CABINET.

COMMITTEE ON THE PROPOSED IMPERIAL ECONOMIC CONFERENCE
AT OTTAWA.

REPORT.

1. At their Meeting on November 3rd, 1931 (Cabinet 73 (31) Conclusion 3) the Cabinet agreed in principle that as soon as the Government had been re-constituted, a Cabinet Committee should be set up which should include the following Ministers -

The Chancellor of the Exchequer
The Secretary of State for Dominion Affairs
The President of the Board of Trade
The Minister of Agriculture and Fisheries

...to examine all matters relating to the Ottawa Conference and to make recommendations to the Cabinet as to the policy of His Majesty's Government in the United Kingdom at the Conference; the Committee to have authority to invite the attendance of other Ministers ad hoc as required.

2. At subsequent meetings on November 11th and November 18th, 1931 (Cabinet 75 (31) Conclusion 4 and Cabinet 79 (31) Conclusion 16) the Cabinet confirmed the above terms of reference and composition of the Committee, with the addition of the Secretary of State for Foreign Affairs and the Secretary of State for the Colonies. It has not been possible for the Secretary of State for Foreign Affairs to attend the meeting of the Committee.

3. The Committee have considered a Memorandum (Paper O.C.(31) 2 - Appendix I) submitted to them by the Secretary of State for Dominion Affairs relative to the main problems likely...
to arise in the course of his forthcoming mission to the Dominions and subsequently at the Ottawa Conference itself.

4. The Committee are of opinion that the failure of the Ottawa Conference to reach agreement on the large questions of policy remitted to it would be a fatal blow to Imperial interests, and that it is accordingly imperative that every effort should be made beforehand to ensure the success of the Conference. The mission of the Secretary of State for Dominion Affairs to the Dominions is designed to secure the largest possible measure of agreement in advance of the Conference, and it is certain that when visiting each Dominion he will be asked what the United Kingdom are prepared to do. It is essential, therefore, that before leaving England he should be fully aware of the policy which the Government intend to pursue on the various matters raised in his Memorandum.

5. With regard to one of those matters, namely a Dominion Wheat Quota, the Minister of Agriculture and Fisheries has circulated to the Committee a Note prepared in his Department (on the basis of investigations which took place during the period of Office of the Labour Government) with regard to a possible quota for Dominion wheat and wheat flour. In his covering Memorandum to this Note, the Minister observed -

"It should be borne in mind that the general principles of a quota policy, whether for Home or Dominion wheat, have not yet been considered by the Cabinet. I propose in the near future to circulate a document to the Cabinet on the subject asking for authority, if the general principles of a quota scheme are approved, to discuss the practical administrative details of a home scheme with the industries concerned, whose co-operation is essential to success. While, therefore, the Ottawa Committee will wish to give early consideration to the possibility of a quota for Dominion wheat and wheat flour, it

This Memorandum has now been circulated to the Cabinet, see Paper C.P. 287 (31)."
6. The Cabinet are reminded that the Canadian and Australian representatives who, at the opening of the 1930 Imperial Conference, had advocated Tariffs and had regarded the Quota Scheme with disfavour, changed their view of the Quota during the Conference, and ended with an inclination to support such a scheme. On the other hand, at its termination the Conference was informed that the United Kingdom Government had put forward the scheme for consideration, but must not be regarded as being committed to it without further examination. At no stage during the discussions had any guarantee of price formed part of the Wheat Quota Scheme. The Dominion representatives never, indeed, asked for a guaranteed price. The discussions all centred on what the Quota should be, and the nature of the machinery that would be required to work it.

7. The Committee are of opinion that, subject to the decision to be reached by the Cabinet on the proposals of the Minister of Agriculture and Fisheries (see paragraph 5 above) the reply to the question raised in paragraph 13 (1) of the Memorandum of the Secretary of State for Dominion Affairs should be (1) that the United Kingdom Government are now prepared to offer a Dominion Wheat Quota, and (2) that in the event of the Secretary of State for Dominion Affairs being authorised to offer a Dominion Wheat Quota, that Quota should be without any guarantee of price.

8. In paragraph 5 and subsequent paragraphs of his Memorandum, the Secretary of State for Dominion Affairs asked for the guidance of the Cabinet as to the line which

*Note. The President of the Board of Trade reserves his opinion on the question of a Dominion Wheat Quota until he has had an opportunity of considering the documents which have been circulated to the Committee on the subject.*
he should take when he was asked (as he would be) what course the United Kingdom Government proposed to take as to United Kingdom tariffs and whether he should proceed on the assumption that preferential tariffs on articles of food (with or without specified exemptions, e.g. wheat) are now permissible in principle as a basis for discussion with the Dominions (see paragraph 13 (ii) of the Secretary of State's Memorandum). The Committee are agreed that the Government's mandate does not rule out such tariffs, and that the answer to this question should accordingly be in the affirmative.

9. In order to avoid delay the Committee have invited the Interdepartmental Committee to make a preliminary survey of articles appearing most suitable for possible tariff concessions to the Dominions, and to report thereon to the Committee not later than 3rd December next. The Committee will include recommendations on this subject in their next Report to the Cabinet.

10. On the assumption that the Cabinet agree in principle that concessions by the United Kingdom by way of quotas or preferential tariffs on any articles of food are admissible as a basis for discussion with the Dominions, it is necessary to examine the three important questions summarised in paragraph 13 (iii) (iv) and (v) of the Secretary of State's Memorandum. These questions can most conveniently be considered together.
11. The first question is whether such concessions are to be granted voluntarily by the United Kingdom, or only in return for specified concessions on the part of the Dominions concerned, or partly voluntarily and partly as a result of a quid pro quo. The second question is whether the principle hitherto invariably observed by the United Kingdom (though not by the Dominions) is to be maintained, that every United Kingdom concession must be extended to the whole Empire without discrimination. The third question is whether a concession for which one part of the Empire would be prepared to make a corresponding concession, is to be withheld from the whole Empire (including that part) until all other parts to which the concession would also be valuable have also agreed to make corresponding concessions.

12. With regard to these questions, the attention of the Cabinet is specially drawn to the arguments in favour of maintaining the present system of voluntary concessions applicable to the Empire as a whole set out in paper E.E.(B)(30) 44, a copy of which is annexed to the Secretary of State's Memorandum. The Cabinet will realise the political and economic dangers involved in the alternative policy of discrimination between different parts of the Empire. In this connection it will be remembered that the discrimination by Canada in favour of Australia as against New Zealand produce in the recent Canadian-Australian Trade Agreement has given rise to considerable feeling between Canada and New Zealand.

13. On the other hand, it has been represented to the Committee that, having regard to the very diverse needs of the different Dominions, it is difficult to see how the problem could be satisfactorily solved on the lines
suggested in the Memorandum and its annex, namely that the concessions to be made by the United Kingdom should, as in the past, be on a purely voluntary basis, and should extend without discrimination to the whole Empire. In this connection it must not be overlooked that in the past the policy of the generous gesture has not produced any very striking results.

