Journal of the

Parliaments of the

Empire

Vol. 14. No 1.

Jan 1933

1171

JOURNAL OF THE PARLIAMENTS OF THE EMPIRE

Vol. XIV.—No. 1. January, 1933. 284

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Issued under the Authority of the
EMPIRE PARLIAMENTARY ASSOCIATION
(United Kingdom Branch),
WESTMINSTER HALL, HOUSES OF PARLIAMENT,
LONDON, S.W.1.

Price to Non-Members 10*s. Net.*

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INTRODUCTION.

As in the last number of the JOURNAL (October, 1932) a considerable portion of each summary in the present issue is devoted to the Agreements reached at the Imperial Economic Conference at Ottawa.

The summary of proceedings in the United Kingdom Parliament, besides dealing with some of the main features of interest which occurred in the latter part of the debates on the Ottawa Agreements Act, prior to the Prorogation in November, 1932, contains references to and questions upon the Agreements occurring in the first part of the present Session which opened on 22nd November.

In the course of these summaries many phases of the working of the Agreements are considered, including the operation of tariffs and the establishment of Tariff Boards in Canada and Australia, meat and wheat importations into the United Kingdom, the dumping clause and the competition of Russian timber, Preferences in the Colonies, etc.; and as these matters, and others having a more local significance relating to secondary industries, etc., are considered in the course of the discussions on the Agreements in the Parliaments of Canada, the Australian Commonwealth and New Zealand, the summary relating to each of those Dominions should be read in connection with that concerning the United Kingdom.

In order to get a true conspectus of Parliamentary opinion in the above-mentioned countries in relation to the Agreements, the summaries appearing in this JOURNAL must be considered as supplemental to those appearing in the October number; and in particular the fairly full summary of the Ottawa Agreements Bill published in the United Kingdom section of that number is helpful in regard to comments on various Articles of the Agreements which occur in the following pages.

Attention may be specially directed to the Canadian section which, besides providing an amplification of the Government's position on various points regarding the Agreements, gives a full indication of the Opposition (Liberal) attitude, and a summary of the Agreements between Canada and the Union of South Africa, Irish Free State and Southern Rhodesia; and also to the Australian and New Zealand sections which provide likewise a summary of the Opposition (Labour) position as to various aspects of the Agreements.

The gains of India under the Ottawa Agreements are considered at some length in the summary of the discussion in the Indian Legislative Assembly; the position of Ireland is outlined under "Irish Free State" regarding the Agreement reached with Canada, and under "Northern Ireland" as to the Agreements generally; and the terms of the Imperial

Preference Act to give effect to the Ottawa Agreements so far as they affect Bermuda are given in the summary relating to the Legislature of that Colony.

Interesting references to general economic, marketing, and currency questions occur in the course of summaries of discussions in the Parliaments of the United Kingdom, Canada and New Zealand; while the important subjects of Empire migration and the airways of the Empire are dealt with in the summary concerning the United Kingdom Parliament.

As in recent numbers of this JOURNAL, it may also be said of the present issue that international matters, or the affairs of the world outside the British Commonwealth, again occupy a somewhat secondary place in the subjects treated. At the same time it should be noted that the United Kingdom section contains important references to the World Economic Conference, to the British Debt to the United States of America, and to the Lausanne Conference; the Canadian section deals with aspects of the World Economic Conference, Canadian policy in the Far East, and Russian oil shipments; the Australian Commonwealth section gives an outline of Australian policy at the Disarmament Conference; and the Indian section gives reasons for hostility to the Draft International Convention concerning the age for admission to non-industrial employment.

The subject of unemployment is referred to in the course of the summaries relating to the United Kingdom (both Great Britain and Northern Ireland), Canada, New South Wales, Queensland, South Australia, Western Australia, New Zealand and Malta.

Other subjects of general interest but of more direct local concern to the countries themselves are considered in various summaries, *e.g.*, the United Kingdom concerning the New Zealand War Debt offer and the financial questions in dispute with the Irish Free State; the Irish Free State regarding the results of the General Election and the payment of land annuities; the above-mentioned Australian States as to finance and Budget Statements; India with reference to the suppression of terrorist activities; and Malta in relation to the attitude of the new Government towards religious and language questions and the constitutional position of the Colony.

THE EDITOR.

EMPIRE PARLIAMENTARY ASSOCIATION
(*United Kingdom Branch*),
WESTMINSTER HALL,
HOUSES OF PARLIAMENT, LONDON, S.W.1.
25th January, 1933.

UNITED KINGDOM.

(Great Britain and Northern Ireland.)

The First Session of the present Parliament was brought to a close on 17th November, 1932.

A new Session was opened by the King with full State ceremonial on 22nd November.

Debates in the two Houses since the publication of the last number of the JOURNAL *are summarised in the following pages.*

THE ADDRESS: GENERAL DISCUSSION.

(Government's programme for the new Session; The World Economic Conference; Co-operation with other Powers on Disarmament problem; Constitutional reform in India; The unemployment situation; Liberal Party and tariffs; Ottawa arrangements and price levels; The Empire and the currency question.)

The debate on the Address-in-Reply to the Speech from the Throne was commenced in the House of Commons on 22nd November, 1932, and was concluded on 28th November.

Included in the King's Speech outlining the Government's policy were the following passages:—

In accordance with the conclusions reached by the Conference at Lausanne, a World Economic Conference is to be convened by the League of Nations and will be held in London as soon as possible next year. It is My earnest hope that the Conference will be able to reach agreement on the measures required to deal with the causes which have brought about the present economic and financial difficulties of the world.

The Conference for the Reduction and Limitation of Armaments now sitting at Geneva embodies the hope and the effort of mankind to reach the greatest measure of general disarmament that can be attained. My Government will continue, in full co-operation with all the other members of the Conference, to work for an International Convention which will be a foundation for a lasting peace.

My Ministers and other Members of both your Houses are meeting in conference representatives of the Indian States and of British India. They hope thereafter to place before you proposals for further constitutional development in India. The decisions to be taken will be of great moment to the whole of My Empire, and I shall watch your deliberations with deep interest.

ECONOMIC SITUATION: UNEMPLOYMENT, ETC.

Although the various conversion schemes which have been successfully carried through offer the prospect of large reductions in the service of the National Debt, it is still necessary to exercise careful supervision over public expenditure, both national and local.

The measures already taken to assist British industry in the home market and to improve our markets overseas have created a feeling of greater confidence. My Government will continue to do everything in their power to stimulate the recovery of trade.

Agriculture has long been depressed by the general fall in the wholesale prices of its products. My Ministers recognise that though the measures recently taken in regard to meat and other products have been of real assistance to producers, further plans are necessary to enable agriculture as a whole to take its proper place in the economy of the nation. While the restoration of prosperity to agriculture cannot be expected until wholesale prices have risen to a more normal level, My Government believe that the various steps which they have taken, combined with action upon the investigations concluded, or still proceeding, will enable the industry to put itself in a position to take full advantage of a return to more favourable conditions.

Large numbers of My people are still unable to find employment and the persistence of this situation causes Me the greatest anxiety. Unemployment as we have known it for some years is undoubtedly the gravest of our social problems. In particular I am distressed that many young men and women have never in their lives had an opportunity of regular employment.

In the view of My Ministers any provision for unemployed persons should not only afford material assistance, but should also be designed to maintain their morale and their fitness to resume work when opportunities can be found.

DEBATE IN HOUSE OF COMMONS.

The Address was moved by **Mr. Roy Bird (Unionist.** *Skipton*) and seconded by **Mr. Clement Davies (Liberal National.** *Montgomery*).

Rt. Hon. G. Lansbury (Leader of the Opposition) criticised the Speech as a document quite unworthy of Parliament. It referred to action yesterday and action to-morrow, but no really definite action to-day. There was nothing to tell them of the condition of affairs in India, of the repression that was going on in that country, and that there was any possibility of the people of India accepting or agreeing to any conclusions that might be arrived at by the Round Table Conference. Nor was there a word about Ireland—not a word of sympathy for the people of Ireland, who were being subject to an economic war. It was all very well to say that it was the folly of the Irish Government. Always when people were in trouble they shoved it off on to somebody else, and he found that those who were most vociferous in that respect were those who were the most guilty.

The World Economic Conference was apparently put off to the distant future. What hope was there for anyone in Great Britain who was looking to the Conference for measures to deal with the economic situation if they had to wait another five or six months before it came together? And who was there who thought it was any use the Conference coming together while the policy of the British Government in regard to tariffs was what it was?

Tariffs, quotas and prohibitions.

Throughout the Speech there was not a single constructive proposal except tariffs, quotas and prohibitions. The holding of a World Economic Conference was imperative. They were coming to a position when they had such an abundance of goods that the system of exchange and distribution was not suitable for bringing about the consumption of those goods. And there were multitudes of people who needed them. How did the Government propose to deal with the problem of War Debts and Debts generally? He had said it once, and he repeated it now, that they were facing the nemesis of usury. Money had been lent by thousands of millions.

At first it went out in goods, and came back in goods by way of exchange; but to-day it was quite impossible for creditor nations to take payment. If they did they would simply choke their country with goods, and, as the people were unemployed, there was no way of dealing with them. The position was bound to grow worse and worse unless it was taken in hand. As regarded disarmament, they were not going to settle the question of peace or war merely by getting rid of a few armaments here and there. The most potent cause of war was the economic cause. Therefore it was necessary to hasten the holding of the World Economic Conference in order that economic conditions might be made more tolerable.

Unemployment.

There were still millions of unemployed in their midst in spite of the fact that they had had some 15 months of a National Government and a riddance of the Labour Government. There were not enough jobs to go round and transference of labour was not a solution. It merely put a different man into a job that was available. What the House of Commons had to do was to face the fact that they had either to spend considerable sums of money in maintaining the unemployed or to find them work. The Government should settle down and say that pending the meeting of the World Economic Conference they would set about reconstructing the country.

The Prime Minister (Rt. Hon. J. Ramsay MacDonald) said that legislation dealing with unemployment was going to be produced during the Session. The Government would encourage every normal expansion of municipal enterprise, but rates and taxes could not be drawn upon extravagantly. There was the problem that when trade had become as brisk as anybody could naturally expect it now to become they would still have a residuum of unemployed. Was the nation going to allow great bodies of men and women, perhaps even amounting to a couple of a million, to be to all intents and purposes in their society superfluous scrap? The Government said "No."

The problem to be faced.

Therefore, the problem of unemployment was not one of temporary relief. As regarded men and women who had a good chance of being reabsorbed in industry, it might be covered by extended insurance and perhaps by temporary measures. But that was going to leave them with the most harassing, the most heart-breaking section of the problem. Young men and women who were growing up to years of adult age had never been inside a factory or workshop door: never disciplined, never trained, never given the skill by which they could earn their living. The Government which to-day imagined, after years of perfectly honest experimenting with the unemployment problem, that this large section of the unemployed could be dealt with by spending £100,000,000 on public works ought certainly to be turned out.

He challenged any hon. Member to base an argument upon the assumption that this was only a temporary state of unemployment and that the whole body of unemployed could be treated as though they could be absorbed into ordinary industry. The Government had a different problem altogether: they were going on working out the problem with every assistance they could lay their hands upon, the Departments concerned co-ordinating, outside bodies being used. The unused land, the partly used land, the badly used land must be absorbed steadily with the idea that they could put a much larger percentage of their people in direct contact with the land than had been happening during the development of the factory system.

International affairs.

As regarded foreign affairs, the International Economic Conference was finding some obstacles in its way. The Government would do everything they possibly could to get over the little hold-ups that had happened in order that the Conference might meet at the very earliest moment. The world could not afford to wait. By the direct representatives of the Government meeting the direct representatives of other Governments they would much more quickly and much better, as a piece of workmanship, find the accommodation which would lead to a great world agreement than if the matter were left to experts. As to disarmament, the message they sent to Geneva was that they had complete confidence in the Foreign Secretary, as the representative of Great Britain.

Rt. Hon. Sir Herbert Samuel (Liberal, *Darwen*) remarked that the country was disillusioned with respect to the tariff measures that had been taken, sceptical with regard to the results of Ottawa, and gravely uneasy at the absence of any definite plans for early future action. In the United Kingdom and other great industrial countries there were now at least 30,000,000 of working people unemployed. The main cure for unemployment must be international, and he was glad to see that the World Economic Conference occupied the foremost position in the proposals of the Government. It was intended that Lausanne should be quickly followed by a Conference of all the Powers with a view to arriving at the causes of the world-wide depression.

Duty of statesmen.

They were now told that the Conference was unlikely to meet until April, 1933. If that were so a full year would have elapsed since the conclusion of the Lausanne Conference before any results could be expected from the World Economic Conference. As the Prime Minister had said, if the experts who had been meeting at Geneva were unable to make practical proposals at an early date the Conference must not wait and statesmen themselves should take the matter in hand. There was universal assent that the outcome of that Conference, if it was to be useful, must be the removal of restrictions on trade.

The Liberal Party suggested that Great Britain should follow the road that had already been indicated by some of the smaller Powers—Belgium and Holland in particular—and that the Government at the World Economic Conference should endeavour to form a group, as extensive as possible, of the low tariff Powers and of those who were ready to join it. This group should undertake that tariffs should be reduced among themselves to a maximum of 10 per cent.—either 10 per cent., or less, or nothing on certain articles, apart from revenue duties which should be defined. This association of low tariff countries which might, if circumstances were favourable, gradually enlarge its membership until it included a large part of the commercial area of the world, should by adopting that method show the way to a general change in international fiscal policy.

Check on tariff increases.

Secondly, the Liberal Party suggested that some check should be put upon future tariff increases by Resolution of the World Economic Conference. There was need for a new economic covenant to be signed by the nations of the world undertaking that tariffs should not be increased without consultation and due notice.

Thirdly, it was unanimously agreed now in all countries that in order to relieve the economic world-wide depression it was essential to arrest the fall in world prices and to secure some recovery from the low prices that prevailed. What methods should be adopted was a question of great complexity and difficulty. Great Britain would be pressed by other nations at the World Economic Conference to return to the Gold Standard. The present position without any stabilised standard was a precarious one. They should stabilise, but the usual opinion was that they should not stabilise yet, and they could not stabilise until the restrictions on international trade were lessened and the question of War Debts settled.

Ottawa and Imperial consolidation.

Rt. Hon. Winston Churchill (Unionist, *Epping***)** remarked upon the number of Conferences held during the year. Very little success, he thought, had attended them, except, of course, Ottawa. There might be a good many people who did not think much of Ottawa now, but perhaps their children might think more of it, and their grandchildren more still. It was in that hope that this great act of faith and Imperial consolidation had been performed. The best method of advancing the World Economic Conference would be for the United States and Great Britain to reach, as far as possible, some informal understanding beforehand on a general basis. The moment they had done that the nations of the Continent would be most eager not to be absent from a conclave so solemn and so august.

The Indian Round Table Conference was purely consultative in its character and had no power to commit Parliament. The composition of the Joint Committee was far more important: indeed it was crucial. It would be most improper if the Committee were a packed body, if both sides in the controversy were not fairly represented there. After all, there were two sides. There was the view of the late Socialist Government, which had been adopted by the present Government, that there should be immediately erected a Federal Executive responsible to an All-India Parliament elected upon a democratic, or at any rate an extensive franchise.

Conservatives and India.

Then there was the view of the majority of the Conservative Party and the overwhelming majority of the people who knew anything about India. It was that it would be, on the whole, better if they rested for the present within the ambit of the Simon Commission which recommended specifically that a provincial experiment should precede, and not be simultaneous with, an attempt to set up an All-India Parliament.

Referring to the Disarmament Conference, Mr. Churchill said he would not predict that no agreement would be reached at Geneva. Indeed, he thought it would be disastrous if no agreement were reached there. But he did not believe that what was going to be done at Geneva was going to mean any great or decisive change in the position of the world, was going to mean any real progress towards the consolidation of European and world peace. On the contrary, he thought it might well be that matters might be so handled that the situation would be greatly exacerbated by the termination of the Disarmament Conference. The removal of the just grievances of the vanquished ought to precede the disarmament of the victors.

To bring about anything like equality of armaments, if it were in their power to do so, which it happily was not, while those grievances remained unredressed would be almost to appoint the day for another European war—to fix it as if it were a prize fight.

The working day.

Mr. N. Maclean (Labour, *Glasgow, Govan***)** suggested that if the Government were anxious to do anything to absorb those who could not find employment one of the first things they might attempt was to bring in a Bill to shorten the working day. Since the Government came into office they had reversed the seven-hour day laid down for miners. They had also turned down the recognition of the Washington Eight Hours Convention. Rationalisation, new types of machinery, and new methods of production had made it possible for the workers to produce greater wealth with less effort, yet the Government had evidently not realised that the reduction of hours was the solution if they were to find more employment for the workers.

Rt. Hon. L. S. Amery (Unionist, *Birmingham, Sparkbrook***)** spoke of the dislocation of the world's monetary system, which, he said, had brought about the disastrous fall in wholesale prices. It was now 18 months since the Macmillan Committee pointed out that the depression of the world and the condition of unemployment were due in the main to causes which, whether in their origin monetary or not, were focussed through monetary action and led to the abstraction of a greater part of the world's gold supply from active service. That situation had destroyed the incentive to profitable production and had particularly hit the primary producer. It was vital for them to know what was the Government's policy in the matter.

Ottawa arrangements and price levels.

Every arrangement made at Ottawa was in the air so long as the question of price level was not settled. If the currencies of the Empire could not be maintained in stable relationship with each other, then clearly the whole effect of any particular Preference might be wiped out at any moment by this or that Government going 10 per cent. or 20 per cent. off its present relationship to sterling.

The Macmillan Committee laid down the objective of British policy in that respect. They said:—

> "Our objective should be, so far as it lies within the power of this country, to influence the international price level, first of all to raise prices a long way above the present level, and then to maintain them at the level thus reached, with such stability as can be maintained."

It would be interesting to know whether that was the guiding aim of the policy of Great Britain, and what steps the Government meant to take to attain that objective, both at home and at the World Conference. There was no chance of establishing a single international monetary standard, gold or otherwise, in the immediate future. He earnestly begged the Government to come now to a definite decision to frame a sterling policy suited to the needs of Great Britain and of the British Empire, and of such other countries as were willing to attach themselves to sterling, and to make a success of that policy without delay.

A uniform standard.

Then, when they went to the World Conference, they would be able to endeavour to enlist the support of others in accepting the principle of their policy in measures which they could adopt, and so pave the way to a situation in world trade which might perhaps subsequently lead to the possibility of the restoration of a single uniform standard.

With regard to the Most-Favoured-Nation Clause, he trusted that they would be broad-minded and generous enough not to insist upon the letter of their rights against any scheme that would make it more possible for the nations of Europe to bring down the innumerable and unnecessary barriers between them, and to do for Europe what they had attempted to do for themselves at Ottawa. It would mean much, not only for economic regeneration in Europe, but also for the restoration of political peace. To get rid of the Most-Favoured-Nation Clause—and no method would be easier than by a general Resolution of the World Conference—would do far more for world peace than was ever likely to be done at the Disarmament Conference.

On the question of disarmament, Mr. Amery said he would welcome any reasonable and practical plan for saving the burden and the possible suspicion connected with excessive armaments, but he was convinced that disarmament, unless coupled closely with and, indeed, made consequential upon a settlement of political issues might not only do nothing to secure peace, but might do much to injure the cause of peace.

Agricultural policy.

The Minister of Agriculture (Major the Rt. Hon. Walter Elliot), replying to a number of speeches relating to the condition of the agricultural industry, referred to the operation of various schemes. The Wheat Quota Act* was working and payments were being made under it. The Government were operating product by product. They had received a Report from the Pig Commission. They would receive a Report from the Milk Commission. The crisis in the livestock industry obviously needed immediate attention and the Government had decided to appoint a Reorganisation Commission which would deal with the general question of fat stock.

After further debate, the general discussion on the Address was concluded.

DEBATE IN HOUSE OF LORDS.

On 22nd November, in the House of Lords, the Address was moved by the **Marquess of Dufferin and Ava** and seconded by **Lord Chesham.**

Lord Ponsonby, referring to the World Economic Conference, expressed the hope that this rather shadowy Conference in the future would not be made an excuse for inaction on the part of the British Government, so that they would be told that this or that could not be done until the Conference had come to its conclusion. As regarded disarmament, practically everybody now agreed with the view he expressed about six months ago that a wrong start was made at the Conference on that problem. If the scheme put forward on behalf of Great Britain had the effect of bringing Germany back again into the Conference it would be all to the good. But he deplored the method of dealing with this question, which was to regard it as a question of arithmetic.

Disarmament was not a question of arithmetic. Even taking it as a question of arithmetic—the number of ships, the weight of guns, the weight of tanks and so on—was it

* *Vide* JOURNAL, Vol. XIII., No. 4, p. 921.

wise on the part of the British Government to produce a scheme which really must lead to very much further controversy? So long as the Powers regarded the matter as the seeking of some formula of mathematics to which all nations would agree they would never get genuine disarmament. When the Powers began to realise that security rested on disarmament some progress would be made.

Parliamentary control.

After dealing with the domestic side of the Government's programme, Lord Ponsonby remarked that they were at a moment of very great change. The old dominance of the aristocrat had passed. They were now in the age when plutocrats and commercials had their sway. A great change was imminent—a change which might involve the fall of the Parliamentary representative system itself. Parliamentary control was going by the board because of the new great international system which had been brought about by nations being linked closely together.

The Marquess of Reading observed that Liberals were not in accord with the views of the Government in all respects, but it was their intention and wish to give every possible support to the National Government. He was impressed with the importance of the Government speaking in the counsels of the world, as well as in Dominion counsels, with the great authority of the support of the vast majority of the nation. He begged the Government, on behalf of the Liberal Party, to continue to concentrate all their attention on bringing about some agreement in relation to disarmament. The country was intent not only on peace at the moment, but upon its maintenance, preservation, and, as far as was humanly possible, its perpetuation.

He hoped the Government would continue to pursue the policy they announced before they went to Ottawa in relation to tariffs. It was that by the use of the tariffs imposed in the United Kingdom they were seeking to get a reduction of tariffs throughout the world.

World Economic Conference.

The Secretary of State for War (Viscount Hailsham) said he would like to see the discussions of the World Economic Conference take as wide a scope as was possible, but he would not enlarge that scope at the expense of driving from the Conference some of the more important nations whom he wished to see represented. It was because he would like to see the matters about which they were to confer clearly defined that he thought it was necessary to take some little time for preparation, and not to assign any immediate or too definite a date for the meeting. It was no good meeting

until they were agreed exactly as to what it was about which they were going to talk when they did meet.

He agreed with all that had been said about the supreme importance, in the present condition of the world, of trying to bring about some satisfactory solution of the dreadful problem of disarmament. It was a vital factor in the progress of the world that the nations should be able to agree on a practical form of disarmament which would remove, or lessen, the threat of war which always seemed to hang over the deliberations of each one of them. "We cannot promise," Lord Hailsham continued, "to attain success. Agreement does not only rest with this country. We are willing to strive our utmost to arrive at a measure of agreement. We are willing to go to the utmost limit consistent with the essential security of this people in order to reach agreement, but we cannot promise to surrender the security for which we are responsible in order to achieve a paper success which would infallibly result later on in an actual disaster."

