CABINET.

IMPERIAL ECONOMIC CONFERENCE (DOCUMENTS) COMMITTEE.

REPORT.

(As approved by Cabinet 44 (23), Conclusion 9.*)

Composition of Committee and Terms of Reference.

1. In pursuance of Cabinet 25 (23) Conclusion 3, the following Committee was constituted for the purpose of sanctioning the transmission to the Dominions and India of documents prepared for the Economic Conference:
   - The Secretary of State for the Colonies (in the Chair),
   - The Secretary of State for India,
   - The President of the Board of Trade,
   - The Financial Secretary to the Treasury,
   with
   - Mr. R. B. Howorth and
   - Mr. E. R. Eddison as Joint Secretaries.

2. By Cabinet 32 (23) Conclusion 5, the Cabinet agreed to extend the Committee's Terms of Reference so as to authorise the Committee to make recommendations to the Cabinet in regard to the documents under consideration.

3. The First Lord of the Admiralty, the Minister of Agriculture and Fisheries, the Parliamentary Secretary to the Department of Overseas Trade, and Departmental representatives have attended meetings of the Committee when questions of special interest have been under consideration.

4. The Committee have held three Meetings and have carefully considered Memoranda submitted to them by an Inter-Departmental Committee and also by various Departments. A list of the Memoranda in question is contained in Appendix I of this Report. The Committee do not consider that at the present stage it is necessary to circulate the documents in question to the Cabinet, but steps are being taken to print those documents which will be required for the use of Ministers at the Economic Conference, and copies of the prints will be available later, if required.

5. In the following paragraphs the Committee make recommendations to the Cabinet on various questions which have arisen in the course of their deliberations, indicating briefly their reason for a particular recommendation.

Imperial Preference.

6. In considering this subject the Committee have had before them, in addition to the large Memorandum by the Inter-Departmental Committee (I.E.C. "B" Series I) a letter from the First Lord of the Admiralty commenting on that memorandum and making certain further suggestions (I.E.C. "B" Series XIII); detailed memoranda prepared by the Board of Trade and the Customs dealing with particular topics, viz., Currants (I.E.C. "B" Series XI), Preserved Fruit and Canned Fish (I.E.C. "B" Series X), and Tobacco (I.E.C. "B" Series XII and XIIa); and a memorandum on Stamp Duties and Income Tax (I.E.C. "B" Series XVIII) prepared by the Inter-Departmental Committee in consultation with the Board of Inland Revenue.

* For the modifications made by the Cabinet, see notes on pp. 2, 3, 8 and 10.
Ministerial Pledges.

7. At the outset, the attention of the Committee was specially drawn to the pledge given by the late Prime Minister not to make any fundamental change in the British fiscal system during the present Parliament, and to the suggested interpretation of this pledge that no new protective duty should be imposed unless a special case could be made out for exceptional treatment, and that preference should therefore continue to be incidental to the duties primarily imposed either for revenue or for protection so limited. It was suggested that the Ministerial pledge did not preclude the grant of an increased preference, or the institution of a new duty including preference on goods in the same category as goods already subject to preference; that in any case the pledge must be interpreted liberally, having regard to the very valuable rebates allowed by the Dominion Governments, and particularly by Australia, and to the slight financial benefits accruing to the Dominions from the existing preferences. It was also suggested that whatever further concessions were made should be granted to the whole Empire, and should not be the subject of separate Dominion agreements.

8. The Committee recommend—

(1.) That the line to be taken should be that in order to encourage the development of Empire settlement and the granting of Dominion preference to British goods, as well as with a view to the alleviation of unemployment at home, the British Government should endeavour to give as extensive further preferences as may be possible without violation of the Ministerial pledges.

(2.) That any concession made should be granted generally to the whole Empire, and should not be the subject of separate Dominion agreements.

(3.) That a total remission of the duty on certain Empire products is not inconsistent with the Ministerial pledges.

(4.) That the imposition of any new or increased duty on food should be conditional on an adjustment being made in respect of other duties on food, so as to secure that food taxation should not be increased in the aggregate.

9. The following paragraphs deal with the particular extensions of preference or imposition of new duties which the Committee have had under consideration. For convenience, a brief summary of the Committee’s recommendations in favour of new or increased preferences is given in Appendix II.

Dried Fruits.

10. Australia is the Dominion most concerned in this matter, and it is understood that she will probably ask that total remission of duty should be accorded in respect of dried fruits of Empire production, and, further, that the present rate of duty (10s. 6d. per cwt.) on raisins and prunes should be extended to currants. She will also probably suggest that the duty of 10s. 6d. per cwt. should be applied to certain classes of dried fruits which are at present duty free, e.g., dried peaches and apples.

11. As regards currants, a difficulty arises. To raise the duty on currants above 2s. per cwt. would require a modification in the present Anglo-Greek Convention, which, however, has already been denounced by the Greek Government and is only continued by an arrangement terminable by three months’ notice. The Foreign Office are apprehensive of the political effect of proposing such a modification in view of the great dependence of Greece on the export of currants, and there may also be some anxiety in Lancashire as to the possible loss of trade advantages enjoyed by British cotton and other goods in the Greek market. On the other hand, our trade with Greece is trifling compared with our trade with Australia, and the Committee do not feel it possible politically to return a purely negative answer to the Australian demand simply on the ground of our interest in Greek trade. At the same time, the evidence before them leads them to doubt if the grant of that demand would in practice be of much advantage to Australia or disadvantage to Greece, which has a practical monopoly of the best class of currants.

* The President of the Board of Trade informed the Cabinet that the question of improving and tuning up the organisation of the Dominions in London and overseas in connection with overseas settlement had been dealt with in a separate memorandum which had been forwarded to the Dominions and that he proposed shortly after the opening of the Imperial Economic Conference, to refer the question to a special Sub-Committee of the Conference.

† An exception to this general rule will be found in the case of tobacco, see paragraph 21 below.
12. The Committee recommend—

That in the event of the question of an increased preference on Currants being raised at the Imperial Economic Conference, the representatives of His Majesty's Government should have a free hand to deal with the Australian demand on its merits, within the limits of the proposal which has been under consideration by the Committee, namely, an increase of the duty on foreign Currants from 2s. to a rate not exceeding 10s. 6d. per cwt., with complete exemption for Empire Currants. They should, at the same time, be requested to bear in mind the importance of so timing and presenting any consequential proposals to Greece as to minimise the political and economic disadvantages apprehended by the Foreign Office.*

13. As regards other dried fruits, the Committee recommend—

(a.) That an extension of the existing tariff rate to certain classes of dried fruits which are at present duty free would not be inconsistent with Ministerial pledges, and should be conceded if pressed for by the Dominions.

(b.) That dried fruits of Empire production should be admitted free of duty to Great Britain.

Preserved Fruits and Jams.