14. Moreover, it would certainly be much easier for the Ministers of a particular Dominion to defend (as against their own manufacturing interests) tariff concessions on imported United Kingdom goods, if they could show that in return they got some special advantage from the United Kingdom with regard to their own products. If, however, that Dominion could obtain the advantage automatically and without giving any specific quid pro quo, it was difficult to see what answer could be made to the Dominion manufacturing interests, who would certainly be opposed to any such concessions unless it were shown that the long range benefits thereby secured outweighed the immediate disadvantage to themselves. Precisely the same considerations applied at home, and it would be much easier to defend concessions in the cases of the imported products of a particular Dominion if it could be shown that in return our manufacturers were receiving corresponding advantages in that Dominion. The Government would be open to serious criticism here if they made substantial concessions and obtained nothing definite in return, especially in view of the fact that the concessions to the Dominions must almost necessarily have reference to taxation of food stuffs.
The Committee submit the following conclusions on these questions to the Cabinet —

The Committee agree that discussions must be conducted in the first instance with each Dominion on the following basis:

1. That concessions by the United Kingdom should be balanced by an adequate preference to the United Kingdom on the part of the Dominion concerned.

2. That it should be explained to each Dominion in turn that it was proposed to offer the concession made by the United Kingdom with regard to any article to other Dominions (if interested in the article) but only in exchange for a corresponding adequate preference.

3. That in the event of failure to secure a corresponding adequate preference from a Dominion desiring to receive the United Kingdom concession, abandonment of the concession in respect of that Dominion would be the first result, but in that case the whole circumstances would have to be reviewed again, and conceivably the original arrangement might have to be abandoned or modified.

The Committee further agree that the results of all the discussions in accordance with the above procedure should be reviewed by the Ottawa Conference, and if it were found that the reciprocal mutual concessions were generally satisfactory, these concessions should be consolidated into a single multilateral recommendation by the Conference.
In paragraph 12 of his Memorandum (Appendix I), the Secretary of State for Dominion Affairs said that he assumed that for the purpose of his visit to the Dominions he could proceed to discuss matters with the respective Prime Ministers on the basis that

"(a) we hope to obtain further tariff concessions from the Dominions;
(b) we rule out any idea of Import Boards and Bulk Purchase;
(c) we are in favour of furthering a scheme of industrial co-operation on the lines suggested in the Report (Paper C.C. (30) 23) submitted to the previous Cabinet Committee."

In order to facilitate the attainment of (a) above the Board of Trade have prepared schedules of commodities in respect of which new or increased Customs tariff preferences in each of the Dominions could be of assistance to the export trade of the United Kingdom. These schedules are in course of examination by the trade associations concerned, and the President of the Board of Trade proposes to circulate to the Committee at a very early date the various schedules together with memoranda dealing with the volume and general direction of the trade of the Dominions, the nature of their Customs tariffs and the broad effects of recent changes therein and certain other trade features which merit special mention.

The Committee's recommendations on the matters mentioned in the preceding paragraph will be embodied in a further Report to be submitted to the Cabinet in due course.
As regards (b) of paragraph 16 above, it will be recalled that the possibility of the United Kingdom offering economic advantages to the Dominions based on Import Boards and Bulk Purchase was discussed by the Imperial Conference of 1930, but that arrangements of this kind were found on subsequent examination to be impracticable.

The Committee agree with this conclusion, and accordingly recommend that any idea of Import Boards and Bulk Purchase should be ruled out from consideration.

20. As regards (c) of paragraph 16 above, the Committee attach for the information of the Cabinet, the Inter-Departmental Committee’s Report on Inter-Imperial Industrial Co-operation (Appendix II). The Committee favour the furtherance of a scheme of industrial co-operation on the lines suggested in this Report.

21. The Secretary of State for the Colonies has reminded the Committee that there are large areas in the Colonial Empire over which no preference for British goods can, for various reasons, be given; for example, we are precluded by international agreement from making any such arrangement as regards the Congo Basin for a period of at least five years. Nigeria will have to give a year’s notice before according any preference and in that case account would also have to be taken of possible French colonial retaliation. Many other Colonies are in such a depressed financial condition that they cannot risk the loss of revenue involved in granting increased or additional preferences beyond those at present accorded; on the other hand they may be able to give such preferences when trade revives. Some of the Colonies are already in receipt of Treasury grants; others will be driven to seek Treasury assistance when their balances are exhausted, unless their trade materially improves.
In these circumstances, the Secretary of State for the Colonies asked for a decision on the following two questions of principle:

1. That it should be open to him to ask for preferences on commodities imported into the United Kingdom from the Colonies;

2. That the granting of any such request should not necessarily be dependent upon the grant of reciprocal concessions by the Colonies concerned.

The Committee agreed that as regards (2) above, the position of the Colonies is essentially different from that of the Dominions and that it would be impracticable, therefore, to insist on any arrangements with the Colonies being upon a strictly reciprocal basis.

The Committee recommend to the Cabinet:

1. That the Secretary of State for the Colonies should be at liberty to make suggestions to the Chancellor of the Exchequer with regard to preferences on commodities imported into the United Kingdom from the Colonies whether those commodities are now subject to Customs Duties or not.

2. That the acceptance of any suggestion under (1) above should not necessarily be made dependent upon the grant of reciprocal concessions by the Colonies concerned.
The Conclusions and Recommendations of the Committee may be summarised as follows:-

**Dominion Wheat Quota (paragraph 7).**

(a) (i) Subject to the decision to be reached by the Cabinet on the proposals of the Minister of Agriculture and Fisheries (see paragraph 5 of this Report) the United Kingdom Government are now prepared to offer a Dominion Wheat Quota.

(ii) In the event of the Secretary of State for Dominion Affairs being authorised to offer a Dominion Wheat Quota, that quota should be without any guarantee of price.

**Preferential Tariffs in the United Kingdom (paragraphs 6 & 9).**

(b) (i) The Government's mandate does not rule out preferential tariffs, and accordingly the Secretary of State for Dominion Affairs should proceed on the assumption that preferential tariffs on articles of food (with or without specified exemptions, e.g., wheat) are now permissible in principle as a basis for discussion with the Dominions.

(ii) The Committee's recommendations as to the articles which appear to be most suitable for possible tariff concessions to the Dominions will be embodied in a later Report to the Cabinet.

**Tariff Discussions with the Dominions (paragraph 15).**

(c) (i) Discussions must be conducted in the first instance with each Dominion on the following basis.

(1) That concessions by the United Kingdom should be balanced by an adequate preference to the United Kingdom on the part of the Dominion concerned.

(2) That it should be explained to each Dominion in turn that it was proposed to offer the concession made by the United Kingdom with regard to any article to other Dominions (if interested in the article) but only in exchange for a corresponding adequate preference.

See, however, footnote at bottom of page 3.
(3) That in the event of failure to secure a corresponding adequate preference from a Dominion desiring to receive the United Kingdom concession, abandonment of the concession in respect of that Dominion would be the next result, but in that case the whole circumstances would have to be reviewed again, and conceivably the original arrangement might have to be abandoned or modified.

(c) (ii) The results of all the discussions in accordance with the above procedure should be reviewed by the Ottawa Conference, and if it were found that the reciprocal mutual concessions were generally satisfactory, those concessions should be consolidated into a single multilateral recommendation by the Conference.

Tariff Concessions from the Dominions (paragraphs 16-18).

(d) It is hoped to obtain further tariff concessions from the Dominions. The Committee's recommendations regarding commodities on which new or increased customs tariff preferences in each of the Dominions would be of assistance to the export trade of the United Kingdom, will be comprised in a further report to be submitted by the Committee to the Cabinet in due course.

Import Boards and Bulk Purchase (paragraph 19).

(i) Any idea of Import Boards and Bulk Purchase should be ruled out from consideration.

Industrial Co-operation (paragraph 20).