India.

With regard to India, Lord Hailsham said that the Government were embarking upon the discussions in the Round Table Conference in an anxious desire to reach a solution of the difficult problem of constitutional advance for India which would be consistent in every way with the undertakings that were given when the Round Table Conference last met —a solution which would be successful in finding at once a satisfactory measure of responsible self-government for India and at the same time safeguarding those essential interests which the Government undertook should not be neglected.

After further debate the Motion for the Address was agreed to.

BRITISH DEBT TO THE UNITED STATES OF AMERICA.*

(The claim for revision; Results of Lausanne Conference; Future negotiations with United States' Government.)

On 14th December, in the House of Commons, on a Motion for the adjournment of the House, a debate took place on the subject of the British debt to the United States of America.

DEBATE IN HOUSE OF COMMONS.

The Chancellor of the Exchequer (Rt. Hon. Neville Chamberlain) opened the debate with a survey of the history

* For paragraphs from the British Note to the United States' Government regarding the adverse trade balance and the exchange position, *vide* pp. 35 and 36.

of the War Debts in order to show how strong was the title of Great Britain to claim that the subject of debts should be revised; how consistently and persistently successive British Governments had from the beginning urged the cancellation of the whole of Reparations and War Debts; how reluctantly other countries had accepted that view, but how steadily they had been forced by the power of hard facts and by bitter experiences to come closer and closer to the point of view originally enunciated by the British Government. He described how, very early in the history of the post-War period, the British Government came to the conclusion that payment of these great inter-Governmental obligations inevitably postponed indefinitely the economic recovery of the world.

The terms of the Balfour Note were recalled. The Note said that the British Government was in favour of writing off, through one great transaction, the whole body of inter-Allied indebtedness. "Failing this," it said, "we do not in any event desire to make a profit, and in no circumstances do we propose to ask more from our debtors than is necessary to pay our creditors." At that time, Mr. Chamberlain explained, there was due to Great Britain by Germany £1,450,000,000; by France, Italy, and other European debtors, £1,300,000,000; by Russia, £650,000,000—a total of £3,400,000,000. Against that the British debt to the United States, together with accrued interest, amounted to £850,000,000.

Great Britain's offer.

The House would see, therefore, that in the Balfour Note what the British Government offered was, preferably, total cancellation all round, and, failing that, an offer to waive their surplus of £2,550,000,000. Dealing with the Agreement subsequently made with the United States, Mr. Chamberlain said that Mr. Baldwin obtained a remission of the Debt which, on the basis of 5 per cent. interest, amounted to 28 per cent. of the original figure. Discussing the events which led up to the Lausanne Conference, he submitted that there was justification for the statement in a recent British Note* that the initiative taken by the European countries at that Conference was taken with the cognisance and approval of the United States' Government. They had at least good reason to suppose that, if they could come to a successful conclusion there, they would have made the best approach possible to a revision of the War Debts due to America.

The effect of Lausanne was that it put an end to the existing system of Reparations, and the Conference opened in an atmosphere far more favourable to the views which had

* Further Note addressed by the British Government to the United States' Government (Cmd. 4210).

been so constantly urged by the British Government than had ever existed before. If they did not obtain complete cancellation, they got something very near it, since the ultimate maximum liability to which Germany was now exposed in respect of Reparations was only £150,000,000, instead of the £1,600,000,000 at which it was left under the Young Plan. It was no use to think that, once the Hoover Moratorium had been put into operation, it was possible to go back to the system which existed before. It would have been impossible for any of the signatories at the Lausanne Conference to contemplate a future system under which they could have released their debtors from all obligations and at the same time be released from none of their obligations to their creditors.

Negotiations with United States.

Continuing, Mr. Chamberlain reviewed the recent negotiations between the British and the United States' Governments, beginning with the transmission of the British Note of 10th November, 1932, in which they asked:—

(1) For an exchange of views between the two Governments upon the whole question of the Debt as it then stood.

(2) For a suspension of the payment by Great Britain which would fall due on 15th December, 1932.

In view of the refusal of the United States to entertain suspension, the British Government decided to pay in full. "We considered it necessary," Mr. Chamberlain stated, "while informing the United States' Government of our determination to pay the instalment, to intimate at the same time our intention, when the discussions on the final settlement began, to put forward our contention that the old *régime* which was interrupted by the Hoover Moratorium can never be revived.

"Therefore, the payment which we have made meeting our obligations is not to be taken as implying a revival of the old system, but it must be taken into account when we are considering the new *régime* which will be expected to result from the discussions with the United States' Government."

Debts to Great Britain.

Under the Lausanne Agreement, Mr. Chamberlain pointed out, the complete remission of the Debts owing to Great Britain could only be called for on condition that the British Debt to the United States was completely remitted. On any other terms there was to be a further discussion between the debtors to Great Britain and the British Government. If Lausanne was not ratified, they went back to the legal position that existed before the Hoover Moratorium, though in fact and reality they could never resume that position.

"If we could agree with the United States upon a final settlement under which, let us say, for example, some reduced capital sum could be fixed in lieu of the outstanding amount of our Debt, still in that case," Mr. Chamberlain added, "our debtors must come and discuss with us on what terms and to what extent we shall be prepared to scale down their Debts to us. Our position in this matter still remains where it was at the time of the Balfour Note. We shall not ask from our debtors more than we are called upon to pay to our creditors, and they can hardly expect us to be content with less."

Sir Stafford Cripps (**Labour**, *Bristol, E.*) said that the Labour Party had always believed in the complete cancellation of War Debts and Reparations. But they agreed with the action of the British Government in making the payment, because they believed that at that late time, no arrangement having been made with the United States, it was impossible to put forward any substantial and sufficient plea to entitle them not to make it.

Disarmament and Debts.

Referring to the importance attached by America to disarmament, Sir Stafford quoted the following passage from Mr. Stimson's Note of 7th December :—

> "And you will understand that the problem of foreign Debts had, in the American mind, a very definite relationship with the problem of disarmament, and the continuous burden which competitive armaments imposes upon the entire world."

The Labour Party believed that had the British Government been more active in pushing forward a policy of disarmament at Geneva they might now, *vis-à-vis* the American public, be in a better position as negotiators as regards the American Debt. He was also convinced that a speedy settlement of the difficulties with Ireland would go a long way in assisting negotiations on the debt question with America. As long as the ridiculous dispute with Ireland continued, he was sure that they would be jeopardising their chances of convincing the American people that they were entitled to give up paying the British Debt to America.

Criticising the form of one of the British Notes to the United States, Sir Stafford said he could imagine nothing more unfortunate than to put forward a threat that they were going, if America insisted on payment, to put up tariffs in order to prevent American goods entering Great Britain.

Question of repudiation.

As regarded policy, the Labour Party believed it was essential to get these Debts cancelled, but not by a one-sided repudiation, because there at once came into play the question, which most vitally affected Great Britain, as to what was to be the criterion for one-sided repudiation. He understood Mr. Chamberlain to say that the payment which was being made to America was not a payment of capital and interest under the Agreement of 1923.

The Chancellor of the Exchequer : "What I said was that we had stated our intention of putting forward, in the course of the discussions which we are going to have with the American Government, the view which the hon. and learned Member has quoted. That is a very different thing from repudiation."

Sir Stafford Cripps, continuing, said that unless there was to be set up some permanent means of settling the question of what international Debts were to be paid, the Labour Party saw no solution in the future for the whole mass of international Debts which were at present clogging commerce. He begged the Government to start to probe the problem of the solution of the repudiation difficulty which was present all over the world to-day and was obviously, when they came to War Debts, becoming more and more critical.

The Lausanne Conference.

Rt. Hon. Winston Churchill (**Unionist**, *Epping*) contended that there were three reasons why Lausanne was a great mistake. First of all, they released their hold upon their debtors, upon their assets, before they had obtained release from their creditors. In the second place, they offended the United States and plunged this question into America's electoral affairs. In the third place, they prejudiced their own British case in the United States by linking it up so much with France. Now they had reaped to some extent what they had sowed. The position in Europe was worse, from many points of view, than it was in July. The efficacy of the Lausanne settlement was destroyed from the moment when it was realised that it was only contingent upon a settlement with the United States.

He was not going to argue that if there had been no settlement at Lausanne the United States would have let everyone off their Debts. Nor was he going to argue that, now there had been a settlement at Lausanne, the United States would not arrive at a satisfactory solution of these difficulties. All he argued was that the Government took the course which was least calculated to make their difficulties smooth and had greatly aggravated those difficulties. He was sure the House of Commons would support the Government in their decision to pay on 15th December and to pay in gold. The whole world had an immense, vital, practical, material interest in the solvency and fidelity of Great Britain.

Debts and defence.

It was said that they must disarm in order to please the United States and win their favour. He did not admit for one minute that there was the slightest connection between debts and national defence. Continuing, Mr. Churchill said that they ought never to have associated themselves with France in dealing with the United States upon War Debts and they ought never to have tolerated, let alone encouraged, the idea that France might be allowed to pay the United States and not to pay Great Britain. The situation had been changed by the French vote and they in Great Britain were absolutely free from all contact with France in their negotiations with the United States. Let them be sure that they began on that basis from that day.

Rt. Hon. Sir Robert Horne (Unionist, *Glasgow, Hillhead*) agreed that in the matter of the American Debt Great Britain ought to act alone. They had quite a fair ground for separate dealings in the fact that the settlement effected with them was much more exacting than that with other nations. He did not at all despair that in a future by no means remote, when they got to grips with America themselves, they would be able to reach a reasonable agreement. When that had been accomplished, his belief was that the result of the Conference at Lausanne would be regarded by historians as the first great step in the movement that ultimately led to world recovery.

Upon the actual proceeding which had been taken now there were those who said, "Why do you not default?" They were the greatest creditor nation in the world still. The world owed them something like £4,000,000,000, but that was not so much at present-day values: it was still certainly well over £2,000,000,000. They had a vast interest in preserving the sanctity of contracts. The spectacle of Great Britain defaulting upon her obligations would, indeed, be one of which advantage would be taken by people all over the world. It would undermine the whole structure of credit upon which the world's trade at the present time was carried on.

Buying an opportunity of negotiation.

People might ask, "Are you going on paying?" That question was not one which was capable of answer except in circumstances in which it was appropriately raised. What they were doing at the present time was that, at a time when it was not impossible for them to pay, they were buying an opportunity of negotiation through which they hoped to bring about agreement upon revision which all the world wanted, and to avoid the disaster of default, which would only ruin the world. He did not believe that the American statesmen were going to be either so callous or so frivolous that they would not pay attention to those great issues.

Rt. Hon. D. Lloyd George (Independent Liberal, ***Carnarvon Boroughs***) remarked that there was not an American newspaper that did not say ten years ago: "Britain has paid us honourably, has shown such a fine example: we must endeavour to treat her fairly, honourably, leniently, indulgently." Since then they had paid £326,000,000 and on the morrow they were going to add another £30,000,000. They had had to pay £357,000,000 and had had the highest tariff in the world put against their goods. He was against repudiation. But it was not repudiation when there was a great cataclysm in the world, where everybody was suffering, to say: "Our book debts are far higher than our debts, but we cannot collect them. We would not do it: it would bring disaster on the world if we did. We ask you to come and talk about it and say whether we could not have another moratorium, a reduction, or wipe the whole thing out." They were entitled to that.

Parley before paying.

He regretted that the Chancellor of the Exchequer did not insist upon a parley with the United States before paying. Let him take a bold line and say, "This thing has got to stop. . . We have made the greatest sacrifices in money and preserved our honour and saved the liberties of the world, and we must be heard."

Rt. Hon. Sir Francis Acland (Liberal, ***Cornwall, N.***) said that when the word of Great Britain was given they did their best to carry it out and they were looked up to still by foreign nations on that account. That was enough to have made it right for the Government to pay. If in the matter of the Debt they were to default it would make people doubtful whether they intended to keep their word in other matters. They wanted the League of Nations movement in general, and the World Economic Conference in particular, to result in great new international agreements, which Great Britain would undoubtedly keep. If they looked forward to that, they could not have it one way one time and another way another time.

The Government were right in stating firmly that this question must be settled soon, and settled once and for all. He appealed to the Government not to wait until the World Economic Conference or some other Conference was assembled, but to prepare, if possible in concert with their many friends across the Atlantic, a plan for a final settlement which Great

Britain could honourably offer and the United States could honourably accept, and to place that plan, in words easily to be understood, before the people of the United States and of the world.

The last payment.

Rt. Hon. George Lansbury (Leader of the Opposition) said he could not gather anything from the British Note to the United States on 11th December other than that the British Government had definitely decided that this was the last payment—indeed that the payment before this was to be regarded as the last payment under the terms of the agreement—and that the present sum was being paid on new terms which the British Government themselves had laid down. Sooner or later they must have an International Court to deal with the subject of national debts generally. He did not want to line up with France and Germany against America. He wanted the world to line up all together.

The Chancellor of the Exchequer did not think that they need feel dissatisfied with the progress they had made in the course of the negotiations or conversations with the Government of the United States. In their first Note they made two requests. One, the minor one, was for the suspension of the payment of 15th December. The other, the infinitely more important one, was the request that the United States would exchange views with them on the whole subject of the Debt still owing. That major point the United States had conceded at once. They found themselves, therefore, in the favourable position that they had raised no obstacle to a friendly conversation upon the whole subject of the Debts by the refusal of a payment to which the United States' Government attached so much importance.

After further debate the Motion for the adjournment of the House was agreed to.

LAUSANNE CONFERENCE.

(Non-German Reparations: Committee appointed.)

On 14th December, in the House of Commons,

Capt. P. Macdonald (Unionist, *Isle of Wight*) asked whether, under the Lausanne Conference Final Act, the Committee had been set up to consider the group of questions known as non-German Reparations ?

The Under-Secretary of State for Foreign Affairs (Mr. R. A. Eden) replied in the affirmative. The Committee, he said, was, as provided in Annex 3 to the Final Act of the Lausanne Conference,* composed of one representative of each of the Governments concerned, namely, those of Australia, Belgium, Bulgaria, Canada, Czechoslovakia, France, Greece, Hungary, India, Italy, Japan, New Zealand, Portugal, Roumania, South Africa, the United Kingdom and Jugoslavia.

Owing to unforeseen circumstances the assembly of the Committee, which was fixed to take place early in November, had been postponed and no date for its meeting had yet been fixed.

German payments.

Replying to **Mr. N. Maclean (Labour,** *Glasgow, Govan*),

The Financial Secretary to the Treasury (Mr. L. Hore-Belisha) said: "The total value of the German Reparation payments and deliveries in cash and in kind received by France and the United Kingdom respectively, excluding receipts on account of costs of Armies of Occupation, etc., have been as follows:—

France	£295,000,000
United Kingdom	£122,000,000

"The figures, so far as they relate to the period before the Dawes Plan and the Young Plan, have been taken from the accounts of the Reparation Commission, and conversion into sterling has been calculated at the old par of exchange.

"These figures include the value of the Saar Mines and of certain State properties in ceded territories, but they do not include any valuation in respect of the cession of the Mandated Colonies or of Alsace-Lorraine."

* The third Annex stated that the Governments concerned :—

Animated by the same spirit as inspired the Declaration signed on the 16th June by the Five Inviting Creditor Powers,

Are agreed and recommend to the Conference that a Committee consisting of one representative of each of the Governments concerned shall be set up to consider the group of questions known as "non-German Reparations" and cognate questions viewing them within the framework of a general settlement,

Are of opinion that, in order to permit the work of the said Committee to proceed undisturbed, without prejudice to any question of principle or to the solutions which may ultimately be reached, the execution of the payments due in respect of the above-mentioned questions should be reserved until the 15th December next failing a settlement before that date.

LEAGUE OF NATIONS.

(Arrears of contributions; Payments of Great Britain and the Dominions: 30 per cent. of League expenditure.)

On 24th October, in the House of Commons, replying to **Sir William Davison (Unionist,** *Kensington, S.*),

The Secretary of State for Foreign Affairs (Rt. Hon. Sir John Simon) said, with respect to contributions to the League of Nations from its Members, that the total sum in arrears on 30th September, 1932, was 17,049,160 gold francs, but this date was not the end of the League's financial year. The following countries were in arrear on that date for various sums: Peru, Honduras, Nicaragua, Paraguay, Salvador, Bolivia, Argentine, Guatemala, Chile, Cuba, Dominican Republic, Liberia, China, Albania, Colombia, Haiti, Panama and Uruguay.

"I understand," he added, "that hitherto these arrears have been made good from surplus funds and that no increase had been made in the proportion of contributions due from Great Britain and the British Dominions. . . It has been the practice of the League in some years to reduce contributions of States Members of the League by deduction, in proportionate shares, of the surplus from the previous year. To this extent the contributions of the States who have paid their allotted shares punctually have possibly not been reduced to the extent they might have been if all contributions had been paid promptly."

In arrears for many years.

Sir W. Davison: "Can the right hon. Gentleman say whether these countries, many of which have been in arrears for many years, still have rights of voting, and whether it is true to say that Great Britain and the Dominions pay between 40 and 50 per cent. of the whole expenditure of the League?"

The Secretary of State for Foreign Affairs thought that the figure was more like 30 per cent. The matter was raised both at the Council and the Assembly this year, when appeals were made to the countries in arrear to meet their overdue contributions. The United Kingdom Delegation strongly supported this view.

Capt. P. Macdonald (Unionist, *Isle of Wight*): "Can the right hon. Gentleman say from what source these surplus funds were made up? Do not they come from nations like the British Empire who are already contributing more than their share?"

The Secretary of State for Foreign Affairs: "The situation is this: It has happened sometimes that in past years what has been budgeted for and collected has not been spent. The question is how to deal with the surplus. It is from that surplus hitherto that it has been possible to make good the deficiencies to which attention has been called. That process cannot go on."

OTTAWA AGREEMENTS ACT.

(Final stages of discussion in both Houses; Wheat imports into the United Kingdom: the duty on foreign grain; Imports of fruit from the Dominions: object of the Agreements; Dumping of foreign goods: the case of Russian timber; Government's view on Dominion tariff tribunals; Effect of Ottawa Agreements on World Economic Conference.)

On 15th November the Royal Assent was given to the Ottawa Agreements Act. In the last issue of the JOURNAL (Vol. XIII., No. 4, pp. 846-890) there was published a full summary of the provisions of the Measure and of the proceedings on it in the House of Commons up to the end of the Second Reading debate. As no amendments were made during the passage of the Bill through either House, no further summary of the terms of the Measure is considered necessary.

DEBATE IN HOUSE OF COMMONS.

The Bill was discussed in Committee of the whole House of Commons on four days—28th and 31st October, and 1st and 2nd November.

On 28th October,

Mr. T. Williams (Labour, *Don Valley*) moved an Amendment to omit the 2s. per quarter duty on imported grain from foreign countries. He asked whether the world price, referred to in several places in the Agreements, would be the world price with or without the duty? Would the world price be determined when the purchases were made in Canada, Australia, or elsewhere, or, as the result of day-to-day fluctuations in the price level of the Dominion imports of wheat or flour, would the price be fixed at the British ports? They had partially expected that the Government would try to impose a quota for the purposes of Dominion wheat. Ministers found that was wholly impracticable. They reverted, therefore, to the duty in its present form, which the Labour Party thought perhaps was a less scientific method of conceding Preference to the Dominions.

Mr. Graham White (**Liberal**, *Birkenhead, E.*) said it was freely stated that a portion of the Canadian Cabinet was opposed to this proposal. It was known that a very important section of the Canadian growers were opposed to it, and said so.

Empire wheat imports.

Mr. H. G. Williams (**Unionist**, *Croydon, S.*) said there was not the slightest doubt that Great Britain could get the whole of her wheat imports, duty free, from the Empire, and he urged Members who held the Free Trade view to abstain from confusing a tax with a protective duty. If Canada and Australia had the assurance that, as a result of this import duty, they would not only succeed in retaining their existing important share in the British market, but would also be given an opportunity of increasing that share, then their opportunities for organising a disposal of the rest of their crop in other markets were enhanced by the fact that they had a firm foundation for one part of their trade.

The Financial Secretary to the Treasury (**Mr. L. Hore-Belisha**) remarked that the Government's object was for the country to take a greater supply of Empire wheat at the expense of foreign wheat. The duty was upon foreign wheat only, and in so far as they purchased as a result a greater quantity of Empire wheat the duty would fall upon an ever-diminishing proportion of their imports. Members had asked how were the Government to determine what the world price was and what was their machinery for putting this safeguard into operation. The answer was that the world price was a quoted price. He denied absolutely that the object of the Government was to enable the Dominions to import into Great Britain a greater volume of flour.

Mr. T. Williams: " It will be the effect."

The Financial Secretary to the Treasury: " I say that is not our object, and we do not contemplate that that will be the effect." As to the question whether the 2s. was to be reckoned in the world price, Mr. Hore-Belisha added, the answer was that the world price was quite independent of the 2s. The world price was the quoted price, and they did not intend to allow the Empire seller of wheat to take advantage of the 2s.

On a division the Amendment was negatived by 200 votes against 51.

Fresh and raw fruit.

On 31st October,

Mr. Rhys Davies (**Labour**, *Westhoughton*) moved an Amendment to omit fresh or raw fruit from the Agreements. He contended that the proposals were deliberately intended to raise the wholesale price for the Dominion producer. He wished to know whether in giving these Preferences to the Dominions, and especially to Canada, any question was ever raised in the Conference as to the number of people sent home to Great Britain by the Canadian Government because they were a burden upon their public funds.

The Under-Secretary of State for Dominion Affairs (**Mr. M. MacDonald**) referred to the comprehensive nature of the Amendment, which, he pointed out, would exclude apples, pears, bananas, oranges, grape fruit, plums, grapes, peaches and nectarines. As regarded some of those fruits, there was no question at all either of the supplies coming into Great Britain being interfered with or of retail prices to the consumer being raised. In the case of plums, the proposed new duty was to operate for a very limited period during which almost their whole supplies came from South Africa.

The operation of the duty was not intended to give South Africa any advantage against existing competitors, because in fact there were no existing competitors; but the duty had been put on in order to secure South Africa against any possible future competitors.

Oranges from the Dominions.

In the case of oranges, it was the deliberate purpose of the new duty to enable their Dominion suppliers to compete more successfully against foreign importers. The objective was to try to get for the Dominions a larger share of the existing market, and it was on the matter of increased quantity rather than increased price that the Agreements concentrated so far as fruit was concerned.

It seemed to be thought that a great mistake had been made in causing the duty on grape fruit to operate throughout the year. If the statistics published by the Empire Marketing Board of fruit supplies in 1931 were examined, it would be found that there was not a month in the year in which supplies of grape fruit were not coming in from one part of the Empire or another. They should endeavour to give the West Indies in the winter months, as well as South Africa in the other months, a larger share in the British market for grape fruit.

On a division the Amendment was negatived by 270 votes against 53.

Imports of Russian timber.