14. Briefly, the present situation is that dried or preserved fruits imported (other than raisins, currants and figs, and all kinds of plums) are duty free in the United Kingdom, but when preserved in sugar (e.g., fruits in syrup, jam, &c.) are charged with duty on the sugar content. The proposal is to impose a duty on preserved fruits as such (in addition to the existing duty on sugar, if any, used in preserving), and to exempt Empire fruits altogether from the new duty so imposed.†

15. The Committee considered whether the new duty should be imposed on all foreign fruit, or whether it should not rather be confined to those sorts in which the Dominions are interested. The former alternative would, it was urged, have the advantage of giving an immediate preference to all Dominion fruit products, and thus would encourage Dominion growers to compete with the foreigner in fruits which at present they do not produce.

16. On the other hand, it was represented that it would be easier to defend the imposition of a duty and the grant of a preference in respect of items specially asked for by the Dominions, and that there would be no difficulty in adding items to the preference list hereafter should any Dominion wish for such an addition. Moreover, the Committee felt that fruits (such as dates) which form a cheap, staple article of food should be exempt from the duty. Fruit pulp should also be exempt, as it is a raw material for the British jam manufacturer.

17. The Committee recommend, after careful consideration—

(1.) That authority should be given to the representatives of His Majesty's Government at the Imperial Economic Conference to propose—

(a.) That a duty of 5s. per cwt., in addition to the existing duty on sugar (if any) used in preserving, should be imposed on foreign preserved apples, pears, pineapples, peaches, apricots and nectarines. Other preserved fruits could be added to the list hereafter should the Dominions so wish.

(b.) That Empire-preserved fruits should be exempt from this new duty.

(2.) That no proposal should be entertained for extending the duty to fruit pulp.

Note.—It is estimated that the duty on the fruits specified would produce about £250,000 a year.

Sugar.

18. The position is, briefly, that the existing preference on sugar is one-sixth, or about 4d. a lb., and there is a strong demand for an increase of this preference to one-third, and for its consolidation for a period of years. It is understood that both Australia and South Africa are likely to raise the question at the Conference, but the main benefit of an increase in the preference on sugar would doubtless accrue to

* The President of the Board of Trade has undertaken to consider and do his best to arrange that in the event of an increased duty on currants being agreed to at the Imperial Conference, some provision should be made to soften the effect of this measure in Greece, either by postponing the operation of the increase for a year or two (which need not deter the growers in Australia from planting fresh vines) or otherwise.

† The position with regard to these articles is fully discussed in i.e.c. (“b” series) I (pp. 15-17) and i.e.c. (“b” series) X.
Crown Colonies—Mauritius and the West Indies. The doubling of the preference would involve a loss to the Exchequer of about £2,200,000 per annum (a large proportion of which would in effect represent a free gift to the sugar-growers of Mauritius), and the adoption of such a proposal would meet with great opposition from the British refiners.

19. The Committee have had under consideration the practicability of giving an undertaking that the existing preference should be maintained for, say, ten years and also the practicability of a further undertaking that, for a period of ten years as from January 1926, the preference should be increased to 1d. per lb. It was represented to them that an undertaking to give a preference of 1d. per lb. on Empire-grown sugar for a period of ten years would undoubtedly encourage extensive development in the West Indies and elsewhere, and that the resulting demand for machinery, &c., would help unemployment at home. The Committee understand, however, that the Chancellor of the Exchequer is quite unable to assent to any increase in the existing rate of preference on sugar. The Treasury point out that the cost of the proposal would be very heavy, and that if adopted the scheme would make it more difficult than ever to reduce the present high sugar duty.

20. After weighing the matter carefully, the Committee recommend—

That the representatives of His Majesty's Government at the Imperial Economic Conference should be authorised to propose that a preference of an amount not less than the present amount, viz., approximately 1/2d. a lb., should be given for a period of ten years on all Empire sugar imported into Great Britain.

21. The existing preference on tobacco amounts to about one-sixth of the duty, and if this were increased to one-third the cost to the Exchequer would be £600,000 per annum in the first year, with a tendency to increase as cultivation within the Empire developed.

22. The results of the inquiries recorded in I.E.C. "B" Series XII, indicate that while the Imperial Tobacco Company and the other firms consulted are not actually hostile to an increase of the existing preference, they are agreed that such an increase would tend to stimulate the production of inferior tobacco, and that what is really needed is a considerable improvement in the quality and in the curing and grading of the raw material. On the other hand, it must be remembered that the Union of South Africa will certainly press for increased preference, and the Committee think it most desirable, if possible, to meet South African views in the matter.

23. The existing preference on Empire-grown tobacco is already large (i.e., probably 70 per cent. ad valorem), and it may be argued that if, with their existing advantages, the Dominions cannot compete, it is improbable that they ever will be able to compete. The loss of revenue would be very substantial if the existing preference were increased for the Empire as a whole (even if the increase were only to one-quarter instead of to one-third); and in this connection attention may be drawn to the very large tobacco production of India, a country which gives no preference to Empire goods. In view of these considerations, the Committee have thought it necessary to consider whether it would not be desirable to exclude India from any general increase of the tobacco preference.

24. The Secretary of State for India accordingly consulted confidentially with the Government of India on this point, and the result of his inquiries was to indicate that, if it were decided to limit the proposed increase of preference to Empire-grown tobacco other than tobacco grown in India, there seemed no reason to suppose that, in the circumstances, any great exception would be taken to such a proposal by Indian opinion.

25. There is no doubt great weight to be attached to the argument that, notwithstanding the result of the Secretary of State's inquiries, it is preferable, on broad grounds of policy, that His Majesty's Government should adhere to the general principle of most-favoured-nation treatment within the Empire, rather than enter upon a new system of special agreements by which preference should be given only to those parts of the Empire which are prepared to reciprocate. The Committee, however, feel it difficult in view of the result of the inquiries by the Secretary of State for India, and in view of the considerable loss of revenue which is involved, to
recommend the extension of the increased preference to tobacco grown in India. It is true that Nyasaland, the other important source of Empire tobacco, also gives no preference to British goods, but the Committee felt that the case of Nyasaland could, perhaps, be distinguished from that of India on the ground that an increased preference to Nyasaland tobacco would certainly increase the growth of Empire tobacco. They have accordingly decided to recommend—

That the existing preference on Empire-grown tobacco (other than tobacco grown in India) should be increased from one-sixth to one-quarter of the duty.

Spirits and Wines.

26. The position as regards Spirits and Wines is briefly discussed in the main Memorandum, I.E.C. ("B" Series) I. The Committee recommend—

That no alteration in the existing preference on spirits or on wines imported from the Dominions should be entertained.

New Duties on Goods at present Duty-free.

27. The above proposals have been confined, broadly speaking, to increases of existing preferences. It remains to deal with certain suggestions for the imposition of new duties on goods, at present duty free, for the purpose of granting preference on such goods when of Empire production.