(f) Approval should be given for the furtherance of a scheme of Inter-Imperial industrial co-operation on the lines suggested in the Report (Paper O.C. (30) 30) of the Inter-Departmental Committee.

Colonies and Protectorates Tariff Preferences (paragraph 25).

(g) (i) The Secretary of State for the Colonies should be at liberty to make suggestions to the Chancellor of the Exchequer with regard to preferences on commodities imported into the United Kingdom from the Colonies, whether those commodities are now subject to customs duties or not.

(ii) The acceptance of any suggestion under (i) above should not necessarily be made dependent upon the grant of reciprocal concessions by the Colonies concerned.

Signed on behalf of the Committee.

J. H. THOMAS.

Chairman.

2, Whitewall Gardens, S.W.1.

23rd November, 1931.
CABINET

SUBJECT: COMMITTEE ON THE PROPOSED IMPERIAL ECONOMIC CONFERENCE AT OTTAWA.

QUESTIONS FOR THE CONFERENCE.

Memorandum by the Secretary of State for Dominion Affairs.

1. In view of the Prime Minister's announcement of his decision that I should visit the Dominions in advance of the Economic Conference at Ottawa, it is, I think, desirable that the Cabinet Committee should give early consideration to the main problems likely to arise in connection with the Ottawa Conference.

2. It will be remembered that the economic discussions at the Imperial Conference of 1930 mainly centred on Mr. Bennett's unacceptable proposal for a 10% increase in prevailing General Tariffs and on the suggestion for a wheat quota put forward by the United Kingdom, that the existing preferential margins accorded by the U.K. to other parts of the Empire would not be reduced for a period of 3 years or pending the outcome of the suggested Conference, and the representatives of the Union of South Africa made a similar declaration on behalf of H.M. Government in the Union of South Africa as regards the preferential margins accorded by South Africa to the U.K.
4. Immediately after the termination of the Imperial Conference, a Cabinet Committee was set up to prepare for the adjourned meeting of the Economic Section to be held at Ottawa. By their terms of reference the Cabinet Committee were required, in effect, to consider in detail on the one hand what economic concessions, if obtainable from the Dominions, would be most advantageous to the U.K. and, on the other hand, what economic advantages, other than tariffs, the U.K. might be in a position to offer to the Dominions. As a result of the work of the Cabinet Committee and its various sub-committees, the following position was reached before the General Election:

A. As regards economic concessions which might be obtainable from the Dominions, detailed lists were in course of preparation, in relation to each Dominion, of commodities in respect of which increased preferences or lower preferential duties would be especially welcome to the U.K. These lists I understand have been circulated, or are in course of circulation, to the Association of British Chambers of Commerce and other similar bodies and will be available for consideration by the present Cabinet Committee at an early date.

B. As regards economic advantages which might be offered by the U.K.

(i) The question of a wheat quota was examined but no decision was reached by the previous Cabinet on the question of principle involved.

(ii) The possibility of Import Boards and Bulk Purchase was examined, but arrangements of this kind were thought to be impracticable.

(iii) Further detailed consideration was given, in consultation with the Imperial Economic Committee and the chief
industries concerned, to the question of inter-Imperial industrial co-operation and a Report (Paper O.C.(30)28) on this subject is I understand available for consideration by the present Committee.

(iv) Consideration had been given to the possibility of increasing the sales of certain Empire products in this country by means of publicity campaigns conducted by the Empire Marketing Board, guaranteed prices, etc.

5. The situation has now been profoundly changed as a result of the General Election. It is open to us, in a sense in which it was not open to our predecessors, to consider on their merits the advantages and disadvantages of policies previously excluded from consideration: in particular, there is no doubt that any concessions which we may be able to obtain from the Dominions will be for the most part tariff concessions, and that, if for that reason only, we shall be expected to define at the Ottawa Conference our attitude as regards preferential tariffs, at any rate on certain articles of food, and possibly (though less probably) on certain raw materials from the oversea parts of the Empire.

6. I feel sure that I ought to have the guidance of the Cabinet Committee, and indeed of the Cabinet, before I start on my visit to the Dominions, as to the basis on which my talks with Dominion Prime Ministers should be conducted. In particular I ought to be in possession of their views as to the line I should take when I am asked (as I shall be) what course we propose to take as to tariffs.

7. The tariff question is presumably one which (assuming acceptance of the principle) would have to be discussed
in relation to particular commodities and with reference to the effects, in relation to our economic structure as a whole, of the imposition of a tariff upon any such commodity. Indeed, one of our earliest tasks in that case would presumably be to arrange for a detailed examination of the effects of a tariff, with preferential entry to Empire products, upon such commodities as in our opinion appeared likely to offer the greatest advantage in connection with the Conference at Ottawa.

6. Granted however that it should be decided in principle that concessions on our part by way of quotas or preferential tariffs on any articles of food or raw material are admissible as a basis for discussion with the Dominions, several important questions would arise.

9. First, are such concessions to be granted voluntarily on our part, or only in return for specified concessions on the part of the Dominions concerned, or partly voluntarily and partly as a result of a quid pro quo? Hitherto such preferences as have been granted by the U.K. have been wholly voluntary and this is true also of preferences proposed at the Imperial Economic Conference of 1923. The situation now, however, is different. In all the economic discussions which have hitherto taken place between the U.K.

X I am assuming that preferences on manufactured goods of interest to the Dominions (e.g. motor-cars) will be dealt with by the Government when considering the general problem of manufactured goods.
and the Dominions, the U.K. has allowed itself, rightly or wrongly, to be placed on the defensive, and any concessions (even the proposed preferences in 1923) have been apt to be regarded as the overdue payment of a debt of economic gratitude owed by us to the rest of the Empire. I see no reason why we should allow this idea to prevail on the present occasion. I feel strongly that we should make it perfectly clear at Ottawa that in so far as any concessions which we might be prepared to offer are designed primarily to benefit the oversea Empire producer and not for our own benefit, we expect to receive real concessions in return.

10. Secondly, if it should be agreed that we should require to receive substantial advantages in return for any concessions we may give, the question arises whether the principle, hitherto invariably observed by the U.K. (although not by the Dominions) is to be maintained that every such concession must be extended to the whole Empire without discrimination. On this point I would refer my colleagues to the paper E.E. (B)(30) 44 (copy annexed) which was prepared and circulated as a brief for U.K. representatives at the Imperial Conference. I am bound to say that I think the arguments in this paper are cogent, and I foresee dangers both political and economic in what is apparently the only alternative, viz. discrimination between different parts of the Empire.

11. Thirdly, if we decide in principle (a) to make any concessions we may be prepared to offer dependent upon approximately equal concessions to be offered by the rest of the Empire, and (b) to maintain the policy that any concessions offered are offered to the whole Empire without discrimination, the question arises whether a concession for which one part of the Empire would be prepared to make a corresponding

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concession is to be withheld from the whole Empire (including that part) until all other parts to which the concession should also be valuable have also agreed to make corresponding concessions. This is a matter of considerable difficulty and importance. Personally, I am inclined to think that we ought to aim at a scheme of mutual concessions all round. Any other conclusion might lead, in so far as any part of the Empire was not prepared to offer concessions, to a grievance on the part of those parts of the Empire which had made concessions. On the other hand, if, owing to the unwillingness of any part of the Empire concerned to offer concessions in return for concessions which we were willing to offer, all other parts of the Empire concerned should find themselves likely to be deprived of those concessions, those other parts would be likely of their own accord to join with us in persuading the reluctant member to come in.

