, even where preferential supply is less than preferential demand, we cannot assess in monetary terms the value of the preference since we do not know what the world price would be if there were no preference.

This is not, however, the sole difficulty in assessing the monetary value of imperial preference. For even if we could calculate exactly what was the net increase in price received by preferred suppliers, it would not follow that their net income had increased correspondingly. Suppose that in the absence of a sugar preference the That islanders would produce bananas and have a net income of x, instead of sugar which would give them a net income only

$x-4$. Then, if a preference corresponding to an income of 5 were accorded, the That islanders would turn over from bananas to sugar, but their net increase in income would only be 1. Thus to attempt to calculate the benefit to the West Indies of imperial preference simply by multiplying sugar exports by the amount of the preference is fantastically misleading, since it is based on the assumption that the sugar output would be the same even if there were no preference. The more the continued existence of an industry depends upon imperial preference, the less reliable is the amount of the preference as a measure of the benefit accorded.

So much for the benefit received by the privileged supplier; what of the cost to the buyer?

We should first note that the cost to the individual buyer is not the same as the cost to his country, since the tax he pays is collected by his government. What concerns us here is only the cost to the country as a whole.

The country loses in so far as the effect of the preference is that it buys more expensive or otherwise less preferred products than it otherwise would. It may actually gain if the effect of the tax is to depress the world price of the foreign product, and any gain from this source must be offset against the loss from diversion of demand.

It should be noted that it is possible for a preference to benefit the receiver without hurting the giver, or to hurt the giver without benefiting the receiver. If the protected product is exactly the same as the foreign product, and is sold at the same price, and if the preference does not increase the price, the giver is not hurt, even though foreign supplies disappear from the market; and if at the same time the foreign supplier is unable to intensify competition in foreign markets because market contacts and goodwill are important, the receiver has a benefit of a net addition to his sales which has cost the giver of the preference nothing. (There may be indirect effects: the foreigner may now cut down his purchases from the country according the preference; on the other hand, the receiver's purchasing power is increased to an equal extent, and he may offsettingly increase his purchases.) A preference will hurt the giver without benefiting the receiver if in consequence he buys more expensive or less preferred goods; while the receiver's total sales are unaltered because his increased sales in the preferred market are offset by reduced sales elsewhere. It will also hurt the giver more than it benefits the receiver, the more the size of the industry in the receiver's country is dependent on the existence of the preference.

In the light of this analysis it is now possible to attempt to assess roughly the profits and losses of the preferences accorded to and received by the Colonial Empire. We begin with the United Kingdom, the self-governing Dominions, and India.

The United Kingdom's contribution to certain Colonies was substantial. The preferences it granted on sugar (of benefit to the West Indies, Mauritius, and Fiji), molasses (West Indies), bananas (Jamaica, Nigeria, Fiji), pine-apples (Malaya), citrus fruit (West Indies, Cyprus), wines (Cyprus), tobacco (Nyasaland and Northern Rhodesia) were costly, and of notable benefit to the producing Colonies, while its preferences on tea, hard fibres, and vegetable oils were not entirely without significance. (The coffee and cocoa preferences were of negligible importance.) In return the United Kingdom received preference in practically all the non-African Colonies and also in the Gambia, Sierra Leone, Somaliland, and North-Western Rhodesia,[1] and has also tried to benefit itself by imposing textile quotas in those Colonies (except North-Western Rhodesia) and in Nigeria and the Gold Coast. That these measures have resulted in increased proportions of colonial purchases from the Empire is beyond question, as we have already seen in Chapter 3, but how much net benefit this has conferred upon the United Kingdom is more problematical, in view of the possibility that these preferences have intensified competition in neutral markets. In addition the textile preference and quotas, and the preferences on boots and shoes, seem to have had the effect of stimulating competition with the United Kingdom by low cost Empire producers, notably India and Hong Kong. On the whole it seems safe to say that the United Kingdom lost more from preferences accorded to the Colonies than it gained from preferences in their markets. And it must also be noted that it was only a relatively few Colonies which obtained the favours.

The preferences accorded by Canada, on the other hand, were not of notable importance to the Colonies. The sugar preference would have been very important if there had not been also a

[1] North-Eastern Rhodesia is part of the area covered by the Congo Basin Treaty.

United Kingdom sugar preference: as a result, the West Indies received a subsidy in any case, but Canada was sharing the cost with the United Kingdom. The cocoa preference was useful to the West Indies in excluding West African supplies, though the value of this must not be exaggerated since Canada took only a part of the crop. The banana, pine-apple, and coco-nut preferences were also of some value. The main beneficiary was the West Indies, with which there was a special trade agreement. In return Canada may have received some benefit from the boot and shoe, motor-car, butter, and timber preferences (that on wheat is of no value). No monetary assessment of this profit and loss can be made. One must, however, in assessing the cost of the Canada–West Indies Agreement, remember that it involved the Dominion in a substantial shipping subsidy, and when this is taken into account there is little doubt that the Dominion lost by the agreement more than it gained.

Australia offered no preferences of value (the banana preference was not effective), and received in return minor benefits from wine and butter preferences.

In the case of New Zealand also, preferences were not very important one way or the other; perhaps there was a slight bias towards loss through sugar, coco-nut, and banana preferences, just as Australia's slight bias was towards gain.

South Africa's preferences on wood, coffee, and asphalt were of negligible importance, and so were the preferences she received.

India offered nothing very effective. On the other hand, she has been gaining increasingly from the effects of colonial preferences in excluding Japanese textiles. The preferences to India, however, were equally a boon to the Colonies, for otherwise they would have been compelled to purchase expensive United Kingdom and Dominion textiles, though it is, of course, a position somewhat inferior to the right to buy without any preference at all.

So far as the United Kingdom, the Dominions, and India were concerned, therefore, Australia, New Zealand, and South Africa were negligible either as losers or gainers; Canada and the United Kingdom probably lost substantially, and only India was noticeably a gainer.

What of the Colonies? The position varied very much. The East African Colonies offered no preferences; but Nyasaland benefited from the United Kingdom tobacco preference, and the others to a minor extent from coffee and hard fibres preferences in the United Kingdom and South Africa. All the West African Colonies offered some protection, heavy in the Gambia and Sierra Leone, but confined to textile quotas in Nigeria and the Gold Coast; on the other hand, their major products were not such as could benefit from preferential treatment, and only Nigeria received a minor contribution in the form of a banana preference. Hence, while the East African Colonies on balance gained from imperial preference, the West African Colonies on balance lost. In the Mediterranean Malta lost without compensation, but Cyprus could get some offsetting benefits from wine and citrus preferences in the United Kingdom. Malaya on balance probably lost, despite the pine-apple preferences, and so did Ceylon. The fact is that, however well-intentioned the United Kingdom might be, the principal products of most of the Colonies so far named are not capable of benefiting from preference because Empire production exceeds Empire consumption, and the only two important cases, in which a preference which would have helped was not accorded, were cotton (especially Uganda) and iron ore (Sierra Leone and Malaya). The burden of preferential treatment which the United Kingdom and Canada have borne has been predominantly in the interest of sugar and banana Colonies, i.e. the West Indies, Mauritius, and Fiji. They gained substantially from the preferential system, and, with Cyprus, Nyasaland, and India, seem to be about the only parts of the Empire that gained from the application of the system to colonial trade.

It is, moreover, open to question whether in the long run this kind of assistance is the best that could be given to these Colonies. It is now an accepted doctrine that it is unwise for any Colony to lock up too great a part of its resources in one particular commodity. But the way the preferential system works, in practice, is precisely to make one particular crop more profitable than most others and to encourage excessive concentration on it. So long as there is a huge preference on sugar, exhortations to the West Indies to diversify their production are not likely to be effective. In an open market there would be much greater diversification; but the effect of the preference is an artificial distortion of the economy in favour of one particular crop which would not necessarily otherwise be the most economical. If the West Indies need assistance, and this cannot be disputed, it is better to give it in a form which does not produce these uneconomic diversions, either, that is, by grants to local revenues, or if particular industries are to be subsidized, by subsidies all round.

Also, in assessing the benefits of imperial preference, one must put it in the wider perspective of world trade. The West Indies are a part of the American continent, and given world free trade, it is reasonable to expect that they would do a great deal of trade with that continent. Now, if the Pan-American States are going to pursue highly protective policies, it is better for the West Indies to come under the wing of the United Kingdom than to get no protection at all. If, on the other hand, it proved to be the case that a general freeing of trade was possible, but that the continuance of preferential arrangements was an obstacle to agreement on it, the probable reactions on the West Indies would have to be carefully examined, since it is by no means clear that the West Indies are better off in a trade-clogged preferential world than they would be in a world from which tariffs and subsidies, especially on sugar, had been substantially removed.

Even if discussion in the light of a general freeing of world trade may be too ambitious, the effects of imperial preference on colonial trade with specific foreign countries must be taken into account. If the world will not revert to free trade, but must be in economic blocs, it is not clear that each of the Colonies would benefit most from being forced to attach itself to the United Kingdom bloc; the Eastern Colonies may wish to make special arrangements with Australia, the Netherlands East Indies, China, the United States of America, or other countries in that region; and so on. The self-governing Dominions will insist on acting independently, and it is no part of the principles of trusteeship to submit the Colonies to economic arrangements less favourable than those established with the Dominions. All this has become all the more relevant since the Anglo-American Trade Agreement, by introducing maximum limits to preferential margins, has restricted the extent to which the United Kingdom and the Colonies can help each other.

Whatever may be decided about the relations between Colonies and foreign governments, it is clear that within the Empire itself some Colonies stand to gain by imperial preference while others stand to lose. The decision to impose uniformity must therefore be unfair to some Colonies. So must the decision that individual Colonies must not bargain for themselves separately with individual

Dominions, but must all be represented together through Downing Street. There may be over-riding political considerations which dictate this uniformity, just as these or other political considerations may be held to prohibit individual negotiations between Colonies and foreign countries; but given the conflict of economic interest and such political considerations we need not be surprised if certain Colonies continue to view the preferential system with resentment, and to regard it as one of the first burdens that they will cast off on attaining the promised self-government.

CHAPTER 8

A NOTE ON EVASIONS AND OTHER FORMS OF DISCRIMINATION

We are not here concerned with evasions of the full rate of duty, owing to the importer's or the exporter's declaration that goods are entitled to preference while in fact they are not. False declarations and smuggling are questions which only the local customs authorities can deal with. The question rather is, how can a government evade its obligations to grant a preference without infringing the letter of any agreement?

There are many ways and means of doing so. The Canadians, for example, levied an excise duty of 3 per cent. which, in spite of its name, was imposed on imports only. The margins of preference were maintained, but the relative margin naturally reduced. They also had an exchange dumping duty ever since the depreciation of sterling. It was particularly burdensome, as the £–$ exchange was valued at gold parity. Ottawa did away with this, which in some opinions was the greatest benefit of the United Kingdom–Canada Ottawa Agreement. Australia and New Zealand had primage duties throughout, chargeable on foreign and Empire goods alike. Some of the Colonies levied surtaxes which frequently were changed, usually in the upward direction. The exemption of one commodity or the other, for whatever reason, naturally was equivalent to a tariff reduction for all suppliers of the goods in question.

No guaranteed margins of preference are ever infringed upon that way. But the relative impact of the two or three rates of duty applicable to a commodity varies with any changes in these surtaxes, or whatever else they are called. The exemption of some commodities can be justified for all sorts of sound reasons. In effect it means discrimination in favour of countries supplying these commodities.

Cumbersome or costly inspections are another method (e.g. Australia's action on Fiji bananas), or declaring that the Empire content cannot be established is another one (e.g. India's attitude towards British Malaya).

It would be a lengthy and tiresome business to make a detailed survey of what can and has been done that way. But it should be remembered while attempting to estimate the effects of the preferential system, that it is not the only means of discrimination, and that it can be weakened or strengthened by all sorts of silent methods of evading one's obligations—without, of course, infringing the letter of these obligations.

The system of Empire-wide preferences and unconditional most-favoured-nation treatment of the goods from most foreign countries was also infringed by discriminatory import prohibitions. Thus, Jamaica prohibited the imports of animals (live and carcasses) and fresh fruit and vegetables except from the United Kingdom, specified British Dominions and Colonies, and the United States of America. Malta, Sierra Leone, Kenya, Tanganyika, and Ceylon prohibited the import of Japanese shaving brushes. The Gold Coast required a licence issued by the Governor or the Comptroller of Customs for the importation of left-hand-drive motor vehicles, thus providing a theoretical possibility to restrict the imports of American, German, and other foreign motor vehicles. Although the reasons for these and other prohibitions were veterinary, sanitary, or reasons of safety, their effects were discriminatory and they had a tendency not to disappear when the original veterinary or sanitary reason no longer applied.

PART TWO

FOREIGN AND REGIONAL TRADE

CHAPTER 9

BRITISH COLONIAL TRADE WITH THE CONTINENT OF EUROPE

In 1937 the continent of Europe furnished 13 per cent. of the imports of the British Colonial Empire and took 18 per cent. of the British colonial exports. About three-quarters of this trade was in the hands of the Continent's four principal trading Powers, i.e. Germany, France, Belgium, and the Netherlands. (See Table XXXVIII.)

The subsequent pages will deal with British colonial trade with these four countries; other European countries will be referred to only casually. The questions which this chapter sets out to answer

TABLE XXXVIII. BRITISH COLONIAL TRADE WITH THE CONTINENT OF EUROPE[a] IN 1937 IN VALUES[b]

(also showing proportion of this trade to total trade)

(a) Colonial imports from

	Belgium		*France*		*Germany*		*Netherlands*		*Total Continent*		*All sources*
	£000	%	£000	%	£000	%	£000	%	£000	%	£000
Br. West Indies	112	0	263	1	622	3	420	2	1,796	7	23,993
Br. West Africa	668	3	268	1	2,546	11	827	4	6,599	29	22,495
Br. East Africa	465	2	119	1	1,249	6	249	1	2,510	12	20,211
Eastern	1,821	1	900	1	4,336	3	1,365	1	10,789	7	150,091
Mediterranean	689	3	367	2	2,974	13	405	2	10,499	47	22,141
Other[c]	..	..	..	..	..	..	7	1	37	7	525
Total	3,755	2	1,917	1	11,727	5	3,273	1	32,230	13	239,456

(b) Colonial exports to

	Belgium		*France*		*Germany*		*Netherlands*		*Total Continent*		*All destinations*
	£000	%	£000	%	£000	%	£000	%	£000	%	£000
Br. West Indies	144	1	166	1	270	2	461	3	1,088	7	16,454
Br. West Africa	396	1	1,680	5	6,028	18	2,808	8	13,110	38	34,308
Br. East Africa	1,349	1	743	4	3,640	19	382	2	7,696	39	19,587
Eastern	987	1	8,968	5	5,031	3	1,193	1	21,811*	13	171,312
Mediterranean	258	3	262	3	656	8	525	7	2,741	34	8,157
Other[c]	..	..	..	..	..	..	..	..	7	11	637
Total	3,134	1	11,819	5	15,625	6	5,369	2	46,453	18	250,455

[a] Excludes the U.S.S.R., includes Turkey.
[b] Sources: Colonial *Blue Books* and *Statistical Abstract for the British Empire.*
[c] Approximate figures.
* Probable margin of error of £20,000 since details for destinations of exports not available in the case of some of the Eastern dependencies such as the Solomon Islands and Tonga.

are: 'Why was the trade not larger? Can government actions be held responsible for the fact that the total British colonial-continental trade was not larger?' France, Belgium, and the Netherlands will serve as examples of continental Powers with colonial possessions in the tropics, and it will be our task to review the measures taken by the Governments of these countries to protect the produce of their dependencies in their respective metropolitan markets.

Germany possesses no colonies and the question of interest to British colonial trade is: 'What measures were taken by Germany to divert the German demand from one colonial commodity to other colonial commodities or home-produced substitutes?' But before attempting to surmise the effects of the trade policy of the principal continental trading Powers on British colonial exports, let us deal shortly with the British colonial imports from these countries.

A. BRITISH COLONIAL IMPORTS

In the nineteen-thirties Germany was an important supplier to British colonial areas of the products of heavy industry: iron and steel goods in general, electrical and other machinery, cutlery and hardware, bicycles, and railway vehicles and parts. She also supplied considerable amounts of textiles, cement, coal, painters' colours and varnishes, manures, chemicals and drugs, rubber manufactures, and glass and glassware, in that order. France supplied textiles, rubber manufactures, flour and semolina, iron and steel goods, sugar, butter, and small amounts of wines. Belgium furnished iron and steel goods, fertilizers and manures, sugar, textiles, and glass and glassware. Netherlands sales to the British Colonies consisted chiefly of textiles, condensed milk, alcoholic beverages, butter and butter substitutes, machinery, and sugar.

Some of these exports consisted of re-exports from Switzerland, Austria, and other continental countries without access to the sea, and to a lesser extent of re-exports from other sources of supply. Even when allowance is made for this fact, the commodities enumerated represent the most important German, French, Belgian, and Dutch exports to the British Colonial Empire in order of their importance in 1937.

With few exceptions the commodities cited were subject to discriminatory tariff rates in all those Colonies where imperial preference has been established.[1] Continental trade also was affected by the textile import quotas in the Colonial Empire.

[1] The exceptions were as follows:

Colony.	*Commodities of interest to Belgium, France, Germany, and the Netherlands on which no discriminatory tariff rates were levied in the discriminating colonies in 1937 or 1938.*
Ceylon.	Flour, condensed milk, spirits (except gin), wines, coal, cement, iron and steel for local manufacture, rubber tyres, scientific instruments.
Mauritius.	Butter, flour, rice, wheat, spirits, wines, manures, pig-iron and unwrought iron.
Seychelles.	Flour, rice, refined sugar.
Northern Rhodesia.	Condensed milk (skimmed), rice, salt, spirits (not bitters, rum, and medical), wines, coal, drugs.
Somaliland.	Industrial machinery.
Gambia.	Coal, manures, agricultural implements and tools, agricultural and water and mining machinery, scientific instruments.
Sierra Leone.	Flour, rice, wheat, galvanized iron and steel manufactures, scientific instruments.
Cyprus.	Chemicals (most kinds), manures and fertilizers, some iron and steel manufactures, industrial machinery.
Malta.	Butter and butter substitutes, condensed milk, rice, sugar, beer, spirits, wines (some varieties), coal, certain types of boots and shoes, agricultural machines and implements, fertilizers, iron and steel for local manufacture.
Bahamas.	Coal, fertilizers, agricultural, marine, and printing machines.
Barbados.	Agricultural implements and tools, various types of machinery and apparatus.
Bermuda.	Rice, sugar, apparatus and mechanical plant, fertilizers.
British Guiana.	Chemicals, instruments, and scientific apparatus.
British Honduras.	Coal, various medicines and drugs, most chemicals, cutlery, agricultural, scientific, and medical instruments and tools, carriages and carts and wagons for railway or tramway, certain metal manufactures.
Grenada.	Coal, manures, medicines and drugs.
Jamaica.	Coal, agricultural and artisan tools and implements, iron and steel for local manufacture, specified types of machinery, scientific apparatus, manures, medicines.
Leeward Islands.	Railway and tramway rolling-stock (not in St. Kitts), agricultural implements and tools (Virgin Islands only), agricultural machinery (Montserrat only).
St. Lucia.	Manures, scientific instruments, railway machinery.
St. Vincent.	Certain drugs, manures, sewing machines.
Trinidad.	Coal, drugs, agricultural implements and tools.

Note. In the Malay States discrimination was in general confined to alcoholic beverages, petroleum, textiles, and tobacco; in the Straits Settlements and Hong Kong to motor-cars, petroleum, alcoholic beverages, and tobacco; in Gibraltar to alcoholic beverages, petroleum, perfume, and tobacco. There were no discriminatory tariffs in Palestine, Gold Coast, Nigeria, Kenya and Uganda, Tanganyika, Nyasaland, and North-Eastern Rhodesia.

A comparison of the Continent's share of the import trade in the various parts of the Colonial Empire will indicate the effects of imperial protectionism on the Continent's export trade.[1]

Discriminating Colonies	*Share of Continent in total imports*	*Open-door Colonies*	*Share of Continent in total imports*
	%		%
Mediterranean: Cyprus and Malta	43	Palestine	49
West Africa: Gambia and Sierra Leone	12	Gold Coast and Nigeria	24
East Africa: Northern Rhodesia and Somaliland	7	Kenya, Uganda, Tanganyika, Nyasaland, Zanzibar	14
Other discriminating colonies: West Indies, Eastern (Ceylon, Mauritius, Seychelles, Fiji, and Western Pacific)	8	..	..
All discriminating Colonies[a]	11	All open-door Colonies[b]	28
All discriminating Colonies[b] except Mediterranean	8	All open-door Colonies except Mediterranean	20
Total Colonial Empire			13 per cent.

[a] Excluding British Malaya and Hong Kong. [b] Excluding Aden and Gibraltar.

Even if this comparison does not warrant a straightforward statement that the Continent's share in the trade of the discriminating Colonies was kept at one-half or less than one-half the level it would have attained in the absence of discrimination, it shows that imperial protectionism undoubtedly was damaging to the Continent's interests.

Commercial agreements between the United Kingdom—the spokesman for the Colonial Empire in tariff negotiations—and continental Powers, in force before the outbreak of the second world

[1] This comparison is not ideal because the actual percentage in the absence of discrimination cannot be assumed. Yet, if it were not for discrimination, how else is one to account for the very large differences in the Continent's share of the trade in the open-door and the preferential Colonies in East and West Africa? It is the nearest approach to an estimate of the effects of imperial preference as is possible in this case. A comparison with the position in, say, 1929, would be misleading as it would ignore the fundamental changes brought about by exchange control in Germany, quotas in France, and the like, all designed to reduce the participation of the countries concerned in world trade.

war, provided for mutual most-favoured-nation treatment, but did not limit the right of colonial governments to impose whatever import duties they deemed necessary as long as the most-favoured-nation rights of the contracting parties were not infringed. The first international agreement concluded with a foreign Power, after the establishment of imperial preference in the Colonies, that limited the freedom of the British colonial authorities as to the height of the tariff and/or the margin of preference allowed on a number of goods, was the United Kingdom–United States Trade Agreement of 1938. Some of the tariff concessions conceded in that agreement were valuable to continental exporters who were accorded the same benefits on account of their countries' most-favoured-nation rights.[1]

B. BRITISH COLONIAL EXPORTS

The principal British colonial exports to the four principal trading Powers of Europe are shown in Table XXXIX.

France

The foreign economic policy of the Third Republic can be described as imperial protectionism based on the principle 'the metropolitan producer first, the colonial producer second and the foreign producer last'. The chief weapons used to exclude foreign supplies were import duties and imperial preference, and in the nineteen-thirties import quotas. If it comes to the question of how these weapons were used to exclude from the French market thirty-seven of the fifty-three commodities or groups of commodities enumerated in Table XXXIX as the principal British colonial exports, and how the importation of the remaining sixteen was restricted, it is convenient to divide the British colonial exports into three groups of commodities: commodities which were produced in the British Colonial Empire and in metropolitan France; commodities in which the British Colonies competed with the French overseas Empire; and commodities exported from the British Colonies which were not produced anywhere in the French Empire.

Articles produced in metropolitan France as well as in the British Colonial Empire include maize, sugar, tobacco, hides and skins, bauxite, iron ore, phosphates, and pyrite ores. Potatoes and asbestos should be added to the list in order to make it complete, but British colonial potato-growing was negligible and confined to Bermuda and some other West Indian islands for local or North

[1] For a fuller discussion of the 1938 trade agreement see Chapter 10.

Table XXXIX. PRINCIPAL BRITISH COLONIAL EXPORTS[a]

From	*To Belgium*	*To France*	*To Germany*	*To Netherlands*	*To all destinations*
Br. West Indies	Diamonds, cocoa.	Cocoa, logwood, pimento.	Cocoa, pimento, bananas, asphalt.	Bananas, cocoa, asphalt, pimento.	*Sugar*, *mineral oils*, *bananas*, sugar syrups and molasses, cocoa, bauxite, rum, spices, wood and timber, citrus fruit, gold, asphalt, paddy and rice, coco-nuts, essential oils, arrowroot, cotton lints, diamonds, copra, raw cotton, chicle, coffee, logwood extracts, vegetables.
Br. West Africa	Ground-nuts, cocoa, palm-kernels.	*Ground-nuts*, hides and skins, rubber, raw cotton, cocoa, manganese ore.	*Cocoa*, palm-kernels, ground-nuts, palm-oil, raw cotton, hides and skins, iron ore, bananas, manganese ore, copra, mahogany.	*Cocoa*, palm-kernels, ground-nuts, iron ore, palm-oil.	*Cocoa*, *gold*, *palm-kernels*, *ground-nuts*, *tin ore*, *palm-oil*, *manganese ore*, iron ore, diamonds, hides and skins, bananas, raw cotton, wood and timber, benniseed, columbin ore, rubber.
Br. East Africa	Sisal, cobalt alloy, hides and skins, copper, zinc ingots.	Copper, copra, hides and skins, vanadium, ground-nuts.	*Copper*, sisal, hides and skins, raw cotton, cloves, zinc ingots.	Sisal, hides and skins, copra.	*Copper*, *raw cotton*, *sisal*, *coffee*, tea, cloves, unmanufactured tobacco, cobalt alloy, oil seeds, maize and maize flour, hides and skins, vanadium, pyrethrum, copra, tin ore.
Eastern Colonies	Rubber, tin, coco-nut products.	*Rubber*, tin, copra, other coco-nut products.	*Rubber*, copra, tin, other coco-nut products, nutmegs, cinnamon, tea, plumbago, gum damar, citronella oil.	*Rubber*, tin, copra, other coco-nut products.	*Rubber*, *tin*, *tea*, *sugar*, *copra and other coco-nut products*, *mineral oil*, iron ore, pine-apples, spices, phosphates of lime, bêche-de-mer, wood and timber, plumbago, tapioca, cocoa.
Mediterranean Colonies	Citrus fruit, copper, maize, potatoes.	Citrus fruit, wool, copper.	Copper, metallic residues, citrus fruit, pyrite ore.	Citrus fruit, pyrite ore, potatoes, potash.	*Citrus fruit*, copper, pyrite ores, carobs, hides and skins, potatoes, asbestos.

[a] In order of importance in 1937 and 1938. Commodities valued at more than £1,000,000 in either 1937 or 1938 in italic type. Principal commodities shown for individual countries exceeded £10,000 in value, for all destinations exceeded £100,000.

American consumption; to Cyprus, which produced for home consumption and neighbouring territories such as Palestine, Greece, and Egypt; and to a special variety of potato grown in Malta which was marketed almost exclusively in the Netherlands. French asbestos production was negligible in comparison with the French demand. These two commodities can, therefore, be excluded for the reasons given.

Bauxite, iron ore, pyrite ore, and phosphates entered France free of import restrictions, but there was no British colonial–French trade in these commodities. France produced enough bauxite for her own requirements and was a net exporter of this mineral. British Guiana bauxite was shipped almost exclusively to Canada, the United States of America, and the United Kingdom. France also was fairly self-supporting in iron ore and imported no more than negligible fractions of her requirements from neighbouring countries and from French Indo-China. So far there never have been any great difficulties in finding a market for the iron ore of Sierra Leone—where exploitation of the local deposits was commenced in the nineteen-thirties—most of which went to the United Kingdom, and to a lesser extent to the Netherlands and Germany. The production of iron ore and bauxite in British Malaya was almost exclusively under Japanese control and not available for exportation to any destination but Japan. In the case of phosphates the difference between French production and French consumption was on the whole covered by imports from the French Colonies. Cyprus pyrite ores found more profitable outlets in the Netherlands, Germany, the United Kingdom, and Italy.

It was rather in the sphere of agricultural products that the absence of trade was due to French commercial policy. The French supply of agricultural products (including hides and skins) of interest in this connexion came from the following sources:[1]

Commodity	*Proportion of metropolitan France*	*French requirements produced in*	
		French Colonies	*Foreign countries*
	%	%	%
Maize	39	16	45
Sugar	94	6	0
Tobacco	42	14	44
Hides and skins	74	6	20

[1] Figures relate to the period 1926–35. Source: René Hoffherr and others, *La Politique Commerciale de la France* (Paris, P. Hartmann, 1939), p. 28.

With the exception of a certain amount of hides and skins none of these commodities was imported from the British Colonies. Maize and sugar were doubly protected to shut out any 'unnecessary' imports. One form of protection accorded to French agriculture was the 'Padlock Law', first introduced in 1897 to protect the domestic production of certain commodities, such as cereals and wines, and extended in 1931 to cover all the more important items of farm produce, including sugar. This law authorized the French Government to raise the import duties on the commodities concerned by decree, subject only to the subsequent ratification of such decrees by the French Parliament. Theoretically the purpose of the law was to open and close the French frontier according to the state of supply in the French market.[1] In fact only upward revisions of the tariff were authorized, so that the relevant passage in the preceding sentence should read 'to close the frontier' instead 'to open and close the frontier'. But when the Great Depression became severe in France in the summer of 1931 tariff protection no longer seemed to suffice. The depreciation of sterling and other leading currencies put the French producer at a disadvantage *vis-à-vis* many of his foreign competitors. Most customs duties could not be raised on account of the consolidation of the French tariff rates in a number of commercial treaties. Unable to use the tariff weapon and unwilling to allow for the devaluation of the franc, the French Government resorted to the quantitative control of imports. A large number of commodities were subjected to quota regulations, including sugar in December 1931 and maize in March 1933. The French Colonies were exempt from these restrictions. The methods of administration of the quotas imposed on different commodities varied. The sugar quota was an annual quota, while the maize quota was variable within each year according to the season. Both were fixed according to domestic needs which varied with the harvest. Both were global quotas, i.e. the French Government fixed the total quantity which could be imported per quota period, but did not discriminate between the various foreign suppliers. Imports were prohibited except under licences issued to the various French importers on the basis of past imports. These quotas did not deprive the British colonial sugar and maize producers of a market formerly held. True, Kenya used to export

[1] Cf. F. A. Haight, *French Import Quotas; a new Instrument of Commercial Policy* (London, P. S. King & Son, 1935), p. 5.

some maize to France before 1932, but when the United Kingdom granted a preference on maize in that year the Kenya produce was diverted into imperial trade channels and the exports to France ceased before the imposition of the French quota. Similar was the position of the British colonial sugar growers. It has been pointed out above that France was self-sufficient in sugar if French colonial production were included in French production. All the same, France did import some sugar at certain seasons including beet-sugar from the United Kingdom. In these additional imports the British Colonies had no share either before or after the introduction of the French quotas; for, in addition to the deterrent of the discriminatory French import duties—which favoured the French Colonies—there was the attraction of imperial preference in the Empire, which kept most of the British colonial sugar within the British Empire. Thus the factors that kept British colonial maize and sugar away from the French market were the tariff policies pursued by the British Empire and by France. But the quotas did away with any chance the British colonial producers might have had to open up a new market in metropolitan France.

France was not self-sufficient in hides and skins and tobacco. British Colonial Africa and Palestine held a small share in the French imports of hides and skins. Foreign hides and skins paid an import duty of somewhat less than 10 per cent. *ad valorem* on entry into France, and in 1932 were subjected to import quotas. These quotas were allotted to various countries on the basis of past imports. The most important supplying countries were 'named' and given a fixed share in the quotas for hides and skins, the less important suppliers were allotted a small global quota. Thus, in the case of goat and kid skins, Palestine was 'named' and given somewhat less than 7 per cent. of the total quota. The other British Colonies had to share with all the other 'unnamed' countries 0·2 per cent. of the total quota. None of the British colonies was 'named' when the quotas for the other varieties of hides and skins were published. Although the French sometimes adjusted some of their quotas in favour of one or other country in the course of commercial negotiations, no such favour ever was accorded to British colonial hides and skins, nor to any other British colonial export produce.

There was no free market in unmanufactured tobacco in the French tariff area. The government *Régie* held a monopoly in the purchase of tobacco in France. No purchases were made in British East Africa, presumably on account of the inferiority of the produce of the British East African tobacco plantations, which largely owed their existence to the preferential treatment their tobacco received in the United Kingdom.

So much for the commodities in which the British Colonial Empire is competitive with metropolitan France. The list of commodities in which the British and French Colonies are competitive is much longer. In fact it includes most of the British colonial export products enumerated in Table XXXIX—the exceptions being asbestos, asphalt, chicle, diamonds, pyrethrum, pyrite ore, and vanadium. It will now be necessary to deal with the history of the measures taken by the French authorities to protect French colonial produce in the metropolitan market.

The basis of the French imperial tariff system when war broke out in 1939 was still the law of 1892, which divided the French Colonies into two groups: the assimilated Colonies (St. Pierre and Miquelon, Guadeloupe, Martinique, French Guiana, Northern Gabon, Réunion, Mayotte, French Indo-China, and New Caledonia) and the non-assimilated Colonies (French West Africa with the exception of Northern Gabon, French Somaliland, Madagascar, French India, and Tahiti). Most of the products of the assimilated Colonies were admitted into France free of duty. Some notable exceptions were cocoa, coffee, peppers, vanilla, and similar produce which paid a revenue duty, but enjoyed a margin of preference of 50 per cent. Only sugar and sugar produce were taxed at the same rate as foreign cane sugar and sugar produce. The exports of the non-assimilated Colonies were admitted at the minimum (i.e. most-favoured-nation) rate of duty. Special customs régimes were in force in French North Africa. Algeria has been an integral part of the French tariff area ever since 1867. Tunisia was almost included in the French customs area in 1898—'almost' because some produce, such as wine, remained subject to import restrictions. Morocco used to enjoy no more than the benefits of the minimum tariff, a closer union being prohibited by the Act of Algeciras (1906). In 1938 Morocco's position was modified after an exchange of notes between the British and the French Governments, and France was allowed to grant special favours to this dependency.

The 1892 law underwent some changes in 1912, 1913, 1928, and

1936. In 1912 St. Pierre and Miquelon was declared a non-assimilated Colony. In 1913 all the import duties on assimilated French colonial produce mentioned above disappeared with the exception of the duties on sugar, sugar products, and peppers. Some of these duties reappeared in 1920 in the form of excise duties. But the greatest change after 1892 occurred in 1928. In that year the French Parliament passed a new law which established complete free trade between France and the assimilated Colonies. The import duties on sugar, sugar produce, and peppers from the assimilated Colonies disappeared, though they were replaced by excise duties. Foreign sugars, sugar produce, and peppers were subjected to both excise and import duties. The non-assimilated Colonies were divided into two groups: Colonies with a preferential tariff régime and open-door Colonies. The preferential Colonies (i.e. all non-assimilated Colonies with the exception of French West Africa, French Equatorial Africa, and the mandated territories in the Cameroons, Togoland, and Syria) were given complete free trade in respect of raw materials and foodstuffs on importation into France and Algeria. The Ministers of Commerce, of Agriculture, and of the Colonies were authorized to define the meaning of 'raw materials and foodstuffs' and, if they deemed fit, to extend this freedom of entry to French colonial goods not necessarily fitting either description.[1] Articles not entering free of duty were admitted at the minimum rates of duty or at lower preferential rates fixed by ministerial decree. No change was made in the treatment of the open-door Colonies. Their goods continued to be admitted at the minimum tariff rate unless accorded a rebate of duty or free entry by decree. This actually had been done on several occasions even before the 1928 Act. Thus in 1927 cocoa beans, coffee, and vanilla from the French open-door Colonies were accorded free entry, and even before that date had been admitted at preferential rates. The difference was that a special Act of Parliament was required before 1928; afterwards ministerial decrees sufficed. In 1936 France denounced the Niger Basin Treaty (1898) which had established free trade in Dahomey, the Ivory Coast, and Upper Volta, so that the commercially most important part of French West Africa was transferred into the category of preferential Colonies.

