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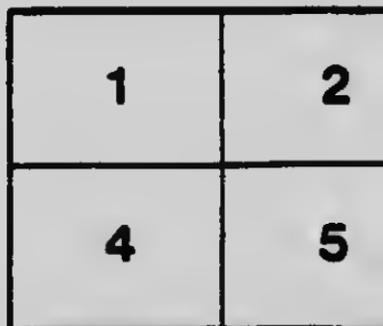
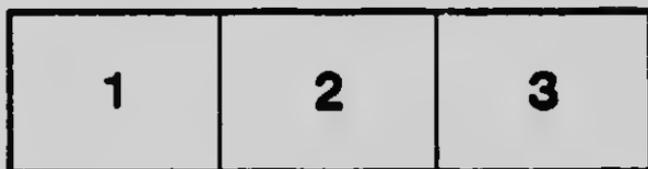
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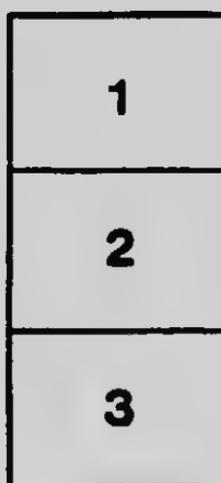
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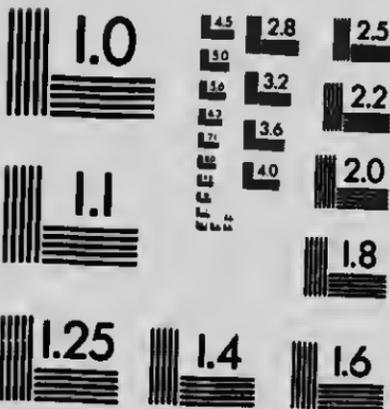
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# THE COLONIAL CONFERENCE

THE COBDEN CLUB'S REPLY TO  
THE PREFERENTIAL PROPOSALS



CASELL & COMPANY, LIMITED  
LONDON, PARIS, NEW YORK, TORONTO & MELBOURNE

1907

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## THE COLONIAL CONFERENCE.

*The Cobden Club's Reply to the Preferential Proposals.*

### CHAPTER I.

#### THE EARLY MOVEMENT TOWARDS FEDERATION.

WHAT light does the Colonial Conference of 1907 throw upon the future of the British Empire, especially as regards the relations between the Mother Country and the self-governing Colonies? Before endeavouring to answer this question by examining the Report of the Conference, it is desirable to present a brief account of the official circumstances which led to this Conference. The movement for a closer organisation of the parts of the Empire for common purposes of government, defence, and trade, had long been occupying the attention of politicians both in Great Britain and the Colonies before the advent of Mr. Chamberlain to the office of Colonial Secretary in 1895 gave practical importance to the proposals. Not only had private associations in this country been educating public opinion upon the advisability of Imperial Federation, but as far back as 1874 Lord Carnarvon, on entering the Colonial Office, had definitely set himself to promote the federation of Colonial groups as a step towards the fuller federation.

When Mr. Chamberlain became Colonial Secretary in 1895 he directed all his energy to the promotion of this object. Events in Australia and, as he thought, in South Africa, were moving rapidly towards local federation, and the association of these groups in one great federal union appeared to him quite practicable.

From the time of the first Colonial Conference in 1887 the notion of a Customs Union has been before the minds of Federationists, though at that date it seemed outside practical politics. Lord Salisbury in 1887 recognised that an effective Customs Union was precluded by our Free Trade policy. His words are worthy of citation :

" I fear that we must for the present put in the distant and shadowy portion of our task, and not in the practical part of it, any hope of establishing a Customs Union among the various parts of our Empire. I do not think that in the nature of things it is impossible; I do not think that the mere fact that we are separated by the sea renders it impossible. . . . But the resolutions which were come to in respect of our fiscal policy forty years ago set any such possibility entirely aside, and it cannot be now resumed until on one side or the other very different notions with regard to fiscal policy prevail from those which prevail at the present moment."\*

The first active steps towards the realisation of what appeared to Lord Salisbury in 1887 impracticable took place at the Colonial Conference at Ottawa in 1899, when three resolutions were passed dealing with trade relations in the Empire. The first two had for their object the repeal of legislation and of treaty stipulations precluding the realisation of the policy embodied in the third resolution, the gist of which was contained in the following two clauses :—

" That this Conference records its belief in the advisability of a Customs arrangement between Great Britain and her Colonies by which trade within the Empire may be placed on a more favourable footing than that which is carried on with foreign countries."

" That until the Mother Country can see her way to enter into Customs arrangements with her Colonies, it is desirable that, when empowered so to do, the Colonies of Great Britain, or such of them as may be disposed to accede to this view, take steps to place each other's products, in whole or in part, on a more

favoured Customs basis than is accorded to the like products of foreign countries."\*

The Imperial Government was not directly represented at this Conference, but, on receiving the copies of these resolutions, the Marquess of Ripon, then Secretary for the Colonies, sent to the several Colonial Governments a Memorandum setting forth in some detail the objections on behalf of Great Britain to the proposal that she should enter into any such fiscal rearrangement, and pointing out in particular that "the gain to the Colonies, whatever it might be, would, even at first, be altogether incommensurate with the loss to the Mother Country."†

#### MR. CHAMBERLAIN'S EARLIER POLICY.

This did not, however, prevent Mr. Chamberlain from recognising in 1895 the value of this idea as a leverage for his wider project, and, addressing the Canada Club, in London, in March, 1896, he proclaimed the doctrine that Imperial union "can be most hopefully approached, in the first place, from its commercial side," and that "a true Zollverein for the Empire, a Free Trade established throughout the Empire, though it would involve the imposition of duties against foreign countries, might probably lead to a satisfactory arrangement, if the Colonies were on their part willing to consider it." At this time he rejected the notion of the preferential bond as totally impracticable. "That, while the Colonies should be left absolutely free to impose what protective duties they please both on foreign countries' and British produce, they should be required to make a small discrimination in favour of British trade, in return for which we should be expected to change our whole system and should impose duties on food and raw material. . . . My own opinion is that there is not the slightest chance that in any reasonable time this country would adopt so one-sided an arrangement. I do not believe that the working classes of this country would consent to

\* C. 7829, page 2.

† C. 7524, page 5.

make a revolutionary change for what they would think to be an infinitesimal gain."\*

Imperial Federation on a Free Trade basis, conducted by an Imperial Council, which later on might grow into a Federal Parliament, was the conception which dominated Mr. Chamberlain's mind at the Colonial Conference of 1897. Such a Council, even in its earlier and merely consultative days, would become an organ of authoritative advice in Imperial concerns, and, in particular, an instrument for the preparation of a scheme of voluntary contribution to the cost of Imperial defence from the self-governing Colonies.

The Secretary for the Colonies was, however, a good deal in advance of the sentiments of the Premiers attending the first Conference of 1897. They were not able to accede either to the political or the commercial project, and upon both issues confined themselves to resolutions of a purely general character. Instead of adopting the proposal of an Imperial Council, they merely passed a resolution to the effect that "The Premiers are of opinion that it would be desirable to hold periodically Conferences of representatives of the Colonies and Great Britain for the discussion of matters of common interest." On the question of Commercial Union they contented themselves with passing two resolutions, one urging the early denunciation of any treaties which hampered the commercial relations between Great Britain and the Colonies, the other undertaking to confer with their colleagues with a view to considering whether a preference might not be given by the several Colonies to the products of the United Kingdom.†

It is quite evident that neither Canada nor Australia were prepared then seriously to consider entering any political or economic arrangement that would bind them in any way, or to entertain any proposal for Colonial contributions to Imperial defence on any basis

\* Speech at Conference of Home and Colonial Chambers of Commerce, June 10, 1896.

† Cd. 1299, page 35.

of trade or population. The preferential resolution was not adopted as the first step towards commercial union upon a basis of mutual agreement. It did not contemplate any reciprocal action on the part of the Mother Country. This Mr. Chamberlain admitted in 1902, when he said\* of the 1897 resolution: "This was a proposal without any reciprocal obligation. It was considered by the Premiers at the time as a proposal which might be made in consideration of the fact that the United Kingdom was the largest and the most open market in the world for all the products of the Colonies."

Even before the 1897 Conference, Canada, of her own initiative, had given a preference of  $12\frac{1}{2}$  per cent. upon British goods, afterwards increased to 25 per cent., and then to  $33\frac{1}{3}$  per cent. Between the Conference of 1897 and that of 1902, no action whatever was taken by the other Colonies to give effect to the resolution regarding preference. But in the meantime the South African war took place. The Imperial enthusiasm generated by that war, and in particular by the active co-operation of Colonial troops, greatly raised the hopes of Federationists both in Great Britain and in the Colonies, and Mr. Chamberlain entered the Conference of 1902 with proposals indicative of very sanguine expectations.

#### THE CONFERENCE OF 1902.

It is important to realise what were the proposals of Mr. Chamberlain and the "forward" party among the Colonials upon the three important issues, political federation, commercial union, and Imperial defence, and what the sense of the Conference was upon these issues.

Mr. Chamberlain began his address to the Conference by an eloquent appeal for an approach "to a more definite and a closer union," coupled with the declaration, "I do not hesitate to say that, in my opinion, the political federation of the Empire is within the

\* *Idem*, page 7.



partners should make both a financial and a personal contribution, and which in time of war should be placed under Imperial control for use wherever it was required, was strongly urged by our Admiralty. Personal negotiations were conducted with the various Premiers, with the result that the Premiers of Cape Colony and Natal agreed to recommend their Governments to make a slight increase on their small contributions to the Navy, while Australia and New Zealand agreed to contribute a sum of £200,000 and £40,000 respectively. Canada, be it observed, is not able to make any offer of assistance like the others, because "the Government of the Dominion are contemplating the establishment of a local naval force in the waters of Canada," *i.e.* she would have nothing to do with an Imperial Navy.

Although the First Lord of the Admiralty pointed out in plain terms\* the utter insufficiency of these contributions, no attempt appears to have been made to come to an intercolonial agreement upon any basis of contribution whatever. No Premier cared to engage his Colony to hear a "fair" share of the burden of an Imperial Navy.

Now let us turn to Military Defence. The Secretary for War pleaded for an Army Reserve of the Imperial force, consisting of men to be trained and supported by the several Colonies, with a view of acting as an Imperial force and "with a liability to oversea service." The reserve pay of a body of 20,000 men thus trained would only amount to a sum of about £180,000 a year spread over all the Colonies.

This scheme, apparently concocted between the Secretary for War and Mr. Seddon, had the support of the representatives of Cape Colony and Natal, but was rejected by those of Canada and Australia upon the ground that, "To establish a special force, set apart for general Imperial service, and practically under the absolute control of the Imperial Government, was objectionable in theory as derogating from the powers of self-government enjoyed by them, and

\* Cd. 1299, page 18.

would be calculated to impede the general improvement in training and organisation of their defence forces, and, consequently, their ability to render effective help if it should be required."\*

#### THE TRADESMAN'S ENTRANCE.

So much for Mr. Chamberlain's projects of political and defensive federation. But, important as were these proposals, and disappointed as he must have been at their reception, his chief hope lay in commercial federation. Baffled in his approach through the front door of politics, he sought the tradesman's entrance.

"Our first object is free trade within the Empire." By this was meant not any system of mere preferences, in which the British manufacturer should always stand at a disadvantage with the Colonial manufacturer, but equal treatment for British goods with Colonial goods. Mr. Chamberlain was quite aware that exigencies of revenue forbade the Colonies from adopting towards our goods so liberal a policy as we adopt towards theirs. "But in my mind, whenever Customs duties are balanced by Excise duties, or whenever they are levied on articles which are not produced at home, the enforcement of such duties is no derogation whatever from the principles of Free Trade, as I understand it."†

Aware that the Colonies would not commit themselves immediately to such a proposal, Mr. Chamberlain hoped for a substantial agreement upon the project of a scheme of Colonial and British preferences introduced in a resolution of Mr. Seddon to the effect: "That it is essential to the well-being of the Mother Country and his Majesty's dominions beyond the seas that, in such dominions where the same do not now exist, preferential tariffs, by way of rebate on duties of British manufactured goods carried in British-owned ships, should be granted, and that in the Mother Country rebate of duty on Colonial products now taxable should be conceded." Even on this matter no

\* Cd. 1299, page 32.

† Cd. 1299, page 6.

real agreement and no common policy seemed possible, because "the circumstances in the different Colonies differed so widely"; and so, to save the situation, a number of separate private interviews took place between the Premiers and the President of the Board of Trade, as the result of which the several Premiers undertook to press their Governments for substantial preferences for British imports.

The general resolution which they adopted, while expressing this intention, put a formal extinguisher upon Mr. Chamberlain's notion of "free trade within the Empire."

The following are the important clauses of the resolution:—

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

"That with a view, however, to promoting the increase of trade within the Empire, it is desirable that those Colonies which have not already adopted such a policy should, as far as their circumstances permit, give substantial preferential treatment to the products and manufactures of the United Kingdom.

"That the Prime Ministers of the Colonies respectfully urge on his Majesty's Government the expediency of granting in the United Kingdom preferential treatment to the products and manufactures of the Colonies, either by exemption from or reduction of duties now or hereafter imposed." This was the first demand from the Colonies for preferential treatment of their products in British markets. It was not proposed as a necessary condition of preference to British goods in Colonial markets. The two resolutions were independent of one another.

Canada had, it appears, been pressing the Imperial Government, throughout the Conference, for a definite remission of the war duty upon Colonial wheat. To this Mr. Chamberlain could not then accede, urging that the material results of the existing Canadian preference were not sufficient to justify "such an im-

portant departure from the established fiscal policy of the kingdom," and that if it were to be entertained at all "it would be necessary for Canada to offer some material tariff concessions beyond those which she had already voluntarily given."

Subsequent events indicate that Mr. Chamberlain was counting much upon the maintenance of the wheat tax as a means of negotiation with Canada, and as the germ of a system of British preferences to the Colonies. The announcement of the Government, during his absence from the country, that the wheat tax was abandoned, wrecked this hope, and probably precipitated the wider campaign of protection to which he committed himself in 1903.

While the Colonial Conference of 1902 showed a creditable unanimity in the minor issues of Coasting Trade, Mail Services, Protection of Patents, Most Favoured Nation Treatment, Merchant Shipping Laws, and other issues which appealed either to the protective spirit which more or less inspires them all, or to the several interests of the Colonies, upon the vital question of imperial federation, political, military, or commercial, no substantial result was obtained.

The advanced proposals made in nearly every instance by Mr. Seddon, and supported with some degree of cordiality by the representatives of Cape Colony and Natal, were rejected by the representatives of Canada and Australia.

#### THE CONFERENCE OF 1907.

Now, turning to the Colonial Conference of 1907, we are in a position to consider the value of its deliberations, taking as the chief heads the same three issues of political structure, defence, and commercial federation which figured in the Conference of 1902.

First, turning to the political relations of the Colonies and the Mother Country, we find that while measures are taken for improving the deliberative character of the Conference and for establishing more continuous opportunity of discussion between the different parts of the Empire, no single step is taken towards

the establishment of a Council or other imperial body with the beginnings of administrative or legislative authority.

This was not for lack of attempts in this direction. Resolutions of the Governments of Australia, New Zealand, and Cape Colony were tabled proposing the establishment of an Imperial Council, to consist of representatives of Great Britain and the self-governing Colonies. While the Australian resolution made it clear that the functions of such a Council were to be exclusively deliberative, New Zealand held that "it might facilitate the dealing with questions that affect the over-sea dominions"; while Cape Colony, more advanced in its Imperialism, proposed that at such Imperial Council "questions concerning, *inter alia*, the peace of the Empire should be discussed," and linked the proposal with a plan of Imperial defence.

The Colonial Office, under Mr. Lyttelton, appears to have taken the initiative in proposing the substitution of an Imperial Council for a Colonial Conference, and in negotiating with the Colonial Governments upon the matter. The adoption of the proposal was stopped by the refusal of Canada to accede to the arrangement, and Sir W. Laurier's explanation of this position deserves quotation.

"When this subject was first put to the Colonial Governments by the despatch of Mr. Lyttelton, the suggestion was that an Imperial Council should be created; and, as we understood it in Canada, it meant this—and I think that was the thought that Mr. Lyttelton had in his mind at the time—that the Council should be composed of the members of the present Conference or of the Conferences which have taken place up to this date; that is to say, of the Prime Ministers of all the self-governing Colonies, assisted by a permanent body to sit here in the City of London, similar to the Imperial Defence Committee. If that idea had been accepted, that there should be here a permanent Imperial Civil Committee instead of an Imperial Defence Committee, the title "Imperial Council," I think, would have been appropriate. We demurred at once in Canada to the idea of creating such

a committee as was suggested, but *we thought it preferable to keep the Conferences to their present composition, without any more power than they have at the present time*; and therefore we suggested that the name Conference should be retained, substituting for 'Colonial' the word 'Imperial,' which I think is more in accordance with the fitness of things. These Conferences are really Imperial in their character, since they are not composed only of the self-governing Colonies, but of the representatives of the Imperial Government also."\*

# The suspicion evidently entertained by Canada lest an Imperial Council might acquire new powers does not appear to have been shared by Australia, New Zealand, and Cape Colony, but it is important to observe that Mr. Deakin, in proposing the new title, and Sir J. Ward and Dr. Jameson in supporting it, expressly disclaim the notion of creating any body with any other than purely consultative powers.

"Our idea was not to endow the new body, under whatever title it was known, with any legislative or executive power whatever, nor to diminish its immediate dependence upon the Governments of the Dominions represented here" (Mr. Deakin†). "I want also to say that I think the functions and powers of the Council should be consultative and advisory only on everything, and that it should have no executive or administrative powers" (Sir J. Ward‡). "We did not wish to institute any new scheme whatever, as Mr. Deakin has explained; all that we desired was to make more efficient the work of the Conference, as the Conference stands at present" (Dr. Jameson§).

But while the representatives of the several Colonies are in full agreement that no body shall be created which shall trench in any way upon the control of their own affairs by the Colonies, or shall bind them to any common action, a very interesting rift of sentiment appears upon certain practical proposals which to certain Colonies appear to have a dangerous tendency in that direction.

\* Cd. 3523, page 29. † Page 27. ‡ Page 31. § Page 33.

## THE PERMANENT SECRETARIAT.

While Sir W. Laurier favoured the substitution of "Imperial" for "Colonial" Conference, on the ground that it was a more accurate expression of the facts, he looked with grave suspicion upon the establishment of a permanent "Secretariat," a suspicion evidently shared to some extent by Lord Elgin and General Botha.\* Such a body, though designed to be dependent upon the Governments in whose interests it existed, and to be purely informatory in its functions, might tend to "independence" and to the acquisition of some measure of real control.

This criticism of Sir W. Laurier, General Botha, and Lord Elgin was overborne by a recognition that it was necessary to make some sort of permanent provision for orderly communication between the Governments which in the future were to meet in regular Conference every four years, and it was finally agreed "That it is desirable to establish a system by which the several Governments represented should be informed during the periods between the Conferences in regard to matters which have been or may be subjects for discussion, by means of a permanent secretarial staff, charged, under the direction of the Secretary of State for the Colonies, with the duty of obtaining information for the use of the Conference, of attending to its resolutions, and of conducting correspondence on matters relating to its affairs."

To the Colonial and British politicians who favour Imperial Federation, this Secretariat may come to be a stronger *point d'appui* than the periodic Conference. Behind the proposals of Mr. Deakin and Dr. Jameson may be seen an express desire to remove the relations between Great Britain and the self-governing Colonies from the control of the Colonial Office altogether, and to set them upon an entirely new footing under a body representing the several Governments and presided over by the British Prime Minister as representing the Crown. Mr. Deakin, who took the lead in

\* Pages 36, 37.

expressing this idea, desired to have a clear distinction drawn between the status of the self-governing and of the Crown Colonies.

"The Colonial Office must expect to see the self-governing communities outgrow its capacity for control, which is not capable of being indefinitely extended.\*

"All the departments of this Government would remain—the Colonial Office, the Foreign Office, the Board of Trade—and matters of inquiry and ordinary communications would go to these departments as a matter of course. What I thought might be attached to the Prime Minister personally were those dispatches which have respect to the exercise of the self-governing functions of self-governing communities, all great constitutional questions or matters involving constitutional questions."†

This revolutionary proposal, it seems, was to be achieved by the establishment of a Secretariat independent of the Colonial Office and presided over by the Prime Minister. As developed by Mr. Deakin and Dr. Jameson, it deserves more than a passing attention. Their avowed aim was the creation of a staff "controlled by the Prime Minister here as representing all the Prime Ministers of the Empire,"‡ to which should be transferred the consideration of all constitutional issues between the British Government and the self-governing Colonies, which at present fall within the province of the Colonial Office. This, if carried through, would have the effect of removing the Secretariat from the authority of a responsible Minister of the British Government, for the Prime Minister would preside as *primus inter pares* on behalf of the body of Premiers forming the Conference.§

Sir W. Laurier took the strongest objection to this proposal, insisting that the Secretariat should be under the control of the Colonial Office. Finally, the refusal of the Prime Minister to accede to the proposal that he should preside decided the issue. But this attempt

\* Page 44.