On 1st November the Article in the United Kingdom-Canadian Agreement* dealing with the dumping of foreign goods was debated, and in considering an Amendment moved from the Labour benches to the effect that " State action " in this connection should not include economies effected in

* *Vide* Vol. XIII., No. 4, p. 850.

production by reason of the elimination of rent, interest on capital, or other overhead charges,

The Financial Secretary to the Treasury said that clearly if they wished to enter into commercial relationship with Canada on a preferential basis it would be advantageous to secure that no other country should, by State action, frustrate what they contrived to do. Canada was the only Dominion which asked for this Clause, but all the other Dominions would naturally benefit by it.

Mr. R. C. Wallhead (Labour, *Merthyr*) said that he understood that the timber which came into the country from Canada was about 6 per cent. of the total. The best Canadian timber that entered into competition with Russian timber came from British Columbia and it was not possible to bring timber at anything like an economic price from British Columbia to compete with Russian timber.

Russian lumber camps.

According to a report by Mr. Stewart, one of the highest authorities on the timber trade in this country, who made a tour of the Russian lumber camps, he found that the conditions there were quite as good as those in the lumber camps of America or Canada. He would keep out sweated goods, no matter where they came from, if it was demonstrated that they were sweated goods, but he was not prepared to keep out goods because they were produced under a sensible system.

The Duchess of Atholl (Unionist, *Kinross and West Perth*) said that Mr. Wallhead could not tell them to what year he was referring when he said that Canada only sent 6 per cent. of the timber imported into this country, and he tried to fall back on an average. To take an average was very unfair because for five years there had been a steady reduction in the quantity of sawn timber sent to the United Kingdom from Canada owing largely to their great purchases during that period of Russian timber. She did not claim that Canada in the near future could send them anything like all the timber that they would want. They had to recognise that she had a very long way to send it, but she had now, thanks to the Import Duties Act, a preferential tariff in her favour.

Mr. Wallhead : " I suggest that Canada never can supply the needs of this country at an economic price."

The Duchess of Atholl : " Time will have to show that." The fact that so soon after the Ottawa Agreement a delegation should have come from British Columbia showed that they did not think the distance too far for them to come and see what the British market needed. It seemed to her very unfriendly to their kith and kin across the water to say that it was impossible that they should ever be able to meet their needs. " Let us," she said, " at least give them the chance to meet all they can, and surely that is what we are bound to do under the Ottawa Agreement."

On a division the Amendment was negatived by 323 votes against 40.

The Third Reading debate in the House of Commons took place on 3rd November, when an Opposition Amendment for the rejection of the Bill was negatived by 416 votes to 68. The Bill then passed the Third Reading.

DEBATE IN HOUSE OF LORDS.

On 9th and 10th November, in the House of Lords, the Bill was debated on the Order for Second Reading.

The Secretary of State for War (Viscount Hailsham) pointed out that when the Ottawa Conference met in July, 1932, the increased stress of the world economic depression emphasised the urgency of finding some effective means to save the Empire, as far as possible, from the effects of that depression. It was impossible to have a prosperous British Empire while all the rest of the world was getting further and further into economic disaster. It emphasised also the importance of finding a means of extending Imperial trade which would encourage the world to look for similar means of curing its own economic ills. Dealing in some detail with the main features of the Agreements, Lord Hailsham said it was hoped that by the arrangements entered into as regarded meat a more stable and regular level of prices would be secured.

It was, perhaps, some testimony to the foresight of those who had to negotiate the Agreements that the method they were able to adopt at Ottawa had enabled the British Government, within the last few days, to take a step which the agricultural community welcomed and recognised as likely to prove effective in checking the fall which had happened since the Ottawa Agreements—an arrangement which it would not have been possible to make with any possibility of success but for the Agreements.

Advantages to United Kingdom.

With respect to United Kingdom producers, he said that the Dominions gave an increased Preference over a very wide range of goods. The trades themselves believed those Preferences would very materially improve their prospects of obtaining substantial sales. None of them at Ottawa thought that their measure of success or failure was to be ascertained by calculating the exact amount of Preference that they were able to gain on this, that, or the other article. The things done at Ottawa were to lay down the general principles regulating trade between the United Kingdom and the Dominions—principles which would form an enduring basis for an increasing share in the Dominion markets.

Referring to the setting up of a Tariff Board, Lord Hailsham said there was an express provision that no protection was to be increased against United Kingdom production except after an investigation and report by that tribunal. It was, of course, possible to sneer at the tribunal and to say that they could not trust a Dominion tribunal to be impartial and unbiased. It was not from that point of view that the British Delegation approached those negotiations. "We believed," Lord Hailsham remarked, "that we were just as much entitled to trust to the fairness of an Australian and Canadian tribunal as we should have been to trust to the impartiality of a United Kingdom tribunal."

Lord Strachie moved the rejection of the Bill on the ground that it would not do very much good to agriculture.

A Labour View.

Lord Snell said that, so far from uniting the British Empire and fostering that common aim which they all desired, it seemed as though Ottawa was the occasion for stubborn bargaining, each section of the Empire being for itself and almost none for their Motherland. The Labour Party did not intend to be bound for ever by what had taken place at Ottawa, and by what they were at present unable to resist. The test for him was whether what had been done at Ottawa would unite the people of the British Commonwealth of Nations more closely together. If the desired end was to bring the Empire closer together and to intensify the spiritual relationships which existed between its separate parts, then that, he feared, was precisely what had not happened.

"We in the Labour Party," Lord Snell remarked, "were the heirs of the anti-Colonial policy of past generations. Labour audiences disliked both the name of Empire and what it implied. During the last twenty years we have gradually changed that into a friendly interest in the development of proper relations between ourselves and the Dominions, on the understanding that it was going to be for the general good, in which the workers of this country would participate. That plant is not deeply rooted. Any adverse wind or bitter frost might destroy it altogether, and it will be hard to make the workers of our country who are earning £3 per week, if they are fortunate, understand why they should have an additional burden put upon them on behalf of people who are earning £5 or £6 per week."

Viscount Snowden thought that one of the most serious features of the question was that the House of Commons, under the compulsion of the Dominions, had surrendered its authority over fiscal policy. At Ottawa every Dominion was obsessed by the idea of economic nationalism. Every Dominion then was looking only to what it could get and how much in particular it could get from the Mother Country. It was no wonder that Mr. Chamberlain said that he found the bonds of Empire had worn very thin,* and those bonds could only be strengthened by the British Government, the people of the United Kingdom, making fresh concessions to the Dominions.

The Agreements and Tariffs.

The Agreements certainly had not lowered tariffs in the United Kingdom. Lord Hailsham admitted that the British delegation had been obliged to agree to an increase in certain of their new tariffs to meet the demands of the Dominions. They had raised duties on the old tariffs and had imposed new duties. He would give one or two instances of what had been secured in the way of reducing Dominion tariffs. They had been reminded that Schedule E contained a list of 217 articles upon which duties had been reduced, or an increased Preference granted to the United Kingdom.

A statement appeared in the Press at the time of the Conference that Mr. Bennett had presented to the British delegation a list of 8,000 items upon which he was prepared to make some concession, declaring that it would mean an increase of trade between the United Kingdom and Canada of about £12,000,000 a year. There were, he believed, 1,500 items on the Canadian Tariff Schedule, and 217 of them were included in Schedule E. The other 1,300 apparently had not been touched: the duties upon them remained the same.

Additional charges: the exchange duty.

Reference had been made to certain charges above the tariff imposed. Most of those charges were not affected or changed by the alterations. For instance, the exchange duty —the dumping duty, as it was sometimes called—was not taken off.

That meant that the few articles—only 70 of them—on the so-called free list had to pay the exchange duty. Then in addition they had a special duty of 3 per cent. That made 17 per cent. impost on those articles which were said to be on the free list. The exchange duty was not charged upon imports from the United States, because the American exchange had not fallen. They had the curious result that where the Preference on British goods as against America did

* *Vide* JOURNAL, Vol. XIII., No. 4, p. 860.

not exceed 10 per cent., the American goods entered Canada at a lower rate than the goods on the British free list.

He admitted that in Schedule E they would find a reduction of duties, but if they examined them very closely they found that where Canada did not produce the goods they were on the so-called free list. Where the goods were not to a great extent competitive with Canadian manufactures the duty was not so high: but in every case where the goods were in competition with Canadian manufactures the duty was of a prohibitive character.

The 1930 Imperial Conference.

Was the House aware of what Mr. Bennett did in anticipation of the Imperial Conference of 1930? Just before he came to England he raised the existing duties three and four times over. Duties of 16 per cent. were raised to 80 and 90 per cent. Then Mr. Bennett said: "If you will agree to tax foreign imports, I will give you a reduction of 10 per cent. in your preferential rates." That was simple mockery. And that was what had been perpetrated under the Agreements they were now asked to approve.

It seemed to him that the British delegation never for a moment considered the effect of the Agreements upon world trade, which was, of course, far more important to the United Kingdom than Dominion trade. These tariffs would increase the cost of raw material and food to their people. That would have the result of increasing the cost of production and lessening their competitive power in the world markets. Further, if by these Agreements they could succeed in keeping foreign goods to a greater extent out of Dominion markets, what was going to happen? Were the foreign countries going to stop producing those things? Not at all. What they were going to do was to cut into markets where British exports now held the field.

They had an explicit undertaking that nothing would be agreed to in Canada which would limit the freedom of the British Government to ask for a reduction of world tariffs at the forthcoming World Economic Conference. He submitted that they had tied their hands and had not that freedom.

Greater unity.

Viscount Astor believed that, taking the Bill as a whole, it gave effect to closer Imperial economic unity. He considered, however, that the new instrument which the country was being asked to adopt—the so-called quota—was a very dangerous instrument. It had all the disadvantages that might be associated with tariff duties as well as many disadvantages of its own. They could not escape from the charge of raising the price of food if they did it by means of a quota, or by voluntary agreements for restricting imports, any more than if they did it by ordinary straightforward tariff revenue duties.

Lord Strickland said that the Clause in the Agreements whereby a self-denying pledge was given by the Dominions not to encourage speculative and unpromising competition in setting up new industries in competition with those established in the Mother Country marked great progress in the realisation of the Imperial idea. He was impressed, as Lord Snowden was, with the fact that the Schedules of the Agreements were incomplete. They bore evidence of having been in some parts hurriedly put together and they were throughout somewhat eclectic.

Nevertheless the Agreements contained provisions for adjusting minor defects and details of the Schedules. There was no tariff which did not contain anomalies: there was no tariff which did not contain contradictions. It would have been miraculous if the Schedules added to the Ottawa Agreements were unique in avoiding imperfections.

Surrender to "High Protection."

Lord Rhayader, who confessed himself a confirmed Free Trader, with his faith absolutely unshaken by recent controversies or events, said that Ministers had destroyed the national character of the Government by their persistent advocacy of limitations on trade and of tariffs. The Ottawa Agreements represented the surrender of the British Government to the high Protectionists in the Dominions. The crowning failure of Ottawa was that the Governments at the last moment refused to pledge themselves to lower the high tariffs in the Dominions. That Resolution, which was proposed, he was informed, was not signed.

Lord Parmoor contended that in matters of taxation in Great Britain the supremacy of the House of Commons was unquestionable and unfettered. Yet they found in these Agreements an authority directly introduced which, if it had any value at all, would undoubtedly interfere with that supremacy. In the Agreement between the United Kingdom and New Zealand it was stated:—

> "His Majesty's Government in the United Kingdom undertake that the general *ad valorem* duty of 10 per cent., imposed by Section 1 of the Import Duties Act, 1932, on the foreign goods specified in Schedule C shall not be reduced except with the consent of His Majesty's Government in New Zealand."

There was a solemn undertaking which disentitled the House of Commons to exercise its undoubted and admitted privilege as regarded a reduction of taxation without the assent of the New Zealand Government. The same provision applied to all the countries embraced by the Agreements. It was wholly out of accord with constitutional practice and with a constitutional principle which was one of the essential bases of their Parliamentary success in Great Britain.

Trade and Empire contacts.

Earl Peel said there was nothing like trade to bring people together, to make them understand each other, to establish those thousand and one contacts which were so essential if they were to have a united Empire. He put those contacts even higher than the actual material benefit that came from the exchange of goods. It was important that any of the frayed ends which there must be in Agreements ranging so wide should be taken up at once as soon as the Agreements were settled, and by mutual arrangement. Referring to the Report made by the Indian delegation to the Indian Government, Lord Peel said that to those who were interested in the political development of India it was one of the best auguries he had seen of the capacity of Indians for managing their affairs.

The Marquess of Crewe said that a number of those belonging to the Liberal Party who voted for the National Government at the last Election felt sentiments of profound disappointment at the action which had been taken. They accepted the introduction of tariffs to meet an emergency, but they did not foresee, and were not told at the time, that the acceptance of that principle involved a complete *volte face* in the fiscal policy of the country. He wondered whether there had not been at the back of such discussions as had taken place at Ottawa the idea that if sacrifices had to be made Great Britain should be the more ready to make them, because presumably (although he thought the fact was open to dispute) she was the more able to make them.

The International Conference.

Referring to the forthcoming International Conference, Lord Crewe said he was afraid that when the British representatives came forward with the Ottawa Agreements as representing any shadow of an argument in favour of a general reduction of tariffs they would utterly fail to convince those with whom they were conversing. What the Government were doing was to encourage the formation all over the world of high tariff groups and low tariff groups, and they were enlisting in the high tariff groups.

Viscount Elibank claimed that a great deal was done at Ottawa with respect to the Colonies and Dependencies. There were obtained reciprocal Agreements between not only the United Kingdom and the Colonies, but also very valuable reciprocal Agreements between the Colonies and the various

Dominions. He thought the House would find in every Colony and Dependency great gratitude for the Agreements. They were passing them through their Legislative Councils in every instance with large majorities and without any demur.

Lord Ponsonby believed that the best way to kill Protection was to try it. But it was a heavy price, because in the demonstration of its dangerous consequences certain vested interests would grow up which would be very difficult to remove.

The Secretary of State for War replied on the debate, and, after the Amendment had been negatived by 139 votes to 34, the Bill was read a second time.

INTER-IMPERIAL TRADE.

(The Ottawa Agreements; Use of Empire timber: Office of Works policy; Canadian Exchange Dumping Duties; Empire labour content; Australian and Canadian Tariff Boards; Coal exports to the Dominions; Empire trade in relation to adverse trade balance with U.S.A.; Canadian and U.S.A. wheat; A Preference to Colonies withdrawn.)

On 31st October, in the House of Commons, in reply to **Sir Arthur Samuel (Unionist,** *Farnham*),

The First Commissioner of Works (Major the Rt. Hon. W. Ormsby-Gore) said that the Office of Works had been in touch not only with the Imperial Institute but with all bodies concerned with the encouragement of the use of Empire timber, and contracts were let to firms offering such timber for use in public buildings so long as the prices were within the usual Preferences accorded under present policy. Every endeavour would be made to secure suitable home and Empire timbers for Government purposes.

Sir Arthur Samuel asked whether Mr. Ormsby-Gore had assured himself that they could get an adequate and continuous supply if the orders were given? Further, did he realise that the public did not know that any woods other than mahogany, walnut and oak were available, and that it was necessary to bring other decorative Empire-grown woods to their knowledge?

The First Commissioner of Works agreed that the woods mentioned were those chiefly used. Practically the whole of the contracts for furniture placed by his Department specified that the mahogany and the walnut were to be Empire woods. Of oak they had not a sufficient supply of the right quality.

As to other more or less fancy woods, efforts were made to popularise them, but until furniture generally was made of those new woods it was difficult to prescribe that they should be used.

Import of soft woods.

On 6th December,

Mr. A. C. Bossom (**Unionist**, *Maidstone*) asked about the use of Canadian soft woods.

The First Commissioner of Works: "I am advised that there will shortly be available in this country Canadian soft woods which can be regarded as adequate substitutes for the European soft woods normally used at present for carpentry and internal joinery for building purposes. I am also advised that there is no technical objection to the standard Canadian sizes in which this timber will be imported being used in place of the corresponding, but slightly larger, European sizes.

"I am, accordingly, giving instructions that, in all major building contracts for which my Department obtains tenders after May, 1933, it shall be specified that the soft wood used for carpentry and internal joinery (except in a certain number of cases where a special finish is required) shall be from Canadian or other approved Empire sources, and that where Canadian wood is used the standard Canadian sizes will be accepted."

Rt. Hon. Sir Herbert Samuel (**Liberal**, *Darwen*): "Is the decision to be regardless of the cost of timber?"

The First Commissioner of Works: "No, this is a specific act of Imperial Preference."

Mr. J. R. Remer (**Unionist**, *Macclesfield*) asked whether the First Commissioner would be careful to see that the concession he had given would be confined to British Columbian timber and would not include Eastern Canadian timber?

The First Commissioner of Works: "Certainly not. It will be open to all Canadian or Empire timbers generally, including home-grown."

Exchange Dumping Duties.

On 1st November, in reply to a question as to whether the special dumping duty imposed by Canada on imports from countries whose currencies had depreciated as compared with the currency of Canada was being applied to imports from the United Kingdom,

The Secretary to the Overseas Trade Department (**Lt.-Col. J. Colville**) said that the special duty was still being applied to imports into Canada of goods from the United Kingdom of a class or kind made or produced in Canada. "I should point out," he added, "that under Article 17 of the Canadian Agreement* His Majesty's Government in Canada have undertaken to give consideration to the reduction and ultimate

* *Vide* Vol. XIII., No. 4, p. 849.

removal of the existing exchange dumping duties as soon as circumstances permit, and we attach importance to that undertaking."

Asked whether the Tariff Board or the Canadian Government would give consideration to the matter,

The Secretary to the Overseas Trade Department replied that it would be the Canadian Government themselves.

Sugar machinery: exports to Australia.

On 8th November,

Mr. P. J. Hannon (**Unionist**, *Birmingham, Moseley*) asked whether the export of sugar-making machinery to Australia had not practically ceased in consequence of the high tariff in that Dominion amounting, even with Preference, to 40 per cent. *ad valorem?*

The Secretary of State for Dominion Affairs (**Rt. Hon. J. H. Thomas**) referred Mr. Hannon to Articles 10 and 11 of the United Kingdom-Australian Agreement signed at Ottawa. In accordance with those Articles, he said, the duties referred to would fall for review by the Tariff Board in Australia as soon as practicable.

Mr. Hannon inquired whether Mr. Thomas would call the attention of the Australian Government to this particular case?

The Secretary of State for Dominion Affairs said it would be unfair to draw the attention of any Dominion to a particular case. "The Agreement," he added, "sets out that there shall be a fair and impartial review, and the conditions governing it are also fair."

Sir Percy Harris (**Liberal**, *Bethnal Green, S.W.*) asked whether the answer of Mr. Thomas meant an indefinite time, or until the revenue of the Australian Commonwealth had improved?

The Secretary of State for Dominion Affairs replied that "as soon as practicable" required a common-sense interpretation. "We trust them and they trust us, and we hope that both will do the right thing," he concluded.

Empire labour content.

On 29th November, in reply to a question as to what proportion of Empire labour content the Government had decided to specify in respect of imported goods receiving Preference under the Ottawa Agreements Act,

The President of the Board of Trade (**Rt. Hon. W. Runciman**) said: "The existing rule prescribes that manufactured goods consigned from the Empire, in order to enjoy free entry or preferential treatment, must contain at least 25 per cent. of Empire labour and material. The only exceptions hitherto made to this rule have been in regard to sugar and tobacco, to which special considerations apply, and in respect of optical glass and optical elements which is also a special case for which a requirement of 75 per cent. has been laid down.

"The question of increasing the 25 per cent. requirement in respect of certain classes of goods is at present under active consideration."

In reply to a further inquiry as to whether he was aware that unless the Empire content was increased by much more than 25 per cent. a great deal of the value of the duty imposed by the Import Duties Act would be lost to Great Britain,

The President of the Board of Trade said: "We have been in such close contact with all interests concerned that I am well aware of the anxiety. It is not a simple matter, but we are going ahead as fast as we can."

Australian Tariff Board.

Mr. G. Mander (Liberal, *Wolverhampton, E.*) asked to what extent the Australian Government had reduced duties on British goods as a result of consideration by the Australian Tariff Board in accordance with the Ottawa Agreements?

The President of the Board of Trade: "The Commonwealth Government have made a number of reductions in the duties on Empire and foreign goods since the Ottawa Conference. It is understood, however, that as a result of an election pledge they are precluded from making any extensive reductions except on the recommendation of the Tariff Board. Consequently, in the Trade Agreement concluded at Ottawa, they were only able to enter into definite commitments as to the margins of Preference applying to United Kingdom goods over foreign goods.

"The Commonwealth Government also undertook in that Agreement that all the existing protective duties on United Kingdom goods should be reviewed by the Tariff Board. This review, I have no doubt, will begin as soon as possible."

Dominions and British coal.

Mr. W. Lunn (Labour, *Rothwell*) asked what was the amount of import duty levied on bituminous coal from Great Britain into Canada and also into South Africa, and whether any additional Preference was secured for British coal at the Ottawa Conference?

The Secretary to the Overseas Trade Department said the import duties levied on United Kingdom bituminous coal in Canada and the Union of South Africa were 35 cents and 3s. per short ton respectively. Under the Trade Agreement with Canada an additional Preference of 10 cents per ton was accorded to anthracite coal from the United Kingdom (in which class of coal the majority of their trade with Canada was done) but there was no increase in the Preference on bituminous coal. There were practically no imports of coal into South Africa, and no tariff Preference for coal was provided for in the Agreement with the Union.

Mr. Lunn asked how it was possible to sell British coal to British Dominions when conditions were so much against them?

The Secretary to the Overseas Trade Department: "In anthracite coal, which forms the greatest proportion of our trade with Canada, we secured an actual Preference which is much more valuable than the free entry that is the position in other countries."

Woollen and worsted goods.

Mr. E. Mallalieu (Liberal, *Colne Valley*) asked if there had been any change in the Australian tariff since the conclusion of the Ottawa Agreements for the benefit of the woollen and worsted industries in the United Kingdom?

The Secretary to the Overseas Trade Department, in reply, said the Customs duties on United Kingdom woollen piece-goods, yarns and tops had been reduced. In addition, increased margins of Preference were now enjoyed by various other classes of woollen and worsted goods.

Mr. Mallalieu: "Is it not a fact that the only redemptions that have taken place are of temporary duties imposed by Mr. Scullin during the financial crisis in Australia?"

The Secretary to the Overseas Trade Department: "I think that my hon. Friend is misinformed."

Empire trade and adverse trade balance with U.S.A.; Canada and U.S.A wheat.

On 7th December.

Sir B. Peto (Unionist. *Barnstaple*) asked whether, as the United States insisted on payment of the instalment of Debt and interest due on 15th December, the Government would denounce any treaties that interfered and so arrange British tariffs on the major items of the United States' exports to the United Kingdom as to enable that trade to be transferred to Canada and other parts of the Empire?

The Lord President of the Council (Rt. Hon. Stanley Baldwin) referred to paragraphs 19 and 20 of the British Note of 1st December to the United States' Government,* to

* The paragraphs referred to in the British Note of 1st December (Cmd. 4210) stated that in 1923, when the British War Debt was funded, the War Debt annuity amounted to £33,000,000, or approximately half the value of the British domestic exports to the United States (£60,000,000).