[1] Cf. L. Tournau, *Le Nouveau Régime Douanier Colonial* (Paris, Société d'Éditions Géographiques, Maritimes et Coloniales, 1928), pp. 11–15.

The British Colonies enjoyed most-favoured-nation treatment in France, so that their exports were admitted at the minimum tariff rates. The 1928 law put them at a disadvantage *vis-à-vis* their French colonial competitors in metropolitan France, with the exception of French Equatorial Africa, some parts of French West Africa, and the French Mandates. However, even these French Colonies enjoyed some special favours on their most important exports by virtue of the ministerial decrees issued under the 1928 law.

Preferential tariff treatment for French colonial produce also included the exemption of France's overseas Empire from the turnover tax levied on all foreign imports. The usual rate on raw materials and foodstuffs was 2 per cent. *ad valorem*, but in some instances it amounted to as much as 7 per cent. (tea) or 8 per cent. (coffee).

The framers of French tariff legislation aimed at making the French Empire as self-sufficient as possible. And in several instances preferential tariff treatment of French colonial produce was successful from this point of view. In one case it was more than successful. The high prices in the French market arising from these discriminatory tariffs caused French colonial cocoa production to increase to such an extent that the metropolitan market became unable to absorb the total colonial supply. To preserve the favourable market conditions in metropolitan France it was decided not to allow any French colonial producer to sell any cocoa to the attractive French market unless he could prove that he had disposed of a fixed proportion of his produce in the world market.[1] Through this artificial device it was possible to maintain the favourable conditions in the French market—even though French Empire production exceeded French Empire consumption—by allowing the French Colonies to meet the bulk of the metropolitan requirements, while some highly taxed foreign cocoa was admitted to keep up the price of cocoa. Whether this form of imperial protection was beneficial to the French Colonies is doubtful. That it was costly to the French consumer is certain. That it left a reduced opening to British colonial cocoa is equally certain. The Gold Coast export trade in cocoa suffered a serious blow in the French market when some French West African cocoa was admitted free of duty, and again in 1928 when all French colonial cocoa was

[1] Cf. R. Hoffherr, op. cit., p. 295.

accorded the same favour. The Gold Coast's cocoa sales to France gradually declined from 15,000 tons in 1926 to 334 tons in 1938. Trinidad suffered a similar fate, her sales falling from an annual quantity of over 3,000 tons in the years immediately before 1927 and 1928 to 550 tons in 1938.

In some cases imperial preference in the above sense seemed not enough. By virtue of a law of 31 March 1931, uniform taxes were imposed on coffee, rubber, and sisal whatever the origin; and similar duties on arrowroot, sago, manioc, and tapioca of foreign origin. Later bananas, cocoa, and preserved pine-apples, whatever their origin, were added to the list. The proceeds of these taxes were distributed among the various French colonial administrations to be used as a subsidy for the local production of the taxed commodities; with the exception of the tax on cocoa, the proceeds of which were used to advertise French colonial cocoa in the metropolitan market. Some success was achieved in the case of each of these commodities. French colonial production increased, and then benefited from preferential treatment in the French market. Of all the commodities subject to this special 'subsidy tax' only two, rubber and cocoa, were imported from the British Colonies in quantities worth mentioning: rubber because French colonial production could not be expanded sufficiently to replace the British Colonies; and cocoa for the reasons given.

Other protective measures employed were prohibitions and quotas. One prohibition of interest to the British West Indies was that on imported rum. It was introduced shortly after the First World War. In 1924 an exception was made for an annual quota of French West Indian rum. This guaranteed the French West Indies a limited, but secure, market, and excluded the possibility of British colonial competition.

In other instances the importation of foreign colonial produce was subjected to quotas after 1931. Among the more notable cases were bananas, citrus fruit, and coffee. The bulk of the banana quota was guaranteed to Spain, the same applied to citrus fruit, and the bulk of the coffee quota was given to Brazil. Other South American countries secured guaranteed quotas for coffee and bananas in various trade agreements with France. The British Colonies had to compete with the rest of the world for the global quotas allocated to 'other countries'.

One of the principles of French commercial policy was to admit raw materials free of import restrictions. This principle was not strictly adhered to. Apart from the subsidy taxes on rubber, sisal, and manioc, and preferential duties on mineral oils, hides and skins, and a few more raw materials, in some instances even quotas were applied. Thus in 1934 copper was quotaed, in spite of the fact that the French Empire hardly produced 2 per cent. of the requirements of metropolitan France. It was one of the measures taken by the French Government at that time to regulate the imports from countries belonging to the sterling and dollar blocs. A short digression is necessary in this connexion. In 1931 the French Government had imposed an exchange compensation surtax on goods coming from various countries with depreciated currencies, including the United Kingdom, and from 1933 onwards also Ceylon, British Malaya, and Hong Kong, in order to maintain the 'tariff equilibrium' existing before the depreciation of the currencies concerned. This exchange compensation surtax applied to all goods coming from the countries with depreciated currencies with the exception of coffee, tea, vegetable oil-seeds and nuts, maize, Indian goat and cross-breed skins, and precious metals. The British Government never recognized the compatibility of these duties with the most-favoured-nation clause, and towards the end of 1933 threatened to retaliate. In view of this threat the French exchange compensation surtax was taken off on 1 January 1934. In order to prevent an influx of goods from countries with depreciated currencies new quotas were introduced as an alternative means to restrict imports from the sterling and dollar countries. The British Government became uneasy about the losses of British trade in France, and in February 1934 imposed a surtax on French goods entering the United Kingdom. Commercial peace between the two countries was restored in June 1934. But some of the new French quotas, including the copper quota, remained. Twenty-five per cent. of the quota was guaranteed to previous suppliers in proportion to their importance in the past. This guarantee was somewhat restrictive on Northern Rhodesia and Cyprus, where the productive capacity of the copper mines was expanding throughout the nineteen-thirties. But it left the British Colonies free to compete for a share in the remaining 75 per cent. of the quota in addition to the guaranteed amount.

More important were the measures taken in respect of vegetable oil-seeds and nuts. French industry was an important consumer of vegetable oils. The varieties demanded were almost exclusively the oils derived from ground-nuts, linseed, copra, palm-kernels, and castor seed, in that order.[1] The British Colonies were among the world's largest producers of ground-nuts, copra, and palm-kernels, while the French Colonial Empire produced only 42 per cent. of the metropolitan requirements of ground-nuts, 16 per cent. of the copra, and 80 per cent. of the palm-kernels.[2] To encourage the consumption of French colonial oil-seeds and nuts the foreign produce was subjected to import duties in 1933, while the import duties on foreign vegetable oils were raised. These duties alone seemed insufficient to guarantee a profitable market to the French West African producers, so the French authorities tried another device to secure this end. A law was passed prohibiting the use of animal fats and vegetable oil-seeds and fats as raw materials in the manufacture of soap, candles, lard, margarine, oleo-margarine, and edible animal, vegeto-animal, and vegetable fats, except under licence. These licences were given to importers of such fats and oil-seeds and nuts only if they could prove to have satisfied a certain proportion of their requirements out of French colonial oil-seeds and fats. Such imports as were permitted had to go via specified customs houses. In addition to this priority of admission accorded to French colonial produce, the import duties on foreign oil-seeds and nuts were doubled and the duties on foreign vegetable oils raised to a lesser extent in 1935, in order to finance the administration of the control of the trade. One result of these measures was that Nigerian exports of palm-kernels to France ceased after the introduction of the preferential import duties and did not reappear until 1937 when the import duty was lowered. Even then they did not amount to more than 405 tons, as compared with 2,346 tons in 1932, 1,303 tons in 1929, and 4,857 tons in 1927. The Gambia's exports of ground-nuts to France, which between 1929 and 1933 had averaged 28,000 tons per annum, disappeared in the following year until 1938, when the Gambia sold some 5,000 tons of ground-nuts to France. Malaya's copra exports to France declined to a lesser extent. They averaged 27,000 tons per annum between 1929 and 1933, and 16,000 tons between 1934 and 1937.

[1] Cf. Jean Gottmann, *Les Relations commerciales de la France* (Montreal, Les Éditions de l'Arbre, 1942), p. 99.

[2] Average for 1926 to 1935. Source: R. Hoffherr, loc. cit.

Sometimes tariff quotas were imposed on goods coming from the open-door Colonies. Thus in 1938 mineral oils from Morocco were admitted free of import duty up to a specified amount. Imports above that tariff quota were, however, subject to the same duties as imports from most-favoured-nation countries, such as the British Colonies.

Other forms of protection and discrimination were as follows. Practically all the commodities subject to import quotas were also subject to a licence tax which could be varied by decree. All foreign imports had to pay a stamp duty on entry into France, and had to bear a visible mark denoting the country of origin. Imports of overseas origin shipped via another European country had to pay a special *surtaxe d'entrepôt*. Few commodities were exempt from the *surtaxe d'entrepôt*. The only exemption of importance to the British Colonial Empire was made in 1938, when the French Government agreed to exempt British East African coffee from the *surtaxe d'entrepôt* if imported via the United Kingdom. This concession was subject to the proviso that, in addition to proof of origin, the goods had to be accompanied by a certificate of the French consular authority in the port of re-exportation, attesting the origin of the goods, and certifying that they had not undergone during trans-shipment any processing of such a nature as to lose their identity.

Nothing much need be said about those commodities in which the British Colonies are not competitive with the French Empire (asbestos, asphalt, chicle, diamonds, pyrethrum, and vanadium). They were on the free list and subject only to such duties as turnover tax, stamp duties, and similar duties leviable on all foreign imports.

Imperial preferences, subsidy taxes, priorities of admission, quotas, prohibitions; is it surprising to find that about three-quarters of all the British colonial export commodities did not enter the French customs area, and that the French imports of many of the remaining British colonial exports was severely restricted? All British colonial foodstuffs were subject to discriminatory import duties, some to subsidy taxes and to quotas. Among the raw materials of industry, rubber, sisal, and manioc were subjected to subsidy taxes; sisal, hides and skins, and vegetable oilseeds and fats to discriminatory import duties, quotas (hides and skins), and priority of admission for French colonial produce (vegetable oil-seeds and fats). Copper was quotaed. On the free list were cotton, and most minerals such as manganese ore, tin ore, and vanadium. But once any of the commodities on the free list reached the state of manufacture or even semi-manufacture they were excluded by tariffs and quotas. French commercial policy was intentionally exclusive, though some of the measures reviewed were taken on account of France's financial difficulties. But once the franc was depreciated (1936) this argument would no longer apply, had it not been for the fact that all protective measures taken together had put French prices so much out of equilibrium with world prices that these measures had to be continued to avoid a collapse in the internal French price structure.

The official French statistics are not sufficiently detailed to allow for an accurate assessment of the importance of the British Colonial Empire in the French import trade. The figures in Table XL are no more than estimates based on the French import statistics. But whatever the value of each figure taken by itself, they reveal the trend of the development of British colonial–French trade relations, and support the conclusions which can be reached from the above review of French commercial policy. These conclusions are that British West Africa suffered most from the restrictions imposed during the nineteen-thirties. And this is to be explained by the fact that British West Africa was severely affected by the measures taken to divert the French demand for vegetable oil-seeds and oils to French West Africa and other French Colonies. British West Indian exports have been fairly effectively restricted throughout, even before the 1928 law. The reason is that British West Indian produce is most competitive with production in some of France's assimilated Colonies and also with French metropolitan agriculture (sugar), and so the exclusion of the British West Indies dates back to at least 1892. Recent measures brought about comparatively little change. That the British Colonial Empire as a whole did not lose much of its proportionate share in the French import trade was due to the gains of East Africa and the Eastern dependencies. British East Africa gained in the French market on account of the increasing exploitation of Northern Rhodesia's vanadium deposits, while Tanganyika made some gains in hides and skins and in copra. The advance of the Eastern Colonies was in the main due to an increase in Malaya's rubber exports to France; but these originated to an increasing extent in French

Indo-China. Taking all things together it can be said that French commercial policy restricted British colonial trade, and led to a shift in importance from Britain's Atlantic Colonies to the British dependencies bordering the Indian Ocean.

TABLE XL. FRENCH IMPORTS FROM THE BRITISH COLONIAL EMPIRE

(in millions of francs)[a]

Estimated figures marked (?)[b]

From	*1927*	*1937*
British West Indies	47(?)	51(?)
British West Africa	825	150(?)
British East Africa	136(?)	240(?)
Eastern Colonies	400(?)	650(?)
Mediterranean Colonies	23	15(?)
Total British Colonial Empire	1,431(?)	1,106(?)
All sources	52,996	42,391
Proportion of estimated French imports from the British Colonial Empire to total French imports	% 2·7	% 2·6

Sources: Commission Permanente des Valeurs de Douane: *Tableau Général du Commerce Extérieur*, 1927 and 1937.

[a] The franc depreciated by some 40 per cent. between 1927 and 1937. Since sterling too was depreciated by a similar percentage between the years shown, the currency difficulty does not invalidate the argument.

[b] In the case of the estimated figures the French statistics group the various British Colonies together with other countries in the same geographical region. The figures shown in Table XL represent the value of those commodities which presumably came from the British Colonies. The error probably is on the high side.

Belgium

Belgium's overseas Empire consists of the Belgian Congo and the adjoining mandated territory of Ruanda Urundi. The Congo exports copper, tin, palm-kernels and palm-oil, copal, and wood and timber; the principal exports of Ruanda Urundi are gold and tin. Belgian Africa also exports cotton, coffee, cocoa, rubber, sugar, maize, ground-nuts, ivory, textile fibres, rice, cattle, and hides. All these commodities, with the exception of copal, are competitive with the exports of the British Colonies, though cattle and ivory do not figure largely among the British colonial exports. In spite of this fairly wide range of commodities, produced in a territory as large as Europe (excluding Russia), of which about two-thirds regularly went to Belgium, the Belgian Colonies never supplied as much as 10 per cent. of Belgium's imports and never more than one-sixth of the raw material demands of the metropolitan country. Thus, in 1938 Belgium imported 11,000 million francs' worth of raw materials from all sources, while her imports from Belgian Africa—of which over 90 per cent. in value were raw materials and the remainder foodstuffs—accounted for 1,933 million francs only. In short, Belgium depended on foreign sources for the bulk of her raw material supplies, so that the maintenance of the open door for raw materials seemed imperative to Belgium's industry and commerce.

Until 1924 Belgian colonial produce enjoyed no preferential treatment in the Belgian market. At that time Belgian Africa supplied less than 1 per cent. of Belgium's imports. Preferential measures were introduced by a law of 8 May 1924, which exempted all Belgian colonial produce from customs duties and allowed for the reduction of excise duties on such goods as were subject to internal taxes in Belgian Africa. These concessions were made conditional upon the direct shipment of the colonial produce from specified African ports[1] to Antwerp, and the importer had to produce a certificate of origin. Some tropical foodstuffs of foreign origin, such as cocoa, coffee, fruit, and sugar, were made subject to import duties at *ad valorem* rates ranging from 10 to 20 per cent.[2] Later these duties were converted into specific duties. Other British colonial produce taxed on importation into Belgium included cereals and their derivatives, coco-nuts, spices, tapioca, tea, unmanufactured tobacco, preserved fruit, vegetable oil-seeds and oils, and mineral oils. Rubber was put on the free list in 1929. All the other colonial commodities enumerated in Table XXXIX were on the free list.

Following the example of France, the Belgian Government resorted to quantitative import controls in 1931. As a rule this form of protection was applied to manufactured articles only, but there were some important exceptions. In 1932 the importation of sugar was subjected to licence; cereals and their derivatives in 1933; fruit and vegetables, copper, and mineral oils in 1934; coffee and unmanufactured tobacco in 1936. In most cases this

[1] Any port in Bas-Congo, Port Sudan, Mombasa, Dar-es-Salaam, Beira, and for Katanga also Lobito.

[2] Cf. Marcel W. van de Velde, *Économie Belge et Congo Belge* (Antwerp, Éditions du Lloyd Anversois, 1936), pp. 37 ff.

regulation of the trade by licence was introduced under the terms of the various compensation and clearing agreements which the Belgian Government concluded with various exchange control countries, such as Roumania, 1934 (mineral oil and copper); Spain, 1936 (vegetables, bananas, citrus fruit, and preserved fruit); Greece, 1936 (sponges, unmanufactured tobacco); and Germany, 1936 (coffee).

Tariff increases on tropical produce were comparatively rare. The only commodities of interest to the British Colonies affected were as follows: sugar was subjected to a special surtax of 20 francs per kilogram in 1931—a 'temporary' surtax which was never removed; in 1932 there were some increases in the duties on cocoa, coffee, sugar, tea, and unmanufactured tobacco; and in 1937 the duties on vegetable oils were raised. Reductions in the import duties on preserved fruit, grapefruit, and honey were made in 1935. No commodity of interest to the British Colonies was removed from the free list, but unworked sponges (of interest to the Bahamas) were added to it in 1937. While changes in the customs duties were rare and in comparison with other countries modest, importers of quotaed goods usually had to pay a licence tax which could be varied by Royal Decree without previous notice, thus enhancing the uncertainty of the trade.

The comparative modesty of the Belgian import restrictions enabled the British Colonies to advance steadily in importance as suppliers of Belgium's imports. In 1923 they supplied 0·5 per cent. of the total, in 1938 1·3 per cent. At the same time the share of Belgian Africa advanced to a much greater extent, i.e. from less than 1 per cent. in 1923 to 8·3 per cent. in 1938. Table XLI shows the position for 1929 and 1937.

With the exception of the British West Indies all British colonial groups sold more to Belgium in 1937 than in 1929. The West Indian losses were due to two causes. First of all there was the depression in the diamond market, which reduced Belgium's imports of British Guiana diamonds from over 24 million francs' worth in 1929 to negligible amounts in 1937. The second cause for the decline was the diversion of British West Indian bananas to the United Kingdom after the introduction of the Ottawa preferences on bananas, which reduced the amounts available for the Belgian market from over 97,000 metric quintals (32 million francs) in 1929 to 7,000 metric quintals (1·6 million francs) in 1937. There were, however, some counterbalancing advances in British West Indian exports to Belgium, particularly in unworked sponges from the Bahamas when these were put on the free list in 1937. There

TABLE XLI. BELGIAN IMPORTS FOR HOME CONSUMPTION FROM THE BRITISH COLONIAL EMPIRE

(In millions of francs)[a]

From	*1929*	*1937*
British West Indies . . .	57	19
British West Africa . . .	69	80
British East Africa . . .	29[b]	83
Eastern Colonies . . .	28	155
Mediterranean Colonies . .	5	20
Other	1	0
Total British Colonial Empire .	189	357
Belgian Africa	1,400	2,285
All sources	35,624	27,893
Proportion of imports from British Colonial Empire to total Belgian imports	% 0·53	% 1·3

Sources: Ministère des Finances de Belgique: *Tableau Annuel du Commerce avec les Pays Étrangers*, 1929 and 1938.

[a] Belgian franc devalued by 28 per cent. in 1935. Sterling depreciated by some 40 per cent. in 1931. So that the gains of the British Colonies in the Belgian market actually were somewhat higher than suggested by the figures shown. [b] Excludes Northern Rhodesia.

was no important change in the commodities entering the Belgian imports from British West Africa, though there occurred a shift in the source of Belgian supply of British West African ground-nuts from Nigeria to the Gambia. East Africa's advance was in the main due to an increase in Belgium's demand for hides and skins and to increasing sales of Tanganyika sisal. Eastern gains were due to greater Belgian purchases of rubber from the Straits Settlements and from Ceylon, and an increase in Ceylon's sales of coco-nuts and coco-nut products, piassava fibre, and cinnamon. The Mediterranean gains were accounted for by Palestine oranges and water-melons and Maltese potatoes. Although it is beyond doubt that the British Colonial Empire as a whole did better in the Belgian market than in most other countries, some of the increases shown in Table XLI might well be due to an increase in direct shipments and the consequent greater accuracy in the statistical data available.

The Netherlands

The Netherlands adhered to free trade longer than any other of the world's great trading Powers. It was not until 1933 that the first protective measures were taken. These took the form of import quotas and usually were applied to industrial goods only. In the few instances where agricultural produce was quotaed, the produce of the Netherlands Colonies was either exempt from these restrictions or received particularly favourable quotas. Among the articles protected in that way was sugar. In 1934 it was enacted that Netherlands raw sugar imports for refineries, for the milk and chocolate industries, and for other manufacturing purposes up to the amount of 13,000 tons had to come from the Netherlands West Indies and up to 85,000 tons from the Netherlands East Indies. This gave the Netherlands dependencies a *de facto* monopoly in the Netherlands importation of raw sugar, which rarely exceeded the amount of 98,000 tons. The Government paid the difference between the cost of buying the Dutch colonial sugar plus the cost of transporting it to the Netherlands and the London raw sugar quotation which had to be paid by the Dutch mills. This had the effect of making the Netherlands a 'closed shop' in sugar.[1] But it did not exclude the British Colonies from one of their former markets. For even before that date the Dutch mills had purchased most of their requirements from the home market and the Netherlands dependencies, to a lesser extent from Europe, and very little from the British Colonies. Netherlands imports of British West Indian sugar amounted to 169 tons in 1929 and to approximately 50 tons in 1937.

In 1934 maize and rice were quotaed on the basis of the average imports in 1932 and 1933. During that basic period no British Colony had sold any rice to the Netherlands, while Cyprus and Palestine had marketed 50 tons of maize in Holland in 1933 but none in 1932; so that the quotas virtually excluded the British Colonial produce from a potential market. There were some interesting features in the administration of these quotas. Imported maize and rice were subjected to the payment of taxes which were not based on the tariff but were levied by control bodies of agricultural imports. The rates of duty varied with the world prices of maize and rice in order to stabilize the internal price in the Netherlands

[1] Cf. J. van Gelderen, *The Recent Development of Economic Foreign Policy in the Netherlands East Indies* (London, Longmans Green, 1939), p. 32.

market. A special arrangement was made in respect of Netherlands East Indian produce. For a quota of 1,750,000 tons of maize and 20,000 tons of rice a certain price was fixed at which the Netherlands was willing to buy the Netherlands East Indian maize and rice. The price was calculated so as to ensure a minimum price for the native produce of Holland's Eastern dependencies. This prevented the price from falling below this critical point but kept it low enough so as not to deter Japanese and other Eastern purchasers. Since the Netherlands did not import any appreciable quantities of Dutch colonial maize and rice, the position in the Netherlands market remained unaffected.[1] But it ensured a minimum price in third markets. And this probably had a beneficial effect on the prices received by the British Colonies from some Far Eastern buyers for such exports as were made to these destinations.

The only discriminatory measure taken by the Netherlands Government which was directly harmful to certain British colonial interests was a semi-official agreement between the Government and the Dutch oil industry to buy 60 per cent. of its total demand for vegetable fats from the Netherlands East Indies.[2] This kept down the demand for British colonial vegetable oils and oil-seeds, but did not lead to an actual decline in the quantities of vegetable oil-seeds and oils exported from the British Colonial Empire to the Netherlands, with the exception of West African palm-oil.

Thus, a few commodities apart, British colonial produce was at no disadvantage in comparison with Netherlands colonial produce in the Netherlands market. If the trade was not larger than some £5 millions' worth in 1937, the reasons are on the whole not to be found with the tariff and quota policy pursued by the Netherlands Government. It was due partly to the competition of the Netherlands's own Colonies which are important exporters of mineral oils, rubber, tea, sugar and sugar products, copra, tin and tin ore, coffee, tobacco, hides and skins, rice, bauxite, and phosphates of lime;[3] and it was due partly to the lack of demand. The import trade of the Netherlands, like that of Belgium, depended not only on domestic factors, but was to a large extent an entrepôt trade and an import trade for purposes of manufacture with a view to export; so that the Dutch demand for British colonial produce depended

[1] Ibid., p. 31. [2] Ibid., p. 31.
[3] Compare with Table XXXIX (p. 138).

to a very large extent on the treatment such Netherlands exports received in world markets.

In spite of the fairly liberal trade policy of the Netherlands, all the British colonial groups with the sole exception of British East Africa, were worse off in the Netherlands market in 1937 than in 1929. The particularly heavy losses of the Eastern Colonies were in the main due to an increase in direct trading between the Netherlands East Indies and the metropolitan country, thus evading the entrepôt ports of the Straits Settlements.[1] If British Malaya were excluded the figures for the Eastern dependencies would read F. 1,437,000 for 1929 and F. 2,267,000 for 1937. This increase represents advances made by Hong Kong; imports from that entrepôt port increased from F. 588,641 to F. 1,001,717. Ceylon showed some decline from F. 843,000 to F. 766,000 chiefly on account of a fall in the price of copra. The West African losses

TABLE XLII. NETHERLANDS IMPORTS FOR HOME CONSUMPTION FROM THE BRITISH COLONIAL EMPIRE

(In thousands of gulden)[a]

From	*1929*	*1937*
British West Indies	3,299[b]	2,500[c]
British West Africa	29,199	19,131
British East Africa	2,535[d]	3,421[e]
Eastern Colonies	11,585[f]	2,615[f]
Mediterranean Colonies	11,504	2,407
Total British Colonial Empire	58,122	30,074
Netherlands Empire	159,579	150,074
All sources	2,752,298	1,550,167
Proportion of imports from British Colonial Empire to total Netherlands imports	% 2·1	% 1·9

Sources: Centraal Bureau voor de Statistiek: *Jaarstatistiek van den In-, Uit-, and Doorvoer*, 1929 and 1937.

[a] Gulden depreciated by some 40 per cent. in 1936, thus approximately restoring pre-1931 gulden-sterling parity.

[b] Estimate (Netherlands statistics include British West Indies under 'Other British America', i.e. Newfoundland, Falkland Islands, and British West Indies).

[c] Estimate (Netherlands statistics show imports from British, American, and French West Indies under one heading).

[d] Excludes Northern Rhodesia.

[e] Includes Mandate of South-West Africa.

[f] Excludes Western Pacific and Seychelles.

[1] See Chapter 12.

were due to a decline in the value of vegetable oil-seeds and cocoa and to some reduction in the Dutch purchases of British West African palm-oil. The Mediterranean losses were caused by a decline in the imports of Palestinian citrus fruit and to a lesser extent of Maltese potatoes. The decline of the British West Indies occurred in mineral oil, asphalt, cocoa, spices, and molasses. The East African gains were chiefly in sisal and minerals.

Germany

Before the introduction of exchange control in Germany the only impediments in the way of British colonial produce entering Germany were import duties. Some of these duties had a protective character such as the duties on sugar and sugar products, which normally excluded any foreign sugar, and the duties on cereals and their derivatives, potatoes, vegetables, and to a lesser extent mineral oils. Others were revenue duties. This was the case with the duties on commodities like cocoa, coffee, tea, tropical fruit, rice, spices, and unmanufactured tobacco. Yet even in the case of the revenue duties the relative height of the taxation on the various commodities concerned sometimes was a potent means to divert the German demand from one colonial produce to another. Thus the duties on coffee (RM. 160 per 100 kilos) and on tea (RM. 350 per 100 kilos) were deliberately kept high in relation to the duty on cocoa (RM. 35 per 100 kilos).[1] The aim was to keep the consumption of tea and coffee at a low level and to further the consumption of cocoa. This seemed desirable to the German authorities because the chocolate industry was an important buyer of German beet sugar, sugar being the principal constituent in the finished product,[2] so that the comparatively low revenue duty on cocoa was in fact a form of indirect protection to the German sugar growers. From the British colonial point of view this meant that the cocoa producing territories in British West Africa and in the British West Indies received better tariff treatment in the German market than the coffee and tea producers in East Africa and Ceylon.

In those days the determinant factor in the source of supply of Germany's raw material requirements was price. Thus, in spite

[1] 1928 tariff rates. Previous duties were somewhat lower and the discrepancy between taxation of coffee and tea on the one hand and cocoa on the other hand were previously somewhat less.

[2] Cf. W. Bast, *Die Einfuhr des deutschen Reiches aus den Tropen, 1897–1932* (Leipzig, Bibliographisches Institut, 1936), p. 28.

of a rising German demand for ground-nuts British West Africa's share in the total German imports declined from 54 per cent. in 1913 to 18 per cent. in 1929. The principal reason for this decline is alleged to have been the fact that West African ground-nuts were sold in the shell, while Indian ground-nuts were decorticated. At that time the quality of the Indian ground-nuts was improving; and the savings in freight when the ground-nuts were transported without the shell were a great stimulus to German industry to transfer their orders from West Africa to India. The loss of the British West African Colonies was aggravated by the fact that, at the time when discriminatory export duties on palm-kernels were in force in these Colonies in the years immediately following the first world war, German industry increasingly replaced palm-kernels by ground-nuts.[1] Another British colonial commodity that suffered from the need of German industry to buy cheaply was Ceylon graphite. In 1913 more than half of Germany's imports of graphite came from Ceylon. In the nineteen-twenties Ceylon's share was reduced to less than one-third, mainly on account of the development of production of an inferior but cheaper graphite in Madagascar.[2]

To repeat, the determinant factor for German purchases was price, which in the case of foodstuffs sometimes was influenced by tariff policy. Raw materials were, as a rule, admitted free of duty and also were exempt from the 2 per cent. *ad valorem* turnover tax levied on all imports in 1931.[3] It was not until home-produced substitutes came to be protected that raw materials were subjected to import duties. The first raw materials to be taxed were vegetable oils unless imported for the manufacture of soap and candles. In 1937 a duty was imposed on rubber, latex, gutta percha, and balata to protect the German production of synthetic rubber. But by that time the German system of exchange control had altered the position. Price considerations had given way to the considerations of the needs of a totalitarian economy.

Exchange control was first introduced in Germany in 1931. Its purpose was to prevent a sudden outflow of capital. German importers had to apply to the Reichsbank for foreign currencies

[1] Ibid., p. 28. See also Chapter 5.

[2] Ibid., pp. 87–9.

[3] Except mineral oil, asphalt, pitch, tanning extracts, unbleached cotton fibre, and plywood.

which were rationed out amongst them on the basis of their purchases during the twelve months preceding the imposition of exchange control. The allotments were cut down by stages and by 1934 had been reduced to 5 per cent. of the basic quota. Although the system thus became increasingly restrictive on imports, there was at first little or no attempt to discriminate. Importers were allowed to spend their ration, expressed in German currency, on any foreign currency they chose.[1] The effects of this system of exchange control were rather similar to that of a uniformly applied quota system. In either case an attempt is made to 'freeze' the position prevailing during the basic period. Imports did not, however, fall to such an extent as the cut in the basic quota would suggest. Consequently the blocked commercial debts, i.e. debts that could not be paid except in reichsmarks on account of the shortage of foreign exchanges, increased at a rapid rate, particularly after the virtual exhaustion of the Reichsbank's foreign exchange reserves in the early months of 1934. In September 1934 Dr. Schacht, the President of the Reichsbank, promulgated his 'New Plan'. No German importer was allowed to place a definite order or to import any foreign goods unless he had obtained a foreign exchange certificate for each individual transaction. The administration of this system was entrusted to a number of control boards based on the industries and raw materials concerned.[2] With the promulgation of the Schacht Plan, the German system of exchange control was adapted to a system of deliberate planning of imports to meet the ends of the totalitarian economy of the National Socialist régime.

A description of the complicated network for the control of trade set up by the German Government from 1934 onwards is beyond the scope of this study. But a few words about the methods adopted to control the trade with the British Colonies are necessary. In most cases the trade was controlled by the various control boards which issued the foreign exchange certificates. In some cases private traders ceased to have any say in the matter of imports. For example, the right to place vegetable or animal oils and fats on the German market was entirely reserved to the State Office for Oils and Fats. But in all cases the control boards exercised a

[1] Cf. League of Nations, *International Currency Experience*, 1944, p. 173.

[2] Ibid., p. 176, and C. W. Guillebaud, *The Economic Recovery of Germany* (London, Macmillan, 1939), pp. 63, 67.

stringent control over imports and, incidentally, also levied fees for the foreign exchange certificates issued. Firms that did not comply with the wishes of the Government could easily be starved of raw materials.

But some additional trade was possible. The simplest form of conducting trade without foreign exchanges is by means of barter. The habit grew among German and foreign firms to enter into private barter agreements.[1] In these cases German firms imported from countries where there happened to be a demand for anything that Germany had to spare. It was soon realized, however, that these private barter transactions did not always fit the plans of the German authorities. The terms of these agreements became subject to control. In the case of goods in which Germany had a monopoly, export by private barter was prohibited. Normally barter was no longer admitted unless the ratio in favour of the German exports was 1:3. A ratio of 1:1 was permitted only in the case of the import of essential raw materials, such as textile fibres, hides and skins, mineral oils, minerals, vegetable fats and oils, and the like; so that Germany either got vital raw materials or a surplus of foreign exchanges. Soon the number of countries with whom such barter was permissible dwindled to a small number. By 1939 Palestine was the only one of the larger British Colonies with whom German trade was to a large extent conducted in terms of these barter agreements.[2] And this is the main reason why Germany's balance of trade with Palestine was much more favourable than her balance of trade with any other British Colony.

Of some importance in the trade with British West Africa and British East Africa was the trade financed with depreciated ASKI marks.[3] The ASKI trade worked as follows. Foreigners sent goods to Germany. In return they received an account in reichsmarks with a German bank. They could use these accounts for their own purchases of German goods, but were not allowed to transfer these accounts to anyone else nor to exchange their reichsmark holdings for other currencies.[4]

The private barter agreements and the ASKI trade only accentuated the trend towards bilateralism which was the official

[1] *Kompensationsgeschäfte.*

[2] Cf. R. Eicke, *Warum Aussenhandel?* (Berlin, Verlag für Sozialpolitik, Wirtschaft und Statistik, 1939), pp. 62–3.

[3] ASKI = *Auslandssonderkonten für Inlandszahlungen* (special foreign-owned accounts for payments in Germany).

[4] R. Eicke, loc. cit.

trade policy under the Schacht Plan. The various clearing and payments agreements between Germany and most European and South American countries all tended towards bilateral trading, where the question no longer is 'What is the quality and what is the price?' but 'Do you want to buy from me? If so I am going to buy from you.' Yet Germany's need of raw materials kept her balance of trade with British Africa and the Eastern Colonies unfavourable to Germany.

