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SECRET.

C.P. 2673

Safeguarding of Industries Bill.

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Since Sir Robert Horne's memorandum of the 29th December 1920 (C.P. 2374) was circulated, great changes have been made in this Bill.

(1) *Dumping*.—The original idea was to have made dumping a punishable offence. The new proposal provides for the imposition of a Customs duty of $33\frac{1}{3}$ per cent. of the value of the goods. These will be valued by the Board of Trade, and the Board of Trade will therefore become a taxing authority.

(2) *Collapsed Exchanges*.—The original scheme provided for the levy of a duty not exceeding $66\frac{2}{3}$ per cent. of the value of the goods. It is now proposed that the duty should be equal to $33\frac{1}{3}$ per cent. of the value of the goods, as in the case of dumping. It was originally proposed that the collapsed exchange provisions should remain in force for three years while under the new proposals, orders by the Board of Trade are to have a maximum validity of three years in the first instance. But as under clause 16 no time limit is prescribed for Part II. of the Bill, it would appear to be open to the Board of Trade to renew its orders and give them an indefinite length of currency.

(3) It was originally proposed that the collapsed exchange duty should be levied whenever the mark fell below a penny in value. The penny proviso has now disappeared, and therefore it would seem that the scope for the levy of the duty is thus considerably extended.

(4) The definition of dumping which has now been accepted seems to me to be open to objection which I raised last year on a similar measure.

I venture to think that the new Bill obviates none of the objections in principle to legislation of this kind which were elaborated in my Cabinet memorandum of the 3rd January and have since been presented by the President of the Board of Education. I do not like any Bill which divests Parliament of the prime responsibility for the imposition of taxes, and the present seems a particularly inopportune occasion for introducing measures which will militate against Germany's capacity to meet her debts to the Allies, and must, at the discretion of the Board of Trade, diminish the power of Germany to buy from us and our Allies. I take no exception, however, to anti-dumping legislation, and to key industries protection, for the Government has been committed, ever since its formation, to these two propositions, and doubts, which I confess I feel, as to the effect on our trade, must be waived in view of commitments to which I am a party. I am sorry

to find myself critical, but I would draw attention to the essential difficulties of legislation of this kind by quoting from Clause 3 (b) the words:—

“prices at which similar goods can be profitably manufactured in this country,”

and consequently—

“by reason thereof employment in any industry in the United Kingdom is being or is likely to be seriously affected.”

Are not these vague words, which are bound to give rise to a variety of opinion, strange expressions to find in a statute? Who can say how far inventive genius stimulated by competition may be able to lower the price at which goods can be profitably manufactured in the United Kingdom? What is to happen when employment in one industry is seriously affected, whilst employment in other industries is materially increased as a consequence of the importation of such goods?

E. S. M.

5th March 1921.
