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Class A:

Discuss the Trends of Commercial Policy within the British Empire since 1895, and indicate what you think the right Policy now.

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Summary.

The survival of the British Empire despite violent crises disproves accusations of exploitation against Britain.

In 1895 the Empire was fast developing. Harsh Continental & imperialisms increased the difficulties, and possibilities of a situation for which Joseph Chamberlain, a businessman, was a match.

Interested in Imperial Preference — lower tariffs on Imperial than on foreign imports — he proposed (1897) Free Trade within the Empire, tariffs on foreign goods. But infant colonial industries needed protection against Britain; while a closed Economic Empire menaced the outside world.

The Colonies suggested Imperial Preference in 1902, encouraging Chamberlain publicly to advocate Protectionism. The ensuing Parliamentary and public battle being won by the Free Traders, the Protectionists did not succeed till the 1931 depression. A preferential scheme was evolved at Ottawa (1932).

India had benefited by free, unrestricted trade, and since 1917 by protection against British industry.

British Imperial Preference, though moderate, was abandoned (1937) to stimulate world trade. The issue between Imperial Preference and Free Trade remains undecided. A planned commercial policy, controlled by semi-official, semi-private, organisations is now necessary. After rebuilding world trade and prosperity, the Empire may hope to save civilisation, by teaching people wise self-rule, from the threat of destruction.

(197 words)

Twice within living memory the British Commonwealth and Empire has been subjected to a most bitter ordeal; twice have the mighty forces of aggression and lust threatened the freedom of mankind with the prospect of a barbarous slavery to a self-styled "herrenvolk"; and twice has the Empire emerged from the flame and fury of total war — not unscathed, it is true, for the sacrifice has been wholehearted and the effort supreme — triumphantly upholding the principles of peace and justice, liberty for the individual and for the community, and all those essentials to a civilised existence whose fate seemed to tremble in the balance. No other Empire known to history has withstood so searching a test. The British brand of Imperialism is unique. Where other nations have sought only self-enrichment or the establishment of racial superiorities the British merchant-seaman-adventurer has been concerned with building up a trade that would be of mutual benefit both to the Mother Country and to the overseas people in question. The critics have levelled charges of "economic exploitation of backward peoples" against Britain; how much truth there is in these accusations will be apparent from the ensuing discussion of Commercial Policy within the British Empire.

during the last half-century.

The year 1895 found the Empire embarking on a peculiarly active period of development. The daughter colonies were growing up. As early as 1864 the two Canadas had solved their internal problems by federation; the British Parliament legalised their constitution in 1867, and the first Dominion had evolved. Australia was steadily moving towards the same goal. Although the Dominions had not then been defined (as they were to be defined over thirty years later) as ⁽¹⁾ "autonomous communities within the British Empire, equal in status, in no way subordinate one to another in any aspect of their domestic or external affairs though united by a common allegiance to the Crown and freely associated as members of the British Commonwealth of Nations"; although there was not then even a formal recognition of a new status for the Dominion as distinct from the Colony; the time was not far distant when the new Dominions could not by any possible stretch of imagination be conceived of as being "exploited" by Britain. For this very reason, however, all the more care would have to be taken in the commercial relations of Britain with her Colonial Empire. The Parliament-appointed Governor of a Crown Colony might not

⁽¹⁾ Imp. Conference
1926; quoted in Elton's
"Imp. Commonwealth",
p. 491.

be so jealous of the rights and interests of the people in his charge as would be the Governments of the young, free and vigorous nations that the Dominions were becoming. The peculiar possibilities and difficulties of the situation were, moreover, enhanced by the cruder Continental types of imperialism which had begun to assert themselves in Africa and the Pacific islands. As has happened so many times before and since in Britain's long history, the man to watch the hour was not wanting. 1895 was the year in which Joseph Chamberlain became Colonial Secretary.