Table XLIII shows how the Schacht Plan kept the German import trade at a depression level. Considering that the German statistics after 1931 were calculated in terms of overvalued reichsmarks, the trade restricting effects of the Schacht Plan are in fact under-estimated. The British Colonies, being raw material producers, suffered less than the world as a whole.

TABLE XLIII. GERMAN IMPORTS FROM THE BRITISH COLONIAL EMPIRE

(In millions of reichsmarks)

From	*1929*	*1932*	*1934*	*1937*	*1938*
British West Indies[a]	53	26	22	10	8
British West Africa[b]	179	71	58	85	54
British East Africa[c]	36	10	10	15	7
Eastern Colonies[d]	65	23	34	107	56
Mediterranean Colonies	8	8	16	17	18
Total British Colonial Empire	341	138	140	234	143
All sources	13,435	4,666	4,451	5,448	5,449
Proportion of imports from British Colonial Empire to total German imports	% 2·6	% 3·0	% 3·1	% 4·3	% 2·6

Sources: *Statistisches Reichsamt: Ergänzungshefte zu den monatlichen Nachweisen über den auswärtigen Handel Deutschlands*, 1929, 1932, 1934, 1937, 1938.

[a] Figures for 1929, 1932, and 1934 are estimates, because German statistics for those years include British West Indies and Newfoundland under one heading. All figures include imports from the Falkland Islands.

[b] Excludes Cameroons and Togoland.

[c] Excludes Northern Rhodesia.

[d] British Malaya and Ceylon only.

British West Indian losses were concentrated on bananas and cocoa. In the case of bananas the principal cause for the decline was the diversion of the West Indian produce into preferential channels from 1932 onwards. In the case of cocoa the decline was partly due to a reduction in the German imports, partly to the decrease in production in Trinidad.

British West Africa's losses were most severe. But if a comparison is made between the articles entering the trade in 1929 and in 1937 it will be found that the losses were on the whole due to less favourable prices rather than to other factors. Thus the German imports of vegetable oil-seeds and oils amounted to 269,000 tons in 1929 and to 281,000 tons in 1937. But the value of the trade had declined from RM. 103 millions to RM. 50 millions. Similarly in the case of cocoa the quantities involved declined from 55,000 tons to 47,000 tons only, while the value fell from RM. 59 millions to RM. 27 millions. The losses were only slightly counteracted by an increase in German purchases of manganese ore from the Gold Coast, bananas from the Cameroons,[1] and the German purchases of Sierra Leone iron ore from 1935 onwards.

The principal East African losses were in vegetable oil fruits and seeds and in hides and skins. Tanganyika's sales of textile fibres increased from 7,000 tons in 1929 to 22,000 tons in 1937, but these gains were counteracted by a decline in the German imports from Kenya from 17,000 tons to 4,000 tons. If Northern Rhodesia were included under British East Africa in Table XLIII the figures for British East Africa for 1929 and 1937 would read RM. 36 millions and RM. 50 millions, thus turning a decline into an increase, on account of the development of the Northern Rhodesian copper exports.

The heavy imports from the Eastern Colonies in 1937 represent exceptionally large purchases of Straits produce from British Malaya. Ceylon's trade on the other hand declined from RM. 35 millions in 1929 to RM. 10 millions in 1937, the losses being concentrated on fruit, tea, spices, edible oil fruits and seeds, and rubber.

The Mediterranean gains were almost entirely due to the development of copper production in Cyprus in the nineteen-thirties and the fact that Germany was Cyprus's best customer for copper. In 1937 copper accounted for RM. 8·4 millions of the German imports from the Mediterranean. There was an increase in German purchases of pyrite ores from Cyprus, and a much more modest increase in Palestine's citrus fruit exports. For all the other Mediterranean exports the German market was contracting.

[1] Cameroons not included in Table XLIII.

CHAPTER 10

TRADE RELATIONS WITH THE UNITED STATES

THE United States is the most important foreign supplier of British colonial imports and the most important foreign buyer of British colonial produce. The magnitude of the trade can be gauged from the following table:

TABLE XLIV. BRITISH COLONIAL TRADE WITH THE UNITED STATES IN 1938

	Colonial imports from the U.S.A.		*Colonial exports to the U.S.A.*	
	£000	% of total import trade	£000	% of total export trade
British West Indies	5,329	23	1,118	7
British West Africa	1,560	9	2,061	11
British East Africa	1,737	9	807	4
Eastern Colonies	5,738	4	25,743	22
Mediterranean Colonies	1,198	6	196	3
Other British Colonies	71	1	203	15
Grand total	15,633	7	30,128	16

Sources: *Statistical Abstract for the British Empire* and *Blue Books*.

The American statistics[1] for the same year valued the United States export trade to the British Colonial Empire at $69 millions or 2 per cent. of the total American export trade to all destinations, and the United States imports from the British Colonies at $159 millions or 8 per cent. of the total American imports from all sources. As a foreign source of American supply the Colonial Empire ranked second, being exceeded only by Canada ($257 millions) and surpassing Japan ($132 millions), the United Kingdom ($118 millions), and Cuba ($105 millions).

A. BRITISH COLONIAL IMPORTS FROM THE UNITED STATES

As a market for American products the Colonial Empire was comparatively insignificant if viewed in proportion to the total export trade of the United States. At the same time it should be noted that the relative importance of the British Colonies as an outlet for American goods was on the whole expanding during the

[1] *The Foreign Commerce and Navigation of the United States.*

inter-war period with surprising regularity. In absolute terms, however, the losses during the depression in the early nineteen-thirties were considerable, when the sales contracted by more than half as compared with the position in the later nineteen-twenties, though the level of the early nineteen-twenties was re-attained before the United States entered the second world war. (See Table XLV.)

American sales to the Colonial Empire consisted chiefly of motor vehicles and parts (including tyres), mineral oils, machinery, tobacco, electrical goods, wood and timber (softwoods), and wheat and wheat flour, in that order. These commodities were subjected to discriminatory tariff rates in practically all those dependencies where imperial preference had been introduced. There were, however, some exceptions. Thus motor spirits were not subject to any differential tariff rates in Jamaica, Northern Rhodesia, Malta, Ceylon, Fiji, and the other Western Pacific islands; similarly there was no discrimination in respect of industrial machinery in Somaliland and Cyprus, tobacco in Northern Rhodesia and Malta, wood and timber in Malta, flour and tyres in Ceylon. Other commodities in which the Americans were interested were textiles (including boots and shoes) and meat, particularly in the West Indies. The British textile trade was heavily protected throughout the West Indian Colonies, while a preference was accorded to Empire meat in all the Caribbean dependencies except Jamaica and Bermuda. During the nineteen-thirties the Americans lost part of their trade in these commodities in all the discriminating Colonies, the only possible exceptions being the trade in tobacco and electrical goods. In one instance, however, mineral oils, the losses made by the United States cannot be explained by tariff policy; the gain went chiefly to the Dutch Colonies and to Iran, which, of course, paid the same duty as the United States, and not to the Empire.

If an attempt is to be made to assess the effect of imperial preference on American trade, a comparison between the proportion of the import trade furnished by the United States in some of the discriminating Colonies before and after the introduction of imperial preference and the corresponding development in some of the open-door dependencies may be of some use. Taking the totals for the British West Indian group it will be found that the United States supplied 45 per cent. of the total overseas requirements during the quinquennium from 1908 to 1912 when no discriminatory tariff rates were in force. The American share had fallen to 32 per cent. between 1922 and 1926 when the second Canada–West Indies Agreement was in operation. It was 28 per cent. between 1927 and 1931, the period of the third Canadian Agreement, and 23 per cent. during the five-year period from 1933 to 1937 when the Ottawa Agreements were operating. In West Africa, the United States' share between 1927 and 1931

TABLE XLV. UNITED STATES EXPORTS TO THE BRITISH COLONIAL EMPIRE

To:	*1921–5 annual average*	*1926–30 annual average*	*1931–5 annual average*	*1936–40 annual average*
	$000	$000	$000	$000
British West Indies . .	28,403	28,484	13,890	22,354
British West Africa . .	7,835	11,781	4,311	6,607
British East Africa . .	2,306	4,723	1,746	4,263
Eastern Colonies . .	27,099	34,286	15,417	29,011
Mediterranean Colonies .	1,381[a]	1,083[a]	3,348	4,819
Other British Colonies[b] .	4	44	23	4
Total British Colonial Empire[c] . . .	67,028	80,401	38,735	67,058
U.S.A. exports to all destinations . . .	4,397,027	4,777,314	2,025,195	3,219,582
	%	%	%	%
Percentage of U.S.A. exports to the British Colonial Empire to total U.S.A. exports . .	1·5	1·7	1·9	2·1

Source: *The Foreign Commerce and Navigation of the United States.*

[a] Excludes Palestine.

[b] Falkland Islands only.

[c] Excludes Aden.

averaged 15 per cent. of the import trade of the Gold Coast, 8 per cent. in Nigeria, 14 per cent. in Sierra Leone, and 6 per cent. in the Gambia. In 1932 Sierra Leone and the Gambia introduced imperial preference. During the quinquennium 1933–7 the United States' share of the trade was 11 per cent. in the Gold Coast, 6 per cent. in Nigeria, 7 per cent. in Sierra Leone, and 3 per cent. in the Gambia. In the East African open-door Colonies the United States supplied 4 per cent. of Zanzibar's imports between 1927 and 1931, 10 per cent. in Kenya and Uganda, and 8 per cent. in

Tanganyika. Between 1933 and 1937 the corresponding figures averaged 3 per cent., 8 per cent., and 6 per cent. Northern Rhodesia took 13 per cent. of her imports from the United States between 1924 and 1929, and 11 per cent. between 1933 and 1937 when the Ottawa arrangements were in force. In Ceylon, the United States furnished 4 per cent. of the total imports during the five years from 1927 to 1931, but only 2 per cent. between 1933 and 1937. In short there was some decline in the United States' share in all the dependencies cited. But the decline was so much more marked in the discriminating territories—with the exception of Northern Rhodesia where preferences had been in operation ever since 1904—that the adverse effects of colonial tariff discriminations on American trade seem undeniable.

In 1938 a trade agreement was concluded between the United Kingdom and the United States. Under the terms of this agreement the Colonies were enjoined to reduce or to conventionalize the then existing margins of preference on a range of articles, including those listed above, wherever the United States was one of the principal foreign suppliers of the commodities concerned, and where such a concession did not contravene the obligations of the dependencies under intra-imperial treaties. In other instances equality of tariff treatment was guaranteed. This is of particular importance in the case of Nigeria. For, as long as the United Kingdom–United States Trade Agreement of 1938 remains in force, Nigeria will have no right to impose a differential tariff in respect of most important commodities with the exception of textiles. A more detailed account of the concessions granted has been given in Chapter 3. Let it suffice in this connexion to point out that the concessions covered about half the American export trade to the Colonial Empire. Excluding the East African open-door dependencies and Palestine, American sales in the Colonial Empire amounted to £9,214,000 in 1936. Concessions were granted in respect of the trade which in 1936 was valued at £4,467,600. Of this, reductions of the margins of preference covered £756,600 worth of goods, the undertakings not to increase the then existing margins £2,158,800, and the guarantee to maintain equality of tariff treatment £1,552,200.

Table XLVI shows the importance of the Colonial Empire in the American import trade in the inter-war period, Table XLVII the principal commodities involved. The relative share of the

Colonial Empire seems to have been in an upward direction in spite of the drop in the early nineteen-thirties, which was largely due to the very low raw material prices prevailing at that time.

TABLE XLVI. UNITED STATES IMPORTS FROM THE BRITISH COLONIAL EMPIRE

From:	*1921–5 annual average*	*1926–30 annual average*	*1931–5 annual average*	*1936–40 annual average*
	$000	$000	$000	$000
British West Indies	18,972	25,288	9,336	7,830
British West Africa	12,843	23,245	10,756	21,301
British East Africa	1,750	2,410	1,951	5,630
Eastern Colonies	197,107	299,874	98,754	214,916
Mediterranean Colonies	106[a]	153[a]	202	1,272
Other British Colonies[b]	468	22	90	6
Total British Colonial Empire	231,246	350,992	121,089	250,955
U.S.A. imports from all sources	3,450,103	4,033,469	1,713,102	2,482,029
Percentage of U.S.A. imports from the British Colonial Empire to total U.S.A. imports	% 6·7	% 8·7	% 7·1	% 10·1

Source: *The Foreign Commerce and Navigation of the United States.*
[a] Excludes Palestine.
[b] Falkland Islands only.

Both tables reveal the overwhelming importance of the Far East in British colonial–American trade. This was due to the supremacy of that area in the production of rubber and tin, both commodities of which the United States used to be the principal consumer and both non-competitive with production in the United States tariff area. The West Indies, on the other hand, were surprisingly unimportant. This is to be explained by the American tariff policy pursued since 1902 which excludes sugar, the most important West Indian export crop, and also impedes the importation of various other West Indian products which are competitive either with production in the United States or with Cuban produce. The subsequent sections will deal with the export trade from the British Colonies to the United States in the light of past tariff history which alone makes the present position intelligible.

TABLE XLVII. IMPORTS OF BRITISH COLONIAL GOODS INTO THE UNITED STATES IN 1938

Commodity	*From the British Colonies*		*From all sources*
	$000		$000
1. Rubber[a]	84,029	(Br. Malaya 75,503, Ceylon 8,525, Nigeria 1)	129,542
2. Tin	32,953	(Br. Malaya 32,953)	44,860
3. Tea	6,709	(Ceylon 6,707, Br. East Africa 2)	18,313
4. Cocoa	6,604	(Br. West Africa 5,415, Br. West Indies 1,170, Ceylon 19)	20,139
5. Wood and timber and other forest products	4,160	(Br. Malaya 1,963, Br. Honduras 1,934, Br. West Africa 207, Br. Guiana 24, Ceylon 24, Br. West India Islands 6, Br. East Africa 2)	23,466
6. Sisal and henequen	2,363	(Br. East Africa 2,360, Br. West Indies 3)	9,751
7. Coffee	1,747	(Br. East Africa 1,512, Aden 144, Br. West Indies 91)	137,824
8. Hides and skins	1,740	(Br. West Africa 1,169, Br. East Africa 366, Aden 82, Br. West Indies 74, Br. Malaya 49)	29,883
9. Copper[b]	1,553	(Northern Rhodesia 990, Cyprus 563)	37,872
10. Manganese ore	1,501	(Gold Coast 1,501)	6,919
11. All other commodities	15,973		1,501,859
Grand total	159,332		1,960,428

Source: *The Foreign Trade and Navigation of the United States.*

[a] Includes jelutong.

[b] In addition $10,000 worth of copper was imported from the British West Indies. This was copper scrap and has been excluded from the figure shown.

B. BRITISH COLONIAL EXPORTS TO THE UNITED STATES

The West Indies

Let us retrace our steps to the eighteen-eighties. At that time the West Indian sugar producers were subject to the competition of bounty-fed sugar from the continent of Europe in the United Kingdom market. The British Government, though condemning the bounty system, felt unable to assist the West Indian interests by means of countervailing duties or otherwise. Hence there grew a desire to secure closer trade relations with the nearby American market. In 1884 the West India Committee suggested to H.M. Government that the latter should secure most-favoured-nation treatment for the West Indian dependencies in the United States. A treaty dating back to 1815 existed between the United Kingdom and the United States which guaranteed most-favoured-nation treatment to British goods, but this principle did not extend to the West Indies. The British Government took the matter up and instructed the British Ambassador in Washington to point out to the American Government that the United States enjoyed full most-favoured-nation treatment in the West Indies and to ask for a like privilege in return. The United States Government replied that the West Indian Colonies enjoyed every advantage in the United States which the grant of most-favoured-nation treatment could confer upon them. In fact, they argued, the United Kingdom Government was not entitled under the treaty of 1815 to ask for the products of Great Britain 'favours identical with, or equivalent to, those which Spanish American and West Indian colonial produce may receive in the ports of the United States by reason of special reciprocity treaties'. They expressed their willingness to negotiate such a special reciprocity treaty between the West Indies and the United States. Negotiations were started and the Americans offered such concessions to the Colonies that they amounted to virtual free trade for West Indian exports to the United States. The Colonies in return were to give preferential tariff treatment to American goods. British goods were to be admitted on the same terms. While negotiations were still pending the Barbados House of Assembly passed the necessary legislation to implement the expected treaty. The United Kingdom Government, however, felt compelled to disallow this legislation, since the treaty would have conflicted with the most-favoured-nation rights which the United Kingdom had accorded to certain European Powers in these dependencies.[1]

In 1890 the United States Congress passed the McKinley Tariff Act. At that time the American Treasury 'suffered' from a buoyant revenue. One of its most profitable sources of income was the import duty on sugar: nine-tenths of the American sugar supply came from foreign sources, and sugar was the most important American import in those days. The duty on raw sugar which

[1] Cf. Deputation of West Indian Planters and Merchants to Colonel Stanley, 22 January 1886.

averaged about 3 cents per pound was abolished, and the duty on refined sugar was correspondingly reduced, but not abolished, in order to continue the protection always given to domestic refiners. To compensate the Louisiana producers of cane sugar for the loss of protection, a bounty of 2 cents per pound was given to domestic raw sugar producers. As far as that goes it was a purely internal American matter leaving the foreign producer at a disadvantage of 2 cents per pound. But the free entry of sugar was made conditional. Section 3 of the Act reads: 'That with a view to secure reciprocal trade with countries producing the following articles, and for this purpose, on and after January 1st, 1892, whenever and so often as the President shall be satisfied that the Government of any country producing and exporting sugars, molasses, coffee, tea and hides, raw and uncured, or any such articles imposes duties or other exactions on the agricultural or other products of the United States, he may deem to be reciprocally unjust and unreasonable' he shall impose duties on the aforementioned products coming from such a country. The duties authorized under this clause included a duty on raw sugar of somewhat over 1 cent per pound, on molasses of 4 cents per gallon, on coffee 3 cents per pound, &c. This reciprocity clause had the effect that the United States was able to secure tariff concessions from Caribbean and South American countries without giving anything in return. In 1892 the United States concluded reciprocity treaties with various countries; one of these was with Great Britain on behalf of the West Indian Colonies. The Americans secured free entry or the guarantee of certain tariff rates on a range of articles of special interest to them. These rates were non-discriminatory, so that the most-favoured-nation rights of other countries were not violated.

The arrangements of 1892 came to an end in 1894, when the American Tariff Act was revised. The new Act contained a clause by which the reciprocity treaties were to remain in force 'except where inconsistent with the provisions of the act'. But the Act admitted coffee and tea free unconditionally, and—most important from the West Indian point of view—imposed an import duty of 40 per cent. *ad valorem* on all raw sugar, while abolishing the bounty. Refined sugar was taxed somewhat higher.

Owing to the fall in the price of sugar, the receipts from the sugar duty were disappointing to the United States Treasury. Thus the Dingley Tariff Act of 1897 put the sugar duty on a specific basis. Raw sugar was taxed 1·685 cents per pound on sugar of 96° polarization, refined sugar 1·95 cents per pound. Bounty-fed sugar was subjected to special countervailing duties. The 1897 Act also revived the principle of reciprocity. The President, if satisfied that other countries imposed duties on American goods that were 'reciprocally unjust and unreasonable', was empowered to suspend the free entry of coffee, tea, tonka beans, and vanilla beans. More important was a clause which enabled the President to conclude treaties within two years after the passage of the Act, providing for the reduction of the import duties on any article for a period of five years.[1]

Negotiations with the British West Indian Colonies began soon after the passage of the Act. In August 1897 certain West Indian planters and proprietors suggested to the British Government that advantage should be taken of the reciprocity clause in the Dingley Tariff and negotiations opened with the American Government in order to come to an arrangement for the West Indies. The British Ambassador in Washington was instructed to ascertain the views of the United States Government on the possibility of a West Indian agreement. The Americans were ready to negotiate. The Secretary of State for the Colonies thereupon authorized the legislatures of the various West Indian dependencies to send delegates (reciprocity commissioners) to Washington for the negotiations. The agreement was reached, and the United States promised to admit sugar and molasses from these Colonies at a rate 12½ per cent. below the general rate, and also conceded preferential treatment on some of the other products of the various dependencies concerned. For example, Barbados secured a 12½ per cent. preference on fresh vegetables, fresh fruit, asphalt, and manjack; Jamaica was given a 20 per cent. preference on rum, citrus fruit, pine-apples, and fresh vegetables, and free entry was guaranteed to bananas, coco-nuts, cocoa, coffee, various spices, tortoise shell, mahogany, logwood, and fustic. Similar concessions were given to the other British West Indian Colonies. Goods admitted free of duty in 1897 were to remain on the free list as far as the products of the contracting Colonies were concerned; import duties applicable to the products of the same Colonies and not specified in the Agreement were to remain on the 1897 level.

[1] Cf. F. W. Taussig, *The Tariff History of the United States* (New York, G. P. Putnam's & Sons, 1931).

In return the Colonies granted tariff concessions on a range of articles of special interest to the United States. The Jamaican list of concessions was longest, since that Colony had adjusted her tariff in 1897 with a view to the pending negotiations in Washington. The Colonies guaranteed the continuance of free entry of American goods admitted free at that time, and agreed not to raise any import duty on any article not specified in the agreement by more than 50 per cent., and in so doing to refrain from any discrimination against the United States. The rates conceded to the United States were to remain preferential for the term of the convention in respect of all like imports from other countries with the exception of Great Britain, the British possessions, and such other countries which by convention with Great Britain were entitled to most-favoured-nation treatment in the West Indian dependencies. In 1899 the protocol was signed by the British Ambassador in Washington on behalf of the Colonies concerned, subject to the proviso that the treaty was not to be considered as ratified until the various colonial legislatures had expressed their adherence to the convention, and the British Government had notified the American Government thereof. The various colonial legislatures sanctioned the treaty, with the exception of Trinidad, where it was felt that the Colony had not obtained a fair *quid pro quo* for the concessions made to the Americans. The United States did, however, grant to the Colony some of the additional concessions required and the Trinidad treaty was signed soon afterwards. The 1899 agreement turned out to be of little value to the British West Indies, for soon afterwards the United States of America granted larger preferences to Cuba and the treaty with the British West Indies was allowed to lapse a few years later.

One of the effects of the abolition of the reciprocity provisions of the 1890 Tariff Act in 1894 had been the denunciation of a reciprocity agreement with Cuba. The consequent lack of an outlet for Cuban sugar in the American market aggravated the political situation in that Spanish Colony, and was one of the final causes of the revolt that was to break out in the following year and to lead to the Spanish-American war of 1898.[1] The outcome of this war was, amongst other things, the independence of Cuba and the Reciprocity Agreement between the United States and Cuba of 1902, by

[1] Cf. R. H. Fitzgibbon, *Cuba and the United States, 1900–1935* (Manasha, Wisconsin, the Collegiate Press, 1935).

which the two contracting parties granted each other preferential tariff treatment. The United States gave a 20 per cent. preference on all Cuban goods, including, of course, sugar. Another result of that war was the annexation by the United States of Puerto Rico, and the inclusion of that sugar producing island in the American tariff area. Thirdly, the United States annexed the Philippines and gave a 25 per cent. preference on all Philippine goods. In 1898 Hawaii had been annexed and the sugar from these islands, which previously had enjoyed preferential treatment in the American market, was now admitted free. Moreover, the beet-sugar producers of the American West were becoming more and more important, thanks to the sugar duty which began to assume a protective character. When the American tariff was revised in 1909 most Philippine goods, including sugar up to 300,000 tons per annum, were permitted free entry. The remaining restrictions on Philippine goods were removed in 1913. The 1909 Tariff Act made no more provision for Western Hemisphere reciprocity—this after all was the meaning of the previous reciprocity clauses. The protection thus given to the domestic, Puerto Rican, Philippine, Hawaiian, and Cuban producers sufficed to drive any foreign sugar out of the United States tariff area whatever its origin. It probably was the most potent cause of a changed attitude amongst the British West Indian sugar interests towards imperial preference.[1] The disappearance of the countervailing duties on bounty-fed sugar following the Brussels Convention of 1902 was of minor importance in the development of West Indian–American trade. By 1913 hardly any sugar imported into the United States paid the full rate of duty. A last ray of hope for the British West Indies appeared in 1913. The Democratic Congress reduced the full rate on raw sugar from $1\frac{2}{3}$ cents to $1\frac{1}{4}$ cents—with a corresponding reduction of the Cuban rate—and determined that from May 1916 onwards all sugar was to enter free of duty. By that time, however, the political situation had changed and the duty was continued.

After the first world war the influence of the Western sugar growers had become even stronger. The 1922 Tariff Act put the full rate of duty at 2·206 cents (1·7648 cents for Cuba), and the 1930 Act at 2 cents (1·6 cents for Cuba). By that time hardly any full duty sugar had entered the United States for some time.[2] The

[1] See above, pp. 16 ff.

[2] Cf. F. W. Taussig, op. cit.

New Deal tightened the restrictions still further. True, under the powers conferred upon the President by the Agricultural Adjustments Act of 1934, the full duty was reduced to 1·875 cents per pound and the Cuban rate to 1·5 cents. But the right to supply the American market with sugar was rationed out among domestic, Territorial,[1] and Cuban producers. The Cuban rate was further reduced to 0·9 cents per pound under the terms of the United States–Cuba Trade Agreement of 1934 which increased the preferences on Cuban goods up to 50 per cent. on a range of articles of special interest to Cuba. In 1937 foreign sugar was subjected to a processing tax of 0·498 cent per pound on sugar of 96° of polarization, thus raising the total taxation of foreign sugar up to 2·3738 cents. This, however, was no longer of any import to the British West Indies, their sugar being excluded through tariff discrimination, whatever the height of the full rate.

In the meantime the United States abandoned even the theoretical claim to be entitled to enter into special trade agreements with countries in the Western Hemisphere, other than Cuba, by the adoption in the nineteen-twenties of the unconditional form of the most-favoured-nation clause in her commercial dealings with other Powers. The next step of importance in this connexion was taken in 1934, when Congress passed the Reciprocal Trade Agreements Act empowering the Administration to conclude trade agreements with other countries and thereby to reduce the import duties prescribed by the Hawley-Smoot Tariff Act of 1930 by 50 per cent. but no more. Any such tariff concessions granted were automatically extended to all other countries enjoying most-favoured-nation rights in the United States. But this did not apply to the favours accorded to Cuba in the above-mentioned trade agreement of 1934. Other countries could, however, obtain tariff concessions on the commodities affected by the Cuban Agreements of 1902 and 1934, as long as the minimum margin of preference guaranteed to Cuba was not interfered with. This minimum differential was 20 per cent. in respect of most commodities, but 40 per cent. in the case of pine-apples, and in August and September on grapefruit, and between December and May on lima beans; it was 50 per cent. on glycerin, between December and February on white and Irish potatoes, and between December and May on eggplants and okra.

[1] American dependencies.

Amongst the agreements concluded under the reciprocal trade agreements programme was the treaty with the United Kingdom of 1938. It included arrangements with the Colonial Empire which were negotiated by the United Kingdom delegation on behalf of the dependencies. The American tariff reductions of interest to the British West Indies were confined to limes, coco-nuts, sponges, cut flowers, seasonal concessions on celery, and a tariff quota on sugar and molasses. In addition the then existing tariff treatment was conventionalized on a range of articles including rum in containers holding 1 gallon or less, and free entry in respect of cocoa, dyeing and tanning materials, sisal, ginger (unground), nutmegs, pimento, mahogany logs, and satinwood. This trade agreement had been in force for eight months only when war broke out in September 1939, so that it is impossible to ascertain any effects it had in promoting British West Indian–American trade. But it is possible to analyze the position and to try to discover whether there are any further possibilities for a widening of the American market for West Indian produce.

Enough has been said to explain the complete absence of any outlet for British West Indian sugar in the United States. But sugar was not the only commodity adversely affected by the strict adherence on the part of the Americans to the principle 'the home producer first, the Territorial producer second, the Cuban producer third, and the rest of the world last'. Other commodities particularly severely affected were sugar by-products, citrus fruit, vegetables, and mineral oils.

Sugar by-products were not completely excluded, but the trade was kept within narrow limits. The United States gives a preference to Cuban molasses and sugar syrups and admits free of duty similar articles from the American overseas territories. All the same Barbados and to a lesser extent some of the smaller British West Indian islands together furnished the bulk of the American imports of molasses of less than 70 per cent. of sugar content, and a certain amount of molasses containing between 70 and 75 per cent. of sugar, but no higher grades. The bulk of the total American imports of molasses came from Cuba. The United Kingdom Agreement of 1938 provided for a reduction of the full rate of duty from $\frac{1}{4}$ cent per gallon on molasses of no more than 48 per cent. of sugar content plus 0·275 cent per gallon on each additional per cent. of sugar, to $\frac{1}{8}$ cent per gallon plus $\frac{11}{80}$ cent on each additional per cent. It was provided that the new rate should be applicable to an annual quota of 1½ million gallons while the old rate was to continue for any quantities imported in excess of this figure. Since 1½ million gallons was approximately the amount of molasses and sugar syrups which the British West Indies sold in the United States in 1938, this concession is of limited value. It is a global quota and thus does not even guarantee the tariff reduction for an amount equivalent to the 1938 sales, let alone provide much hope for an expansion of the trade. Exports of rum to the United States were of importance to Jamaica, where they were the principal item in the American trade in the nineteen-thirties, and also were of some interest to Barbados and British Guiana. The full rate of duty on rum in containers holding 1 gallon or less is $2·50 which in 1938 was equivalent to approximately 48·5 per cent. *ad valorem.*[1] This rate was conventionalized in the 1938 trade agreement. Cuba was the principal supplier (at a preferential rate), the British West Indies accounting for most of the remainder or about one-third of the total imports in 1938. Rum in containers holding more than 1 gallon is taxed $5 per gallon at the full rate. This duty proved to be prohibitive even to Cuba (in spite of the 20 per cent. preference), and most of the American imports came from the Philippines and thus were admitted free of duty.

Citrus fruit with the exception of limes were completely shut out from the American market. The full rate of duty on oranges amounted to 1 cent per pound (equivalent to 34·9 per cent. *ad valorem*),[1] on grapefruit 1½ cents per pound (equivalent to 49·7 per cent.),[1] on lemons 2½ cents (equivalent to 118·8 per cent.),[1] and on limes 2 cents per pound (equivalent to 86·4 per cent.).[1] Cuba enjoyed the usual preferential treatment and in the 1934 agreement had secured a reduction of the duty on grapefruit to 1⅕ cents, with the exception of the months of August and September when Cuban grapefruits are least competitive with domestic American production and are admitted at ⅗ cent. Cuba supplied the bulk of the American imports, Jamaica was a very negligible second.[2] Since concessions to Cuba are not extended to third parties and no other country supplied any

[1] *Ad valorem* equivalents of import duties paid in 1938, as shown in *The Foreign Commerce and Navigation of the United States* (United States Department of Commerce).

[2] 1938 imports of grape-fruit were valued at $49,000, of which Jamaica accounted for $200, Cuba for the difference.

appreciable amounts of grapefruit to the United States, no tariff reduction to which the British West Indies could claim admittance was ever given. Oranges and lemons fared no better. True, Japanese oranges and Italian lemons climbed the American tariff wall. But the British West Indies being unimportant suppliers in comparison could not hope for a concession in a bilateral trade treaty. The British negotiators could not, or would not, 'waste' their bargaining strength on obtaining a concession which probably would have benefited third parties more than the West Indies. The Americans on their part made it a rule in their reciprocal trade agreements series to give no concessions on commodities of which the recipient is not the most important supplier or, at any rate, one of the most important suppliers, lest such a concession would impair their bargaining strength *vis-à-vis* third countries. The lack of any reciprocal trade agreement between the United States and either Japan or Italy accounted for the lack of any tariff reduction on oranges and lemons. Moreover, any concession on oranges, lemons, or grapefruit would have aroused the opposition of the citrus fruit growers in Florida and other southern states of the United States of America. Given the prohibitive tariff rates in the United States, and the attraction of a preference in the Empire, it is hardly surprising that the citrus fruit exports from the British West Indies to the United States remained negligible. The exception to this were limes. More than half the limes exported from the British West Indies found a market in the United States. The Colonies supplied about one-third of the American imports in the nineteen-thirties, being second in importance only to Mexico as a source of American supply. No domestic American interests were at stake. Although Florida had increased her production of limes in the nineteen-thirties, these limes were of a different variety and not sufficient in quantity to supply the American market. Accordingly a concession was secured in the 1938 agreement: the duty on limes was reduced to 1½ cents per pound. It was further reduced to 1 cent—the maximum concession allowed under the Reciprocal Trade Agreements Act of 1934—in the United States–Mexico Trade Agreement of 1943. Citrus fruit juices were completely shut out through a duty of 5 cents per pound which, however, was reduced to 2½ cents under the Mexican treaty just mentioned. Citrus fruit oils, other than lime oil, were taxed 25 per cent. *ad valorem*. The full rate has remained unaltered throughout,

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but Cuba secured a lowering of the preferential rate from 20 to 10 per cent. in 1934. Consequently the British West Indies were unable to sell any grapefruit oil in the United States of America. Jamaica was able to market some of her orange oil there, but was unimportant in comparison with some European countries and French Africa. The British West Indies exported no lemon oil to any country. Lime oils are on the American free list; and the British West Indies supplied over one-third of the American requirements. The free entry was conventionalized in the trade agreements with the United Kingdom and Mexico.

Although the export of *vegetables* does not rank high in the trade of the British West Indian group as a whole, it is vital to Bermuda and the Bahamas and may become of increasing importance in some of the other islands in the course of a diversification of their agricultural activities. The more important varieties involved are tomatoes, potatoes, garlic, onions, and celery. The full rate of duty on imported tomatoes was raised from $\frac{1}{2}$ cent to 3 cents in 1930, very much to the detriment of the Bahamas whose tomato exports to the United States fell from more than 100,000 bushels per annum in the nineteen-twenties to 49,000 bushels in 1931, and 26,000 bushels in 1932. Thereafter the trade became quite negligible, on account mainly of a preference of 2 cents per pound offered in Canada which diverted most of the crop to that market. The Cuban rate was put at $2\frac{2}{5}$ cents in 1930, and lowered in 1934 to $1\frac{1}{5}$ cents for the nine months from March to November inclusive, and $1\frac{4}{5}$ cents during the three winter months. The 1938 agreement brought no change, except that the preference in Canada was reduced to $1\frac{1}{2}$ cents in the United States–Canada Agreement of 1938, which was negotiated simultaneously with the United Kingdom Agreement. The American tariff treatment of tomatoes remained unchanged until 1943 when Mexico, the principal foreign supplier, secured a reduction of the import duty to $1\frac{1}{2}$ cents per pound. Owing to the operation of the most-favoured-nation clause, the British West Indies are entitled to the same treatment. They have thus obtained—in an indirect way—the maximum tariff concession possible in the United States as long as the Hawley-Smoot tariff rates could not be lowered by more than half. The Mexican treaty also reduced the duty on garlic from $1\frac{1}{2}$ cents per pound to $\frac{3}{4}$ cent. The Canadian treaties of 1935 and 1938 secured a lowering of the duty on potatoes. The original rate was

75 cents per 100 lb.; the present taxation amounts to 37½ cents between March and November inclusive and 60 cents during the winter months. The concession is limited to 2½ million bushels, of 60 lb. each, per annum. Imports in excess of this quota are taxed at the old rate. The only West Indian vegetable covered by the United Kingdom Agreement is celery. Previously taxed at the rate of 2 cents per pound throughout the year, it now pays only 1 cent between 15 April and 31 July. The duty on onions has remained at 2½ cents throughout.