† Page 44.

‡ Page 67.

§ Pages 67 and 68.

to remove the constitutional control of the self-governing Colonies from the Colonial Office, and to set up in this Secretariat the nucleus of a real Imperial Council in which the Prime Minister of England should preside as a member of the Imperial Conference, was a bold attempt at making history.

#### SUMMARY OF THE POLITICAL RESULTS.

Various other attempts at constructive Imperialism, proposed by Mr. Deakin, usually with the backing of Dr. Jameson, were successfully opposed by Sir W. Laurier, who, with General Botha, ranked as an opposition to the forward movement.

Of such a character was the proposal of Mr. Deakin that in the absence of the Prime Minister, who was formally constituted President of the future Imperial Conferences, the "senior member" of the Conference, not the Colonial Secretary, should preside. This suggestion, logically linked with the determination to make the Conference and the Secretariat a body purely representative of equal Governments, was withdrawn on the objection of the representative of Canada. So was the Australian resolution, "That it is desirable to establish an Imperial Court of Appeal." Sir W. Laurier's speech upon this resolution makes it evident that Canada looks not to the substitution of an Imperial Court for the present jurisdiction of the Privy Council, but to the elimination of Imperial jurisdiction altogether.\*

Summarising the political results of the Conference, we perceive that the following changes in the constitution of the Conference were effected. Known no longer as a Colonial, but as an Imperial Conference, it is to be held not irregularly as heretofore, but at regular intervals of four years. The Prime Minister is to be *ex officio* President, instead of the Secretary of State for the Colonies, who, however, will be Vice-President, and will, as heretofore, be charged with the arrangements for the Conference. The permanent

\* Page 210.

secretarial staff under the Secretary of the Colonies is charged with "the duty of obtaining information for the use of the Conference, of attending to its resolutions, and of conducting correspondence on matters relating to its affairs." Upon matters of importance, which cannot conveniently be postponed, subsidiary Conferences may be held between representatives of the Governments concerned.

#### THE COLONIES AND IMPERIAL DEFENCE.

On the question of Imperial Defence the crucial issue is evidently this: Will the self-governing Colonies undertake to contribute money and men on any agreed basis to the maintenance of an Imperial Army and Navy to be operated as a whole and in whatever part of the Empire they are needed? Mr. Haldane approached the question of an Imperial Army very delicately, describing the main distinction between the expeditionary force and the home defence line in our British Service, and suggesting that the Colonies should draw a similar distinction. He did not, however, raise directly the radical question whether the Colonies would undertake to keep any force which was available for use outside the Colony. This question of Colonial enlistment for compulsory service throughout the Empire was touched by several speakers, but no one, with the exception of Mr. Smartt, of Cape Colony, expressed a view favouring the possibility of such enlistment. Sir F. W. Borden, of Canada, pointed out that the Canadian laws did not permit the raising of such a force, and Sir J. Ward held out no hope of any other than an emergency supply of volunteers from New Zealand.

While the Conference unanimously endorsed a resolution for the free voluntary co-operation of the parts of the Empire in military training and methods of equipment, to be forwarded by the instrumentality of an Imperial General Staff, that body was described by Mr. Haldane as "a purely advisory body," in reply to Sir F. Borden's statement that "I scarcely think it would do to have officers in the different Dominions

who were responsible in the first place to the Secretary of State for War here."

Upon the "question of an Imperial Navy no resolution was passed, and the Conference confined itself to a series of expressions of general sympathy and a disposition on the part of the Colonies, other than Canada, to increase their present contribution to the British Navy.

It is impossible to read the report of the discussions on Defence without perceiving that the self-governing Colonies are not in the least disposed to hind themselves, either now or in the future, to any considerable contribution to Imperial Defence, still less to any measure which places their ships or their fighting men under the control of British or Imperial officers.

#### PREFERENTIAL PROPOSAL IN 1907.

In the important debates upon the commercial relations of the Empire, and particularly upon Preferential Trade, it is of great importance to realise two facts: first, that the attitude of the British Government was one of pronounced and consistent hostility to all the proposals involving her in preference to Colonial goods; second, that among the Colonial Premiers wide differences displayed themselves as to the degree of urgency and mode of pressure brought to bear on the Mother Country.

Sir W. Laurier and General Botha were content to reaffirm the resolutions of 1902, which, in relation to the Mother Country, "urge on his Majesty's Government the expediency of granting in the United Kingdom preferential treatment to the products and manufactures of the Colonies, either by exemption from or reduction of duties now or hereafter imposed."

This may be taken as the Conservative position; Australia, New Zealand, Cape Colony, and Natal all adopted a more forward attitude, in their resolutions or in discussion.

The steps marking this advance are best set forth

in the following resolutions proposed as addenda to the resolutions of 1902 :—

- (1) The Commonwealth of Australia proposed—  
“ That it is desirable that the preferential treatment accorded by the Colonies to the products and manufactures of the United Kingdom be also granted to the products and manufactures of other self-governing Colonies. That it is desirable that the United Kingdom grant preferential treatment in the products and manufactures of the Colonies.”

The first of these clauses implies a limitation of the liberty of the several Colonial Governments in bargaining with one another upon tariff terms, aiming at a more rigorous union among the members of the Colonial Empire. The second expands into a general demand for equivalent preference the smaller request of the 1902 resolutions, and invites Great Britain to a step involving the reversal of her entire Free Trade policy.

- (2) Cape Colony proposed that— “ This Conference, while adhering to the principle of preferential treatment of the products and manufactures of the United Kingdom, desires to impress upon his Majesty's Government the opinion that the continuance of such preferential treatment to the producers and manufacturers of Great Britain is largely dependent upon the granting of some reciprocal privileges to British Colonies.”

This resolution of Dr. Jameson is, in effect, notwithstanding his disclaimer,\* a threat to withdraw existing preferences unless a *quid pro quo* in British preferences is given, and may be held to mark the most forward step of the Colonial Preferentialists.

\* Page 287.

The rejection of these resolutions in favour of a simple reaffirmation of the 1902 resolutions implies that the representative Colonial position is that of Canada, claiming of her own free will to give a preference to the Mother Country, asking for such preference as Great Britain can see her way to giving without undue disturbance of her general fiscal policy, but in no sense proposing a bargain of preferences or seeking to bind the various parts of the Empire in any common Imperial agreement.

Two other proposals set before the Conference for forcing the hands of the British Government on the Tariff question further illustrate the divergence between the definitely realised principles of national development, for which Canada stands, and the vague, hasty, short-sighted Imperialism advocated by Mr. Deakin and Dr. Jameson on behalf of the Colonies which they claim to represent.\*

Dr. Jameson, basing his argument upon the fact that the British Government, as participants in the South African Customs Union on behalf of the protectorates of Basutoland and Bechuanaland, are subscribers to the preferential policy adopted by that Union, moved—"That his Majesty's Government should now take into consideration the possibility of granting a like preference to all portions of the Empire on the present dutiable articles in the British tariff."

This proposal to force British preference by a side-wind was supported by Australia, New Zealand, and Natal, but was opposed by General Botha. Sir W. Laurier was absent at the time of voting, but on the introduction of the resolution he had favoured its postponement.

Mr. Deakin's motion—that, "in order to provide funds for developing trade, commerce, the means of communication and those of transport within the Empire, a duty of 1 per cent. upon all foreign imports

\* It must not be forgotten that Mr. Deakin, though the titular representative of the Australian Government, is, in fact, the leader of the smallest of the three parliamentary parties in that country; while Dr. Jameson can hardly be regarded as the representative of a present majority of the electorate of his Colony.

shall be levied or an equivalent contribution made by each of its legislatures"—met with very little favour. The Colonies which approved the general object, and had no rooted aversion to the method, considered it vague in its financial implications, and Sir W. Laurier raised two fatal objections: one, that it would involve alterations in the existing tariff for which Canada was not prepared; the other, that it proposed "to create a general fund for certain purposes, indefinite, undetermined."

To this project of an Imperial Surtax, originally suggested by Mr. Hofmeyer in 1894, in order to furnish a fund for Imperial defence, the general feeling of the Conference was opposed, and Mr. Lloyd-George pointed out that the proposal would involve on the part of Great Britain a contribution of  $4\frac{1}{2}$  millions, as against £600,000 by the self-governing Colonies, besides implying a reversal of our fiscal policy.

One other resolution upon which the policy of the Colonial Premiers and that of Great Britain was at variance deserves mention. In 1902 the Conference carried a motion relating to coastwise trade, which urged upon the Governments of the Colonies and the United Kingdom "the advisability of refusing the privileges of coastwise trade, including trade between the Mother Country and its Colonies and possessions, and between one Colony or possession and another, to countries in which the corresponding trade is confined to ships of their own nationality."

To this, as to every Colonial proposal involving formal restriction of existing trading rights accorded to foreign nations, the British Government refused assent.

The net result of the preferential and restrictive movement, of which Mr. Deakin was the principal mouthpiece, was to reaffirm the resolutions of 1902, but without the support of the British Government. No resolution in advance of the position of 1902 succeeded in gaining the support of Canada and the Transvaal. The position of the British Government

upon each aspect of the "preferential" and "restrictive" movement, advocated alike by Lord Elgin, Mr. Asquith, Mr. Lloyd-George, and Mr. Winston Churchill, was a definite, consistent "*non possumus*," a refusal to depart from the present policy of freedom of trade.

#### CONSTRUCTIVE POLICY. THE ALL-RED ROUTE.

On issues of constructive commercial policy for the Empire, however, the attitude of the British Government was very different, and Mr. Lloyd-George and other Ministers supported a variety of practical proposals for improving the trade relations of the different parts of the Empire. To this class belong the resolutions in favour of uniformity in trade marks and patents, in naturalisation, in company law, and in trade statistics, and the further extension of cheap postage and cable communications throughout the Empire.

But by far the most important practical proposal to which the British Government gave its assent was that for subsidising the development of Imperial communications, and in particular the establishment of an "all-red" route connecting this country with Canada, Australia, and New Zealand. In view of the contentious matter which is undoubtedly contained in this resolution, it may be well here to place it in evidence:—"That, in the opinion of this Conference, the interests of the Empire demand that, in so far as practicable, its different parts should be connected by the best possible means of mail communication, travel, and transportation; that to this end it is advisable that Great Britain should be connected with Canada, and through Canada with Australia and New Zealand, by the best service available within reasonable cost; that, for the purpose of carrying the above project into effect, such financial support as may be necessary should be contributed by Great Britain, Canada, Australia, and New Zealand in equitable proportions."

The British Government, through Mr. Lloyd-

George, appears here to have committed itself definitely to the policy of subsidising shipping and railroad companies for the purpose of directing through Imperial channels the flow of mails, passengers, and goods which "naturally" tended to flow through other and foreign channels, as well as of stimulating by governmental aid the existing current of Imperial trade and travel. Of these two objects the latter is the less exposed to controversy. To improve and cheapen Imperial routes so as to unite the different parts of the Empire by better communications may seem an innocent and a reasonable project, though its attainment by means of subsidies to private profit-making companies exposes it to certain obvious risks. But to cheapen Imperial routes with the object or result of diverting existing or potential trade from foreign sea or land routes has the appearance of an infringement of Free Trade principles. It seems to imply that the money of the taxpayer in this country and the Colonies is to be applied to draw trade away from the routes which nature prescribes as the easiest, and to induce it into routes which, being naturally more difficult, and therefore more expensive, can only be maintained by bounties. *Primâ facie* this is an unwarrantable use of public money, a commercial policy adopted for political purposes, and involving methods liable to those abuses which notoriously beset every form of bounty.

#### GENERAL RESULTS OF THE CONFERENCE.

Viewing the Conference in the broader light its proceedings shed upon the relations of the self-governing Colonies towards Great Britain, it is evident that the provisions made for closer and more continuous communications and deliberations are in nowise to be interpreted as the beginning of a movement towards a Political Federation or a Commercial Union. The position of Canada with regard to all proposals for endowing any federal organ with any function which may develop administrative or legislative power is one of undisguised hostility. She de-

sires no Imperial council of any sort, no Imperial court of appeal, will enter no scheme for imperial defence which fetters her present freedom, and no tariff arrangement which involves her in any common action. She simply desires to be free to make her own arrangements with the Mother Country and the Sister Colonies on terms of equality as Government with Government, entering any specific concrete cooperation which by her independent action she approves, but rejecting any invitation to bind her hands by an agreement to submit to an Imperial body any decision affecting her political status, her tariff policy, or her measures of defence. She desires, though not importunately, release from the control exercised at present by the Judicial Committee of the Privy Council, and the right of giving authoritative advice upon the conclusion of Treaties between Great Britain and foreign countries, which primarily affect her interests, claiming in effect for the Parliamentary Government of the Dominion, the same relation to the Crown as is possessed by the Parliamentary Government of this country. Though disposed to use the preference accorded in goodwill to the British Government as a means of evoking a preference from Great Britain, she does not press this as a claim, still less as an instrument for setting up a common tariff system for the Empire.

The significance of this Canadian Policy is that it represents the most fully conscious evolution of the Colonial principle, an evolution not towards closer union, but consistently towards larger independence in political, military, and economic action. Where Canada stands to-day, the other self-governing Colonies will stand to-morrow. The hot genuine sentiments which inspire here and there a politician of the calibre of Mr. Deakin, Mr. Seddon, or Dr. Jameson, will split the concrete moulds into which they seek to pour themselves. The effective forms of an Imperial federation—political, military, or economic—will be found necessarily to involve a fettering of Colonial liberties now exercised, and in particular a predominance of Great Britain in Imperial designs hostile to the

democracy and sense of self-determination in these self-governing communities.

The preferential policy actually adopted or intended by these Colonies, when closely examined, is found to be slight in form and conflicting in purpose with the protective principle that regulates their fiscal policy. Party politics in this country have given it an importance it does not possess. If not a merely passing phase of Colonial history, it will be found to possess no potency as an instrument for Imperial federation ; and the wisdom of the British Government in refusing to abrogate, or even to modify, her policy of free imports is amply vindicated by the unsubstantiality of the proposal.

## CHAPTER II.

### THE VALUE OF COLONIAL PREFERENCES.

#### GROWTH OF CANADIAN PREFERENCE.

IN seeking to ascertain the value of the existing Canadian preference, and of any probable enlargement of it, we turn to the course of import trade prior to 1898, the first year when the preference was operative, and compare it with the course of import trade since that year. The official returns\* present this information in the useful shape of percentages, and place alongside of the import trade from Great Britain the trade from the great neighbouring country, the United States, whose imported manufactures the Canadian preference was chiefly designed to displace by British goods. The trade of each country is given in lists which distinguish the proportions of dutiable and free imports so as to enable us to see how far the tariff actually presses on the import trade of the two countries.

First, glancing at the period antecedent to the Preference, viz., 1868 to 1897, we perceive a large and tolerably regular decline in the percentage of British imports and a corresponding increase in the percentage of American imports. Whereas Great Britain began with 56.06 per cent. and ended with 27.58 per cent., the United States began with 33.77 per cent. and increased to 53.48 per cent. This decline of British and increase of American imports is even more conspicuous in dutiable than in free goods.

Then came, in April, 1897, the first Preference, amounting to a reduction of  $12\frac{1}{2}$  per cent. on existing tariff rates. This percentage was increased to 25 per

\* Report of the Department of Trade and Commerce, Ottawa, 1907.

YEARS.	PERCENTAGES OF IMPORTS FROM					
	Great Britain.			United States.		
	Dutiable to Total Dutiable.	Free to Total Free.	Total Imports Gt. Britain to Total Imports.	Dutiable to Total Dutiable.	Free to Total Free.	Total Imports United States to Total Imports.
Per cent.	Per cent.	Per cent.	Per cent.	Per cent.	Per cent.	
1868	64'78	39'82	56'06	22'93	53'96	33'77
1869	69'35	31'75	56'20	18'97	62'04	34'03
1870	66'52	34'50	56'10	19'27	59'69	32'43
1871	66'25	35'99	57'58	23'43	54'31	32'28
1872	70'59	38'20	59'27	19'43	55'81	32'14
1873	66'63	38'55	54'61	23'42	53'47	36'29
1874	62'69	29'03	49'87	27'67	65'19	41'97
1875	62'64	28'15	51'11	28'55	67'78	41'66
1876	53'76	25'08	43'75	35'41	70'53	47'67
1877	54'03	19'31	41'78	38'59	77'88	52'45
1878	53'76	16'69	41'21	39'25	80'13	53'10
1879	48'84	16'72	39'34	42'95	78'91	53'57
1880	51'74	36'43	48'30	36'11	54'88	40'33
1881	50'06	37'23	47'39	35'78	56'74	40'15
1882	48'34	35'04	45'30	38'41	55'58	42'33
1883	44'47	36'16	42'40	42'20	54'48	45'25
1884	41'02	35'03	39'56	44'74	53'88	46'97
1885	41'90	35'22	40'12	42'62	54'12	45'68
1886	43'00	34'13	40'66	41'97	51'94	44'60
1887	45'78	33'25	42'56	39'13	52'71	42'61
1888	44'29	26'81	38'90	38'90	62'34	46'13
1889	43'26	28'97	38'73	31'91	60'79	45'86
1890	43'15	28'95	38'75	39'65	60'13	45'99
1891	42'19	28'57	37'67	39'97	60'12	46'65
1892	44'58	22'24	35'66	42'66	48'34	44'90
1893	45'61	23'53	36'92	40'88	52'49	45'44
1894	43'79	20'61	33'96	41'13	53'84	46'52
1895	39'81	18'39	30'85	44'05	57'79	49'84
1896	36'24	22'19	31'15	43'28	64'07	50'80
1897	30'53	22'73	27'58	46'03	65'69	53'48
1898	30'23	18'35	25'36	51'00	71'13	59'24
1899	30'77	15'70	24'72	49'73	73'43	59'24
1900	30'25	18'66	25'66	51'65	70'69	59'17
1901	29'92	15'50	24'10	50'58	74'66	60'30
1902	29'54	17'94	24'95	50'72	70'11	58'40
1903	30'85	18'84	26'15	50'10	68'46	57'29
1904	30'18	17'73	25'34	52'07	69'14	58'71
1905	29'88	15'14	23'98	52'21	73'13	60'58
1906	30'40	15'03	24'42	51'74	71'90	59'59

cent. in August, 1898, and to 33 1/3 in July, 1900, though the increased efficacy of these enlarged preferences was somewhat impaired by tariff changes, making on the whole for more protection in manufactured goods. A partial withdrawal of the Preference in certain woollen and other textiles took place in 1904.

The effects of the Preference seem to be as follows :

1. Though it has not stopped the decline in percentage of British imports (free and dutiable), it has greatly reduced the pace of the decline. While the decline in the imports of free goods from Great Britain continues as before, the decline of dutiable goods has been completely stopped.

2. While the total imports from the United States show a rate of growth nearly as great as in the nine years preceding 1898, the growth of percentage of dutiable goods has been greatly reduced.

3. It thus appears that, though the general course of Canadian import trade is seen to flow ever more strongly towards the United States, the Preference has diverted a certain amount of trade from that country to Great Britain.

For though it is not possible to argue with certainty *post hoc, ergo propter hoc*, imputing to the Preference trade changes which, occurring during a period of new abnormal activity, may be due to other causes, it is legitimate to assume that the Preference must have had some effect in checking the proportionate decline of British dutiable imports into Canada, and in increasing the rate of increase in the total value of these imports.

#### AMERICAN TRADE WITH CANADA.

But when we examine closely the trade statistics, in order to see how far the present or any probable future Preference will check the "natural" tendency of Canada to trade more fully with her neighbour, and will conduce to a general policy of imperial commercial solidarity, we encounter several important factors.

In the first place, not merely does the total import trade from the United States grow at a faster rate than that from Great Britain, but the same tendency is

still more strikingly illustrated in the percentages of export trade.

During the period which chiefly concerns us, viz., 1897 to 1906, the proportions of total exports to Great Britain and to the United States run respectively as follows\* :—

EXPORTS FROM CANADA.

	GREAT BRITAIN.		UNITED STATES.	
	Percentages.		Percentages.	
1897	...	59.17	...	32.13
1898	...	67.78	...	23.52
1899	...	65.92	...	24.32
1900	...	60.60	...	30.66
1901	...	54.15	...	36.20
1902	...	55.87	...	33.13
1903	...	58.25	...	31.61
1904	...	55.71	...	33.50
1905	...	50.61	...	37.51
1906	...	53.96	...	35.68

But percentages do not tell everything. In considering their practical bearing on our problem it is well to recall the actual values represented in the free and dutiable trade in question. Not merely is the import trade with the United States immensely larger in value than that with Great Britain, but the proportion of it which is and must remain free is also very much greater.