Chamberlain, throughout his political career, remained the brilliant man of business of his earlier days. His goal was a closer and more intimate union or federation of the members of the British Commonwealth, and the history of the years between 1895 and 1932 in this field is the story of how he, and later his son Neville Chamberlain, sought to establish a scheme of Imperial Preference in the trade relations of Britain and the Empire among themselves, & with the rest of the world. Chamberlain himself, however, only gradually became interested in the possibilities of Imperial Preference. During his first years in office his sound sense of business affairs was put to good and lasting fruit use. As he himself declared, he saw the colonies as "undeveloped estates",

(2) Quoted in Elton's
 "Imp. Commonwealth",
 p. 396.

and he intended to spend British money in these estates⁽²⁾ "for the benefit of the population and for the benefit of the greater population which is outside." His early work on behalf of the West Indies was well-planned, vigorous, and rewarded with almost immediate success. Among other forthright measures we find him significantly prohibiting the import into Britain of foreign beet-sugar, in order to foster the growth of the cane-sugar industry in these colonies. There was a clear-cut case of protection (though not by tariff) of an Empire industry.

It was not long before Chamberlain was going much further. Seizing the magnificent chance afforded by the celebrations of Queen Victoria's Diamond Jubilee in 1897, he invited all the colonial premiers to a conference. Amid the pageantry and spectacle of the public rejoicings, and the special atmosphere of friendliness that was bound to prevail in the circumstances, he suggested that while trade should be absolutely free within the Empire, tariff-barriers should be set up against foreign imports. It will be noted that two separate concepts were contained in this proposition: a Protectionist Policy to ensure that Imperial trade would not suffer from the effects of

unbridled foreign competition - a retaliation, in fact, against foreign tariffs; and Free Trade between Empire countries to foster and develop the expansion of the commercial activity, and hence of the prosperity, of the Empire. The Colonial premiers saw quite clearly, however, that Free Trade within the Empire was not practicable. The Colonies, and especially the Dominion of Canada, were busy developing not only agriculture but also many industries, and the latter in their then state of infancy could not hope to compete with the rival industries already flourishing in the Mother Country. The other aspect of the proposed scheme also invited serious opposition, criticism. It had always been the declared intention of Britain to develop her colonies for the benefit both of their inhabitants and of the world. The British Empire has survived its terrifying ordeals because, in the last analysis, its survival is not a threat to the rest of the world; nor a reproach to the conscience of mankind. A tariff-barrier surrounding the Empire would not only give some semblance of reality, however ill-founded, to charges of "economic exploitation"; it would be an ever-growing menace to the security of foreign nations. The British Empire would have forfeited its claim to survival.

It was well, therefore, that the Conference of 1897 broke up without coming

to an agreement on the question. Canada offered Preference to British goods as compared with foreign goods and many of the colonies followed suit, but there the matter rested. One thing is certain. Joseph Chamberlain was not being an Imperialist in the continental or worst sense when he made his suggestion. His ultimate object was a closer federal union of the constituent members of the Empire; it was natural for the businessman to seek this goal along the path of a closer commercial union. At the next Colonial Conference in 1902 he was tentatively throwing out feelers along other lines. One proposal was to establish a new constitution for a Federal Empire Council; but Australia had just become a Dominion of federated states, New Zealand was also a self-governing nation in fact if not in name, & these new autonomous communities were unwilling to surrender any part, however small, of their independence to such a Federal Council. Another proposal envisaged a joint plan for the defence of the Empire, but the colonies refused to bear a reasonable share of the expense of maintaining even the Royal Navy which so largely protected them. It was now the turn of the colonies themselves to hint at the possibilities of a closer commercial union in a form of Imperial

Preference similar to that Chamberlain had suggested; the difference being that as Free Trade within the Empire was impracticable, tariffs against Britain would remain, but would be smaller than tariffs imposed on foreign imports. They also suggested that Britain should exempt the colonies from any duties that she might in the future impose — there were, of course, at the time none from which they could be exempted.