Trinidad never supplied more than a small fraction of the American imports of *mineral oils*. But the trade was of some importance to the Colony since the United States took approximately one-quarter of the total mineral oil exports in the later nineteen-twenties and in the early nineteen-thirties, until the United States Revenue Act of 1932 imposed an import duty of ½ cent per gallon on crude oil, gas oil, kerosene, and road oil, and even higher duties on motor spirit (2½ cents per gallon) and lubricating oil (4 cents per gallon). The trade fell from the peak figure of 58 million gallons in 1931 to 8·4 million gallons in 1933, the relevant figures (in millions of gallons) for the five subsequent years being 2, 2, 4, 8·4, and nil, respectively. The import duties on crude oil and gas oil were halved in the United States Trade Agreements with Venezuela (1939) and Mexico (1943), and so were the duties on kerosene and road oil in the Mexican Agreement. The duties on motor spirit and lubricating oils have not yet been reduced.

Table XLVIII shows the tariff treatment received in the United States by other commodities subject to import duty and of interest to the British West Indies. The only commodities on which concessions could still have been made under the legislation in force before the outbreak of the second world war are rum, molasses, oranges, grapefruit, lemons, citrus fruit oil (other than lime oil), potatoes during the winter months, onions, sheepwool sponges, cut flowers, certain types of lumber, certain mineral oils, and rice. And in all these cases the British West Indies are either competitive with domestic American or Cuban production, or are too unimportant as suppliers to be in a position to ask for concessions. This does not apply to bauxite. On the face of things the remarks just made apply to this commodity as well. But its history does not warrant its inclusion in an otherwise gloomy picture.

Until 1932 British Guiana *bauxite* was produced almost exclusively for the American market. Exploitation was commenced during the first world war by the Demerara Bauxite Company—a subsidiary of the Aluminum Company of Canada which in turn is controlled by the Northern Aluminum Company of America—

TABLE XLVIII. UNITED STATES TARIFF TREATMENT OF A RANGE OF ARTICLES OF INTEREST TO THE BRITISH WEST INDIES IN 1943

(*other than sugar and sugar by-products, citrus fruit, vegetables, and mineral oils*)

Commodity	*Full rate of duty*	*Trade agreement rate*	*Concession bound to*
Bauxite	$1 per ton	..	..
Coco-nuts	½ c. each	¼ c. each	United Kingdom, 1938
Cotton, raw, having a staple of 1⅛ in. in length or more	7 c. per lb.	3½ c. per lb.	Peru, 1942
Sponges:			
Sheepswool	22½% *ad val.*	..	..
Yellow, grass, or velvet	30% *ad val.*	15% *ad val.*	United Kingdom, 1938
Hardhead or reef	15% *ad val.*	7½% *ad val.*	United Kingdom, 1938
Lily bulbs	30% *ad val.*	15% *ad val.*	Netherlands, 1936
Cut flowers	40% *ad val.*	25% *ad val.*	United Kingdom, 1938, and Canada, 1938
Tonka beans	25 c. per lb.	12½ c. per lb.	Venezuela, 1939
Mahogany and cedar: manufactured, but not further than sawed or flooring	15% *ad val.*	7½% *ad val.*	Peru, 1942, and Mexico, 1943
Lignumvitae, rosewood, and satinwood: manufactured, but not further than sawed or flooring	15% *ad val.*	..	..
Lumber:[a]			
Mahogany	$3 per M. ft. broad measure	$1·50 per M. ft. broad measure	Peru, 1942, and Mexico, 1943
Cedar:			
Satinwood, rosewood	,, ,,	,, ,,	Peru, 1942
Lignumvitae	,, ,,	..	..
Rice:			
Broken	⅝ c. per lb.	5/16 c. per lb.	Netherlands, 1936
Other	⅝ c. per lb., 1½ c. per lb., 2½ c. per lb., free	..	..
Hides and skins, bovine	10% *ad val.*	5% *ad val.*	Argentina, 1941, and Uruguay, 1943

Sources: *United States Code*, 1940 edition, vol. ii, Title 19; and U.S. Tariff Commission: *Changes in Import Duties since the Passage of the Tariff Act of 1930*, 1943.

[a] Internal tax.

and small quantities were shipped to the United States from 1917 onwards. In 1921 these activities were temporarily suspended on account of the then restricted market for bauxite, but were resumed in 1923. From 1932 onwards the United Kingdom began to compete with the United States for British Guiana bauxite. Canada came into the picture in 1935 and by 1937 had exceeded the United

States as a buyer of bauxite from the Colony. In 1938 British Guiana sold 293,000 tons of bauxite to Canada, 59,000 tons to the United States, 24,000 tons to the United Kingdom, and only negligible quantities to other markets. The total of over 376,000 tons was the highest figure ever recorded; the previous peak was reached in 1929 with 183,000 tons which was entirely absorbed by the United States. During the later nineteen-thirties there was a great expansion of mining activity, and by 1938 British Guiana was the second largest producer of bauxite in the world with 572,000 tons out of a world total of 4,030,000 tons. Interest in the further development of bauxite mining in the Colony increased, and the American Cyanamid and Chemical Corporation joined the Demerara Bauxite Company in carrying out further prospecting. The Cyanamid and Chemical Corporation obtained a lease, and for this purpose a new company, the Berberice Company, Ltd. was incorporated. It is true that the United States has got considerable bauxite deposits within her borders, and that in 1938 she was the seventh largest producer in the world with 316,000 tons. To protect her own mines she taxed imported bauxite $1 per ton, which at 1938 prices was equivalent to 12·9 per cent. *ad valorem*; but her own domestic production did not suffice to satisfy her requirements, and she imported a quantity larger than her own output (456,000 tons), the principal supplier being Surinam, with British Guiana second. Bauxite is the source from which most of the aluminium of commerce is obtained. Aluminium is of increasing importance to industry, and the basic raw material for the construction of aircraft. It does not seem rash, therefore, to anticipate that it will not be difficult to find a market for bauxite in the years to come, whatever the American tariff rate may be. The West Indian difficulties are rather in finding an outlet for agricultural produce, while alternative purchasers for bauxite, as for mineral oils, are not likely to be lacking.

So much for the trade in articles that are protected in the United States. But before passing judgement on the effects of American trade policy it is necessary to mention the commodities that are on the free list. These include arrowroot, bananas, coffee, copra, spices, wood and timber logs, chicle, logwood extract, sisal, cotton lints, hides and skins (not bovine), asphalt, gold, and diamonds. Free entry of these commodities (with the exception of gold and diamonds) is guaranteed in various trade agreements, so that no change is to be expected as long as the various reciprocal trade agreements are in force.

It may be worth while to study the history of the trade in wood and timber. While softwoods figured largely among West Indian purchases from the United States, *hardwoods* and *other forest products* were among the principal items on the export side. The most important types involved were mahogany from British Honduras and greenhearts from British Guiana, while chicle from British Honduras and logwoods and logwood extracts from Jamaica were other important forest products in the trade. The lion's share of the trade was in the hands of British Honduras which in 1938 sold $1,468,000 worth of wood and timber and $466,000 worth of chicle in the United States. The value of the total United States imports of wood and timber during that year was $18,065,000, of chicle $2,457,000, and of logwood $84,000.

Forestry work is the principal economic activity of British Honduras; and sales of mahogany are the mainstay of the Colony's export trade. Between 1929 and 1938 it represented an average annual value of £229,000. The maximum at any time between the two world wars was reached in 1927 when the proceeds of the mahogany sales brought in £419,000, the minimum in 1933 with £210,000. The United States of America was the most important purchaser, taking on the average 60 per cent. of the total during the nineteen-thirties. The American demand was, however, subject to particularly violent fluctuations in boom and depression. Sales to that market amounted to as much as 19,000 superficial feet of mahogany logs or 90 per cent. of the total sales in 1927, none in 1933, but had recovered to 801 cubic feet or 76 per cent. of the total in 1938. A further advance was prevented by causes among which the American tariff was one of several factors. Towards the end of 1933 the Belize Estate and Produce Company, one of the principal timber interests in the Colony, began to operate a newly installed band-mill. Its output of sawn timber was marketed principally in the United Kingdom where it received a preference over the Central American timber converted in the United States. It was excluded from the American market by an import duty of 15 per cent. *ad valorem*, which, however, was halved in 1942. The operations of the Belize mill reduced the amount of timber available for the log market, which was further curtailed by wet hauling seasons in 1936 and 1937 which prevented a further expansion of log cutting. Finally, although the log exports to the United States in 1938 were larger than in the immediately preceding years, this was in the main due to indentures by American manufacturers before the business recess towards the end of 1937; so that the American market once more became precarious.

Another type of wood and timber exported from British Honduras to the United States was cedar logs and lumber. The average annual value during the nineteen-thirties was £3,800. The principal outlet was the United States. Logs are admitted free of duty, but lumber paid \$3 per thousand cubic feet broad measure, until the duty was reduced to \$1·50 in 1942.

Chicle is one of the most important exports of British Honduras. It is derived from a latex of the sapodilla tree, and forms the basis of nearly all the chewing gum of commerce. The tapping is done by natives employed usually by small contractors who in turn are bound to American companies. Practically the whole yield used to be sold to the United States. American companies also hold concession areas in the neighbouring republics of Mexico and Guatemala. The product of these areas is transported to the United States via Belize. This re-export trade far outweighed the value of the domestic export trade. It is a valuable source of revenue to the British Honduras Government which imposes an export tax of 1½ cents per pound on these re-exports.

British Guiana's interest in the American market as an outlet for her greenhearts is of recent growth. The development of the trade is shown in Table XLIX. It was of little importance before 1935. This new departure in the Colony's foreign trade was due to the advertisement British Guiana timbers had received when the Colony's Forest Department carried out various valuation surveys between 1926 and 1928. The results of these surveys aroused the interest of the trade in New York, and in 1929 a company was formed for the purpose of establishing a market in the United States. The efforts of this company bore fruit when

TABLE XLIX. EXPORTS OF BRITISH GUIANA GREENHEARTS TO THE UNITED STATES

(In thousand cubic feet)

1934	4	1937	98
1935	40	1938	43
1936	102		

Source: *Statistical Abstract for the British Empire.*

American trade revived in the middle nineteen-thirties. In 1938 Americans paid approximately $24,000 for British Guiana greenhearts.

Jamaica's exports of logwood and logwood extract played only a small part in the economy of that island. Moreover, the trade was on the decline on account of the increasing competition of aniline dyes and other materials which to an increasing extent came to take the place of logwood extract.

The history of the wood and timber trade brings out a few more points. It not only shows that British West Indian produce, when untaxed, finds a ready market in the United States, it also shows that new channels of trade can still be opened up through advertisement, as was done successfully in the case of greenhearts; and most important of all, it shows how the American tariff discriminates against industrialization in the Caribbean dependencies. Logs are on the free list, but sawn timbers are taxed. And the same holds true in the case of many other commodities on the free list. Bananas are free, but dried bananas are taxed. Cocoa beans are free, cocoa preparations are taxed. And so on.

While fully realizing that there were other factors at work which kept the West Indian trade to the United States in such narrow channels, the detrimental effect of the American tariff on the well-being of the Caribbean dependencies seems beyond question. To obtain a fair picture of the situation these other factors have to be mentioned.

First of all there was the existence of a preferential tariff in the United Kingdom and Canada. This undoubtedly had the effect of diverting away from the American market such products as bananas, cocoa, and coffee. There were also some natural causes at work, such as the cocoa disease in Trinidad. It might be possible to find some more factors at work which militated against a further expansion of the trade. But these causes could not by themselves explain the relative unimportance of the United States as an outlet for British West Indian produce. It seems beyond question that nothing short of a thorough tariff reduction in the United States can possibly bring about a change. If it were not for the American tariff, how else is one to explain the fact that West Indian exports to the United States consist in the main of unmanufactured wood and timber products, cocoa, spices, arrowroot, and a few other articles on the free list, of bauxite which is a special ease, and only restricted quantities of all the other West Indian products?

In the summer of 1945 Congress passed an amendment to the Reciprocal Trade Agreements Act, authorizing the Administration to lower the American tariff by 50 per cent. below its level in July 1945, i.e. 75 per cent. below the 1930 tariff rates on commodities on which full concessions had been granted before 1945 and correspondingly less on commodities on which smaller or no concessions had been granted. This brightens the prospects for British West Indian–American trade. But little is to be expected in respect of those commodities on which no concession has yet been secured, since the Empire is not an important source of supply in respect of any of the articles concerned, and no greater concessions are allowed on these commodities than could have been given before the amendment came into force.

One fact, however, is outstanding. The British West Indies have secured many a tariff reduction in the United States trade agreements with other Caribbean, Central and South American countries, in particular in the Mexican Agreement. Now that the United States is prepared to give larger concessions, Caribbean cooperation in the tariff sphere seems desirable. If the British West Indies were members of the same tariff unit as, say, Mexico, they would no longer have to wait for a full concession on, say, limes, until the United States has negotiated both with the British West Indies and with Mexico, lest the grant of a full concession to the British Colonies would impair the United States' bargaining power in her dealings with Mexico. Such a unified tariff policy would certainly strengthen the bargaining power of each one of its potential members *vis-à-vis* third parties. A Caribbean customs union, on the other hand, is inconceivable as long as the Colonies do not wish to forgo the benefits of imperial preference. But tariff cooperation is possible. All that is wanted is that the Caribbean countries negotiate simultaneously with the United States, so that all should get the maximum concession possible with the minimum delay.

Africa and the Mediterranean

The African Colonies fared much better in the American market than the West Indies. Of the major *West African exports* only palm-oil, palm-kernel oil, manganese ore, goat and sheep skins, and raw cotton are protected in the United States. Palm-oil was subject to an internal United States tax of 5 cents per pound until 1942 when the tax was lowered to 3 cents. Palm-kernel oil pays 3 cents per pound in internal taxation; this rate was conventionalized in the Netherlands Trade Agreement of 1936 and in the United Kingdom Agreement. The import duty on manganese ore was reduced from 1 cent per pound on the metallic manganese content of the ore to ½ cent in the United States–Brazil Agreement of 1936. The other two protected articles have been dealt with in the section on the West Indies.[1] All the other major export products of the West African dependencies are on the free list, such as cocoa, gold, ground-nuts, tin ore, iron ore, diamonds, bananas, wood and timber (unmanufactured), benniseed, spices, columbin ore, and rubber. The guaranteed free entry of tin was, however, made conditional on the disappearance of the discriminating export tax in Nigeria in the 1938 agreement.[2] The Nigerian export duty was taken off on 1 January 1939.

The statistical information regarding *East African exports* to the United States seems somewhat imperfect. According to the colonial figures the East African dependencies have an unfavourable balance of trade with the United States, while the American figures suggest that the balance was in favour of East Africa.[3] This appears to be due to the fact that the Americans purchased some of East Africa's products in London, so that the exports are shown as going to the United Kingdom in the colonial figures. In this particular instance the American figures probably reflect the situation in a truer light than the colonial ones. However this may be, there is no difference between the United States and the British statistics as to the commodities which Americans purchase from East Africa. Consequently the subsequent analysis applies whatever the actual amounts may have been. Of the major East African exports, sisal, coffee, tea, cloves, tobacco stems (uncut), cobalt, oilseeds, vanadium, pyrethrum, copra, tin ore, ivory, wattle bark extracts, beeswax, and rubber are on the free list; the following are subject to import duty upon entry into the United States: copper, cotton, tobacco, bovine hides and skins, maize, wheat, and sodium carbonate. Cotton and hides and skins have been dealt

[1] See page 180.
[2] Cmd. 5882, p. 103.
[3] Compare Table XXXVI with Tables XXXVII and XXXVIII.

with elsewhere[1] and wheat is rather in the nature of a regional East African trade—and not likely to be admitted into the United States in any circumstances—so that it is unnecessary to deal with these commodities in this connexion. Kenya occasionally was able to sell some of her maize in the United States; but the duty of 25 cents per bushel of 56 lb. has not been reduced in any of the United States trade agreements. Sodium carbonate is taxed ¼ cent per pound; so far there has been no tariff reduction on this item. The United Kingdom secured a concession on tobacco (other than wrapper or filler tobacco): the duty was reduced from 55 cents per pound to 35 cents. Tobacco stems (not cut, ground or pulverized) are on the free list. The duty on all the other varieties of unmanufactured tobacco was lowered in the Netherlands Trade Agreement of 1936. The copper duty of 4 cents per pound was imposed in 1932 in the form of an internal tax. Its history deserves a more detailed account.

Until 1932 the United States was the centre of the world's *copper* trade. Not only did production within her borders by far exceed that of any other country during the nineteen-twenties, but also most of the refining of copper ore was done by the custom smelter companies on the east coast of the United States. For this purpose copper was brought to the Atlantic refineries not only from the American mines, but also from most of the other sources of supply. It was then resold in its refined state to almost every part of the globe. However, in the nineteen-twenties, the American mine-owning interests, confident in their semi-monopoly, formed a cartel, known as Copper Importers Incorporated, whose activities included the restriction of output in order to keep the price at a high level. This attempt at price dictation aroused much antagonism in the City of London. British capitalists hired the services of American engineers to develop the yet untapped mines in Northern Rhodesia. Similar attempts to break the American monopoly were made elsewhere. By 1930 productive capacity beyond the control of the cartel was large enough to satisfy the current requirements of the world outside the United States. The fall in prices during the depression made both sides willing to enter into an agreement. After protracted negotiations the Americans and the other copper producers agreed to stem a further fall in prices by restricting output. The growing concerns in Katanga

[1] See p. 180.

(Belgian Congo) and Northern Rhodesia secured very favourable quotas in view of their potential output. The result was that the American producers felt compelled to restrict production by more than the level required by the agreement. Simultaneously copper imports into the United States from Africa and South America continued, and in fact increased. In 1930 an agitation for protection began in Michigan. Two years later the United States Government imposed a revenue tax of 4 cents per pound on all imported copper. At 1932 prices this was equivalent to 72 per cent. *ad valorem*,[1] and even in 1938 when prices had recovered considerably it was still equivalent to somewhat over 40 per cent. The immediate result was the bisection of the copper trade into the American half and the non-American half. The customs refineries lost their importance in world trade, but do not appear to have put up a serious fight against the tariff since they had considerable domestic mining interests. Similarly American companies with capital invested abroad were able to make arrangements to sell their output directly to European consumers.[2] Copper imports into the United States have remained negligible ever since; in 1938 their value was some $42,000, the principal suppliers being Cuba, Northern Rhodesia, and Cyprus. The copper duty has not been reduced in any trade agreement.

The *Mediterranean* dependencies export in the main copper, asbestos, pyrite ores, hides and skins, vegetables, citrus fruit, and tobacco. Of these asbestos, pyrite ores, and non-bovine hides and skins are on the free list in the United States. The tariff treatment of the other commodities cited has been described in the preceding sections. Of special interest, however, is the United States attitude towards Palestine. Palestine, being an A Mandate, is precluded from giving preferential tariff treatment to the Empire and from receiving any special tariff privileges in the Empire. The United Kingdom cannot of its own accord alter this state of affairs. One of the Powers to which the British Government is bound in respect of this treatment of Palestine trade is the United States. The United States admitted France's right to include Syria in the French preferential tariff area, although Syria, too, was an A Mandate.

[1] Cf. Alex Skelton, 'Copper', Chapter 8 in W. Y. Elliot and others, *International Control in the Non-Ferrous Metals* (New York, Macmillan, 1937).

[2] Cf. P. Lamartine Yates, *Commodity Control* (London, Jonathan Cape, 1943), p. 173.

Article 4 of the United States–France Trade Agreement of 1936[1] expressly excluded from the United States' most-favoured-nation rights in France any present or future arrangements between France, her Colonies, and Mandates. No analogous clause covering Palestine is to be found in the United Kingdom Agreement. It is difficult to see why the United States should have discriminated between Syria and Palestine by allowing the metropolitan Power of one to include all Mandates into the preferential tariff area, whilst withholding the same concession from the other.

The Far East

The Far Eastern dependencies used to account for about five-sixths of the British colonial exports to the United States. Foremost amongst the commodities involved are rubber and tin. Both are essential raw materials to American industry and so far have been on the free list—so far, since the future is by no means certain. The cutting off of the United Nations from the raw material producing countries in the East during the Japanese occupation of these regions has necessitated the development of substitutes, particularly in the case of rubber. The synthetic rubber industry that has grown up in the United States might conceivably succeed in swinging Congressional opinion in favour of protection. The continuance of free entry of rubber and tin into the United States will be of utmost importance in the interest of post-war reconstruction of the Eastern dependencies. Free admission has been guaranteed in the United Kingdom Trade Agreement. In the past no difficulties arose about the American tariff treatment of rubber and tin; the friction that existed from time to time was due to the attempt of the colonial producers to keep up prices by means of restriction schemes. This was counteracted by the American attempts to break such monopolies either by buying from alternative suppliers or by economizing their rubber tyres and the like. It is not intended to give an account of the working of the various restriction schemes. Let it suffice to say that these American countermeasures were crowned with a certain amount of success in the case of rubber at any rate. The Stevenson restriction scheme which curtailed the output of rubber in Ceylon and Malaya in the nineteen-twenties was broken largely through the diversion of American demand to the Netherlands East Indies. Further, when practically

[1] Executive Agreements Series, No. 146.

all rubber-producing areas entered into an agreement for restricting output in the nineteen-thirties, the Americans attempted to secure at least some of their supplies from alternative sources such as Brazil, and also started to develop their own synthetic rubber production. None of these countermeasures taken in the nineteen-thirties had as yet become a serious menace to the Eastern producers by the time war broke out in 1939. In the case of tin, the American objections were directed not so much against the restriction schemes of the nineteen-thirties, but against the discriminating export tax on tin ore in Malaya. They did not succeed in having it removed in the 1938 Trade Agreement. But in this case, too, substitutes have become available during the second world war so that the producing interests in the East will be severely weakened, particularly since some of their more important competitors in South America and West Africa have been able to continue with their activities. If either rubber or tin producers should be intent on renewing their attempts at controlling the output of their respective products, they will at least have to admit consumers' interests to the administration of these schemes. In the past the consumers have been represented on the controlling bodies in an advisory capacity only, and their representatives have had no voting rights.[1] The United States, although of slightly diminishing importance as a consumer of rubber and tin throughout the inter-war period, still was, is, and is likely to remain for some time, the principal consumer of these raw materials—unless conflict between the producers and consumers should induce the Americans to foster their home-produced substitutes at the expense of the imported raw materials. The decision about the future American policy regarding rubber and tin will to a very large extent influence the future welfare of British Malaya and to a lesser extent also of Ceylon.

Rubber and tin alone account for the fact that the United States used to be the principal customer of British Malaya, exceeding in normal years even the British Empire as a whole. An exact quantitative assessment as to the part of these exports which was accounted for by domestic production and the part which represents re-exports from the Netherlands East Indies is not possible. Roughly

[1] It appears that the Rubber Regulation Committee realizes the need for most effective consumers' representation. See Sir Andrew McFadyen, *The History of Rubber Regulation 1934–43* (London, Allen & Unwin, 1944), chapters iv and xii.

one-quarter of Malaya's rubber exports used to be re-exports, and somewhat more than one-third of the tin exports. Other articles of domestic origin which British Malaya exports are preserved pine-apples, spices, copra, and various minor products. Of these only preserved pine-apples are protected in the United States, the import duty being 2 cents per pound. No reduction has ever been made. The purpose of the duty is to exclude from the American market preserved pine-apples coming from sources other than Hawaii and the Philippines, with the result that British Malaya could sell only comparatively small quantities.

Ceylon exports consist in the main of tea, rubber, coco-nuts and coco-nut products, spices, coir fibre and manufactures, and plumbago (graphite). Of these rubber, tea, coco-nut oil, spices, and coir fibre are on the free list. The duty on coco-nuts was reduced from ½ cent each to ¼ cent each in the United Kingdom Agreement, but no reduction was given in respect of the duty on desiccated coco-nuts or other coco-nut preparations (other than coco-nut oil) which amounts to 3½ cents per pound. Various rates are levied on coir manufactures. Ceylon is not likely to obtain any concession on these since she is an unimportant source of supply for the United States. The duty on amorphous graphite was reduced from 10 to 5 per cent. *ad valorem* in the United Kingdom Agreement and this tariff treatment is bound also to Mexico. The rate on crystalline graphite was lowered from 30 to 15 per cent. in the 1938 agreement. The principal suppliers were Ceylon and Japan.

An interesting instance of the effect of advertising on colonial trade occurred in the nineteen-twenties. The United States is a coffee-drinking country. It is not likely that *tea* will take the place of coffee. But it has been contended that the tea-drinking habit could be increased if only the attention of the American public were drawn to the qualities of tea. In 1923 the Indian tea industry started an advertising campaign in the United States. It was financed out of a cess on exports which was collected by the Government of India. It is widely believed that the increase in American imports of Indian tea from 12 million lb. in 1922 to 15 million lb. in 1924 and 20 million in 1927 was due to this advertising campaign. Ceylon tea was carried along by that movement. Its sales in the United States increased from 22 million lb. in 1922 to 26 million lb. in 1924 and remained at this level until the depression. At the same time American tea imports had remained constant at some 80 million lb. What had happened was that the advertising campaign had shifted the demand from green teas (chiefly imported from China and Japan) to black teas (chiefly produced in India, Ceylon, and the Netherlands East Indies). The gain was not completely maintained since China and Japan started producing black teas as well.

The British East India islands sell most of their exports via Singapore. Among their principal products are rubber and jelutong, spices, mineral oil, and copra. Of these only mineral oil is subjected to import duty in the United States.

While the United States provide an outlet for the principal products of Malaya, the East India islands and Ceylon, her markets are closed to Mauritius and Fiji sugar, the principal export products of these two islands. Other commodities of interest to the smaller Indian Ocean and Western Pacific islands include copra, bananas, guano, aloe fibre, phosphates of lime, and bêche-de-mer, all of which are on the free list.

C. CONCLUSIONS

The balance of trade between the Colonial Empire and the United States was heavily in favour of the former. But this was almost entirely due to the trade in rubber and tin. From the United States' point of view both the export and the import trade with the Colonial Empire was of increasing importance in the inter-war period. From the colonial point of view the importance of the United States as a source of supply and as an outlet for colonial exports was on the whole declining.[1] Although there may have been further factors at work, the following seems to explain this trend: the fact that the importance of the United States as a colonial source of supply diminished was due to imperial preference; that the British Colonies were of increasing importance as compared with the total American export trade suggests that the obstacles in the way of American exports in the British Colonies were less restrictive than the protective measures introduced in the rest of the world.

The proportionate increase of British colonial goods in the American import trade was due to the fact that raw material pro-

[1] The percentage of colonial exports that went to the United States in 1924, 1929, 1933, and 1938 was 27, 31, 23, and 15 respectively. See also Tables XLIV, XLV, XLVI.

ducers suffered less from the 1930 Tariff Act than producers of manufactured goods. The relative decline of the United States as market for British colonial products suggests that the Colonies received better treatment elsewhere.

It appears that no improvement in the trade relations of the Colonial Empire and the United States is possible without much greater concessions by either side than have been given up till now. But this argument does not apply with equal force to all the colonial areas concerned. It does not apply to the East African import trade since no discrimination is applied to the import trade of these territories, with the exception of parts of Northern Rhodesia; nor does it apply to the Gold Coast and Nigeria where discrimination is confined to textiles. In the other dependencies most of the concessions which the Americans are likely to want have been given, subject to two qualifications. One is that the Canada–West Indies Trade Agreement was not interfered with, thus limiting the range of concessions which could be given to the Americans in the West Indies. Secondly, no tariff reductions were given in the Colonies in the 1938 agreement which reduced the duties by more than 50 per cent. to counterbalance the limitation which the Reciprocal Trade Agreements Act imposed on the American negotiators. The Colonies did, however, concede the transfer of some items to the free list, a concession impossible to obtain in the United States under existing legislation. But on the whole it is true to say that as long as the Americans limit their own bargaining strength by not allowing a concession of more than one half, it is only to be expected that other Powers will do the same when negotiating with them.

The urgency of coming to a closer commercial arrangement with the United States varies from colonial region to colonial region. Roughly speaking, the farther East one goes on the map, the less restrictive was the United States tariff. To be more precise, the United States tariff was most restrictive on West Indian trade, hit some important African export products, allowed little hope for an expansion of Mediterranean trade, hit a few Ceylonese exports, only one of the more important Malayan export products (pine-apples), and of the exports of the smaller Eastern islands only sugar. The American tariff is purely protective; there are no revenue duties. Hence the unfavourable treatment meted out to the West Indies.

CHAPTER 11

BRITISH WEST INDIAN TRADE WITH CENTRAL AND SOUTH AMERICA

WHILE 20 per cent. of the trade of the British West Indies in 1938 was with Canada and Newfoundland, and 17 per cent. with the United States, the other countries in the Western Hemisphere accounted for 9 per cent. The value of the trade with the principal countries concerned is shown in the following table:

TABLE L. BRITISH WEST INDIAN TRADE WITH CENTRAL AND SOUTH AMERICA IN 1938[a]

	Imports		*Exports*		*Total*	
	£000	%	£000	%	£000	%
Inter-British West Indian trade	884	4	813	5	1,697	4
Netherlands America . .	207	1	661	4	868	2
Venezuela	318	1	1	0	319	1
Argentina	203	1	4	0	207	1
French America . . .	3	0	106	1	109	0
Brazil	74	0	23	0	97	0
Colombia	3	0	31	0	34	0
Cuba	21	0	4	0	25	0
American West Indies . .	11	0	10	0	21	0
Chile	18	0	0	0	18	0
Santo Domingo and Haiti .	3	0	7	0	10	0
All others	27	0	15	0	42	0
Total Central and South America	1,772	8	1,675	11	3,447	9
Total Western Hemisphere .	10,635	44	7,147	48	17,782	46
Total World	23,771	100	14,959	100	38,730	100

Sources: *Blue Books.*

[a] 0 stands for less than one-half of one per cent.

A. INTER-BRITISH WEST INDIAN TRADE

The subsequent pages are an attempt to discover whether the British West Indian trade with Central and South America could have been larger. It will be convenient to start with a considera-tion of inter-British West Indian trade which accounted for almost one-half of the total. The importance of the inter-British West

Indian trade to each of the Colonies concerned is shown in Table LI while Table LII gives an account of the principal commodities involved.

Some would have it that inter-British West Indian trade could be expanded if the British West Indies were allowed to join into a British West Indian customs union, or to accord to each other preferences to which other Empire countries could not claim admittance. Two questions arise: (1) How would such a super-preferential arrangement affect the revenue of the various Colonies concerned? (2) What benefits could be expected to counterbalance any such loss of revenue?

Table LIII shows the amount of revenue the various British West Indian Governments received in 1938 from the taxation of imports from the British West Indies and compares these receipts with the total import duty receipts and total revenue. The table reveals that the sacrifice of revenue would have been comparatively small in relation to the total revenue in the case of British Honduras, Trinidad, and Jamaica, had these Colonies admitted British West Indian goods free of import duties. In the other Colonies free

TABLE LI. INTER-BRITISH WEST INDIAN TRADE IN 1938

(Also showing percentage of this trade to the total trade of each Colony)

	Imports (*c.i.f.*)		*Exports* (*f.o.b.*)	
	£	%	£	%
Bahamas	37,998	3	7,332	5
Barbados	160,913	8	21,678	2
Bermuda	41,540	2	372	1
British Guiana	95,327	4	146,583	6
British Honduras	2,499	3	735	0
Grenada	41,422	14	8,139	3
Jamaica	282,909	4	26,113	1
Dependencies of Jamaica	7,424	13	8,933	25
Leeward Islands	78,524	11	11,107	2
St. Lucia	15,168	8	11,843	9
St. Vincent	22,550	11	27,558	13
Trinidad	98,098	1	543,063	9
Total	884,372	4	813,456	5

Sources: *Blue Books.*

entry of British West Indian goods would have cost between 3·3 per cent. (Barbados) and 9·7 per cent. (Bahamas) of the total revenue in 1938. However, an analysis of the commodities involved shows that if the taxation of mineral oils and alcoholic beverages could be continued, the sacrifice of revenue—assuming

TABLE LII. PRINCIPAL COMMODITIES ENTERING INTER-BRITISH WEST INDIAN TRADE

Commodity	Export in 1938 to (a) B.W.I.	(b) All destinations	Percentage of (a) to (b)	Principal exporting Colonies*	Principal importing Colonies*
	£000	£000	%		
Mineral oils	389	3,971	10	Trinidad	Jamaica, Barbados, British Guiana, Leeward Islands, Grenada, Bermuda, St. Vincent, St. Lucia
Rice	91	120	76	British Guiana	Trinidad, Leeward Islands, Grenada, Barbados, St. Vincent, Jamaica, St. Lucia
Wood and timber (unmanufactured)	30	317	9	British Guiana, Bahamas, British Honduras	Grenada, Barbados, Jamaica, Trinidad, Leeward Islands
Live animals	17	35	49	St. Vincent, Dependencies of Jamaica, British Honduras, British Guiana	Trinidad, Jamaica
Rum	16	371	4	Jamaica, Barbados, British Guiana	Bahamas, Bermuda, Trinidad, Leeward Islands, Dependencies of Jamaica
Asphalt	14	163	9	Trinidad	Barbados
Charcoal	11	15	73	British Guiana	Barbados
All other goods	245	9,967	2	..	..
Total	813	14,959	..	..	..

* In order of importance.
Sources: *Blue Books*.

1938 conditions—would be less than 1 per cent. of total revenue in all but four cases, as follows:

	%		%
Bahamas	0·1	Jamaica	0·2
Barbados	0·7	Cayman Islands	3·5
Bermuda	0·2	Turks and Caicos Islands	0·5
British Guiana	0·2	St. Lucia	2·8
British Honduras	0·2	St. Vincent	1·9
Grenada	2·2	Trinidad	0·3

Leeward Islands cannot be stated.