The following table will suffice to make this clear :—

YEARS.	TOTAL IMPORTS.		
	Dutiable.	Free.	Totals.
	\$	\$	\$
1897	66,220,765	40,397,062	106,617,827
1898	74,625,088	51,682,074	126,307,162
1899	89,433,172	59,913,287	149,346,459
1900	104,346,795	68,160,083	172,506,878
1901	105,969,756	71,730,938	177,700,694
1902	118,657,496	77,822,694	196,480,190
1903	136,796,065	88,017,654	224,813,719
1904	148,909,376	94,680,443	243,590,019
1905	150,928,787	100,688,332	251,617,119
1906	173,046,109	117,236,095	283,282,204

\* Report, 1907, Ottawa.

YEARS.	IMPORTS FROM GREAT BRITAIN.		
	Dutiable.	Free.	Totals.
1897 ... ..	\$ 20,217,422	\$ 9,183,766	\$ 29,401,188
1898 ... ..	22,556,479	9,486,982	32,043,461
1899 ... ..	27,521,508	9,409,815	36,931,323
1900 ... ..	31,561,756	12,718,227	44,279,983
1901 ... ..	31,701,654	11,119,341	42,819,995
1902 ... ..	35,062,564	13,960,162	49,022,726
1903 ... ..	42,210,165	16,582,873	58,793,038
1904 ... ..	44,939,829	16,784,787	61,724,616
1905 ... ..	45,099,527	15,243,177	60,342,704
1906 ... ..	52,615,725	16,568,190	69,183,915

YEARS.	IMPORTS FROM UNITED STATES.		
	Dutiable.	Free.	Totals.
1897 ... ..	\$ 30,482,509	\$ 26,540,833	\$ 57,023,342
1898 ... ..	38,063,960	36,760,963	74,824,923
1899 ... ..	44,471,824	43,995,349	88,467,173
1900 ... ..	53,897,561	48,182,616	102,080,177
1901 ... ..	53,600,278	53,549,047	107,149,325
1902 ... ..	60,181,808	54,562,888	114,744,696
1903 ... ..	68,538,323	60,251,914	128,790,237
1904 ... ..	77,543,780	65,466,798	143,010,578
1905 ... ..	78,797,440	73,634,186	152,431,626
1906 ... ..	89,540,776	79,257,600	168,798,376

From this table it appears that not only is a much larger proportion of the American imports admitted free than of the British imports, but that this proportion has grown considerably.

Whereas about three-quarters of our imports are taxed, only a little over a half of the American imports are taxed. This is, of course, due principally to the fact that they are raw materials, but the bearing it has upon the general relations between Canada and America is significant.

Then, again, in estimating the value of the Preference as indicative of trade policy, it is material to ask, "What is the average *ad valorem* duty upon dutiable

goods coming from Great Britain and the United States respectively?" The following table\* gives the average *ad valorem* rate of duty on dutiable imports paid during recent years by Great Britain and the United States, and the average paid on dutiable imports from all sources :—

	GREAT BRITAIN. Per cent.	U.S.A. Per cent.	ALL SOURCES. Per cent.
1897	30.693	26.727	29.967
1898	29.478	26.118	29.222
1899	26.627	26.339	28.652
1900	25.583	25.032	27.634
1901	24.748	24.835	27.427
1902	24.027	25.182	27.265
1903	23.316	24.907	27.063
1904	24.117	25.217	27.426
1905	24.770	26.118	27.692
1906	24.601	24.779	26.835

We venture to draw particular attention to this illuminating piece of evidence. It has frequently been observed that the *ad valorem* tax upon imports as a whole is much lower for the United States than for Great Britain, in 1906 the former paying only 13.144 per cent. as compared with 18.709 paid by us. This, of course, is explained by the larger proportion of free goods from the United States.

But this table shows that in spite of the Preference taxed goods from America are not taxed at higher rates than those from Great Britain. This means that, although on certain lines of goods America is handicapped in competition with Great Britain, the handicap is made up by lower rates on other goods in which we do not seriously compete.

#### REAL MEASURE OF THE PREFERENCE.

Again, it appears from this table that the 33½ per cent. preference works out at a considerably lower figure in practice, for the fall in percentage of taxation for Great Britain from 1897 to 1906, instead of amount-

\* Report, Ottawa, page 15.

ing to one-third, amounts only to one-fifth, representing a real preference of not more than 20 per cent.

Nor is this all. Though the reduction in average duty for the United States is much smaller than that for Great Britain, it is not inconsiderable, and is *pro tanto* a reduction of the amount of preference given to us, if we compare values of trade instead of single commodities. At least half of the size of the preference disappears in the light of the figures here disclosed.\* Two causes seem to have conduced to this result. In the first place, when the Preference was originally arranged the ordinary duty was raised upon certain articles which were very largely imported from Great Britain, so that the Preference involved a much smaller reduction in the actual rate paid on British goods than the percentage of the Preference would seem to imply. In the second place, as we shall see, the Preference on certain woollen and other goods, figuring largely in our exports to Canada, has been reduced.

When we examine recent statistics of Canadian imports to ascertain what classes of British trade the Preference appears to have assisted, we do not find any very clear results upon the course of our greatest textile and metal manufactures.

First take the textiles, which form about 52 per cent. of the preferential imports.† Though the growth of our woollen imports shows a very large and satisfactory advance, considerably greater than that of our European competitors, the small import trade from the United States has grown somewhat faster. Our cotton imports yield similar results, though here our rate of growth is faster than that of the United States, slower, however, than that of the small European trade.

\* Sir W. Laurier, in his address at the Conference, over-estimated the value of the Preference. "As to the dutiable goods, you have increased those goods to the figure of \$52,000,000" (wrongly described as £ in the official report), "that is to say, upon \$52,000,000 of importations from Great Britain into Canada we give you a preference of 33 $\frac{1}{3}$  per cent., which is certainly a valuable contribution to British trade."

† Cd. 3,524, page 337.

## WOOL AND MANUFACTURES.

(Report Canadian Trade, Ottawa, pages 351 and 324.)

	GREAT BRITAIN.	U.S.A.	OTHERS.
1897	5,576,859	218,396	1,330,493
1898	6,221,836	252,242	1,511,788
1899	7,686,366	428,631	1,688,206
1900	7,787,929	359,986	1,653,650
1901	8,061,459	370,453	1,512,193
1902	8,860,393	354,598	1,731,865
1903	11,105,487	394,379	2,061,549
1904	12,707,715	491,328	1,920,340
1905	13,137,525	519,948	1,915,438
1906	14,739,776	624,322	2,087,735

## COTTON AND MANUFACTURES.

	GREAT BRITAIN.	U.S.A.	OTHERS.
1897	2,693,114	1,119,147	239,100
1898	3,086,068	1,332,533	292,193
1899	3,906,676	1,679,428	398,084
1900	4,474,687	1,509,312	522,570
1901	4,869,909	1,463,686	584,397
1902	5,108,513	1,608,369	734,877
1903	5,539,129	1,760,695	819,902
1904	6,016,783	1,874,438	704,757
1905	5,780,041	1,862,784	707,836
1906	6,494,603	2,151,987	921,756

The imports of silk and flax show less satisfactory results. In silk the British imports have doubled since 1897, but both American and "other" imports have advanced at a faster pace, and the same is true of flax.

Measured in percentages, the respective growth of British and general textile imports into Canada during the period 1896-7 and 1905-6 is as follows\* :—

	INCREASES OF 1905-6 OVER 1896-7.	
	From United Kingdom.	From all Sources.
Cotton . . . . .	141	136
Wool . . . . .	164	145
Silk . . . . .	70	176
Flax, hemp, and jute . . . . .	111	144
Carpets (other than woollen), curtains, and oilcloth . . . . .	279	235

\* Cd. 3524, page 338.

It looks as if the Preference had assisted us in strengthening our woollen and carpets import trades, but had produced no very appreciable effect upon the other textiles.

The operation of the Preference upon the dutiable part of metal and machinery trades is distinctly disappointing, for, though our trade has increased fourfold since 1897, the American trade, far larger in bulk, has increased fivefold. In point of fact, the gain of the United States has been far faster since 1897 than it was before, in spite of the British Preference. The main part of this trade consists, of course, in iron and steel manufactures, and it is here that the overwhelming strength of the United States appears.

#### METALS AND MANUFACTURES.

(Report Canadian Trade, pages 357 and 352.)

	GREAT BRITAIN.	U.S.A.	OTHERS.
1897	2,102,530	7,588,096	462,318
1898	2,230,567	12,006,521	446,336
1899	2,748,187	14,706,314	514,424
1900	4,705,470	19,443,423	662,867
1901	2,965,153	17,768,502	598,371
1902	5,124,011	19,913,810	1,704,756
1903	7,739,373	23,554,528	2,607,661
1904	6,750,503	26,576,274	2,128,119
1905	6,045,346	27,273,171	1,415,061
1906	8,499,468	32,207,263	1,597,644

#### IRON AND STEEL MANUFACTURES.

	GREAT BRITAIN.	U.S.A.	OTHERS.
1897	1,848,937	6,580,029	352,497
1898	1,924,763	10,653,373	323,338
1899	2,335,821	13,173,175	369,708
1900	4,304,869	17,663,325	506,575
1901	2,617,124	16,054,867	421,101
1902	4,754,860	18,066,592	1,512,840
1903	7,348,621	21,375,077	2,403,940
1904	6,227,975	24,252,940	1,913,153
1905	5,437,435	24,849,709	1,177,100
1906	7,591,660	29,370,921	1,348,620

In spite of the Preference not only the United States, but Germany and Belgium show a rapid increase of her export trade with Canada in iron and steel. Germany and Switzerland in cotton, France in woollen goods, are gaining a strong footing; though, as regards Germany, the surtax has operated as a temporary check upon the advance.

#### INEFFECTIVENESS OF THE PREFERENCE.

Regarding the Preference, then, as designed to divert into our pockets the gains of the import trade from the United States its inefficiency is apparent. Taking the two chief trade groups—the textile and the metal—we find that the entire value of the dutiable textile trade possessed by the United States does not exceed  $3\frac{1}{2}$  million dollars, while their dutiable metal trade with Canada is worth over 32 million dollars. If the Preference had enabled us to cut heavily into this latter trade, its value might have been considerable. But, as we see, it has not made any impression. On the other hand, the effect it has produced upon the textiles is of much less importance, because the American trade is not of any considerable size.

In glass, leather, drugs and chemicals, among the secondary manufactures, and in a few others of the third rank, in which may be included certain supplementary textile trades (such as curtains, carpets, and cordage), jams and pickles, Great Britain has made a more rapid advance since 1897 than the United States; but in most others the Preference has not succeeded in deflecting into British channels the increasing trade either of the United States or the Continental European countries.

#### POSSIBILITIES OF FURTHER PREFERENCE.

But, it is often said, we have not yet tested fully the value of the preferential policy: Canada may be willing to go further, to increase her Preference, especially if we were prepared to meet her either with a reciprocal Preference, or with some other *quid pro quo*.

Here are two questions: Is Canada likely to increase her Preference still further? Could any possible increase of Preference turn over to us any large proportion of the trade held at present by the United States or other countries?

Taking the first question, there is no reason to suppose that Canada could, consistently with her protective policy, make any considerable increase of her Preference. "We have done everything that we could," says Sir. W. Laurier—"that has been our policy—to throw the whole of our trade towards Great Britain."\*

"Not only have we done it by Preference, by Legislation, but we have forced our trade against the laws of nature and geography. If we were to follow the laws of nature and geography between Canada and the United States, the whole trade would flow from south to north, and from north to south. We have done everything possible by building canals and subsidising railways to bring the trade from west to east and east to west, so as to bring trade into British channels. All this we have done recognising the principle of the great advantage of forcing trade within the British Empire. This principle we recognise. We are bound to say that though the preference which we have given has not done as much, perhaps, for British trade as the British merchant or manufacturer would like, we have told the British people at the same time that there is a way of doing more. There is the Preference of mutual trade, and this is what we had in view when we adopted in 1902 the resolution of last year."

But though the last sentences seem to hold out a suggestion of increased preference in return for an action which we cannot take, there is no reason to believe that any real advance upon the present Preference would be practicable.

Apart from the fact that there must be limits to the willingness of the Canadian people to pay the heavy cost of flouting "the laws of nature and

\* Report of Colonial Conference (Cd. 3,523, page 410).

geography," the general fiscal policy of Canada precludes any really efficacious policy of Preference.

For the sheet anchor of Canadian fiscal policy is protection for Canadian industries, in particular for her rising manufactures. She admits no "Schedule of forbidden industries" such as Mr. Chamberlain once vainly imagined. Even now her young textile and metal manufactures are looking with jealous eyes at the imports which her present tariff lets in. As new industries arise, and her existing manufactures have strengthened their economic and political position, they will insist upon tariff rates high enough and numerous enough to secure for them the home market. If competing British goods enter under the preferential tariff, that tariff will either be reduced or the general tariff will be raised so high that a preference upon it becomes innocuous.

#### • REDUCTION OF THE WOOLLEN PREFERENCE.

This is no mere speculative theory. In 1904 the Canadian woollen manufacturers, finding themselves unable to hold their own with certain classes of English goods, succeeded in inducing Mr. Fielding, the Finance Minister, to introduce into his Budget a special provision for partial withdrawal of this Preference.

"We propose," said Mr. Fielding, "to deal with the matter in this way. Our present duty on the class of goods which I may describe as cloths, tweeds, overcoatings, wearing apparel, and goods of that character, is 35 per cent., subject to the Preference, which brings the duty on British goods down to  $23\frac{1}{3}$  per cent. We do not propose to increase the general tariff, but *we propose to put a limit to the extent to which the Preference shall apply to these goods.* We propose to fix a minimum tariff of 30 per cent. on this class of goods coming in under the Preferential tariff."

The same treatment was demanded and conceded to twine and cordage, subject to a 25 per cent. tariff, which the British Preference had reduced to  $16\frac{2}{3}$  per

cent. "This," says Mr. Fielding, "is a lower rate of duty than even the most moderate tariff man usually is willing to impose, and we propose to fix a minimum duty of 20 per cent. *ad valorem* on that class of goods coming in under the British Preference."

Thus we perceive that the Canadian woollen trade, finding that it is "suffering severely from (British) competition," procures a withdrawal of the greater part of the Preference which, instead of  $33\frac{1}{3}$  per cent., was lowered to  $14\frac{1}{2}$  per cent.—a substitution of one-seventh for one-third.

Canada's fiscal system is primarily designed to enable her to build up manufactures. She has within her borders, or can import, all the raw materials and fuel required for manufactures; and, as her population and her towns grow, trade after trade will be started to produce goods which hitherto had been imported from Great Britain. As each such trade feels the pinch of the Preference, it will press upon a compliant Finance Minister to do what Mr. Fielding did for woollens.

How can it be otherwise? There is an inherent antagonism between Preference and Protection, and in a protectionist country Preference must always give way.

#### PREFERENCE FURTHER REDUCED IN 1907.

Nor is this the only method of withdrawing or weakening Preference. The new Canadian Tariff Act of 1907 has interposed between the general tariff and the Preferential tariff an intermediate tariff of rates which, upon the average, are lower by one-tenth than those of the general tariff. The object of this intermediate tariff is to enter into favourable arrangements with foreign countries possessing two tariff rates so as to secure access at the lower rate by offering them a similar advantage. Now it is evident that, since the British Preference is reckoned on the general, not on the new intermediate, tariff, the necessary effect is to reduce the value of the Preference on our goods competing with foreign goods which enter Canada on the intermediate tariff, unless the

percentage of the Preference itself were raised. Now, though the uniform rebate of  $33\frac{1}{3}$  per cent., the former preference, has been replaced in the new tariff by preferential rates varying from item to item, there has been no pretence of raising the general level of the Preference so as to provide against the new foreign competition which may come in upon the intermediate basis. If, therefore, any arrangement takes place between Canada and one of our great manufacturing competitors, so as to place the latter on the intermediate tariff, the result will necessarily be a further practical reduction of the Preference.

Our two largest and most effective competitors are Germany and the United States. At present German goods are especially handicapped by a surtax, due to German tariff action against Canada ensuing on the granting of the British Preference. If, however, as the result of negotiating, Germany could secure not merely the withdrawal of the surtax, but an entrance on the intermediate tariff basis, the protection which the Preference has hitherto afforded us, in competition with some important lines of German goods, would be so seriously diminished as to jeopardise our trade.

Still more important might be the consequences of a reciprocal arrangement with the United States, which contributes 75 per cent. of the imports from non-British sources into Canada. Most of our metal and machine imports are already keenly competing with those of the United States; if the latter could get access on the lower intermediate basis a signal damage would be done to our trade, and the same is true of certain textiles and other manufactured goods. It is idle to reply that Canada has definitely abandoned all hope of a favourable reciprocal arrangement with the United States. This intermediate tariff has for its chief effect, if not for its intention, the offer of a fresh temptation to the New England manufacturers to push the American Government into commercial negotiations with Canada. Apart from this, the grant of access on the intermediate tariff to France, Germany, Belgium, Switzerland, or Japan, which

already do a quite considerable trade with Canada, would mean a diminution of the Preference upon not inconsiderable lines of trade. It must be remembered that the existence of the Preference will be a special incentive to nations, providing goods which at present are just undersold by us in the Canadian market, to bid for entrance on the intermediate tariff.

Not only has the new scale of Preference, substituting a number of particular rates for the general rate of one-third, provided no safeguard against this operation of the intermediate tariff, but taken as a whole it is a reduction of the value of the Preference, even reckoned on the general tariff basis. For in the important woollen trade not merely is the larger withdrawal of Preference, achieved in 1904, maintained, but it is extended to cover other lines of woollen goods. Seventy per cent. in value of the "wool and woollens" imported in the last fiscal year are now brought under this lower rate of Preference.\* In cottons, according to Professor Flux, the preferential duties upon the great bulk of our trade have been raised, while the rates of the general tariff have been lowered: the result is that the Preference, formerly amounting to about 10 per cent. of the value of the goods has been reduced by more than one-fifth of its amount. In iron and steel goods the Preference of the new tariff works out more favourably for us so far as foreign competition on the general tariff basis goes, for a preferential difference of a little over 6 per cent. has been replaced by one of over 8 per cent., apparently arranged, in part at any rate, for the purpose of assisting us to get some business which has hitherto been in the hands of America. But the fact that the general tariff on these goods has been increased, as well as the bounties on Canadian products, shows that there is no intention to allow Preference to weaken Protection of home industries.

Reverting to the general influence of the intermediate tariff upon our Preference, we may refer to

\* Professor A. W. Flux, *Economic Journal*, June, 1907.

the admission of Sir W. Laurier when the matter came up at the Colonial Conference,\* that it might mean that instead of having a margin of  $33\frac{1}{3}$  per cent. over his foreign competitor the English importer may have a margin of only 28 per cent.

The official statement of the matter is this: "The British Preferential rates are about 30 *per cent.* lower, on the average, than the general rates of duty, whilst the intermediate tariff rates are from about 8 per cent. to 15 per cent. (with an approximate average of 10 per cent.) lower than those rates."†

Here of course the conflict is not with the principle of Protection, but with that of negotiation; but since the latter is now an accepted part of a "Scientific Tariff," it is likely to militate more and more against the efficacy of the Preference.

#### BOUNTIES IN THEIR EFFECT ON PREFERENCE.

Finally, the policy of bounties, applied in Canada to the iron and steel and certain other trades, is hostile to the validity of Preference. These bounties are paid upon the home production of pig iron, puddled iron bars, steel, manufacture of steel, binder twine, lead, and crude petroleum. This system, which dates back in origin to 1895, was further developed in 1899, when, partly in compensation for certain reductions of prohibitive duties in the 1897 tariff, a considerable bounty was given to Canadian production of iron and steel. In 1904 binder twine was added to the bounty list, and in 1905 petroleum. The total amount of payments in bounties has grown at an exceedingly rapid pace, as the following official figures‡ indicate:—

#### BOUNTIES DURING THE FISCAL YEARS ENDING JUNE 30.

1897	...	\$86,384	1902	...	\$791,089
1898	...	240,819	1903	...	1,406,185
1899	...	356,774	1904	...	1,130,041
1900	...	356,112	1905	...	2,234,685
1901	...	498,020	1906	...	2,400,771

\* Page 414.

† Cd. 3,524, page 340.

‡ Canadian Trade, 1906, page 701.

Of the sum of \$2,400,771, paid in 1906, not less than \$2,004,338 went to iron and steel in the following proportions:—

Pig iron	...	...	...	\$687,632
Puddled iron bars	...	...	...	5,875
Steel ingots	...	...	...	940,999
Manufactures of steel	...	...	...	369,832

Now, in their effect upon the import trade, these tariffs are equivalent to an enhancement of import duties, and though it is contended that they were awarded in 1899 as compensation for a reduction of tariff rates, this consideration is immaterial. For with regard to the protection consisting of these bounties there is no British Preference. The inevitable effect is to reduce considerably the influence of the Preferential Tariff in enabling British iron and steel goods to enter Canadian markets, for the bounty protects the Canadian producer *equally* against British and American imports. This bounty system is doubtless in some degree responsible for the slight effect produced by the Preference upon British metal imports, as compared with textile imports. First introduced, the bounties were designed to relieve the home producers from the new strain of foreign competition during a period of a few years, and a rapidly descending scale of bounties was arranged. But the "pull" of the interested trades has been able to maintain the full bounty upon the higher grades of manufacture, and greatly to mitigate the fall in the cruder grades, so that the bounties afford a very large measure of additional protection.