From 1933 onwards the annuity which Great Britain would have to pay would amount at present rates of exchange to approximately £60,000,000, whereas the British domestic exports to the United States amounted to only £18,000,000 in 1931 and were not likely to exceed £16,000,000 for 1932.

The imports into the United Kingdom from the United States which, he said, he had nothing to add. He was not sure that he understood exactly what sort of agreement Sir Basil Peto had in mind when he asked whether the Government would utilise the visit of Mr. Bennett to England to arrange terms of a barter trade agreement with Canada for the substitution of Canadian wheat for United States' wheat in United Kingdom markets.

He reminded Sir Basil that, under the Ottawa Agreements, Canadian wheat now enjoyed a Preference of 2s. per quarter over foreign wheat.

A Preference withdrawn.

On 13th December,

Mr. H. Graham White (**Liberal**, *Birkenhead, E.*) asked why crude peanut oil had been withdrawn from Schedule F of the Anglo-Canadian Agreement concluded at Ottawa, and whether this had been done with the consent of the Government?

The Secretary of State for the Colonies (**Rt. Hon. Sir P. Cunliffe-Lister**) said it had been represented to him on behalf of the Canadian Government that the inclusion of this item in the Schedule of Preferences granted to the Colonial Empire by Canada had been made under accidental circumstances and had been found on later examination to cause them embarrassment. In the circumstances he felt that he had no option but to agree to its withdrawal.

Mr. White inquired whether contracts were made and engagements entered into which were likely to result in considerable losses?

The Secretary of State for the Colonies explained that the Ottawa Agreement, as signed, bound the Canadian Government to give a Preference to peanut oil from the Colonial Empire, but not if it came from the United Kingdom. Therefore, even if he had stood by the terms of the Agreement, he would not have been conferring any right on the United Kingdom manufacturer.

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showed an equally remarkable fall from £211,000,000 in 1923 to £104,000,000 in 1931 and £59,000,000 in the first nine months of 1932.

If, therefore, War Debt payments had to be resumed, it was apparent that the exchange position of the United Kingdom would need to be strengthened by a reduction of the very heavy adverse balance of visible trade between the United Kingdom and the United States, which amounted to £78,000,000 in 1931.

In present circumstances that could only be done by adopting measures which would further restrict British purchase of American goods.

ECONOMIC SITUATION.

(Opposition Amendment to the Address; Capitalist system criticised; Labour Party and Socialism; Ottawa Agreements; Tariffs; World Economic Conference; Unemployment; etc.)

On 25th and 28th November, in the House of Commons, a debate took place on an official Opposition Amendment to the Address moved in the following terms:—

"But humbly regret that Your Majesty's advisers, returned to power with an overwhelming majority on extravagant pledges to restore the economic position of the country, have failed to carry out their mandate, and whilst realising, as implied in the Gracious Speech, that prosperity cannot be achieved under capitalism, lack the courage to adopt the alternative Socialist policy of attacking the fundamental causes of the poverty problem."

DEBATE IN HOUSE OF COMMONS.

Mr. C. R. Attlee (**Labour**, *Limehouse*), in moving the Amendment, said the Prime Minister had confessed that if trade revived and they got as much of the economic prosperity under the present system as could be expected in Great Britain, they were going to have 1,000,000 or 2,000,000 people for whom no useful occupation could be found, and the most they could do was to keep them alive. Discussing the reasons for the present "economic disharmony," Mr. Attlee contended that poverty and unemployment are the inevitable accompaniments of a capitalist system based on private profit. While he agreed as to the importance of the World Economic Conference, if it ever came off, and while he recognised the evils from which they suffered apart from the international question, it was no good waiting for something to turn up. It was time Great Britain gave a lead, and the right way was to start with the reconstruction of the country on Socialist lines.

The first piece of reconstruction that would be necessary was in regard to the whole mechanism of exchange. Provided they organised external trade, and had a real control of imports and exports, they were in the position of a country isolated from the rest of the world as far as internal purchasing power was concerned, and in a position in which they could utilise the services of every man and woman who was employable. They were in a position to do something else—to turn unemployment into leisure. On the internal side they must organise the country on an equalitarian basis. They had an enormous capacity for turning out goods extremely cheaply, but only on condition that there was an enormous consumption. Therefore, unless they had an equable distribution of purchasing power they could not get the consumption to meet the production.

Preservation of Western civilisation.

Rt. Hon. Lord Eustace Percy (Unionist, *Hastings*) said that the question before them was nothing less than the preservation of Western civilisation. A vastly greater part of the wealth produced in Western civilisation to-day was produced by highly organised industry. They were not going to alter that condition merely by having the capital and the control of that industry in the hands of the State rather than in the hands of the private individual.

They were all in some degree and in some form or other in favour of a better and more scientifically planned industry for the purpose of increasing and cheapening production, because the cheapening of production was just as necessary for the purpose of raising the standard of living as for the purposes of private profit. But every advance in the planning of industry meant unemployment, and that was bad, because the unemployed man could not get any share of the greater wealth which was produced owing to his own unemployment. He believed the great bulk of the Conservative Party on the back benches were prepared to face any policy, however drastic, which would really deal with the fundamental issue of unemployment.

The First Commissioner of Works (Major the Rt. Hon. W. Ormsby-Gore) said that the Government did not take up an attitude of complacency in face of the difficulties which confronted them.

Capitalism and Socialism.

The talk of Capitalism and Socialism was becoming with a large number of Members on the Opposition side so much catch-phrases. The whole standard of living of the people had been raised by Capitalism as it could have been raised by no other system. The fundamental thesis of Marx was not borne out in practice. It was not the fact that under the capitalist system they got an enrichment of the few and the increasing poverty of the many. It was true that a percentage of their people were in a state of dire poverty, while there was, on the part of the capitalist world, the capacity to produce abundance: but do not let them suggest that the one great experiment in the alternative, namely, that of the Union of Soviet Socialist Republics, had yet solved the problem of poverty.

Rt. Hon. Arthur Greenwood (Labour, *Wakefield*) remarked that had the Government devoted the same amount of energy and drive to the World Economic Conference as they devoted to the question of tariffs and preferences they might have had that Conference in being for several months now. While the Government had successfully overturned their fiscal system and carried through the Ottawa Agreements the major problem of the world economic situation was still left. The Government would go to the Conference shackled with the Ottawa Agreements which would hamper them in a way that they would not have been hampered had that Conference met some months ago. The Labour Party's criticism of the existing system was that the motive behind it was bound to be, in the last resort, the motive of private advantage. In their view that was likely to be, in the majority of cases, inimical to the public interest.

Rt. Hon. G. Lansbury (Leader of the Opposition) said the Labour Party was fighting the fight for the recognition of Socialism for two or three reasons. The main reason was that within the present social order it was impossible, first, to employ all the people who needed employment and, secondly, it was impossible to give to those who were not allowed to go to work the maintenance that they needed. The Labour Party did not believe that private profit-making out of industry was the right basis on which men should produce goods. Capitalism had failed in the one big essential for which it existed—to produce goods for the use of the community and to provide employment for those who needed employment.

Defence of the Government.

The Secretary of State for the Colonies (Rt. Hon. Sir P. Cunliffe-Lister), in a defence of the policy pursued by the Government, said that in the first ten months of 1932 they had reduced the adverse trade balance by no less than £86,000,000. Eliminating price changes, the volume of exports of United Kingdom goods in the first nine months of the year was greater than in the corresponding period of 1931 and for manufactured articles there was an actual increase of 3 per cent. So far from the carefully considered policy of redressing the balance of trade damaging their export trade, they found that they were in a better position than before and that their position as an exporting country was better than that of any other country in the world.

So far from what they did at Ottawa being any block to a World Conference it had given a lead to the world. "We have shown," Sir Philip said, "that a tariff can be made an instrument of reasonable Protection. We have laid down the principle that arbitrary barriers are to be got rid of as quickly as financial conditions permit. We have given a lead with a practical policy to get an economic level of commodity prices. Every one of those things the world needs, and the world can well follow our example. I am perfectly certain that if the Ottawa Conference had failed it would have been idle to attempt to hold the World Conference."

On a division the Amendment was negatived by 431 votes against 39, and the Address was afterwards agreed to.

IMPORTATION OF MEAT.

(Restriction on supplies from foreign countries under Ottawa Agreements Act; A Board of Trade Order.)

On 15th December, in the House of Commons, a debate took place on a Government Motion to approve the Ottawa Agreements (Importation of Meat) Order 1932.

DEBATE IN HOUSE OF COMMONS.

The Parliamentary Secretary to the Board of Trade (Dr. L. Burgin) said the Order represented the machinery adopted by the Board of Trade under Section 7 of the Ottawa Agreements Act. By the Agreements with Australia and New Zealand provision was made for the restriction of the imports into the United Kingdom from foreign countries of frozen mutton, frozen lamb, frozen beef and chilled beef. It would be recollected that an all-round limitation of imports of meat was provided for to the extent set out in the Agreements. From the first, it had been hoped that the importers would recognise that the obligations assumed at Ottawa had to be carried out to the letter and that those obligations could best be carried out by the industry itself. That hope had, fortunately, been fulfilled.

The trade, for the most part, was very highly organised and those engaged in it had co-operated in a way which he very gladly recognised in making the necessary arrangements themselves for keeping the total imports of foreign meat within the Ottawa limit. It was possible that the understanding at which the Board of Trade had arrived with the importers might, in practice, be found to have achieved the whole object, but it was necessary to make doubly sure, and it was mainly as a measure of precaution that the Board had made the Order which the House was asked to confirm.

Importation under licence.

The method the Government had adopted was this: First, no importation was to be allowed of meat into the United Kingdom from foreign countries as from 1st January, 1933, except under licence. This excluded the risk of newcomers coming into the trade.

The licence was to be granted to recognised importers without restriction of quantity, without any Board of Trade intervention as to the position of importers towards each other, and, having granted licences to recognised importers, the Board of Trade took from those importers assurances that all recognised practices in the meat industry should continue to be observed as before; that meat should be offered to the central market; that meat should be supplied to the usual distributors, to the usual wholesalers and to the retailers.

The Board took assurances that the consumers' requirements would thus ultimately be met, but out of a controlled and reduced supply rather than out of the prevailing glut, which was uncontrolled. The licence contained expressed provision that it might at any time be revoked at will without prior notice to the licensee.

Sir Percy Harris (Liberal, *Bethnal Green, S.W.*): "Do they pay anything? This is to be a monopoly licence. Is it to be a free gift?"

The Parliamentary Secretary to the Board of Trade: "It is not contemplated that there shall be any payment and there is nothing in the Ottawa Agreements Act which authorises the levying by the Board of Trade of a price for carrying out the Ottawa Agreements, which it is the Government's intention to do."

Labour opposition.

Mr. T. Williams (Labour, *Don Valley*) said the Labour Party offered no apology for resisting the Order. He had read a statement that the importers and shipowners engaged in the South American meat trade had consented to carry out the reduction of imports prescribed by the Agreement. If by receiving these licences they could secure meat at a less price abroad and sell it at a larger price in Great Britain it seemed to him that they could well afford to co-operate with the Board of Trade.

Rt. Hon. Sir Francis Acland (Liberal, *Cornwall, N.*) said that granted that they had to restrict Argentine supplies in this way, and that it must be done by licence, he wanted an assurance that these licences would be dealt with in such a way as to hit the Argentine producer as little as possible. These restrictions must mean difficulties. They might provoke retaliation. If that was to be avoided, surely they ought to do everything they could to keep on as reasonably good terms as possible with the Government concerned, and to arrange the restrictions with the representatives of the producers.

The Parliamentary Secretary to the Board of Trade stated that from the very inception of the meat negotiations the closest contact had been kept with the Argentine Ambassador in London and the negotiations had been conducted on the friendliest possible basis. The Ottawa Agreements put upon the United Kingdom Government the obligation of seeing that the imports of meat reaching this country did not exceed a certain figure and the Government felt that the only way to make sure of that was to say that imports could not come in except under control.

On a division the Order was approved by 163 votes against 36.

TRADE AND COMMERCE.

(Establishment of new industries in the United Kingdom; Additional employment provided.)

On 19th December, in the House of Commons,

Rt. Hon. Douglas Hacking (Unionist, *Chorley*) asked for a statement regarding the establishment of new undertakings in the United Kingdom?

The Parliamentary Secretary to the Board of Trade (Dr. L. Burgin) said it was disclosed in a statement on 2nd June that during the period from November, 1931, to May, 1932, 123 new undertakings had been established in the United Kingdom by or with the assistance of foreign concerns, and were in production. At the end of April those concerns were employing 3,882 persons, but recent reports showed that many of them had increased very considerably the number of their employees and that the total number at the end of October was 5,896.

A further investigation made by the Board of Trade and the Ministry of Labour showed that during the period May to October, 1932, 95 more undertakings of this kind were established and at the end of October were employing 3,465 persons, excluding 245 foreigners who were temporarily employed in the United Kingdom by these 95 undertakings under permits issued by the Ministry of Labour.

The total number of persons actually employed by the undertakings established since November, 1931, was 9,361 at the end of October, 1932. It was estimated by the promoters of the undertakings that the figure would rise to over 14,000 when the factories were fully occupied.

Sir Percy Harris (Liberal, *Bethnal Green, S.W.*): "Does the reply mean that out of 3,000,000 unemployed only some 14,000 have been absorbed as a result of all these efforts for a year?"

The Parliamentary Secretary to the Board of Trade: "It means that new undertakings have been started in this country which will employ 14,000 additional people."

EMPIRE MIGRATION.

(The decline since the War; A great Imperial problem; Development of the Dominions; Statement by the Dominions Secretary.)

On 7th December, in the House of Commons, a debate took place on a Motion relating to Empire migration.

DEBATE IN HOUSE OF COMMONS.

Sir Arthur Shirley Benn (Unionist, *Sheffield, Park*) moved as follows:—

"That this House observes with great regret that migration overseas is much lower now than before the War, and urges His Majesty's Government to take immediate steps to secure the co-operation of the Dominions in comprehensive schemes for migration within the Empire."

He urged the Government to treat the question of migration more as a business matter. The development of the Empire at the present moment would be merely getting ready for what was bound to come. It would cost money, but it would be money well invested.

Mr. A. A. Somerville (Unionist, *Windsor*) said it was true that migration was at a standstill at the moment. None the less it remained the greatest Imperial problem the Empire had to solve. It was a well-known fact, which sometimes the Dominions seemed not to realise, that new settlers created new markets, and that was a principle they must go upon. The best investment the United Kingdom could make would be the investment in considered settlement and development in the British Dominions. The machinery of the voluntary agencies in the United Kingdom which dealt with migration was getting rusty. They had to keep it in being.

Suggested Settlement Board.

The Overseas Settlement Department of the Dominions Office, too, was in a state of coma. It had an advisory committee of able men and women. He believed they had now ceased to meet. Their advice was excellent when it was given, but they had no power, and the Department was found to be ineffective in working the Settlement Act. He suggested a board of about five members consisting of men of great business experience who could give their whole time to the work. They should have great powers, and should set to work, if possible, with their opposite numbers in the Dominions to make an Imperial survey to see in what direction settlement and development could best be undertaken.

It should not merely be settlement on the land, but industrial settlement, mining development, and rail development. What could not be done, for instance, by building feeders to the two great Canadian lines? Directly they were built settlements would spring up on each side. One of the first duties of the Board would be to take into consideration land settlement at home. The Report of the Astor Sub-Committee of the Economy Advisory Council, which dealt with Empire migration, said:—

"Land settlement in Great Britain is, in the long run, an essential condition of extensive migration for land settlement in the Dominions."

The Board would also have to consider the relation between the social services in the United Kingdom and migration.

Guarantees.

Since the Maclean Report was issued four or five years ago, the effect on migration of the large benefits conferred by those social services had been increasing. The Board would have to consider, too, industrial, mining, railway and agricultural developments, and in particular how development could be forwarded by Chartered Companies in each of the Dominions backed by guarantees in the United Kingdom and the Dominions.

Mr. P. J. Hannon (Unionist, *Birmingham, Moseley*): "Guarantees by whom?"

Mr. Somerville: "Guarantees by the Government." He added that if these questions were attacked in a large and comprehensive spirit by a body of men of the right type, men of knowledge of the Empire, men of courage and vision, a new wave of life and of hope would go through the Empire.

Capt. the Rt. Hon. F. E. Guest (Unionist, *Plymouth, Drake*) said be proposed to submit a drastic programme in relation to migration. Some years ago, at a time when the unemployment figure was little more than 1,000,000, he proposed migration not by driblets, but *en masse*. An entire community should be moved and taken care of by the State until the people were able to earn their livelihood and stand on their own feet. It was not impracticable in the days of the War to move people by the million, to feed them by the million, and to organise them by the million. He was not suggesting that they should foist large populations upon unwilling Dominions. They should point out to the Dominions the immense advantages which would accrue to them before ten years had gone by.

Reconnoitring patrols.

Reconnoitring patrols should be sent to every part of the British Empire with a view to ascertaining how much could be done if the project were undertaken on a big enough scale. The dribble system in migration had not only dried up, but the dribble was beginning to flow back in the direction of the United Kingdom. He did not think mass emigration would meet with the same difficulty.

Lord Apsley (Unionist, *Bristol, C.*) observed that the constructive contribution of Capt. Guest had in it the seed of what might possibly be a great movement, though he did not agree that it was possible for the State to send out people in large numbers to the Dominions and Colonies. It was quite possible that such a movement might be initiated, but it had to spring from its own seed. It was time that they took stock of the situation in order to see what developments could be undertaken as soon as it was possible once more to go ahead with overseas settlement.

Sir J. Sandeman Allen (Unionist, *Liverpool, West Derby*) urged the necessity of educating people in the United Kingdom on the subject. They must set to work more systematically and more unanimously with the various societies which dealt with those matters. There were 20 or 25 of them with more or less the same objects in view. Why on earth could they not be brought together?

Economic position of the Dominions.

Mr. W. Lunn (Labour, *Rothwell*) regretted as much as anyone that economic circumstances in the Dominions and in the United Kingdom were such that there was no possibility of migration at present. He was sent a copy of the JOURNAL OF THE PARLIAMENTS OF THE EMPIRE by the Empire Parliamentary Association on the previous day and he noticed that there had been discussions in some of the Dominions on their present economic position during recent months. Many of them got that book as members of the Empire Parliamentary Association, and quotations from it made it look ridiculous that they should be urging the Government to go in for comprehensive schemes of migration at that moment.

No one would say that the Overseas Dominions were over-populated and that they were even capable of developing to the full all the natural resources they possessed. The Dominions were, however, suffering economically and financially, and there was no possibility in the near future of anything being done to encourage British people to migrate to any of them. He had supported migration and he still supported it under good conditions. The Empire settlement idea had worked. In nine years they had settled more than

400,000 people in the Dominions under more favourable conditions than were ever known before to those who went overseas. He did not believe that any case had been made out for altering the fifty-fifty basis as laid down in the Empire Settlement Act. The organisations for migration in the United Kingdom ought to be carefully gone into, overhauled, and revised.

A fact to be deplored.

The Secretary of State for Dominion Affairs (Rt. Hon. J. H. Thomas) remarked that if the Motion said that the Government should immediately enter upon a scheme to send hundreds of thousands of people to any of the Dominions it would not be only in that House that there would be opposition. There would be opposition in every Dominion. But the Motion said that the House observed with great regret that migration overseas was much lower now than before the War. There could be no hon. Member who did not deplore that fact.

"In 1922," Mr. Thomas continued, "there left these shores for Canada, 75,866 people, but last year, instead of that number going to Canada, the figures were against us, and 10,244 left Canada for this country. In 1922, 31,500 people left these shores for Australia, but last year—I am taking the net figure in each case—7,288 returned from Australia to this country. In 1922, 7,188 people left this country for New Zealand, and last year 1,357 returned from New Zealand to this country. . . While these figures demonstrate beyond a shadow of doubt the relation of our own unemployment figures with migration, we have never said, and I desire to emphasise it on behalf of the Government, that when dealing with the problem of migration we intend to deal with it as part of our unemployment problem."

Treatment of migrants.

There were considerable complaints, as far as Australia and Canada were concerned, about unfair treatment as between migrants who were unemployed and their own native-born unemployed. He was pleased to be able to tell the House that neither in regard to Canada nor Australia had he any evidence that there was preferential treatment of any sort or kind. He would always take up a question which was brought to his notice of any preferential treatment.

The present time provided the best opportunity, not of agreeing to a migration scheme, but of having the machinery ready so that when the time came they could not only tackle the problem, but profit by their own past experience. He had no hesitation in saying, speaking for himself, that he whole-heartedly favoured family migration as against any other. He did not think that all the investigations that had taken place, or that could take place, would justify the mass migration that had been suggested.

After further debate the Motion was agreed to without a division.

EMPIRE AIR COMMUNICATIONS.

(Australian Government service from Darwin to Singapore; Proposals to extend England-India service; Progress of arrangements for United Kingdom-Australia service.)

On 7th December, in the House of Commons,

Rear-Admiral M. F. Sueter (Unionist, *Hertford*) asked the Under-Secretary of State for Air whether his attention had been called to the recent decision of the Australian Commonwealth to establish an air service from Darwin to Singapore, and if he could say what steps were being taken to connect Singapore with an English air service to England?

The Under-Secretary of State for Air (Rt. Hon. Sir Philip Sassoon): "The answer to the first part of the question is in the affirmative, and communications are at present passing with the Commonwealth Government. As regards the second part, concrete proposals for the extension of the England-India service to Singapore are under active examination."

Replying to **Sir Percy Hurd (Unionist, *Devizes*)**,

The Under-Secretary of State for Air stated that, as a result of discussion which took place at Ottawa, certain investigations in connection with the possibility of the establishment of air communication across the North Atlantic were being undertaken.

Service to Australia.

On 21st December,

Mr. H. W. Kerr (Unionist, *Oldham*) inquired whether the attention of the Under-Secretary had been called to the offer made by the Royal Dutch Indian Airways to provide an air-mail service to Australia pending the establishment of a British-Australian service a year hence; how soon a reliable British-Australian air service could be put into operation; and whether he would ensure that no arrangements were made with any Dutch air line which would in any way delay or operate to the disadvantage of the future British service.

The Under-Secretary of State for Air: "Yes, Sir. As regards the proposed United Kingdom-Australia service, it is impossible to give a definite forecast, but it should be in effective operation within a few months of a final decision being taken. The interim offer by the Dutch is under consideration by His Majesty's Government in the United Kingdom in consultation with His Majesty's Government in the Commonwealth of Australia, and my hon. Friend can rest assured that the fullest weight will be given to the considerations he mentions."

Mr. W. R. Perkins (Unionist, ***Stroud*****)**: "Do I understand, from my right hon. Friend's answer, that Imperial Airways will be running a service to Australia within a few months?"

The Under-Secretary of State for Air: "I hope that in a very short time such a service will be started. I cannot give the full details."

NEW ZEALAND AND WAR DEBT.

(Offer to pay War Debt instalment; British Government's appreciation.)