Apples.

28. The imposition of a duty on raw apples seems to the Committee to be open to many objections, and would, no doubt, give rise to considerable opposition on the ground that a tax was being levied on a widely popular article of food. After full consideration, the Committee recommend—

That any proposal to impose a duty on foreign raw apples should be rejected.

Canned Fish.

29. Information on the subject of Canned Fish is contained in I.E.C. ("B" Series) X. A duty of 10s. per cwt. on foreign imported fish of the descriptions of which there is a substantial importation both from the Empire and from foreign countries (i.e., salmon, lobsters, crabs, and crayfish) might yield £250,000 per annum.

The Committee recommend—

That the representatives of His Majesty's Government at the Imperial Economic Conference be authorised to propose the imposition of a duty of 10s. per cwt. on foreign-imported canned salmon, lobsters, crabs and crayfish, should any Dominion ask for the imposition of such a duty at the Conference.

Hops.

30. The Inter-Departmental Committee suggested in I.E.C. ("B" Series) I, that a duty of £5 a cwt. might be imposed on foreign hops, with duty-free admission of hops grown within the Empire. The Minister of Agriculture and Fisheries, however, has expressed the view that there is considerable danger in permitting Empire hops to be imported entirely free of duty. He informs the Committee that there is at present a greater quantity of hops available than is required, and that hop growers in this country are being told that only three-quarters of their product can be utilised. In the circumstances, the Minister of Agriculture and Fisheries suggests that it is really undesirable to encourage the importation of hops at all.

31. The Committee recommend—

That the representatives of His Majesty's Government at the Imperial Economic Conference should be authorised to entertain a proposal to impose a duty of £5 a cwt. on all foreign grown hops after the expiry of the period of control, a preference of 50 per cent. or 33½ per cent. being accorded to Empire-grown hops.
Tinplates and Containers.

32. The Committee have had under consideration a suggestion by the First Lord of the Admiralty (I.E.C. (B Series) XIII) in favour of an import duty on tinplate, this duty being remitted in the case of containers imported from the Empire which are made of British tinplate. The object was to stimulate both the export of British tinplate to the Dominions and the export here from the Dominions of all fruits, fish, meat and other foodstuffs put up in tin containers.

33. In view of the great practical difficulties to which such a duty would give rise, the proposal was not pressed by the First Lord of the Admiralty.

34. The Committee recommend—

That in view of the practical difficulties involved, the imposition of an import duty on foreign tinplates or containers should not be entertained.

Luxury Fruits.

35. The Committee have had under consideration suggestions contained in the letter from the First Lord of the Admiralty (I.E.C. (B Series) XIII) in favour of the imposition of a duty on luxury fruits, such as pineapples, grape fruits, &c., with preference for Empire fruits.

The Committee recommend—

That, should any Oversea Government press for it, the representatives of His Majesty's Government at the Imperial Economic Conference should be authorised to give favourable consideration to the proposal to impose a duty on foreign grape fruits, or pineapples, or other specified "luxury" fruits (not including oranges) up to a maximum limit of 10s. 6d. a cwt.

Stamp Duty and Income Tax.

36. Finally, under the heading of Imperial Preference, mention must be made of the suggestions by the First Lord of the Admiralty (I.E.C. (B Series) XIII) in favour of a preferential remission of Stamp Duty on Empire investments and a preferential differentiation of Income Tax as between dividends earned by Empire and by foreign investments. The Committee are impressed by the grave practical difficulties which (as pointed out in the Memorandum I.E.C. (B Series) XVIII, prepared by the Inter-Departmental Committee with the assistance of the Board of Inland Revenue) appear to be inseparable from these proposals.

37. It was suggested to the Committee that it might be practicable to go some way towards meeting the proposals if the existing preference enjoyed in respect of stamp duty by the securities of Colonial Governments and Municipalities could be extended to railways, harbours and other public utility works with regard to which the physical locus of the undertaking could not stand in doubt. It is clear, however, that this would involve the extension of the preference to home undertakings of this character, a result which would be open to strong objections, and, among other things, might be described as a discouragement of industry.

38. As regards income tax, the Committee understand that the recent alterations in the law have in effect removed the grievance of duplication of income tax as between this country and other parts of the British Dominions.

39. After discussion, the First Lord intimated to the Committee that he did not desire to press his proposals. The Committee recommend—

That in view of the practical difficulties involved, any extension of Imperial preference in connection with stamp duty or income tax should not be entertained.

Petroleum Policy.

40. The Committee have carefully considered the question of the inclusion in the Agenda of the Imperial Economic Conference of the question of Imperial Policy respecting Petroleum. The Committee understand that the interested Departments are not wholly in agreement as to the respective merits of the "Open Door" and the restrictive policy in the matter of Oil concessions. There is, at present, no indication that any of the Oversea Governments desire to raise the question, while no Department represented on the Inter-Departmental Committee has expressed any wish that His Majesty's Government should take the initiative in the matter.
In a Memorandum by the Inter-Departmental Committee (I.E.C. (B Series) VI), that Committee recommend His Majesty’s Government to refrain from taking the initiative in regard to the inclusion of Petroleum questions in the Agenda of the Conference.

In these circumstances the Committee recommend the Cabinet—

To refrain from taking the initiative in proposing the inclusion in the Agenda for the Imperial Economic Conference of any question relating to Petroleum.

**Status of Dominion Trade Commissioners.**

41. The question of the Status of Dominion Trade Commissioners in foreign countries has been raised by the Canadian Government. At present the Commissioners have neither diplomatic nor consular status, and the Canadian Government feel that they should be given such recognition as the dignity of their Office demands. It has been suggested that the more important Dominion Commissioners should be treated in this respect in the same way as British Commercial Counsellors and Commercial Secretaries in foreign countries, e.g., that the Dominion Trade Commissioners should form part of the Embassy or Legation Staffs and thus enjoy diplomatic privileges and immunities. This solution, however, involves that His Majesty’s Ambassador or Minister will be responsible for the actions of the Dominion Trade Commissioners vis-à-vis the Foreign Government concerned, and consequently that the Dominion Trade Commissioner will look to the Ambassador or Minister for support in his relations with the Foreign Government concerned, and will be subject to his general guidance in the conduct of these relations.

The Committee recommend to the Cabinet—

(1.) That the more important Dominion Trade Commissioners should, in future, be included in the diplomatic staffs and should be given precisely the same standing as British Commercial Counsellors and Secretaries, on the understanding that each Dominion Trade Commissioner will be subject to the general supervision and guidance of His Majesty’s Ambassador or Minister in the country to which he is assigned.

(2.) That, as regards the less important Dominion Trade Commissioners, endeavours should be made to obtain for them the same recognition, exemptions and privileges as may be accorded by the Foreign Government concerned to His Majesty’s Consular Officers in that country.