Although these bounties were designed merely for the feeding of infant industries, and were planned to disappear in 1907, the usual logic of Protection has been operative here, and the Tariff Law of 1907 provides not merely for their continuance but for a substantial increase.

#### PREFERENCE A MERELY TEMPORARY MEASURE.

Bearing in mind these facts of recent Canadian history—first, the deliberate withdrawal of a portion

of the preference on woollen goods, &c. ; secondly, the effect of the intermediate tariff in lessening the Preference for British importers who compete with foreign importers coming under this intermediate tariff ; thirdly, the growth of the bounty system—it is not possible to believe that Canada intends to increase her Preference. For it is clear that her new manufacturing interests and the politicians who represent them recognise that the use of protective duties to establish and maintain Canadian manufactures is inconsistent with any policy of permanent and efficacious Preferences. As the staple textile and metal industries grow in Canada, the British Preference upon these imports will be withdrawn, by one or other of the devices which have been already employed. And when Canadian or American capital sees its way to develop drugs, earthenware, glass, leather, spirits, and other secondary manufactures of importance, it is improbable that the existing Preference of  $33\frac{1}{3}$  per cent. will be allowed to stand.

It is no doubt true that, for the present, until the full manufacturing development of Canada is assured, Canadian statesmen are prepared to turn over to Great Britain all the import trade they can.

#### WHAT TRADES CAN WE CAPTURE?

When, confining our attention to general figures of Canadian import trade, we mark how, out of 283 million dollars' worth of imports entered for Canadian consumption, only 69 millions are British, we seem to see a vast field of opportunity which Preference might enable us to utilise.

But the size of this opportunity shrivels before closer inspection.

In the first place, it appears that a far larger proportion of American and other foreign imports consist of non-dutiable goods, which Preference cannot affect. The returns for 1906 illustrate this :—

	DUTIABLE.	FREE.
Great Britain ...	\$52,615,725	\$16,568,190
U.S.A. ...	89,540,776	79,257,000
Others ...	30,889,608	14,410,905

But, confining our attention to the dutiable imports from foreign countries, let us ask how much of the \$120,000,000, which at present goes to the United States and other foreign countries, the existing or any other sort of Preference could enable us to take.

In the first place, a very large proportion of these dutiable imports consists of foodstuffs, raw materials of manufacture, and of certain special manufactures in which we cannot seriously compete with the nations now importing them.

Such, for instance, are

	VALUE OF (FOREIGN) DUTIABLE IMPORTS, 1906.
Animals ... ..	\$1,187,500
Books, periodicals, &c. ... ..	1,451,251
Breadstuffs ... ..	2,070,411
Bricks, &c. ... ..	422,000
Carriages, &c. ... ..	2,304,073
Coal, coke ... ..	8,762,615
Coffee ... ..	706,410
Fish ... ..	1,996,527
Fruits ... ..	4,542,183
Oils ... ..	2,033,800
Provisions ... ..	2,961,066
Seeds ... ..	380,000
Settlers' effects ... ..	7,305,026
Silk ... ..	460,000
Turpentine ... ..	597,730
Vegetables ... ..	730,797
Wood and manufactures ... ..	2,515,172

\$40,426,561

If we knock off these virtually non-competitive imports, the foreign trade remaining open for our competition amounts to 80 million dollars. Now of this 80 millions no less than 32 millions consists of metal imports, chiefly iron and steel from the United States. Seeing that the Preference, tempered by bounties, appears to have had no effect in stopping the increase of pace in the American trade, it seems unlikely that any increase of Preference, consistent with Protection,

can enable us to cut materially into this trade. There are, moreover, other imports, chiefly American, where a monopoly is so firmly established, either by access to superior natural resources, cheapness of transport in heavy goods, superior methods of production, or questions of taste, that no considerable displacement could be effected by a rise of preference. Some of these trades are very large, e.g. electric apparatus,  $3\frac{1}{2}$  million dollars; dutiable packages,  $2\frac{1}{4}$  millions; leather goods,  $2\frac{1}{2}$  millions; spirits and wine,  $1\frac{1}{2}$  millions; others, such as watches and clocks, paper, musical and optical instruments, hides and skins, soap, coffee, buttons, brooms, fertilisers, are of quite considerable dimensions. The smaller trades, especially those relating to luxuries and articles of taste, or dependent on some cheap American materials, are in most cases so strongly held that the effects of any preference must be slow and slight.

The most liberal computation of the existing foreign dutiable import trade which might be affected by an increased Preference could hardly exceed \$37,000,000, of which it is reasonable to hold that only a small proportion could be so diverted. Even this assumes that the goods exported to Canada under this preference would otherwise not have been produced or sold at a profit elsewhere, a wholly unwarranted assumption which vitiates all the computations of gains from preferential tariffs.

#### COMPUTATION OF THE WORTH OF PREFERENCE.

The really valid estimate of gains from Preference would be based upon a computation of the higher margin of profits secured by selling goods in Canada under the preferential treatment as compared with the lower margin of profits from selling them in some other market. The notion that these goods (or an equivalent quantity of other goods) would not have been produced or sold at all—in other words, that the preference has enlarged the *aggregate market* for British goods and the *aggregate profits* on British trade to an extent measured by the amount of the

new trade put into British hands—is based upon a total misconception of the nature of trade.

Even assuming that £6,000,000 worth of Canadian trade were diverted from other foreign channels into British hands, this would not imply that an aggregate increase of employment of British capital and labour to this extent had been created. It might only mean that £6,000,000 worth of British goods, which would have been sold in the home trade or in some other foreign market, was diverted into Canada, where the price and the margin of profit had been rendered somewhat higher by the Preference.

Although the Preference at its outset in 1897 received the support of not a few Free Traders in Canada, on the ground that it was at any rate a step in the direction of Free Trade, the history of the last ten years has made it evident that, where Preference interferes with Protection, it goes to the wall. Sir W. Laurier's declaration at the Conference that "We feel strong enough in Canada to give a preference on all our manufactured products," whereas in Australia and New Zealand "they do not feel strong enough," is an unsubstantiated claim of superiority. There is seen to be no intention whatever to allow British manufacturers to enter on a preferential tariff, so as to compete successfully with Canadian manufactures. So long as the Protective policy maintains its hold in Canada, the continuation of Preference must operate so as to cause the ordinary tariff rates to be higher than would otherwise suffice: the preferential duty must be sufficient to protect, the ordinary duty must be excessive.

The present position is quite clearly defined. Canadian Protectionists have no objection to the Canadian consumer paying to British manufacturers a slightly higher price for goods which could be more cheaply got from the United States or Germany, so long as these goods cannot be supplied by Canadian makers. They favour the maintenance of Preference upon such goods.

If, however, the manufactured goods in question, though not competing directly with Canadian products,

should form an important cost of production in some Canadian manufactures, they will not permit the maintenance of preference upon these goods. Still less will they consent to admit British goods which compete with their own. Protectionism, of course, cannot be absolute in a country the revenue of which is largely dependent upon import duties. Government, therefore, is continually disposed to let in even competitive goods at a moderate tariff designed for revenue purposes: but the manufacturing interests continually strive to raise the tariff to the point of prohibition.

#### PREFERENCE FALLS BETWEEN TWO STOOLS.

As we have seen, Preference is consistent neither with a Free Trade nor a Protective policy. It does not even recommend itself to a Government primarily guided by motives of high revenue: for to such a Government it either ranks as a wasteful concession, in cases where the ordinary duty serves to draw the maximum revenue, or it compels the ordinary duty to be placed so high as to kill the goose that lays the golden eggs.

A preferential duty is in the nature of the case precarious and unstable. Of Canadian Preference this must remain particularly true; for Canada must be considered at present as divided between two possible economic policies. Her present avowed ambition is to become, like the United States, as far as possible a self-supporting state, and, whatever may be the size of the immediate concessions to British imports, there is no probability that such concessions can last, since they are manifestly inconsistent with this larger destiny.

Canada has within her borders all the chief natural sources of supply necessary for a full manufacturing career: raw materials (agricultural and mineral), power, enterprise, and skilled labour; and the energetic pursuit of this career will be the first concern of those able capitalists who, there, as in the United States, appear likely to control in all essential matters the fiscal policy of the Dominion.

The other policy is to develop that closer industrial

and commercial connection with the United States which natural circumstances designate as her destiny. Although of late political discretion has appeared to involve an ostentatious disavowal of any disposition to seek better trade relations with the United States, this attitude must yield to the plain dictates of common sense. A real identity of interests so strong, that even in the midst of political antagonism the actual growth of commercial intercourse exceeds that with Great Britain, must weave the necessary form of union.

There are two reasons why Canada and the United States must draw into even closer commercial relations. Canadians have large supplies of raw materials which American manufacturers want to buy with an ever-growing pressure of desire: Americans have other raw materials, or similar materials, at points of better access, which Canadian manufacturers and railroads require. Though the interests of unrelated, unorganised consumers may be ignored or flouted, not so those of organised producers—factory owners who want coal, grain, or lumber. All four populated and developing districts along the Canadian frontier adjoin sections of the Republic which, from paucity of natural resources or from growth of population, cannot supply themselves with all the food, materials, and fuel they require: strong capitalist businesses see a clear gain in freedom of exchange for such articles. In Illinois and other mid-western States, still more strongly in Massachusetts and other manufacturing States of New England, is this pressure growing. Thwarted at present by a combination of political circumstances, it bides its time to force forward on the American side proposals of reciprocity which Canada cannot and will not reject, and which, once accepted, will grow into an ever-strengthening economic bond between the two great American nations.

It is idle to ignore this probability and the fact that such a policy must cut across and even overthrow the preferential movement. Canada will, of course, only secure that great neighbouring market by giving the American manufacturers at least an equal chance with the British.

This *rapprochement* will be accelerated by the community of capitalist interests growing up in the two American nations. Though the Canadian tariff has probably not drawn into Canada any larger quantity of American capital than would have entered on a Free Trade basis, it has caused that capital to flow principally into strongly organised industrial enterprises. The invasion of Canada by the great American corporations, the Steel Trust, the Harvester Company, the American Locomotive Works, the Singer Manufacturing Company, the Rand Drill Company, etc., implies a great growing consolidation of capitalist interests that cannot fail to exert an influence upon tariff policy on both sides. It pays the Harvester Trust and others to set up works inside Canada rather than to make for the Canadian market in their American factories machines which will be subjected to a heavy duty. But the larger the Canadian market becomes, and the greater the stake they hold in that country, the more irksome and wasteful will be the double interference of two sets of changing tariffs cutting in two the economic unity of their business. No single force makes so obviously for closer economic relations between Canada and the United States.

But whether we consider the future policy of Canada to lie in the direction of protective self-sufficiency or of closer reciprocal relations with the United States, the instability of the Preferential Tariff is equally involved. The several grades of Preference which have already been tried are seen to have exerted no considerable power to alter the normal channels of trade under the Protective system, nor is there any reason to believe that any substantial increase of Preference is likely to be given, or that, being given, it could divert any large amount of valuable trade from foreign into British hands.

#### NEW ZEALAND PREFERENCE.

We have examined at considerable length the Canadian Preference because that is the only Colonial Preference that has been long enough in operation to afford any full test of its working.

The New Zealand Preference, which came into operation in November, 1903, is not of wide application, as the following statement of Sir Joseph Ward before the Conference\* will indicate:—"Goods enumerated in the First Schedule to the Act pay double the ordinary duty when of foreign production.' I may say that cement is the only article which is referred to in the schedule. 'Under the Second Schedule, foreign goods pay the ordinary duty plus one-half. Among the important articles included in this Schedule are boots and shoes, fancy goods and toys, hardware, hollow ware and iron nails, ironmongery, iron pipes and fittings, pianos, earthenware and glassware. Under the Third Schedule, foreign goods pay a 20 per cent. *ad valorem* duty on certain articles formerly on the free list, whilst British goods are admitted free of duty as heretofore.' There is a handicap there of 20 per cent. against foreign goods which come into New Zealand without any duty, as compared with British goods. 'The chief classes of goods included in this Schedule are iron (plain black sheet, rod, bolt, bar, and plate) rails for railways and tramways, and printing paper,' and the Schedule attached to it shows that since that tariff has been in operation, giving a preference of duty to England as against foreign countries, there has been a very considerable increase in the importation to New Zealand from England on some of the lines, and a diminution from foreign countries."

Here we are clearly confronted with a Preference used as an instrument for increasing the stringency of Protection. The Preference is given in some instances by raising the general tariff and leaving the duty upon British imports as before, in other instances by putting foreign imports formerly admitted free upon the Tariff.

The Preference covers about 20 per cent. of British imports into New Zealand. Though it is claimed that in six classes of goods an increased import trade for Great Britain has ensued, the slightness of the influence of the New Zealand Preference is indicated by the following table,† comparing the import trade in 1902, the

\* Page 266.

† Cd. 3,524, page 408.

year preceding Preference, with the subsequent years. The proportions between British and foreign imports remain virtually unchanged.

TOTAL IMPORTS OF MERCHANDISE FROM

	United Kingdom.	British Possessions.	Foreign Countries.	All Countries.
	£	£	£	£
1902	6,851,000	2,202,000	1,906,000	10,959,000
1903	7,439,000	2,497,000	2,140,000	12,096,000
1904	7,982,000	2,656,000	2,262,000	12,900,000
1905	7,784,000	2,578,000	2,119,000	12,481,000

The following table,\* however, confined to articles of a class now subject to Preferential treatment, appears to yield a somewhat more favourable result.

IMPORTS OF A CLASS NOW SUBJECT TO PREFERENCE.

	United Kingdom.	British Possessions.	Foreign Countries.	All Countries.
	£	£	£	£
1902	1,341,000	326,000	580,000	2,247,000
1903	1,507,000	367,000	695,000	2,569,000
1904	1,604,000	436,000	691,000	2,731,000
1905	1,626,000	440,000	572,000	2,638,000

SOUTH AFRICAN PREFERENCE.●

The first Preference of the South African Customs Union dates from a Convention which took place in August, 1903. A rebate of the whole duty was given to British goods liable to an *ad valorem* duty of 2½ per cent. ; on all goods liable to other *ad valorem* duties, or to combined *ad valorem* and specific duties, a rebate of 25 per cent. on the *ad valorem* part was given. No preference was given upon specific duties.

In May, 1906, a new Customs Convention came into force, granting rebates to certain articles subject to specific duties, as well as continuing the rebates on articles subject to *ad valorem* duties. The general result is a rebate of about 3 per cent. *ad valorem* on

\* Cd. 3,524, page 408.

both classes of imports. The granting of this rebate on specific duties has, however, generally been accompanied by an equivalent rise in the specific duties in question, and in some instances (*e.g.* blasting compounds, candles, grain and fodder) the rise of specific duties has been so great that, allowing for the rebate, the tax on British imports is greater than before. The specific duties on other articles not allowed rebate (*e.g.* second-hand clothing, spirits, and tobacco) have been increased. Other articles previously charged 25 per cent. *ad valorem* with a rebate of 6½ per cent. under the combined list, have now been transferred to the purely *ad valorem* list with a rebate of only 3 per cent.

"The general *ad valorem* rate has been raised from 10 per cent. to 15 per cent. *ad valorem* with a rebate of 3 per cent. instead of 2½ per cent. *ad valorem* on British goods, the result being, so far as goods subject to the "unenumerated rate" are concerned, that the rates for British and foreign goods are 12 per cent. and 15 per cent. respectively, as against 7½ per cent. and 10 per cent. previously in force."\*

The net result of these changes appears to be a distinct diminution in the value of the Preference, not compensated by the fact that a certain number of articles previously on the free list (*e.g.* agricultural implements and machines, unwrought metals and leather) are now subjected to a 3 per cent. *ad valorem* tax, remitted to Great Britain.

Here, as in Canada and New Zealand, the Preference is worked mainly by raising duties upon foreigners, not by reducing them on the Mother Country.

The countries constituting the South Africa Customs Union are Cape Colony, Natal, Bechuanaland Protectorate, Basutoland, Orange River Colony, Transvaal, Swaziland, and South and North-West Rhodesia.

The actual duty *ad valorem* is 15 per cent. to 25 per cent. for cotton and woollen goods (except where used

\* Cd. 3,529, page 396.

as materials in manufacture), and 10 per cent. for iron and metal goods (except where used for materials, when they are imported free or at 3 per cent.).

In substance this Preference is probably a larger one than that of the other Colonies, partly because it places in the free list a number of British manufactures formerly taxed 3 per cent., but chiefly because, unlike the New Zealand and Australian preferences, it extends to the great staple trades and covers about 61 per cent. of the total imports into Cape Colony, *i.e.* 53 per cent. from the United Kingdom, and 8 per cent. from the reciprocating Colonies.

The disordered state of South African commerce during recent years makes it very difficult to conjecture the value of the rebate of 1903, still less that of 1906.

The general current of trade for the last four years has, however, been slightly favourable to Great Britain, and some part of this result may be accredited to the Preference.

TOTAL IMPORTS OF MERCHANDISE.\*

	From United Kingdom.	All British Possessions.	Foreign.	Total.
	£	£	£	£
1902 ... ..	29,248,000	4,730,000	10,675,000	44,653,000
1903 ... ..	30,070,000	3,742,000	14,284,000	48,096,000
1904 ... ..	20,294,000	3,784,000	7,722,000	31,800,000
1905 ... ..	18,253,000	4,553,000	6,649,000	29,455,000

On the other hand, it must be remembered that Great Britain already holds, and has always held, a practical monopoly of a large share of the import trade into South Africa. If to the estimate of foreign imports given in the Table above we add the goods that come through Delagoa Bay into the Transvaal, we get an aggregate of  $8\frac{1}{2}$  millions only out of a general import trade of some 35 millions. Of this  $8\frac{1}{2}$  millions about half consists of food and drink and raw materials upon which the effect of the

\* Selected from Table I., page 398, Cd. 3,524.

Preference is virtually *nil*. Of the  $4\frac{1}{2}$  millions of foreign manufactured goods, it seems possible that a sufficiently large preference might divert a certain share, e.g. textile goods and machinery, from Germany and the United States, whose trade has been large in recent years. But it is unlikely that a 3 per cent. *ad valorem* preference would go very far in this direction. Moreover, it must not be forgotten that it has been and will remain the policy of South Africa to keep a large free list, and especially to keep upon it many classes of manufactured goods required for the equipment of mines and factories. Finally, it may fairly be assumed that out of the  $4\frac{1}{2}$  millions in question no inconsiderable part consists of luxuries, articles of taste, and special tools and machines, in which, even aided by a preference, we cannot effectively compete with foreign importers.

#### AUSTRALIAN PREFERENCE.

The Australian offer of Preference, contained in the Resolution of 1906, to which the British Government refused assent, was described by Mr. Deakin as "an overture from us which is not to be regarded as a bid, but as a suggestion of friendly negotiation."

As in the case of New Zealand, the proposal took the form, not of a reduction upon existing duties in favour of British goods, but of an increase of duties upon foreign goods. It was applicable only to about 8 per cent. of British imports,\* and was made upon conditions which, even if they could have been accepted, would have reduced to still smaller dimensions the size of the offer.

The proposal was to increase by 10 per cent.,  $7\frac{1}{2}$  per cent., and 5 per cent. the duties already levied upon certain classes of imports "not imported direct from the United Kingdom in British ships manned throughout by white crews, and guaranteed to be the produce or manufactures of the United Kingdom."

The classes of goods to which this Preference nomin-

\* Cd. 3,523, page 315, and Cd. 3,524, page 416.

ally applies are : (1) Arms, ammunition, fuzes, and dynamite ; (2) painters' colours and materials ; (3) boots and shoes ; (4) plated ware ; (5) pickles, sauces, and condiments ; (6) bicycles and parts ; (7) cutlery ; (8) furniture ; (9) starch and blue ; (10) woodware ; (11) clocks and watches ; (12) gas and oil engines and turbines.

The total average annual value of these imports for 1901-05 (with the exception of class 12, not given in the Annual Statement of Trade) amounted to £1,539,000 out of a total average annual import trade from Great Britain amounting to £18,271,705. In other words, the Preference is applicable to about one-twelfth of our imports into Australia.

Excluded from the Preference are the six largest classes of British imports, viz. cotton and woollen goods, apparel, iron, machinery, British and Irish spirits.

Mr. Asquith thus\* estimates the value of this Preference (irrespective of the conditions attached to it) :—

“What is the amount of foreign trade which conceivably, supposing it had its full effect, it would enable the British importer to capture from the foreigner? The precise amount put down is £928,000. If you allow 10 per cent., which I should think was a very fair figure, as the profit that might reasonably be expected to be made, if you secure the whole of that £928,000 of foreign trade, the net result of this would be a possible profit of somewhere between £90,000 and £100,000 to the British importer there and to the exporter here, that is, on a trade that amounts to 20¼ millions at this moment.” In other words, the maximum gain that could accrue to our side of the transaction is some £50,000.

