CABINET.

COMMITTEE ON THE PROPOSED EMPIRE ECONOMIC CONFERENCE AT OTTAWA.

SECOND REPORT.

The proposed Dominion Wheat Quota and Ministerial Composition of the United Kingdom Delegation to the Ottawa Conference.

1. At their meeting on April 15th, 1931 (Cabinet 23(31) Conclusion 1) the Cabinet had under consideration the question of the Home Wheat Quota and agreed that after the return of the Chancellor of the Exchequer a further meeting of the Cabinet should take place on agricultural policy, and that in the meantime the Ottawa Committee should meet and present a report on the proposed Dominion Wheat Quota, without prejudice to the question of the Home Wheat Quota.

2. In accordance with this Conclusion and with the Cabinet's request at their meeting on 11th March that the Committee should report progress at each stage of its work, the Conclusions of a meeting of the Committee held on April 22nd, 1931, are circulated herewith.

3. The attention of the Cabinet is drawn to Conclusion 1 relating to the proposed Dominion Wheat Quota,
and in particular to the following points set out on pages 2 and 3 of the Conclusions in question:—

(a) The question of price. It was suggested that, in so far as the Quota tended to limit the freedom of the millers to buy their wheat from any source, the effect would be to raise somewhat the price which they would have to pay for Dominion wheat. On the other hand, it was argued that, since under the Quota the United Kingdom would only absorb about a quarter of the exportable wheat surplus of the Dominions, the pressure of competition in other markets, would keep the price the millers had to pay for Dominion wheat at the world price; the Dominions had expected that they would gain no price advantage but they attached importance, possibly an undue importance, to having an assured market at world prices for a certain quantity of their wheat. The suggestion was made that, in that case, more harm than good might be caused in the long run, when the Dominions came to realise that the scheme had not been as beneficial to them as they had expected.

(b) Commercial treaties with foreign countries. It was pointed out that an advantage of the scheme was that it did not in any way affect our commercial treaties with foreign countries.

(c) The machinery for administering the Quota. It was pointed out that the expense of this would fall on the United Kingdom.

(d) The effect of adopting a Dominion Quota upon the proposal for a United Kingdom Quota.

(e) The question of bargaining with the Dominions. It was the general view of the Committee that it was undesirable that the Quota scheme or any other proposals for the benefit of the Dominions that might be advanced by the United Kingdom should be used as bargaining counters. Such proposals should be put forward as the United Kingdom's contributions to the principle of inter-Imperial Economic Co-operation in the expectation that the Dominions would make their contributions to the common pool.

4. The Committee, by a majority, recommend the Cabinet:—

(1) That the United Kingdom delegates to the Ottawa Conference be empowered to put forward the proposal of a Quota for Dominion wheat milled in the United Kingdom as part of any general scheme for inter-Imperial Economic Co-operation which may emerge from the Conference.
That pending a decision on (1) above, consultation with the millers on the method of operating the scheme should be deferred.

At their meeting on March 18th, 1931, (Cabinet 18(31) Conclusion 9) the Cabinet invited the Committee to consider further and advise, in the light of the Cabinet discussion, on the ministerial composition of the United Kingdom delegation to the Ottawa Conference. An oral recommendation will be made to the Cabinet in regard to this matter.

Signed on behalf of the Committee

J. H. THOMAS.

Acting Chairman.

2, Whitehall Gardens, S.W.1.

2nd May, 1931.
CONCLUSIONS of the Fifth Meeting of the Committee held in the Room of the Secretary of State for Dominion Affairs, House of Commons, S.W. I, on Wednesday, April 22nd, 1951, at 4.45 p.m.

PRESENT:

The Rt. Hon. J.H. Thomas, M.P., Secretary of State for Dominion Affairs. (In the Chair)

The Rt. Hon. C. Addison, M.P., Minister of Agriculture and Fisheries.

The Rt. Hon. W. Graham, M.P., President of the Board of Trade.

The Rt. Hon. H.B. Lees-Smith, M.P., President of the Board of Education.


THE FOLLOWING WERE ALSO PRESENT:

Mr. F.W. Pethick-Lawrence, M.P., Financial Secretary to the Treasury.

