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Royal Empire Society Essay Competition.

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Class:- 'A.'

Subject:- Discuss the trends of Commercial Policy within the British Empire since 1895. Indicate what you think the right policy is now.

Introductory Paragraph

One of the foremost questions confronting the British Commonwealth to-day, is that of ~~the~~ Imperial Commercial Policy. The United States is calling in 1947 a conference to negotiate mutual tariff-reducing agreements, and is hoping that many Imperial preferences will disappear as a result. Until 1930, the British Empire clung to their belief in the virtues of Free Trade, but since 1895 Joseph Chamberlain and others ^{have} advocated the adoption of Imperial preferences, so they were convinced that mutual preferences

were the only practicable means of strengthening Imperial ties. Eventually the economic collapse of the world in the great 'slump' forced Britain to abandon her Free Trade policy. Bilateral agreements were made between the main members of the British Commonwealth of Nations. These agreements which took half a century to build up, were later renounced by many of the Dominions, when more liberal trade relations with the world were desired. For this reason preferences in many cases at the conference next year may be used for bargaining purposes, in order to obtain concessions. Only where the economic structure of a country rests on them should they be retained.

In 1895 Great Britain was the only country which actively supported the principle of Free Trade. In order to obtain national self-sufficiency, other nations had raised tariff barriers against one another. France and the United States, by the Méline and McKinley tariffs, established protective duties of 34 per cent and 73 per cent respectively, while Germany since 1880 had a protective duty of 25 per cent and Russian duties had reached the preposterous rate of 131 per cent. Great Britain was the only country which was willing to throw her markets open to all-comers, and was paying for the folly of her policy by slowly losing her one-time pre-eminence on the markets of the world; as well as being used as a dumping ground for foreign goods. An Imperial federation was advocated as a solution of Britain's reduction in trade, but the colonies were more interested in the adoption of a system of Imperial preferences.

It was in 1895 that Joseph Chamberlain, an ardent imperialist, and the most forceful personality in British politics at the time, was appointed to the post of Colonial Secretary, hitherto regarded as one of secondary importance. The very fact that Chamberlain was now the spokesman for the colonies caused a vital change in the attitude of Great Britain towards Imperial problems. Chamberlain's first plan for the solution of the Imperial economic problem was that of an Imperial Zollverein, modelled on that of Prussia and the North German States. He thought that it was proper that a single

tariff wall should surround the British Empire but improper that separate tariff walls should exist within it. This was a scheme for Free Trade within the Empire.

At a conference of colonial ministers in 1897 Chamberlain, who presided, gave them the choice of a common economic tariff policy, a common defence plan, and a common parliament. They refused the last two but were in favour of the ^{first} ~~third~~. This conference finally erased from the page of practical politics, an Imperial federation, and an Imperial Zollverein. (i.e. Free Trade within the Empire). Imperial preferences, although approved by the colonies, were blocked both by Great Britain's Free Trade policy and by treaties with Germany and Belgium, which debarred even the colonies from giving preferences. These treaties were denounced on 28 July 1897 and a unilateral preference of $12\frac{1}{2}$ per cent given by Canada on 23 April 1897 could then be regularised.

Thus by 1900, Chamberlain was finally persuaded that Imperial unity could be attained by economic means more easily than by military or parliamentary federation, and consequently he supported the adoption of the system of preferential trade. But this seemed as difficult to secure as the other means since England was fixed in her policy of Free Trade and tariffs for revenue purposes only; the colonies supplied mainly food and raw materials and if preferences were given these articles might rise in price. Manufacturers would object to a rise in the price of raw materials, while workers or poorer classes would object to a rise in the price of food.

Only the colonial stock Act which was passed in 1900, gave grounds for hope that preferences might be adopted since it aided Imperial trade by allowing the colonies to borrow on more favourable terms from Great Britain.

Two years later Chamberlain was finally launched on a campaign, and in a speech at Birmingham he declared himself in favour of a complete reversal of the fiscal system of Great Britain. However this caused a split in Balfour's government between the protagonists of protection and those of Free Trade. Chamberlain resigned from the position of Colonial Secretary, and founded in 1903 the Tariff Reform League and embarked on his campaign more vigorously. He boldly faced the fact that no effective preference could be given to the colonies without taxes on food. The obstacles that Chamberlain faced in his campaign included fears aroused by figures of unemployment in protectionist Germany and U.S.A. that protection would lead not to more work but to unemployment. His opponents pointed out too, that preferences given by the colonies were a small return for the favours which they received at the hands of Great Britain, and that protection or preferential duties might cause retaliation by foreign countries.

In 1902 there had been a Colonial Conference at which three important resolutions were passed; the first declared Free Trade within the Empire to be impracticable, but favoured the adoption of the principle of Imperial preference.