12. I am assuming that for the purposes of my visit to the Dominions I can proceed to discuss matters with the respective Prime Ministers on the basis that

(a) we hope to obtain further tariff concessions from the Dominions. (For this purpose there will be available the material already prepared by the Board of Trade, or in course of preparation);

(b) we rule out any idea of Import Boards and Bulk Purchase;

(c) we are in favour of furthering a scheme of industrial co-operation on the lines suggested in the Report (Paper C.C.(30) 25) submitted to the previous Cabinet Committee.
But there remain certain important questions as to which I ought to know the mind of my colleagues before I start on my visit. These questions are:

(i) Are we prepared to offer a Dominion wheat quota (presumably without any guarantee of price)?

Bearing in mind, however, that a wheat quota offers no attraction to any Dominions except Canada and Australia

(ii) May we proceed on the assumption that preferential tariffs on articles of food or raw materials (with or without specified exceptions, e.g. wheat) are now permissible in principle as a basis for discussion with the Dominions. If so, what articles should be selected for the purpose?

(iii) Generally as regards any concessions to be offered by us, should discussions be conducted on the basis that any such concessions would be (a) voluntary on our part, or (b) only given in return for specified and approximately equivalent concessions by the Dominions, or (c) partly voluntary and partly as the result of a quid pro quo?

(iv) Is the principle to be maintained that any concession, whether voluntary or otherwise, granted by the U.K., must be extended to the whole of the oversea Empire without discrimination? If not, are we prepared to enter upon a course of bargaining which would lead to discrimination between the several parts of the oversea Empire?

(v) If concessions on our part are only to be granted in return for corresponding concessions, should a concession for which one part of the Empire is prepared to make a corresponding concession be withheld from the whole Empire (including that part) until all other parts to which the concession would also be valuable are also prepared to make a corresponding concession?

(Initialled) J.H.T.

Dominions Office,
13th November, 1931.
Imperial Conference, 1930.

TARIFF BARGAINS BETWEEN THE UNITED KINGDOM AND THE DOMINIONS.

MEMORANDUM PREPARED BY THE INTER-DEPARTMENTAL COMMITTEE ON ECONOMIC QUESTIONS.

Note on Tariff Bargains between the United Kingdom and the Dominions.

In the Report of the Balfour Committee on Industry and Trade it is stated that "the idea of reciprocal tariff bargains between Great Britain and other Empire Governments...is quite alien to the modern spirit and practice of Imperial Preference." (Cmd. 3282, p. 23.) Similarly in the Report of the Committee on Empire Trade of the Economic Advisory Council it is stated that "we attach importance to the principle that inter-Imperial preferences, even if they may be inspired to some extent by the hope of obtaining reciprocal concessions, should, none the less, represent the free gift of the country which grants them, and not the result of a bargain." (E.A.C. (C) 48, p. 13.)

As it has recently been frequently suggested that the best method of increasing the United Kingdom share in the imports of the oversea parts of the Empire is by tariff bargains entered into at the Imperial Conference or otherwise between the United Kingdom and the Dominions, it may be well to summarise certain considerations which have to be taken into account.

(1) A certain number of specific tariff agreements have in the past been entered into between one Dominion and another and between certain Dominions and groups of Colonies, but no such agreement has ever been made, so far, by the United Kingdom. This is partly occasioned by the traditional economic policy of this country, but it is also no doubt due, consciously or unconsciously, to a difference of outlook. Whatever may be the case in theory, in practice the United Kingdom still regards itself as the centre of the Empire, and consequently as not entitled, in the economic sphere, to give differential treatment to any one part or parts as against others. Specific tariff bargains with individual parts of the Empire would be inconsistent with the maintenance of this principle. Indeed, as is pointed out in the Report of the Committee on Empire Trade referred to above, would they not tend to "introduce a disruptive factor into our Imperial relations of a most dangerous kind?"
(2) Where duties are imposed solely with regard to the interests of the country which is taxing itself and any preference is equally determined by the same principle, there is no insuperable difficulty in removing the duty or modifying the preference should the interests of the country demand it. Thus, even the United Kingdom preference on sugar, which is required by statute to be retained over a period of 10 years from 1925 if the duty is maintained, can, inasmuch as it was not granted as part of a bargain, be withdrawn at any time by abolition of the duty. But if the rate of duty is determined by reference to the interests of a different community and as part of a bargain, it cannot easily be removed or modified. And in certain cases, the rate of duty, instead of being helpful or at any rate innocuous, might become positively disadvantageous.

(3) Whereas the United Kingdom now retains a privileged position in so far as she enjoys benefits accorded to her spontaneously by the Dominions, would she not, if the policy of specific tariff bargains is adopted, be put on the same footing as foreign countries which at the present moment have to bargain for their advantages, and would not this process tend to acquire momentum with the lapse of time?

(4) Further, as is pointed out in the Report of the Empire Trade Committee, would not any system of bargaining with the Dominions for reciprocal tariff concessions be exposed to some degree to the danger which attaches to ordinary tariff bargaining with foreign countries? This danger is that, in anticipation of the process of bargaining, additional duties are apt to be imposed or proposed in order to make elbow-room for negotiating mutual concessions. If, then, the course of the negotiations does not run smoothly, the final outcome may be that adverse tariffs are higher than they would have been if the process of bargaining had not been attempted.

(5) It may be observed that one effect of the tariff bargain recently entered into between Canada and New Zealand has been that the denunciation by Canadian farmers of the damage caused to them by the preferential entry of what is openly called “foreign” (i.e. New Zealand) butter has been so bitter that the Canadian Government have been compelled to give notice of the termination of the Agreement as from October 12th next, and New Zealand has retaliated by increasing the duty on Canadian motor-cars. In the case of the similar agreement between Canada and Australia the Canadian Government have been able practically to nullify the benefits which Australia might have gained from the agreement by charging surtaxes on the ground that Australia has initiated a series of export bounties.

The above considerations have been drawn up with reference to possible specific tariff bargains between the United Kingdom and individual Dominions. The question then arises whether they would apply, or apply to the same extent, to a system whereby preferential tariffs would be granted by the United Kingdom to the whole of the Empire, without discrimination, in return for tariff advantages granted to the United Kingdom by all other parts of the Empire, or at any rate, the most important parts. On this point it is to be observed that—

(6) Any such proposal would appear to carry with it the assumption that every important part of the Empire would be prepared to reciprocate, by the grant of a corresponding advantage to the United Kingdom. In so far as any part of the Empire failed to do so, seeing that ex hypothesi it could not be excluded from the bargain, would not those parts of the Empire which had made equivalent concessions feel a grievance? And if so, might they not be unwilling themselves to give any similar advantages in future in return for Empire-wide concessions?

* A case in point is the Treaty between this country and Greece, which prevents the United Kingdom from giving the same preference on currants as on sultanas and raisins, and an analogous instance (although in this case no questions of tariffs is involved) is the Treaty between this country and Portugal which prevents us from allowing Australian heavy wines to be sold in this country as "port."

† See Appendix.
(7) The practical considerations in the actual carrying out of any such bargain are somewhat complex. The concessions made by the United Kingdom would (a) be conditional upon the grant of similar concessions by all other important parts of the Empire and (b) be extended to all parts of the Empire. Would not this involve the necessity, first, of making an arrangement simultaneously with all parts of the Empire from whom corresponding advantages were desired, and secondly, of postponing its operation until it had been confirmed by the Parliaments of all of them? Otherwise, if it came into operation immediately it had been confirmed by one Parliament, might there not be at any rate a theoretical risk of other Parliaments declining to confirm it on the ground that the benefits obtainable under it already extended to them, and need not therefore be purchased by concessions on their part?