For some time Chamberlain had been cautiously sounding public opinion on the subject of Imperial Preference, but it was not till the next year that he ventured forth into the open. At that time, it must be remembered, the ideals of Free Trade had for half a century and more stood unchallenged, and it would be a brave man who would advocate Protectionism — that unutterable heresy — in any form soever. However, after his return from a South African visit in the winter of 1902-3, Chamberlain in the course of an historic speech at Birmingham on May 15 1903 stated the case for Imperial Preference and Protection. A cabinet crisis ensued, as also a split in the Conservative Party; of the latter, Asquith and the Liberals did not fail to take advantage. On their accession to office they denounced not only Imperial Preference but also the Empire itself and there was so strong a public reaction against the self-confidence of Victoria's Jubilee Year and later that many

Englishmen looked upon the Empire as something positively discreditable to themselves, and were ready to be accused of crimes that they had never committed. No further advance towards Imperial Preference could be expected for some years. Thus at the Colonial Conference of 1907 all the overseas members reaffirmed their desire for Imperial Preference, but the agreement of the Mother Country, with a Liberal Government committed to champion the cause of Free Trade, was not forthcoming.

Agitation in Britain for a preferential tariff did not cease. There were many opponents of Free Trade who were encouraged by Chamberlain's speech to form such bodies as the Tariff Reform League. In 1923 an Imperial Economic Conference was held which suggested certain tentative measures later put into effect by Baldwin's Government. It was the catastrophic world-wide economic depression of 1931 that was the immediate cause of the introduction of a far greater measure of Imperial Preference than had hitherto been attempted. Foreign nations, faced with unwanted surplus products, were disposing of them by "dumping" in the only large area in the world not employing a strict Protectionist policy — the Empire. On February 4 1932 Neville Chamberlain, the then Chancellor

of the Bochequer, set the seal on the work that his father had begun. The Import Duties Act was passed. Henceforward all foreign imports (with certain important exceptions) were to be subject to a ten per cent duty, all Empire imports being for the moment free. A conference of Empire representatives was held at Ottawa in November of the same year, and the scheme of Imperial Preference was further elaborated and extended. Imperial Preference had won the day.

It is of particular interest to study the effect of the changes in Commercial Policy since 1895 on the economics of India — a part of the Empire unique in its constitutional position. India had long been one large area of Free Trade: the introduction of railways and roads had made the isolation of the countryside a thing of the past; the peasant-farmer could obtain for his crops not the low local price but that obtaining in world markets. Trade between Britain and the outside world was free, and though a substantial part of India's overseas trade was with Britain no direction or compulsion was exerted. In only one case was British industry protected at the expense of India: the excise duty on Indian-manufactured cotton goods, forced on the British Government by Lancashire mill-owners, was a source of much bitterness and mistrust of Britain's motives on the part of many Indians.

In 1917 came the declaration that responsible self-government was the goal of British policy in India, and soon afterwards a substantial measure of fiscal autonomy was granted to the Government of India. At once, following the lead of Colonies and Dominions, protection was afforded to young Indian industry by the imposition of tariffs on all overseas imports, those from Britain included. The Lancashire cotton industry was particularly affected and several factories had to close down. Six years later His Majesty's Government agreed with the Government of India that there was no reason why purchases of the latter should be made of the products of British industry; the cheapest markets were to be sought. A great expansion of industry in India has taken place until now an Indian firm is the largest manufacturer of iron and steel in the British Empire. India sent her own representative to Ottawa, and as a result of the measures taken there India gained greater advantage than did Britain. Such has been the "economic Imperialism", the "exploitation", of the British Raj.