Sir C.J. Howell Thomas, K.C.B., C.M.G., Permanent Secretary, Ministry of Agriculture and Fisheries.

Mr. E.R. Forber, C.B., C.B.E., Chairman, Board of Customs and Excise.

Mr. George Isaacs, M.P., Parliamentary Private Secretary to the Secretary of State for Dominion Affairs.

Mr. W.B. Brown, C.B.E., Private Secretary to the President of the Board of Trade.

Mr. R.B. Howorth, C.B., Mr. A.E. Overton, M.C., Mr. N.E. Archer, Joint Secretaries.

Mr. E.H. Marsh, C.B., C.M.G., C.V.O., Private Secretary to the Secretary of State for Dominion Affairs.
1. With reference to the Conclusion at their 3rd Meeting, when the Committee agreed to defer consideration of the proposals respecting a Dominion Quota until the Agricultural Development Committee had reported on the Home aspects of the matter, the Committee, in pursuance of Cabinet 23 (31) Conclusion I (c), that they should examine the proposed Dominion Wheat Quota, without prejudice to the question of the Home Wheat Quota, resumed their consideration of a Dominion Wheat Quota. In this connection the Committee had before them the following documents relating to this subject:


- Memorandum by the Minister of Agriculture and Fisheries (O.C.(30) 7) covering draft heads of Home and Dominion Wheat Quota Bill, and explanatory memorandum thereon (O.C.(30) 9) and (O.C.(30) 8).

- Memorandum by the Minister of Agriculture and Fisheries on Dominion Quota and Dominion Wheat Prices. (O.C.(30) 17).

The Secretary of State for Dominion Affairs, opening the discussion, recalled the circumstances in which the suggestion of a quota for Dominion wheat had been discussed at the Imperial Conference. He said that this suggestion had been put forward for discussion by the United Kingdom delegates as an alternative to the Dominion proposal of tariffs. The Dominion delegates had at first been inclined to brush the suggestion on one side, but on examination of the scheme they had become more and more attracted by it. In the end the position of the United Kingdom delegates, who were not in a position to accept the scheme without further examination, had become difficult. The Conference had finally agreed that the United Kingdom Government
should examine the matter further with a view to the further discussion of the scheme at the proposed Ottawa Conference.

Mr. Thomas thought that the Wheat Quota was the one constructive scheme of importance which the United Kingdom could put forward at Ottawa. He was of opinion that, unless the United Kingdom delegates to Ottawa were able to put forward the scheme as accepted in principle by the United Kingdom Government, the proposed Conference at Ottawa would do more harm than good.

A general discussion followed in the course of which it was agreed that the attention of the Cabinet should be drawn to the following points:

(a) The question of price. It was suggested that, in so far as the Quota tended to limit the freedom of the millers to buy their wheat from any source, the effect would be to raise somewhat the price which they would have to pay for Dominion wheat. On the other hand it was argued that, since under the Quota the United Kingdom would only absorb about a quarter of the exportable wheat surplus of the Dominions, the pressure of competition in other markets would keep the price the millers had to pay for Dominion wheat at the world price; the Dominions had expected that they would gain no price advantage but they attached importance, possibly an undue importance, to having an assured market at world prices for a certain quantity of their wheat. The suggestion was made that, in that case, more harm than good might be caused in the long run, when the Dominions came to realise that the scheme had not been as beneficial to them as they had expected.

(b) Commercial treaties with foreign countries. It was pointed out that an advantage of the scheme was that it did not in any way affect our commercial treaties with foreign countries.

(c) The machinery for administering the Quota. It was pointed out that the
expense of this would fall on the United Kingdom.

(a) The effect of adopting a Dominion quota upon the proposal for a United Kingdom quota.

(e) The question of bargaining with the Dominions. It was the general view of the Committee that it was undesirable that the Quota scheme or any other proposals for the benefit of the Dominions that might be advanced by the United Kingdom should be used as bargaining counters. Such proposals should be put forward as the United Kingdom's contributions to the principle of Inter-Imperial Economic Co-operation in the expectation that the Dominions would make their contributions to the common pool.