On 19th December, in the House of Commons,

Rt. Hon. Sir Arthur Steel-Maitland (Unionist, ***Tamworth*****)** asked whether it was true that the Government of New Zealand had offered to pay the instalment of the War Debt due by New Zealand to the United Kingdom?

The Secretary of State for Dominion Affairs (Rt. Hon. J. H. Thomas) answered in the affirmative. He said that a telegram had been received from the New Zealand Government recalling the fact that the United Kingdom Government lately agreed to extend the operation of the Hoover Moratorium with a view to granting financial relief to the Dominion and that the New Zealand Government gladly accepted this generous concession. The telegram went on to say that if the concession to New Zealand was granted on the assumption of a continued moratorium by the United States of America then the New Zealand Government would feel in honour bound to reassume liability. He need hardly say that the United Kingdom Government were most appreciative of the attitude of the New Zealand Government. The matter was receiving their immediate consideration.

Sir A. Steel-Maitland: "May I ask my right hon. Friend to convey what I am sure is the universal appreciation of this House, as well as of the Government, of the spirit of the New Zealand Government despite their own difficulties?"

The Secretary of State for Dominion Affairs: "My right hon. Friend may be assured that I have already anticipated what I knew would be the feeling of the House and of the country."

UNITED KINGDOM AND IRISH FREE STATE.

(The disputed financial payments; Liability of British Treasury; Supplementary Estimate agreed to.)

On 20th December, in the House of Commons, a Supplementary Estimate for £3,410,955 "in substitution for payments due from the Government of the Irish Free State" was presented and discussed.

DEBATE IN HOUSE OF COMMONS.

The Under-Secretary of State for Dominion Affairs (Mr. M. MacDonald) said that the Government felt deeply sorry at the state of affairs which existed between the Irish Free State and themselves. They desired nothing but complete friendship with the people of the Free State. The British Government were anxious that a satisfactory and fair settlement of the present disputes should be reached at the earliest possible moment. After giving details of the deficiencies in various funds as a result of the default of the Free State, Mr. MacDonald said the Supplementary Estimate would provide for approximately £3,411,000 as against a total sum due from the Free State of £4,113,000.

The payments had been met and the Government were anxious that the burden of them should not fall upon the taxpayers of Great Britain. Therefore, they asked Parliament to pass the Irish Free State (Special Duties) Act, the purpose of which was to raise revenue on certain imports into the United Kingdom with a view to meeting those payments. To the sum which had been raised under the Special Duties Act must be added the sum raised upon Irish imports under the Import Duties Act since 15th November.

Yield of Import Duties.

The total sum raised in respect of both of those Acts up to the end of the previous week was £1,357,160. The Customs estimate was that something in the neighbourhood of £2,500,000 would have been gathered by the end of the financial year. The figure, if it proved correct, would fall short of the Irish Free State dues by something like £1,500,000.

Mr. W. Lunn (Labour, ***Rothwell*****)** said that the Government had never attempted to negotiate this business to a settlement. He would have immediately accepted the offer to go to arbitration that was made by Mr. De Valera when the matter was partially negotiated.

Sir W. Davison (Unionist, ***Kensington, S.*****)**: "You would have introduced foreigners?"

Mr. Lunn: "I have said all the time that I would have taken the offer of Mr. De Valera, although I would prefer an Empire tribunal, if it were possible." There had never, he continued, been any agreement for an Empire tribunal. He would not have allowed Mr. De Valera to have any reason for suggesting independence or separation from the Empire on that particular issue. He would have accepted his suggestion for arbitration, because he believed, as the Secretary for the Dominions believed, in the justice of the British claim in regard to these financial matters.

The Secretary of State for Dominion Affairs (Rt. Hon. J. H. Thomas): "Arbitration upon what?"

Mr. Lunn: "Upon the Land Annuities—not upon the Oath." The hon. Member added that the bitterness, hatred, and ill-feeling which now existed would continue until they negotiated a settlement.

An Empire arbitration tribunal.

Sir R. Hamilton (Liberal, *Orkney and Shetland*) said he was glad that Mr. Lunn had declared his preference for an Empire tribunal. They should always bear in mind the implications which would follow from a resort to a tribunal outside the Empire, the effect it would have on other members of the British Commonwealth of Nations. It would be difficult for one part of the British Commonwealth of Nations engaged in a dispute to suggest going outside the Empire to some foreign tribunal without considering the result such a move would have on the other members of the Commonwealth. There was in Great Britain a readiness to respond to any move on the part of the Irish Free State to negotiate matters which could be negotiated and to arbitrate matters which could be arbitrated.

Mr. C. R. Attlee (**Labour**, *Limehouse*) remarked that no suggestion had been made by the Government that anything was going to happen in the future, and they understood that "this tariff war" was going to continue right the way along. They had better realise that all over the world the question whether there should not be a review of agreements, however solemnly ratified, was being discussed and canvassed. They could not say that they must have the better of the bargain with the Irish Free State and at the same time ask on grounds of equity to be let off payment to the United States.

A repudiated obligation.

The Secretary of State for Dominions Affairs said that a sum of £5,000,000 was owing to Great Britain and in the Government's judgment it was a debt which the British people should not be called upon to pay. Those who entered into an obligation had repudiated it, and the Government were taking the only steps open to them to see that the British people did not pay. The figures since he increased the duty on Irish imports justified the action he took and showed how wise he was. It was said: "If you increase the duty you will get less." Prior to the increase of the duty they received on an average £75,000 a week. Since he increased the duty the average had been £120,000 a week.

Sir Stafford Cripps (Labour, *Bristol, E.*) said the question which had to be decided by the House sooner or later was a much more important one than that of the mere collection of a sum of money. Ireland had perfect freedom to leave the Commonwealth of Nations if she wished. The question was: "What did they wish Ireland to do?" However convinced they might be of the justice of the British cause, it was perfectly clear, if they looked the facts in the face, that the present course of events was driving Ireland away from the Commonwealth of Nations. He believed there was every chance, if they were reasonable, of Ireland remaining within the Commonwealth of Nations.

On a division the Supplementary Estimate was approved by 180 votes against 26.

COLONIES AND PREFERENCES TO THE UNITED KINGDOM.

(Proposals of Ceylon Ministers: wide range of commodities scheduled; The African Colonies.)

On 5th December, in the House of Commons, in reply to **Mr. S. S. Hammersley (Unionist, *Stockport*)**,

The Secretary of State for the Colonies (Rt. Hon. Sir P. Cunliffe-Lister) said he understood that the Board of Ministers in Ceylon had completed a preliminary scrutiny of proposed preferential duties. They had referred it, in accordance with the usual practice, to the Executive Committee for Labour, Industry and Commerce for very early examination and report, with a view to the introduction into the State Council at the earliest possible date of a Resolution under the Customs Ordinance imposing a new scale of duties embodying Imperial Preference on a wide range of commodities.

Mr. Hammersley: "Is my right hon. Friend aware that, owing to the abnormal fall in the value of the yen, tremendous importations of Japanese goods are taking place into Ceylon and the whole effect of Imperial Preference is being undermined?"

The Secretary of State for the Colonies: "I represented the situation to the Government of Ceylon the day after this House granted Imperial Preference."

Answering a further question addressed to him by Mr. Hammersley,

The Secretary of State for the Colonies said that all the Dependencies in Africa which were free to do so now granted Preferences to the United Kingdom.

Treaties and Preferences.

On 14th December, in answer to Mr. Hammersley,

The Secretary of State for the Colonies said that the only Colonies where the system of Imperial Preference was not already in force, or its introduction under active consideration by the Government or Legislature, were those Colonies in East and West Africa which were debarred from granting Preference by treaties and international conventions, and Malta.

Mr. Hammersley: "In respect of those Colonies which are not in a position to give Imperial Preference, will the right hon. Gentleman consider the desirability of taking such steps as are necessary to enable them to give such Preferences?"

The Secretary of State for the Colonies: "I have often stated in this House the position of the Colonial Office and the Colonial Governments in this matter. It is this: If it is considered by the British Government to be in the interests of British trade that any convention should be denounced they would readily accept any such decision."

GOVERNMENT AND GRAND OPERA.

(Subsidy for 1933 suspended; Economy move by the Government.)

On 31st October, in the House of Commons, replying to **Lt.-Col. Sir Vivian Henderson (Unionist,** *Chelmsford*),

The Postmaster-General (Rt. Hon. Sir Kingsley Wood) said that after consultation with the Chancellor of the Exchequer he had decided that it would be desirable to suspend the opera subsidy for the year ending 31st December, 1933. He would not therefore ask Parliament in 1933 to make the contribution previously paid to the costs of the arrangements made between the British Broadcasting Corporation and the Covent Garden Syndicate for the production of grand opera. He had so informed the Corporation and at the same time he told them he hoped in the interests of British opera, as well as of broadcasting, they would render such further help and under such conditions as they might consider proper.

He was glad to say the Corporation had agreed in view of the present national position to do this.

Northern Ireland.

The following Summary deals with some of the proceedings of the Fifth Session of the Third Parliament, which met at Stormont on 22nd November, 1932.

THE ADDRESS: GENERAL DISCUSSION.

(Opening of new Parliament Buildings at Stormont by H.R.H. the Prince of Wales; Ottawa Agreements; Unemployment; Shipbuilding; Agricultural produce: marketing schemes; Proposed legislation; etc.)

Parliament was opened at the new Parliament Buildings at Stormont on 22nd November, 1932, by the Governor (Duke of Abercorn). The following is a summary of his speech:—

VISIT OF H.R.H THE PRINCE OF WALES: OPENING OF NEW PARLIAMENT BUILDINGS.

The Speech referred to the gracious act of H.R.H. The Prince of Wales in visiting Northern Ireland and declaring the new Parliament Buildings open on behalf of H.M. the King.

OTTAWA AGREEMENTS.

Proceeding, the Speech observed that the state of agriculture, linen and shipbuilding continued to be governed by "those adverse world conditions which for several years past have exercised so baneful an influence upon every country. It is my ardent hope that the ratification of the Agreements reached at Ottawa may mark the beginning of fresh prosperity for the farming community and those of our industries upon which the well-being of the people so largely depends, and may lead in turn to the removal of some of the obstacles which have hitherto impeded the development of our trade with countries outside the Empire."

UNEMPLOYMENT; SHIPBUILDING.

The Speech stated that while the number of persons seeking employment through the Employment Exchanges showed an increase during the first half of 1931, since the summer a steady fall had been recorded.

There was an improvement in shipbuilding, and it was earnestly hoped that with the progressive obsolescence of tonnage new construction would become inevitable and that local firms would secure the share to which their high reputation entitled them.

Reference was made to the valuable contribution to employment which local authorities and public bodies were continuing to make by putting in hand, with the assistance of the Government, works of public utility, which would prove of general and lasting benefit to the community.

As a result of negotiations between the Government and local bodies, steps had been taken to formulate a revised basis or standard of outdoor relief in respect of certain areas which should alleviate the present distress.

AGRICULTURAL PRODUCE; MARKETING SCHEMES.

Legislation would be introduced to enable schemes for the marketing of agricultural produce to be promoted.

PROPOSED LEGISLATION, ETC.

A measure would be laid before Parliament to give effect to the various operations on funds necessary to implement the Budget proposals approved last Session, including power to make advances from the Consolidated Fund to the Road Fund.

A Bill would also be introduced for the better regulation of moneylenders, together with measures dealing with the amendment of the Bankruptcy Law, Dangerous Drugs, Destructive Imported Animals, Fisheries, Unemployment Insurance, etc., etc.

In conclusion, the Speech observed :—

"Notwithstanding the many difficulties with which our manufacturers have been confronted, the industrial life of the community continues to be substantially free from interruption by trade disputes. The accommodating spirit shown by employers and employees in settling questions of wages and conditions without recourse to a stoppage of work is most praiseworthy."

DEBATE IN HOUSE OF COMMONS.

On 22nd November,

Rev. Prof. R. Corkey (Unionist, *Queen's University*) said the first word he would utter was one in appreciation of the goodness of H.R.H. the Prince of Wales in coming over to declare the Parliamentary building open, and to take part with Members in the solemn dedication of the House to those services for which it was built. He was quite sure that the visit of His Royal Highness would help to strengthen the ties of loyalty and affection which bound Northern Ireland to Great Britain and to the whole Empire.

As a Parliament they were to be congratulated on the gift they had received from the Imperial authorities of the building. It would stand as a testimony to their indebtedness for the liberties and privileges which as citizens of the United Kingdom they enjoyed.

Ottawa Agreements; Shipbuilding: Russian orders.

Referring to the Ottawa Agreements, Prof. Corkey said that if they encouraged people to remain on the land or even if they would induce a part of their over-swollen population to return again to the country, they would be worthy of all praise and support.

Mr. J. Beattie (Labour, *Pottinger, Belfast*), referring to the Speech, said it was proof of the bankruptcy of the Government in its outlook for the people. Nothing of a practical nature had been set out. He should have thought, after the time spent at Ottawa and the Agreements reached there, that some brighter ideas would have sprung from the minds of the Government. He should have thought that the Minister of Finance, during his sojourn in the Dominion would have made every effort to get some of the shipbuilding orders which had been floating about from the Soviet Government. It was not so long since Northern Ireland was making representations to the Imperial Government for the free entry for Russian flax and had been successful. If the free entry of Russian flax was good for Northern Ireland, the three million pounds' worth of shipbuilding which Russia had to give out would have been good for it.

The Russians were on the market for ships in 1930, 1931, and right up to February, 1932. No effort had been made by the Government to get the construction of one of those ships for Northern Ireland. Efforts had been made by the employing class to bring them there but, owing to the Trade Facilities Act not being extended, the work did not come there.

Unemployment insurance.

Regarding the Unemployment Insurance Scheme which had been suggested for Great Britain, Mr. Beattie said it was not suitable for Northern Ireland. He hoped the Government would not follow the lines of Great Britain in this respect. If they did, and brought insurance on to a solvent basis, they would deny the right of 75 per cent. of the unemployed workers of Northern Ireland to participate in the new scheme. The new scheme laid it down that a reduction of the twenty-six weeks' benefit was to take place, and that the twenty-six weeks was to be replaced by thirteen weeks. But a person who could show a good industrial record might still qualify for a further period of thirteen weeks.

Ottawa Conference: benefits of Agreements.

The Prime Minister (Rt. Hon. Viscount Craigavon), having made a short reference to the recent visit of H.R.H. the Prince of Wales, turned to the "question of Ottawa" which, he said, was "of more importance to our own small area than any other part of Great Britain." He believed that the great benefit coming from Ottawa would not be so much an advantage to the makers of, perhaps, some of their agricultural products. This was one of the greatest revolutions in the history of their country. It was a change suddenly from a completely Free Trade country into the position of foreign countries by having tariffs or protection for revenue purposes. If the change brought about general prosperity amongst industries where millions were engaged, and who, with the prosperity following, would be able to spend more money upon their agricultural products, that in itself would be a result most satisfactory to Northern Ireland. It would also be the first stage of showing the great benefits that had emerged from all the Agreements entered into. "In other words," the Prime Minister continued, "we need not be pernickety in regard to small things when we consider that this is a question affecting the whole Empire, when it is a question of the people in the Dominion buying our goods and we buying theirs, and when it is a question of the working-class benefiting from an increase in the demand for ships, linen and other products."

With regard to the farming community, he thought he was right in saying that half of the duties had not yet been imposed, and curtailment of the importation of meat and pork and such like did not take place until January, 1933.

On 23rd November,

The Minister of Finance (Rt. Hon. H. MacD. Pollock), having dealt with matters leading up to the Ottawa Conference, explained that although part of the United Kingdom Delegation, technically he occupied the position of adviser on Ulster questions to that Delegation. The Canadian Government had treated him in every respect as a British Minister. The Canadian Prime Minister, Mr. Bennett, had been especially friendly to Ulster and had given his personal assurance that Ulster linen would be admitted free to Canada.

Proceeding, Mr. Pollock said the Conference had come 30 years too late. Had such a meeting taken place during Joseph Chamberlain's campaign in 1902, before the manufacturing activities of the Dominions had developed, the problems awaiting solution would have been much less complex. He could not enter into any discussion as to whether the Imperial fiscal policy of the United Kingdom Delegation was good or bad. That was an Imperial matter with which their Government had no contractual or legislative powers.

Putting aside, for the moment, agriculture, the following Ulster goods were capable of development in Dominion markets: Linen, Ropes, Cordage, Twine, Shirts and Collars, Ready-made Clothing, Machinery, Whiskey, Mineral Waters and, possibly, Soap.

Canadian Customs amendments: benefits to linen industry.

Very considerable amendments had been made in the Canadian Customs. An exceptional benefit had been conferred on the Northern Ireland linen trade. The original duty of 25 per cent. plus 3 cents per lb., etc., equalling, approximately, 45 per cent. on fine linen and linen handkerchiefs had been entirely abolished, whilst the duty of 15 per cent. on linen thread had also been removed. The Canadian Government had also slightly reduced the duty on cotton shirts and collars.

Australian preferences.

In regard to Australia, they participated generally in the adjustment of preferences in favour of goods from the United Kingdom, while the measure of their advantage against the foreigner had been increased. But this was not all. Opportunity had been taken of re-opening the question of the tariff restriction in respect of "continuous weave"—a technical term in the linen trade, and Australia had amended her Customs tariffs so as to allow the entry of single articles, not hemmed, hemstitched or boxed, to be admitted under a duty of 5 per cent. in place of the 30 per cent. formerly charged. These goods caused the employment of considerable labour in Australia. Another important concession was that huckaback towelling was to be subject to a duty of 5 per cent. only in place of 50 per cent.

New Zealand concessions.

New Zealand had withdrawn a tax of 4½ per cent. on linen goods, ropes and cordage twines, and mineral waters; while the duties on shirts, collars and ready-made clothing were to suffer a reduction of one-third from nearly 40 per cent. to 27½ per cent.

India.

India had agreed to grant a preference of 10 per cent. against the foreigner in respect of cordage and rope, shirts and collars and ready-made clothing.

Practically all the Dominions had undertaken that when their finances permitted they would consider sympathetically the abolition of various duties against British goods or the establishment of further preferences. This applied to Canada, Australia, New Zealand and Newfoundland. Further, Canada, Australia and New Zealand had agreed to consider at the earliest opportunity a revision of tariffs to ensure that they should be based on the principle that United Kingdom producers would have full opportunities of reasonable competition on the basis of relative cost of economic and efficient production.

Agriculture: meat and apples.

Summarising what had been done in regard to agriculture, Mr. Pollock said there was to be a gradual reduction over a period of 18 months, commencing 1st January, 1933, of imports of frozen and chilled beef, mutton and lamb. The proportion of the home market fed by the home producer was to be maintained, and the Dominions were to obtain their increased markets by means of a quota being granted to them as against the foreign producer. A similar scheme had been brought forward in regard to bacon and hams.

Since 7th November, various temporary restrictions had been in force. Imports of chilled beef had been cut by 10 per cent. and foreign frozen mutton and lamb imports by 20 per cent. Temporary restrictions on the importation of bacon and ham had been put into force that morning effecting a reduction for the next two months of over 15 per cent., as compared with the same period a year ago. These were not, strictly speaking, Ottawa Agreements, but they were the direct result of them.

Dumping had been the bane of apple growers, but a specific duty of 4s. 6d. per cwt. on foreign apples should do a great deal to prevent a repetition of evil and greatly help the growers.

In conclusion, the Minister said that there had been a fashion in certain quarters of asking what these benefits were worth. The reply had been given that no one knew, in pounds, shillings and pence, but he would like to say this: "The concessions that have been gained are concessions which were urgently asked for by the leaders of the industries themselves." Now that the principle of protecting their home producers had been established it was only a question of time and experience to enable them to grapple with problems that were at present largely experimental. He was satisfied that Empire problems could not be permanently solved by purely economic measures. "The solution," Mr. Pollock added, "must be based on higher ethical and spiritual standards, and I have no doubt that the mutual understanding of each other's problems and difficulties gained at Ottawa will continue more and more, as time goes on, to weld all the component parts of the Empire ultimately into one great economic union. If we picture in our imagination such a happy consummation, the Ottawa Conference will stand out in bold relief as the greatest landmark in British history."

Sir A. Wilson Hungerford (**Unionist**, *Old Park, Belfast*) suggested that if the canning industry were fostered and encouraged it could do a great deal to absorb a large proportion of the available labour of the country-side. He hoped the Ministries of Commerce and Agriculture would be able to devise some scheme which would enable such an industry to be started as soon as possible in order that advantage might be taken of the still available markets.

Sir Robert Lynn (**Unionist**, *N. Antrim*), dealing with Mr. Beattie's remarks, regarding the Russian order for ships, asked what were the facts? What did Russia really want? Russia had asked the Northern Ireland Government to lend them £3,000,000 to build a ship; they would then take the ship away and they would have the ship—and the Government a debt of £3,000,000.

Unemployment.

Referring to unemployment, Sir Robert Lynn said there were other countries that were faced with the same terrible unemployment as they were faced with—Germany, for example. He thought on the whole the Germans had better organisation for handling unemployment. He commended to the consideration of his right hon. Friend the method which was being adopted in Germany—and especially the method of helping the unemployed to help themselves.

Ottawa and agriculture.

Proceeding, Sir Robert Lynn said that Ottawa was certainly a landmark in the history of Great Britain. The result of recent legislation in Great Britain and of the Agreements at Ottawa meant that the manufacturers got protection equal to 20 per cent. on all imported goods. He had a protest to make in regard to the treatment farmers and labourers had received. They were entitled to the same protection as manufacturers and people engaged in other industries, and yet the unfortunate agriculturists were getting only a 2½ per cent. protection. That was unfair and unjust. Of all the industries in the country there was none that needed help more than agriculture. He wanted to know why they employed foreigners to produce their food when there were plenty of idle people at home anxious for work, who could do it if they got fair play.

Sir Robert Lynn added: "I think it would be a great advantage to this country if its unemployed, or even half of its unemployed, were got back to the land again, and if by putting on a simple straight tariff instead of this quota business we should get tens of thousands of people back to the land, where they would earn a decent revenue. A tariff is a simple business. . . . Think what this quota is really doing for the country." The temporary arrangement that had been made showed how ineffectual was the settlement at Ottawa on the question of agriculture.

Sir Basil Brooke (Unionist, *Lisnaskea, Co. Fermanagh*) said a curious situation had arisen. Since the Ottawa Agreement no fewer than five countries had endeavoured to come to trade agreements with Great Britain. It was the opinion of the Federation of British Industries that, owing to the Ottawa Conference, British industry could capture £250,000,000 of trade. That was surely something of value.

There could be no question that with trade in a flourishing condition agriculture was bound to benefit to a very great extent.

One of the most important resolutions or agreements arrived at in Ottawa which, he thought, governed the whole situation, was the admission by the Dominions that the home producer had first place in his own market. Owing to that resolution or agreement the British Government was able to put the position before the Dominions and say: "You must restrict your imports and allow us to get an economic price for our products."

Meat and Cattle importations.

Another very important admission was that all meat was interdependent of any other meat. This was of the very greatest importance, because if only one type of meat were assisted then the others were of no value and would come down in price.