(3.) That the Secretary of State for the Colonies should be authorised to notify the Canadian Government that if that Government desire to bring the question of the Status of Dominion Trade Commissioners before the Imperial Economic Conference, the question will be placed on the Agenda.

**Co-operation in Financial Assistance to Imperial Development.**

42. The Committee have carefully considered the important question of co-operation with the Dominions and the Australian State Governments in the development of the resources of the British Empire to the best possible advantage. The Committee have examined a scheme submitted by the President of the Board of Trade (see Appendix III), the underlying principle of which is that Great Britain should use her credit in order that the Empire might co-operate in development schemes. It is proposed that His Majesty’s Government should make advances of interest or guarantee interest within a maximum of £2,000,000 a year to Public Utility undertakings in the Dominions which are approved by their own Governments and approved also by the British Government. It is intended that the undertakings assisted should be of such a kind that, if put in hand rapidly, they would confer direct benefit both on the Dominions and on employment by the placing of orders in the United Kingdom. While the advances of interest would be for a period of years, the intention is that the advances should, wherever possible, ultimately be repayable out of the profits of the undertakings.

Representatives of the Banking and Trading interests have expressed themselves in favour of the policy, and the necessity for drastic measures on the lines indicated has been emphasised by the disquieting situation as regards trade prospects indicated in a Memorandum C.P. 312 (23), recently circulated to the Cabinet.

After consultation with the Prime Minister, telegrams have been despatched to the Dominions and India, explaining the general lines on which His Majesty’s Government will be prepared to consider detailed schemes of co-operation in financial
assistance to Imperial development. For text of telegram in question see Appendix IV.

The Committee recommend the Cabinet—

To approve in principle the scheme for co-operation in financial assistance to Imperial development set out in the Memorandum dated the 12th May, 1923, by the President of the Board of Trade (Appendix III).

Imperial Preference in Public Contracts.

43. The Committee are much impressed with the desirability of securing some common measure of agreement among the Departments concerned as to the adoption of a uniform policy in regard to Imperial Preference in Public Contracts. It is understood that the Treasury have taken up the question with the Departments concerned, and in these circumstances the Committee recommend to the Cabinet—

That if possible uniform rules respecting Imperial Preference in Public Contracts should be adopted, and that the Inter-Departmental Committee should proceed with the preparation of agreed rules to be applied by all Government Departments.

Import and Export of Live-Stock.

44. The Committee have examined the question whether it would be best for the British Government to initiate a discussion on the import and export of live-stock, or whether the matter should be left for the Dominions to raise at the Conference. On the one hand, the political arguments strongly favour the plan of leaving the question to be raised by the Dominion Governments; on the other hand, it would be easier for His Majesty's Government to defend definite proposals submitted by them than to criticise more far-reaching proposals put forward by Dominions Governments.

The Committee recommend to the Cabinet—

(i.) That the Minister of Agriculture and Fisheries should be authorised to draft a Bill on the lines of the original Clause 4 of the Importation of Animals Bill, 1922.

(ii.) That the Draft Bill should be submitted to the Imperial Economic Conference, and that the representatives of the British Government should undertake at the Conference to give the same terms to other Dominions as have been given to Canada, and that as regards breeding stock, such provisions as are made should be on a strictly reciprocal basis.

Consultation between the British and Dominion Agriculturalists.

45. A suggestion has been made that a meeting should be arranged between Dominion Agriculture representatives and the British Agricultural Advisory Committees previous to or during the course of the meeting of the Imperial Economic Conference, for the purpose of discussing questions of common interest to agriculturalists at home and overseas. If any useful purpose is to be served the Conference must be strictly unofficial and the Government should take no part in it.

In these circumstances the Committee have requested the Minister of Agriculture and Fisheries to move the Secretary of State for the Colonies to communicate the above suggestion to the Dominion Governments as one emanating from unofficial sources.

Imperial Co-operation for Economic Defence.

46. The Cabinet will remember that the original telegram of invitation in connection with the Imperial Economic Conference mentioned as one of the matters for consideration by the Conference the possibility of mutual co-operation among the various Governments to safeguard their economic interests in relation to foreign countries, or for promoting international arrangements for the more equitable treatment of commerce.

The Committee recommend to the Cabinet—

That the following draft Resolution with regard to flag discrimination should be approved:—

* The Cabinet decided to omit recommendations (i) and (ii), and insert the following:—

"That the Minister of Agriculture and Fisheries be authorised to draft a Bill for the admission of "pedigree cattle from the Dominions on a strictly reciprocal basis."

In order to reassure agriculturists that nothing would be done at the Imperial Conference to the detriment of British agriculture, the Prime Minister decided that the Minister of Agriculture and Fisheries should be one of the representatives of the British Government at the Imperial Conference.
FLAG DISCRIMINATION.

(Draft Resolution).

In view of the vital importance to the British Empire of safeguarding its overseas carrying trade against all forms of discrimination by foreign countries, whether open or disguised, the representatives of the Governments of the Empire declare—

(1.) That it is their established practice to make no discrimination between the flags of shipping using their ports, and that they have no intention of departing from this practice as regards countries which treat ocean-going shipping under the British flag on a footing of equality with their own national shipping.

(2.) That in the event of danger arising in future to the overseas shipping of the Empire through an attempt by a foreign country to discriminate against the British flag, the Governments of the Empire will consult together as to the best means of meeting the situation.

Imperial Economic Committee.

47. Various proposals, emanating from different quarters, have been made for the establishment of some continuing body, the function of which would be to complete or carry on the work of the Imperial Economic Conference, and thus furnish a connecting link between that Conference and the next similar Conference. In this connection it has been suggested that it might be preferable to entrust Agricultural questions to a separate body, which might be a Sub-Committee of the proposed continuing Economic Committee. This Sub-Committee might, or might not, in the course of time develop into an independent body, dealing purely with Agricultural questions.

The Committee recommend to the Cabinet—

(1.) That the question of an Imperial Economic Committee should be discussed at the Imperial Economic Conference; that the Dominions should be encouraged to initiate the discussion, but, that if they are not prepared to do so, it should be initiated on the part of His Majesty's Government.

(2.) That the arrangement which seems most likely to prove satisfactory is for a general Economic Committee to be constituted, with powers to appoint Sub-Committees.

(3.) That the Terms of Reference to the Committee should be “to consider any matters of an economic and commercial character, not being matters within the scope of the Imperial Shipping Committee, or of any officially constituted Inter-Imperial Organisation, which may be referred to them by or through any of the Constituent Governments for the purpose of facilitating Inter-Imperial trade.”

(4.) That if any of the Dominions should suggest the addition to the Terms of Reference of such words as “while fully respecting the autonomy of the various Governments of the Empire in matters of commercial and fiscal policy,” the amendment should be accepted.