The considerations mentioned above relate to any system of bargains, either bilateral or multilateral, between the United Kingdom and the Dominions. Such a system, however, is not the only alternative to the unconditional grant of tariff (or other) concessions such as has hitherto been the policy adopted by the United Kingdom. Just as concessions granted by the United Kingdom can be granted to, and dictated by the interests of the Empire as a whole rather than any individual part of the Empire, so could not equivalent concessions granted by other parts of the Empire be governed by a similar principle? This would mean that economic discussions at the Imperial Conference would be on the basis of contributions made by each part of the Empire to the economic interests of the Empire as a whole rather than on the basis of the exchange of concessions between one part and another part. Discussions on this basis may be a counsel of perfection. But would not such a principle, if accepted, have important repercussions in the political no less than in the economic sphere?

2, WHITEHALL GARDENS, S.W.1.
September, 1930.

APPENDIX.

NEW ZEALAND-CANADA TARIFF RELATIONS.

(1) So far as can be ascertained, there is no formal trade agreement between New Zealand and Canada. A reciprocal tariff agreement between Australia and Canada was concluded in 1925, and came into force on 1st October, 1925, under which, inter alia, the duty on Australian butter was reduced to 1 per cent, per lb. (lower than the British Preferential Tariff rate). The Canadian Act ratifying the Australia-Canada Agreement provided that the tariff concessions accorded to Australia might be extended, by Order in Council, to any other British Country; and an Order of Council of 26th September, 1925, extended them to New Zealand.

(2) New Zealand has reaped a very real advantage in Canada from this, and indeed, so far as butter is concerned, far more advantage than Australia. (The attached figures show clearly the effect on the growing import trade in butter. Import has grown enormously, from less than 100 tons in 1924-5 to nearly 20,000 tons in 1929-30, practically all from New Zealand at the Treaty duty.) The Reciprocal Agreement, and its extension to New Zealand, was criticised both in Australia and Canada at the time, and Canadian criticism has recently gathered weight, criticism being particularly levelled at the accord of the special preference to New Zealand butter, etc. The Canadian farmer prefers wheat growing and alternatively can sell his products more profitably to United States buyers in the form of milch cows or as desiccated milk or casein. But the depression from which he is suffering has led him to resent the cheap import of New Zealand butter and this, therefore, became an important factor in the recent Canadian election: to quote the words of a Conservative orator in Quebec (before the election)—

"Mr. Bennett will ride to victory on a Canadian cow; and Mr. King will slip out on a pat of New Zealand butter."

(3) The Canadian Tariff duties on butter were increased by the Tariff revision of May, 1930, and further increased by the more recent revision of September. This revision did not, of course, affect the Treaty duty, and New Zealand butter continued to pay that duty (1 cent, per lb.). But Canadian complaints were growing more and more bitter. The matter was discussed in the Dominion Parliament in March, and a motion was passed for the withdrawal, at an early date, of the Order in Council extending the Australian concession to New Zealand and for the negotiation of a commercial treaty between Canada and New Zealand for the regulation of trade between the two Dominions on a preferential basis.
(4) An Order in Council was issued, dated 6th June, 1930, withdrawing the "Australian duties" concession from New Zealand as from 12th October, 1930. Negotiations for an inter-Dominion Agreement were put in hand, but no definite information seems available as to these negotiations. It is, however, certain that, on 21st August, New Zealand withdrew the British Preferential Tariff rates from Canadian motor-cars and accessories, and made such articles dutiable at the "General" Tariff rates applicable before the July revision of the New Zealand Tariff. The effect is as shown below:

Duties on Canadian Goods.

<table>
<thead>
<tr>
<th></th>
<th></th>
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</thead>
<tbody>
<tr>
<td>Motor vehicles</td>
<td>12½ % ad val.*</td>
<td>35 % ad val.</td>
</tr>
<tr>
<td>Plus, if with body</td>
<td>13¾ % *</td>
<td>15 % *</td>
</tr>
<tr>
<td>If the body exceeds £200, the duty on the value of the body in excess of £200 is</td>
<td>7½ % *</td>
<td>7½ % *</td>
</tr>
<tr>
<td>Tyres and tubes</td>
<td>12½ % *</td>
<td>35 % *</td>
</tr>
<tr>
<td>Engines for motor-cycles and vehicles</td>
<td>12½ % *</td>
<td>35 % *</td>
</tr>
</tbody>
</table>

* Includes the surtax leviable.

(5) The importance of the matter to the trade of both countries is obvious. In the year 1929-30 Canadian imports from New Zealand amounted to 164 million dollars, no less than 13 million of this (80 per cent.) being in butter; and the Canadian exports of motor-cars, etc., to New Zealand are between 6 and 7 million dollars. The difficulties of the position are well set out in the following extract from a recent despatch from H.M. High Commissioner in Ottawa:

The view taken in the Department of External Affairs is that this is the most awkward question that has arisen in their commercial relations for some time, and that with so many anxious hopes centred upon the impending Imperial Conference, it could not have developed at a more unfortunate moment. It is felt that New Zealand should not expect to be an exporter of agricultural products to Canada, whereas Canada can justly claim to compete on a fair basis as an exporter of cars to New Zealand. In the one case it is a native industry which is being protected, in the other it is not. While Canadian automobile exports represent under one-third of her total exports to New Zealand, the butter exports of the latter represent almost seven-eighths of the exports to Canada, and to this extent the damage to Canada might be considered less serious than that to New Zealand. On the other hand, the negligible value of New Zealand exports to Canada, apart from butter, makes it virtually impossible to effect a compromise by concessions on other products.

**Canada—Imports of, and Duties on, Butter since 1924-25.**

(1) Imports of Butter into Canada.

<table>
<thead>
<tr>
<th></th>
<th>1924-5</th>
<th>1925-6</th>
<th>1926-7</th>
<th>1927-8</th>
<th>1928-9</th>
<th>1929-30</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total imports</td>
<td>1,000 lb.</td>
<td>1,000 lb.</td>
<td>1,000 lb.</td>
<td>1,000 lb.</td>
<td>1,000 lb.</td>
<td>1,000 lb.</td>
</tr>
<tr>
<td>Of which from:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>New Zealand</td>
<td>193</td>
<td>7,029</td>
<td>7,190</td>
<td>15,627</td>
<td>25,610</td>
<td>41,919</td>
</tr>
<tr>
<td>Australia</td>
<td>2,486</td>
<td>801</td>
<td>572</td>
<td>222</td>
<td>857</td>
<td></td>
</tr>
<tr>
<td>United Kingdom</td>
<td>11</td>
<td>2,083</td>
<td>1,418</td>
<td>1,325</td>
<td>610</td>
<td>1,128</td>
</tr>
<tr>
<td>United States of America</td>
<td>24</td>
<td>74</td>
<td>59</td>
<td>104</td>
<td>47</td>
<td>177</td>
</tr>
<tr>
<td>Other countries</td>
<td>63</td>
<td>5</td>
<td>2</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(2) Duties Leviable on Butter Imported into Canada.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1924-5</td>
<td>4 cents per lb.</td>
<td>3 cents per lb.</td>
<td>B.P.</td>
</tr>
<tr>
<td>1st October, 1925 (Agreement)</td>
<td>4</td>
<td>3</td>
<td>B.P.</td>
</tr>
<tr>
<td>May, 1930</td>
<td>7</td>
<td>4</td>
<td>1 cent per lb. *</td>
</tr>
<tr>
<td>September, 1930</td>
<td>14</td>
<td>8</td>
<td>1 cent per lb. *</td>
</tr>
</tbody>
</table>

* Anti-dumping duty has, however, been applied to Australian butter, owing to the introduction of the Paterson levy in Australia.
† If any country imposes a higher duty on Canadian butter, then butter from that country is to pay a similar duty on import into Canada.
COMMITTEE ON PROPOSED IMPERIAL ECONOMIC CONFERENCE
AT OTTAWA.