If, as a result of inter-British West Indian super-preferences, the trade becomes somewhat larger, then the sacrifice of revenue will be correspondingly greater; if such super-preferences take the

TABLE LIII. CUSTOMS REVENUE DERIVED FROM TAXATION OF IMPORTS FROM THE BRITISH WEST INDIES IN 1938

	(a) Total	Of which duty on (b) Rice	Other commodities likely to benefit from super-preference	Mineral oils	Alcoholic beverages	All other	(c) Total customs revenue	(d) Total revenue	(e) Percentage of (a) to (d)
	£	£	£	£	£	£	£	£	%
Bahamas	39,544	4	1	14,974	24,002	563	201,950	408,742	9·7
Barbados	18,134	1,283	234	13,989	21	2,607	241,577	558,033	3·3
Bermuda[a]	32,531	..	157	742	30,855	777	305,590	460,002	7·1
British Guiana	81,851	..	1,640	79,511	134	566	552,766	1,261,946	6·5
British Honduras	556	10	..	..	25	521	103,914	257,807	0·2
Grenada	14,694	2,703	..	10,142	872	977	67,752	157,508	9·3
Jamaica	25,185	1,087	5,249	18,190	136	533	1,445,446	2,815,931	0·9
Cayman Islands	586	21	34	13	115	397	4,051	13,252	4·4
Turks and Caicos Islands	664	1	..	..	600[a]	63	4,180	13,888	4·8
Leeward Islands	Cannot be stated						153,177	345,274	Cannot be stated
St. Lucia	7,002	611	114	3,853	639	1,784	45,130	88,511	7·9
St. Vincent	8,136	1,155	..	5,945	273	766	40,375	100,589	7·7
Trinidad	16,940	4,297	246	..	9,124	3,273	1,001,633	2,668,393	0·6

[a] Approximate figures only.

Sources: *Blue Books*.

form of reduced taxation rather than free entry, then the sacrifice of revenue will be correspondingly less.

So much for the potential loss of revenue. What about the benefits to be expected from local super-preferences? It has been pointed out elsewhere[1] that a preference is of value only if preferential demand exceeds preferred supply. Of the commodities shown in Table LII this applies to rice, wood and timber, and live animals only. We can leave out the trade in live animals, for the British West Indies bought most of their imports of live animals from British and foreign Caribbean countries and gave preferential treatment to the Empire countries. Imports from farther afield, such as the United Kingdom, Canada, and the United States of America, usually took place only when animals were required for breeding purposes. These remarks do not apply to Jamaica where the import of most varieties of live animals is prohibited except for animals coming from the United Kingdom, Canada, and the United States of America. In short, outside Jamaica the British West Indies enjoyed all the advantages a super-preference could confer, while in Jamaica the impediment to the animal trade was a discriminatory import prohibition and not the competition of other countries. 'Wood and timber' requires some qualification. The bulk of British West Indian wood and timber imports consisted of softwoods, while the bulk of British West Indian wood and timber exports were hardwoods. The sole variety of wood and timber in which one West Indian Colony was directly competitive with an outside supplier was pitch-pine. Pitch-pine was imported from the United States and to a lesser extent from the Bahamas. Bahamas pitch-pine was admitted at the preferential rate of import duty while the American pitch-pine was taxed at the higher general rate. As long as no other Empire supplies of pitch-pine are forthcoming, the Bahamas cannot get any more by a system of inter-British West Indian super-preferential arrangements than she can obtain under present arrangements. A super-preference on rice, on the other hand, could be of considerable value to British Guiana.

In 1938 the British West Indies imported 123 million lb. (£580,000) of rice, of which 22 million lb. (£104,000) came from British Guiana, and 100 million lb. (£429,000) from India and Burma which received the same tariff treatment as British Guiana.

[1] Chapter 7.

British Guiana's rice production falls short of British West Indian requirements: in 1938 the total exports amounted to 29 million lb. (£120,000) of which 21 million lb. (£91,000) went to the British West Indies. If a super-preference on rice would mean a higher duty on Indian rice it is doubtful whether British Guiana's gain would outweigh the disadvantage of higher rice prices in the other British West Indian dependencies. But if the super-preference took the form of lower taxation or free entry of British Guiana rice, then British Guiana would gain without this disadvantage to the consumers in the other British West Indian Colonies. The loss to India and Burma would be small: their rice exports to the British West Indies accounted for 2 per cent. of their total rice exports only. The sacrifice of revenue on the part of all the other British West Indian Governments[1] would have amounted to approximately £11,000 in the case of free entry of British Guiana rice. In 1938 about three-quarters of British Guiana's rice exports went to the British West Indies. If a super-preference were given it is probable that a considerable proportion of the remaining quarter would go to the British West Indies. In this case the loss of revenue would be correspondingly higher. But, assuming 1938 conditions, the free entry of British Guiana rice means the loss of less than 1 per cent. of the total revenue in all the Colonies concerned, except Grenada and St. Vincent where the proportion of the revenue involved is 1·7 and 1·1 per cent. respectively.

As to minor British West Indian exports, British West Indian imports exceeded British West Indian exports in 1938 in the case of certain vegetables, tobacco, and salt, as shown in Table LIV. The table reveals that a super-preference would be of some value in the case of potatoes, onions and garlic, and other fresh vegetables (except tomatoes), leaf tobacco, cigarettes, and salt. It would confer no benefit on the producers of tomatoes and cigars. In view of the insignificance of the British West Indian production of cigarettes it is doubtful whether a super-preference would be worth while, unless it can be proved that the equality of tariff treatment of all Empire cigarettes acts as a deterrent to the expansion of the local industry. The chief beneficiaries of these super-preferences would be Bermuda (potatoes, onions, and other vegetables), Jamaica (leaf tobacco, potatoes), the Turks and Caicos Islands (salt), the Leeward Islands (salt, vegetables, cigarettes), St.

[1] Excluding the Leeward Islands.

Vincent (potatoes, other vegetables), British Guiana (vegetables, cigarettes), and St. Lucia (vegetables). If free entry had been accorded to these articles in 1938, the amount of revenue lost to the various British West Indian Governments would have totalled

TABLE LIV. BRITISH WEST INDIAN TRADE IN VEGETABLES (FRESH), TOBACCO, AND SALT IN 1938

	Imports from		*Exports to*	
	All sources	*British W. Indies*	*All destinations*	*British W. Indies*
	£	£	£	£
Vegetables:				
Potatoes	80,730	2,317	3,946	2,197
Onions and garlic . .	59,557	138	242	124
Tomatoes . . .	0	0	34,267	257
Other fresh . . .	29,237	6,723	13,312	2,444
Tobacco:				
Leaf	147,668	62	8,563	29
Cigars	9,463	4,522	17,028	3,771
Cigarettes . . .	126,308	522	236	231
Other	6,963	4	. .	. .
Salt	27,491	8,196	11,400	4,147

Sources: *Blue Books*.

approximately £8,000. It would have represented less than 1 per cent. of the total revenue in every one of the Colonies concerned (see Table LIII).

It thus appears that the chief obstacle to inter-British West Indian super-preferences is not the sacrifice of customs revenue—assuming that the import duties on alcoholic beverages and mineral oils could be replaced by excise duties or otherwise—but the right of other Empire countries to most-favoured-Empire-nation treatment. India and Burma are allowed to grant super-preferences to each others' goods, so that they could hardly raise legitimate objections to similar arrangements amongst Empire countries in a different geographical region, in this case a British West Indian super-preference on British Guiana rice. If the United Kingdom and Canada consented to local super-preferences, some gains could also be expected from super-preferences on the varieties of vegetables and tobacco mentioned and on salt. But if the United Kingdom and Canada would not consent to such an arrangement, then it would mean sacrificing valuable preferences in the United Kingdom and Canada for much smaller gains. Assuming the agreement of the United Kingdom and of Canada, the chief beneficiary of local super-preferences would be British Guiana, while smaller gains would accrue to Bermuda, Jamaica, the Turks and Caicos Islands, the Leeward Islands, St. Vincent, and St. Lucia. No gains worth talking of would accrue to the Bahamas, Barbados, British Honduras, the Cayman Islands, and Grenada. The cost of such super-preferences on rice, certain vegetables, tobacco, and salt would have to be borne chiefly by Jamaica, Trinidad, Grenada, Barbados, British Guiana, St. Vincent, and St. Lucia. More than 1 per cent. of the 1938 revenue is involved in Grenada and St. Vincent.

Under the conditions prevailing in 1938 neither the cost nor the potential benefits of a British West Indian customs union would be large. But if it can be proved that potential local industries cannot find an outlet owing to the subdivision of the British West Indies into seventeen different tariff areas then the prospect of a British West Indian customs union will be worthy of reconsideration. Yet even if the internal advantages of such a customs union would be small, under the conditions prevailing in 1938 there may be some external advantages which would make such a customs union worth while. These external advantages will be discussed in Section C.

B. TRADE WITH FOREIGN COUNTRIES IN CENTRAL AND SOUTH AMERICA

Netherlands America consists of one mainland holding (Surinam) and a number of small islands (Curaçao, Aruba, Bonaire, St. Martin, Saba, and St. Eustatius). The geographical position of Curacao and Aruba off the coast of Venezuela and the excellence of the natural harbour at Willemstadt (Curaçao) has at times given them a great importance. Willemstadt was long one of the centres of illegal trade with the Spanish Colonies and later served as an entrepôt port for the republics on the north coast of South America and for the island of Hispaniola. Shifts in trade routes in the early nineteenth century caused a decline in Curaçao's importance. After a century of poverty a new phase of prosperity set in with the rise of Venezuela's petroleum industry in the inter-war period[1]. The

[1] Cf. Chester Lloyd Jones, *The Caribbean since 1900* (New York, Prentice Hall, Inc., 1936), p. 206, and Philip Hanson Hiss, *Netherlands America* (New York, Duell, Sloane & Pearce, 1943), p. 63.

oil wells of Venezuela are situated near Lake Maracaibo which is not accessible to deep ocean-going vessels. Consequently the Royal Dutch Shell Petroleum Company looked elsewhere for a centre for the South American oil trade. They decided on Curaçao and Aruba and established oil refineries in these islands. An important entrepôt trade developed which enhanced the value of the export trade of the Netherlands West Indies from relative unimportance to more than double the value of the exports of all the British West Indian dependencies combined. The exports of the Dutch islands, which in 1900 had amounted to a mere £26,000, were worth £32,523,000 in 1937, of which £32,127,000 represented mineral oil products. The bulk of the mineral oil went to the United States, the United Kingdom, and the Netherlands. Apart from the fact that the British West Indies were much smaller consumers of mineral oil than any of the three great trading Powers named, the Netherlands West Indian products competed with the mineral oil products of Trinidad and were at a disadvantage in comparison with the Empire producers throughout the British West Indies owing to preferential tariff margins in favour of the Empire ranging from 25 to 50 per cent. of the general rates of duty. That the Netherlands West Indies would have sold more mineral oil in the absence of these preferential tariff rates is suggested by the following instance. Until 1937 the import duty on motor spirit in Jamaica was 8*d.* per gallon under the general tariff and 6*d.* per gallon under the preferential tariff. This sufficed to exclude Netherlands West Indian motor spirit. In 1937 both the general and the preferential rate of duty were put at 7½*d.* per gallon, whereupon Jamaica's imports of motor spirit from the Netherlands West Indies advanced from nil in 1936 to 1,833,000 gallons in 1937, while imports from Trinidad declined from 6,339,000 to 5,507,000 gallons. The preferences on the other types of mineral oil were continued. It may be worth noting that in 1938 the British West Indian import trade from the Netherlands West Indies consisted almost exclusively of mineral oils, about three-quarters of which went to Jamaica and most of the remainder to Barbados. Other exports from the Dutch islands include dividivi, hides, phosphates of lime, straw hats, and salt. Phosphates of lime apart, these articles were also produced in the British West Indies and all were subjected to preferential tariff rates in favour of Empire producers, so that the British West Indies could not be, or at any rate were not, markets of importance to the Netherlands West Indies.

The Netherlands mainland Colony of Surinam, too, advanced in prosperity during the inter-war period. This was due to the development of bauxite mining and, to a lesser extent, of gold mining, particularly in the later nineteen-thirties. These two minerals accounted for about 70 per cent. of the value of Surinam exports in 1938. Like British Guiana bauxite and gold, the Surinam minerals were marketed in the United States and in countries outside the Caribbean area. Of all the other articles exported by Surinam somewhat less than 3 per cent. went to the British West Indies. None of the agricultural products of Surinam—sugar and molasses, coffee, rice, balata, rum, and oranges—found much of an outlet in the nearby British dependencies. In view of the competitive character of production in the British West Indies and in Surinam, even a complete disappearance of preferential import duties and other trade barriers, such as the Jamaican import prohibition of foreign coffee, could not be expected to bring about an appreciable change; with one exception—and that is rice. The British West Indian tariffs favour British Guiana and British India at the expense of foreign rice producers. An outlet could probably be created for the Surinam produce if India and British Guiana were to waive their preferential rights.

British West Indian exports to the Netherlands West Indies were almost exclusively in the hands of Trinidad and to a lesser extent of British Guiana. Altogether the British West Indies accounted for about one-third of 1 per cent. of the total imports of the Netherlands West Indian islands. As in the case of the import trade, the British West Indian export trade to Netherlands America was dominated by mineral oils. In 1938 Trinidad exported 134 million gallons of motor spirit of which 34 million gallons went to Curaçao and Aruba, and 27 million gallons of gas oil of which 11 million gallons went to the two Dutch islands. These mineral oil exports to the Netherlands West Indian islands were valued at £631,629, the total Trinidad exports to these islands being £633,874. Since Curaçao and Aruba are important entrepôt centres for mineral oils but only negligible consumers, the bulk of Trinidad's sales to the Netherlands West Indian islands was for re-exportation to other destinations. British West Indian exports for consumption in the Dutch islands were therefore worth less than £10,000. Rice from

British Guiana and rum from British Guiana, Jamaica, and Trinidad were the most important components of this trade.

Exports to Surinam consisted chiefly of mineral oils and small quantities of coco-nut oil and cocoa from Trinidad, and lime, rum, greenhearts, coco-nut oil, and biscuits from British Guiana. Trinidad supplied about 4 per cent. of Surinam's imports, British Guiana 1 per cent. Ten years earlier the respective percentage shares were 2 and 13 per cent. Trinidad's advance was due to an increase in her sales of mineral oils. British Guiana's decline appears to have been the result of a variety of causes. Thus, Surinam's foreign trade increased during the bauxite boom of the nineteen-thirties while British Guiana had little to offer which Surinam wanted in the way of additional purchases from abroad. An increase in the domestic production of coco-nut products in Surinam, and a high import duty on sugar coupled with preferential treatment of British Guiana sugar in the Empire were other factors that militated against the British Guiana–Surinam trade. The only counterbalancing advance was recorded in the trade in greenhearts which, however, was insufficient to make up for the losses in other lines.

French America consists of Guadeloupe and its dependencies, Martinique, St. Pierre and Miquelon, and the mainland territory of French Guiana. French Guiana is of little commercial importance. The exports consist of small amounts of cocoa, bananas, various woods, fish, glue, rosewood essence, balata, and hides. This list of articles suffices to explain the virtual absence of British West Indian imports from French Guiana—in 1938 they were valued at £5—even if it were not for the preferential tariff arrangements in the British and French Empires. British West Indian exports to French Guiana in 1938 were worth some £5,000 and consisted chiefly of mineral oils from Trinidad and rice from British Guiana.

The small import trade from the French islands—two-fifths of which went to the Leeward Islands—consisted chiefly of alcoholic beverages, chinaware, spices, and vegetables. There was little scope for an expansion of the trade. French West Indian production is competitive with British West Indian production, the chief produce being sugar and rum, and, to a lesser extent, coffee, cocoa, bananas, vanilla, cassava, yams, potatoes, and mahogany. The British West Indies were net exporters of all these articles. Such small imports as were necessary in one or the other of these British dependencies were kept in imperial channels through preferential tariffs. The French West Indies were assimilated Colonies. This meant that French West Indian produce received 'domestic' treatment in metropolitan France and was attracted to that sheltered market.

The French West India islands were fourth in importance as markets for British West Indian produce in the Western Hemisphere[1] or, if the exports of mineral oils to the Dutch islands are excluded, third. All the same, in 1938 these exports amounted to no more than two-thirds of 1 per cent. of the total British West Indian exports to the Western Hemisphere. Trinidad accounted for approximately two-thirds of this trade (mainly mineral oils) and British Guiana for most of the remainder (mainly rice and, from the middle nineteen-thirties onwards, also rum and greenhearts). The French West Indian import duties were the same as those prevailing in metropolitan France. True, some deviations from the metropolitan tariff were permitted in the interest of the standard of living of the French colonial peoples by means of the 'exception lists'. But such exceptions were not made in respect of commodities that could be procured from France or the French Empire. Tariff reductions for British West Indian produce can therefore not be obtained in the French Caribbean possessions unless the same concessions are secured in metropolitan France—assuming the continuation of France's pre-1940 colonial economic policy.

The American West Indies consist of Puerto Rico and the American Virgin Islands. Puerto Rico became an American colony in 1898. At that time coffee and tobacco dominated the economic life of the island. With the establishment of free trade between the United States and Puerto Rico in 1901 the Colony's sugar industry was given an advantage over its competitors in Cuba and the other West Indian islands, so that sugar soon became the principal crop of Puerto Rico. Secondary industries are coffee, tobacco, and tropical fruits. The Danish Virgin Islands (St. Thomas, St. Croix, and St. John) were purchased by the United States in 1917. Once of importance as transhipment points and in the bunkering trade, they had by the time of the American acquisition ceased to be of commercial importance. In the words of one of the Governors of the American Virgin Islands 'the Virgin Islands were bought as a

[1] See Table L.

defense investment, as the key to the defense of the Panama Canal. The [annual] appropriation [for their support] is less than 25 per cent. of the interest on the money invested in a battleship.'[1] Practically the sole article of export of St. Thomas is bay rum manufactured from the leaves of the bay tree grown in the neighbouring island of St. John, which in turn is practically the only export of St. John. As an entrepôt centre St. Thomas now supplies only some of the Virgin Islands and occasionally Haiti and Santo Domingo.[2] St. Croix produces sugar, tropical fruit, and onions and there also is a certain amount of cattle breeding.

In short the British and American West Indies produce little for mutual trade, and both the British and the American West Indies are members of two different preferential tariff systems. It is therefore not surprising that the total trade between these British and American dependencies in 1938 was worth no more than £21,000. The principal British West Indian importer from the American Caribbean islands was the Leeward Islands which took some mineral oils, sugar, grain and flour, timber, textiles, and cement from the American Virgin Islands; in short, articles most of which did not originate in the American Virgin Islands. Puerto Rico supplied some lime for building and mineral oil to the Leeward Islands (there are no oil wells in Puerto Rico), some rum, tobacco, and apparel to Trinidad, and some potash (of doubtful origin) to Barbados. Thus the bulk of the negligible British West Indian imports from the American West Indies did not originate in the American West Indies.

Puerto Rico took virtually nothing from the British West Indies (£156 worth of goods in 1938). The chief exporters to the American Virgin Islands were the Leeward Islands (chiefly cattle and charcoal) and British Guiana (chiefly rum, rice, and greenhearts).

In a sense the independent Caribbean republics of *Cuba, Haiti, and Santo Domingo* are part of the American tariff system. The preferential arrangements between the United States and Cuba[3] kept most of Cuba's foreign trade within the American tariff area. Most of the remainder of Cuba's trade was with the United Kingdom, Germany, and France, and there was but little commercial

[1] Cf. Annual Report of the Governor of the U.S. Virgin Islands for the fiscal year ended 30 June 1932 (U.S. Department of the Interior, Washington, 1932). Also Chester Lloyd Jones, op. cit., p. 199.

[2] Cf. Sir Algernon Aspinall, *The Pocket Guide to the West Indies* (London, Methuen, 1939), chapter x.

[3] See also Chapter 10.

intercourse with the nearby British dependencies. This is not surprising if it is realized that Cuba's staple products are sugar and tobacco, and that the only ones of the additional products of Cuba that cannot be obtained in the British West Indies are manganese ores and some other minerals. The only important British West Indian products which Cuba imported were rice and mineral oils. British Guiana's rice production was insufficient, however, to meet even the demand for rice in the British West Indies where Empire rice receives a preference. Trinidad's mineral oils found more profitable outlets elsewhere. In either case the Cuban preferences to the United States put the British West Indies at some disadvantage in the Cuban market. There are no preferential tariff arrangements between the United States and Haiti or Santo Domingo. But in view of the indebtedness of the two republics the United States controls their customs administration, so that any tariff concessions on the part of the Governments of these two countries would in practice require the consent of the United States. But even if the two republics were prepared to admit all British West Indian produce free of duty, the prospects for close trade ties are not very bright. The staple product of Santo Domingo is sugar, of Haiti coffee. Other products of the two countries are bananas, cocoa, cotton, maize, rice, sisal, tobacco, and timber. The only potential outlets for British West Indian produce—assuming pre-second world war imports of the two republics—are limited quantities of rice, some spices, and mineral oils.

British West Indian trade with the *South American republics* was insignificant. Like the Central American Colonies and republics, the ten South American countries relied on one or two commodities as the mainstays of their respective economies.[1] Four of the republics are exporters of raw materials of industry, i.e. Bolivia exports mainly tin, Chile copper and nitrates, Peru copper and petroleum, and Venezuela petroleum. The other South American republics export in the main such agricultural produce as cocoa, coffee, cotton, fruit, hides and skins, meat, and wheat. Of these only meat from the Argentine and to a lesser extent from Brazil found an outlet worth talking of in the British West Indies. This South American meat had to face the competition not only of the United States but also of the protected Empire suppliers.

[1] Cf. Royal Institute of International Affairs, *The Republics of South America*, 1937, p. 178.

Imperial preference harmed the South American meat interests and excluded almost completely South American wheat and hides and skins. The British West Indies had an export surplus of the other South American agricultural produce mentioned and had but a low demand for the continent's raw materials of industry, most of which went to the United States and Europe.

A glance at Table L (p. 194) shows that the only South American countries which in 1938 sold more than £50,000 worth of goods to the British West Indies were Venezuela, the Argentine, and Brazil. As already mentioned, Argentina and Brazil sold mainly meats, being excluded from the British West Indian markets in respect of most of their other export produce owing to imperial preference and the competitive character of their agricultural products with West Indian agriculture.

The bulk of Venezuela's exports to the British West Indies went to Trinidad. In the nineteen-thirties Venezuela supplied on the average 7 per cent. of Trinidad's imports which accounted for somewhat more than ½ per cent. of the value of Venezuela's exports, though never more than 1 per cent. At first sight it might appear that this trade is entirely due to the geographical propinquity of the two countries and the absence of any satisfactory deep-sea harbour along the coast of Venezuela. Indeed, Trinidad's entrepôt trade in Venezuela cocoa and the irregular entrepôt trade in tonka beans seems to be due to this factor. But there also was an increasing trade in mineral oils. In 1930 Trinidad imported 6·3 million gallons of crude mineral oils from Venezuela, and 18·3 million gallons in 1938. Though this trade was small in comparison with Venezuela's mineral oil exports to Curaçao and Aruba—which accounted for 70 per cent. of the value of Venezuela's exports—it was of some value to Trinidad; and it was due to man-made causes. (In this connexion a short digression will be necessary. Ever since 1902 the Trinidad Government in making grants of Crown lands has reserved the oil rights, so that most of the oil produced in Trinidad is derived from Crown lands. Crown mining leases have always imposed an obligation on lessees either to erect in the Colony refineries capable of dealing at least with 50 per cent. of the product or for making arrangements for causing the same to be refined in the Colony. As a result of this several refineries have been erected, the most important being those of Trinidad Leaseholds, Ltd., and the United British Oilfields of Trinidad, Ltd. (a subsidiary of the Royal Dutch Shell). The obligation to refine oil locally was imposed as a result of instructions received by the Colonial Government from H.M. Government in the United Kingdom, it being the policy of the British Government to secure a supply of fuel oil in Trinidad for Admiralty purposes.)[1] The legislation to refine at least half of the locally won mineral oils in the Colony had some beneficial effects on Trinidad's import trade, though this effect was only a by-product of the effects of this legislation. Nor should its importance be exaggerated: in 1938 the value of the locally produced crude oil was £2,641,000, while the value of the imports from Venezuela was only £147,000. Still, it serves as an example of how the development of a local industry can foster the importation of crude materials from neighbouring countries for manufacture within a Colony as an additional source of profit for the Colony. The quantities and values of Trinidad imports from Venezuela in 1937 were:

Mineral oils (crude)	(gallons 000)	14,147	£147,000
Cocoa, raw	(lb. 000)	8,916	202,000
Cattle	(No.)	8,353	44,000
Tonka beans	(lb. 000)	11	2,000
All other articles		..	1,000
Total			396,000

To repeat, only cattle and some of the 'other articles' were imports for consumption in the Colony in the strictest sense of the term. The mineral oil, the cocoa, and the tonka beans were entrepôt trades.

The only other British West Indian Colony that took more than quite negligible amounts from Venezuela was Barbados, which took some £8,000 worth of mineral oils. The British West Indian imports from the other north coast republic of South America, Colombia, were negligible and consisted of £2,491 worth of tonka beans imported by Trinidad and only £231 worth of other goods.

British West Indian exports to the South American republics were negligible. The bulk of South American imports from all sources was made up of textiles, heavy manufactures and machinery, and some foodstuffs. Trinidad is a small producer of textiles, but—quite negligible quantities apart—the South American imports of manufactured goods came from the industrialized

[1] Cf. *Memorandum by Delegates of the Unofficial Members of the Legislative Council of Trinidad and Tobago concerning Imperial Preference on Empire Petroleum*, 1934.

countries farther north. Much of the food imports represented inter-South American trade. In fact, the only important South American imports which could have been obtained from the British West Indies to a far larger extent than actually was the case were sugar and rice. Important South American importers of sugar in 1938 were Bolivia, Chile, and Uruguay, where it represented 5, 4, and 7 per cent. of the value of the total imports respectively. Rice was imported into Argentina, Bolivia, Colombia, Peru, and Venezuela. It accounted for 2 per cent. of the value of the imports of Peru and Venezuela, but less than 1 per cent. in the case of the other countries cited. British West Indian exports of sugar and rice to the South American continent were insignificant. Other South American imports that could have been bought from the British West Indies to a larger extent than actually was the case include mineral oils (all the South American republics) and to a lesser extent live animals (Chile), vegetable oils (Chile, Argentina, Venezuela), raw cotton (Chile, Colombia), hides and skins (Chile, Brazil), edible fruits and nuts (Chile, Argentina, Brazil), coffee and cocoa (Chile, Argentina), fish (Chile, Argentina, Venezuela), tobacco leaf (Chile, Argentina), potatoes (Argentina, Uruguay, Bolivia), bananas (Argentina), wood and timber (Peru, Uruguay).

The most important South American buyer of British West Indian produce in 1938 was Colombia with a mere £31,000. The bulk of this trade consisted of copra from Trinidad and Jamaica. Second in importance was Brazil, which took some mineral oils from Trinidad. Venezuela was quite unimportant as a market for British West Indian produce. The small trade that was carried on consisted chiefly of manufactured mineral oils and chemicals from Trinidad. There was, however, a more substantial re-export trade from Trinidad to Venezuela in which alcoholic drinks, grain and flour, and manufactured mineral oils predominated. In 1938 Trinidad's export trade to Venezuela was valued at £120,000, the re-export trade at £78,000.

With the exception of Peru all the South American republics introduced exchange control in the early nineteen-thirties, and with the further exception of Bolivia they are all believed to have used this weapon to keep their respective balances of trade with the various foreign countries favourable to themselves.[1] But this can

[1] Cf. United States Tariff Commission, *The Foreign Trade of Latin America*, 1942, part ii, vol. i.

hardly have affected the British West Indies, for, with the sole exception of Colombia, all the South American republics had favourable balances of trade with the British West Indies. And the Colombia trade appears to have suffered no decline. It is conceivable, however, that the South American exchange control systems acted as deterrents to any initiative in finding new outlets for British West Indian produce, particularly since exchange control frequently was reinforced by quotas favouring once this country, once that, according to the balance-of-trade situation and the bargaining strength of the other country. Tariff preferences between neighbouring South American countries were rare, although a few were established in the nineteen-thirties. Thus Argentina, Brazil, and Uruguay concluded a series of bilateral agreements in 1931, in which they agreed to grant each other free entry or preferential tariff rates on a few products. It appears, however, that this agreement was no longer in force by 1938. Another preferential agreement was concluded in 1935 when Paraguay and Uruguay conceded to each other preferential tariff treatment on livestock, agricultural produce, and certain manufactured articles. This agreement was renewed in 1939. With the possible exception of the livestock trade, the trade affected by the Paraguay–Uruguay agreement was of little interest to the British West Indies. It thus appears that if South American trade policy had any effect on the British West Indian export trade, it certainly was not the primary cause of the insignificance of the British West Indian exports to South America. The primary cause appears to have been the competitive character of British West Indian and South American production. And whenever South American countries imported any of the products that could have been obtained from the British West Indies, the British West Indies had to face the competition of other countries—chiefly Central and South American countries—which produced the same commodities as the British West Indies, or close substitutes therefor.

This discussion of the trade between the British West Indies and the foreign countries in Central and South America has revealed that British West Indian exports to Central and South America for consumption in these countries was, in fact, smaller than the figures in the export statistics suggest. The British West Indian exports for consumption in foreign Central and South America apparently did not exceed £210,000, or about 2 per cent. of the total British West Indian exports. Similarly on the import side most of the imports from the American West Indies and some of the imports from the other countries concerned have to be deducted from the official totals. But the adjustments necessary on the import side are smaller, and it can safely be stated that the British West Indian imports from foreign Central and South America in 1938 were worth somewhat more than £850,000, or 4 per cent. of the total.

The trade barriers that militated most against closer commercial ties between the British West Indies and Central and South America were imperial preferences in the British, French, and American dependencies and perhaps also exchange control in the various republics. Imperial preference not only militated against the importation of goods from non-imperial sources of supply, it also favoured certain types of production, e.g. sugar, for export to the metropolitan Powers, thus tying the Colonies the closer to their respective metropolitan markets. Imperial preference thus attracted the local produce away from the Central and South American markets, while exchange control in the various republics may have further discouraged imports from the West Indies. However this may be, given the structure of industry in the British and foreign West Indies and in the Central and South American republics in 1938, the removal of trade barriers between the various countries concerned would not benefit the British West Indies in a way comparable with the benefits of imperial preference in the United Kingdom and Canada, if an expansion of inter-regional trade were the only benefit to be expected from such an arrangement.

C. EXTERNAL ADVANTAGES OF A CUSTOMS UNION

We have seen that, given 1938 conditions, the internal advantages of an inter-British West Indian customs union, or a customs union between the British West Indies and foreign countries in the Caribbean or in South America, would be small. Not much scope for an expansion of inter-regional trade existed. But what about the external advantages, the advantages of a larger tariff unit in dealing with third parties?

The Anglo-American Caribbean Commission, set up in 1942, foreshadows economic co-operation in the Caribbean Colonies. The work of the Commission is concerned with internal development in the area. A removal of inter-Caribbean trade barriers might facilitate the development of new local industries by creating a wider local market for their products. However much may be achieved that way, the bulk of West Indian production will probably always be connected with produce for exportation to destinations farther away in order to secure the necessary imports. The need of the area, therefore, is co-operation in dealing with outside Powers. It has been shown in a different connexion[1] how the British West Indies suffered from the habit of modern tariff negotiators to grant concessions only to the principal supplier of whatever commodity may be discussed. The larger the tariff area, the greater are the chances of being the principal supplier or one of the principal suppliers of commodity *x* to country *y*. The above discussions have shown that even the absence of inter-Caribbean tariff barriers could not possibly make the area self-sufficient. What is wanted is co-operation *vis-à-vis* outsiders. In the labour market employees unite for the purpose of collective bargaining and employers unite in various federations for the purpose of a common policy *vis-à-vis* labour. There are no trade unions comprising both employers and employees. It is similar with the raw material producing countries *vis-à-vis* the industrialized countries. If the small food and raw material producing countries unite in their dealings with industrialized countries like an employers' federation or a trade union they will obtain better terms from the other side than under present conditions. And the wider the area covered and the greater the number of, say, sugar producers within one economic unit—whatever the political divisions may be—the greater the chances that they can make their voices felt at international discussions of the problems relating to their product. Failing such a tariff federation of the various West Indian groups with some of the Central and perhaps also South American countries and/or a more favourable attitude to West Indian produce in the United States and some European countries, British West Indian interests probably are best served by the continuance of the present commercial policy—provided it excludes neither the possibility of co-operation in economic policy with the other countries in the area, nor the possibility of at least a British West Indian customs union for the sake of these external advantages.

[1] Chapter 10.

CHAPTER 12

THE REGIONAL TRADE OF BRITISH MALAYA

CONFRONTED with the question of what constitutes the regional trade of British Malaya one has two alternatives. One could take the term 'regional trade' in its narrow sense and confine the study to the area south of China, east of the Bay of Bengal, west of the Pacific Ocean, and north of Australia. This region might be called 'the Colonial Fringe of South-eastern Asia'; for with the exception of Thailand the countries in this region are dependencies of the colonial Powers of the West: British sovereignty extends over Burma, British Malaya, and the British East Indies (Sarawak, Brunei, and British North Borneo); Holland holds sovereign rights over the island group known as the Netherlands East Indies, France over Indo-China, Portugal over the eastern part of Timor, and the United States of America over the Philippines. For the sake of brevity let us call this area the South-eastern Fringe. Alternatively it is possible to include in the regional trade of British Malaya the trade with all the countries in the South-eastern Fringe, all the countries bordering the Indian Ocean and the whole of South-east Asia. So that India, Ceylon and the other Indian Ocean islands, Arabia, East Africa, Australia, Hong Kong, China, and Japan have to be included. It will be convenient to deal with the South-eastern Fringe first, and thereafter with regional trade in the wider sense.

A. BRITISH MALAYA'S TRADE WITH THE SOUTH-EASTERN FRINGE

Before the second world war the population of the South-eastern Fringe was in the neighbourhood of 127 millions or roughly 7 per cent. of the world total. The value of the foreign trade of the countries in this region amounted to £424 millions in 1936, which was 5 per cent. of world trade. Of these £424 millions British Malaya—with a population of barely 4½ millions—accounted for £134 millions, or roughly one-third of the total. This predominance of British Malaya was partly due to the favourable geographical position of her principal ports on the East–West route of world trade, on the southernmost tip of the Asian mainland, and within easy reach of small craft from the East India islands. And it was the outcome of the free trade policy pursued in the Straits Settlements since the early nineteenth century. The Eastern trader could come to Singapore or Penang without having to undergo any tiresome customs formalities. In these ports he was sure to find a buyer for his produce, and industrial goods or food-stuffs from Europe, North America, or Asia to take in exchange. Thus geographical location and free trade combined to make the Straits Settlements, and in particular Singapore, the focal point of the commerce of the South-eastern Fringe.