But this gain takes no account of the conditions. The goods, in order to secure the Preference, must be British produce, carried in British ships manned entirely by white crews. Now, quite a considerable part of several of the classes of goods to which the Preference applies consists of re-exports of foreign or

\* Report, page 315.

Colonial produce. About one-seventh of the largest class—viz. arms and ammunition—consists of foreign goods; and three-fourths of another (smaller) class—viz. clocks and watches—falls under the same excluding condition.

Finally, the all-white-crew condition virtually invalidates the whole Preference, for its acceptance would involve an expensive reorganisation of the entire Pacific trade, which could not be entertained.

The triviality of the Australian offer is thus transparent. Not merely is no reduction made in any duty previously imposed on British imports, but upon British re-exports and upon all goods of the specified classes not carried in all-British ships a higher duty than before is imposed. An examination of the classes selected for "preference" makes it certain that in Australia, as in New Zealand, the tariff policy is dominated by a protective motive which negates the possibility of any truly efficacious preference.

A preference on the staple textile and metal trades, which are our largest and most profitable exports to Australia, would have been a more attractive offer. Why was it not given? Why was the Preference confined to this 8 per cent. of minor manufactures?

The answer to these questions is plain. No preference can be granted which enables British goods to compete on equal terms with Australian manufactures. The large handicap of freight is not regarded as sufficient: where Australian manufactures are concerned, the Mother Country ranks as a mere foreigner, to be kept out by the same duties as are set upon American or German goods that seek to enter her market. The reason why textile and clothing trades, and metals, machinery, etc., are excluded from preference is simply that these are the two groups of Australian manufactures that are most developed and best organised. Though both textile and metal trades are small in actual bulk, employing respectively 53,000 and 37,000 in 1903,\* and can only produce a small number of the various textile and metal goods, present jealousy and

\* Coghlan, Statistical Account, page 962.

future ambition conspire to make them bring political pressure to exclude from the preferential lists the only British imports to which preference might be of some considerable value. Though Mr. Deakin describes this proposal as a "forerunner," these facts indicate the difficulties which the Protective policy, even in a new country with small, undeveloped manufacturing interests, places in the way of any really valuable preference.

The same dilemma confronts our sanguine Preferentialists in each Colonial instance. Either Free Trade will triumph, in which case no duties exist upon which effective preference can be given, or Protection is maintained in Colonies whose manufactures will exhibit a constantly increasing power to exclude from the Preference those very classes of British imports to which preference would be really valuable. At present the accepted policy of Australia is protective, and Preference, so far from signifying a move towards Free Trade by lowering the barrier so as to admit British goods on easier terms than before, merely signifies a raising of the barrier against foreign goods.

Discussing the fiscal issue as set before Australia at the last General Election, Mr. Deakin said: "There are two issues; the first issue, as we put it, was Protection." Mr. Lloyd-George: "A higher tariff!" Mr. Deakin: "Yes; because without the tariff we do not get the opportunity of preference. We mentioned preference second in order of importance. In logical order we say Protection and preferential trade."\*

Now, it never seems to occur to Mr. Deakin that there is every difference in the world to the British manufacturer between a preference by lowering present British duties and a preference by raising foreign duties. For, while the latter means, at most, the chance of getting some part of a market held at present by the foreigner, the latter means an indefinite expansion of British imports through the fall of price to Australian consumers ensuant upon the reduction of tariff.

It is not too much to say that, whatever the worth

\* Page 360.

of a Colonial preference may be, it is almost destroyed when the preference is given, as has been the case in almost every instance, by raising duties on foreign imports instead of reducing them on British.

#### SUMMARY OF VALUE OF PREFERENCES.

We may best summarise this examination of the present and prospective value of Colonial Preferences by quoting the following table\* giving the values of manufactured goods imported into the self-governing Colonies, in 1904,† from other parts of the British Empire and foreign countries, respectively :—

	British Empire.	Foreign Countries.
Australia ... ..	£21,004,000	£6,762,000
New Zealand ... ..	8,256,000	1,622,000
Canada ... ..	10,655,000	18,912,000
Newfoundland ... ..	593,000	253,000
Cape of Good Hope	12,256,000	2,265,000
Natal ... ..	5,094,000	1,507,000
	<hr/>	<hr/>
	£57,858,000	£31,321,000

Add to this total another three-quarters of a million, estimated for the Transvaal (*viâ* Delagoa Bay), and the whole value of foreign imported manufactures which the Preferential Tariff is designed to divert to the Mother Country amounts to about £32,000,000, more than half of which is Canadian. Our analysis of Canadian trade led us to the conclusion that the most liberal preference would not be likely to secure to us more than one-third of this foreign trade, and if we were to apply this estimate to the foreign trade with the other Colonies we should probably be taking a too favourable view of the possibilities of the power of preferences to influence trade. It seems extremely unlikely that more than £10,000,000 worth of existing foreign trade could

\* Cd. 3,328, pages 55 and 56.

† The figures for 1905 are incomplete owing to a change in classification for Cape Colony and Natal.

be turned from foreign into British channels by any scale of preferences, even were Preference to rank first and Protection second as a fiscal motive with the Colonies. In order to secure this possible increase of £10,000,000 in the value of our Colonial trade, we are invited to dislocate the entire Free Trade system in its application to our import trade of £563,000,000.

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### CHAPTER III.

#### THE CASE OF INDIA.

HAVING regard to the attempt made by certain of the Colonial Premiers to press upon the Imperial Government a system of preferential tariffs as the chief instrument of an attempt to make the Empire a self-sufficing economic federation, the fact that no member of the Conference represented India, the country containing five-sixths of the entire population of the Empire, is deserving of consideration. The President of the Conference, Lord Elgin, may be considered to represent not only the Mother Country in her relations to the self-governing Colonies, but also the Crown Colonies and Protectorates. But the Secretary of State for India, though present, was not a member of the Conference, nor was Sir J. L. Mackay, who held a sort of watching brief, and was permitted to state the Indian case on Preferences. The significance of this omission is very apparent throughout the proceedings. The Premiers of the self-governing Colonies spoke and thought and acted as if their territories, together with the British Isles, constituted the Empire; and when they supported the constitution of an "Imperial" Conference, in which they met the British representatives as "Governments with Government," they never seemed to realise that such liberty as they imputed to the Mother Country to make new tariff arrangements could never be the liberty which they enjoyed, because Great Britain must have regard not merely to her own interests but to those of the "unfree" portions of the Empire.

The same consideration precludes the practical

"equality," which some of them were disposed to assert: the magnitude and variety of interests in India and the other non-self-governing portions of the Empire must always give to Great Britain the position of predominant partner in any body fully representing the interests of the Empire, whether for politics, for commerce, or for defence.

The fact that India has no real voice in these Imperial Conferences imparts an air of unreality to them, regarded as an instrument for consolidating the forces of the Empire, of which she is by far the most important section. Not merely does the Indian population outnumber twenty-fold that of the entire body of self-governing Colonies, but the size and peculiar nature of her over-sea trade give her an eminent right to consideration in any tariff policy which either she or the Mother Country may be invited to adopt.

If Great Britain were, at the bidding of the self-governing Colonies, to adopt tariff changes injurious to foreign countries who might seek to retaliate on India, the magnitude of her foreign export trade would expose her to the gravest injury; while, on the contrary, as Sir J. L. Mackay pointed out, "India has practically nothing to gain by the adoption by the Empire of a system of tariffs discriminating against the manufactured products and food stuffs of foreign countries."\*

The balance of Indian trade with Great Britain is such that on such schemes of Preference as are usually proposed India would be a heavy loser. "Not only do the exports of India consist chiefly of commodities which are not likely to receive a preference in the tariff arrangements of the United Kingdom, but they go for the most part to foreign countries. On the other hand, three-fifths of the total import trade of India is the produce of the United Kingdom, and the goods belong to classes to which a discriminating tariff could be effectively applied. It is estimated that a third of the goods which the United Kingdom sends to India are exposed to the competi-

\* Cd. 3,523, page 300.

tion of foreign countries. India, therefore, has obviously much more to give under a preferential scheme than she can receive under such an arrangement."\*

This statement is powerfully supported by a Memorandum contributed by the India Office to the Conference, containing the following summary of trade relations in 1905 between India and outside countries:—

	Imports into India.	Per cent.	Exports from India.	Per cent.
<i>(1) The British Empire:—</i>				
The United Kingdom ..	45,852,000	67½	26,663,000	25
The Crown Colonies ...	3,907,000	5	10,220,000	9½
The Self-Governing Colonies	600,000	¾	2,676,000	2½
<b>Total</b> ...	<b>50,359,000</b>	<b>73½</b>	<b>39,559,000</b>	<b>37</b>
<i>(2) Foreign Countries:—</i>				
Europe ... ..	11,430,000	16¾	28,547,000	27
Asia ... ..	5,120,000	7¾	23,957,000	23
Africa ... ..	84,000	1¼	2,897,000	3
America ... ..	1,507,000	2¼	10,525,000	10
<b>Total</b> ..	<b>18,141,000</b>	<b>26¾</b>	<b>65,926,000</b>	<b>63</b>
<b>Grand Total</b> ... ..	<b>68,500,000</b>	<b>100</b>	<b>105,485,000</b>	<b>100</b>

The two facts which stand out conspicuously in this table are: first, the large proportion of the total import trade with India which Great Britain already possesses, and the correspondingly small proportion of advantage which any Preference on the part of India could secure for her; second, the large proportion of the export trade which India does with foreign countries, and the correspondingly large damage which a disturbance of her present friendly commercial relations with these countries might entail.

As regards imports from our manufacturing com-

petitors, there is very little trade that we could hope to take from them by any Preference India might give us. Three European countries send imports valued at between two and three millions each, viz. Austria, Belgium, and Germany, most of which trade lies in the small by-ways of commerce; the United States sends her nothing of account. No considerable gain could accrue to Great Britain from Preference.

On the other hand, India does a large and a rapidly expanding export trade with many foreign countries, consisting chiefly of raw materials for manufacture, such as oilseeds, raw jute, raw cotton, and rice. Three-quarters of her seed crop and nearly three-quarters of her cotton goes to the Continent of Europe, and "the Continental demand for these commodities is important and would be difficult to replace."\* Not only these markets, but the important Asiatic and American markets for her tropical produce would be exposed to injury, were she to abandon her virtually Free Trade system, and impose taxes upon foreign goods in order to give a Preference to Great Britain.

The only method in which a show of fairness to India could obtain would be one which gave her the liberty of imposing a protective tariff on all imported manufactures with a discrimination favourable to Great Britain. Chiming in, as this proposal would, with the sympathies of the people, and possibly with the conveniences of the public revenue, Protection would be likely to accompany Preference as it does elsewhere, and a huge free market, the largest we possess outside our own confines, would be taken from us.†

The growth of the Indian export trade has been very great during recent years, and is of the utmost

\* Cd. 3,524, page 455.

† "There is no doubt," said Sir J. L. Mackay, "that if a preferential policy were adopted which admitted of the establishment of protective tariffs by Great Britain, proposals in this direction would be put forward and pressed by Indian manufacturers. They would claim the same right to protect their manufactures as the Colonies enjoy, and it would be difficult to offer an opposition to so logical a course" (page 301).

importance to Great Britain, not merely as a buyer of Indian goods, but as the creditor of India upon an enormous scale. India's ability to pay her debts and her interest depends chiefly on her exports. Any change of policy which, provoking retaliation, damaged her foreign markets, would therefore recoil heavily upon us. Nor is the fear of retaliation so idle as is sometimes alleged. Though most of the Indian exports to foreign countries are foodstuffs and raw materials, there are very few in which she enjoys an effective monopoly, and where she would not run a risk of being ousted from markets she possessed by some competitor.

In a war of tariffs, to which any adoption of a preferential tariff with Protection against foreigners might lead, it might very well pay a foreign Government, aware of the peculiar nature of the economic bonds between Great Britain and India, to strike a blow at the former through the trade of the latter, even though there were some repercussion from the blow.

## CHAPTER IV.

### THE ILLUSION OF A SELF-SUFFICING EMPIRE.

#### THE QUESTIONS OF FACT.

SUPPOSE that it appeared possible by some gradual and not too revolutionary tampering with our policy of free imports to exchange so much of our present foreign trade for Imperial trade that, on the one hand, we substituted two-sided Free Trade within the Empire for one-sided Free Trade with the world, while, on the other hand, we could supply all the chief material needs of the population of the Empire from the natural and human resources of the Empire: such a policy, if not finally convincing, would at least be plausible. If, by a little tinkering with tariffs, we could get all the foods and raw materials we require from our Colonies and possessions, upon cheap and reliable terms, while they furnished a full and secure market for all our important manufactures, it is probable that no accepted theories of international trade would be allowed to stand in the way of this Imperial experiment. Indeed, if the current of trade running on natural lines were making so fast in the direction of Imperial self-sufficiency that a little fiscal aid might relieve us from our present dependence upon foreigners for supplies which our Colonies were capable of putting in our markets, there might be some disposition to hasten by artificial means the earlier and fuller attainment of an ideal of Imperial self-sufficiency. This, at any rate, would be sailing with the tide, and, by an extension of the "infant industries" argument, might be represented as assisting us to realise more rapidly

our " destiny " by removing a certain inertia of habit which kept our trade in certain outworn and unprofitable grooves. But what are the facts? Is our inter-Imperial trade so superior in its size and value that we can afford to ignore our dependence upon foreign nations? Is it growing so fast in relation to foreign trade that a little fiscal aid will secure Imperial self-sufficiency? Is the predominance of our trade with the self-governing Colonies such that we cannot afford to ignore their request that we should revolutionise our fiscal system in their interests and ours?

The answer to each of these questions is a negative so crushing and so conclusive that it is difficult to believe that any reader who has faced the figures upon which it is based can any more entertain the possibility of realising the economic dream of this Imperialism.

The actual relative importance of our British trade with the self-governing Colonies, the other Colonial possessions, and foreign nations is best conveyed by the following diagram (page 68) constructed by Mr. H. Morgan-Brown upon the trade statistics of 1905.

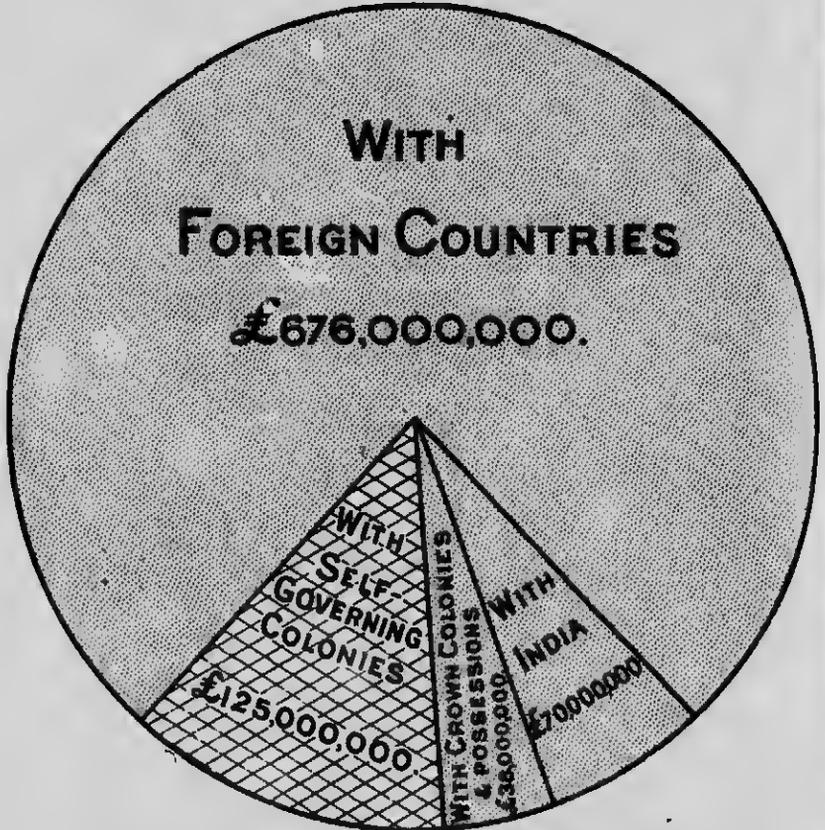
It cannot seriously be supposed that any tariff arrangement can enable us to dispense with that foreign trade which constitutes more than three-quarters of the aggregate of our oversea trade.

Breaking this aggregate of trade into imports and exports, we find that during the quinquennial period 1900-04 the proportion of our imports from foreign countries was 79.2 per cent., from British possessions 20.8 per cent., while the proportion of our exports to foreign countries was 62.7 per cent., to British possessions 37.3 per cent.\*

To procure the economic self-sufficiency that is desired, we are invited to believe that the Empire, which at present supplies us with a trifle over one-fifth of what we need to buy abroad, can easily and conveniently supply it all, while the Imperial markets, which at present take less than two-fifths of what we sell, can take and pay for all. Our dependence upon foreign nations for buying and for selling is so much greater than our

\* Cd. 3,524, pages 208-212.

dependence on our Colonies as to render obviously impracticable any such Imperial self-sufficiency as is suggested. To disturb our relations with the customers with whom we do three-quarters of our trade, in order



to improve our relations with those that represent the other quarter, would be a manifest act of folly.

**WHY WE BUY FROM FOREIGNERS.**

We buy three-quarters of our imported goods from foreigners, not because we prefer to deal with foreigners

—rather the contrary. Other things—*i.e.* prices, qualities, distances, reliability of supply—being equal, we tend to give a preference to Colonial supplies, a preference in which community of language and personal relations support the sentiment of the flag. We only buy these goods from foreigners either because our Colonies do not produce them at all or because the foreign products are better, cheaper, easier of access, more reliable, or in other ways better accommodated to our needs.

The common notion that the Colonies could provide most of these goods quite as well and as cheaply is based upon loose thinking, to which it is a sufficient reply to ask, "Why, then, with the sentimental preference just alluded to, do they not provide them now?"

No! It is manifest that if by any sort of fiscal jugglery we could displace this foreign by Colonial trade, we should have to pay more for worse articles.

Nor is that all. A nation like ours, depending for its work and life upon the large regular intake of various foods and raw materials, must be able to *rely* upon getting them in large, regular, and increasing quantities. This reliance is best established by keeping open full connections with the largest possible variety of sources of supply; for in this way best do we eliminate the influence of climatic and other natural or political accidents affecting the supplies. Droughts or diseases cutting off some supply of vegetable or animal product, political troubles or wars stopping industry or stifling export trade, sudden growth of demand for domestic uses absorbing the whole supply; these and other causes may interfere at any time with the supply from some single source. To narrow the sources of supply is evidently to increase the risk.

To bind ourselves in any way and to any degree to Canada, Australasia, South Africa, or even to the Empire as a whole, for our imported supplies of such essentials as cotton, wool, wheat, meat, sugar, so as to reduce our facility of recourse to the foreign markets with which we deal so largely now, would be to increase generally the precariousness of our national life.

The Fiscal Blue-book (Cd. 1,761) contains a table

illustrating our dependence upon other countries for the first requisite of life—wheat and wheat-flour—during the quinquennial period 1898-1902 :—

Sources of Supply.	Quantity Mean of 1898-1902. Cwts.	Per- centage Pro- portion.
British Colonies and Possessions	19,033,634	19.0
Europe (including Turkey) ...	8,760,208	8.8
United States ... ..	62,306,884	62.2
South America ... ..	9,711,874	9.7
Other Countries ... ..	290,062	0.3

A comparison with the quinquennial period 1871-5 shows that the aggregate average annual imports of wheat had just doubled in the quarter of a century. This means, of course, that, though during that period there had been a large increase, not merely in the actual quantity, but in the proportion of the supply drawn from the Empire, the average amount of wheat which we had to take from foreign countries had also greatly grown. During the last four years the Imperial supply, especially from Canada, has greatly grown, so that the one-fifth of 1898-1902 has grown to over one-third. Nevertheless, when we are regarding the possibility of becoming a self-sufficing Empire, it is to the absolute rather than the relative amount of our dependence upon foreign wheat that we must look. Notwithstanding the great development of wheat-fields in Canada, Australia, and India, so great has been the growth of our dependence upon imported food\* that a larger number and even a larger proportion of our population are dependent upon foreign wheat for their food supply than was the case a generation ago.

\* WHEAT, HOME PRODUCTION AND IMPORTED, PERCENTAGE.

	1885-87.	1890-92.	1895-97.	1900-02.
Home ... ..	33.8	29.8	21.7	22.5
Imported ... ..	66.2	70.2	78.3	77.5

\* Cd. 1,761, page 108.

Moreover, the gravest of the risks involved in the wild proposal that we should rely upon the Imperial supply of wheat is often overlooked. The strength of a chain is determined by its weakest link, the scarcity of a food supply by its leanest year. Although in normal years we are receiving large supplies from India, Australia, and New Zealand, we can have no reasonable certainty that one or more of these supplies will not fail us any year. In 1897 no wheat came from Australia and New Zealand, and a very trifling quantity was exported from famine-racked India; in 1896 there was nothing from Australia and New Zealand and a short supply from India; in 1903 Australia again had no wheat to send. To invite us, therefore, to rely upon the Empire for our imported wheat is to tie us to Canada alone in a lean year, like 1897, or, more strictly, to Manitoba and the new North-West, for the older provinces send us no wheat.