The Committee, by a majority, agreed to recommend the Cabinet:

(1) That the United Kingdom delegates to the Ottawa Conference be empowered to put forward the proposal of a quota for Dominion wheat milled in the United Kingdom as part of any general scheme for Inter-Imperial Economic Co-operation which may emerge from the Conference.

(2) That pending a decision of the Cabinet on (1) above, consultation with the millers on the method of operating the scheme should be deferred.
With reference to O.C.(30) 1st Conclusions, Minute 3, the Committee had before them a Note by Sir Sydney Chapman (O.C.(30) 13) stating that the examination into the Newfoundland Tariff had now been completed, and a list prepared of headings of the Newfoundland Customs Tariff in regard to which, so far as can be judged, the grant of a preference would be most likely to help United Kingdom exports, and that it was proposed, in accordance with the authority given at the Committee's first meeting, shortly to consult the trade organisations concerned with regard to these suggestions. It was anticipated that suggestions on similar lines as to the articles specified in the Customs Tariffs of other Dominions in respect of which increased preferences would be of the greatest service to our trade, would be completed within the next few weeks, and that after the trade organisations had been consulted, final lists of the tariff concessions to be sought at Ottawa from each of the Dominions, would be available.

The Committee agreed:

(1) That the United Kingdom Delegates to the Ottawa Conference should endeavour to secure increased margins between the general and preferential rates of duty by reductions in the preferential rates rather than by increases in the general rates, and that in no circumstances should the United Kingdom Delegates specifically advocate a policy of increased rates in the general duties.

(2) That the documents referred to in O.C.(30) 18 should be circulated to the Committee in due course,

and noted that

(3) The Board of Trade were proceeding with the discussions with the trade interests concerned.
3. With reference to C.C.(30) 1st Conclusions, Minute 2(c), the Committee had before them an Interim Report of the Inter-Departmental Preparatory Committee on Overseas Empire Canned Fruit and Canned Fish (O.C.(30) 23). Reference was made to the proposals contained in the Committee's Interim Report (C.P. 69(31)) relative to a special propaganda campaign in the United Kingdom for Empire butter, and assistance in the organisation of centralised marketing of Empire butter without further necessary cost to the Exchequer. The recommendations of the Committee in regard to these matters had been approved by the Cabinet on the 18th March last (Cabinet 18 (31) Conclusion 2(a)) on the clear understanding that the Cabinet were in no way committed to acceptance in principle of any of the proposals affecting butter. The Cabinet also invited the Committee to bear carefully in mind the interests of the home consumer.

The Inter-Departmental Committee now asked for authority to consult with representatives of producers and importers of overseas Empire canned fruit and canned fish generally on the lines authorised in respect of butter, in regard to a propaganda campaign in the United Kingdom, and assistance in the organisation of centralised marketing of these commodities.

The Minister of Agriculture and Fisheries pointed out that while the cost of the proposed special propaganda campaign in favour of overseas Empire products was to be borne mainly by public funds, the arrangements under the Agricultural Marketing Bill contemplated that each trade would bear the expense of its own propaganda for the better marketing of the home products. This
would inevitably be criticised as unfair to the
United Kingdom producer.

The Committee agreed:­

(1) Subject to (2) below that the Inter-
Departmental Committee should have
authority to consult with representatives
of producers and importers of overseas
Empire canned fruit and canned fish, and
also if they thought fit with the
representatives of producers and
importers of other overseas Empire
products, generally on the lines
authorised in respect of butter, in
regard to (a) propaganda campaigns in the
United Kingdom, and (b) assistance in the
organisation of centralised marketing
of those commodities.

(2) That action under (1) above should,
however, be stayed until the Agricultural
Marketing Bill had been passed through the
House of Commons.