How important was this trade with Malaya to the other countries in the South-eastern Fringe? And how important was this inter-regional trade to Malaya? Table LV, which shows the position for 1936[1], supplies part of the answer to these questions. The British East Indies depended almost exclusively on Singapore for their exchange of goods with the outside world. Trade with or via Malaya was vital to Thailand and of considerable importance to the Netherlands East Indies and Burma. It was of relatively small importance to French Indo-China and fairly negligible from the point of view of the Philippines.[2] To Malaya the most important countries in the South-eastern Fringe were the Netherlands East Indies and Thailand, the others being of small importance in comparison with the total trade of British Malaya. The British East Indies apart, none of the other countries in the South-eastern Fringe relied to such an extent on regional trade as British Malaya. But the bulk of the Malayan imports from the South-eastern Fringe were intended for redistribution to other destinations, while the regional imports of the other countries concerned were in the main goods purchased in the Straits Settlements for domestic consumption. Conversely, in the case of the export trade Malayan exports to the South-eastern Fringe represented on the whole goods reaching their final destination within the region, while the exports from the other regional countries to Malaya were in the main destined for the outside world. The comparatively small proportion of Malayan exports to the South-eastern Fringe—if

[1] 1936 is the last year for which sufficiently detailed figures are available for all the countries concerned to compile a table showing the inter-regional trade of the South-eastern Fringe. 1936 happens to have been a fairly 'normal' year, so that the figures shown in the table can be regarded as fairly representative for the later nineteen-thirties.

[2] The commercially unimportant Portuguese Timor has been excluded for lack of adequate statistics. Its exclusion hardly affects the argument.

TABLE LV. THE TRADE OF THE SOUTH-EASTERN FRINGE IN 1936[a,b]

Country	Trade with British Malaya[b]				Regional trade[b]				Total trade	
	Imports		Exports		Imports		Exports		Imports	Exports
	£000	% of total trade	£000	% of total trade	£000	% of total trade	£000	% of total trade	£000	£000
British Malaya	..	..	..	..	35,075	59	8,153	11	59,284	74,336
British East Indies	558[c]	100	1,047[c]	100	559	100	1,048	100	559	1,048
Burma[d]	475	3	2,399	6	536	3	2,661	6	16,361	42,085
Netherlands East Indies	4,428	11	10,111	14	4,441[c]	11	11,023[c]	14	40,085	72,445
Thailand[d]	2,518	25	9,661	57	3,037	30	9,667	57	10,184	17,075
French Indo-China	532	4	1,501	6	1,532	12	1,688	7	13,321	23,344
Philippines	380	2	123	0	730	3	195	1	22,415	31,089
All the above	8,891	5	24,842	10	45,910	28	34,435	13	162,209	261,422

Sources: *Malaya, Imports and Exports*, 1936; *Annual Statement of the Seaborne Trade and Navigation of Burma for the Official Year 1936/37*; the *Statistical Abstract for the British Empire*, 1929–38; League of Nations: *International Trade Statistics*, 1936; Institute of Pacific Relations: *An Economic Survey of the Pacific Area*, 1942, vol. ii.

[a] Figures converted from local currencies into sterling at the following rates of exchange: £1 = $ Straits 8·57 = Rs. 13·33 = F. 7·16 = baht 10·8 = frcs. 73·17 = pesos 9·73.

[b] Excludes Malayan inter-state trade and the trade of Portuguese Timor.

[c] Approximately.

[d] 1936–7.

their amount is compared with the regional imports—indicates that although the Straits Settlements acted as a clearing-house for the trade of the region in either direction, their function as sellers of South-eastern produce—or Straits produce as it frequently is referred to—to the outside world exceeded their importance as centres of redistribution of Western and Asiatic goods to the territories within the region. Table LVI reveals that the relative importance of Malaya's imports from the South-eastern Fringe remained remarkably stable at somewhat less than 60 per cent. of the total imports throughout the nineteen-thirties,[1] while her exports to the region were subject to somewhat wider fluctuations. The explanation for this seems to be that the more important varieties of Straits produce received more or less the same treatment throughout the world markets. The effects of economic nationalism and economic imperialism, though damaging to both the export and the import trades, militated more against Malaya's function as a centre of redistribution of Western goods to the region.

From 1927 onwards the value of the Malayan trade suffered a serious decline. During the worst years of the depression it attained no more than about one-third its 1926 level, and in the later nineteen-thirties it averaged about half the 1926 level. That the decline began before the world-wide depression of the early nineteen-thirties, and that the recovery failed to restore the prosperity of the middle nineteen-twenties were due to such factors as unfavourable changes in raw material prices, economic nationalism, and—partly as a result of economic nationalism—the increasing use made of direct shipments and of through bills of lading. The dispatch of goods via Singapore or Penang on through bills of lading was of little or no benefit to the Colony. It is true that cargo passing through the Colony ports for transhipment afforded a certain amount of employment to stevedores and warehouse-keepers, but that was all. Such cargo remained in the custody of the steamer's agents and was not handled by the merchants, though the agent and the merchant frequently were one and the same person. In the words of the Straits Settlements Trade Commission of 1933–4:[2]

'There are no profits to be made or employment given on sorting, blending or otherwise treating or processing. The small distributive profits in the outward trade, the dealer's profits in the homeward trade

[1] The somewhat lower proportions shown for the earlier years are due to the exclusion of Burma.

[2] Para. 188.

TABLE LVI. THE FOREIGN TRADE OF BRITISH MALAYA: TRADE WITH THE SOUTH-EASTERN FRINGE IN VALUES

Also showing Proportion of this Trade to Total Trade

(*a*) IMPORTS

From	*1926*		*1927*		*1928*		*1929*		*1930*		*1931*		*1932*	
	$000	%	$000	%	$000	%	$000	%	$000	%	$000	%	$000	%
Br. E. Indies	48,900	4	46,929	5	28,022	4	37,070	4	25,841	4	11,689	3	17,766	5
Burma					*not available*						23,633	5	18,942	5
N.E.I.	370,788	36	365,612	36	287,288	33	272,412	31	255,765	35	173,344	38	133,273	35
Thailand	101,120	10	113,192	11	102,937	12	99,084	11	78,411	11	52,351	11	47,646	12
Fr. Indo-China	20,265	2	24,035	2	22,014	2	26,289	3	20,319	3	8,478	2	4,926	1
Philippines	1,433	0	1,434	0	1,233	0	1,089	0	613	0	329	0	279	0
Total imports from the S.E. Fringe[a]	542,506[b]	52[b]	551,202[b]	54[b]	451,484[b]	51[b]	435,944[b]	49[b]	380,949[b]	53[b]	269,824	59	222,832	58
Total imports from all sources	1,050,111	100	1,017,812	100	879,505	100	898,568	100	716,116	100	457,617	100	380,378	100

From	*1933*		*1934*		*1935*		*1936*		*1937*		*1938*	
	$000	%	$000	%	$000	%	$000	%	$000	%	$000	%
Br. E. Indies	16,130	5	20,654	4	25,084	5	29,271	6	40,079	6	29,068	5
Burma	17,237	5	16,295	4	21,324	5	20,879	4	28,880	4	24,125	4
N.E.I.	110,616	29	159,799	34	150,454	32	161,470	32	224,322	32	152,229	28
Thailand	52,996	15	67,715	15	67,747	14	79,073	15	94,100	14	87,881	16
Fr. Indo-China	5,822	2	6,582	1	9,479	2	9,431	2	13,361	2	14,711	3
Philippines	238	0	329	0	509	0	466	0	511	0	505	0
Total imports from the S.E. Fringe[a]	203,039	56	271,374	58	274,597	58	300,590	59	401,253	58	308,319	56
Total imports from all sources	358,215	100	467,156	100	475,488	100	508,068	100	692,165	100	554,993	100

Sources: *Malaya, Imports and Exports*, 1926–38. [a] Excludes the trade of Timor. [b] Excludes Burma.

TABLE LVI (*continued*)

(*b*) EXPORTS

To	*1926*		*1927*		*1928*		*1929*		*1930*		*1931*		*1932*	
	$000	%	$000	%	$000	%	$000	%	$000	%	$000	%	$000	%
Br. E. Indies	16,129	1	17,051	2	16,739	2	14,545	2	11,583	2	8,089	2	7,997	2
Burma					*not available*						3,105	1	3,132	1
N.E.I.	118,009	9	104,360	10	95,083	11	87,657	9	70,569	10	49,539	11	57,264	15
Thailand	29,942	3	31,916	3	31,225	4	25,061	3	19,193	3	14,523	3	13,462	4
Fr. Indo-China	10,209	1	10,375	1	9,327	1	5,228	1	4,105	1	3,278	1	2,408	1
Philippines	2,049	0	1,838	0	1,427	0	935	0	736	0	519	0	444	0
Total exports to the S.E. Fringe[a]	176,338[b]	14[b]	165,540[b]	16[b]	153,791[b]	18[b]	133,426[b]	15[b]	106,186[b]	16[b]	79,053	18	84,507	23[b]
Total exports to all destinations	1,273,474	100	1,068,694	100	852,026	100	931,129	100	671,214	100	429,828	100	366,230	100

To	*1933*		*1934*		*1935*		*1936*		*1937*		*1938*	
	$000	%	$000	%	$000	%	$000	%	$000	%	$000	%
Br. E. Indies	8,008	2	10,290	2	11,592	2	12,864	2	15,522	2	12,604	2
Burma	2,382	1	2,809	0	3,604	1	3,750	1	4,018	0	3,467	1
N.E.I.	41,603	10	36,455	7	38,660	7	38,820	6	35,457	4	40,879	7
Thailand	14,495	3	12,614	2	13,174	2	12,781	2	14,354	2	15,704	3
Fr. Indo-China	12,098	1	2,593	0	2,583	0	1,122	0	1,107	0	1,506	0
Philippines	359	0	288	0	335	0	534	0	727	0	1,301	0
Total exports to the S.E. Fringe[a]	68,945	17	65,049	11	69,948	12	69,871	11	71,185	8	75,461	13
Total exports to all destinations	401,791	100	566,744	100	581,963	100	637,073	100	902,878	100	579,649	100

Sources: *Malaya, Imports and Exports*, 1926–38. [a] Excludes the trade of Timor. [b] Excludes Burma.

and the wages and local employment of all of which the Colony is deprived when cargo is shipped on through bill of lading, though they may not be large in individual cases, must in the aggregate amount to a considerable sum in the course of the year.'

But in spite of these losses the Straits Settlements remained the focal point for much of the trade of the South-eastern Fringe. The following section will deal with the import and export trade of British Malaya with the other countries in the South-eastern Fringe in order of their importance to British Malaya.

Imports

The Netherlands East Indies

In the nineteenth century the free ports of British Malaya attracted to themselves a large part of the foreign trade of the Netherlands East Indies (N.E.I.). Indeed, to establish a focal point for the trade of the nearby islands was one of the principal reasons for the founding of Penang and Singapore. But the expanding trade of the Dutch Colonies stimulated the provision of direct steamship services, first to Holland, and later also to other destinations. So that from the eighteen-eighties onwards the proportion of N.E.I. trade that went via the Straits Settlements was declining. At the same time the rapid agricultural development of the N.E.I. led to such an expansion of their foreign trade that Singapore and Penang were compensated, and more than compensated, for their decline in the percentage share of the trade. But when the total value of Malaya's trade began to decline in the later nineteen-twenties, the N.E.I. share declined somewhat more than proportionately, and from 1934 onwards the N.E.I. share of the trade recovered somewhat less than the total. (See Table LVI.)

Penang is the natural outlet for northern Sumatra, but it never received a large share of the total N.E.I. export trade. The bulk of the N.E.I. trade with Malaya went to Singapore. In the nineteen-twenties Singapore was the most important outlet for N.E.I. exports, surpassing in importance Holland itself. But Singapore's supremacy was declining, and from 1931 onwards she had to content herself with the second place. The United States, usually third in importance, became a close rival of Singapore for the second place in 1935 and actually held it in 1936.[1] (See Table LVII.)

[1] In view of the fact that large proportions of N.E.I. exports to Malaya consisted of rubber and other commodities for re-export, it does not seem rash to

The principal commodities imported by British Malaya from the N.E.I. were rubber, mineral oils, copra, and areca-nuts. In the nineteen-twenties tin ore, too, was an important item in the trade, representing an annual proportion of between 9 and 16 per cent. of the total. But with the establishment of tin smelters in Arnhem (Holland) the tin ore was diverted to the metropolitan country, and exports to Singapore became negligible.

TABLE LVII. PERCENTAGE OF NETHERLANDS EAST INDIES EXPORTS GOING TO HOLLAND, THE STRAITS SETTLEMENTS, AND THE UNITED STATES

Also Total Value of Exports in Millions of Gulden

	1926	*1927*	*1928*	*1929*	*1930*	*1931*	*1932*
Holland . . . %	16·6	17·5	16·7	16·0	15·3	17·4	19·1
Singapore . . %	22·7	22·0	19·3	21·0	21·3	18·9	16·6
Penang . . . %	2·0	1·7	1·4	1·5	1·5	1·4	1·1
U.S.A. . . . %	16·0	13·3	12·8	11·4	12·3	11·8	12·1
Total value of exports F.000,000 . .	1,566	1,622	1,577	1,443	1,157	747	541

	1933	*1934*	*1935*	*1936*	*1937*	*1938*
Holland . . . %	18·5	21·4	22·5	23·6	20·1	20·4
Singapore . . %	16·9	18·4	14·9	12·1	18·8	16·6
Penang . . . %	1·1	1·4	1·3	1·3	1·2	1·2
U.S.A. . . . %	11·7	11·4	14·3	17·7	18·7	13·6
Total value of exports F.000,000 . .	468	487	446	537	951	657

Sources: League of Nations, *International Trade Statistics*, 1926–38.

The most valuable trade was that in rubber. From the point of view of the total Malayan rubber imports the N.E.I. share was declining. Between 1926 and 1929 the N.E.I. supplied 85 per cent. of the total, during the depression 79 per cent., between 1934 and 1937 on the average 63 per cent., and in 1938 only 51 per cent. This relative decline in the N.E.I. as a source of supply of the Malayan entrepôt trade in rubber was due partly to the expansion of rubber production in the other countries in the South-eastern Fringe which was in the main sold to Singapore; and it was also

conclude that the United States was in fact the most important customer for N.E.I. produce and certainly did not lag far behind Holland, if at all.

due to the establishment of mills in the N.E.I. to convert native 'wet' rubber into 'drysheet', a process that previously had been performed at Singapore; so that the N.E.I., whose rubber production was on the whole expanding throughout the inter-war period, sold an increasing proportion of the output directly to the consumer. But, with the exception of the early nineteen-thirties, there was no decline in the relative importance of rubber in the Malayan import trade from the N.E.I. (See Table LVIII.)

TABLE LVIII. MALAYAN IMPORTS OF PARA RUBBER

	1926–9 annual average	*1930–3 annual average*	*1934*	*1935*	*1936*	*1937*	*1938*	*(1937–8 annual average)*
Total imports, tons 000 .	162	121	211	175	168	213	156*	(185)
Imports from the N.E.I. tons 000 .	138	96	164	116	102	139	80	(110)
Imports from the N.E.I. $000 .	104	17	53	45	59	93	38	(66)
Percentage of value of rubber imports from N.E.I. to total rubber imports %	26	10	33	24	36	42	25	(35)

Sources: *Malaya, Imports and Exports*, 1926–33; *The Foreign Trade of Malaya*, 1935 and 1938.

A close rival of rubber for the first place amongst the imports of British Malaya from the N.E.I. was mineral oil. The bulk of this was imported by the Asiatic Petroleum Company and the Socony Vacuum Corporation from the oilfields under their control in adjacent territories, principally Dutch Borneo, Sumatra, and Java. The oil was stored in bulk in large depots on islands outside Singapore, whence it was redistributed for consumption in the South-eastern Fringe and the outside world. In contrast with the rubber trade which brought to the dealers and middlemen of the Colony considerable profits for milling, grading, and re-selling, the mineral oil conferred no particular benefit on the merchants.[1] True, it provided some employment in the dockyards and with the oil companies. But apart from this, Singapore was merely a convenient centre for the redistribution of the oil, which was done by the oil companies without leaving any scope for the activities of middlemen. Some would have it that the oil trade was a mere transit trade rather than an entrepôt trade, and that its inclusion in the trade statistics gives a misleading picture of the Colony's entrepôt function.[2] Its exclusion would necessitate the deduction of

[1] Cf. *Straits Settlements Trade Commission*, 1933–4, para. 618, and L. A. Mills, *British Rule in Eastern Asia* (Oxford University Press, 1942), p. 120.
[2] Ibid.

$87,788,000 and $83,650,000 from the total import figures for British Malaya for the years 1937 and 1938 respectively, i.e. 13 and 15 per cent. of the total, and from the Malayan imports from the N.E.I. $69,892,000 and $64,089,000 for these two years, i.e. 31 and 42 per cent. respectively. It is, of course, legitimate to argue that the mineral oil was essentially a N.E.I. export which was temporarily stored in Singapore on its way to its final destination. But it is very difficult to draw the exact line between transit trade and entrepôt trade. It therefore seems advisable to follow the classification adopted by the compilers of the official statistics and to include the trade in mineral oil in the trade of the Colony, bearing in mind that it was one of the least profitable entrepôt trades.

The Straits Settlements were a very important market for copra. The bulk of the supplies came from the N.E.I. Although the trade in 'Pontianak' copra, i.e. copra from Western Borneo and Celebes, was lost on account of direct shipments of this article to Europe, Singapore was more than compensated by the increasing amounts of copra reaching her from adjacent Dutch islands. Penang's copra imports from Sumatra were, however, declining on account of the establishment of oil mills in the N.E.I. which led to a larger local consumption of Sumatra copra. Other factors that militated against a further expansion of the trade were the inferior quality of Straits copra in comparison with Ceylon copra, the competition of substitutes such as soya beans, palm oil, whale oil, and the like in the principal consuming markets, the restrictions on the trade imposed in various agricultural countries, the alleged over-production, and the virtual absence of competition amongst the buyers.[1] All these factors combined to depress copra prices and to make this trade increasingly less profitable in spite of an increase in the quantities handled. In 1926 British Malaya imported 67,000 tons of copra from the N.E.I., valued at $12,899,000, the relevant 1937 figures being 111,000 tons and $12,031,000.

The N.E.I. were also an important source of supply of arecanuts. Although part of this trade was lost to Malaya owing to the establishment of direct steamship communications between Java and India before the first world war quite substantial amounts were exported from the N.E.I. via the Penang middlemen, and

[1] *Straits Settlements Trade Commission*, 1933–4, para. 39, iv.

to a lesser extent via Singapore throughout the inter-war period. N.E.I. exports to the Straits Settlements amounted to 43,000 tons in 1926, 32,000 tons in 1933, and 47,000 tons in 1937.

In the case of other articles entering the re-export trade and mainly supplied from the N.E.I., losses were incurred in the following instances. On account of the provision of direct shipping services between the N.E.I. and India some losses were made in the entrepôt trades in sugar and coffee. This was reinforced in the nineteen-thirties by the embargo placed upon the importation of these commodities by the Government of India. The diversion of the peculiar trade handled by the Sea and Forest Produce Guild, such as shells, sharks' fins, ivory, edible birds' nests, &c., has been attributed to the fact that the producers in the Dutch islands sent a man to Hong Kong and China to learn how the produce should be graded, and so rendered themselves independent of the services of the Singapore middlemen.[1] There was a decline in the trade in rattans, mainly because cane furniture went out of fashion. Rattans also were ousted by the use of a paper fibre substitute. Moreover, the Celebes product was diverted into direct trade channels, and Singapore came to rely on Borneo and Sumatra for her supplies. The rattans were picked and washed in Singapore, and graded for export. There was also an industry in splitting rattans for furniture.[2] Gutta-percha, too, was of diminishing importance. It is used as an insulator for submarine and underground cables. The extension in wireless led to a decline in the use of such cables and consequently in the demand for gutta-percha. The trade became negligible. There was also a decline in the case of gum copal.

The trade in gum benjamin remained fairly stable throughout, and the same applies to jelutong. The ground-nut and illipi-nut trades were irregular.

Expanding trades were those in peppers—which more than compensated Singapore for the direct shipments of Sarawak peppers—cattle, cloves, damar gums, kachang oil, and sago. Java also sent small, though increasing, quantities of cotton sarongs and electric torches.

The articles enumerated do not give an exhaustive list of the commodities entering into the N.E.I.–Malaya trade. But they represent the more important items and are sufficient to establish

[1] *Straits Settlements Trade Commission*, 1933–4, para. 43. [2] Ibid., para. 39.

the main causes for the decline of the Straits Settlements as an outlet for N.E.I. produce. These, to repeat, were the unfavourable raw material prices prevailing at the time, the tendency towards direct shipment, and the diversion of the N.E.I. tin ore from the Singapore smelters to Holland. To these might be added quotas and preferential tariffs requiring proof of origin, and exchange control in many markets, all tending to accentuate the tendency towards direct trading.

Thailand (Siam)

Second in importance in the regional import trade of British Malaya was Thailand, which sold more than half of her exports to British Malaya. The bulk of these went to Penang and Singapore, but quite substantial amounts were imported overland into the Malay States. The principal articles involved were rice, tin ore, rubber and, to a lesser extent, dried and salted fish. Of these, the trades in rice and salted fish were essentially regional trades in either direction, i.e. the bulk of the imports were consumed in Malaya, and the remainder was exported to other countries in the South-eastern Fringe. The rice trade was adversely affected by an expansion of domestic production in Malaya and the N.E.I., the imposition of preferential import duties in the Unfederated Malay States and of import quotas in the N.E.I., by an increase in direct shipments, but chiefly by the fall in prices. The development can be gauged from the following figures:[1]

TABLE LIX. MALAYA'S TRADE IN RICE

	1926–9 annual average	*1930–3 annual average*	*1934–7 annual average*	*1938*
Imports from Thailand, tons 000	476	375	418	529
Total imports into Malaya, tons 000	796	669	676	815
Total imports into Malaya, $000	97	53	41	54
Exports from Malaya, tons 000	272	182	168	202

Sources: *Malaya, Imports and Exports.*

The imports of dried and salted fish remained fairly steady, averaging 22,000 tons per annum, but again there was a considerable decline in the value of the trade. In 1927 and 1936 alike,

[1] See also below, p. 226.

Thailand supplied 22,000 tons, the value in the former year being $3,563,000, in the latter $2,032,000.

The rubber and tin trades, on the other hand, increased sufficiently to offset any decline in prices:

TABLE LX. MALAYA: IMPORTS FROM THAILAND OF PARA RUBBER AND TIN ORE AND CONCENTRATES

	Tin ore and concentrates		*Para rubber*	
	tons 000	$000	tons 000	$000
1926–9 annual average	11	16,013	5	4,466
1930–3 ,, ,,	15	13,101	5	1,051
1934–7 ,, ,,	17	22,252	28	14,043
1938	19	20,870	40	18,386

Sources: *Malaya, Imports and Exports.*

The increase in Thailand's tin exports offset some of the losses incurred by the Singapore smelters on account of the diversion of the N.E.I. tin ore, which had averaged some 27,000 tons per annum between 1926 and 1929. The increase in the nineteen-thirties of Thailand's rubber sales to Singapore was rather sudden. Malaya's rubber imports from Thailand jumped from 7,000 tons in 1933 to over 19,000 tons in 1934. This was due to the increased plantings of rubber trees when prices were high in the nineteen-twenties which did not bear fruit before the middle nineteen-thirties. Tin and rubber were responsible for the fact that the total Malayan imports from Thailand fell less than the total Malayan imports from the South-eastern Fringe.

The British East Indies

As has been pointed out above, the British East Indies traded almost exclusively via Singapore. True, there was a certain amount of direct shipment of spices to Europe, and there was some trade in small craft with adjacent territories. But Singapore was the focal point for the bulk of the trade. The principal articles in the import trade from the British East Indies were rubber, mineral oils, and to a lesser extent sago flour, copra, and jelutong. Jelutong apart, there was an increase in the quantities imported of these commodities. All but jelutong suffered from a decline in prices. Only rubber and sago flour were valued higher in 1937 than in 1929:

TABLE LXI. MALAYA: PRINCIPAL IMPORTS FROM THE BRITISH EAST INDIES[1]

Year	Mineral oils		Rubber		Sago flour		Copra		Jelutong	
	tons 000	$000	tons 000	$000	tons 000	$000	tons 000	$000	tons 000	$000
1929	131	16,181	15	10,631	13	904	7	1,290	5	1,790
1937	173	10,652	31	21,815	25	1,316	10	1,077	1	758

Burma

As an outlet for Burmese exports British Malaya ranked next to India, the United Kingdom, and Ceylon. Between 1929 and 1938 somewhat more than 5 per cent. of Burma's exports went to British Malaya. This trade consisted mainly of rice, tin ore and concentrates, and rubber. It followed more or less the same course as that described in connexion with Thailand. One of the differences was that the preferential tariffs on rice in the Unfederated Malay States favoured Burma; but it was not of sufficient importance to bring about any perceptible trade diversions. Burmese tin production increased during the nineteen-thirties, and with it the quantities going to the Singapore smelters. Rubber imports from Burma advanced rather suddenly from 2,653 tons, valued $509,000, in 1933, to 3,741 tons, valued $1,537,000, in 1934. The quantities and values of the principal articles imported from Burma in 1938 were:

TABLE LXII. MALAYA: PRINCIPAL IMPORTS FROM BURMA

	Tons 000	$000
Rice	251	16,277
Tin ore and concentrates	4	5,088
Rubber	4	1,836

French Indo-China

French Indo-China sold somewhat less than 10 per cent. of her exports to Singapore. The principal articles involved were rubber, dried and salted fish, tin ore and concentrates, and rice. Serious losses were made in the rice trade. Between 1926 and 1929 the imports averaged over 80,000 tons per annum, by 1931 it had fallen to 41,873 tons, and 8,922 tons in 1932. In spite of a subsequent recovery it never re-attained its former level, and averaged somewhat over 25,000 tons. This decline appears to have been due

[1] Source of this and all subsequent tables in this chapter, unless stated: *Malaya, Imports and Exports.*

to the diversion of the rice to France after the establishment of the customs union between France and Indo-China in 1928, and to the other factors discussed above, militating against the rice trade. Malaya's loss in this line was partially counteracted by gains in other commodities. Thus, imports of tin ore from French Indo-China steadily advanced from 358 tons in 1926 to 2,592 tons in 1938. The rubber imports were subject to wide fluctuations, apparently with an upward long-term trend. They amounted to 449 tons in 1926, thereafter rose to 5,362 tons in 1930, declined to 1,753 tons in 1935, and reached their peak in 1938 with 2,592 tons. The trade in dried and salted fish experienced a slight decline from 23,807 tons in 1930, the peak year, to less than 20,000 tons per annum ever since. The following figures illustrate the development of these various trades by comparing the position in 1929 with that in 1937:

TABLE LXIII. MALAYA: PRINCIPAL IMPORTS FROM FRENCH INDO-CHINA

Year	*Rice*		*Dried and salted fish*		*Rubber*		*Tin ore*	
	tons 000	$000	tons 000	$000	tons 000	$000	tons 000	$000
1929	103	12,158	21	6,241	4	3,225	812	697
1937	30	1,954	18	2,803	4	2,750	2,443	2,861

The Philippines

Malayan imports from the Philippines were negligible. Before the first world war Singapore received some 2½ per cent. of the exports of the Philippines, between 1926 and 1938 not even 1 per cent. The preferential tariff arrangements between the United States and the Philippines kept about 80 per cent. of the latter's exports within the American tariff area. Of the remainder, the bulk was sold directly to Japan or the United Kingdom. The small trade with Malaya consisted of a range of articles of which margarine, tobacco, vegetable cooking fats, and bêche-de-mer were among the more important items.

Exports

British Malaya's exports to the South-eastern Fringe amounted to only one-quarter of the value of the imports from that region.

The N.E.I. were the most important of the adjacent markets, followed by Thailand, the British East Indies, Burma, French Indo-China, and the Philippines, in that order.

The Netherlands East Indies

The N.E.I. ranked fourth among the buyers of Malaya's exports, being exceeded only by the United States, the United Kingdom, and in the nineteen-thirties also by Japan. Until 1933 the N.E.I. never took less than 10 per cent. of the total and often more, thereafter 7 per cent. or less. Until 1928 the Straits Settlements ranked next to Holland as a supplier of N.E.I. requirements, thereafter her share was exceeded by the United States or Japan or both. (See Table LXIV.) The decline in the Malayan share

TABLE LXIV. PERCENTAGES OF NETHERLANDS EAST INDIES IMPORTS SUPPLIED BY HOLLAND, THE STRAITS SETTLEMENTS, THE UNITED KINGDOM, THE UNITED STATES, AND JAPAN

Also Total Imports in Millions of Gulden

		1926	*1927*	*1928*	*1929*	*1930*	*1931*	*1932*
Holland	%	17·8	17·5	18·1	17·8	16·8	15·4	15·7
Singapore	%	14·5	13·8	11·6	10·6	11·2	11·3	12·5
Penang	%	1·7	1·9	1·9	1·5	1·7	1·8	2·0
U.K.	%	12·5	12·3	12·6	11·0	10·4	8·0	9·6
U.S.A.	%	8·7	10·8	10·2	12·4	10·7	9·3	6·7
Japan	%	9·6	10·5	9·9	10·9	12·0	17·0	21·3
Total imports F.000,000		856	858	948	1,052	833	545	369

		1933	*1934*	*1935*	*1936*	*1937*	*1938*
Holland	%	12·4	13·0	13·4	16·7	19·1	22·2
Singapore	%	10·8	11·1	10·7	10·1	7·5	7·5
Penang	%	1·5	1·4	1·4	1·2	0·7	0·9
U.K.	%	9·6	9·9	8·0	7·8	8·3	8·0
U.S.A.	%	4·9	6·1	6·9	7·7	10·2	12·6
Japan	%	31·0	31·8	30·1	26·7	25·4	15·0
Total imports F.000,000		318	286	272	282	491	478

Sources: League of Nations, *International Trade Statistics.*

coincided with the general decline of the N.E.I. import trade. Even allowing for the fact that the value figures for the years 1931–6 exaggerate the falling off of the N.E.I. import trade—i.e. during the period after the depreciation of sterling and before the depreciation of the gulden—the losses were serious. The 1937 and 1938 figures, which do not suffer from this defect, still remained at about half the 1928 values, so Malaya supplied a diminishing proportion of a declining trade.

The Malayan export trade to the N.E.I. consisted chiefly of rice, dried and salted fish, mineral oils, motor-cars, and textiles, in that order. The trade in mineral oils was peculiar. In a sense it was actually a N.E.I. export to the N.E.I. The Singapore oil companies stored the oil won on their oilfields in the East Indies in their depots near Singapore, and some of it was sent back to the N.E.I. for local consumption. Thus, in 1938 Singapore imported some $64 millions worth of mineral oils from the N.E.I. and sent back some $4·2 millions worth. There were some fluctuations in this trade during the depression, but there were no permanent losses. The re-export trade in motor-cars was on the increase. In 1926 Malaya sold 347 vehicles to the N.E.I., 185 in 1929, 652 in 1934, 989 in 1935, and 2,095 in 1938. This increase is the more remarkable since the N.E.I. imports of motor-cars showed no such regular upward trend. In the years cited they amounted to 12,400, 18,300, 3,700, 5,100, and 9,700. The development in these two trades was satisfactory from Malaya's point of view. But losses were incurred in the re-export trades in rice, dried and salted fish, textiles, and a number of other articles.

Several factors were at work to diminish the importance of the Straits Settlements as suppliers of N.E.I. requirements. There was the increasing habit of Java importers of reliable financial standing to order directly from overseas. This made itself felt in many lines of the trade. Perhaps the most serious case was the partial disappearance of the entrepôt trade in rice. The distribution of Thai and Indo-China rice from Singapore, and of Rangoon rice from Penang, was one of the most important branches of the Malaya–N.E.I. trade. A large part of this was lost after the first world war. It so happened that a drought in Thailand temporarily eliminated that vital source of supply. Simultaneously the Burmese rice crop was insufficient to meet the requirements and the Government of India felt compelled to control the export of rice. In order to ensure an even distribution of the scarce supplies, to prevent prices from rocketing sky-high, and to prevent fraudulent practices such as sifting, &c., the Malayan Government also had to resort to control. This Rice Control was enforced from 1919 to 1921. Control in some of the principal supplying countries and in the entrepôt ports drove the N.E.I. merchants to obtain their supplies directly from French Indo-China and Burma and—once the droughts were over—from Thailand as well. Trade, having found new and convenient channels, did not readily return to its former routes, the more so as the Malayan Rice Control coincided in time with the completion of Belawan as an ocean port. Other trade went with the rice. Thus the weekly steamship service of the Royal Packet Company from Singapore to Celebes was discontinued and direct steamship communications were established between Rangoon and Belawan. Another instance of losses incurred owing to direct shipments or shipments on through bills of lading was Penang's loss of the large business of the seasonal requirements of the tobacco estates in Deli and Atcheen (Sumatra), of which jute twine and building materials used to form the principal items, these running into several thousands of tons per annum. Incidentally, this led to the cessation of the arrival of Deli tobacco as a return cargo, so causing the disappearance of Penang's re-export trade in this article to Holland.[1] Similar examples could be multiplied.

Secondly, there was the low purchasing power of the population during the depression. This might have affected all suppliers alike, had it not been for the attraction of cheap Japanese goods, particularly textiles. Demand was diverted from the West to the East. The increasing proportion of cheap Japanese articles in the Malayan re-exports further depressed the value of a declining trade.

The third and most important factor to reduce the importance of the Straits Settlements as suppliers of N.E.I. requirements was the new economic policy of the N.E.I. Government. The N.E.I. abandoned free trade in order to diminish the dependence of the population on imported foodstuffs, to provide alternative employment for those who had suffered most severely from the low raw material prices prevailing at the time, and to check Japanese competition. Under the powers conferred upon the Governor by the Crisis Ordinance of 1931, the importation of rice into Java and Madura, the eastern parts of Borneo, and some of the Outer Islands was prohibited in March 1933, while in other parts of the N.E.I. quotas varying from 20 to 30 per cent. had to be imported from Java. This was superseded by another Ordinance of July 1933 which

[1] Cf. *Straits Settlements Trade Commission*, para. 45.

prohibited the importation of rice into the N.E.I. without a government licence. The result was that domestic production increased from an annual average of 5,266,000 tons between 1928–9 and 1931–2 to 5,964,000 tons between 1934–5 and 1937–8. Imports, which between 1928 and 1931 had averaged 629,000 tons per annum, or 12 per cent. of domestic production, averaged 270,000 tons per annum, or 4½ per cent. of domestic production, between 1934 and 1937. All this could not fail to have its effects on the Malayan entrepôt trade in rice, the principal item in the re-export trade to the N.E.I. It seriously aggravated the loss of profitability in a trade that also suffered from a decline in prices. (See Table LXV.)