What applies to wheat applies with even greater force to other cereal foods and to meat. Though the Empire is constantly increasing the proportion of its contribution to our meat supply, the growth of our dependence on imported meat is such that the need of foreign supplies is greater than ever.

A paper\* presented to the Colonial Conference thus exhibits the size of our dependence upon foreign and Imperial supplies of food, drink, and tobacco during the last five years:—

Imports of Food, Drink, and Tobacco.	1901.	1902.	1903.
	£	£	£
Foreign Produce ...	183,274,000	181,054,000	181,677,000
Imperial Produce ...	41,448,000	43,350,000	50,608,000
Total ... ..	224,722,000	224,404,000	232,285,000
Percentage of Imperial Produce ... ..	18	19	22

\* Cd. 3,524, page 234.

Imports of Food, Drink, and Tobacco.	1904.	1905.	1906.
	£	£	£
Foreign Produce ...	174,957,000	172,913,000	179,650,109
Imperial Produce ...	56,445,000	59,205,000	58,508,047
Total ... ..	231,402,000	232,118,000	238,158,156
Percentage of Imperial Produce ... ..	24	26	24·6

Though these figures show a satisfactory rate of increase during recent years, it remains not the less true that the Colonies are at present only able to supply a little over a quarter of our food demand. The proportion of our raw materials supplied by the Empire is slightly higher, viz. 28 per cent. in 1905, while manufactured and semi-manufactured goods are only of Imperial origin to the extent of 11 per cent.

A more detailed analysis of this return shows that for our supply of wood and timber, iron ore, cotton, oils, hides, and other materials of our manufactures we are dependent to an overwhelming extent upon imports from foreign countries.

Such being the actual condition to-day, the notion that a little effort of pulling together and fiscal co-operation can convert us into a self-sufficing Empire is seen to be chimerical.

#### NO NATURAL TREND TOWARDS IMPERIAL SELF-SUFFICIENCY.

A study of the tendencies of the last half-century makes it evident that the natural play of mutual self-interest is not drawing Great Britain closer to the Colonies so far as volume of trade is concerned. The proportion both of our import and our export trade with our Colonies and other possessions has remained unaltered, though during this period considerable slices of the earth have passed from the position foreign to British territory.

From the tables\* presented to the Conference we have extracted the following list of percentages which establish this important fact. It will be observed that the figures both of imports and of exports bear almost identically the proportion in 1906 which they bore in the first quinquennial period 1855-9.

#### IMPORTS INTO GREAT BRITAIN.

			Per cent. from Foreign Countries.	Per cent. from British Possessions.
1854	...	...	77.6	22.4
1855-9	...	...	76.3	23.7
1860-4	...	...	71.2	28.8
1865-9	...	...	76.0	24.0
1870-4	...	...	78.0	22.0
1875-9	...	...	77.9	22.1
1880-4	...	...	76.5	23.5
1885-9	...	...	77.1	22.9
1890-4	...	...	77.1	22.9
1895-9	...	...	78.4	21.6
1900-4	...	...	79.2	20.8
1905	...	...	77.3	22.7
1906	...	...	76.6	23.4

#### † EXPORTS FROM GREAT BRITAIN.

			Per cent. to Foreign Countries.	Per cent. to British Possessions.
1854	...	...	68.6	31.4
1855-9	...	...	71.5	28.5
1860-4	...	...	72.5	27.5
1865-9	...	...	76.7	23.3
1870-4	...	...	77.6	22.4
1875-9	...	...	71.9	28.1
1880-4	...	...	70.6	29.4
1885-9	...	...	70.0	30.6
1890-4	...	...	71.2	28.8
1895-9	...	...	70.6	29.4
1900-4	...	...	67.5	32.5
1905	...	...	69.7	30.3
1906	...	...	71.3	28.7

\* Cd. 3,524, pages 207-212.

† This table refers to total exports, including re-exports of Colonial and foreign produce. Another table (page 211), giving Exports of United Kingdom Produce only, does not alter the effect. The percentage to British Possessions was 34.8 in 1854, 33.3 for the first quinquennium 1855-9, and 32.8 for 1906.

Finally, pooling our import and export trade, we find that the proportion of our foreign to our inter-Imperial trade, as illustrated by the statistics of the last fifteen years,\* is virtually fixed.

## PERCENTAGE PROPORTIONS OF

	1891.	1897.	1893.	1894.	1895.	1896.	1897.	1898.
Foreign Trade	75'3	75'3	75'3	74'7	75'2	75'8	75'4	75'4
Inter-Imperial Trade ...	24'5	24'7	24'7	25'3	24'8	24'2	24'6	24'6

	1899.	1900.	1901.	1902.	1903.	1904.	1905.
Foreign Trade ...	74'8	75'7	74'8	74'1	73'7	73'3	74'1
Inter-Imperial Trade	25'2	24'3	25'2	25'9	26'3	26'7	25'9

These statistics establish beyond all question the fact that there exists no drive of economic interests impelling us to increased dependence on Imperial trade.

Now let us ask how it is with that portion of Imperial trade which we do with the self-governing Colonies. Is our trade with them increasing so fast as to give them a stronger claim to dictate, or even to suggest, to us a change of fiscal policy?

TOTAL VALUE OF IMPORTS FROM SELF-GOVERNING COLONIES (INCLUDING BULLION, SPECIE, AND CAPE DIAMONDS) INTO UNITED KINGDOM. †

	Imports from all Sources.	Imports from Self-Governing Colonies.	Percentage of Imports from Self-Governing Colonies to total Imports.
1891	£479,110,090	£57,437,602	11.9
1892	459,928,679	58,320,458	12.6

\* Statistical Abstract for the British Empire. Cd. 3,328, page 5.

† Constructed from Tables Cd. 3,328, pages 58-9; Cd. 3,092, pages 78, 204-215.

	Imports from all Sources.	Imports from Self-Governing Colonies.	Percentage of Imports from Self-Governing Colonies to total Imports.
1893	£445,135,884	£59,135,884	13.2
1894	449,910,527	62,167,522	13.8
1895	468,119,404	66,543,750	14.1
1896	485,205,766	63,869,559	13.2
1897	504,305,169	78,167,643	15.5
1898	533,469,277	80,278,988	15.0
1899	534,412,651	80,455,549	15.0
1900	566,021,972	68,623,999*	12.1*
1901	568,084,546	68,059,766*	12.0*
1902	565,164,009	73,569,650	13.0
1903	586,950,529	83,820,544	14.3
1904	601,944,352	86,222,925	14.3
1905	623,241,783	97,666,783	15.6

**TOTAL VALUE OF EXPORTS TO SELF-GOVERNING COLONIES FROM UNITED KINGDOM (INCLUDING BULLION AND SPECIE).**

	Exports to all Countries.	Exports to Self-Governing Colonies.	Percentage of Exports to Self-Governing Colonies.
1891	£346,342,509	£44,815,996	12.9
1892	321,550,856	38,726,842	12.1
1893	310,230,288	37,009,165	11.9
1894	301,597,467	34,731,167	11.5
1895	317,559,166	43,127,836	13.6
1896	341,551,273	46,949,580	13.7
1897	343,783,677	44,725,938	13.0
1898	346,227,689	44,378,606	12.8
1899	365,025,842	50,231,996	13.7
1900	386,345,793	56,543,137	14.6
1901	373,879,370	58,920,205	16.0
1902	375,358,985	66,186,854	17.6
1903	399,606,910	65,678,668	16.3
1904	417,318,153	58,688,721	14.2
1905	452,988,046	58,745,996	12.0

\* Stoppage of South African imports.

Although the general tendency as expressed in these figures is towards a slight, though irregular, increase in the relative importance of the trade bonds between Great Britain and the self-governing Colonies, more marked in our import than in our export trade, it cannot be asserted that the part they play in our Imperial economy is such as to entitle them to bring authoritative pressure upon us to revolutionise our fiscal policy either in their interests or in that of the Empire as a whole.

These Colonies are not, individually or collectively, in a position to guarantee to supply us with any of those prime articles of food and raw materials, the bulk of which we draw at present from foreign countries; neither can they show any early probability of such increase of population and demand as will provide a Colonial market equivalent in size, value, or stability to the foreign markets in which at present we sell most of our export goods.

Indeed, if we turn to the tendency of the last few years, we find reason to believe that the self-governing Colonies are less promising markets for our manufacture than formerly appeared. For during the last five years, while our exports of British produce to foreign countries show a notable expansion, and our exports to India and certain other possessions have advanced considerably, the sales in the self-governing Colonies as a whole are stagnant.

When the Premiers of self-governing Colonies urge upon us the adoption of Colonial preferences in order to secure the large and growing markets which they can provide, it is not unnatural that we should point to these figures as indicative that the preferences which they are giving are unable even to secure to us the share of the Colonial markets which we had obtained already.

The whole situation, regarded from the standpoint of the interests of British trade, is best summarised in the following Tables, composed out of materials furnished to the Conference, setting forth the dimensions of an import and export trade with our Colonies and with Foreign Countries during the five years 1901-5 :—

## \* IMPORT TRADE OF UNITED KINGDOM (1901-05).

From	1901.	1902.	1903.
	£	£	£
Self - governing Colonies ... ..	60,331,874	59,879,315	63,590,934
India ... ..	27,391,734	28,724,000	32,304,747
Other Colonies and Possessions ...	17,961,272	18,313,135	17,775,111
<b>Total, British Possessions ... ..</b>	<b>105,684,880</b>	<b>106,916,457</b>	<b>113,670,792</b>
Total, Foreign Countries ... ..	416,305,318	421,474,817	428,929,497
<b>Total, all Sources ... ..</b>	<b>521,990,198</b>	<b>528,391,274</b>	<b>542,600,289</b>
Percentage, British Possessions ... ..	20	20	21
Percentage, Self-governing Colonies (to Total from all Sources) ... ..	11.5	11.3	11.71
From	1904.	1905.	
	£	£	
Self - governing Colonies ... ..	64,905,604	72,105,866	
India ... ..	36,472,636	36,062,291	
Other Colonies and Possessions ...	18,640,166	19,700,569	
<b>Total, British Possessions ... ..</b>	<b>120,018,406</b>	<b>127,868,726</b>	
Total, Foreign Countries ... ..	431,020,222	437,151,191	
<b>Total, all Sources ... ..</b>	<b>551,038,628</b>	<b>565,019,917</b>	
Percentage, British Possessions ... ..	22	23	
Percentage, Self-governing Colonies (to Total from all Sources) ... ..	11.78	12.7	

\* From Cd. 3,424, pages 234, 239, &amp;c.

## TOTAL EXPORTS (PRODUCE OF UNITED KINGDOM).

To	1901.	1902.	1903.
Self-governing Colonies ... ..	£ 32,253,838	£ 60,364,753	£ 59,298,002
India ... ..	34,978,126	32,681,979	34,477,099
Other Colonies and Possessions ... ..	17,641,837	16,045,119	17,371,763
Total, British Possessions ... ..	104,873,821	109,091,836	111,146,864
Total, Foreign Countries ... ..	175,148,335	174,332,110	179,633,244
Total, all Destinations ... ..	280,022,376	283,423,966	290,800,108
Percentage, British Possessions ... ..	37	38	38
Percentage, Self-governing Colonies (to Total from all Sources) ... ..	18.6	21.2	20.3
To	1904.	1905.	
Self-governing Colonies ... ..	£ 52,296,678	£ 32,118,374	
India ... ..	40,641,277	42,996,388	
Other Colonies and Possessions ... ..	18,077,015	18,322,849	
Total, British Possessions ... ..	111,014,970	113,437,611	
Total, Foreign Countries ... ..	188,773,170	216,378,803	
Total, all Destinations ... ..	300,711,040	329,816,614	
Percentage, British Possessions ... ..	37	34	
Percentage, Self-governing Colonies (to Total from all Sources) ... ..	17.3	13.8	

The difference between these figures and those given above for the Self-governing Colonies is due to the fact that the earlier Table included re-exports, imports, and exports of bullion and specie, and diamond imports, all omitted from this Table.

If instead of confining our attention to exports of British produce and manufacture we include the re-export trade, the figures indicate a positive decline of a considerable amount during the last four years, a drop from 66½ millions in 1902 to 63½ millions in 1906.

#### THE EVIDENCE FROM COLONIAL TRADE.

But our statement would not be complete without some reference to the evidence regarding the growth of Imperial self-sufficiency afforded by the trade of the Colonies themselves.

The question here is not—Is Great Britain buying more largely from and selling more largely to her Colonies? but, Are these Colonies themselves buying a larger proportion of what they need from the Mother Country, and selling a larger proportion of what they have to sell to her?

The relative importance of the present dependence of the self-governing Colonies upon Great Britain, the other British possessions, and foreign countries for the imports may best be measured by the following Table (see page 80) presented to the Colonial Conference.\* But this dependence on the Mother Country is steadily diminishing, not only for import but for export trade, as the following figures derived from the Abstract of Colonial Trade clearly indicate.

#### IMPORTS INTO COLONIES, POSSESSIONS, AND PROTECTORATES.

	Total Imports into Colonies.	Imports from United Kingdom to Colonies.	Percentage from U. K. to Colonies.
1891-2-3	£534,594,000	£290,731,000	54.3
1894-5-6	518,435,000	270,631,000	52.2
1897-8-9	628,521,000	312,804,000	49.7
1900-1-2	804,725,000	378,322,000	47.01
1903-4-5	931,045,000	423,752,000	45.5

\* Cd. 3,524, page 321.

VALUE OF IMPORTS FROM

Colonies	The United Kingdom.		British Possessions.		Foreign Countries.		All Countries.
	Amount.	Per Cent.	Amount.	Per Cent.	Amount.	Per Cent.	
*Dominion of Canada ... ..	£ 14,233,000	24	£ 3,003,000	5	£ 42,459,000	71	£ 59,685,000
South Africa (Cape Colony and Natal)	18,253,000	62	4,553,000	15	6,649,000	23	29,455,000
New Zealand ... ..	7,784,000	62	2,578,000	21	2,119,000	17	12,481,000
Anstralian Commonwealth ...	23,021,000	63	3,894,000	11	9,887,000	26	36,802,000

\* The figures represent the imports for consumption (including bullion and specie) for the year ended 30th June, 1906.

EXPORTS FROM COLONIES, POSSESSIONS, AND  
PROTECTORATES.

	Total Exports from Colonies.	Exports to United Kingdom from Colonies.	Percentage to U. K.
1891-2-3	£585,231,000	£275,790,000	47.0
1894-5-6	574,010,000	279,813,000	48.7
1897-8-9	697,551,000	334,210,000	47.9
1900-1-2	779,581,000	324,898,000	41.9
1903-4-5	971,312,000	418,504,000	43.1

From the triennial percentages here given it appears that while, as we have seen before, Great Britain's dependence on her Empire for trade is virtually stationary, the dependence of her Empire upon her for trade is rapidly diminishing.

Finally, it is relevant to inquire whether the commercial interdependence among our Colonies and possessions is growing at a faster pace than their dependence upon foreign nations. Apart from their relations with the Mother Country, is the economic solidarity of the Empire increasing?

Here such evidence as official statistics afford points the same lesson as the statistics relating to trade between Colonies and Mother Country. Though a large actual increase of trade is taking place between the different Colonies and possessions, this increase is considerably smaller than that of their foreign trade. The Colonies and possessions are therefore, like Great Britain herself, becoming more, not less, dependent upon foreign countries for their profitable trade.

This tendency is proved by the following table, compiled from tables in the Statistical Abstract\* :—

IMPORTS INTO COLONIES AND POSSESSIONS FROM FOREIGN  
COUNTRIES AND OTHER BRITISH POSSESSIONS (EXCLUDING  
GREAT BRITAIN).

	1890.	1895.	1900.	1901.
Foreign Colonies	†52,305,000 34,697,000	52,660,000 28,259,000	86,651,000 47,832,000	90,643,000 49,695,000

\* Cd. 3,328, pages 79 and 35.

† Figures for 1891.

	1902.	1903.	1904.	1905.
Foreign Colonies	96,420,000 55,159,000	109,822,000 63,424,000	106,187,000 62,151,000	108,773,000 57,143,000

## SUMMARY OF EVIDENCE.

To suppose that such clear, strong, persistent currents of self-interest as are indicated here can be safely, advantageously, or even possibly, reversed by tariff or other legislation is preposterous.

An attempt to realise by interference with the free current of trade the vision of a self-sufficing Empire must issue in grievous loss and in bitter disappointment. For all such measures, by artificial restriction and direction of industrial powers, must reduce the production of wealth both for Great Britain and for the Colonies; there would be a smaller surplus for over-sea trade with the rest of the Empire, and the product and the profit of this trade would be diminished. Experience would speedily enforce the lesson of the logic of Free Trade. The territorial magnitude of the Empire is the only fact which gives any passing plausibility to the notion of economic self-sufficiency. When from territory, which is irrelevant, we turn to population and industrial development, the really relevant facts, the impracticability of the project begins to be evident, and the study of the actual course of commerce as here set forth exhibits its final and complete futility. If we were foolish enough to try tinkering with preferential taxes and bounties for Imperial trade, we might succeed, at great damage and risk to our general trade, in slightly abating the force and altering the direction of the trade currents so as to divert a slightly increased share of a diminished aggregate of trade to the Colonies, but no amount of legislation on preferential lines would bring us within measurable distance of becoming a self-sufficing Empire.

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## CHAPTER V.

### WHAT WE GIVE AND WHAT WE GET.

Now that Mr. Deakin and Dr. Jameson urge upon the British nation Colonial Preference as a just claim in return for the Preference they have given, a business *quid pro quo*, a plain statement of the actual state of our debit and credit account with the self-governing Colonies becomes necessary. However distasteful it may appear to reduce the benefits and obligations of the Mother Country and the children to this cold calculus, the demands of these pushful Colonial statesmen leave us no choice.

Now that Colonial Preferences no longer figure as a gift horse, but frankly assume the character of goods left at our door for inspection, approval, and early payment, it becomes our duty to examine their value. We have therefore taken, in order, the different Preferential Tariffs of Canada, Australia, New Zealand, and South Africa and tried to ascertain what they are worth to us.

Put on any reasonable business footing the "gift" of the Colonial Preferences does not mean any considerable accession to our national trade. It is not enough to justify the demand that we should give up the Free Trade policy under which 95 per cent. of the population of our Empire lives, and establish Protection, so as to give a return gift of Preference to the Colonies, who represent 5 per cent. of the Empire.

But another highly relevant question awaits an answer. Are we actually in the position of a country receiving a benefit from other countries and giving nothing in return? We think not. Mr. Deakin, Dr.

Jameson, and their supporters in this country may be invited to ennsider more closely than they appear to have done hitherto the solid benefits which we bestow upon their Colonies now.

*Firstly.*—We give them a large free market in return for a smaller protected market. All the food and raw materials they have to sell, with the exception of tobacco, sugar, and wine, enter tariff-free not only the British Isles but India and all our Crown Colonies. In return for this free market, which absorbs nearly two-thirds of the total value of the Colonial exports, they impose protective duties upon three-quarters of the manufactured goods which enter their ports.

A return of the Board of Trade, April, 1907 (133), shows that of a total import trade from the self-governing Colonies into Great Britain, amounting in value to £88,462,898, only £138,962 was subject to duty.

On the other hand, out of a total export trade from Great Britain to the same Colonies, amounting in value to £63,097,000, no less than £44,963,000 was taxed on entrance.

Many British manufactures are virtually denied access to the Colonies by means of a tariff, which, though lower than that placed on foreign goods, is too high for profitable entrance.

Nor should it be forgotten that, though foreign goods are allowed entrance to our shores upon the same free terms with Colonial goods, the latter do enjoy what may be termed a sentimental preference, which, could it be measured in £ s. d., would probably be worth as much as the formal Preferences secured under Colonial tariffs. Imperial sentiment has, during the last two decades, notoriously influenced British consumers; given anything like equality of price and quality, Colonial wares have been preferred to foreign, and with regard to public contracts and purchases the practice has become a policy. A free British and Imperial market for all sorts of Colonial produce with this sentimental favour is worth more to the Colonies than a restricted Colonial market,

from which all genuine competition with Colonial manufactures is excluded, is worth to us.

*Secondly.*—The British taxpayer gives the Colonies a virtually gratuitous defence for their territory and their trade.

At the time of the Colonial Conference of 1902 the relative expenditure of Great Britain and the Colonies upon the military and naval defence of the Empire was expressed in the following table (see page 86).\*

After the Conference of 1902 several Colonial Governments increased their naval grant, and the present naval subsidies† are as follows:—

Australia	...	...	...	...	£200,000
New Zealand	...	...	...	...	40,000
Cape Colony	...	...	...	...	50,000
Natal	...	...	...	...	35,000
Newfoundland	...	...	...	...	3,000
Total	...	...	...	...	£328,000

Canada has recently taken over from the Imperial Government the Halifax and Esquimalt Dockyards, defraying the cost of their maintenance, and has built a cruiser for Canadian use.