(5.) That the Inter-Departmental Committee should be instructed to work out in greater detail a scheme for the representation of the various Governments or interests on the Committee in accordance with the principles indicated.

Workmen's Compensation.

48. The Committee have considered the desirability of a common Empire policy as regards certain aspects of Workmen's Compensation, and also the question whether this subject should be placed on the Agenda for the Economic Conference. The Committee have authorised—

The Secretary of State for the Colonies and the Secretary of State for India to send a communication to the Dominions and India suggesting the addition to the Agenda for the Conference of an item respecting the desirability of a common Empire policy as regards certain aspects of Workmen's Compensation, and describing briefly the nature of the proposals in contemplation.
Co-operation for Technical Research.

49. The Committee did not feel in a position to deal with this Item in the Agenda of the Imperial Conference pending the receipt of the Report of the Committee which is now considering the reorganisation in the future of the Imperial Institute. The Committee understood that the Report in question is now practically settled, but that it would not be available for Ministers for at least another fortnight. The Committee have accordingly requested the Parliamentary Under-Secretary to the Colonial Office and the Parliamentary Secretary, Department of Overseas Trade, to act as a small Sub-Committee to consider the above Report as soon as received, and to recommend whether it should be transmitted to the Overseas Governments as a scheme which His Majesty's Government would be prepared to support.

Report by Imperial Shipping Committee on Economic Size and Speed of Ships.

50. The Committee have considered the Report (I.E.C. (23) 11) of the Imperial Shipping Committee on the Economic Size and Speed of vessels trading between the United Kingdom and Australia, and on the subsidies necessary to maintain speeds in excess of the economic speed.

The Committee understand that the subject-matter of this Report has recently been considered by the Cabinet (Cabinet 39 (23), Conclusion 2) in connection with proposals for the development of a commercial Airship Service, and that the Cabinet had adopted the Report (C.I.D. 436-B) of the Sub-Committee of the Committee of Imperial Defence, subject to the financial and other arrangements being settled to the satisfaction of the Treasury and the other Departments concerned. The Cabinet has also directed that when the announcement of this decision is made it should be stated that the decision had been taken after full consideration, not only of the Report of the Committee of Imperial Defence, but also of the Report of the Imperial Shipping Committee, and that the Government have been greatly influenced by the importance, in the interests of Imperial trade and communications, of giving effect as far as possible to the recommendations of the latter Committee.

The Committee have taken note of the Cabinet decision summarised above.

Defence Aspect of Food Supplies.

51. The Committee have considered a Memorandum (I.E.C. (B Series) XXI) on the Defence Aspect of Food Supplies, prepared by the Inter-Departmental Committee. The Inter-Departmental Committee state that, after careful consideration, they have come to the conclusion that it is quite impossible for them to prepare any useful statement on the subject for the purpose of the Economic Conference without a knowledge of Military and Naval data, which is not at their disposal. They therefore submit that the question is one with which the Committee of Imperial Defence are alone competent to deal.

The Committee recommend to the Cabinet—

That the question of the Defence Aspect of Food Supplies is not one for consideration by the Economic Conference, but that the question should be discussed, if at all, at the Imperial Conference or, in the alternative, by the Committee of Imperial Defence, reinforced on this occasion by representative members of the Imperial Conference.*

The Hague Rules.

52. The Committee have had under consideration a Memorandum by the Inter-Departmental Committee (I.E.C. (B Series) XXII) relative to the question whether legislation embodying the revised Hague Rules respecting the carriage of goods by sea should be discussed at the Imperial Economic Conference. The Inter-Departmental Committee recommended that this question should remain on the Agenda for the Imperial Economic Conference, and that, if so, the Memorandum Annex "A" to I.E.C. (B Series) XXII should be transmitted to the Dominions and India, together with copies of the Carriage of Goods by Sea Bill and of the Report thereon by the Joint Select Committee.

The Committee recommend to the Cabinet—

(i) That the recommendation of the Inter-Departmental Committee that the question of legislation embodying the revised Hague Rules respecting the

* The Lord President of the Council, as Chairman of the Committee of Imperial Defence, reported that the Committee of Imperial Defence was about to consider the defence aspect of food supplies. In these circumstances it was agreed that the defence aspect of food supplies should not be considered by the Imperial Economic Conference.
carriage of goods by sea should remain on the Agenda for the Imperial Economic Conference should be adopted; and

(ii.) That the Secretary of State for the Colonies and the Secretary of State for India respectively should be authorised to transmit to the Dominions and India the Memorandum Annex "A" to I.E.C. (B Series) XXII, together with copies of the Carriage of Goods by Sea Bill, and of the Report thereon by the Joint Select Committee, as proposed by the Inter-Departmental Committee.

Extra-Territorial Powers.

53. The Committee have taken note of the following expression of opinion by the Inter-Departmental Committee on the subject of Extra-Territorial Powers on Merchant Shipping Law and Administration:

"If the ideal solution of the problem—an Imperial Code—is impracticable, it seems desirable to maintain the present position as laid down in the Merchant Shipping Act, 1894, and in the resolutions of the Conference of 1907. Recognition of extra-territorial jurisdiction on the part of Self-governing Dominions, beyond what is already implied in Imperial Acts, as indicated above, would raise difficult questions of conflict of jurisdiction, and is very undesirable unless and until it is clear that such conflicts will not arise, i.e., by uniformity of legislation where a vessel comes under two jurisdictions;"

and recommend to the Cabinet—

That, if the question were raised by any of the Dominions at the Conference, and if in the last resort it should be found impossible to obtain an agreed solution of the shipping difficulty at the Economic Conference, the British Representatives should be authorised to suggest that this question should be referred to the Imperial Shipping Committee.

Meat Supplies.

54. The Committee have examined a Memorandum (I.E.C. (C Series) IX) by the Inter-Departmental Committee on the recommendations of the Inter-Departmental Committee on Meat Supplies (Cd. Paper 456).

The Committee recommend to the Cabinet—

That proposals for the establishment of a system of control and supervision of the meat trade such as those contemplated in the Report of the Inter-Departmental Committee on Meat Supplies should not be entertained.

Education.

55. The Committee have had before them a Memorandum (I.E.C. (B Series) IX, Annex B, page 4, paragraph 8) respecting the proposals of Sir A. Balfour with regard to the teaching of British Empire History.

The Committee recommend to the Cabinet—

That all practicable steps should be taken to encourage the teaching of British Empire History in the schools throughout the Empire.

Imperial Penny Postage.

56. The Committee have had before them a Memorandum by the Inter-Departmental Committee (I.E.C. (C Series) VI), relative to the suggested reintroduction of Imperial Penny Postage.

The Committee recommend to the Cabinet—

(1.) That, while the question of the reintroduction of Imperial Penny Postage should not be placed on the Agenda of the Imperial Economic Conference, some reference should be made to the question in the general statement to be made at the opening of the Conference.