TABLE LXV. BRITISH MALAYA: EXPORTS OF RICE TO THE NETHERLANDS EAST INDIES

	Exports of rice to the N.E.I.		*Total exports to the N.E.I.*	*Percentage of rice exports to total exports to the N.E.I.*
	tons 000	$000	$000	
1926	222	29,273	118,009	25
1928–31 (annual average)	181	19,651	75,712	26
1934–7 (annual average)	118	7,742	37,348	21
1938	159	10,358	40,879	21

Other important food imports to the N.E.I. included dried and salted fish and soya beans. The bulk of the soya beans came from Manchuria; only negligible quantities were imported from the Straits Settlements. Malayan exports of dried and salted fish declined from a pre-depression level of over 50,000 tons or over $11 millions per annum to 45,000 tons or $6 millions in 1937. There were no restrictions on the import of dried and salted fish.

In 1934 the Import Control Ordinance for Bleached Cotton Textiles was passed. It was the first measure taken to discriminate against Japanese goods. Holland was given a 'suitable' share and foreign countries were allotted their average annual imports between 1927 and 1931. This was a serious blow to Japan. Her exports to the N.E.I. had been increasing during the depression, and cotton textiles were among the most important articles. The basic period chosen discriminated in favour of Holland and the United Kingdom at the expense of the Japanese. Singapore was given a comparatively small quota in view of the fact that a portion of Singapore's textile exports to the N.E.I. was known to be of Japanese origin and proof of origin was difficult to obtain. The quotas accentuated the tendency to order directly from the manufacturer since the importer had to furnish proof of the country of origin. Moreover, the introduction of the textile quota system in Malaya in 1934 and the necessary controls connected therewith is alleged to have further diminished the attraction of the Straits Settlements as a source of supply of textiles for the N.E.I. The Malayan exports of cotton piece-goods to the N.E.I. fell from 23,369,000 yards ($2,358,000) in 1933 to 8,297,000 yards ($1,065,000) in 1937. Another factor affecting the textile trade was the establishment of weaving factories in the N.E.I. The N.E.I. Government aided this development by removing the import duties on yarn. This led to some increase in the Singapore re-exports of yarns but reduced the trade in made-up cotton goods. In fact the N.E.I. started to export some of the new manufactures, chiefly to Singapore.

The number of items quotaed increased in 1935. In the end approximately 40 per cent. of all the net imports were covered by these quantitative import regulations.[1] These measures succeeded in redirecting a large part of the controlled trade to the West. Whatever the result on Japanese trade, a further stimulus was given to direct shipments.

To defeat the Japanese trade expansion was not the only motive behind the quota legislation. Industrialization was pushed ahead and was fostered by the protection the quotas gave to the domestic producers. The effects on rice production and on the textile trade have been dealt with above. Similarly, import restrictions on rubber tyres aided the factories that had been established in Java and reduced the importance of the Straits Settlements as a source of supply. An American flash-light factory established a branch factory in the N.E.I. and thus availed itself of the cheap local labour supply as a means to combat losses in the Eastern markets, because American wages—and therefore the prices of American produced goods—are higher than those paid by their competitors in Hong Kong and elsewhere in the East. Instances of this kind could be multiplied. These industries succeeded to a

[1] Cf. J. van Gelderen, *The Recent Development of Economic Foreign Policy in the Netherlands East Indies* (London, Longmans Green, 1939), p. 24.

certain extent in providing new employments. This meant a lesser dependence on imported goods, and a lesser dependence on the nearby entrepôt centres of Singapore and Penang.

The quotas had one more effect which was detrimental to the Straits Settlements. By the Retaliation Act of 1936 the Netherlands Government took power to discriminate against countries whose trade with the N.E.I. was not regulated by treaty. The quotas were their bargaining weapon. They were manipulated in favour of trade agreement countries. A number of such treaties were concluded with various European Powers, Indo-China, and Japan. Particularly in the case of countries practising exchange control another fillip was given to direct shipments.

In all this the N.E.I. Government did not resort to tariff protection. True, there was a general heightening of the N.E.I. tariff in 1932, but this step was taken in view of the revenue needs of the N.E.I. Government and no discrimination in favour of the metropolitan country was applied. The Dutch authorities dismissed any suggestions for the adoption of imperial preference, for two reasons. An effective preference would have been prohibitive, and this would have had serious consequences on the standard of living of the inhabitants of the N.E.I. Secondly, there were the two Anglo-Dutch treaties of 1824 and 1871.[1] Article II of the former treaty stipulated that

> 'the subjects and vessels of one nation shall not pay, upon importation or exportation, at the ports of the other in the Eastern seas, any duty at a rate beyond the double of that which the subjects and vessels to which the port belongs, are charged. . . . In regard to any article upon which no duty is imposed, when imported or exported by the subjects, or in the vessels, of the nation to which the port belongs, the duty charged upon the subjects or vessels of the other shall, in no case, exceed 6 per cent.'[2]

In view of the introduction of imperial preference in the British territories to which the treaty applied, i.e. Ceylon and Malaya, with margins of preference for Empire goods wider than 6 per cent., this clause may be regarded as obsolete. But not so the treaty of 1871 which provided for national treatment of British ships and British goods in certain parts of Sumatra.[3] Thus a

[1] J. van Gelderen, op. cit., p. 23.
[2] Hertslet's Treaty Series, vol. iii, pp. 285, 286.
[3] Ibid., vol. xiii, p. 665.

preferential tariff could not have been introduced without the splitting up of the N.E.I. into two different tariff units.

Thailand (Siam)

Thailand, though an independent country, did not attain full tariff autonomy until the nineteen-thirties. To 1926 her commercial relations with the British Empire were regulated by a treaty with Britain dating back to 1855. This treaty limited all Siamese import duties to 3 per cent. *ad valorem*. In 1926 a new commercial treaty came into force. It provided for the mutual grant of most-favoured-nation treatment, but limited Thailand's freedom of action in respect of the import duties on cotton yarns, threads, fabrics, and all other manufactures of cotton, iron and steel and manufactures thereof, and machine parts. Import duties on these articles were not to exceed the equivalent of 5 per cent. *ad valorem* during the first ten years of the operation of the treaty. The import duty on gunny bags was fixed at 1 per cent. *ad valorem* owing to the following provisions. The British authorities could claim a drawback of the full amount of duty on all British goods re-exported from Thailand; but they agreed not to claim this benefit in so far as filled gunny bags were concerned, provided the duty leviable on the importation of gunny bags from the British Empire did not exceed 1 per cent. *ad valorem*.[1] The treaty was revised in 1937. The provision relating to mutual most-favoured-nation treatment was continued. But the new treaty contained no clause limiting the height of the Siamese tariff on any article.[2] Similar treaties were concluded between Siam and other Powers, including the United States.

Thailand was Malaya's second best customer in the South-eastern Fringe. But her share in the total export trade was small. It varied between 2 and 4 per cent. About two-thirds of this was exported from Singapore, about one-third from Penang, and small quantities were exported overland from the Malay States. The total Thai import trade averaged 196 million bahts in the later nineteen-twenties, but dropped to about half its former level during the depression. The best post-depression year was 1938–9 with 130 million bahts. British Malaya was the principal source of Thai imports, supplying about one-fifth of the total in the later nineteen-twenties and early nineteen-thirties, and one-quarter of

[1] Cmd. 2643, Articles 10 and 11.

[2] Cmd. 5731.

the total from 1936 onwards. Thus Malaya's share in the import trade of Thailand rose after Thailand's attainment of full sovereignty. However, the fallacy *post hoc, ergo propter hoc* must be avoided. Malaya's advance probably was due to Japan's loss. That country actually had exceeded Malaya's share of the trade in 1935–6 and 1936–7 but dropped to 20 and 15 per cent. respectively in the two subsequent years, presumably on account of the Sino-Japanese war.

The principal Malayan exports to Thailand were mineral oils, cotton yarns, cotton piece-goods and sarongs, and to a lesser extent sugar, condensed milk, cigarettes, and motor-cars. There was some decline in the value of the mineral oil trade from an annual average of somewhat over $4 millions between 1926 and 1933 to about $3·3 millions in the subsequent years. The trade in cotton yarns took a sudden upswing in the nineteen-thirties:

TABLE LXVI. MALAYAN EXPORTS OF COTTON YARNS TO THAILAND

	lb. 000	$000
1927–9 (annual average)	291	212
1930–2 (annual average)	244	97
1933	226	82
1934	782	270
1935–7 (annual average)	1,221	350

The value of the cotton piece-goods exported to Thailand showed a decline, but the quantities though subject to some fluctuations were on the whole stable. The same applies to cotton sarongs. Previously of importance was the re-export trade in gunnies. It almost disappeared in 1934, i.e. before the denunciation of the 1926 treaty:

TABLE LXVII. MALAYAN EXPORTS OF GUNNIES TO THAILAND

	Bales of 100 pieces 000	$000
1927–9 (annual average)	43	1,673
1930–2 (annual average)	65	1,560
1933	110	2,244
1934	25	491
1935–7 (annual average)	3	64

The trades in sugar and condensed milk remained fairly stable as far as the quantities were concerned but there was some decline in the values. Exports of cigarettes declined from 929,098 lb.

($1,555,000) in 1926 to 292,124 lb. ($297,000) in 1937. The exports of motor-cars in these two years were almost identical with 270 and 271 vehicles respectively, the corresponding value figures being $328,000 and $323,000.

It appears that those losses that were incurred were due to declining prices of some articles, to Japanese competition in others, and—in the case of gunnies at any rate—to direct shipments from the country of origin. The gains in the trade in cotton yarns also suggests a certain amount of industrialization in Thailand.

The British East Indies

The British East Indies took about 2 per cent. of Malaya's exports which represented almost 100 per cent. of their import trade. The principal articles involved were rice, textiles, cigarettes, and to a lesser extent mineral oils,[1] condensed milk, and sugar, in that order. There were no important changes in the composition of this trade during the period under consideration.

Burma

Burma took about 1 per cent. or less of the Malayan exports. This accounted for somewhat less than 3 per cent. of Burma's seaborne import trade. The trade consisted chiefly of areca-nuts, dried and salted fish, coco-nut oil, and mineral oils.[1]

French Indo-China

French Indo-China was a small market for Malaya's export trade. Throughout the inter-war period she took about 1 per cent. or less of the total. Singapore supplied 9 per cent. of Indo-China's imports in 1913 but between the two world wars she accounted for something between 3 and 4 per cent. only. The insignificance of the trade was due to a series of protective measures passed by the French authorities. A tariff law of 1892 established freedom of entry for French goods in Indo-China, while foreign goods were subjected to the import duties levied in metropolitan France. To temper the absolute quality of the French tariff there was an exception list dependent upon the sanction of the authorities in Paris. The only modifications allowed were duty reductions on a range of typically oriental goods. In 1928 Indo-China became an

[1] See remarks made in connexion with N.E.I. imports of mineral oils from the Straits Settlements, p. 230.

integral part of the customs area of metropolitan France. The principle of the exceptions list was continued and extended in so far as the Colonial Government got a say in the matter. French Indo-China used this right mainly to raise some of the existing duties to protect their local industries. These exceptions lists proved to be a valuable bargaining weapon when trade agreements were negotiated with Japan, the N.E.I., and several other countries. The 1928 Law, coupled with the low purchasing power of the people, resulting from the very low prices for rice prevailing at the time—rice being the principal cash crop of the natives—caused a decline in the Malayan exports to French Indo-China. The value of this trade amounted to approximately \$10 millions per annum between 1926 and 1928, somewhat over \$5 millions in 1929, and thereafter declined steadily until it reached its low point with \$1·1 millions in 1937.

In 1938 areca-nuts, mineral oils, and tin were the principal items in this trade. The tin presumably was one of those articles which the countries in the South-eastern Fringe exported to themselves via the Singapore middlemen or manufacturers. In this particular instance French Indo-China sold \$2·4 millions worth of tin ore to the Singapore smelters in 1938, and bought \$304,000 worth of tin blocks, ingots, bars, and slabs from the Singapore smelters. In the past frozen butter and gunnies used to be important items in the Malayan export trade to French Indo-China. Both trades disappeared in the nineteen-thirties.

The Philippines

The Philippines were as unimportant as buyers from British Malaya as they were as suppliers of Malayan imports. The trade accounted for less than 1 per cent. of the Malayan exports and for approximately 2 per cent. of the Philippine imports. Although the Philippine tariff never has been assimilated to the American one, free trade between the United States and the Philippines was established in 1913. Between 60 and 70 per cent. of the Philippine imports came from the United States, most of the remainder from Japan. The American colonial tariff policy left as little or less scope for close mutual trade relations between the Philippines and other countries in the South-eastern Fringe as did the French in respect of Indo-China. Clearly, under such conditions the services which a free entrepôt port could render were not utilized. The small trade that was carried on consisted of a miscellany of articles among which rayon and cotton textiles predominated.

B. BRITISH MALAYA'S TRADE WITH SOUTH-EAST ASIA (EXCLUDING THE SOUTH-EASTERN FRINGE)

China

Long before the white men set foot on the soil of South-east Asia the Chinese traders had established themselves in the Malayan Archipelago. The importance of the Chinese element has remained to the present day. Indeed, the foundation of the Straits Settlements and the subsequent economic development of Malaya have provided a new attraction to Chinese immigrants. They were engaged in all sorts of activities such as tin mining and rubber cultivation, but their chief contribution to Malaya's prosperity was in the sphere of commerce. Hardly any commercial transactions took place without the aid of the ubiquitous Chinese dealers. Before the second world war almost half the population of British Malaya was Chinese, and Singapore and Penang virtually were Chinese cities. Most of these immigrants hailed from Southern China, predominantly from the provinces of Kwantung and Fukien. No wonder an extensive trade developed between the Straits Settlements and the South China ports of Amoy, Swatow, and Canton. Chinese tea, silk, and cassia were exchanged for opium, Straits produce, and British textiles.

In the first half of the nineteenth century a considerable portion of China's trade with the West went via Singapore. But with the foundation of Hong Kong in 1842 the larger part of South China trade was diverted from Canton and Singapore to Hong Kong. Many a Canton merchant transferred his headquarters to Hong Kong, preferring the security of Hong Kong under *pax Britannica* to the constant fears of the consequences of internal unrest in China to which their businesses were exposed in Canton. And many set up branch offices in Singapore where they exchanged the produce of China for the goods the Singapore merchants had to offer. The development of Hong Kong therefore brought gains as well as losses to Singapore. In a sense Singapore became an outport of Hong Kong as far as a considerable proportion of the China trade was concerned.

The existence of an intermediary between the Straits Settlements and China for a substantial portion of the trade makes it impossible to assess accurately the importance of the trade to the parties concerned. Hong Kong as a trade centre was a portion of South China, separated from its hinterland by political and tariff barriers. Roughly speaking four-fifths of the external trade of Hong Kong consisted of goods destined for South China from North China or from foreign countries, or vice versa. Exports of local manufactures and goods for home consumption represented about one-tenth of the total export and import trades.[1] Even if that proportion has risen in recent years—in the case of the export trade at any rate—the local trade remained overshadowed by the China trade. As a by-product to the China trade the Hong Kong merchants developed an entrepôt trade with other countries in South-eastern Asia, which accounted for the remaining tenth of Hong Kong's trade. This additional entrepôt trade makes it impossible to ascertain whether or no Hong Kong's imports from the Straits Settlements were all consumed in China or Hong Kong, or whether some of them found their way to, say, Japan. Some of Hong Kong's exports are believed to have been of Japanese origin.[2] Hence the direct trade with China underestimates the importance of China as a market and as a supplier from Malaya's point of view. If the total Malaya–Hong Kong trade is included it is overestimated. Bearing this in mind, let us proceed to deal with Malaya's direct trade with China and Malaya's trade with Hong Kong separately.

As a supplier of British Malaya's imports China ranked behind the N.E.I., the United Kingdom, Thailand, and, in the middle nineteen-thirties, also behind Japan. Between 1926 and 1938 she accounted on the average for 4½ per cent. of the total (see Table LXVIII). At the same time British Malaya's share in China's export trade averaged somewhat less than 2½ per cent. This trade consisted chiefly of a variety of Class I goods (i.e. food, drink, and tobacco), textiles, drugs and medicines, and joss-sticks and joss-paper. A comparison of the position in 1929 and 1937 suggests that the decline in the value of the China trade was due to losses in the textile, tobacco, and food trades. The chief loss in the food trade was due to a decline in the value of tea. Malaya's imports of tea from China amounted to 3,674,000 lb., value $1,748,000, in 1929; the quantity imported in 1937 was somewhat

[1] Cf. *Hong Kong Trade Commission*, 1934–5, chapter vi, para. 4.
[2] Cf. Chapter 4.

TABLE LXVIII. THE FOREIGN TRADE OF BRITISH MALAYA: TRADE WITH SOUTH-EAST ASIA (EXCLUDING THE SOUTH-EASTERN FRINGE) IN VALUES

Also showing Proportion of this Trade to Total Trade[a]

(*a*) IMPORTS

From	*1926*		*1927*		*1928*		*1929*		*1930*		*1931*		*1932*	
	$000	%	$000	%	$000	%	$000	%	$000	%	$000	%	$000	%
Hong Kong	38,411	4	42,826	4	38,366	4	34,949	4	20,521	3	5,822	1	3,607	1
China	48,747	5	35,550	4	30,306	4	41,509	5	37,229	5	30,507	7	22,365	6
Japan	34,598	3	30,215	3	20,219	2	23,190	2	24,935	4	17,895	4	26,593	7
All the above	121,756	12	108,591	11	88,891	10	99,648	11	82,685	12	54,224	12	52,565	14

From	*1933*		*1934*		*1935*		*1936*		*1937*		*1938*	
	$000	%	$000	%	$000	%	$000	%	$000	%	$000	%
Hong Kong	5,759	1	6,123	1	4,304	1	5,427	1	9,890	1	8,640	2
China	20,043	6	22,585	5	20,416	4	22,067	4	27,612	4	23,920	4
Japan	17,022	5	37,502	8	30,504	6	32,542	7	40,482	6	12,426	2
All the above	42,824	12	66,210	14	55,224	11	60,036	12	77,984	11	44,986	8

Source: *Malaya, Imports and Exports.*

[a] For figures showing total trade see Table LVI.

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TABLE LXVIII (*continued*)

(*b*) EXPORTS

To	*1926*		*1927*		*1928*		*1929*		*1930*		*1931*		*1932*	
	$000	%	$000	%	$000	%	$000	%	$000	%	$000	%	$000	%
Hong Kong	9,937	1	10,139	1	16,137	2	12,158	1	9,832	2	7,786	2	5,798	2
China	9,213	1	8,589	1	12,410	1	10,575	1	8,829	1	5,176	1	4,006	1
Japan	39,966	3	38,628	3	33,983	4	38,671	4	41,839	6	49,728	11	40,379	11
All the above . . .	59,116	5	57,356	5	62,530	7	61,404	6	60,500	9	62,690	14	50,183	14

To	*1933*		*1934*		*1935*		*1936*		*1937*		*1938*	
	$000	%	$000	%	$000	%	$000	%	$000	%	$000	%
Hong Kong . .	4,201	1	4,469	1	5,440	1	4,332	1	8,075	1	7,598	1
China . . .	5,863	2	5,466	1	3,597	1	4,352	1	5,090	0	3,156	1
Japan . . .	36,684	9	51,388	9	52,689	9	48,293	8	60,712	7	53,887	9
All the above .	46,748	12	61,323	11	61,726	11	56,977	10	73,877	8	64,641	11

higher, i.e. 3,793,000 lb., but the value was no more than $876,000. This appears to have been the result of the restoration of the preferential tariff on tea in the United Kingdom in 1932. The preference led to a diversion of the United Kingdom demand for tea from China teas to Empire teas. Unable to sell their tea at the previous price in the world markets the Chinese had to accept a lower price in order to dispose of their export surplus.[1] In the

TABLE LXIX (*a*). BRITISH MALAYA: IMPORTS FROM CHINA

	1929	*1937*	*Increase + or decrease –*
	$000	$000	$000
Food (all kinds)	13,083	10,938	–2,145
Alcoholic drinks	952	374	–578
Tobacco and tobacco manufactures	5,261	277	–4,984
Textiles	8,067	2,201	–5,866
Drugs and medicines	2,722	2,797	+75
Joss sticks and joss paper	1,770	1,320	–450
All other articles	9,654	9,705	+51
Total	41,509	27,612	–13,897

case of the other foodstuffs there was some increase in the quantities and values of the fruit and vegetable imports which, however, was counterbalanced by losses in other lines such as eggs, meats, sauces, and vermicelli. Incidentally, there were no rice imports from China worth mentioning, since the exportation of rice from China was forbidden. The loss of the tobacco trade and the partial loss of the trade in alcoholic drinks (mainly samsoo) was due to the introduction of preferential import duties on these articles in the Straits Settlements in 1932. The quantities of tobacco and samsoo imported from China were:

TABLE LXIX (*b*). BRITISH MALAYA: IMPORTS OF TOBACCO AND SAMSOO FROM CHINA

		1929	*1931*	*1933*	*1937*
Cigarettes	lb. 000	258	1,483	370	18
Tobacco, native manufactured	lb. 000	3,046	2,665	642	420
Tobacco, unmanufactured	lb. 000	1,556	806	135	7
Total tobacco imports	lb. 000	4,860	4,954	1,147	445
	$000	5,261	2,668	675	277
Samsoo	gall. 000	321	119	71	215
	$000	948	204	133	342

[1] Cf. pp. 121, 122.

The decline in the textile imports from China appears to have been due to two causes. One was the restrictions imposed on the importation of foreign textiles in Malaya, the N.E.I., and elsewhere. The other was Japanese competition reinforced by power politics. Japan's advance in the textile trade not only harmed the interests of the Western manufacturers, but even the low-cost Chinese products could not stand up to it. It has been alleged that the unorganized Chinese traders were at a disadvantage when they came to compete with the Japanese, who attempted and sometimes succeeded in controlling the trade from the producer's end until it reached the retailer in the native villages and towns. Whatever the truth of this allegation, the real cause of Japan's advantage over China appears to have been the following. When Japan had conquered Manchuria, the Chinese Government tried to compensate for the loss of revenue previously derived from Manchuria by an upward revision of the tariff. This was done in 1933. Immediately Japan threatened reprisals and left no doubt about her intentions by renewing the campaign in North China. In order to pacify Japan the Chinese Government promulgated a revised tariff in 1934. The import duties on a range of articles in which Japan was interested were lowered. Among these were cotton textiles. Simultaneously the duties on a range of other commodities were raised to counterbalance this loss of revenue. Among these was raw cotton. The higher duty on raw cotton put the Chinese exporter at a disadvantage *vis-à-vis* his Japanese competitor.[1]

As a market for Malayan exports China was of small importance. Between 1926 and 1938 her share in the trade was in the neighbourhood of 1 per cent. of the total, and represented about 1 per cent. of China's imports. Although the export trade to China did not fluctuate much more than the total export trade of British Malaya, some special factors were at work to reduce the annual value of the trade from approximately $10 millions in the nineteen-twenties to about half that amount in the nineteen-thirties.

China had lost her tariff autonomy by virtue of the Treaty of Nanking (1842) between Great Britain and China which followed the Opium War, and through various supplementary conventions with Britain and other Powers. The result was that China was not allowed to impose import or export duties without the consent

[1] Cf. J. D. Phillips, 'Foreign Trade', *An Economic Survey of the Pacific Area* (Institute of Pacific Relations, 1942), vol. ii, p. 132.

of the Great Powers. Such duties as were permitted rarely exceeded the equivalent of 5 per cent. *ad valorem*. This state of affairs could not survive the emergence of China as a Great Power. The matter was raised at various international conferences after the first world war. Most of the leading Powers of the day conceded tariff autonomy to China and concluded most-favoured-nation treaties with her. In practice that meant that as long as any one of the Powers refused to conclude such a treaty, all the Powers had to be given the same treatment as the one that insisted on her old treaty rights; and the one Power which refused to come into line was Japan. In 1927 China unilaterally declared that her tariff autonomy would become effective as from 1 January 1929 onwards, and the various regional governments of China proceeded to raise the duties on foreign merchandise to about double the amount allowed under the treaties. Japan recognized the *fait accompli* in February 1929, but insisted on concessions in respect of some of the commodities of special interest to her for a period of three years. The tariff was revised in an upward direction in 1931, and after the loss of Manchuria and with the disappearance of Japan's special rights, it was further raised in 1933.[1] As has been pointed out above, Japan secured a revision of the 1933 tariff in the subsequent year. In addition to the heightening of the federal tariff, the various duties imposed by the regional governments in 1927 provided an additional trade barrier. These regional duties remained in force.[2] The tariff policy was devised not only to provide an additional source of revenue for the Federal Government, but also to make China as independent as possible of international trade. Immediately after its promulgation the Malayan exports to China dropped to about half their former level. China has made herself increasingly independent of imported foodstuffs and manufactures. The effect on Malaya's trade is illustrated by the figures in Table LXX.

The 1931 tariff was not the only factor at work to reduce Malaya's food exports to China. There was an increase in direct trading between China and the N.E.I. and other sources of supply affecting such articles as peppers and the produce handled by the Sea and Forest Produce Guild,[3] the diversion of Malayan

[1] Cf. Philip G. Wright, *Trade and Trade Barriers in the Pacific* (London, P. S. King & Son, Ltd., 1935), pp. 134–5.

[2] Cf. *Hong Kong Trade Commission*, chapter iv, para. 9.

[3] See above, p. 224.

pine-apples into preferential markets, and a decline in the prices of many foodstuffs. To give the Chinese protectionists the benefit of the doubt, about half of the losses in the Class I trade (food, drink, and tobacco) can be attributed to these causes. But none

TABLE LXX. BRITISH MALAYA: EXPORTS TO CHINA

	1929	*1937*	*Decrease –*
	$000	$000	$000
Food, drink, and tobacco	3,381	369	–3,012
Raw materials and articles mainly unmanufactured	2,295	2,261	–34
Articles wholly or mainly manufactured	4,898	2,460	–2,438
Total merchandise	10,574	5,090	–5,484

alone was as potent a cause of the decline as the new economic policy inaugurated by the 1931 tariff of the Chinese Republic. In the case of Class III goods (manufactures) there was an increase in the trade in mineral oils, while all other manufactured goods—chiefly tin (blocks, ingots, bars, and slabs)—showed a downward trend. The principal Class II goods (raw materials and semi-manufactured articles) were rubber, timber, copra, and vegetable oils. On the whole the development is hardly surprising. It reflects the transition of China's economy from primitive agriculture to mechanized agriculture, from dependence on imported foodstuffs to nutritional self-sufficiency, from a purely agricultural society to an industrialized nation, and from a policy of the open door, which was open in one direction only, to a policy of intense economic nationalism. The last-mentioned change could not but harm the British entrepôt ports in the East and caused the decline of the total trade, the other changes accounted for the differences in the composition of the trade in 1929 and 1937.

Hong Kong

Malaya's trade with Hong Kong reflected the conditions prevailing in China at the time. Again losses were made on account of China's adoption of protection. Both the Malayan import and export trades were affected, but it was the import trade that suffered most (see Table LXVIII). At first sight this appears rather startling. But an analysis of the articles composing the trade will suggest the explanation.

Hong Kong's share in the Malayan import trade dropped from

4 per cent. in the nineteen-twenties to 1 per cent. between 1931 and 1937 and 2 per cent. in 1938. The decline was sudden and affected all classes of the trade:

TABLE LXXI. BRITISH MALAYA: IMPORTS FROM HONG KONG

In:	*1929*	*1930*	*1931*	*1937*
	$000	$000	$000	$000
Class I	14,065	6,285	1,385	1,771
Class II	1,703	608	53	648
Class III	12,563	7,897	3,520	5,817
Total merchandise	28,331	14,790	4,958	8,236
Bullion and specie	6,618	5,732	864	1,654
Total	34,949	20,522	5,822	9,890

Ignoring bullion and specie, a comparison of the most important items in the trade in 1929 and 1937 reveals that tobacco, grain, and flour (chiefly beans and vermicelli), vegetables, fruits, and tea were valuable items in the trade in 1929, each accounting for more than $1 million worth. In the nineteen-thirties the Malayan imports of these articles shrank to small amounts and their combined value in 1932 was less than $1 million, and about $½ million in 1937. The sole reason why the Class I trade did not become insignificant was the emergence of sugar as an import item in 1933 and 1934, with 5,000 tons and 15,000 tons respectively, the corresponding values being $377,000 and $1,001,000; in 1937 it amounted to 17,000 tons, value $1,213,000. The principal item in Class II was kachang oil with 41,000 tons in 1929 and 28,000 tons in 1937, the values being $885,000 and $621,000 respectively. The trades in melon seeds and cow hides which had been of considerable importance in 1929 became negligible in subsequent years. The decline was smallest in the case of Class III goods which consisted chiefly of textiles.

It would appear that the following factors combined to reduce the Malayan import trade from Hong Kong to a fraction of its former self. There was China's aim at nutritional self-sufficiency which, amongst other things, meant that there was less to spare for export; and this greatly affected the trade in beans and various other foodstuffs which Malaya used to import from Hong Kong. Imperial preference on tea, tobacco, and alcoholic drinks assisted to keep these trades at a low level, though the decline in the

Malayan imports of these articles from Hong Kong began before the Ottawa Agreements became operative. The Chinese exports of raw materials declined owing to their increased domestic utilization. If this does not apply to all Chinese raw material exports to all destinations, it does apply to cow hides and some other raw materials previously sold to Singapore via the Hong Kong merchants. Restrictions on the importation of textiles and other manufactured goods in many markets were another cause of the decline, so were the fall in prices affecting some of the articles in the trade, direct shipments between China and some of the principal markets served by Singapore, and perhaps also China's adoption of exchange control in 1935. But the principal cause of the decline was the change in China's economic foreign policy. In this connexion it is worth mentioning that there was no decline in the relative importance of Hong Kong as an outlet for Chinese exports; Hong Kong took 11 per cent. of the total in 1926, between 15 and 20 per cent. between 1927 and 1937, and 32 per cent. in 1938.

The export trade to Hong Kong consisted chiefly of vital raw materials such as rubber, tin after treatment by the Singapore smelters, mineral oils, gunnies, peppers, and proprietary medicines, in short, goods essential to the Chinese economy, some popular foodstuffs which could not be produced at home, and those drugs which are ubiquitous trade wherever Chinese dwell. The value of the trade in the nineteen-thirties therefore remained at about half its pre-depression level, the decline being due to losses in the sales of tin from the Singapore smelters and the disappearance of some manufactured goods from the trade. In all this no mention has been made of the effects of the Sino-Japanese war. The reason is that the dislocations caused by the war in 1932 and again from 1937 onwards—though all too real in the provinces affected—did not affect the South China trade with non-Chinese territories until the end of the period under consideration. It provided, of course, a stimulant to the intensification of economic nationalism in China, which in turn caused considerable losses to the British entrepôt ports in the East.

Japan

There was an old tradition behind Malaya's trade with China; not so with Japan. Until the eighteen-sixties Japan's only communications with the outside world were via the Dutch factory at Dushima (Japan). Then came the forcible opening of the Japanese ports to international trade. Owing to her geographical position Japan was never dependent on Singapore for her communications with the West. Nevertheless, she soon became an important factor in the trade of British Malaya. In the eighteen-nineties she came to surpass China as a supplier of Malaya's imports. After the first world war she lagged behind China until 1934. Thereafter she used to be Malaya's fourth largest source of supply, exceeding all other countries except the N.E.I., the United Kingdom, and Thailand. This lasted until the renewed outbreak of the Sino-Japanese war and the consequent Chinese boycott of Japanese goods which greatly reduced Japan's share in the trade in 1938 (see Table LXVIII). As a customer for Malaya's exports Japan exceeded China for the first time in 1912, and thereafter became one of Malaya's most important markets. In the nineteen-thirties she ranked third, being exceeded by the United States and the United Kingdom only.

Before discussing the special problems of the Malaya–Japan trade it will be useful to review shortly the history of Japanese trade policy from the eighteen-sixties to the present day. When Japan's ports were opened to international trade the Great Powers concluded commercial agreements with her along the lines of the treaties concluded with China and Siam. It was not before 1899 that Japan secured at least nominal tariff autonomy, nominal because Great Britain, France, Germany, and several other Powers entered into new arrangements with Japan providing for low import duties on many articles. These conventions were revised in 1911 enabling Japan to introduce a protective tariff, though some limitations on the height of the import duties on several important manufactures were continued for another twelve years. It was not before 1923 that Japan obtained full tariff autonomy. In the meantime Japan had become industrialized under the stimulus given to her exports by the first world war, when the Western manufacturers were unable to supply their Asiatic markets up to requirements, if at all. Some of the new Japanese industries proved to be rather weak war babies which could not hold their own once the West resumed its exports. The Japanese were unwilling to let these industries disappear and were intent on developing new ones. Save for a short liberal era lasting from 1929 to 1931, Japanese trade policy during the inter-war period was one of ever-increasing protectionism. The aim was to eliminate all unnecessary imports: to restrict imports to raw materials, unavoidable additions to Japan's larder, and machinery. An elaborate system of trade controls was set up which not only affected the course of the import trade but also of the export trade. The exportation of raw materials, including yarns, was discouraged. This was one of the causes for the Japanese export boom during the Great Depression. Equally or more important were the comparatively low costs of production in Japan owing to low wages and the rationalization of the export industries, the yen depreciation in 1931, the intimidation of China[1]—potentially one of Japan's most serious competitors—and the low purchasing power of the people in the tropical territories and elsewhere which made the cheaper Japanese articles more saleable than the more expensive Western manufactures.[2]

How did all this affect the trade of British Malaya? Table LXVIII shows that Japan's share of the Malayan import trade about doubled in the nineteen-thirties. But the value of the trade declined during the depression and did not reach or exceed the 1927 level before 1934. From the Japanese point of view British Malaya remained a small market throughout, taking about 1½ per cent. of Japan's exports in 1913 and in the nineteen-twenties, and somewhat over 2 per cent. in the nineteen-thirties until the Chinese boycott reduced it to less than 1 per cent. in 1938. Malaya's trade with Japan resembled the trade with Western countries rather than the trade with the South-eastern Fringe or even China. The imports consisted almost exclusively of manufactured articles such as textiles, iron and steel manufactures such as bicycles and parts and galvanized iron sheets, and cement; in short, almost exclusively of articles that not very long ago had been regarded as the eminent domain of the Western manufacturers. When British Malaya, the N.E.I., and other markets where Japan had become important adopted protective measures to exclude Japanese textiles and other manufactures, Japan lost between one-half and two-thirds of her exports of regulated textiles to Malaya. But this did not prevent an advance in other lines such as iron and steel goods, cement, boots and shoes, some raw

[1] See above, p. 244.

[2] For a detailed account of Japanese trade policy see J. D. Phillips, op. cit., pp. 124–9, 159–60.

materials such as coal, and foodstuffs such as dried and salted fish, and beer. There also was an increase in the Malayan imports of Japanese tin ore from 176 tons in 1929 to 836 tons in 1936. A comparison of the imports from Japan in 1929 and 1937 according to classes shows that Japan's trade had advanced in spite of the various restrictions on it, but that these restrictions appear to have had the effect of forcing Japan to export relatively more foodstuffs to Malaya than before, however contrary this may have been to the aims of the framers of Japan's commercial policy.