The second recommended Imperial preference to colonies which had not yet tried it, and the

third urged the Home Government to adopt the system of Imperial preference. The Conservatives were heavily defeated on the issue of Free Trade versus preference ^{in the election of 1905} and it is not surprising that the Liberals refused at the conference of 1904 to discuss any question of taxing food. Five out of seven premiers, however, pressed for the adoption of Fiscal Preference by the Imperial Governments, but Canada and Transvaal held that each government must be free to settle its own fiscal system.

South Africa and New Zealand, following the lead of Canada had given preferences to Great Britain. Australia in 1904 granted preferences to Britain while Canada and New Zealand extended their preferential treatment to the whole of the Empire. Chamberlain's last speech was made in 1906, and he died in 1914, but his work was carried on by others. His final proposals were for, no tax on raw materials, a small tax on food other than colonial and a 10 per cent general tariff on imported manufactures. The colonies would have been prepared to meet them; in return for a moderate preference they would give Great Britain a substantial advantage in their markets.

The first breach in the national Free Trade system was made by the McKenna duties of 1915, which imposed duties on imports of both Imperial and foreign origin. Amendments which were designed to give preference were defeated. It was still thought that preferences were the 'stalking horse' for protection, and that protection caused unemployment and higher food prices.

Yet signs of a changing opinion were seen in two reports submitted to Parliament. In 1916 a committee was appointed by Lloyd George's Government to examine Britain's Commercial and Industrial Policy. Four members in the report recorded their opinion that protectionist recommendations did not go far enough and recommended a general tariff. In 1918 a Dominions' Royal Commission was appointed to report on Imperial economic policy. The report dealt with research, emigration, communications, marketing, commercial practice, and the development of legislation. The Commission reported that Great Britain should be given more preference, that the Dominions were using Britain as a dumping ground and buying off her competitors; selling the United Kingdom goods worth £52 million more than those they were buying and spending in foreign countries £61 million more than they were receiving. The British Empire was finding its fortune in foreign trade. Nevertheless, the Commission was certain that the separate parts of the British Empire had the will to shape themselves into a single economic unit. It was the first time that the policy carried out later at Ottawa in 1932 was discussed officially.

Most appropriately it fell to Austen, eldest son of Joseph Chamberlain to announce in the Budget of 1919, the inclusion of the principle of Imperial preferences in the fiscal system of Great Britain. Preferences were cautiously introduced, and with the exception of a duty on spirits, preference was given by remitting existing rates in favour of Empire products and not imposing higher duties on foreign goods. In the opinion of the Dominions reciprocal action was long overdue.

Only extremely moderate preferences were introduced however, but preferences were followed in 1921 by the Safeguarding of Industries Act, which established a $33\frac{1}{3}$ per cent ad valorem duty on certain goods and gave power to the Board of Trade to impose similar duties on dumped goods.

The Imperial Economic Conference of 1923 favoured the granting of extensive preferences and many specific offers to the Dominions were made by the President of the Board of Trade. Unfortunately action was delayed when the Conservatives under Baldwin were put out of office on this issue. The Labour government under McDonald naturally repealed all Imperial preferences, and even the McKenna Duties. When Baldwin returned to office in 1924 the McKenna Duties and accompanying preferences were restored, and an Imperial Economic Committee was appointed. This committee instituted the Empire Marketing Board which was to make a publicity campaign on behalf of Empire foodstuffs. The idea was to establish voluntary preference by consumers for Empire goods, in what was then a Free Trade Market. The Board which was made a yearly grant of £1 million by the Government of Great Britain was confined entirely to propagandist activities. Many of the fine posters which adorn the walls of Wistaki Boys' High School were published under their auspices.

In 1925 a new Safeguarding of Industries Act was enacted, and in every case preference was given to Empire products. The new fiscal policy was regarded with hostility by the Labour Party but in 1929 when a Labour Government was in power with Snowden, an ardent Free Trader as

Chancellor of the Exchequer, only the Safeguarding of Industries Act was allowed to lapse.

During the period 1923-31 no important changes took place, as when Labour Government was in power it made trifling cuts in the protective and preferential duties which already existed; when the Conservative party secured power it made petty additions to these tariffs. But the National Government of August 1931, facing economic collapse decided on a radical reversal of the fiscal system of Great Britain. Free Trade had stood impressively in the nineteen-twenties, but fell with a resounding crash in the nineteen-thirties. In November 1931 the National Government pushed through Parliament the Abnormal Importations Act; in February 1932 Parliament accepted the Import Duties Act. This Act has been in importance with those acts passed by Sir Robert Peel between the years 1841-46, and was deliberately intended to effect a fiscal revolution. The objects of the bill were to correct the adverse balance of trade, to maintain the value of the £ Sterling, and above all to facilitate the granting of preferences to the other units of the Empire. The Act imposed a basic 10 per cent ad valorem duty on all imported goods not specifically exempted.