British Imperial Preference between 1932 and 1937 was not of

(3) Amery's "Plan
of Action", p. 106.

the full-blooded variety. As Lord Melchett wrote, no one visualised ⁽³⁾ "a Chinese Wall around the Empire which would entirely exclude foreign trade." Although the Empire was theoretically capable of being fully self-supporting, it was realised that many factors, commercial, technical, geographical, prevented the theory from being translated into practice. British coal supplied the Continent, but Indian cotton could not supply Lancashire mills which were not equipped to handle the short-staple variety. It was realised, furthermore, that the position of many countries not technically within the British Empire was yet different to that of other foreign countries and demanded different treatment: Argentina, Iraq, and Egypt are cases in point. Many of the colonies remained outside the system devised at Ottawa, and it has been calculated that only three per cent of Britain's exports to her Colonial Empire received preferential treatment. But though trade within the Empire greatly increased as a result of the introduction of Imperial Preference, and all members of the scheme gained material benefit, the fact remained that intra-Imperial trade was alone not sufficient for the permanent well-being of Britain and of the Empire; world trade was essential too. Imperial Preference aggravated an unstable world-wide economic condition and acted as a deterrent on world trade, and by

1937 the scheme was being abandoned.

During the discussions with America last year on the Loan, Imperial Preference seemed definitely to have been sacrificed; it is by no means certain, however, that a reversion to the scheme under more favourable conditions would be a mistake. The issue cannot be said to have been settled. Advocates of Free Trade point to the undeniable prosperity of the latter half of the nineteenth century under their system, and to the virtual drying up of world trade by 1937; supporters of Imperial Preference are at least equally convincing in their explanation of the good years, and the bad, in terms of a wider world economic situation; and there is much to be said for both points of view. But certain general considerations can be applied to the problem of what Commercial Policy within the Empire should be in the future. The great importance of trade relations lies in the tragic anomaly that though today the world contains more than enough natural wealth to support all its inhabitants, millions of people starve. Millions more contrive to exist on a pitifully inadequate diet. It is essential that the economic development of the Empire at least, failing the cooperation of the rest of the world, be integrated

into a single workable whole. Only thus will lasting benefit be obtained. In the colonies especially there is much room for progress, the results achieved under the present scheme by which individual plans are proposed by Governors, or by the Colonial Development Advisory Committee set up in 1929, being good in themselves but not wide enough in scope. Moreover, the greater part of the financial burden has to be borne by His Majesty's Government. There should be in the home country a body set up for the purposes of research and development and with an adequate information-bureau; there should be daughter-organisations of a similar but more local character in the various parts of the Empire. These organisations, to which would be entrusted the charge of developing really backward territories, and assisting in the more advanced areas, could not, together with the central body, be in the nature of a private firm, for the simple reason that there could be no profits for several years. On the other hand, they could not be purely Government-controlled, for there would be danger of their work depending on the viewpoint of the administration in office at the time. A compromise between the two forms is essential. In connexion with this subject, moreover, the dangers of oversystematisation cannot be exaggerated; the Empire has always had a natural, unconscious growth, and an alteration now in

its character would probably spell doom.

The civilisation of man still remains a superficial veneer, liable to chip badly under various stresses. One of the most potent of these disruptive forces is hunger, & the only way to combat hunger is the development of trade. But freedom from hunger is not enough. The British Empire can look back on a long and glorious history, but it is certain that the future can disclose a greater and nobler destiny. What proud Spanish Don or French Marquis in the year 1485 could have foreseen that the inhabitants of the tiny, storm-battered isle would embark on voyages of discovery and trade to the utmost corners of the earth, would found a rich Empire, would discover the secret of self-government combined with individual freedom and widely propagate knowledge of the art, and would save the world from tyranny on more than one occasion? Who ~~was~~ among us would dare to prognosticate the achievements of that Empire in the future? But evidence abounds that unless all men are prepared to learn the art of ruling themselves wisely, the world is heading towards chaos and the ultimate darkness of destruction. The obvious choice for teachers by example — though not by instruction — rests on the only association of free

peoples, of many different colours and
creeds, and united for most part only
by common consent, that has ever been
known to history.

Books consulted:

"Imperial Commonwealth" by Lord Elton.

"Plan of Action" by L.S. Amery.

"India - a Re-statement" by Sir R. Compland.

"Wealth for Welfare" by Foster and Bacon.