TABLE LXXII. BRITISH MALAYA: IMPORTS FROM JAPAN

	1929	*1937*	*Increase +*
	$000	$000	$000
Class I	696	4,383	+3,687
Class II	2,858	3,363	+505
Class III	19,636	32,736	+13,100
Total	23,190	40,482	+17,292

Unlike any of the countries discussed thus far in this chapter Japan had an unfavourable balance of trade with Malaya. Maybe in the absence of wars, quotas, and preferential tariffs that position would have been reversed. Whether or no this would have been the case is an idle speculation. The point is that Japan could not dispense with the commodities she bought from Malaya, so that she could not make her balance of trade with Malaya balance had she wished to in conformity with her theoretical adherence to bilateralism. The chief items were as follows:

TABLE LXXIII. BRITISH MALAYA: EXPORTS TO JAPAN

	1929		*1937*	
	tons 000	$000	tons 000	$000
Rubber	30	22,411	34	25,912
Mineral oils	20	5,559	93	10,522
Tin (bars, blocks, ingots, slabs)	2	3,631	5	10,490
Iron ore	810	4,048	1,539	7,122
Phosphates of lime	118	2,004	128	2,169
All other articles	..	1,018	..	4,497
Total	..	38,671	..	60,712

Of these the mineral oils trade was a re-export trade pure and simple. The larger part of the rubber and phosphate of limes exports appears to have been of Malayan origin, though the exact quantities cannot be determined. Tin treated by the Singapore smelters can be regarded as a domestic export whatever the origin of the tin ore. The iron ore came from the Japanese leased iron mines in Trengganu and Johore which by 1938 supplied roughly one-third of Japan's import requirements of iron ore. In the case of the other commodities in the trade, increases were recorded in the exports of copra, palm oil, and other items of the 'muck and truck' trade, but not in the case of foodstuffs which became increasingly negligible. On the whole, the trend of the Malayan export trade to Japan was in an upward direction (see Table LXVIII), a distinction that cannot be claimed for any other country whose trade with Malaya can be described as regional.

C. BRITISH MALAYA'S TRADE WITH THE INDIAN OCEAN

Extending the region southwards and westwards it is necessary to include all countries bordering the Indian Ocean. Altogether they accounted for approximately 7 per cent. of Malaya's trade (see Table LXXIV). Exports to this area exceeded the imports from these countries. From the point of view of Malaya's trade the most important countries in this area were Australia, India, the Union of South Africa, and Iran.

Australia

Australia used to send approximately 1 per cent. of her exports to British Malaya which accounted for something in the neighbourhood of 2 per cent. of Malaya's imports. The composition of the trade varied slightly from year to year but the principal items remained the same throughout, i.e. wheat flour, condensed milk, butter (tinned or frozen), and meat. In the early nineteen-twenties mining machinery was an important item, while dredges and dredging materials became of importance in the nineteen-thirties. Of recent growth were some minor trades such as alcoholic drinks and proprietary medicines, which in 1938–9 represented 4½ and 1½ per cent. respectively of the Australian exports to Malaya. Imperial preference on condensed milk in the Malay States and on alcoholic drinks throughout British Malaya conferred small benefits on Australia. However, the preference on condensed milk benefited the United Kingdom at least as much as it benefited Australia. If it had any effects on Australia's trade, at best it prevented further losses to Japan, but it did not lead to an

BLE LXXIV. THE FOREIGN TRADE OF BRITISH MALAYA: TRADE WITH THE INDIAN OCEAN IN VALU

Also showing Proportion of this Trade to Total Trade

(a) IMPORTS

From	1926		1927		1928		1929		1930		1931		1932	
	$000	%	$000	%	$000	%	$000	%	$000	%	$000	%	$000	%
Australia	15,291	1	17,200	2	17,064	2	14,960	2	11,400	2	8,018	2	8,290	2
British India }	90,297	9	81,558	8	70,289	8	73,726	8	63,767	9	18,181	4	14,959	4
Burma }											23,633	5	18,942	5
Ceylon	1,255	0	1,616	0	1,620	0	1,619	0	1,266	0	757	0	493	0
Mauritius	..	..	1	0	2	0	60	0	0	0	..	..	0	0
U.S. Africa	5,578	1	12,173	1	10,119	1	7,480	1	3,646	1	1,503	1	1,832	1
Zanzibar							*not available*				139	0	88	0
Other British East Africa							*not available*							
French India	2,892	0	1,966	0	2,154	0	2,268	0	1,378	0	1,026	0	1,126	0
Arabia	5	0	21	0	154	0	201	0	171	0	85	0	79	0
Iran							*not available*				126	0	275	0
Portuguese East Africa							*not available*							
All the above	115,318	11	114,535	11	101,402	11	100,314	11	81,628	12	53,468	12	46,084	12
All the above, *except Burma*	*cannot be stated*										29,835	7	27,142	7

From	1933		1934		1935		1936		1937		1938	
	$000	%	$000	%	$000	%	$000	%	$000	%	$000	%
Australia	7,914	2	8,612	2	9,504	2	9,975	2	14,530	2	13,084	3
British India	13,736	4	13,768	3	13,284	3	11,788	2	17,437	3	16,259	3
Burma	17,237	5	16,295	4	21,324	4	20,879	4	28,880	4	24,125	4
Ceylon	461	0	609	0	658	0	573	0	784	0	735	0
Mauritius	4	0	..	..	..	..	3	0	2	0	..	..
U.S. Africa	2,039	1	2,126	0	2,719	1	2,228	1	1,544	0	1,716	0
Zanzibar	57	0	45	0	36	0	20	0	63	0	59	0
Other British East Africa	150	0	263	0	420	0	557	0	398	0	117	0
French India	855	0	520	0	539	0	560	0	613	0	477	0
Arabia	47	0	40	0	68	0	99	0	137	0	90	0
Iran	1,297	0	5,682	1	3,024	1	6,198	1	4,185	1	3,278	1
Portuguese East Africa	..	..	14	0	0	0	..	..	..	..	0	0
All the above	43,797	12	47,974	10	51,576	11	52,880	10	68,573	10	59,940	11
All the above, *except Burma*	26,560	7	31,679	6	30,252	6	32,001	6	39,693	6	35,815	7

TABLE LXXIV (*continued*)

(*b*) EXPORTS

To	1926 $000	1926 %	1927 $000	1927 %	1928 $000	1928 %	1929 $000	1929 %	1930 $000	1930 %	1931 $000	1931 %	1932 $000	1932 %
Australia	38,383	3	35,661	3	25,544	3	25,405	3	22,679	3	13,002	3	21,990	6
British India	37,192	3	33,889	3	29,513	3	32,805	4	32,214	5	12,032	3	11,151	3
Burma											3,105	1	3,132	1
Ceylon	7,317	1	8,049	1	4,462	1	4,287	0	6,180	1	1,893	0	940	0
Mauritius	378	0	393	0	257	0	222	0	503	0	433	0	255	0
U.S. Africa	1,777	0	3,072	0	4,089	1	4,727	1	12,123	2	5,485	2	3,033	1
Zanzibar					*not available*						151	0	365	0
Other British East Africa					*not available*									
French India	2,656	0	1,196	0	1,262	0	1,374	0	1,170	0	1,723	0	1,362	0
Arabia	402	0	572	0	488	0	496	0	318	0	269	0	308	0
Iran					*not available*						1	0	2	0
Portuguese East Africa					*not available*						387	0	2,126	1
All the above	88,105	7	82,832	7	65,615	8	69,316	8	75,187	11	38,481	9	44,664	12
All the above, *except Burma*					*cannot be stated*						35,276	8	41,532	11

To	1933 $000	1933 %	1934 $000	1934 %	1935 $000	1935 %	1936 $000	1936 %	1937 $000	1937 %	1938 $000	1938 %
Australia	16,629	4	19,830	4	21,147	4	21,963	4	31,272	4	26,696	5
British India	11,025	3	15,215	3	18,739	3	21,313	3	24,470	3	21,269	3
Burma	2,382	1	2,809	0	3,604	1	3,750	1	4,018	0	3,467	1
Ceylon	803	0	1,538	0	1,308	0	2,075	1	4,332	1	2,635	0
Mauritius	291	0	216	0	143	0	138	0	224	0	190	0
U.S. Africa	403	0	1,041	0	2,107	0	1,968	0	4,006	0	3,606	1
Zanzibar	433	0	225	0	509	0	330	0	338	0	307	0
Other British East Africa	26	0	15	0	34	0	1,242	0	1,100	0	266	0
French India	860	0	606	0	805	0	615	0	544	0	442	0
Arabia	313	0	281	0	410	0	359	0	410	0	342	0
Iran	7	0	5	0	21	0	152	0	126	0	23	0
Portuguese East Africa	181	0	691	0	44	0	371	0	523	0	136	0
All the above	33,353	8	42,472	7	48,871	8	54,276	9	71,363	8	59,379	10
All the above, *except Burma*	30,971	7	39,663	7	45,267	7	50,526	8	67,345	8	55,912	9

expansion of the trade. On the other hand, Australia's share in Malaya's supply of alcoholic drinks rose from practically nil in the nineteen-twenties to approximately 10 per cent. in the later nineteen-thirties, apparently under the stimulus of preferential tariff treatment. Notwithstanding the occasional importation of machinery for capital works in Malaya and small trades in items such as drugs and medicines, the importance of Australia in the Malayan import trade was due to the supply of foodstuffs. Usually somewhat more than 4 per cent. of Malaya's food imports[1] came from Australia.

Australia's share of the Malayan exports advanced slightly from 3 per cent. of the total in the nineteen-twenties to 4 per cent. or more from 1932 onwards. The value of the trade fluctuated from $38 millions in 1926 to $13 millions in 1931 and $31 millions in 1937. Mineral oils accounted for about two-thirds of the trade and rubber for most of the remainder. Minor items included tapioca and peppers. With the exception of tapioca, these commodities were on the free list. Tapioca received preferential treatment under the 1933 Tariff Act of the Commonwealth of Australia. As a source of Australian supply Malaya appears to have been negligible. According to the *Official Yearbook of the Commonwealth of Australia* her share fluctuated between ½ and 1 per cent. of the Commonwealth imports. This, however, excludes the trade in mineral oils which the compilers of the Australian statistics credited to the Netherlands East Indies.

India

The Indian trade was a special aspect of Malaya's entrepôt business reaching westward as far as Jeddah and the other Red Sea ports.[2] The imports from India consisted chiefly of cotton and jute piece goods, cotton sarongs, cotton yarns, rice, ghee, gunnies, dhall, wheat flour, vegetables, and curry stuffs. The textile trade benefited from the restrictions imposed on Japanese and other foreign textiles in the nineteen-thirties. The trade in ghee was adversely affected by the development of ghee manufacture in the Federated Malay States (behind a tariff) and by the use of vegetable oil substitutes imported from Holland.[2] Imports of Indian gunnies declined from almost $3 million worth in 1935 to $738,000

[1] Excluding alcoholic drinks.
[2] Cf. *Straits Settlements Trade Commission*, para. 38.

worth in 1938 mainly on account of the cessation of Thailand's purchases of this article from Malaya. Like the China trade the India trade was to a large extent conditioned by the presence in Malaya of a large section of Indian immigrants. During the depression some Indian labour was repatriated and the trade suffered accordingly.[1] India's share in the Malayan import trade declined slightly from 4 per cent. during the depression to 3 per cent. from 1934 onwards (see Table LXXIV). In 1937 and 1938 British Malaya took about 1½ per cent. of India's exports.[2]

In the nineteen-thirties British India took about 3 per cent. of Malaya's exports. In 1937 and 1938 this accounted for 2·1 and 2·6 per cent. respectively of the Indian imports.[2] The principal articles in the trade were areca-nuts, tin (blocks, ingots, bars, and slabs), coco-nut oil, mineral oils, sago, gums, nutmegs, and spices. Although the trade was adversely affected by the direct shipments of some N.E.I. exports to India and the protection in India of sugar, coffee, and other articles previously imported via the Straits Settlements, the long-term trend of the trade seems to have been in an upward direction. The absence of statistical information as to which portion of the Malayan exports to India and Burma before 1931 actually went to India makes a more definitive statement impossible. But a comparison between the most important articles in the trade in 1931—the first year for which statistics for the India trade are available—and 1937 is possible and shows that the exports of areca-nuts advanced from 43,000 tons ($4,853,000) to 71,000 tons ($9,008,000); coco-nut oil from less than 1 ton ($150) to 1,151 tons ($1,956,000); the value of tin from the Singapore smelters from $2,460,000 to $5,777,000, even though the quantities remained fairly stable at approximately 3,000 tons; the value of mineral oils from $603,000 to $1,900,000; and the value of all other articles taken together from $4,118,000 to $5,829,000.

The Union of South Africa

The Union of South Africa sent a fraction of 1 per cent. of her exports to Malaya, which accounted for 1 per cent. or less of the Malayan imports. The trade existed exclusively of tin ore and coal, and occasionally some gold. Malaya's exports to the Union

[1] Cf. *Straits Settlements Trade Commission*, para. 38.

[2] No earlier percentages can be stated for India without Burma.

were quite negligible in comparison with the total imports of the Union and fluctuated between less than 1 and 2 per cent. of the Malayan exports. They consisted chiefly of fluctuating amounts of mineral oils, coco-nut oil, palm oil, and tapioca.

Iran

Iran's rising importance in the Malayan import trade was due entirely to the increasing amounts of mineral oils imported into Singapore from that source. In 1937 she supplied 8 per cent. of the Straits imports of motor spirit and 2½ per cent. of the imports of liquid fuel oil. From 1935 onwards Iran accounted for 1 per cent. of Malaya's total imports. Iran bought practically nothing from Malaya.

Other Countries

Imports from the other countries bordering the Indian Ocean consisted chiefly of cotton piece-goods from French India; tea, coir manufactures, and spices from Ceylon; and cloves from Zanzibar. The imports from Mauritius were made up of chemicals and other manufactures which Mauritius imported from the West and partially re-exported to the Straits Settlements and other destinations. Malaya's exports to these Indian Ocean countries consisted chiefly of irregular amounts of mineral oils, rubber, wood and timber, and coco-nut oil. Altogether these countries accounted for 1 per cent. or less of Malaya's trade.

D. A REGIONAL TRADE POLICY?

Approximately one-half of Malaya's trade was regional, i.e. three-quarters of the import trade and over one-quarter of the export trade. The annual average for the five-year period 1934–8 was as follows:

TABLE LXXV

	Imports		*Exports*	
	$000	%	$000	%
South-eastern Fringe . .	311,227	58	70,303	11
Other South-east Asia . .	60,876	11	63,769	10
Indian Ocean . . .	33,886	6	51,743	8
Total regional trade . .	405,989	75	185,815	29
Total trade . . .	539,574	100	653,665	100

The above discussions have shown that Malaya's regional trade with these three sub-regions represents rather different problems.

Most of the Indian Ocean countries are members of the British Empire. These countries were averse to granting many favours of interest to Malaya since the ultimate origin of the goods bought from the free ports could not be established. Malayan and foreign produce of, for example, copra or betel-nuts were blended in the Straits Settlements to produce the necessary grades. The blended produce was not eligible for preference. When the Indian and Australian Governments discovered that they had sometimes unwittingly granted it they became increasingly severe in their demands for proof of Empire origin.[1] A more lenient treatment would have defeated the purpose of imperial preference. As it was the Malayan export trade to the Indian Ocean countries was almost confined to articles which were non-competitive with domestic production in Australia, India, and the Union of South Africa and which were on the free list of these countries. Malaya's trade suffered from the high tariff walls in India and the two Dominions and has obtained little relief through the grant of imperial preference. Still, Malaya's balance of trade with these three countries was favourable. An advance in the Malayan imports from these countries could only be brought about by a more liberal tariff policy in at least some of the other countries served by the Straits merchants. In Malaya they received such preferential treatment as was compatible with the trade policy of the Straits Settlements and enjoyed preferential treatment throughout the Malay States.

The outlook for the trade with Japan and China and her outport Hong Kong is uncertain. At the time of writing[2] nobody can as yet foretell the exact nature of Japan's economy after her defeat in the second world war. It is, however, certain that Japan's demand for mineral oils and raw materials will suffer at least a temporary eclipse. This will reduce Malaya's entrepôt trade with Japan in mineral oils and rubber. Otherwise it will mainly be Malaya's domestic produce rather than the entrepôt trade that will have to look for new markets. The China trade was in transition. It cannot reasonably be expected that the Chinese will voluntarily reverse the trend. Assuming that China's national wealth will increase with the partial industrialization of the country and the pacification of Eastern Asia, it does not seem rash to anticipate an increase in the total trade even though the composition of the trade will never again be the same as before

[1] Cf. L. A. Mills, op. cit., p. 162, and *Straits Settlements Trade Commission.*
[2] 1946.

the 1931 tariff. All this depends on the further assumption that China will not follow Japan's example of a totalitarian war economy and bilateralism in international trade. On the import side a greater quantity of Chinese manufactures is to be expected. But whether or no such a trade can flourish depends not so much on the authorities in charge of Malaya's economic destiny as on the trade policy pursued in the countries served by the Straits merchants.

The heart of Malaya's regional trade was in the trade with the South-eastern Fringe, and especially in the trade with the N.E.I., Thailand, and to a lesser extent the British East Indies and Burma. No change in trade policy could possibly bring about closer trade relations between Malaya and the British East Indies than those that existed before the second world war. Burma was a part of the Indian tariff area until 1937. Thereafter she entered into super-preferential arrangements with India. In spite of the separation from India, Burma did not alter the Indian methods of treating Malayan goods. Cordial trade relations between Burma and Malaya are vital to Malaya. Yet it cannot be expected that Burma should accord any benefits to Malaya which she does not also accord to India. About half of Burma's trade was with India. Thus—assuming the revival of the India-Burma treaty after the second world war—all that might be done is the extension of Indian treatment to Malayan goods. In view of the nature of Malaya's trade this probably would defeat the preferential arrangements between India and Burma, so that no change is to be expected in Burma's trade policy towards Malaya unless the arrangements with India are not revived.

The mutual interdependence of British Malaya, the N.E.I., and Thailand has been made plain in the discussions of Malaya's trade with the South-eastern Fringe. In many respects the trade of the three countries was complementary. To wit, Thailand found it convenient to buy N.E.I. mineral oils from Singapore, and the N.E.I. found it equally convenient to buy some Thai rice from the Straits Settlements. Malaya needed Thai rice to supplement her own production, benefited from the importation of Thai tin ore which brought work and profits to the Singapore tin smelters, and resold Thai and N.E.I. rubber. And so on. Not only was the inter-regional trade of utmost importance to the three countries, but also their interests in world markets coincided, since the prosperity of each depended to a large extent on rubber and tin.

A co-ordination of the economic policy of British Malaya, the N.E.I., and Thailand seems called for. To some extent this has been achieved. They all joined in the rubber and tin restriction schemes of the nineteen-thirties. But this is hardly enough. It was no more than negative co-operation for the non-production, or limited production, of these two raw materials. Positive co-operative and co-ordination of economic policy was absent. In fact, attempts at industrialization and even attempts at obtaining a certain degree of autarky were pushed ahead without any consideration for the interests of adjacent territories. The question is, 'How can the economic policies of the three countries be co-ordinated, assuming the division of sovereignty existing in 1938?' Would this not impair the sovereignty of the parties concerned, and would it not prevent the continuation of imperial preference? Has not any suggestion to establish a customs union between the various political units of British Malaya foundered on the rock of the rights of the Malay States, their need of revenue from customs duties, and the fear of the Straits Settlements that their inclusion in such a union would mean the loss of their entrepôt trade? These are weighty questions and have to be considered carefully.

There appear to be two methods of co-ordinating the economic policy of three countries under different sovereignties. One is to follow the precedent established by the Anglo-American Caribbean Commission. In this case the interested governments consult on economic policy. They could thus prevent the resumption of the pre-war tendency to make three complementary economic units independent of each other to the ultimate detriment of all concerned. The second method goes farther, i.e. a complete customs union. The advantage of eliminating mutual tariff barriers can best be illustrated by the harm done to Malayan interstate trade by the separation of comparatively small economic units by tariff walls. (Needless to say, such co-operation and co-ordination as could be brought about by such bodies as the Anglo-American Caribbean Commission existed between the various parts of British Malaya.) One instance was the small-scale tobacco industry which came into being when a decline in rubber prices made a diversification of Malaya's agriculture imperative. Yet its development was held back by the lack of co-operation amongst the various Malayan governments, some of which imposed high import duties so that the local manufacture of tobacco became unprofitable. And in general the constant fear of their markets being lopped off in adjacent territories acted as a strong deterrent of capital investment in small, local industries.[1] As long as local industries have no security of a market, no diversification of Malaya's economic activities is practicable. The wider the market for such industries the greater is the chance of their success. *Mutatis mutandis*, the same applies to the N.E.I. and Thailand. The N.E.I., Thailand, and British Malaya have analogous interests, yet each can impair the development and the prosperity of the other two by pursuing a selfish and independent economic policy. Co-ordination of economic policy seems essential for the welfare of the natives—even if it imposes some limitations on the right to impose tariffs and/or quotas on the exports of the other territories concerned. Joint action in the economic sphere would no more impair the sovereignty of the participating governments than the Anglo-American Caribbean Commission impairs the sovereignty of the United States over Puerto Rico, or the sovereignty of the British Empire over Barbados, while a customs union need not impair the respective sovereignties either, as has been exemplified by the customs union between Belgium and Luxembourg.

But what about imperial preference? In the case of a customs union between Malaya, N.E.I., and Thailand, international recognition of preferential treatment of N.E.I. goods in the United Kingdom, or of Malayan goods in Holland, would hardly be forthcoming. Would not the gain of a regional economic policy be outweighed by the loss of preferential tariff treatment of Malayan pine-apples in the United Kingdom and Canada, and of Malayan tapioca in Australia, and so on? It would not. In comparison with the total trade of Malaya the preferred trade was negligible, and preferential treatment was frequently withheld from Malayan exports. On the other hand, the imports from the N.E.I. and Thailand accounted for about half the imports of Malaya and were the core of the entrepôt trade. Anything that might endanger this vital part of the Straits re-export trade would be a far greater loss to Malaya than the loss of imperial preference. It is impossible to state with accuracy the exact portion of the Malayan exports that represented re-exports of N.E.I. and Thai produce. But it is probably not far out to put it at one-third for 1937, while less

[1] Cf. *Straits Settlements Customs Duties Committee*, para. 43–4.

than 1 per cent. of the Malayan exports benefited from imperial preference in the same year. Lack of regional co-operation and co-ordination of policy has, in the past, weakened Malaya's entrepôt function in the South-eastern Fringe. If it came to the question 'Imperial preference or a regional trade policy?' the interests of the entrepôt trade as well as the interests of small local industries would call for the latter.

But what is the good of talking about a regional customs union comprising Malaya, the N.E.I., and Thailand, if it was not even possible to secure such an arrangement for Malaya itself? The Straits Settlements adhered to free trade impaired by textile quotas and preferential revenue duties; while the Federated Malay States and each of the five Unfederated Malay States had separate tariffs. In 1932 the Governor of the Straits Settlements and High Commissioner of British Malaya, Sir Cecil Clementi, suggested the formation of a Malayan customs union. He argued that the entrepôt trade was declining so that the Straits Settlements would increasingly have to rely on peninsular trade. The existence of tariffs in the Malay States against Straits Settlements exports would in the long run impair that trade as well. Had the Governor been gifted with clairvoyance he could have added that protection in the N.E.I. would further reduce the entrepôt trade, while imperial preference in the Federated Malay States would reduce their imports from the Straits Settlements from 55 per cent. of the total in 1930 to 48 per cent. of the total in 1937. He appointed the Straits Settlements Customs Duties Committee which reported in 1932. They dismissed the Governor's suggestion for an all-Malayan customs union. They argued that the interests of the Straits Settlements still were in the main extra-Malayan. And indeed in 1937, in spite of the many irksome trade barriers and trade diversions that had come into being after 1932, it was estimated that 65 per cent. of the trade of the Straits Settlements was extra-Malayan. The value of the Colony's peninsula trade in that year was put at $462,327,000.[1] In the same year the total foreign trade of British Malaya amounted to $1,595,043,000, of which the trade with the South-eastern Fringe accounted for $473,138,000. Another committee was set up in 1933 to advise on the practicability and desirability of a customs union of all the Malay States excluding the Straits Settlements. This committee

[1] *Colonial Economic Survey*, 1937, Col. 179, p. 212.

reported that there was little interstate trade and that the foreign trade of the peninsula was concentrated at the ports of Singapore, Penang, and Port Swettenham. Direct foreign trade was limited to some shipments from Malacca to Sumatra, from the iron mines in the Unfederated Malay States to Japan, and a certain amount of overland trading with Thailand. The committee thought that a customs union would confer only limited benefits as far as freedom of trade was concerned, and thought that the same result could be achieved by allowing for local preference. A customs union was regarded as practicable but not necessarily desirable. The chief objection was the small amount of the trade involved and the revenue needs of the Malay States.[1] The committee did not consider the possibility of an expansion of the volume of trade in case of a removal of internal tariff barriers.

The position of the Straits Settlements *vis-à-vis* the South-eastern Fringe is somewhat different from the relations of the Straits Settlements with the Malay States. There was no question of a government-sponsored diversion of Malayan trade from the Colony ports to the ports of the Malay States. And this is exactly what happened in the N.E.I. Now, if the trend towards bilateralism shown just before the second world war is to continue, then the importance of the Straits Settlements as entrepôt centres will continue to decline, and it will be increasingly important for the Straits Settlements to safeguard their trade with the South-eastern Fringe, the core of their entrepôt trade. It is conceivable that the only possibility of stopping the tendency towards direct shipment of the N.E.I. trade will be the inclusion of the Straits Settlements in the same customs area as the N.E.I. Perhaps this is painting things rather bleak; but the possibility should be borne in mind. It would necessitate the revival of the Anglo-Dutch treaty of 1824 which established almost free trade between the British and Dutch possessions in the East, with a geographical shift eastwards. The 1824 treaty applied to Ceylon, Malaya, and the N.E.I. Ceylon's commercial interests *vis-à-vis* Malaya and the interests of the countries in the South-eastern Fringe are rather different, so that Ceylon's inclusion in such a scheme seems out of the question,

[1] *Report of the Committee appointed by His Excellency the Governor of the Straits Settlements and High Commissioner for the Malay States to examine and report on the practicability and desirability of a Customs Union of all the Malay States* (Singapore, 1933).

while Thailand and other countries in the South-eastern Fringe might be interested in joining in. Such a policy need not seriously harm the revenue position of the various governments concerned. They could maintain their individual tariff structures while admitting each others' goods free of duty, thus following the example of the arrangement between the United States and the Philippines.[1] If the Malay States were included in such a scheme the revenue of the various states would suffer no appreciable loss.

Whatever the future may hold in store, in 1937 the Colony's peninsula trade and the Colony's trade with the South-eastern Fringe together were worth $935 millions, while the Colony's overseas trade (excluding the South-eastern Fringe) amounted to $1,122 millions. Under such conditions a policy that takes account of the regional trade only would do more harm than good. In the nineteen-thirties even the limited departure from free trade by means of a few preferential revenue duties and textile import quotas somewhat harmed the entrepôt trade of the Straits Settlement. So—for the time being—the Straits Settlements are probably best served by the traditional policy of free trade. Only if the decline of the non-regional foreign trade continues, and if the inclusion of the Straits Settlements in a local customs union would provide a safeguard against further diversions of trade from the Straits Settlements to N.E.I., Thai, and other competitive ports, only then will a local customs union be more advantageous to the Straits Settlements than the traditional free trade policy.

The possibility of a future customs union in the South-eastern Fringe should be borne in mind, but no immediate action seems called for. It is suggested that immediate action should be confined to the setting up of an international commission for the South-eastern Fringe in order to ensure the co-ordination of the economic policies of the countries concerned. It probably could do a great deal to ensure a complementary, rather than a competitive, development of the area. Such a commission should be permanent so as to enable its members to study the long-term economic development of the area on the spot, and to enable it to advise authoritatively when the need arises whether or no the trend of development calls for a closer economic union of the countries concerned, and on the exact shape such a potential economic union should take.

[1] See p. 238.

POSTSCRIPT

CHAPTER 13

WHICH TRADE POLICY?

LET us now summarize the effects of imperial and foreign trade policy on British colonial trade.

We have seen that by 1938 all the Colonies where no international treaties stood in the way had introduced preferential import duties and textile import quotas. There is no doubt that the discrimination in favour of the Empire effectively diverted the colonial demand for many articles into imperial channels of trade. Foreign countries made substantial losses—the United States and the principal continental trading Powers probably lost about one-half of their trade with the discriminating Colonies. The Empire gained substantially. In each case the Empire's percentage share of the import trade rose after the introduction of imperial preference. In each geographical region the Colony that gave the highest preference took relatively most from the Empire. The preferences did not, however, lead to an expansion of the Empire trade in absolute terms, which was kept down by the trade depression of the nineteen-thirties.

Attempts to divert colonial supplies to the Empire were made in respect of tin ore and palm oils by means of discriminatory export duties. The duty on tin ore was successful because the Empire controlled a large part of the available supply and no proper substitute was forthcoming. But it is doubtful whether there are many other cases in which discriminatory export duties would not in the long run have the same effects as the short-lived palm oil duties, i.e. to be very beneficent to the competitors of the discriminating country.

The Colonies received preferential treatment for some of their principal exports in the United Kingdom, the Dominions, and India. The preferences offered by Australia, New Zealand, the Union of South Africa, Eire, Newfoundland, India, and Southern Rhodesia were on balance of no great importance. Of the Canadian preferences the most important one was the discriminating preference in favour of West Indian cocoa, which excluded West African supplies; but it was of limited value only, since Canada took only part of the crop. The Canadian sugar preference would have been of importance, had there been no preference in the United Kingdom. The Dominion also gave some preferences on some of the secondary crops of the West Indies. The United Kingdom preferences were the most important, much more important than all the preferences offered by the Dominions and India taken together. But since a preference is of value only if preferred production falls short of preferential consumption,[1] not all the Colonies benefited. It so happened that of the commodities on which the United Kingdom gave a preference, preferred production fell short of United Kingdom consumption in respect of sugar, molasses, bananas, pine-apples, citrus fruit, wines, and tobacco, and the Colonies which produced these commodities were the chief beneficiaries of the preferential system. These Colonies were the West Indies, Cyprus, Nyasaland, Northern Rhodesia, Mauritius, Fiji, and Malaya. In the case of Northern Rhodesia and Malaya, the commodities concerned (tobacco and pine-apples respectively) were not their most important exports, and on balance the cost of the preferences which Northern Rhodesia and Malaya gave to the Empire exceeded the gain from the preferences they received. With the exception of the open-door Colonies, which could not contribute anything, the same applies to all the other Colonies, so that the West Indies, Cyprus, Nyasaland, Mauritius, and Fiji were the only Colonies which gained from the preferential system. It would be in the interest of these Colonies if imperial preference were continued, unless alternative methods could be found to improve their position in world trade. But it would not appear unreasonable if the other Colonies requested to be allowed to contract out.

In the principal foreign countries the West Indies received worse treatment than any other colonial group. Their principal export, sugar, was excluded from practically all the important foreign markets. Moreover, sugar production in most important countries was highly subsidized, and each increase in the supply of subsidized sugar tended to depress the world price. In respect of all their other products the British West Indies probably received worse treatment in France than in any other important country, since British West Indian exports are highly competitive

[1] See Chapter 7.

with French West Indian exports. Even more important was the restrictive American tariff which hurt the West Indies more than any other British colonial group, since West Indian production is more competitive with production within the United States tariff area than is the case with African, Mediterranean, or Far Eastern production. In view of the great consuming capacity of the United States and her geographical proximity to the West Indies, more favourable treatment in the United States market seems even more important to the West Indies than any concessions that might be obtained in other foreign countries. Under the American legislation in force at the time of writing (1946) there is little hope for any far-reaching concessions. Without any far-reaching concessions to the British West Indies on the part of the Americans, the disappearance of imperial preference would seem to be contrary to the interests of the West Indies.

The statement that the West Indies received worse treatment in the principal foreign markets than the other colonial groups is no contradiction of the fact that it was British West Africa that suffered most from the new initiatives taken in the interwar period in France, Germany, and the Netherlands. France and the Netherlands diverted some of their demands for vegetable oils from British West Africa to their own Colonies; while Germany's quest for substitutes for tropical vegetable oils probably led to lower purchases from British West Africa than would otherwise have been the case, but it did not lead to a decline in the actual quantities bought.

Going farther East on the map, the foreign tariffs, quotas, and other trade controls were less burdensome. The main reason for this was that none of the principal foreign countries could, or would, do without the increasing supplies of minerals forthcoming in the eastern Mediterranean and in East Africa, nor without the Far Eastern rubber and tin. The principal losses in the East were made by Malaya, mainly on account of the increase in direct shipments between the N.E.I. and the Netherlands, while smaller losses were made on account of Germany's restrictions of the imports of some tropical foodstuffs.

Regionalism as an alternative to free trade or economic imperialism is an alternative that should be borne in mind. But, in 1938 at any rate, a regional trade policy in the Caribbean or in the Far East would have been premature. The gains to be expected from economic regionalism in the Caribbean are less than the sacrifice involved in the abandonment of imperial preference which it would entail. A Caribbean tariff federation, on the other hand, would be in a stronger bargaining position than the various Caribbean countries were in 1938. But a strong bargaining position is valuable only if there is somebody to bargain with; this 'somebody' must be the United States. If the United States is prepared to bargain, then such a customs union will be valuable. The initiative lies with Washington.

The Straits Settlements depended for their prosperity on free trade. But the core of their entrepôt trade was in the trade with the South-eastern Fringe, especially with the N.E.I. and Thailand. If the tendency towards bilateralism is to continue, then it will be vital to the Straits Settlements to come to an arrangement with the N.E.I. to prevent further diversions of the N.E.I. trade. But in 1938 the extra-regional trade of the Straits Settlements was still more important than the trade with the South-eastern Fringe.

Assuming that there are no overriding political considerations that prevent the adoption of the ideal trade policy from the British colonial point of view, the following seems to be this ideal policy:

(1) The continuation of imperial preference in the trade relations between the United Kingdom on the one hand, and on the other hand the West Indies, Cyprus, Nyasaland, Mauritius, and Fiji in respect of commodities in whose case preferred production falls short of preferential consumption.

(2) The abandonment of imperial preference in respect of the trade of all the other Colonies.

(3) It should become an axiom of preferential tariff policy, whether British or foreign, that preferences are legitimate only if preferred production of any commodity thus favoured falls short of preferential consumption.

(4) If the United States is prepared to bargain, then free trade or regionalism might replace economic imperialism in the trade of the West Indies.

(5) The return to complete free trade in the entrepôt ports seems vital, unless special arrangements with neighbouring countries could lead to even greater advantages. This applies especially to the Straits Settlements.

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