With the exception of some further slight expenditure on docks, partly for naval use, and on patrolling local waters, this small amount represents all the contribution which can be regarded as made to the naval defence of the Empire by the Colonies.

No recent figures of the military expenditure of the Colonies are available. But at present no Colony maintains any force available for any other purpose than Colonial defence. There is no Colonial military contribution to the expenses of imperial defence corresponding to the little sums voted by the Colonial Governments to the Imperial Navy.

Almost the entire expense of defending the Empire falls upon the people of the United Kingdom.

\* Cd. 1,299, page 42.

† Cd. 3,525, page 130.

**BRITISH EMPIRE**  
**MILITARY AND NAVAL EXPENDITURE, 1898-9.**

	Military. (ordinary.)	Military (per head of population.)	Naval Expenditure.	Naval (per head of population.)	Naval and Military Expenditure.	Naval and Military per head of population.
	£	£ s. d.	£	£ s. d.	£	£ s. d.
United Kingdom	29,310,000	0 14 1½	31,255,500	0 15 1	60,565,500	1 9 2½
Canada	533,553	0 2 0	Nil.	Nil.	533,553	0 2 0
Newfoundland	8,800	0 0 10	Nil.	Nil.	8,800	0 0 10
New South Wales	185,699	0 2 8½	47,207	0 0 8½	232,906	0 3 5
Victoria	130,640	0 2 3	57,883	0 1 1½	188,523	0 3 3
Queensland	68,285	0 2 8	28,200	0 1 9	96,485	0 3 9½
South Australia	15,762	0 0 10½	16,642	0 0 10½	32,404	0 1 9
Western Australia	12,336	0 0 1 5½	4,626	0 0 6½	16,962	0 1 11½
Tasmania	8,922	0 0 11½	5,065	0 0 6½	13,987	0 1 6
New Zealand	105,477	0 0 2 9½	20,830	0 0 6½	126,307	0 3 4
Cape Colony	307,714	0 2 8½	30,000	0 0 3½	337,714	0 2 11½
Natal	219,371	0 4 10½	12,000	0 0 3½	231,371	0 5 1½
	1,596,559	0 2 5	222,453	0 0 4	1,819,012	0 2 9

Moreover, in reckoning the current expenditure which the British taxpayers incur upon behalf of Imperial defence, the interest upon the vast debt, incurred largely in the making and the defence of the Empire, must not be forgotten. The entire burden of the interest upon this debt of nearly £800,000,000 and of the annual sinking funds set up for its repayment is borne by the people of Great Britain: the Colonies contribute not a penny to this Imperial outlay.

*Thirdly.*—The British connection, fortified by the recent admission of Colonial stocks as trust securities, has furnished a full flow of cheap capital for the development of Colonial resources.

The magnitude and importance of this service of the Mother Country have never received adequate recognition. The *Statist*, in two recent articles,\* presents a remarkable estimate of the value of this British preference on investments. In the first place, the Imperial connection has influenced the minds of British investors.

"It is true that Great Britain has found a very large amount of capital for foreign countries and has greatly contributed to the prosperity of these countries, but we have charged foreign countries rates of interest much higher than we have charged the Colonies. Moreover, we have not been willing to lend to foreign countries any very large amount of money on the security of Government bonds. Our investors prefer the bonds and stocks of railway and industrial securities rather than Government securities. . . . But they have made an important exception as regards the Colonies and India, holding that any State within the British Empire would never fail to meet her obligations."

In 1900 this preference was strengthened by the admission of Colonial Government securities to the list of British trustee investments. The value of these Colonial and Indian securities is estimated at over £517,000,000.

"But the advantage of the low rate of interest is not

\* April 27 and May 4, 1907.

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confined to the trustee list of Colonial and Indian securities ; it extends to the non-trustee securities of the Colonial and Indian Governments, and also to the debenture and preference stocks of Colonial railways. The yields afforded upon British capital invested in Colonial land, mortgage, industrial, and mining companies are, of course, governed by the success of the various enterprises ; but the volume of capital invested in such undertakings is greatly swollen by the greater willingness of British investors to place their money in the Colonies and India than in foreign countries."

The aggregate of British investments in Colonial and Indian Government, corporation, and railway securities is estimated by the *Statist* at £914,758,000, and when to this sum is added an estimate for banking, land, mortgage, industrial, and mining companies the gigantic figure of £1,300,000,000 is reached.

What is the worth of this British preference? " Excluding the capital placed in industrial enterprises, the preference which the Colonies enjoy in the matter of interest is at least 1 per cent. compared with the interest we ask from foreign countries which apparently offer equally good security, and in which our investors are willing to place capital."

Here is a " gift " worth at least £10,000,000 per annum upon the most generous estimate for non-preferred " industrials."

Or, if we confine our attention to the Colonies, omitting India, the following statement will indicate the size of this preference:—

Colonial and Provincial Government Securities	... ..	£361,925,000
Transvaal Government Loan	... ..	40,000,000
Colonial Corporation Stocks	... ..	39,438,000
Colonial Railroads	... ..	194,522,000
		<hr/>
		£635,885,000

Here is an Imperial service worth a good deal more than £6,000,000 a year.

Does anyone—Mr. Deakin, for example—seriously

pretend that the value of the existing Colonial preferences, or of any preferences the Colonies are able to give us, amounts to anything like this sum? To balance this service alone it is necessary to show that the preferential tariffs have procured an additional quantity of trade for British exporters which yields a net profit of six millions. As we have seen, the actual sum which can reasonably be accredited to this account falls very far below this amount.

The public debt of Australia and New Zealand in June, 1906, amounted to £300,619,000, and much more than half of this was furnished by Great Britain. Can Mr. Deakin and Sir J. Ward show us any prospect of a scale of preferences to British imports into Australasia worth, let us say, £1,500,000 in net profits? A candid consideration of the facts discloses the result that any fair debit and credit account between the Mother Country and the Colonies exhibits a large deficit on the Colonial side.

Indeed, it is tolerably certain that any one of the three great items of Imperial service to which attention has been drawn—Markets, Imperial Defence, and Preferential Loans—greatly outweighs the net profit of the trade secured to us by present or prospective preferential tariffs.

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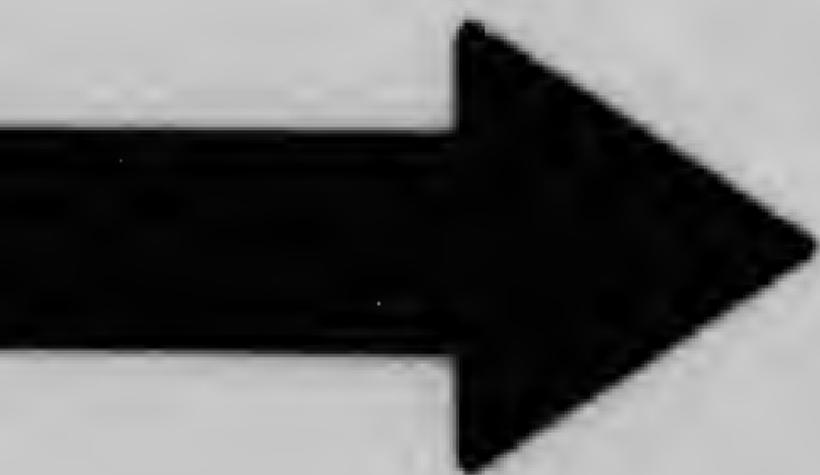
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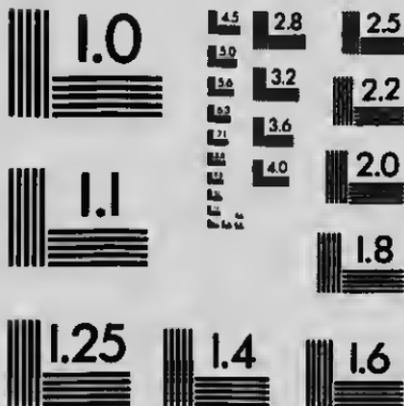
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CHAPTER VI.  
COSTS AND RISKS OF PREFERENCE.

IT INVOLVES PROTECTION.

SUPPOSE that a British Government, accepting the view of fiscal Imperialists that it is our paramount duty to bind the self-governing Colonies to the Mother Country by a system of preferences, were willing to meet each Colonial preference with a corresponding preference on Colonial produce brought into Great Britain, what would be the political and economic consequences?

1. The first result would be the substitution of a protective system for our present system of free imports.

The notion that any sort of *quid pro quo* could be given to the Colonies by a mere abatement or remission of the duties on existing dutiable imports, *i.e.*, alcohol, tobacco, tea, coffee, &c., does not deserve serious consideration. Though Dr. Jameson laboured the point before the Conference, and a resolution\* in favour of it was carried by a majority (Botha dissenting and Laurier absent), it is quite evident that any such proposal would only be regarded as the "assertion of a principle," a thin edge of the preferential wedge, not as a serious contribution towards a genuine preferential system.

Though certain other British possessions—India and Ceylon, West Indies and British Guiana—might stand

\* Cd. 3,523, page 440.

to gain something substantial by a reduction or remission on tea, coffee, cocoa, and sugar, the present or prospective contribution of the self-governing Colonies towards the dutiable imports is too trivial for any such result to ensue. These dutiable imports in 1906 were valued as follows:—

From Canada	...	...	£15,368
„ Australia	...	...	106,537
„ New Zealand	...	...	163
„ South Africa	...	...	16,894

The notion that a reduction of 1s. a pound on tobacco could stimulate a valuable import trade from the Transvaal and Natal, or that a large trade in Cape wines could be created by preference, is simply puerile.

The only article at present taxable which forms the basis of any considerable trade is Australian wine. Taking the existing and proposed preferences on their merits, such a British preference would give most to Australia, whose preference gives us least, and least to Canada, whose preference gives us most. The idea that our existing Customs duties could be utilised as a basis of Colonial preference must therefore be dismissed at once.

Duties must be imposed upon classes of imports which at present come in free, if any real preference is to be given. These imports must be goods which bulk largely in Colonial trade.

If the self-governing countries were tropical, it might be possible to find articles upon which further preference might be given without protection of British industries. New duties might be put upon foodstuffs and raw materials which, though raising prices to British consumers, did not in fact “protect” any British industry. But an inspection of the large imports from self-governing Colonies shows this to be impracticable, for these consist of articles which compete directly with articles produced in Great Britain.

In order to give a real preference it is necessary to tax foods and raw materials which are produced in Great Britain.

The following table, supplied by Mr. Asquith (May 13th) to the House of Commons, establishes this fact :—

Imports of	From Self-Governing Colonies. Million £	From all British Possessions. Million £.
Food, Drink, and Tobacco ...	33	58
Raw Materials and Articles mainly unmanufactured ...	32 $\frac{2}{3}$	52
Articles wholly or mainly manufactured (including a small quantity of unclassified articles and Parcels Post) ... ..	5 $\frac{1}{4}$	16 $\frac{1}{2}$
	<hr/> 71	<hr/> 126 $\frac{1}{2}$

Now, our tariff reformers have generally admitted with Mr. Chamberlain that, in order to give a preference to the Colonies, it is necessary to tax food. They also admit that incidentally this brings protection to British farmers, though sometimes, with Mr. Balfour, they urge that a duty on foreign corn, though it may protect British farmers, is not Protection, because its motive is to give a preference. But it is evident that any duty which, in fact, protects, is a protective duty, even if its prime object be revenue or preference.

Therefore, the admission that taxes on foods, which cannot be offset by excise on home produce, are necessary to give Colonial preference, is an admission that a protective system is involved.

Admitting that foreign goods must be taxed, Preferentialists have usually denied that preference involves taxing raw materials. This denial is based on the belief that though they may be able to persuade ignorant consumers that prices will not be raised by putting duties on foreign goods, they will not be able to persuade British manufacturers that taxes on foreign supplies of raw materials will not raise their costs of production.

But any scheme of British preference to imports from the self-governing Colonies, which is considerable

in value and even approximately fair in its distribution, as between the different Colonies, must involve taxation of foreign raw materials and protection of British production.

Here it may be pointed out how artificial is the distinction between foods and raw materials of industry. Most of the important foods which enter as imports rank, either directly or indirectly, as raw materials in some productive industry in this country. Statistics of employment show a rapid rise in the importance of food trades of the manufacturing order, especially in confectionery, jams, pickles, mineral waters: besides these there are the great milling, brewing, and distilling industries, and the large number of productive and distributive trades dependent upon these.

If we adopted a system of preferential duties which made no provision for India and the Crown Colonies, and confined themselves to the foods from self-governing Colonies, we should still be taxing the raw materials of important British industries. Taxes on cereals would tax the feeding-stuffs for farmers, the raw materials for brewers, millers, bakers, and confectioners: taxes on cattle and meat would tax the materials of graziers, butchers, hotels and restaurants, and the preserved-meat trades, and, not less important, the tanning and leather manufactures; even taxes on butter and fruit would place a further burden on the confectionery trades.

Thus, the inevitable effect of preferential duties involving taxation of foreign foods is to tax the raw materials of many British industries. Not less damaging would be the effect of these food taxes in raising food prices, and thus either damaging the efficiency of labour or causing a rise in money-wages and cost of production to meet this increase of food prices.

#### TAXATION OF RAW MATERIALS OF MANUFACTURE NECESSARY.

But a satisfactory system of preferential duties could not rest on food alone: taxation of other raw materials of our manufactures would be necessary. For

food preference would give nothing to South Africa, while it would unduly favour Canada as compared with the Australasian Colonies, and New Zealand as compared with Australia. This may be seen from the following table :\*—

FOOD IMPORTS INTO U.K. FROM SELF-GOVERNING COLONIES.

	ANIMALS, LIVING, FOR FOOD.	MEATS.	FISH.	BUTTER.	CHEESE.
	£	£	£	£	£
Australia ...	—	1,535,377	—	2,307,835	—
New Zealand	—	3,535,377	—	1,467,628	203,344
Canada ...	2,536,724	3,683,599	706,331	1,428,494	4,804,172
Newfoundland	—	—	210,028	—	—
Cape Colony	—	—	—	—	—
Natal... ..	—	—	—	—	—
	LARD.	WHEAT AND FLOUR.	FRUIT.	TOTALS.	
	£	£	£	£	
Australia ...	—	4,291,027	252,345	8,386,584	
New Zealand	—	119,160	267	5,325,776	
Canada ...	641,951	3,065,941	747,956	17,615,164	
Newfoundland	—	—	—	210,028	
Cape Colony	—	—	—	—	
Natal... ..	—	—	6,568	6,568	

This table proves the truth of Mr. Asquith's contention at the Conference, "that you cannot possibly give a preference which shall be anything like an even-handed preference as between the different Colonies of the Empire unless you include in it raw materials as well as food."†

In order to give South Africa any show at all it would be necessary to tax wool, hides and skins, feathers, and perhaps copper ore. The tax on wool and upon hides will be essential, not merely for South Africa, but in order to secure something like equality

\* Constructed from C. d. 3,328, pp. 65, 56.

† Page 321.

of treatment for Australia and Canada. To give anything to Newfoundland a tax on oil would be necessary.

Thus, Preference seems inevitably to land us in duties upon foods and raw materials, and a protective tariff of a particularly injurious sort, in that it hampers a number of British industries by taxing important materials.

It is protective because it imposes taxes upon foreign foods and materials which are also produced in this country, and upon which an excise would be impracticable.

But it is a particularly bad species of Protection, erring against every canon of "scientific tariffs." A "scientific tariff" lets in free absolutely raw materials, or, if they compete with the home agricultural and mining industries, imposes a relatively low duty: as the imports contain a larger element of labour, and arrive in a more finished shape, the tariff is higher.

Here, in the name of Preference, we protect against raw materials, while we let in free completely manufactured goods. Is it not inevitable that if we once introduced this "preferential" protection, it would yield place to the more logical or scientific sort?

The more astute Tariff Reformers in this country see this clearly. They design to utilise the "Imperialist" feeling in order to drag in by *a fortiori* reasoning a full protective system. They are aware that Colonial preferences are, and can be, worth very little, and that the notion of a self-sufficing Empire is baseless. But they recognise that if Great Britain could once be induced to put on protective duties against foreign foods and raw materials, in order to give a preference to our Colonies, it would be easy to force the logic of protecting British manufactures against German and American competition.

#### PREFERENCE INVOLVES NEW TAXES ON THE COLONIES.

We saw that in each of the Colonies preference was carefully subordinated to protection. Would it be different here? We saw that Colonial preference was brought about in most instances not by remissions to

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British imports, but by penalising foreign imports. It may seem to Canadians a good thing if we let in their produce free as now, and simply put a duty upon foreign produce. But it could not work this way, at any rate where Colonial imports are raw material for British industries. This issue was put forcibly by Mr. Harold Cox in a letter to the *Morning Post*:—"If you are going to tax the raw material of the English miller, how are you going to make matters square between him and his Canadian rival? Is Canadian flour to come in without a tax, while the material used by the British miller (*i.e.* foreign wheat) is to be taxed?"\*

Out of this dilemma there is only one escape—taxation of Colonial produce.

The *Morning Post* makes the following reply to Mr. Cox:—

"Mr. Harold Cox was able to make a debating point by assuming that Tariff Reformers intend to admit Colonial produce duty-free. It ought to be too late by this time for misunderstanding on this score. If Tariff Reform is to be a means of solving the revenue difficulty, *it will not be possible to refrain from making Colonial produce dutiable*, although at a lower rate than the foreign produce which competes with it."†

The words we place in italics deserve to be set alongside of Mr. Chamberlain's famous admission, that in order to give Imperial preference it is necessary to tax food. It was supposed that this merely meant that a tax must be put on foreign foods. It now appears that another tax, though a lower one, must be put upon Colonial foods.

In other words, we are to have a regular protective tariff with a maximum and a minimum, a general and a preferential tariff. The Agricultural Committee of the Tariff Commission have been obliging enough to develop this scheme, and have even suggested the following scale of duties:—

\* June 1, 1907.

† *Morning Post*, June 4, 1907.

	GENERAL TARIFF.	PREFERENTIAL TARIFF.
Wheat ... ..	6d. per cwt. (or about 2s. per qr.).	3d. per cwt. (or about 1s. per qr.).
Barley, oats, rye, maize, etc. ...	Duties equivalent to those on wheat.	Duties equivalent to those on wheat.
Wheaten and other flour and meal ...	1s. 3d. per cwt.	
Animals and meat including bacon	General level to be 5 per cent.	
Dairy produce, including poultry and eggs... ..	Specific duties equivalent in general to from 5 per cent. to 10 per cent. <i>ad val.</i> , though in particular cases some duties when calculated may be found to be lower and in others rather higher than these limits.	
Market garden produce, including potatoes and hmps		Subject to negotiations with the Colonies.
Hay and straw ...		

Commenting upon this tariff proposal, a writer in a leading trade journal\* remarks: "Under this scheme the proportion of our imports subject to duty from the self-governing Colonies is considerably increased. From Canada some 73 per cent. of our imports would be subject to duty, from Australia 33 per cent., and from New Zealand 41 per cent., but from the Cape and Natal only 0.2 per cent., and from Newfoundland only 0.4 per cent."

We commend to our Colonial Preferentialists these proposals of their Imperialist friends in this country. When Australians realise that the adoption of Mr. Deakin's proposal by Great Britain will mean that Australian wheat and wool, which now enter free, will have to pay a tax, we doubt whether they will feel particularly grateful. Nor will Sir W. Laurier face his farmers with confidence when he has to tell them that their wheat has got to pay a tax on entering the British market. Not only must Canadian wheat pay a tax, but Canadian flour must pay a higher tax.

\* *Commercial Intelligence*, April 17, 1907.

Do our Colonial Preferentialists clearly recognise that the acceptance of this "offer" involves the imposition of duties upon all their produce which now comes in free, and have they calculated that it is worth their while to bear a tax, which they at any rate believe falls on them, in order that foreign competitors may pay a higher tax?

Where a protective tariff already exists it is technically possible to give a preference which has the appearance of a gift, by lowering existing duties in favour of the preferred country, though the actual tendency is to raise the duties on the non-preferred countries. Where, as in the case of Great Britain, a protective tariff does not exist, preference can only be given by placing a tax upon the countries you desire to favour and a higher tax upon the others.

In order to give preference without positively handicapping home industries you must protect.

Tariffs, general and preferential, upon foods and raw materials will necessarily involve a tariff upon manufactured imports. It would indeed be absurd to place taxes upon raw materials and real wages, which must have the effect of increasing the costs of production of our manufactures and to refuse an equal measure of protection to the latter.

Thus we perceive that the least measure of preference on our part involves us by inevitable logic in a complete abandonment of our free import policy.

#### PREFERENCE RAISES PRICES.

It would not be necessary to do more than state the tolerably obvious proposition that Colonial preference on food and raw materials will raise their price to the British consumer if it were not for the extraordinary assumption of Messrs. Deakin,\* Ward,† and Lyne‡ that the stimulus given by preference to Colonial production will enable the Colonies to supply all our needs as cheaply as they are now supplied. "It is true that three-quarters of your entire supply of certain neces-

\* Page 233.

Page 269.