He admitted, as an agriculturist, he should have liked to have seen many more concessions given to agriculture. But it was hardly to be expected that a country which was completely Free Trade, a country such as England, in which he understood only 10 per cent. of the population were interested in agriculture, would do more; and it was a big move, to his mind, for the British Government to accomplish what they had done.

A point on which one regretted in some ways that they had not succeeded as they would have liked was with regard to the importation of non-pedigree cattle. It was argued that the importation of non-pedigree cattle into England would undo the work of the various cattle improvement schemes. It was impossible to argue further when Canada demanded the same rights as the Irish Free State in importing those cattle into England.

New Parliament building.

Mr. G. C. G. Young (Unionist, *Bann Side, Co. Antrim*) said there had been considerable criticism of the idea of having a Parliament building at Stormont. The Prime Minister deserved all the credit for the long-sightedness and determination with which he had gone on with the scheme. As long as Parliament was sitting in temporary buildings there was a feeling that everything in connection with Northern Ireland was temporary and would soon disappear. He thought all Members would agree that there was nothing temporary about the new building, raised on a solid rock of Newry granite.

The Imperial Contribution.

On 24th November,

Mr. R. N. McNeill (Independent Unionist, *Queen's University*) said the Prime Minister had stated quite correctly that since the autonomous life of Northern Ireland had begun they had contributed £25,000,000 to the Imperial Exchequer by way of Imperial Contribution; but the Prime Minister had not informed the House that had it not been for the generosity of the Imperial Parliament they would that day have been in the position of debtors and not creditors. In other words, if they had fulfilled and paid that absurd Contribution of almost £8,000,000 [per annum] imposed upon them by the Act of 1920, by this time they would have contributed in the neighbourhood of £80,000,000. Year by year the Contribution was dwindling. In the first year they had contributed £6,000,000; last year (1931) they contributed a sum of £412,000. During the present year their Contribution would amount to something like £20,000. As an integral community they were not an asset so far as the Imperial Parliament was concerned.

Position of Unemployment Fund.

Continuing, Mr. McNeill said he was of the opinion that the Government had done their utmost to alleviate the inevitable distress caused by unemployment. Out of a total Revenue of £12,000,000 unemployment last year had cost them no less than £3,368,000 and, in addition, the Government had contributed out of Revenue £1,300,000 towards Old-Age Pensions.

But another aspect of the unemployment problem filled him with alarm. Since 1926 the Parity Agreement between Great Britain and Ireland had provided in certain events for certain payments by the Imperial Parliament towards the Northern Ireland Unemployment Fund. Those payments were dwindling year by year. In 1926 they received £850,000 from the Imperial Parliament towards the Fund; last year they received £201,000; and the estimated contribution for the present year was only £97,000. By what means were they going to maintain their unemployed? They were pledged not to borrow from their Treasury to maintain the balance of the Fund. For every year up to the present they had borrowed from the Treasury. Last year they had borrowed £1,600,000. This year they could not even borrow, and they must maintain their unemployed out of Revenue. How was that going to be done? In the last Budget statement the Minister of Finance was of the opinion that the new Import Duties levied in Belfast and Derry would bring in £600,000; but even assuming that they did, their Unemployment Fund was in debt to the extent of £3,400,000. How were they going to pay that back and at the same time maintain the ever-increasing army of unemployed out of Revenue?

Ottawa Conference; A new kind of Empire.

Referring to the Ottawa Conference, Mr. McNeill said he hoped it would prove a great success, but he was dubious. Apart from any direct economic consequences, he thought its great value was that if it only succeeded in part, it would serve to bind together into one greater unit the great Commonwealth of Nations which now constituted what used to be called the British Empire. "By a supreme stroke of political genius," Mr. McNeill concluded, "the English race has developed a new kind of Empire. That Empire is a community of States, equal partners, deriving authority each from the citizens of its own country, but bound together by ties of sentiment and, to a very large extent, by ties of common affection towards the Throne."

Lt.-Col. A. R. G. Gordon (Unionist, *E. Down*) said he joined with the Ministry of Finance and Sir Basil Brooke in the hope that the Ottawa Conference would prove the foundation on which might be built up the prosperity both of that country and the Dominions, and that it would bind the nations of the Commonwealth closer together. He regretted that the reference made to agriculture could not be wholly supported by the farmers of Northern Ireland, nor was it supported by the farmers of Scotland and England. The industry was just as near bankruptcy as it could be. The whole of the farm produce was now being marketed at a loss. This year the loss was 30s. per acre, and this dealt mainly with livestock and potatoes. The Live Stock Agreement made with the Dominions failed to give the home producer the protection to which he was entitled.

Mr. R. Crawford (Unionist, *Mid-Antrim*) said he did not agree with Mr. McNeill that the farmer would get nothing out of Ottawa. He thought the result of the Conference would be when the time came for readjustment of tariffs that agricultural interests would receive consideration. Apart from that, he believed that great good would come to the farming community from the Conference.

Mr. E. S. Murphy (Unionist, *City of Londonderry*) said the Conference and its results must necessarily be viewed as a beginning and, in his view, a good beginning. He also recognised the fact in connection with the alterations in tariffs that not merely was half a loaf better than no bread, but that a very important principle had been agreed to by the Dominions as stated in the White Paper:

> Dominions are to revise the protective duties as soon as practicable on the basis that United Kingdom producers will have full opportunity of reasonable competition, having regard to the relative cost of economical and efficient production.

If that principle was applied in the near future it seemed to him it was important for those industries which were efficient and could still maintain themselves, though it was very hard to do so against the intensive competition prevailing.

Shipbuilding subsidy: suggested co-operation with Imperial Government.

Dealing with shipbuilding, Mr. Murphy suggested that while it might be impossible actually for the Government to give a direct subsidy for the building of ships, that matter might possibly be arranged in conjunction with the Imperial Government. If Northern Ireland could not get new ships to fill the stocks in their great shipbuilding yards, surely with the assistance of the Imperial Government something might be done to assist those shipowning and shipbuilding companies who had a fleet laid up and literally rusting away? There were ships totalling nearly 2,000,000 tons laid up in their various ports and harbours, and the vast number of those ships would never take the sea again. What bankrupt Germany could do might be done by the greatest shipowning and shipbuilding country in the world. He would respectfully suggest to the Government that something on those lines might possibly alleviate, at least temporarily, the depression in their shipbuilding yards.

At the conclusion of the debate the Motion was agreed to.

DANGEROUS DRUGS ACT.

This Act received assent on 20th December, 1932. It amends the Acts of 1920 to 1925 so far as is necessary in order to assimilate the law in Northern Ireland to the law in force in Great Britain, and is designed to give effect to the Geneva Convention of July, 1931, for the purpose of supplementing the provisions of previous International Opium Conventions, and to provide for the more rigorous control of the traffic in dangerous drugs.

CANADA.

The following summary deals with further proceedings of the Fourth Session of the Seventeenth Parliament which opened on 6th October, 1932, and is in continuation of the summary given in the last issue of the JOURNAL *(Vol. XIII., No. 4).*

THE ADDRESS: GENERAL DISCUSSION.

(Trade Agreements; Gold standard; etc.)

On 4th November, 1932, in the House of Commons, the debate on the Motion for the Address-in-Reply was concluded. A summary of the Governor-General's Speech and the commencement of the debate was given in the last issue of the JOURNAL (*vide* Vol. XIII., No. 4, pp. 928-940).

DEBATE IN HOUSE OF COMMONS.

Mr. E. J. Garland (**Independent**, *Bow River, Alta.*) declared that the depression had cost Canada $3,000,000,000. To check the continued destruction of business and unemployment required not the patching of the competitive system but the institution of an entirely new economic and social order. Capitalism or competivism had completely failed in the function of distributing the potential wealth of the world. The pursuit of so-called sound money principles was largely responsible for precipitating the world into this collapse. They had poverty everywhere, not because goods could not be produced, but because they were attempting to operate on a competitive commercial system, the prime motive of which was the production for profit, not for the use of the people. A group of experts had last year organised themselves into a technological institute in New York. They had undertaken an exhaustive survey of a thousand industries in the United States. They had come to the conclusion, based on accurate estimates, that even if the productive industrial productivity of 1929 were restored, industry would not be able to absorb half of the unemployed. Under the existing system unemployment was not capable of solution. What they sought was a managed and intelligent inflation which had a distinct regard for price levels and the quantities of goods to be consumed.

Decrease in trade.

Mr. J. F. Pouliot (**Liberal**, *Temiscouata, Que.*) pointed out that for the two years ending 31st March, 1932, the total decrease of imports had been $669,000,000 or 53·7 per cent., and in exports $557,000,000 or 48·7 per cent. Their trade with the Empire showed a decrease in the two years of $265,000,000. With foreign countries there had been a decrease of $948,000,000.

Mr. E. J. Young (**Liberal**, *Weyburn, Sask.*) believed that whatever they did with the gold standard the world would still continue to measure values in gold. The value of their dollar was determined by the trade balance of Canada, and when they undertook to tie their dollar to the British pound and, as had been suggested, pass an Act providing that they should redeem the pound at par in their own currency, they were simply backing Great Britain's notes as far as she liked to issue them, and Great Britain was doing the same for Canada. What would Great Britain do if they agreed to redeem her pound at par? She could pay for her cotton (for instance) in this way: She could say: "We will not sell our pound in the United States to buy American dollars; we will pay for that cotton in Canadian dollars, because Canada will give us $4.86 for our pound." It would mean that the Canadian people would be taxing themselves in order to buy Great Britain's raw cotton for her. It was said that the advantage of a depreciated currency was that they could undersell their competitor and that Australia had an advantage over Canada in the British market because, when they translated the British pound into Australian currency, they got about $6 for it. If that was true the only advantage in inflating their currency was to inflate more than someone else did. If they tied their dollars to sterling, Australia would still have an advantage over them because their money was below the English money. Then the demand would arise for further inflation to get under Australia.

At the conclusion of the debate the sub-Amendment was negatived by 66 to 18 votes, and the Amendment by 60 to 30 votes. The main Motion was then agreed to.

DEBATE IN THE SENATE.

On 13th October,

Senator the Hon. R. Dandurand (*Que.*) pointed out that for many years Great Britain had maintained the policy of the open door, and they had had free entry into that country. At all the Imperial Conferences, Canada's stand had been that if ever Great Britain was disposed to alter her fiscal policy they should then have a preference in her market. Canadian wheat had been granted a preference of 6 cents a bushel, but the price would be the same as would be obtained from a sale to other countries. If Russian wheat was debarred under the dumping clause from the British market, it would be a considerable factor in establishing the Liverpool price of their wheat. It was important that they should not seek any favour that would result in raising the price on the British market. They had increased their business with 13 countries with which they had " most-favoured-nation " clause relations from $73,000,000 to $195,000,000 between 1922 and 1929. What would be the reaction of those countries when they felt the effects of their Empire Agreements? They would probably be called upon to negotiate new conventions with them. Articles 10, 11, 13, 14 and 15 were fraught with considerable danger, for they established an intermeddling with their fiscal policy and indicated outside interference. More extraordinary still was the creation of a tribunal before which the Government might be cited as a defendant. Article 4 was of very great importance, since under it they might lose the advantages that accrued to them under one of the Schedules. There were increases of duties which would stand before the World Conference, and which might be deemed to be impediments in the way of a general tariff reduction. Economic nationalism would not be regarded as restoring prosperity throughout the world.

Advantages of Trade Agreements.

Senator the Rt. Hon. A. Meighen (Leader of the Senate) said he had always felt that substantial concessions had to be given and that it was well worth their while to extend them in order that trade advantages which they thought most vital, especially to agriculture, might be obtained. The preference gave the farmer priority over all other competitors, and that meant an earlier sale and quicker shipment of his goods. A feature of the Treaties in respect of farm products of still more value had to do with the elimination of impediments in the way of the transport of their animal products to the British market. Canada had for many years tried to break down the ascendancy of Polish and Danish farmers; under these Treaties a substantial quota was allotted to the Dominions within the Empire in the market for bacon. The difference between what was going to exist under the Treaty and what had existed would be this: that under the Treaty a tribunal with the status of a court would be established before which all questions having to do with the application of those principles would be dealt with. The level of competition should be maintained so that the British producer would have an equal show, regard being had to the different costs of production, with the producer in Canada.

On 14th October,

Senator the Hon. E. Michener (*Alta.*) stated that this year the monthly average of unemployed had mounted to approximately 700,000. He was disappointed that the Speech did not hold out any hope of a constructive programme to provide work. What was essentially needed to remedy the situation was what was called occupational readjustment. The Government had found it too expensive to employ men in public works of an unproductive nature, but through the co-operation of the Provinces and the Dominion, productive employment could be initiated in the development of their natural resources and their unoccupied arable lands. In the Western Provinces there was room for State or industrial farms.

Russian timber.

Senator the Hon. J. Lewis (*Ont.*) was in favour of the provisions of the Imperial Agreements which enlarged trade and against those which restricted it. There had been expressions of opinion that because of the extension of self-government at the Conference of 1926 the Empire was in danger of disintegration, and that the old bonds being gone, the Conference of 1932 was necessary to forge new bonds of an economic kind. From that view he entirely dissented. He much doubted if good relations would be improved by the bargaining process or by restricting the freedom of the British Parliament, or their own, to deal with tariffs. It was surely in the interest of Great Britain, for instance, to obtain timber from Russia as cheaply as possible, and to export her manufactures to Russia. It would not conduce to good relations to have Canada standing in the way of the development of those important British industries by pressing for an embargo on Russian timber.

On 20th October,

Senator the Hon. J. J. Hughes (*P.E.I.*) said that most of them knew that fiat money, if used to extremes, would wipe out the creditor and salaried classes, but the gold standard and the sanctity of contracts appeared to be wiping out the debtors, both nations and individuals, and whatever destroyed the debtors destroyed, in the end, the creditors. The Conference adjourned without taking any action on this most important question. It would be interesting to know why, because, while the British pound was at a discount in Canada and at a premium in countries which competed with Canada in the British market, the preferences they obtained in that market by the Agreement would be more than wiped out.

On 21st October the Address was adopted.

FAR EAST.

(League of Nations and Sino-Japanese dispute: question as to Canadian policy.)

On 21st November, in the House of Commons, in reply to a question by **Mr. J. S. Woodsworth (Labour,** ***Winnipeg N.C., Man.***) as to the policy of the Government in regard to the Far East and the Lytton Report,

The Prime Minister (Rt. Hon. R. B. Bennett) stated that a Special Assembly of the League of Nations had been called and a Special Committee of 19 members had been set up to consider the report that would be made. Canada was not one of the 19 countries represented on the Committee. There were now two courses open: (*a*) the Council of the League might proceed to consider the Lytton Report; or (*b*) the Special Committee might proceed to consider the Report. In any event, ultimately the matter would reach the Assembly of which Canada was a member. If he were to answer the question as to what was the policy of the Government with respect to the Report he would be anticipating what would be the attitude of the Government after the Assembly met to consider it. Preliminary declarations prior to discussion would render the meeting of the Assembly wholly unnecessary, because every member would then be confronted with a prior declaration, and the whole purpose of the gathering was to afford opportunities for conference, in order that some way might be found that would result in a permanent peace in that territory.

Sir John Simon, on 10th November, had said:—

> "We shall continue to act, as we have acted throughout, in loyal co-operation with the League of Nations on the whole matter. It is the greatest possible mistake to suppose that good is done by individual preliminary declarations. We shall hope to act, we mean to act, with the League of Nations as a whole, and we have a further ground for satisfaction in knowing that, anxious as this situation is, unsatisfactory as it is in many respects, we have in this matter been able to act not only side by side with other Members of the League of Nations, but in the closest co-operation and good faith with the United States of America."

That fairly represented in general terms the attitude of His Majesty's Government in Canada.

Mr. Woodsworth asked whether there could be no discussion in Parliament until the matter had been decided by the Council of the League?

The Prime Minister replied that it was an elementary rule that those who sat upon matters in a judicial or deliberative sense should not pre-judge the case by antecedent public declarations. Once they had attorned to the jurisdiction of the League it must be taken that they had accepted the principle that that body was the body to determine upon questions that involved international relations as between Canada and other countries.

Hon. E. Lapointe (Liberal, ***Quebec E., Que.***) submitted that the Members of the House were entitled to express what in their opinion their representatives at the League should bring forward as the views of the Canadian people.

The Prime Minister did not think it expedient that this should be done. The Government should not make a declaration of policy when the policy must needs be to some extent governed by considerations which would arise through discussions by the tribunal which ultimately had to decide the matter.

RUSSIAN OIL SHIPMENTS.

On 25th October, in the House of Commons, in reply to the **Hon. I. A. Mackenzie (Liberal,** *Vancouver C., B.C.*), who drew attention, on 24th October, to a Press report of the arrival of a Soviet oil shipment, and asked if it was the policy of the Government to continue such shipments,

The Prime Minister (Rt. Hon. R. B. Bennett) stated that in 1927 there had been a termination of relations between Russia and the Dominion. The custom of the Department had been not to make known the names of consignors and consignees of merchandise and at that time there was no prohibition against the importation of oil from Russia. The prohibition applied to coal, wood pulp, lumber and timber of all kinds, asbestos and furs. The prohibition on furs was defined subsequently as applying only to furs partly in a fabricated state. So far as the present importations of oil were concerned, some complaints had been received by the Government, and investigations were being made to determine whether or not the oil in the form and quality in which it was imported constituted a possible violation of the provisions contained in the Agreement to the extent of frustrating the preferences upon oil from Trinidad.

The necessity of this action had arisen as a consequence of certain action taken by the British Government to terminate the relationship between Great Britain and the Soviet Republics. The action in Canada was taken about the same time, but such action did not stop trading between Canada and Russia. The prohibition contained in the Order-in-Council of February, 1931, referred to the importation into Canada of the commodities named. There seemed to have been an idea abroad that the action taken by Canada which terminated diplomatic relations terminated all trade between the two countries, but such was not the case.

Rt. Hon. W. L. Mackenzie King (Leader of the Opposition) thought it should be clearly understood that the 1928 negotiations related only to certain diplomatic privileges which had been previously granted exclusively to Russia and had been withdrawn at the time mentioned.

Mr. Mackenzie asked whether it had yet been determined by the Government whether this oil was to pay a duty ?

The Prime Minister replied that it paid a duty. The question was as to whether or not it came strictly within an item of the tariff, there being in the tariff a provision for free entry of crude petroleum. Petroleum, not crude, but of a certain specific gravity, was subject to a rate of duty. The question was whether that would be a proper classification of this particular quality of oil or whether it should be designated a type of gasoline because of its high quality content and the fact that it was alleged that it did not require to be refined to produce gasoline, there being a provision in the Agreement providing for entry on specified terms of oil from the Empire. That meant oil from Trinidad which was coming into Canada, which was a mixture of crude and other petroleum products.

IMPERIAL ECONOMIC CONFERENCE.

(Motion for approval of Agreements; Imperial Preference; Value of British market; Effects of exchange; Russian competition, etc.; Tariff Board; Duration of Agreement; Economic units; Monetary policy and gold standard; Wheat shipments through foreign ports; etc.)

On 17th October, in the House of Commons, the Leader of the Opposition opened the debate on the Resolution,* moved by the Prime Minister on 12th October, for approval of the Trade Agreements made at the Imperial Economic Conference between Canada and the United Kingdom, the Union of South Africa, the Irish Free State and Southern Rhodesia.

DEBATE IN HOUSE OF COMMONS.

Rt. Hon. W. L. Mackenzie King (Leader of the Opposition) stated that the British preference introduced in 1897 provided that goods from Great Britain should enter Canada at a rate of $12\frac{1}{2}$ per cent. lower than that prevailing generally. In the following year it was increased to 25, and in 1900 reached $33\frac{1}{3}$ per cent. From then on there had been changes to effect increases. The Dunning Budget had made provision for

* *Vide* JOURNAL, Vol. XIII., No. 4, p. 940.

considerable increases. In 1923 the Liberal Party had secured an enactment whereby a discount of 10 per cent. on preference rates was given where goods came through Canadian ports. They were the originators of the preference, and had maintained it against the opposition of hon. Gentlemen opposite.

Up to the time the present Prime Minister had made his demand in 1930 on the British Government, which was, to all intents and purposes, that the British Government should change its fiscal policy and should impose protective tariffs to grant preferences, no one in any Parliament of the Empire had ever formally suggested that a preference should be given by way of increasing rather than decreasing tariffs. There was the fundamental difference when they compared the action of the recent Conference and any previous action concerning preferences. The Liberal Party had always advocated greater freedom of trade. When it had advocated a tariff, it had been for revenue, protection being only incidental. On all occasions Sir Wilfrid Laurier had made it very clear that the last thing he would ever think of in seeking a preference from any country of the Empire would be to interfere in its domestic affairs or to ask its Government to alter its fiscal policy, let alone compel it to do so. In 1923 they had said that they would not make a demand on Great Britain that she should place duties on the food of the people as a means of reciprocating what Canada had done. They claimed that what Canada had done had been for her own sake quite as well as for the sake of the Empire. The benefit, so far as Canada was concerned, had been great; it had offered reasonable competition, had helped to keep down the cost of living, but the all important benefit was that which accrued from a decrease in the cost of production in the great basic industries of mining, lumbering, fishing and agriculture.

Liberal preferential policy.

" I want the House," continued Mr. Mackenzie King, " to take very careful note of this, because it again touches something that is a matter of fundamental difference between my right hon. Friend and myself. My right hon. Friend would have us believe that because the British people at an election held subsequently to the Conference refused to endorse a protectionist policy in Britain, Canada in 1923 failed to obtain what she has now, without any opportunity being offered to the British people to say whether or not they approve of what is alleged to have been obtained. I submit that there is a difference that reaches to the very roots of all that pertains to the maintenance of friendly relations between different Governments of the Empire. Only as a Government acts in accordance with the will of its Parliament as that will is representative of the will of the people, can it be said that any agreement that is arrived at between two parts of the Empire is on a basis which is either worth while or likely to prove enduring. . .

"The act of the late Liberal Administration in preparing for the Conference in 1930 was to make it apparent to the people of Great Britain that we wished and were prepared to trade with them by giving them a very liberal increase in British preference; that in order to further trade within the Empire we were prepared to divert to Great Britain trade from those countries which were not prepared to trade on equally favourable terms with us, and that we were prepared to do all this first of all because we believed that it was in our interest to do it, but also because we believed it would be in the interest of Great Britain and of the British Empire as well. . . We were equally seeking to make clear our belief that on the basis of good-will and common interest we were likely to get much further than on the bargaining basis. . .

"In order that there may be no mistake as to where the Liberal Party stands on the matter of the preference, may I repeat . . that the policy of the Liberal Party with respect to trade is to encourage greater freedom of trade, to remove restrictions and barriers rather than to increase them, and that if as a Party we were returned to office our first objective would be to bring the tariff of Canada back to where it was at the time we went out of office. . . May I go a step further and say, so that there may be no mistake as to where we stand in the matter of British trade and the British preference, that we would undertake to give to the trade of the United Kingdom, where goods are imported through Canadian ports, a British preference averaging 50 per cent. of our general tariff."