(2.) That, subject to the views of the Postmaster-General, the above reference should take the form of stating that, as soon as it is found possible to reintroduce Penny Postage in Great Britain, the concession will be extended to the Empire as a whole.

The Committee have also requested—

The Board of Trade to prepare a memorandum setting out the objections to the institution of uniform rates of parcel postage throughout the Empire.
Deferred Rates on Telegraphic Communications.

57. With regard to the question of the rates for deferred telegraph messages, the Postmaster-General has informed the Committee that the Eastern and Associated Companies propose, at an early date, to introduce a service of "Cable Letters" at one-fourth of the ordinary rates, with a minimum of twenty words per message, which will, in effect, put the whole of the Empire (except the West Indies) on the same footing as Canada in this respect. The question of applying a similar arrangement to the West Indies will be considered in connection with the new Telegraphic Communications Scheme referred to in I.E.C. (23) 7, Section IV.

The Committee recommend the Cabinet to take note of the above communication.

Trade Catalogues.

58. With reference to the question of the Customs treatment of Trade Catalogues, the Committee agreed—

That the question of the Customs treatment of Trade Catalogues should be brought before the Economic Conference under the heading of Commercial Intelligence rather than of Customs Tariffs, and that an effort should be made to induce the Dominions to follow the example of India by according free admission to Trade Catalogues arriving through the post from other parts of the Empire.

Preparation of Detailed Draft Agenda.

59. The Committee recommend to the Cabinet—

That the President of the Board of Trade should be authorised to prepare a detailed draft Agenda for the Economic Conference.

Arrangements for the Conference.

60. With regard to the arrangements for the Economic Conference, the Committee recommend to the Cabinet—

(1.) That the proceedings of the Economic Conference should open with a general statement of the Imperial economic situation on lines similar to the statement on Imperial policy to be made at the opening of the Imperial Conference.

(2.) That all documents required by Ministers for the purpose of the Economic Conference should be printed, even if, as seems improbable, such printing necessitates a Supplementary Estimate.

(3.) That the President of the Board of Trade should be authorised to arrange for the Parliamentary Secretary to the Ministry of Commerce of Northern Ireland to be present at the Imperial Economic Conference as an adviser to the President of the Board of Trade, but not to take part in the deliberations of the Conference.

Empire Currency.

61. The Committee have taken note of Memoranda (I.E.C. (C Series) 1 and 1A) which have been prepared by the Treasury in connection with the proposals submitted by Mr. J. F. Darling for unifying the currencies of the British Empire.

Documents transmitted to the Dominions.

62. The Committee report that, after consideration, they have authorised the despatch to the Dominions and India of the following documents:—

<table>
<thead>
<tr>
<th>Subject</th>
<th>Number</th>
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<tbody>
<tr>
<td>Oversea Settlement within the Empire</td>
<td>I.E.C. 1</td>
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<td>Reciprocal Enforcement of Judgments, including Arbitration Awards</td>
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<td>Immunity of State Enterprises</td>
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<td>British Empire Statistics</td>
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<td>Imperial Co-operation in respect of Commercial Intelligence</td>
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<tr>
<td>Importation of Live Stock</td>
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Financial Considerations.

6. The assent of the Financial Secretary to the Treasury to the recommendations contained in this Report is subject to financial considerations with regard to which the Financial Secretary proposes to circulate a separate memorandum to the Cabinet.

(Signed) DEVONSHIRE, Chairman,
On behalf of the Committee.

2, Whitehall Gardens, S.W. 1,
July 30, 1923.

APPENDIX I.

LIST OF DOCUMENTS PREPARED IN CONNECTION WITH IMPERIAL ECONOMIC CONFERENCE (1923).

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Not Circulated to Oversea Governments.

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<td>Dominion Bounties on Agricultural Produce</td>
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<td>IV</td>
<td>Special Disabilities affecting British Firms in Trade with other parts of the Empire</td>
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<td>V</td>
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APPENDIX II.

IMPERIAL ECONOMIC CONFERENCE.

Summary of the Committee's Recommendations in favour of New or Increased Preferences.

I.—General Recommendations.

1. That the general line to be taken should be that in order to encourage the development of Empire settlement and the granting of Dominion preference to British goods, as well as with a view to the alleviation of unemployment at home, the British Government should endeavour to give as extensive further preferences as may be possible without violation of the Ministerial pledges.

2. That any concession made should be granted generally to the whole Empire, and should not be the subject of separate Dominion agreements.*

3. That a total remission of the duty on certain Empire products is not inconsistent with the Ministerial pledges.

4. That the imposition of any new or increased duty on food should be conditional on an adjustment being made in respect of other duties on food, so as to secure that food taxation should not be increased in the aggregate.

II.—Increases of Existing Preferences.

1. Dried Fruits.

(i.) Currants.—That in the event of the question of an increased preference on currants being raised at the Imperial Economic Conference, the representatives of His Majesty's Government should have a free hand to deal with the Australian demand on its merits, within the limits of the proposal which has been under consideration by the Committee, namely, an increase of the duty on foreign currants from 2s. to a rate not exceeding 10s. 6d. per cwt. with complete exemption for Empire currants. They should, at the same time, be requested to bear in mind the importance of so timing and presenting any consequential proposals to Greece as to minimise the political and economic disadvantages apprehended by the Foreign Office.

(ii.) Other Dried Fruits.—(a.) That an extension of the existing tariff rate to certain classes of dried fruits which are at present duty free would not be inconsistent with Ministerial pledges, and should be conceded if pressed for by the Dominions.

(b.) That dried fruits of Empire production should be admitted free of duty to Great Britain.

[See Report, paragraphs 10-13.]

2. Preserved Fruits and Jams.

(i.) That authority should be given to the representatives of His Majesty's Government at the Imperial Economic Conference to propose:

(a.) That a duty of 5s. per cwt., in addition to the existing duty on sugar (if any), used in preserving should be imposed on foreign-preserved apples, pears, pineapples, peaches, apricots and nectarines. Other preserved fruits could be added to the list hereafter should the Dominions so wish.

(b.) That Empire preserved fruits should be exempt from this new duty.

(ii.) That no proposal should be entertained for extending the duty to fruit pulp.

[See Report, paragraphs 14-17.]

3. Sugar.

That the representatives of His Majesty's Government at the Imperial Economic Conference should be authorised to propose that a preference of an amount not less than the present amount, viz., approximately 3d. a lb., should be given for a period of ten years on all Empire sugar imported into Great Britain.

[See Report, paragraphs 18-20.]

* An exception to this general rule will be found in the case of tobacco, see below.
4. Tobacco.
That the existing preference on Empire-grown tobacco (other than tobacco grown in India) should be increased from one-sixth to one-quarter of the duty.
[See Report, paragraphs 21-25.]