The Imperial preferences were extended on a large scale at the Ottawa Economic Conference of 1932. The Import Duties Act and the Ottawa policy of Great Britain was caused by the fall in world prices of the primary products on which the Dominions and Colonies relied. At Ottawa the United Kingdom, India, Southern Rhodesia and all the Dominions except the Irish Free State signed bilateral agreements one with the other, generally to

remain in force for a period of five years. Even the Dependencies were not forgotten as the British Government obtained advantages for them on overseas Commonwealth markets, and in return invited those that were free to do so, to give preferences to Great Britain and the other members of the Commonwealth. The Ottawa agreements were followed two years later by the application of quotas on all foreign cottons and rayons, so as to benefit directly British and Commonwealth manufacturers and workmen. Once the Ottawa agreements had come into force the Empire Marketing Board ceased to function. It would be difficult to estimate the influence the Board had in preparing the way for the Ottawa agreements.

It was soon found that the Ottawa Conferences had not caused an increase in intra-Empire trade as the most pronounced increase had occurred before the Conferences had met. Of course the preferences were a distinct advantage to many Dominions and Colonies, especially to New Zealand, which despite distance from Great Britain could now compete, on the British market on favourable terms with Argentina and Denmark. But it was soon found that foreigners had less to spend on the Empire's products. It had been the view of Dominion producers that England provided an unfailing market, but now even England found reasons to protect her own farmers against competition, regardless of the fact that competition might originate from Dominion producers. Joseph Chamberlain, in England's Free Trade days had looked to Imperial preference with boundless hopes, but when finally preferences were granted they did not seem to work so well. Chamberlain had thought that by economic means Imperial unity

could be attained but they seemed to be leading to Imperial disunity.

The Commonwealth was soon in full retreat from Ottawa. The Dominions and India wished to trade more freely with the outside world and found to their dismay that the rigid Ottawa agreements prevented them from doing so. In Great Britain it was found that only 'dumping' had been prevented, as other protective measures would be impossible without the repudiation of a complicated system of foreign commercial treaties of which the public knew nothing. Canada, the first to institute Imperial preference was now the first to retreat from it. In 1935 her new Liberal Ministry under Mackenzie King signed a commercial agreement with the United States. India denounced her Ottawa agreements in 1936; an Anglo-Canadian agreement in the following year set Canada free to adjust her tariff as she wished while Australia secured a similar freedom and came to terms with Japan.

"At the Imperial Conference of 1937 it was the Dominions who demanded in chorus that everything possible be done to stimulate international trade as an essential step to political appeasement, while friendly citizens of the United States, fresh from their enthusiastic contemplation of the Imperial pageantry that had attended the coronation of George VI, observed that possessions so vast as those of the British were justified only on condition that the commercial policy which governed them should be eminently liberal...

----- The Ottawa policy had thus failed to draw closer the ties that held the states of the Commonwealth together; instead of goodwill it had

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bred questionings and consciousness of divergent interests. Meanwhile it had succeeded only too well in awakening discontent in parts of the Colonial Empire and jealously in the outer world."

In 1938 the Anglo-American Trade agreement actually whittled down the concessions granted to Dominion producers in 1932. The position to-day is that a few Dominions, such as Australia and New Zealand which have benefited greatly from the system of Imperial preference are in favour of the continuance of that system, while many are in favour of more liberal world trade relations. Many of the Dominions now are supporting their home industries - even New Zealand has high protective duties - and soon there might not be the same market for Great Britain's manufactures in the Dominions that there is even to-day.

America with its vast industries is now seeking more markets and is now advocating a reduction in the trade barriers of the world. Already, she has sought the reduction of preferences by attempting to impose conditions in the American Loan to Britain and by the Anglo-American Financial Agreement. Next year (1947) eighteen nations are to meet on the invitation of the United States to negotiate mutual tariff reducing agreements. The chief members of the British Commonwealth have been invited and Imperial preference will be under review.

South Africa has already made it quite clear that Imperial preference will not be terminated without extensive concessions from the United States. General Smuts has said that "he would like to see tariffs lowered to restore

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world trade, but that no Dominion government would give up preferences without a return."

Yet one may doubt, in the light of what Professor Walker has written, whether preferences have any more use than a bargaining value. New Zealand with her preferential trade in primary products is now about the only Dominion which would dislike the abolition of preferences. Wickham Steed has said over the air in his weekly talk (17th November 1946) that the British government if it is ever willing, as it might be to exchange Empire preference for world Free Trade it cannot be at all sure that this world trade could be realised, and even if realised might not even last more than two or three years.

Preferences, will be therefore used for bargaining with the United States and other countries to obtain concessions. They should in many cases be reduced, if this contributes to the economic stability of the world and, where the economic structure of a Dominion rests on preferential treatment by the United Kingdom, they should be retained.

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