In an attitude of that kind which favoured the free flow of trade, without restrictions or barriers, in definite channels, subject to definite rates of duty, there was opportunity for a country to build up business and go ahead in its relations with other parts of the Empire. But under the bargaining business, under Agreements such as they had arrived at there, they got locked agreements which were difficult to administer, and could only be understood after they had been interpreted and which when interpreted depended for adherence to the interpretation given on those entrusted with the administration.

Tariffs raised.

Of the 223 items there were 139 which had been brought about by increasing a tariff higher already than any tariff any country ever had. Mr. Baldwin's whole plea at the beginning of the Conference—and it represented the British point of view at the beginning, however it might have changed later on—was that the Conference might result in the reduction all round rather than the raising of tariffs as between the different parts of the Empire or against other countries. If Canadian manufacturers were able to go into the British market and successfully compete they did not need anything further in the way of further protection against British industry in the Canadian market.

The Prime Minister would have them believe that the Conference had given their manufacturers the right to sell their goods in the British market, but that right had been secured to them by the voluntary action of the British Government months before the Conference began. It had been said that they were going to be vastly helped by the Agreement and that they would have an opportunity now to sell their butter in the British market. They had not mentioned the fact that New Zealand got exactly the same right as Canada, as did Australia and the other Dominions. They told the people that they could not compete with New Zealand butter in their own market, and yet they declared now that they had gained tremendously by getting the right to compete with that same butter in the British market. The Agreement said that the British Government would reserve the right to impose increased duties with respect to all dairy products. The only obligation with regard to Canada's possible benefit was that a certain margin would be preserved in the form of a preference, that the duties against Canada and other parts of the Empire would not be as high as those imposed on European countries. They could not expect to inaugurate a protectionist *régime* in Britain in relation to manufacturers only and not expect that the farmers of Britain would be heard with regard to increased protection for themselves.

Article 4* meant that the British Government was being asked to impose a duty against outside countries on wheat, lead, zinc, and copper. The condition was that Canada should make her first sale in the British market. In other words, if there was a scarcity in other parts of the world for any of these commodities, Canada would have no right to take advantage of the higher prices which that scarcity might create. She had to go first to the British market or lose the benefit of the preference. When they studied the Schedules they would see that the duties had been put up to a higher figure with respect to commodities from outside the Empire than they had been at any previous time, notwithstanding the enormous height at which the tariff stood at present, and the duties even under the preference were practically prohibitive,

* *Vide* JOURNAL, Vol. XIII., No. 4, p. 847.

so that the farmer would have to pay more for his necessaries and those things that affected the cost of production, and in consequence would get less for what he sold in the markets of the world.

Abandoning control of fiscal policy.

In regard to Article 3*, the duty of 10 per cent. on the food and other necessaries of the British people could not be reduced except with the consent of the Government of Canada. Could anyone defend an action of that kind? How could they ask the British Government to support a Measure which they in their own Parliament would not be prepared to support if the situation were reversed? How could it longer be said that Great Britain had control of her own fiscal policy? The principle embedded here was wholly undeserving of any support from any part of the Empire.

"By approving this Agreement," declared Mr. Mackenzie King," we abandon the principle of the control of our own fiscal policy, but we surrender all right hereafter to protest about interference in the domestic affairs of our Parliament or country by other parts of the British Empire; and we support another principle . . . , namely, we bind the hands of succeeding Parliaments."

Colonies and Dependencies.

Under the Agreement, the Governments were making, so far as the countries of the rest of the world were concerned, a closed preserve of the Dependencies and Colonies. Heretofore they had been free to trade with them. They were to sanction a course which stated that whether they wished it or not these Colonies, in order to provide preferences to the other parts of the Empire, must have certain duties against the rest of the world imposed on them. That was another principle they ought not to support.

Coming to the so-called concessions by Canada, the Agreement, far from restoring the old rates as they were at the time the present Administration came into power, had fixed rates so high that in many cases there would be little in the way of trade. Not only had it fixed rates very high as regarded goods coming from Great Britain, but so far as goods from other parts of the world were concerned, the Agreement raised tariff barriers still higher. Article 9 meant that that Parliament could not alter its own Customs duties, except in a very restricted way either reduce or remove. With regard to a great many of the articles on which duties had been raised against outside trade and lowered against Great Britain, the commodities they received from Great Britain were of little value.

* *Vide* JOURNAL, Vol. XIII., No. 4, p. 847.

The effect of the Agreement was not so much to increase the British preference as to increase the tariff against outside countries. In arranging the Schedules the Government had seen fit in many cases to fix the intermediate and general tariffs at the same rate. That procedure had been adopted to make it impossible for Parliament successfully to negotiate treaties with other countries by giving them the benefit of the intermediate tariff. Those engaged in the iron and steel industry in the Old Country and Canada had apparently met together before the Conference and decided what protection they would like to have as against the rest of the world, and then began to divide up the industry between themselves so far as the Empire was concerned. The Agreement created a monopoly of the iron and steel industry as between Great Britain and Canada. He wondered if that was the new form in which industry was to be organised in the Empire.

Tariff Board: trade embargo.

Referring to Article 12,* Mr. Mackenzie King said that the Tariff Board was to be established to enable British manufacturers to appear before it to find out whether their interests were being sufficiently looked after. That meant that the Board was to be moved into action at the instance, not of Canadians, but of the British Government. The principle was that the Board must decide in the first instance what duties might be reduced, and that, where they affected British commodities, duties could not be reduced at all until the Board so indicated.

With respect to Article 21,† by the time an effort had been made to have it carried out, there would be a degree of dissension among the different parts of the Empire, the like of which had never before been known. Who was going to say when State-aided competition had reached a point which would render it necessary for the British Government to declare an embargo against the country in question? Would anyone say that any Government from any part of the Empire should be compelled to act at the instance of some other part to the extent of declaring an embargo upon trade? They had already heard the declaration of one Party in Great Britain that it purposed to trade with the country the Prime Minister had in mind, regardless of what appeared in the Agreement.

Duration of Agreement.

The Prime Minister had spoken of the Trade Agreement between Canada and Australia, which ran for a period of one year, and not for five years. It ran indefinitely thereafter,

* *Vide* JOURNAL, Vol. XIII., No. 4, p. 849.
† *Vide* JOURNAL, Vol. XIII., No. 4, p. 850.

subject to six months' notice. There were Conventions with Belgium, Czechoslovakia, Italy, the Netherlands, and the Trade Agreement with the West Indies. There was no clause in any of these Agreements running for four years which compelled Parliament to keep any portion of its duties at a certain figure for the period such Agreements were in force. The five-year period was one of the most objectionable features of the Agreement. They had a number of Governments coming together from different parts of the Empire, all of them committed to Protection, and drawing up a protectionist *zolverein*, the like of which had not been attempted by any group of countries with the exception of the German Empire. Not content with seeking to extend Protection in their own countries for a long time, they sought to have Protection extend like a ring of iron around the Empire as a whole.

Effects of the Agreement: Empire an economic unit.

" We are told," concluded Mr. Mackenzie King, " that this Agreement is going to make for the unity of the Empire. . . My view is that unity within the British Empire is based upon freedom and not upon restrictions, and that this Agreement, by increasing the number of restrictions to trade in many directions; by permitting interference in the domestic affairs of one part of the Empire by another; by allowing interference with the fiscal policy of one section of the Empire on the part of another; and by the misunderstandings which will arise over the interpretation of its various clauses will go far to embarrass relations within the British Empire instead of creating harmony and goodwill among its component parts. . . Finally there is the effect upon world trade, which is one of the most serious aspects of the whole situation. . . It is bad enough to have a tariff in one's own country determined merely by executive action without reference to Parliament; but to have a tariff policy for the British Empire as a whole laid down by the combined Executives of the different parts of the Empire is a new departure, and one which I venture to say should not be countenanced until authority of the Parliaments themselves has been given to their Executives to act in matters of this kind. This is an endeavour to create a *zolverein*. It is an endeavour to make out of the British Empire an economic unit, something which a great many Gentlemen opposite think should be made out of the Empire. . .

" Hereafter . . the rest of the world will be told that there is an Imperial tariff policy which shuts all of them out from trade with the British Empire until they have paid tribute to the part of the Empire with which they wish to trade, and this includes not only the self-governing portions of the Empire but the whole Colonial Empire as well. What Canada wants above everything is markets. She wants markets within the British Empire, but she wants world markets as well. . . The British Empire itself, large as it is, cannot take all the surplus products of this country to the total production of many of its basic industries. Can we suppose that other nations are going to look on with indifference at being thus shut out of the British Empire and allow Canada to trade with them as freely in the future as we have been trading with them in the past? If economic units can be created in one part of the world they are certain to be created pretty soon in other parts. Already in all parts of the world we are beginning to hear talk of retaliation against the countries of the British Empire on the part of other countries. We hear rumour of it being made more and more difficult for the countries of the British Empire to find markets in other parts of the world, since other parts of the world are being shut out of British markets. If such is to be the result, that, if nothing else, ought to have prevented this Agreement from ever going into force."

Mr. A. A. Heaps (Labour, *Winnipeg N., Man.*) was anxious to foster the closest possible relations between the various members of the Commonwealth, but was this desire to be obtained by the method of increasing tariffs? In the last year or two Trade Treaties had been abrogated, with much resulting friction. Once they entered upon treaties between one part of the Empire and another and those treaties were abrogated, the second condition was worse than the first, for by the creation of treaties they might be opening up new avenues of trade, not necessarily increasing trade. That happened in relation to the Trade Agreements between Australia and New Zealand and Canada, and after the Treaties had been in effect a certain time, there arose a desire in Canada that they should be abrogated. This did not tend towards more harmonious relationships. The Government had driven too hard a bargain with the British Delegation, and that was where the danger lay. By the diversion of trade they might bring about reprisals against Canada and other parts of the Empire which in the long run might prove very harmful.

The Minister of Trade and Commerce (Hon. H. H. Stevens) asked whether the Leader of the Opposition realised that during the years he was in office the leading countries of the world had erected very serious barriers against Canadian products as against those from other sources? There had grown up, during the last four or five years, a tendency towards European isolation. That step had been taken by other countries before Canada did very much in that regard. Every Treaty he had entered into had been passed in the same way as was proposed in this case. The Empire Delegates to the Conference of 1930 came without previous consultation, and one after another had given expression to the view that if anything practical were to be achieved, it would be along the lines of Imperial preference. Was that an attempt on the part of the Prime Minister to thrust his views upon the leaders of the British Government ? Mr. Ramsay MacDonald and Mr. [now Lord] Snowden had suggested other avenues, such as import boards and quotas. They were studied and rejected by all the Empire representatives. Nothing was achieved. It was then that the Prime Minister had invited them to Canada, and the step was one in the right direction. These Agreements were not some *ipse dixit* that the Government had pitchforked into the arena ; they were carefully worked out.

Outlets for trade : value of British market.

The Leader of the Opposition had stated that they had raised the tariff against the United Kingdom and the other Empire countries. But on 136 items they had actually lowered the tariff against Great Britain. In fact, most of them were put on the free list.

It was known to the British, and it had been fully discussed, that there were great difficulties in the way of Canada making further substantial reductions in the tariff on cottons and woollens without endangering Canadian industry. They had virtually given the United Kingdom their linen business. The glass trade had been going largely to the Continent, and they had now placed the British in a position where they could get their glass business.

In regard to iron and steel, the experts on both sides discussed the technique of the business with the end in view that some portion of the $300,000,000 odd of imports of iron and steel that came from foreign countries in 1929 should be turned over to the British. Where an item was free across the board and the British desired a preference, how could they give them one, even the Leader of the Opposition's 50 per cent., unless they put on a duty in the intermediate and general classes ? It was perfectly virtuous for him to make a treaty for four years with any of the other countries, but it was vicious for the Prime Minister to make a treaty with Great Britain for five years. They were amending the tariff for the purpose of diverting trade from foreign countries to Great Britain. Did anyone for a moment suggest that that could be done in a year ?

The meaning of Article 4* was that the British Government would place a preference on wheat, copper, zinc and lead, and they undertook that in view of that preference they would not attempt to raise the price of these goods in the British market beyond the world price. The Leader of the Opposition had asked : What good was this ? The answer was that it was

* *Vide* JOURNAL, Vol. XIII., No. 4, p. 847.

a mighty valuable thing for Canada to have a sheltered market for her copper, and Great Britain was the largest purchaser of refined copper outside the United States. It was also a very valuable thing to have a sheltered market for wheat in Great Britain, which used twice as much as any other country in Europe. There was nothing in the world to prevent Canadians shipping all their copper to the United States and all their wheat to some other part of the world. There was not a syllable in the Agreement that if they did that they would not have access to the British market. It did say, however, that if they refused to sell to Great Britain at world prices she was at liberty to open her doors to other countries.

Article 6* meant that whatever advantage the producer in England, Scotland, Northern Ireland or Wales secured, the producer in Canada secured.

They were not imposing their will upon the Colonies. What happened was that spokesmen of the Colonies came to the conclusion with Canada about a certain list of articles concerning which the Canadian producer would receive advantage in Colonial markets. In turn, they had extended advantages to the Colonies, just as the right hon. Gentleman had done in the West Indies Treaty.

On 18th October,

Hon. J. Malcolm (Liberal, *Bruce N., Ont.*) pointed out that in 1928 from all British countries they had a favourable trade balance of $250,000,000, and from foreign countries an adverse balance of $130,000,000. It was the desire of the Government of that day that their fiscal policy should be so adjusted as to give more business to those who gave business to them, to increase their purchases from Great Britain and by so doing at lower rates of duty to assist the primary producers of Canada. To the diversion of trade as carried out by this Treaty no one could take objection.

But there was a second feature providing for very much higher rates of duties which came directly into conflict with Liberal principles. For the whole life of the Treaty it would be impossible to give a lower rate of duty than the minimum now set by the intermediate tariff. The Prime Minister was placing himself in the position where he would have to increase direct taxation to replace the revenue he could enjoy under a moderate tariff. The difference between this and other treaties was that in previous treaties the Government had a perfectly free hand to negotiate new treaties. The Prime Minister said he was going to help the trade of Canada by using the tariff as an implement with which to negotiate bargains with other

* *Vide* JOURNAL, Vol. XIII., No. 4, p. 848, first paragraph relating to bacon and hams.

people. But he had not any favours left to offer other countries. The production of the Orient was complementary to that of Canada, but the high rates under the general and intermediate tariffs would preclude any concessions being given to the Orient. The whole trend of extremely high tariffs was to force industry, through ruinous competition and high prices, into standardisation, which was not good for the morale or economics of the nation.

Need for outside markets.

The Empire did not consume as much as it produced. They must of necessity find markets outside the Empire. When they realised that in good years British trade amounted to $750,000,000 within the Empire and Canada, and foreign trade to $1,600,900,000 they realised that it was essential to find world markets.

The Conference had not solved the monetary problem; it had not offered a suggestion on international debts; tariff walls within their own economic unit had not been lowered to the extent that they could approach other economic units in the world and say that they had set their own house in order.

Hon. E. Lapointe (Liberal, *Quebec E., Que.*) believed that instead of being a link in Empire the Agreement contained seeds of dissension. They had an Article in the Agreement that could be interpreted in two ways. Great Britain had extended credit to the Soviet for trade in the Old Country, and Canada had seen Soviet oil come into their country.

Mr. H. Bourassa (Independent, *Labelle, Que.*) declared that once an attempt was made to unify the British association of nations, whether in matters of trade or policy, its existence was threatened. What had been accomplished was not an Imperial policy, or even the beginning of an Imperial tariff; it was simply the making of trade agreements between Great Britain and certain of the Dominions, the result of which would tend to make London once more the distributing centre of the Empire. An Imperial preference, far from being an instrument in the lowering of tariffs, was one of the most practical means by which a high protective tariff was maintained.

Effect on World Conference: increase in trade with Empire.

Mr. E. J. Young (Liberal, *Weyburn, Sask.*) said that the Prime Minister was going to a world conference to see what could be done about breaking down trade barriers throughout the world, letting trade flow as it would and trying to restore prosperity; and he went as he did to the Imperial Conference of 1930, with legislation in his pocket that made the Conference abortive.

The Minister of Railways and Canals (Hon. R. J. Manion) declared that the tariff as a whole, as dealt with in these Agreements, had been lowered. Especially was that true in view of the undertaking they had given Great Britain that they might appeal to the Tariff Board they were about to appoint if they were dissatisfied with any particular line of protection. If they could divert some of their trade to Canada from the United States or Russia or Denmark surely that was good for Canada, and that was what they were aiming at. The results obtained at the Conference were based upon the mutuality of favours, reciprocity of tariffs and the realisation that sentiment must be helped by trade if the British Commonwealth was to hold together. In September, 1931, they had exported to the United Kingdom $15,187,000 worth of goods, while in September, 1932, their exports were valued at $19,492,000. Even in a time of world depression their trade with the United Kingdom was improving. Their exports to Australia in September, 1931, were valued at $427,800, while in September, 1932, they had risen to $646,600. The figures for New Zealand were $299,000 and $410,000 respectively. These figures demonstrated that the Agreements were of benefit to the trade of Canada.

Mr. J. L. Brown (Progressive, *Lisgar, Man.*) thought there was very grave danger in trying to build up a united Empire by means of protective tariffs. There was absolutely nothing in the Agreement calculated to break down the tariff barriers of the world. Suppose Britain took the action provided for in Article 21, and Russian wheat was excluded from Great Britain, it simply meant that Russian wheat was placed on other markets, depressing the world price, and that world market was the price at which they undertook to sell wheat to Britain.

The Postmaster-General (Hon. A. Sauvé) stated that it was under the last Administration that Germany, Belgium and Italy had established prohibitive duties against Canadian products. What effort was made by the last Government to induce these countries to amend their tariffs in order to better favour Canada? This was one of the causes of their trade depression and explained the fall in prices of their farm products. They had granted to England a preference for a number of years. They now wished to see that this preference became reciprocal, because Canada needed new markets, and they considered that their real interests lay with the Empire. The Prime Minister had discussed matters from a business viewpoint, with the interests of the various parts of the Commonwealth in mind, but above all, as a representative of Canada.

Hon. F. Rinfret (Liberal, *St. James, Que.*) maintained that the bringing together of representatives from every nation of the Empire to enter into agreements to apply in common to every part of the Empire was absolutely contrary to the spirit of the development which had taken place. Let them not pursue that unity of which they had heard so much and of which so much had been forgotten in late years, and let them develop a national individual character for every nation in the Empire. By Article 17 the Canadian Government undertook to give sympathetic consideration to the possibility of reducing and ultimately abolishing the exchange dumping duty in so far as it applied to imports from the United Kingdom. When goods were dumped from the United States, South America or England they were bound to protect their people, but under this Article the Department of National Revenue must refrain from exercising dumping regulations against goods coming from the United Kingdom. There they were being dictated to concerning the character of their Canadian policy respecting the Tariff Board. Why should they have dictated to them the terms which, if they wanted to enter into trade agreements with non-self-governing Colonies, must govern them, and the reservations they must follow as set out in Article 19. The terms of the Article which was supposed to protect them were so ambiguous that within a not very long period they would be interpreted in many different ways in different parts of the Empire.

On 20th October,

The Solicitor-General (Hon. M. Dupré) said that the Agreement meant that the forthcoming World Economic Conference could not have been held had the Ottawa parley failed. It meant that in line with the Agreement the British Government had already given notice that it would abrogate its "most-favoured-nation" trade with Soviet Russia.

Hon. J. L. Ralston (Liberal, *Shelburne-Yarmouth, N.S.*) stated that the National Government did impose duties on food under the Import Duties Act, but following the policy of previous Governments they had exempted from duties food from the various Dominions. But in the meantime they had met the Prime Minister of Canada. They could not afford to extend their preference freely because at any time they might find him increasing Canadian duties against them, and he repeated that very performance in 1931; he jumped the duties on another 33 items, in addition to the 66 items on which he had raised the preference rate the year before. Article 1 did not guarantee to Canada a margin of preference in respect of the goods on which duties were imposed against the outside world under the Import Duties Act. It simply said: "You are entitled to free entry." Was it possible that Great Britain, although admitting Canadian products free, was at liberty to admit the same products from any other

part of the world free, thus destroying the preference? In Article 3 there was a provision that the duties on certain goods specially mentioned should not be reduced.* The obvious inference was that on the goods that were not mentioned Great Britain might cancel the duties. But in Article 9 there was no doubt about Canada having to maintain the margin of preference.

Monetary policy and gold standard.

Mr. M. N. Campbell (Progressive, *Mackenzie, Sask.*) pointed out that Great Britain was a creditor nation, and Canada a debtor, and Great Britain should permit them to sell more goods in their market than Canada bought from them. If in the next few years Great Britain regained her position as the great creditor nation, which she might, she would again adopt a policy of free trade, because she considered such a policy necessary for a creditor nation. The fundamental achievement of the Conference was the general acceptance of the principle of negotiation before tariff increases.

It was regrettable that nothing was accomplished as to monetary changes beyond the passing of some pious resolutions and shifting responsibility to a world conference. He had no hope whatever of the nations of the world arriving at a general agreement on monetary policies, but action could and must be taken by individual countries to suit themselves, and when action was taken independently by a number of them, undoubtedly the world question would be solved. There appeared to be a common opinion in Canada that Britain's departure from the gold standard was fraught with disaster to the world. But Mr. Coates had referred to the drop in commodity prices being cushioned by the suspension of the gold standard by Great Britain. Mr. Coates evidently thought that this was one of the things that had helped them out, which undoubtedly it did. Mr. Bruce had referred to the devaluation of Australian currency. Beyond any question the better position of the Australian farmer was a result of this devaluation. If they were carrying on under the delusion that Great Britain was coming back to the gold standard, they might as well get rid of the idea at once, and work out their own system on the basis of doing business with Great Britain rather than with the United States. They had built up these Trade Agreements on this basis, so let them be logical and adjust their monetary system to meet the same condition.

Mr. W. S. Woodsworth (Labour, *Winnipeg N.C., Man.*) submitted that the Conference was a move in the direction of an organisation, national, Imperial or regional, that they were still pursuing the ideal of self-sufficiency, and that this would

* *Vide* JOURNAL, Vol. XIII., No. 4, p. 847.

inevitably involve lower standards of living and would develop hostile groups with undoubtedly war at the end of the road.

Value of British market: Russian competition.

On 21st October,

Mr. E. F. Willis (Conservative, *Souris, Man.*) pointed out that in regard to wheat markets, the United States, France and the United Kingdom were the only solvent markets left, and the United Kingdom was the largest one in the world and the most competitive. When they realised the handicap now placed upon the shippers from Russia and Argentina, they must appreciate the great benefit they were to receive in the British market. The total imports of wheat into the United Kingdom in 1931 amounted to 222,000,000 bushels, and their total exports to the United Kingdom were only 63,000,000. Canada's total exports during the same period were only 186,000,000. If they had exported to Great Britain all the wheat, there would still have been a margin of 36,000,000 bushels to be obtained by Great Britain elsewhere. One of the great advantages was that under Article 21 they were protected against dumping by Russia and other countries, and so the greatest menace they had in regard to their wheat, Russia, appeared to have practically vanished. This was the first attempt at a scientific tariff as it affected the United Kingdom and Canada. Bargaining brought Great Britain and the Dominions closer together.