III.—New Duties on Goods at present Duty Free.

1. Canned Fish.
That the representatives of His Majesty's Government at the Imperial Economic Conference be authorised to propose the imposition of a duty of 10s. per cwt. on foreign-imported canned salmon, lobsters, crabs and crayfish, should any Dominion ask for the imposition of such a duty at the Conference.
[See Report, paragraph 29.]

2. Hops.
That the representatives of His Majesty's Government at the Imperial Economic Conference should be authorised to entertain a proposal to impose a duty of £5 a cwt. on all foreign-grown hops after the expiry of the period of control, a preference of 50 per cent. or 33 1/3 per cent. being accorded to Empire-grown hops.
[See Report, paragraphs 30 and 31.]

3. Luxury Fruits.
That, should any oversea Government press for it, the representatives of His Majesty's Government at the Imperial Economic Conference should be authorised to give favourable consideration to the proposal to impose a duty on foreign grapes, or pineapples, or other specified "luxury" fruits (not including oranges) up to a maximum limit of 10s. 6d. a cwt.
[See Report, paragraph 35.]

APPENDIX III.

IMPERIAL ECONOMIC CONFERENCE.
Co-operation in Financial Assistance to Imperial Development.
Memorandum by the Board of Trade.

1. The encouragement of Imperial development by various means is the main purpose of the Economic Conference. In the original telegram of invitation it was stated that the general reference to the Conference would be "to study the possibilities of co-operation in the development of the resources of the British Empire, and the strengthening of economic relations between its constituent parts."

2. On the question of policy involved, the President of the Board of Trade, on behalf of His Majesty's Government, stated, in the House of Commons on the 10th April, that His Majesty's Government would take up at the Imperial Conference the whole question of co-operation with the Dominions and with the State Governments of the Dominions as to the development of their resources. He observed that all those who entered into that Conference would go into it, so far as the circumstances of the individual State permitted, with the common object, whether by preference or by financial co-operation, to develop their mutual resources to the best advantage. We should consider how best we could use our credit in order that we and the Dominions may co-operate in schemes to our common advantage.

Speaking of the Crown Colonies, the President referred to the desirability of using British credit to enable Colonial development of a revenue-producing character to be anticipated so that orders may be placed in this country during the present period of unemployment. He added that the Government would ask the authority of the House to make the necessary advances so soon as the schemes were ready for which these advances are needed.

3. The subject of Imperial development is, of course, to some extent covered by the memoranda on Oversea Settlement and Imperial Preference. It is, however,
essential to explore the further question, how far any scheme of direct financial co-operation is practicable for the encouragement of forms of development which are of special value from an Imperial point of view. The schemes in question are those which serve not only to promote local development or the settlement of population in one particular part of the Empire, but also to give direct encouragement to the trade of another part of the Empire, so that two or more different Governments are directly interested in their practical realisation and may reasonably co-operate for the purpose. The present memorandum is an attempt to give some answer to this question on the basis of the policy announced on behalf of His Majesty's Government by the President of the Board of Trade.

4. It is presumed that the word "co-operation" was used advisedly in the telegram of invitation with a view to limiting the purview of the Conference to schemes involving direct co-operation between two or more Governments. To include forms of assistance which do not involve such co-operation would unnecessarily widen the scope of the discussion, and there seems no ground for bringing before the Imperial Economic Conference matters such as the Export Credits Scheme or the Trade Facilities Act, which only involve action by, and in the interest of, the United Kingdom, although such action sometimes takes the form of assistance to projects in the Oversea parts of the Empire.

5. We may also, for practical purposes, rule out schemes which are of a nature only to benefit a particular locality, and which only interest other parts of the Empire from the point of view of the general Imperial sentiment. It seems very unlikely that any Government of the Empire will put up money in the form of grants or guarantees for purposes which offer no prospect of direct benefit to the development trade or population of that part of the Empire. We may, therefore, postulate mutuality of direct advantage as the second essential condition.

6. Following from the last stated condition, we may further limit the problem by excluding co-operation in financial assistance to oversea industries of a kind which would compete injuriously with home industries. It would be difficult to defend to the taxpayer the use of his money or credit to foster direct competition with his own trade. It may in practice be found that insistence on this condition will, in effect, limit the scope of development schemes to be assisted to what are generally known as Public Utility Undertakings, including communications, power lighting, water irrigation, drainage, land settlement and kindred purposes. Assistance to some of these classes of undertakings might possibly be represented as a subsidy to oversea agriculture and competition with the British farmer, but it is thought that in these cases the subsidy is too indirect to justify the exclusion of such schemes from consideration on their merits.

7. The next question which arises is whether the schemes to be assisted must be publicly managed, or whether privately managed undertakings may be included. It appears highly desirable not to exclude private enterprises provided that they fall within the category of Public Utility Undertakings. (It is understood that the Colonial Office have some doubt whether schemes in the Crown Colonies should not be limited to publicly managed concerns, and should they press for this limitation it will be for Ministers to decide the question of policy raised.)

8. Though in the above observations the general expression "co-operation" between two or more Governments has been used, it will in practice be found that one party to the co-operation will almost invariably be the United Kingdom, whose credit will be used to promote the development of the resources of some oversea dominion or colony. We have, therefore, to contemplate not a general multi-lateral scheme of mutual guarantee to be subscribed by all the Governments of the Empire—a proposition which would probably not be looked upon with favour—but rather a series of bi-lateral agreements between the United Kingdom and particular Dominions and Colonies with a view to co-operation in particular schemes of development.

9. According to the conditions laid down above, each of these bi-lateral schemes must be of a mutual character both in respect of contributions and of benefit. Broadly speaking, the contribution of the United Kingdom will be the use of its funds and credit, and the immediate advantage to be repaid by the United Kingdom will be the additional employment afforded to our population from the orders placed in the United Kingdom in connection with the scheme, together with the openings afforded for overseas settlement. It, therefore, seems essential to stipulate that a certain proportion of the capital raised with Imperial assistance should be expended in the United Kingdom on products of British manufacture, or (alternatively) that
that portion of the capital which is not expended locally should be wholly or mainly expended in the United Kingdom. The precise conditions as regards the placing of orders would probably be embodied in each of the special agreements and would doubtless be varied so as to adapt them to different conditions. It is only necessary here to lay down the general principle.

10. The condition that any financial assistance should be mutual involves two consequences:

(1.) No private scheme for oversea development can receive the assistance of the Imperial Government unless it is endorsed by the Government of the Dominion or (if private schemes are admitted in the case of Colonies) by the Colony concerned.

(2.) In each case the Dominion or Colonial Government must take responsibility for some share of the assistance.

11. The proportions in which the United Kingdom and the local Government shall share the burden will, of course, be laid down specifically in each scheme and there is no need for any hard or fast rule of proportion. But, as a safeguard to the British Treasury, it may be wise to lay down the principle that the Dominion Government shall co-operate effectively. Whether such a rule should also apply to Colonial schemes is a matter of policy for decision by Ministers.