Sixth Report of the Inter-departmental Preparatory Committee on Quotas for Commodities other than Wheat, Import Boards, Bulk Purchase, and the Organisation of Channels of Trade.

REPORT ON INTER-IMPERIAL INDUSTRIAL CO-OPERATION.

SUMMARY.

1. The Inter-departmental Preparatory Committee have had before them the subject of inter-Imperial industrial co-operation, with particular reference to the precise objective to be attained and the most advantageous method for attaining it. Their views on the subject may be briefly summarised as follows:

2. As regards Objective, their conclusion is that it would be to the great advantage alike of the industry and trade of the United Kingdom, and of the industrial and general progress of the Dominions, if the manufacturers of the United Kingdom were encouraged to take an active interest in the starting or extension in any Dominion of works for the production of goods which can be produced by that Dominion on a sound economic basis, by being given in return freer access to the Dominion market in respect of the supply of other goods.

3. As regards Method, they conclude that the more immediately practicable course for giving effect to this policy would be for agreements for co-operation to be made in respect of individual industries between those engaged or
proposing to engage in them in the United Kingdom and in any one or more of the Dominions. The precise nature of the co-operation envisaged would necessarily vary with the Dominions concerned and the industries in respect of which the agreements were made.

4. The two essential pre-requisites of the course of action outlined appear to be -

(A) the existence in the United Kingdom of industrial organisations so constituted as to be able to speak authoritatively for particular industries and to implement any undertaking entered into by them, and the existence in any Dominion with which co-operation is contemplated of some similar organisation competent to enter into similarly binding undertakings; (B) the formal acceptance by the Governments concerned of the general principle, and a declaration of their willingness to give favourable consideration to any proposals put before them to facilitate (within the scope of their general policies) schemes intended to give effect to that principle.

5. With regard to condition (A), informal discussions have taken place between representatives of the Inter-departmental Committee and three important British industries, namely those engaged in the production of (1) Iron and Steel, (2) Electrical plant and Apparatus and (3) Chemicals. In all these three cases the representatives of the industrial organisations consulted indicated the acceptance of the principle of Imperial industrial co-operation, and willingness to do all in their power to give effect to it. In other branches of industry the possibility of early action is not so definite.

6. As regards condition (B) the Inter-departmental Committee have prepared a preliminary draft of a resolution on this subject (see paragraph 10 of Report) which, should the policy set out under (B) be approved, they suggest might be brought /
forward at Ottawa for the consideration of the Conference.

7. The Inter-Departmental Committee are of opinion that it would be advantageous in securing the passage of such a resolution if the United Kingdom Delegation were in a position to adduce authoritative declarations by certain industries setting out their approval of the policy of inter-Imperial industrial co-operation and their readiness to take active steps to give effect to it. The Associations with which the discussions referred to in paragraph 5 have taken place have expressed their willingness to make declarations of this nature, and it is suggested that, should the policy be approved, the Committee should be authorised to approach these Associations (and others where such a course seems practicable) with a view to their making declarations on the lines set out in paragraph 17 of the Report.
1. The proposal put forward from various quarters for what has been vaguely called the "rationalisation of Empire industries", or, to use a better term, "Inter-Imperial industrial co-operation", has found concrete expression in three statements made in connexion with the recent Imperial Conference.

(a) The Prime Minister of Australia, in his statement at the second Plenary Session of the Conference on the 5th October, 1930, said:

"At the opening of the Conference, I referred to a much more important way in which our trade could be assisted. Australia is to-day importing between £40 and £45 million worth of manufactured goods from foreign countries, which are of a type in which Great Britain could compete. I stated that my Government would like to see that £45 million shared by Empire industries which, in effect, would largely mean a division between the Australian and British manufacturer. The method whereby such an objective could be realised must be for those engaged in the industries in both Great Britain and in Australia to determine. I should like to see methods of consultation evolved between our industrialists with a view to making such allocations of the supply of Australia's requirements as would benefit both parties. If consultations of the type which I have in mind took place and led to understandings and agreements, my Government will most sympathetically consider to what extent it can assist to bring the proposed allocations into effect. Australia is firmly determined to encourage her secondary industries and to witness their development; we recognise, however, that there are some types of goods for which the size of our market does not yet justify the establishment of manufacturing plans. If British industry will co-operate with us in the development of our industries, we, on our part, will do everything in our power to help you to secure the lion's share of our import trade."

(b) In a memorandum communicated by the British Electrical and Allied Manufacturers' Association to the Secretary of State for Dominion Affairs for possible submittal to the Conference, but in fact not so submitted, the Association express the opinion that "Inter-Imperial industrial relations could be improved and
strengthened through three things:

(i) The exact assessment of industrial possibilities within each of the Empire markets and their value for British and Imperial Production;

(ii) The close co-operation of industries in Great Britain and in the Dominions with a view to correlating British experience with Imperial trade, so that industrial development in the Empire shall be guided scientifically, should be carried out within the minimum of cost and of waste, and shall conform to the highest standards of efficiency in production and marketing. Co-operation on this basis should render possible the effective utilisation of the immense economic resources of the Dominions and Empire as a whole, and introduce a regime of greatly accelerated economic expansion;

(iii) The elaboration of a system of protection with Imperial preferences which would allow such co-operation to take place without possibility of interference from foreign countries and permit of the exchange of British and Empire products necessary to mutual economic advance.

(c) The Federation of British Industries, in a report to the British Preparatory Committee for the Imperial Conference, recommended for the consideration of that Conference "that steps should be taken to rationalise, as far as possible, Empire industrial production", and elaborated this as follows:

"It must be admitted that each Dominion will develop to a greater or lesser extent its manufacturing industries. The Federation trusts that each Dominion will only foster those industries which are economically sound, and therefore in the long run of benefit to the country concerned. At the present time there are undoubtedly many industries in various parts of the Dominions which are economically unsound, incapable of continuing without substantial and exaggerated protection and which are in reality a charge upon the community rather than an advantage to it, and a handicap upon the primary producer, upon whose success the prosperity of the Dominions depends. The Federation would urge that the various Dominions should consider the extent to which uneconomic industries are in existence and should so shape their policy as not artificially to maintain in existence such uneconomic industries. The object to aim at should be the rationalisation of Empire production, by which each Dominion should manufacture what she can with advantage manufacture, and facilitate to the utmost the import from Great
Britain and other parts of the Empire of those manufactures which she is not capable of producing economically. To achieve this, it is essential that individual industries in Great Britain and the Dominions should together explore the possibilities of rationalising their production. Without such mutual exploration of the question within individual industries, progress will be slow and practical results few and far between.