The Committee had under consideration a
MEMORANDUM (O.C.(30)22) by the Secretary of State
for Dominion Affairs covering a brief note of an
informal conversation which he had recently had with
representatives of the Federation of British
Industries and the Trades Union Congress on the
subject of a joint memorandum submitted by those
Bodies to the Prime Minister in September last in
regard to Inter-Imperial trade, Inter-Imperial
Secretariat, etc. It was clear from this discussion
that neither of the Bodies in question had any real
idea of the political difficulties which are
encountered in discussing these matters with the
Dominions and with a view to enlisting the help
of the Federation of British Industries and the
Trades Union Congress in the development of an
informed public opinion in the country on the
subject the appointment had been suggested of a
standing Sub-Committee of the Economic Advisory Council at which representatives of employers and employees would meet periodically with Ministers and officials to discuss the position with regard to any proposals in the sphere of Inter-Imperial economic relations which were under consideration by the Government here or the subject of negotiations between the Governments of the Commonwealth. Such a Committee need not, however, he thought, necessarily or even probably furnish any reports as to its deliberations.

Doubts were expressed whether in view of the fact that the Economic Advisory Council was established to advise the Government on economic matters, it would be an appropriate body to undertake the functions contemplated in O.C.(30) 22, and the Secretary of State for Dominion Affairs undertook to give further consideration to the matter.

5. The Committee had before them a Note by the Secretary of State for Dominion Affairs covering a copy of a letter in regard to the representation of Southern Rhodesia at the Ottawa Conference which had been sent by Sir E.J. Harding to the High Commissioner for the United Kingdom in Canada, together with a Note on the position of Southern Rhodesia at Imperial Conferences mentioned in that letter.

The Committee agreed:

To approve the proposed arrangements for the representation etc. of Southern Rhodesia at the Ottawa Conference set out in Sir E.J. Harding's letter of 17th April, 1931.
With reference to O.C.(30) 4th Conclusions, Minute 6, the Committee had before them a Note by the Joint Secretaries (O.C.(30) 10, relative to the questions of the composition of the United Kingdom Delegation at the Ottawa Conference and the number of Expert Advisors to be attached to the Delegation.

With regard to the latter question, the suggestion had been made that in addition to Ministers, their personal staffs, and a Secretariat for the Delegation, the following Departmental Expert Advisors should be included:

- Dominions Office 2
- Board of Trade 3
- Department of Overseas Trade 1
- Treasury 1
- Customs and Excise 1
- Ministry of Agriculture and Fisheries 1
- Empire Marketing Board (including 1 Publicity Expert) 2*
- Imperial Economic Committee 1*

The Empire Marketing Fund would bear the expenses of this Adviser and Publicity Expert, and also of any member of the Secretariat of the Imperial Economic Committee.

The Secretary of State for Dominion Affairs feared, however, that this number of Advisors would excite criticism, and had suggested that the Committee should consider whether the number could not be reduced, say to 8 Advisors in all.

In the course of discussion THE PRESIDENT OF THE BOARD OF TRADE explained that his Department must have 3 Advisors in addition to one from the Department of Overseas Trade.

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THE MINISTER OF AGRICULTURE AND FISHERIES stated that he might wish his Department to be represented by 2 Advisers, but was prepared to allow the question of his representation to remain in suspense until the precise nature of the items to be placed on the Agenda of the Conference was more definitely known.

SIR E.J. HARDING informed the Committee that it might be possible to dispense with the services of the Publicity Expert from the Empire Marketing Board if the High Commissioner for the United Kingdom in Canada could arrange for the services of the Librarian attached to his Office to be available for publicity purposes. Sir E.J. Harding undertook to communicate with Sir William Clark in regard to this matter.

In reply to a suggestion that the subordinate staff for the United Kingdom Delegation might be obtained in Canada, the SECRETARY OF STATE FOR DOMINION AFFAIRS informed the Committee that he had been advised that in view of the probability of leakages at Ottawa, and of the desirability of ensuring secrecy, it was essential that staff should be taken from England, but every effort was being made to obtain on loan from the Offices of the High Commissioner and the Trade Commissioners for the United Kingdom in Canada, the services of trustworthy persons.

The Officials withdrew from the Meeting, and Ministers conferred together on the question of the Ministerial composition of the United Kingdom Delegation, in accordance with Cabinet 18(51) Conclusion 8.

2, Whitehall Gardens, S.W.1.
23rd April, 1931.