12. It seems necessary to contemplate some form of machinery for the examination of development schemes in each part of the Empire which takes part in the proposed co-operation. Schemes, whether privately or publicly managed, for development in a Dominion would naturally, in the first place, come before the Dominion authorities, which would transmit them, if approved, to the competent authority in the United Kingdom, with a statement of the extent to which they would receive Dominion support, subject to a contribution by the United Kingdom. The competent authority in the United Kingdom would examine the scheme, consulting, so far as necessary, the Dominion representatives and interests concerned, and would advise His Majesty's Government as to the support, if any, to be given. Whether any modification of this procedure would be necessary in the case of Colonial schemes is a matter for consideration. But all these details of procedure can be settled without difficulty if once the general principles of the proposal are determined.

13. There remains the highly important question of the form which financial assistance should take. There are three main methods for consideration:

(i.) Direct advance of capital on easy terms.

(ii.) Guarantee of the interest on capital privately raised for a limited period of years.

(iii.) The payment or advance of the whole or part of the interest on capital privately raised for a limited period of years.

Without excluding any of these three methods it is thought that method (i) (direct advance) should be very sparingly adopted, and probably only in cases in which the amount involved is small. The Colonial Office have called attention to cases of this kind, especially in small Colonies where the amounts required are so limited that the method of a public issue with Government guarantees seems unnecessarily elaborate. This method is solely intended to meet exceptional cases of this kind. Method (ii) (guarantees of interest) may prove a very useful method of assistance in many cases, but it will by no means always meet the case of undertakings which, though of an ultimately revenue-producing kind, may remain unremunerative for a considerable time during the period of construction. Moreover, there is a danger of depressing Dominion credit by the adoption of a method which may suggest to investors that an Imperial guarantee is necessary. Method (iii) (payment or advance of interest) is designed specially to meet this class of cases, and it will probably be the most usual method of assistance employed.

14. It is suggested that, as a general rule, payments of interest made under method (iii) should take the form of advances rather than free grants. By this, it is not suggested that the prospects of reimbursement should be the main criterion in determining whether or not to support a scheme, but only that in the event of an undertaking so assisted ultimately proving remunerative, there should be a valid claim for repayment of the advance made. The precise conditions of such repayment would naturally be settled in the schemes themselves, but it is essential that
the authority which deals with these proposals and settles the terms of the schemes should not impose conditions as to repayment which are sufficiently drastic to make the scheme inoperative for the main purposes for which it is intended.

This observation seems necessary because experience shows that a Committee of expert business men set up to advise His Majesty's Government on a matter involving the expenditure of public money has a natural tendency, unless expressly instructed to the contrary, to apply ordinary business standards to the schemes submitted to them. In the present case it is presumed that His Majesty's Government would not wish to regard the advances made for the assistance of oversea development as a strictly commercial investment, but will rather look to the advantages to be obtained by the reduction of unemployment, the encouragement of trade and the oversea settlement of population.

15. Lastly, there is the important question of the limit of financial commitments under any schemes of this kind, and also of the limit of the period during which guarantees or advances should be given. These are matters for Ministers, but the limits of £2,000,000 in any one year and a period of 15 years are tentatively suggested for consideration.

An outline scheme, embodying the above points is annexed so as to facilitate discussion.

ANNEX.

Tentative Draft Scheme.

1. The Undertakings which may benefit from the scheme are Undertakings within the British Empire, but outside the United Kingdom for purposes of Public Utility (viz., communications, power, lighting, water, drainage, irrigation, land settlement, and other kindred purposes). These Undertakings may be either under public or private control or management.

2. The assistance to be given will (generally speaking) take the form of annual advances to the Undertaking of the whole or part of the interest on capital required for new construction or development, payable for a period of not more than [ten] years. Any advance so made shall be a debt from the Undertaking, and shall be repayable out of profits or net revenue in accordance with terms to be settled in each case by the agreement under which the advance is made.

Alternatively, the assistance may take the form of a guarantee of interest for a period of not more than [ten] years, or (in the exceptional cases referred to in paragraph 8) of a direct advance of capital.

3. The proportions in which any two co-operating Governments shall share the cost of assistance in any particular case shall (subject to paragraph 6) be decided by agreement between them, having regard to the circumstances.

4. Each Dominion or Colonial Government participating in the scheme shall make arrangements to receive and examine propositions with regard to existing or proposed Undertakings within its territories, and transmit them if approved to the United Kingdom Government, with an accompanying report stating how far the Dominion or Colonial Government is prepared to share in any financial assistance that may be accorded.

5. The appropriate United Kingdom Authority shall consider the application so transmitted, and may enter into direct communication so far as necessary with representatives of the Dominion or Colonial Government or of the Undertaking, and if it decides to proceed with the proposal, shall frame a draft agreement for approval by the two Governments.

6. His Majesty's Government will be prepared to consider propositions submitted in accordance with the above scheme provided that the total expenditure falling on the United Kingdom in any one year shall not exceed £2,000,000.

7. It will be a condition of any assistance from His Majesty's Government that a stipulated proportion of the capital raised with their assistance or of that part of this capital which is not expended locally shall be expended on machinery, plant, materials, &c, manufactured or produced in the United Kingdom.

8. His Majesty's Government shall have the option in any particular case of a Colonial undertaking in which the sum involved is comparatively small to substitute for the assistance contemplated under the above provisions a direct loan
of capital on which the whole or part of the interest during the period of assistance shall be deferred.

9. The scheme shall remain in force for a period of fifteen years.

10. References in this memorandum to "Dominions" apply equally to India.

Board of Trade, May 12, 1923.

APPENDIX IV.

CO-OPERATION IN FINANCIAL ASSISTANCE TO IMPERIAL DEVELOPMENT.

Telegram to the Dominions and India.

Please see passage in my telegram of 17th May, referring to questions of co-operation for the fuller utilisation of natural resources. Following is general indication of lines on which His Majesty's Government, subject to results of discussion at Economic Conference, will be prepared to consider schemes of financial co-operation which may be proposed with view to assisting early development of Public Utility Undertakings in Dominions, which without such assistance would be delayed or not proceeded with. Undertakings assisted should be of nature which, if put in hand rapidly, would confer direct benefit both on Dominions and on employment by placing of orders in United Kingdom. Conditions and limits of financial assistance and shares of co-operating Governments in such assistance would be settled in each case by special agreement. Without excluding from consideration any form of assistance, His Majesty's Government consider guarantee of interest or advance of part of interest for limited period is likely to prove the most generally useful method. Specific Proposals under an agreed general scheme would naturally be examined carefully by competent authorities both in Dominions and United Kingdom before approval.

* In cases of India substitute "India" for "Dominions."