9. The general line of argument running through the statements quoted in the preceding paragraph may be set out as follows:-

United Kingdom industrialists fully recognise that no exception can be taken to the desire felt by other Members of the British Commonwealth of Nations to develop manufacturing industries, or to such action by the Governments concerned as they may deem most suitable to promote that form of economic development. It is also fully recognised that the Dominions are capable in varying degrees of carrying on certain lines of manufacture efficiently and of meeting to an increasing extent their own requirements, and that the range of such production will be constantly enlarged. But it is contended that the policy of promoting such development has often been pursued without due regard to governing economic factors, and the development itself has been haphazard. Undertakings have been started to produce commodities for which the demand in the particular Dominion and the possibilities of export trade were not, and were not likely to be in the near future, of sufficient magnitude to warrant the erection of works of such size and equipment as to be able to compete effectively even in the home market with the like commodities produced in other countries by mass production methods, unless assisted by the high tariff duties which have generally been obtainable. Even with such assistance the attempts of Dominion manufacturers to establish certain lines of production have been
financially unsuccessful. The high prices resulting from un-economic production and heavy customs duties not only place an undue burden upon the consumers in the particular Dominion, but are to the disadvantage of even the Dominion manufacturers concerned, in that they tend to restrict the demand and thereby limit the possibility of the industry getting on to an economic scale of production. This result is especially adverse to the general economic progress of the particular Dominion when the products concerned are themselves instruments of, or adjuncts to, further production.

3. In that case the adverse effect upon the economy of the Dominion is two-fold. The artificially high prices enhance the costs of production not only in the primary industries but in all branches of the nascent manufacturing industries also; and at the same time, as a result, the growth of demand for the products of the assisted industry is kept in check. An on the other hand the United Kingdom manufacturers supplying the Dominion market suffer not only directly from its restriction by means of high tariff duties upon goods the production of which the Dominion is endeavouring to encourage, but also indirectly from the check upon the expansion of demand for other goods which results from the effect of this ill-advised industrial policy upon the general economic development of the Dominion. It is true that the existence of high duties has in a number of cases caused United Kingdom manufacturers to establish works in the Dominions, but this movement has been in the main casual and directed solely by regard for their own individual interests. The value in many cases of the existing tariff preferences accorded by the Dominions to United Kingdom manufacturers is fully realised, but they have also
in a number of instances been subordinated to an unsystematic policy of local development. There is no doubt that as a whole the systems of preference have not been based on any general or consistent scheme.

4. The conclusion drawn from these premises is, therefore, that it would be to the great advantage alike of the industry and trade of the United Kingdom and of the industrial and general progress of the Dominions if the manufacturers of the United Kingdom were encouraged to take an active interest in the starting or extension in any Dominion of works for the production of goods which can be produced by that Dominion on a sound economic basis, by being given in return freer access to the Dominion market in respect of the supply of other goods.

II.

5. If the principle thus enunciated be accepted, the Inter-departmental Committee consider that the most immediately practicable course for giving effect to it would be for agreements to be made in respect of individual industries between those engaged, or proposing to engage, in them in the United Kingdom, and in any one or more of the Dominions. There are important industries, of which iron and steel and great branches of engineering are outstanding examples, in which the production in some or all of the Dominions of a certain range of commodities is already, or may soon become, possible on a sound economic basis and without imposing an undue burden upon consumers (including under that term the users of the products of those
industries for the purpose of other kinds of production), in view of the size of the home market available and the possibility of export, whilst beyond that range production would not be similarly practicable.

3. The precise line of demarcation in any particular case - which would obviously vary between one Dominion and another - could be determined only by careful examination on the part of the industrial interests concerned of all the relevant factors, including the existence of "comparative advantages" in respect of supplies of raw materials and climatic conditions, the existence within a given area of a demand sufficient to warrant establishment of efficient manufacturing plant on an up-to-date scale when measured by world standards, and the adequacy and suitability of labour. The result of such examination would probably be that the products of the industry surveyed would be found to fall into three main groups:--

(i) Those which are already being manufactured with more or less efficiency in the Dominion, or could be so manufactured forthwith, and as to which the economics of production would be largely improved by the reservation of the Dominion market for the Dominion output;

(ii) those which within a reasonable period of time might, given the requisite capital and technical knowledge, enter into category (i); and

(iii) those which do not fall within either of the two preceding categories, and which it would therefore be economically undesirable for the Dominion to attempt to manufacture in a future which can reasonably be foreseen.

7. The result of conference between the industry in the United Kingdom and the industry in the Dominion might be as regards category (i), the co-operation of the former in the Dominion development and acquiescence in the practical reservation to the Dominion industry of the whole market, or possibly for geographical reasons merely of part of it; as regards category (ii), an agreement or undertaking as to
similar co-operation in the establishment of production so soon as conditions appeared to warrant such action and for that purpose to make joint review of the situation from time to time; as regards category (iii), joint representation to the Dominion Government concerned that the duties on the United Kingdom products should be sufficiently low to encourage consumption, and that the differentiation between the rates of duty on the British and foreign products respectively should be such as to give to the efficient British manufacturer a really substantial and effective preference. In this last case it would be additionally advantageous to British manufacturers if the preferential duties, or the quantum of the preference, were stabilised for a term of years.

8. The precise form of the co-operation of United Kingdom manufacturing interests in the industrial development of the Dominions, thus envisaged, must necessarily vary with the Dominions concerned and the industries in respect of which the policy is adopted. It might be in the nature of the establishment by United Kingdom industrial undertakings of subsidiary works in a Dominion, or of their financial participation in and technical assistance to existing or new Dominion enterprises (action on both these lines has indeed already proceeded), or possibly of joint marketing agreements in respect not only of trade within the Empire or any particular Dominion but also of trade with foreign countries.

III.

9. The two essential pre-requisites of the course of action thus outlines appear to be:-

(A) the existence in the United Kingdom of industrial organisations (whether associations or combines) so constituted and representative of such a proportion of the industries with which they are concerned as to be able to speak authoritatively for those industries and to implement any undertaking entered into by them, and the existence
in any Dominion with which such co-operation is contemplated, of some similar organisation competent to enter into similarly binding undertakings (unless the number of individual enterprises in the Dominion in question is so limited that each could take part in the negotiations). In view of the extent to which industrial enterprises in the Dominions, even more than in the United Kingdom, are dependent for their finance upon the banks and other financial institutions, it would be advantageous if the co-operation of these could be enlisted.

The formal acceptance by the Governments concerned of the general principle, and declaration of their willingness to give favourable consideration to any proposal put before them to facilitate (within the scope of their general policies) schemes intended to give effect to that principle, provided that they are satisfied that such proposals are framed by responsible and representative bodies and compatible with the general economic interests of their respective States.

10. The first of these requisites is being met to an increasing extent, so far as the United Kingdom is concerned, by the formation of comprehensive trade associations, well organised and staffed, for the express purpose of dealing with large questions of general industrial policy and by the formation of large consolidations in a considerable number of industries. Representatives of the Inter-departmental Committee have accordingly had some informal discussions with three important British industries, namely those engaged in the production of (1) Iron and Steel, (2) Electrical plant and Apparatus and (3) Chemicals. These were selected because (a) each is already carried on to a more or less substantial extent in one or more of the Dominions; (b) United Kingdom interests are already participating in that development; and (c) the United Kingdom manufacturers are in each case organised in strong and comprehensive associations which are in a position to speak authoritatively for the industries with which they are concerned. These associations are respectively (1) the National Federation of Iron and
Steel Manufacturers. (2) the British Electrical and Allied Manufacturers Association, and (3) the Association of British Chemical Manufacturers (of which Imperial Chemical Industries, Limited, is a member).