‡ Page 326.

sary foods and materials is drawn from foreign countries, and only a quarter grown at home or imported from the Colonies, but the result of Colonial preference will be so to stimulate the flow of population to these Colonies and so to develop their agricultural and other resources, that in a very short time they will supply all that you get from foreign countries and as cheaply.

"You will have your free food and your free materials as before, but from inside the Empire instead of from without." Thus runs the argument. This assumption seems to be that a preferential duty will in a few years' time stop the influx of foreign wheat, wool, meat, &c., and substitute Colonial produce. To the quite pertinent objection, "If the Colonies can put in all the wheat and wool we need as cheaply as the foreigner, why not do so without a preference?" the usual answer is: "They will do so if only you stimulate them and guarantee them a monopoly of your market, a monopoly which cannot be abused, for inside the Empire there is ample competition."

This answer is, of course, wholly inadequate. The surplus population of Europe and its surplus capital must be presumed largely to flow into the United States, Argentina, and other foreign countries, because by going there it can find a more profitable market in Great Britain and elsewhere for the agricultural and mining wealth it helps to produce, than by going into Australia and Canada. How can a British preference for Colonial produce divert this flow from the United States and Argentina into Canada and Australia? Only by raising the rates of profit on investments and the wages of labour in those Colonies. This can only be done by raising the prices of the Canadian or Australian produce in the British market, for otherwise how can the capital and labour be got to develop land which it does not pay to develop now?

The only conceivable efficient cause of the great Colonial development Mr. Deakin and others are seeking to promote is higher prices for Colonial produce in the British market. And if for Colonial produce, then

for the entire supply, British, Colonial, and foreign, so far as any foreign is still allowed to enter.

The notion that the Colonies can be stimulated or enabled to develop more industry and put more supplies in our market by any other stimulus than a rise of prices is self-contradictory. Even if preference were accorded by leaving Colonial produce duty-free, as now, and putting a duty only on foreign produce, the price of the entire supply to British consumers must rise, or else no force is brought to bear to stimulate Colonial production. *A fortiori* is this true when the preference takes the form of taxing Colonial as well as, though not as much as, foreign produce. If our Fiscal Reformers had their way and put 1s. on Colonial wheat, 2s. on foreign, who does Mr. Deakin or Sir J. Ward think would pay this shilling, the English consumer or the Colonial producer?

If the latter (the orthodox Protectionist's assumption), how is the growth of Colonial wheat to be stimulated by lowering the price the growers get by 1s. per quarter? If the former pays, what becomes of the argument that preference will not raise prices for the British working-man?

The alternative sometimes suggested, that the duty will "somehow" come out of middlemen, freight or other charges, is based upon a vague and utterly erroneous notion about the services rendered in the carriage and distribution of produce and about the determination of the prices for these services.

A preference, to be of any worth in developing the Empire and displacing foreign by Colonial produce, must raise the price paid for this produce by consumers to producers.

The simple fact, of course, is this: We buy a great deal of wheat from Russia, Argentina, Austria-Hungary, much wool from Egypt, South America, meat from the United States, &c., because we can get it a little cheaper or a little better than if we got it all from the Empire. If the effect of a preference is "somehow" to compel us to substitute Colonial produce for this foreign produce, it can only mean the substitution of a little dearer or a little worse article for a little

cheaper or a little better. The object of the tax is to do this; and, so far as it operates at all effectively, it does it. Only so far as the consumer is made to pay is the preference an operative force at all.

#### INTERFERENCE WITH COLONIAL LIBERTIES.

Preference has so far been in a fluid and experimental stage: each Colony has retained and exercised complete freedom to shift its tariff and its preference as often as it likes. It has been simply a freewill offering to the Mother Country or to a sister Colony. But so soon as a Colonial preference is made the basis of a definite bargain with Great Britain, and the several preferences of the Colonies and the Mother Country are erected into an Imperial Tariff system, designed to secure a growing unity and economic self-sufficiency for the Empire, this freedom of each Colony to change and change its tariff according to the policy of each changing Government, or the passing exigencies of Colonial finance, cannot be retained. If tariff systems are to be arranged so as to secure to the Colonies a firm, full hold upon the British market for their foods and raw materials, and to secure to British manufacturers a regular, sufficient outlet for their surplus goods in Colonial markets, each party must be able to develop its agriculture and lay down its plant with some reasonable assurance that the tariffs which are to secure the market for their produce shall not suddenly be altered to their detriment. This applies not merely to the relations between Great Britain and the Colonies, but to the inter-Colonial relations.

If Great Britain had specifically engaged to give a substantial preference upon Canadian wheat and Australian wool, in return for a valid preference upon her textiles and her metal manufactures, she must require some assurance that Canadian or Australian manufactures shall not, by raising their protective tariffs, damage or cancel the preference. Each part of the Empire would have a vested interest in the tariffs of the other parts. Not only must not the formal preferences in the several tariffs be withdrawn or altered without

the consent of the several parties interested in them, but no change in the protective portions of the tariff, no creation of new intermediate tariffs, no special commercial treaty with a foreign country, no system of bounties to home producers, could be permissible without Imperial sanction. The Colonies would find that not only the interests of Great Britain herself, but of India and of the various Crown Colonies, had to be carefully weighed whenever, for reasons protective or financial, they wished to make alterations in their tariff.

The absolute control over their finances which they have hitherto possessed would thus be grievously curtailed. Depending, as they all do, for their public income upon Customs to a far larger extent than Great Britain, they would find the loss of fiscal freedom and elasticity involved a corresponding loss of liberty in the administration of their Government.

If Canadian preference had been secured by express agreement with Great Britain, receiving a definite *quid pro quo*, do Sir W. Laurier and Mr. Fielding suppose for one moment that they would have been free to cut down in their 1904 Budget the preference on British cloth for the benefit of Canadian woollen mills, or that they could qualify the preference on British rails by bounties to Canadian companies?

In the Report of the Conference the resolutions of the Colonial representatives, affirming the desirability of preferential trade and urging this policy upon the Imperial Government, are followed by a resolution upon Commercial Relations to the effect that "this Conference, recognising the importance of promoting greater freedom and fuller development of commercial intercourse within the Empire, believes that their object may be best secured by leaving to each part of the Empire liberty of action in selecting the most suitable means of attaining this, having regard to its own special conditions and requirements," &c.

The considerations we have named show that any effective system of Imperial preference involves less liberty of action for the several parts of the Empire, since it precludes them from determining their tariff

policy in the future with exclusive regard to their "own special conditions and requirements."

Those who know that complete practical local independence has been the secret of the success of the British Colonial system will recognise the disintegrative influence which will be introduced by the attempt to establish any sort of Imperial tariff arrangement.

#### A DISRUPTIVE FORCE IN THE EMPIRE.

An Imperial system of tariff preferences would be a disruptive element in the Empire, arousing feelings of jealousy among the several Colonies and antagonism on the part of the self-governing Colonies as a body against Great Britain.

It is impossible to work out the scheme of a British preferential tariff which would do even-handed justice to the different Colonies, still more one which would do justice to the various important interests within each Colony. A preference on food imports, as we saw, would do virtually nothing for South Africa, while the benefit would be distributed very unequally in the case of the other Colonies. If, on the other hand, we included the leading raw materials under the preferential treatment, we should be driven to protect our manufactures against the new stress of foreign competition brought about by the enhanced prices of their raw materials. In other words, here, as in the Colonies, preference would be linked to protection, and the protective motives would prevail over the preferential, so that the scale of preferences would be regulated, not by considerations of the equitable treatment of the several Colonies, but by the needs or the political "pull" of the home industries affected by the preferences.

Neither in theory nor in practice could the British preferences be weighted so as to give advantages to the different Colonies in proportion either to their population or their trade, or to the preferences which they accord to our imports. Even under our present equal treatment incipient antagonisms have disclosed themselves, based upon some real divergence of immediate interests. After the Boer War the efforts made to in-

duce British colonisation of South Africa aroused considerable ill-feeling in Australia and Canada, and the present boom of Canadian development which draws into that country the lion's share of our migrating population and capital evidently militates against the development of Australia.

These several countries are naturally concerned far more deeply about their own prosperity than about that of other sections of the Empire. At present, however, the jealousy with which Australia eyes the advance of Canada cannot beget a sense of grievance either against the sister Dominion or against the Motherland, for Great Britain does not subsidise Canadian immigration or investments at the expense of Australia. If, however, the interests of the new British protective system, or the claim of a heavy Canadian preference, or the Imperial importance of establishing securely the great new grain route from the Northwest, were to involve the granting of a larger or more advantageous preference to Canada than to Australia or New Zealand, a sense of grievance would inevitably be generated in the latter. Each "injured" Colony would be compelled by the clamour of its aggrieved interests to demand some readjustment of Imperial preference, while in the meantime the trade relations between the competing Colonies would suffer.

An Imperial preferential system, based, as it must be, upon a delicate adjustment of more or less conflicting interests, must be subject to frequent revision with infinite bargaining. Each party must carefully scrutinise each charge, so as to see that the new tariff does not go against it, and that either the Mother Country or one of its sisters does not gain at its expense. So likewise the several members of the Canadian, Australian, and South African group will be constantly liable to quarrel among themselves over the share of the British preference which falls to them respectively, the disruptive principle extending thus not only to the Colonial groups but to the internal relations within each group.

Hitherto there has never been close scrutiny into the business aspect of our relations with the several

Colonies. We have never kept an exact credit and debit account with them. An Imperial preferential system which would put the Empire on a business footing would involve such scrutiny, which, as Mr. Churchill recognised,\* would not be likely to confine itself to balances of tariff. "It will stray further, I think, and it will examine the contributions which the self-governing Colonies make to the general cost of Imperial defence, and will contrast those contributions with a severe and an almost harsh exactitude with the great charges borne by the Mother Country."

To substitute for the bond of sentiment and of occasional voluntary services, which has hitherto subsisted, a rigorous system of legal monetary agreements is the surest possible method of impairing that mutual goodwill which is the virtue of the British Empire. There is no more certain source of dissension among the members of a family than the common conduct of a profitable family business, however carefully the deed of partnership or trust be drawn up. The effect of an Imperial partnership for profit along the lines proposed would be, not merely to promote suspicions and jealousies among the partners, but to make dangerous breaches between the self-governing Colonies as an aggregate and Great Britain. In any Imperial settlement and readjustment of the tariff system the voice of Great Britain must overrule the voices of these Colonies. For Great Britain, bearing on her shoulders the destinies of India and the Crown Colonies, Possessions, and Protectorates, could never consent to a method of determining tariff changes which gave her a voting power equal to that of Canada or Australia. Whether trade or population or any other basis of representation is taken, the British representatives in an Imperial Tariff Conference must be able to outvote the united representatives of the self-governing Colonies when an issue arose dividing them. The inevitable effect of one or two keen conflicts, in which the united Colonies were overborne by the Government of the Mother Country, would be to arouse a strong

\* Cd. 3,523, page 402.

anti-Imperial policy and party in the Colonies, which would clamour, possibly, for the "cutting of the painter." On the other hand, if the paramountcy of the British interests were not secured, and the majority of the Colonial representatives were able to force tariff regulations deemed detrimental to the interests of the Mother Country, an equally strong anti-Colonial party would be created here. Mr. Churchill depicted in a most convincing manner the dangerous feeling against the Colonies which might easily be generated in this country :\*—

"Great fluctuations occur in the price of all commodities which are subject to climatic influences. We have seen enormous fluctuations in meat and cereals and in foodstuffs generally from time to time in the world's markets. Although we buy in the markets of the whole world, we observe how much the price of one year varies from that of another year. These fluctuations are due to causes beyond our control. We cannot control the causes which make the earth refuse her fruits at a certain season, nor can we, unfortunately, at present, control the speculation which always arises when an unusual stringency is discovered. Compared to these forces, the taxes which you suggest should be imposed upon food and raw materials might, I admit, be small ; but they would be the only factor in price which would be absolutely in our control. If, from circumstances which we may easily imagine any of the great staple articles which were the subject of preference should be driven up in price to an unusual height, there would be a demand—and I think an irresistible demand—in this country that the tax should be removed. The tax would bear all the unpopularity. People would say : ' This, at any rate, we can take off, and relieve the burden which is pressing so heavily upon us.' But now see the difficulty in which we should then be involved. At present all our taxes are under our own control. An unpopular tax can be removed ; if the Government will not remove it they can be turned out and another Government can be got from the people by

\* Cd. 3,523, pages 405-6.

electinm to remove the tax. It can be done at once. The Chancellor of the Exchequer can come down to the House and the tax can be repealed if there is a sufficient demand for it. But these food taxes by which you seek to bind the Empire together—these curious links of Empire which you are asking us to forge laboriously now, would be irremovable, and upon them would descend the whole weight and burden of popular anger in time of suffering. They would be irremovable because fixed by treaty with self-governing Dominions scattered about all over the world, and in return for those duties we should have received concessions in Colonial tariffs on the basis of which their industries would have grown up tier upon tier through a long period of time. Although, no doubt, another Conference hastily assembled might be able to break the shackle which would fasten us, to break that fiscal bond which would join us together and release us from the obligation, that might take a great deal of time. Many Parliaments and Governments would have to be consulted, and all the difficulties of distance would intervene to prevent a speedy relief from that deadlock. If the day comes when you have a stern demand, and an overwhelming demand of a Parliament in this country, backed by the democracy of this country suffering acutely from high food prices, that the taxes should be removed, and on the other hand the Minister in charge has to get up and say that he will bring the matter before the next Colonial Conference two years hence, or that he will address the representatives of the Australian or Canadian Governments through the agency of the Colonial Office, and that in the meanwhile nothing can be done—when you have produced that situation, then, indeed, you will have exposed the fabric of the British Empire to a wrench and a shock which has never before received, and which anyone who cares about it cannot fail to hope that it may never sustain."

#### DAMAGED RELATIONS WITH FOREIGN COUNTRIES.

Not less injurious would be the damage done to our peaceable relations with foreign nations, from whom

we are invited suddenly to withdraw the free market which they have so long enjoyed to their benefit and ours.

It is futile to urge that foreign nations can have no reasonable ground for complaint against us, for placing taxes on their goods entering our markets equivalent to those they place upon our goods entering their markets, or for favouring our Colonies at their expense. The foreign manufacturers, merchants, and farmers who are injured by the loss of our market, or by the necessity of submitting their goods to customs duties which were not imposed before, will feel a sense of injury, and will arouse in their country a feeling of resentment against Great Britain which will be none the less dangerous because it is unreasonable and unjust. Nor is this all. The diminution of our import and export trade with these foreign countries, which it is the chief object of the Preference system to bring about, involves a weakening of the surest and most concrete bonds of common interest between our nation and theirs, and thus damages the most substantial guarantee of peace. We shall still be competing with Germany, the United States, and other industrial countries for many neutral markets; our vast Imperial territorial interests will still raise controversial issues between us and them. It will be easier for an international difference to ripen into a quarrel, and a quarrel to lead to an outbreak of hostilities, when the sense of injury is rankling in many a foreign manufacturer and merchant who has lost a profitable trade with Great Britain or some Colony, and when a war is no longer opposed by strongly organised commercial and financial interests in the two countries, to whom a war would be disastrous.

#### WOULD IMPERIL OUR NATIONAL SUBSISTENCE.

Finally, in case of a war between Great Britain and a great naval Power, the national peril would be greatly enhanced by a policy which rendered us dependent for our food supply and the raw materials of our manufactures upon our Colonies.

So far is this danger from being adequately recognised, that one of the chief arguments of Preferentialists is directed to maintaining the very opposite, viz., the increased resisting strength which Imperial self-sufficiency would bestow. Mr. Smartt, for instance, argued thus :\*—"We are always told that while the Navy holds the seas, England will be able to feed herself ; but supposing you had a great European war, and you had a combination of great wheat-producing countries against you, and by your policy you refused to encourage Canada, Australia, and other portions of the Empire—with their enormous resources—the command of the seas would be useless if the countries who grow wheat were banded against you, and would not ship that wheat to feed your starving population."

"A combination of great wheat-producing countries" ! The great wheat and wheat-flour exporting countries outside the British Empire are the United States, Russia, Roumania, Austria-Hungary, and Argentina. Does Mr. Smartt seriously suggest the probability of such a combination? Is our fiscal policy to be guided by so preposterous a supposition?

On the other hand, what would be our situation if, as is quite possible, we were to weaken the pledges of peace which a great and expanding trade with foreign States provides? It would be foolish to shut our eyes to the possibility of a war with a nation possessing a powerful navy and capable of harrying our Imperial transport trade. Suppose a war with Germany, France, or the United States. A hostile navy would, in accordance with the present laws of war, be entitled to seize or destroy the ships carrying our wheat supply from Canada, Australia, and India. If, then, we had, by preferential tariffs, displaced the wheat which now comes to us from foreign lands by an all-Imperial wheat supply, the whole of the supply required to feed four-fifths of our people would be exposed to the attacks of our enemy. On the other hand, if we retained our

\* Cd. 3,523, page 340.

present large dependence upon foreign sources of supply, the enemy would not be entitled to stop the entrance of the wheat unless they had accomplished the impossible task of making an effective blockade of all our ports.

An all-Imperial wheat supply would mean a serious risk of national starvation in case of war with a single strong naval Power.

#### SUMMARY OF INJURIES.

We have already seen that neither by Imperial preference nor by any other method is it possible to realise the vision of a self-sufficing Empire. Even were it possible, it would not be desirable.

No preferential stimulus that we could offer would go far towards such self-sufficiency. We should still have to draw a great part of our food and raw materials from foreign nations irritated by the protective duties put upon their imports into our country. In order to make the preference efficacious, we should have to build it on to a protective system, which would impose upon our people the waste and the corruption which protection everywhere involves. Far from binding the Colonies closer to each other and to the Mother Country, it would introduce into our Empire a powerful and persistent disruptive force, substituting for the present Imperial sentiment passions of greed, jealousy, and suspicion, which genuine divergencies of business interest, disclosed in the negotiations for tariff changes, would continually feed. Each Colony would be constantly competing with the rest to get the lion's share of the preferential market, and would haggle with the Mother Country for better terms of preference; the dominance of the Home Government, by virtue of her larger population and her protectorship of the "un-free" Empire, would be a constant offence to the self-governing Colonies, generating a new disruptive power, anti-Imperialism in the Colonies, anti-Colonialism in Great Britain.

Finally, preference must certainly loosen our relations with the leading foreign powers, increase the

risks of an outbreak of hostilities, and gravely jeopardise our food supply in the event of war.

#### TWO RESULTS OF THE CONFERENCE.

Our examination of the proceedings of the Colonial Conference in the light of the determinate facts and forces of recent political and industrial history yields two plain results.

In the first place, the proposal of a system of preferential tariffs as an instrument for binding the self-governing Colonies closer to one another and to Great Britain, and for thus securing the solidarity and economic self-sufficiency of the British Empire, is stripped of any shreds of plausibility it appeared to possess. The smallness of the gain which any sort or size of Colonial preferences could secure to Great Britain, in compensation for the magnitude of the losses and the risks incurred by the abandonment of our free import system involved in our adoption of any real preference to the Colonies, makes it undeserving of consideration as a practical proposal. To suppose, indeed, that this or any exposure will at once kill Colonial preferences as a political device and a party cry, would be to impute to politics a measure of rationality they do not possess. But while the Protectionist Party here will doubtless continue to wave this Imperialist flag from platforms as before, astuter workers for Fiscal Reform will see the advisability of keeping the proposal in the vague, partly because they must henceforth admit that the adoption of Colonial Preference involves taxing both foods and raw materials, partly because they will recognise that any attempt to give concrete expression to the proposal will expose its antagonism alike to the protective as to the retaliatory principles which form their true objective.

This inherent conflict between the protective and the preferential motives we have seen already illustrated in the brief history of the Colonial Preferences. So superior are and must remain the means of enforcing the protective claims that these preferences, after a flickering, precarious existence, will either disappear

or survive as graceful ornaments in the Colonial protective systems.

In the second place, it is made manifest that, while the Colonies will welcome any conference or council of a deliberative nature, in which free discussion of matters of common interest takes place between Government and Government, and while they are prepared for further co-operation in the furtherance of commerce or defence, they will not lay down in any formal contract any shred of legislative or administrative liberty they already possess. As free agents they will discuss and negotiate and, as far as possible, co-operate for the common good of the Empire, but in every matter they will retain the right of initiation and of ratification for their peoples and their Governments. Not merely do they recognise the paramountcy of their interest in preserving in their own hands the guidance of their political destiny as individual Colonies and as Colonial aggregates, but they now understand, as they did not in the first flush of Imperial sentiment attendant on the Boer War, that any formal political union upon closer terms with the Mother Country, such as has been suggested, must involve not merely a diminution of their Colonial liberties but the assumption of an unknown and an uncontrolled quantity of new Imperial burdens. Mr. Chamberlain's words, so often quoted, remain as true as ever, and may be deemed the expression of a final truth: "The link which unites us, almost invisible as it is, sentimental in its character, is one which we would gladly strengthen; but, at the same time, it has proved itself to be so strong that certainly we would not wish to substitute for it a chain which might be galling in its incidence."\*

\* Cd. 1,299, page 3.

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