11. In the case of Iron and Steel, the Inter-departmental Committee are informed that the National Federation accepted several years ago the principle of co-operation between the industries in the United Kingdom and the Dominions. There have been informal discussions as to this with manufacturers in Australia, where British interests are already engaged in production; a more definite effort is at present being made in Canada; negotiations have been initiated between the British industry collectively and the Tata interests in India; and friendly relations have been established with the new industry in South Africa, in which the Union Government is actively concerned. The National Federation, which has a valuable statistical and intelligence service and is conducting important work on fuel economy, has recently decided to admit Dominion manufacturers to membership.

12. In the case of the Electrical Industries, the action so far taken relates almost wholly to Australia. The possibility of co-operation between the industries there and in this country was discussed with Australian electrical interests by Sir Hugo Hirst, Chairman of the General Electric Company, when in Australia as a member of the Duckham Economic Mission; and tentative suggestions as to the lines which it might follow were set out in memoranda submitted last year by the British Electrical and Allied Manufacturers Association to the Secretary of State for Dominion Affairs and to the Prime Minister of Australia. British concerns are already taking an active interest in manufacture in the Commonwealth, and as regards
that country the Association has indicated its readiness
to appoint a Committee thoroughly representative of the
United Kingdom industry to examine the whole problem
jointly with representatives of Australia, either there
or here. Neither New Zealand nor South Africa has at
present an electrical manufacturing industry; but in South
Africa it is possible that the Government or financial
interests may become interested in development possibilities,
and in that event the Association will be ready to take the
same course as with Australia. There is a like possibility
in respect of India, when the political situation becomes
more settled. In regard to Canada, it is admitted that the
position is one of considerable difficulty owing to the
magnitude of the Canadian industry and of United States
financial interests therein, and the possibilities of co-
operation are not very hopeful.

13. As regards the Chemical Industry, Imperial Chemical
Industries is largely interested in a Canadian Company with
which it exchanges technical information and which acts as
its sales agent, and its policy is to assist the Canadian
Company to manufacture any of its products so soon as the
Canadian demand reaches the point at which local manufacture
becomes an economic proposition. Similar developments are
taking place in Australia and South Africa - in both cases
Imperial Chemical industries have manufacturing interests;
and may become possible in India, where the Company has at
present only a sales organisation. There is a certain amount
of demarcation also in respect of soap manufacture; and there
are possibilities, though more remote, in regard to the manu-
facture of fine chemicals, for some of which some of the
Dominions have an advantageous position as regards raw materials.
14. In all these cases the representatives of the industrial organisations consulted indicated their acceptance of the principle of Inter-Imperial industrial co-operation, and their willingness to do all in their power to give effect to it. In other branches of industry, the possibility of early action is not so definite, and, in particular the Committee felt that no useful purpose would be served by interviewing, at the present stage, representatives of the most depressed United Kingdom industries, cotton and shipbuilding. In the case of cotton, the industry in the United Kingdom is not sufficiently well organised for an authoritative statement to be made on its behalf; while in the case of shipbuilding, there is no corresponding industry of sufficient importance in the Dominions with which an agreement might be made, nor would there be any advantages to be obtained by way of tariff reductions in the Dominions.

15. Nevertheless, the position in respect of the three very important industries with which consultations have taken place appears to the Inter-Departmental Committee to warrant the putting forward of the general principle by His Majesty's Government in the United Kingdom at the Ottawa Conference as one to which great branches of British industry are prepared to give effect, and other branches may be expected to follow their example as opportunity offers.

IV.

16. As regards condition (B) set out in paragraph 9, the Committee have prepared a preliminary draft of a resolution on this subject which, should the policy outlined therein be approved, they suggest might be brought forward at Ottawa for the consideration of the Conference as follows:
(1) The Imperial Conference records its belief that inter-Imperial industrial co-operation is an integral part of the inter-Imperial economic co-operation which it is the object of the Conference to promote.

(2) By inter-Imperial industrial co-operation is meant more particularly such a measure of co-operation between the various parts of the Commonwealth as will ensure that the industrial activities of each part, whether in the conduct, extension and technical improvement of existing industries, or in the establishment of new industries, shall be correlated with those of other parts in all cases where this can be done to the common advantage.

(3) It should, in the opinion of the Conference, be the object of such a policy to secure the best division of industrial activities among the several parts of the Commonwealth and the ordered economic development of each part, with a view to ensuring the maximum efficiency and economy of production and distribution within that part in relation to the maximum potential economic development of the Commonwealth as a whole.

(4) It is further the opinion of the Conference that the precise nature and extent of the co-operation to be achieved in any particular industry can best be worked out by consultation between those engaged, or proposing to engage, in that industry in any two or more parts of the Commonwealth.

(5) The Conference therefore recommends to the various industries the desirability of making arrangements for such consultation at the earliest possible date; but it records its belief that such consultation, to be fully effective, should be conducted between responsible persons or bodies adequately representative of the industry in each part of the Commonwealth concerned.

(6) The Conference further recommends the Governments concerned to facilitate and assist such consultations by all available means.

(7) The Conference finally recommends that, without prejudice to their liberty to determine their own general economic policies, the Governments of the Commonwealth should give sympathetic consideration to any proposals which may be directed towards giving effect to the principles enunciated in the third part of this Resolution and may be put before them by responsible bodies representing similar industrial interests in the parts of the Commonwealth affected, as the result of the consultations referred to in the fourth and fifth parts of this Resolution.
17. The Inter-Departmental Committee are of opinion that it would be advantageous in securing the passage of such a resolution if the United Kingdom Delegation were in a position to adduce authoritative declarations by certain industries setting out their approval of the policy of inter-Imperial industrial co-operation and their readiness to take active steps to give effect to it. The Associations with which the discussions referred to in paragraph 10 have taken place have expressed their willingness to make declarations of this nature, and it is suggested that, should the policy be approved, the Committee should be authorised to approach these Associations (and others where such a course seems practicable) with a view to their making declarations on the following lines:

Suggested Draft of Authorised Statements to be made by His Majesty's Government on behalf of representative Industrial Organisations in the United Kingdom.

The ..................... industry, being of opinion that the effective utilisation of the industrial resources of the British Commonwealth of Nations as a whole and of each individual part to the common benefit can best be promoted by co-operation between the industrial interests concerned in the various parts of the Commonwealth;

and being convinced that the objects of such co-operation should be to ensure that so far as possible, and with due regard to local conditions, each part of the Commonwealth shall direct its efforts mainly to those branches of industry which can be conducted on such a scale as to secure efficiency and economy in both production and distribution, and in respect of the products of other branches of industry shall stimulate importation from other parts of the Commonwealth;

and being also of opinion that the progress of the branches of industries first referred to above should be aided by the co-operation (technical financial or commercial) of corresponding industries in other parts of the Commonwealth where they are more highly developed;
and being further of opinion that the nature and scope of the co-operation most likely to attain the object indicated in the preceding paragraph can be determined in the first instance only by consultation between those engaged, or proposing to engage, in any particular branch of industry in any two or more parts of the British Commonwealth;

authorised His Majesty's Government to declare, on behalf of the ................. industry, its willingness to enter into such consultations without delay and to take all such steps as may be within its power to implement any agreements resulting therefrom.

The ................. Association expresses the hope that His Majesty's Government in the United Kingdom will recommend to the Imperial Conference at Ottawa that the Governments of the British Commonwealth of Nations shall undertake to facilitate and encourage such consultations as far as possible, and to give sympathetic consideration to any representations which may be made to them as a result.