Mr. G. D. McDade (Conservative, *Northumberland, N.B.*) declared that due to the unfair competition from Russia, to which the Canadian shipper of lumber had been subjected, they were not able, except to a very limited extent, to reach the Old Country market. In 1931 the imports of lumber into Great Britain were a little in excess of 3,000,000,000 board feet. In the same year there was imported from Russia 1,200,000,000 board feet or 36·7 of the total import, while Great Britain imported only 4·4 per cent. from Canada. Great Britain had kept faith with Canada by giving notice of the abrogation of the Treaty with Russia. It was true that a new treaty was invited, but the British Government was pledged that no treaty would interfere with the preferences extended to Canada under the terms of the Agreement.

On 24th October,

Mr. P. F. Casgrain (Liberal, *Charlevoix-Saguenay, Que.*) enumerated his arguments against the Agreements as follows: (1) Far from removing the obstacles to international exchanges, they added to them by new or increased duties; (2) They implied an abandonment without precedent of the rights of Parliament; (3) They limited the right of Great Britain to negotiate trade treaties with other countries; (4) They added to the burden of the common people; (5) They would be an obstacle to Imperial trade; (6) They presented the danger of sordid bargainings between the different countries of the Empire.

Effects of exchange.

Mr. A. Speakman (United Farmers', *Red Deer, Alta.*) said that in the main they produced in ample quantity the very goods that Great Britain could sell, and to a large degree Great Britain could increase her sales in Canada only by displacing a similar quantity of Canadian goods. A few years ago when they entered into Agreements with Australia and New Zealand it was inevitable that, no matter under what Government, they could be entered into only for the most part at the expense of agriculture and for the direct benefit of the manufacturers. The Agreement might have the effect in some cases of a partial diversion of trade from foreign countries to Great Britain. To that extent he wholly approved. But exchange, if allowed to remain as it was, wholly nullified any effect of the Agreement. Denmark had been wise enough to retain its currency on a parity with sterling, and had as great an actual advantage over Canada as Canada had an apparent one under the Agreement. One thing was essential: they must have in Canada some form of marketing board which would control their export trade in order to ensure to the consumers of Great Britain that continuity of supply of which they were already assured so far as the products of Denmark and other countries were concerned and without which Britain would not transfer her business. But the greatest weakness of the Conference was when they ignored the all-important question of exchange.

The Minister of Agriculture (Hon. R. Weir) declared that it was necessary, agricultural products having been shut out of certain markets before they came into power, for them to make a special effort to secure a wider market somewhere else. In France the tariff on cheese had been raised, and their exports had decreased from a very considerable trade to no shipment at all. In Germany the tariff against wheat and fresh apples had been increased. In Italy the duty on wheat had been raised, and their exports had decreased from 12,155,688 to 5,827,018 bushels. In Belgium the tariff against their cheese and condensed milk had been increased. They produced more wheat than could supply the whole market of the United Kingdom, and they had therefore made an agreement to sell them wheat at world prices. Article 4 did not say that the wheat must first be offered to the United Kingdom, but that the first sale was the one that set the price to the United Kingdom and would be on the basis of the world market price. The question before wheat growers was one of choosing between a reduction of acreage or the survival of the fittest.. If the farmers were cutting down on the production of grain they would not let their land lie idle; they would devote their energies to the production of some kind of live stock. The live stock production they could get into most easily was pigs and sheep. Inasmuch as the sheep market in the United Kingdom could be supplied by other parts of the Empire, it was in the interests of Canadian agriculture to offer the greatest opportunity for the development of their pig industry. What made it so difficult for Canada to sell her wheat in the United Kingdom market was Russia and the Argentine. The Trade Treaty would remedy this. The statement had been made that the stimulation of bacon production would cause Poland, Czechoslovakia, Sweden, Denmark and Russia to produce more, and the result would be to depress the market. But that would not be the case if there was a quantitative restriction. The preference on apples would give them an increased market in the United Kingdom for 500,000 barrels.

British trade with Russia.

On 25th October,

Mr. A. W. Neill (Independent, *Comox-Alberni, B.C.*) was sure that a 10 per cent. preference would not allow them to compete with Scandinavia. As regarded Russia, the matter depended on Article 21. The British had abrogated the Agreement, but that was talked about as if they had imposed an embargo. They had done nothing of the kind. This was an ordinary condition necessary to the readjustment of their arrangement. The very sentence in which they gave notice of the abrogation expressed a desire to increase their trade with Russia. Under Article 21 only one action could be of any good to British Columbia, and that would be a complete embargo. Practically every preference had been cancelled by the exchange situation, with the exception of those items involving competition with the United States. An Imperial Economic Conference was all right, but there should be a world conference to deal with the abandonment of reparations, the world-wide abolition of tariffs, and to stabilise world-wide currency.

Mr. H. E. Spencer (United Farmers', *Battle River, Alta.*) referred to the scheme of the London Chamber of Commerce which recommended the setting up of central banks in every country. They placed a great deal of stress on the development of the rediscounting system. The rediscounting would be of eligible commercial bills, and they advocated that currency should be issued dollar for dollar against these rediscounts. Trade activity would be reflected by the rise and fall in the value of rediscounted bills held by the central bank.

On 26th October,

Mr. F. T. Shaver (Conservative, *Stormont, Ont.*) stated that manufacturing and wage costs in the Canadian cotton industry had remained about stationary. Wages in the English industry had been reduced from 82½ to 67 per cent. Manufacturing margins in the world cotton industry had been practically wiped out. This condition had intensified export competition. It made absolutely necessary the steps taken by the Government to safeguard domestic trade. The principle of the depreciated currency tax was to maintain a relatively stable level between the purchasing power of the Canadian dollar in terms of Canadian merchandise and wages and that of the foreign depreciated currency in terms of foreign merchandise and wages. In the case of the tax on British currency, Canadian regulations had consistently favoured British exporters to the extent of from 5 to 10 per cent. in the pound, representing a penalty to Canadian producers of from 1 to 2½ per cent. on every invoice of goods from the United Kingdom.

Hon. I. A. Mackenzie (Liberal, *Vancouver C., B.C.*) suggested that they should offer voluntary preferences to Great Britain, and then without any bargaining or fixed agreement, they would get better terms for their lumber, wheat, fisheries, lead, copper and zinc, and for all their primary producers. There were three vital questions before the Conference and they were not touched at all: Standardisation of specifications, Empire content, a question of the greatest importance in connection with preferences, and the biggest question of all, according to the British members, finding a solution for their financial and monetary troubles.

Mr. D. M. Kennedy (United Farmers', *Peace River, Alta.*) thought that the wheat exporting countries were going to be driven to reduce production. The old system of letting whoever thought he could make a profit do just what he liked had broken down, and they would have to deal with matters on a basis where production and distribution, imports and exports, were planned in a way they had never been planned before. That was the suggestion behind the Agreement in so far as the quantitative regulation was concerned. The suggestion that the exports countries of the world ought to get together and agree upon exporting what the importing countries really required and nothing more had some merit in it.

Wheat shipment through United States' ports.

On 2nd November,

Mr. G. G. Coote (United Farmers', *Macleod, Alta.*) thought they could not afford to give up the practice of storing wheat in New York even to secure the preference of 4½ cents. Great Britain was giving them a preference of 6 cents in her own currency, but when translated into Canadian currency it amounted to about 4½ cents. Liners used wheat for ballast and were glad to get it at low rates. They must have their wheat stored in New York and be able to take advantage of the cheap rates offered by the liners at any time.

He moved that the Resolution should be amended by the addition of the following words :—

And subject also to the establishment of parity of the Canadian dollar with the British pound.

Mr. Stevens said that it was the difficulty of finding a solution to this problem that was causing so much confusion in the world. He was strongly inclined to the view that action must be taken, and taken successfully by Canada. It was receiving the continued study of the Government.

The Amendment was negatived by 109 to 71 votes.

On 3rd November,

Mr. E. J. Garland (**United Farmers'**, *Bow River, Alta.*) stated that one-half to two-thirds of all their wheat going to the United Kingdom had gone *viâ* United States ports. That had been so because the cost of shipping had been less. Now it was seriously proposed that they should sacrifice many dollars in freight rates in order to move their grain east through Canadian Atlantic ports. On the portion shipped through United States' ports they would get no preference. It was easy to imagine the amount of preference they would get on the balance.

After further discussion the Prime Minister wound up the debate, and the Resolution was agreed to by 128 to 80 votes.

OTTAWA TRADE AGREEMENTS ACTS.

On 25th November, Royal Assent was given to four Acts approving the Trade Agreements with the United Kingdom, the Union of South Africa, the Irish Free State and Southern Rhodesia respectively, and empowering the Governor-in-Council to make the orders and regulations necessary to carry out the provisions.

THE UNITED KINGDOM.

A summary of the Agreement with the United Kingdom was given in the last number of the JOURNAL (Vol. XIII., No. 4, p. 847) and further details may also be found in the Speech of the Prime Minister (Rt. Hon. R. B. Bennett) on the Motion for the approval of the Agreements in the same number (p. 940).

THE UNION OF SOUTH AFRICA.

By *Article* 1 Canada grants the following concessions to the produce and manufactures of the Union of South Africa, enumerated in Schedule A, provided they are imported direct :—

Sausage skins ; cornmeal ; Indian corn (not for purposes of distillation) ; fresh fruits (between certain dates) ; dried plums, apricots, etc. ; raisins and currants ; fruit pulp (unsweetened and in air-tight packages) ; peanuts ; orange, lemon and passion fruit juices—Free.

Flowers ; fruit pulp (crushed or frozen) ; lemon and orange rinds ; jellies, preserves, etc. ; crystallised fruits ; sugar and molasses of various types ; unmanufactured tobacco ; grape juice ; alcoholic perfumes ; medicinal wines ; wool, hides and skins—British preferential rate.

Indian corn for purposes of distillation	7½ cents.
Canned fruits	1 cent.
Brandies and Van der Hum	$8.00
Wines (according to type)	Various rates.

The Union grants the following concession, to Canadian goods, enumerated in Schedule B, provided they are imported direct from a Canadian port, or, if transhipped, it can be proved that the intended destination of the goods was the Union (*Art.* 2) :—

Peas ; corn ; tomatoes (tinned) ; cash registers and calculating machines ; cream separators ; agricultural machinery ; motor vehicles ; perfumery ; boots and shoes ; flooring boards ; cardboard ; etc.—Lowest rate to any country.

Apples (between certain dates) ; socks and stockings ; twine ; electric vacuum cleaners ; cocks, taps and cisterns ; cooking and heating apparatus ; etc.—5 per cent. *ad valorem*.

Wheat ; tinned fish ; cranes ; electric batteries ; iron pipes ; mechanics' tools ; lead ; rubber tyres ; shingles ; woods, etc.—Various rates.

Goods, the produce and manufacture of the Union, enumerated in Schedule A, shall, on importation into Canada, enjoy the lowest rates of duty applicable to similar goods from any other country, with the exception of the products of the British West Indies, Bermuda, British Guiana and British Honduras included in the Trade Agreement between those Colonies and Canada. A similar concession is granted by the Union except in regard to Southern and Northern Rhodesia, Basutoland, Swaziland, the Bechuanaland Protectorate and Mozambique (under the Convention of 1928 with Portugal) (*Art.* 3).

Each Government will, in regard to the goods enumerated in Schedules A and B respectively, maintain the margins of tariff concession represented by the difference between the rates accorded in the Schedules and the existing rates on similar goods imported from any foreign country (*Art.* 4).

Indian corn or maize imported from the Union into Canada at a price not lower than that quoted on the London Baltic Exchange shall not be subject to Section 6 of the Customs Tariff of Canada, but this provision will cease to be operative if after 30th April, 1934, the export is subsidised (*Art.* 5). In determining the value for duty of Canadian motor vehicles, a deduction shall be made of the amount of any drawback of duty granted by the Canadian Government in respect of material used in such vehicles (*Art.* 6). The Mandated Territory of South-West Africa is deemed part of the Union of South Africa (*Art.* 7).

THE IRISH FREE STATE.

The Agreement provides that Canadian goods imported into the Irish Free State shall not be subject to other or higher duties than those paid on similar goods from any other country; and that goods from the Irish Free State imported into Canada shall not be subject to higher duties than those on similar goods from the United Kingdom.

SOUTHERN RHODESIA.

By *Article* 1 Canada grants the following concessions to the produce and manufactures of Southern Rhodesia, when imported direct into Canada :—

Indian corn; grape fruit; oranges, lemons and limes—Free.

Peanuts (green, not further progressed than shelled)—Same treatment as accorded to Australia.

All other goods—British preferential tariff.

Southern Rhodesia grants the following concessions to Canadian goods, enumerated in Schedule B (*Art.* 2) :—

Cream separators, wooden boxes, newsprint, wrappings—Free.

Batteries ... ... 5 per cent. *ad valorem.*

Boots and shoes ... ... 10 per cent. *ad valorem.*

Wood; ceiling and flooring boards—Lowest rate to any country.

Motor cars and tyres—Notes 2 of items 129 and 260 of Column B of Customs Tariff.

All other goods—Rates applicable to goods from United Kingdom and reciprocating British Possessions.

Article 3 is similar to *Article* 3 in the Agreement with the Union.

All the Agreements are to remain in force for a period of five years, and are thereafter subject to six months' notice.

*DEBATE IN HOUSE OF COMMONS.**

Agreement with the Union of South Africa.

On 7th November, on the Motion for the Second Reading,

Rt. Hon. W. L. Mackenzie King (Leader of the Opposition) thought Parliament should be free at all times to alter its tariff, and that they should not bind themselves to maintain a certain rate, even if it were fixed only so as to continue a margin of preference. If the Liberal Party at any time felt it was in the public interest that rates should be changed, they would not regard themselves bound in any particular by anything in the Agreements in the form in which they were.

The Minister of Trade and Commerce (Hon. H. H. Stevens) stated that South Africa in its policy regarding trade matters had not followed the same course as Canada. Instead of giving a certain preference as Canada did on all goods, they limited the goods on which Great Britain was entitled to a special preference to a certain list. And they had done the same thing with Canada. When they fixed a list which seemed to them most suitable to the part of the Empire to which it was extended, the preference was limited to the country to which that list was applied. In this case Canada got a preference on a certain list of articles which were the most advantageous to their trade, and that list was not extended to other countries.

In 1903 South Africa had established a preferential *ad valorem* rebate to the United Kingdom of 3 per cent. on most of their goods. This was extended to Canada because they had extended British preferential tariff treatment to South African goods. In 1925 South Africa discontinued this rebate and adopted a tariff with maximum and minimum duties. The preference allocated to Canada in 1925 conceded the minimum tariff on wheat, wheat flour, preserved fish, hosiery, binder twine, pipe and fittings of iron and steel, cocks, taps, meters, electrical cooking and heating apparatus, mechanics' tools, white lead, rubber tyres and tubes, newsprint and unmanufactured wood. It was only on these goods that a preference was now granted to Canada. The new Agreement contained the former preferences, gave increased preference on two items, provided new preferences on ten, and secured Canada " most-favoured-nation " treatment on fifteen other items. That was considered a very valuable extension of privilege for Canadian trade in the South African market. The point had been stressed by the Leader of the Opposition that there was something that did violence to his sense of Parliamentary practice in guaranteeing to South Africa a spread on a limited number of items. But South Africa had given them the same guarantee, and that guarantee was more important to Canada than was their guarantee to South Africa.

In Committee,

Mr. Mackenzie King declared that they were not merely approving certain rates which they would give to South Africa, but they were undertaking that for a period of five years they would not ask Parliament to reduce certain rates of duties levied against foreign countries or countries other than South Africa. The reason alleged was that by doing so they would be interfering with the margin of preference given to South Africa which the Government said must be maintained. Apparently they were beginning a new fiscal system within the Empire, the institution of some kind of an Imperial tariff. The purpose of these measures was largely

* In view of the fact that the provisions of the Trade Agreement with Great Britain were fully discussed in the debate on the Resolution to approve the Agreements, a summary of which appears on pp. 68-86 of this number, it has not been thought necessary to summarise the debate on the United Kingdom Trade Agreement Act.

to confine trade within the Empire, by preventing trade beyond its borders. The reason they were opposing this section was that it asked them not merely to give a certain rate to South Africa, or even to give a preference, but that it asked them to keep the general tariff of Canada at a level which would preserve to South Africa on the items mentioned the margin of preference there fixed. What was best for the future of the Empire did not lie in the direction of a consolidation which would lead to the centralisation of government and the adoption of Imperial policies for the Empire as a whole. The conception of the Empire as reached at the Conference of 1926, which had found its expression in the Statute of Westminster and which looked upon each part of the Empire as a self-governing community, sovereign in its fiscal and all other rights, was the only true conception. The moment they tried to bring about a consolidated Empire by way of tariffs which restricted its parts from trading with other parts of the world, they began to create a kind of protection that would help destroy the Empire.

Mr. E. J. Young (**Liberal**, *Weyburn, Sask.*) pointed out that if the Governments of Great Britain and Canada agreed that the Agreement should be varied they could arrange to vary it (by Article 23). But there was no such provision for changing the South African Agreement. Most of the items in the Schedules of the South African Agreement read "preferential rate." The fact that this Agreement would be in existence would nullify Article 23 of the Agreement with the Motherland. South Africa had enjoyed the preferential rates before, but she had been allowed to ship her goods to England, tranship them from there to Canada and still get the benefit of preferential rates; that privilege was denied her in this Agreement. This Agreement did not lower the duties on goods coming from South Africa; it simply agreed not to lower the duties on goods coming from anywhere else. They had raised the goods coming from South Africa by 10 per cent., and they were agreeing not to lower them against any other country.

Mr. Mackenzie King asked whether, when the World Conference met, the fact that Canada had agreed to maintain certain of its tariffs at a certain figure in any way would prejudice the freedom of that Conference to declare in favour of the rescission of all the tariffs, if they wished to go that far.

The Prime Minister (**Rt. Hon. R. B. Bennett**) replied that if a situation arose where it was felt desirable that there should be any abrogation, by consent, of agreements that had been entered into not only between Great Britain and the Dominions, but between Great Britain and foreign countries, he assumed there was nothing to prevent it being done.

The Minister of National Revenue (**Hon. E. B. Ryckman**) stated that as a result of the Agreement, South Africa was to get the British preferential rate, whatever that might be. Formerly, the item could be changed from the preferential rate; now it could not.

Mr. Young asked whether the Minister had considered his objection that the effect of the Agreement was to wipe out the 10 per cent. reduction in the preferential rate due to direct shipment.

The Minister of Trade and Commerce replied that the Clause meant that goods from South Africa, billed directly to Canada, might come via Great Britain. If they were there transhipped and sent on to Canada it did not in any sense interfere with direct routing. The bulk of the corn used in the Maritime Provinces was imported. Up to a year ago, the major portion of this corn came from the United States, and some from the Argentine. But by the imposition of certain tariff provisions this business had to a large extent been diverted to South Africa, and South Africa and Rhodesia would undoubtedly be the major sources of supply.

On 8th November,

Mr. J. L. Ilsley (**Liberal**, *Hants-Kings, N.S.*) said that they were agreeing for the next five years to keep a duty on Indian corn coming from the United States and the Argentine. South Africa would profit substantially from that arrangement. Were there any outstanding items in Schedule B which would give a corresponding advantage to Canada?

The Minister of Trade and Commerce replied that the whole list was particularly selected because of the opportunities it offered Canadian manufacturers successfully to enlarge their business in South Africa. The balance of trade had been in Canada's favour right along, and one of the reasons for the Agreement was to try to assure to South Africa entry into the Canadian market for their commodities. They hoped to expand South African business, especially in connection with sugar, citrus fruits and a limited number of items.

Mr. C. G. Power (**Liberal**, *Quebec S., Que.*) asked whether there was any provision with respect to the labour content or material of goods manufactured in Canada?

The Minister of Trade and Commerce stated that there was no specific provision in any of the Agreements. In regard to most of the countries in the Empire, an Empire content of 50 per cent. might be accepted as a general rule. But there were variations. In the case of the Mother Country it was 25 per cent. In the case of Canada it was generally 50 per cent., with the exception of certain articles such as cottons, where it was 33⅓. In some cases, such as cottons, where all the raw material was imported and where its value constituted a substantial portion of the ultimate cost, the Empire content must be lowered. That was one of the problems which faced the Conference in its attempt to adopt a uniform measure. The matter was still under consideration by the various Dominions and the Mother Country.

The Prime Minister said that in regard to all the items in Schedule B, South Africa did not produce them, and what they asked Canada to do was to agree to meet any competition that might develop by reason of their giving them the lowest level of tariff they imposed against any country. That Canada had accepted. If South Africa offered a market to any country for these products, that market was available to Canada. All these were items which they were capable of producing in increasing quantities.

On 22nd November, after further discussion, the Bill passed its Third Reading by 92 to 48 votes.

Agreement with Irish Free State.

On 7th November, in Committee,

Mr. Mackenzie King observed that for the most part the purpose of the Schedule was to secure both the Irish Free State and Canada against duties being raised against each other. It was protection as against the raising of duties on the part of either country.

The Prime Minister explained that no more favourable terms could be accorded any other country than to Canada. If duties were increased by Great Britain, then the rates in Canada might be made similar to those, and if the rates charged by the Irish Free State against the country at present enjoying the "most-favoured-nation" terms were increased, the same action might be taken in respect to Canadian goods; the standard being in one case the "most-favoured-nation" terms granted by the Irish Free State to any other country, and in the other the duties charged by Canada against goods from the United Kingdom.

On 22nd November, on the Motion for the Third Reading,

Mr. Mackenzie King said that they had been contending all along that any agreement that was made should not in any particular deprive their country of extending favourable treatment to any other country that wished to trade with them, and as this legislation was along the lines that they had been advocating most of the Opposition would be prepared to support it.

The Minister of Trade and Commerce pointed out that this Bill gave to Ireland, so far as entry into the Canadian market was concerned, precisely what they gave to Great Britain.

Mr. W. Duff (**Liberal**, *Antigonish-Guysborough, N.S.*) declared that the Delegates from the Irish Free State had refused to take the Oath of Allegiance and to pay the British Government the money due on land annuities which the British Government had advanced to the people of Ireland. Therefore none of the gentlemen representing the Irish Free State had any right either to sit around the Conference table, nor did Canada have the right to make an Agreement with them at the Conference.

Mr. Power thought it was a farce for Parliament to approve a favoured-nation treaty with the Irish Free State when both the Canadian Parliament and the foremost proponents of the Treaty based their hopes of the success of the United Kingdom-Canada Treaty largely on the fact that through that Treaty they would be able to take away trade from Ireland.

After further discussion the Bill passed its Third Reading by 89 to 48 votes.

Agreement with Southern Rhodesia.

On 7th November, in Committee,

The Prime Minister stated that Article 1 contemplated certain Southern Rhodesian goods receiving better than the British preferential treatment, and those that did not do so would receive British preferential treatment. That number was very limited. Peanuts received the same treatment as they accorded in the case of Australia. Canada's trade with Southern Rhodesia was not very considerable, but it showed signs of possible improvement. For instance, Rhodesia produced Indian corn rather extensively. So far as grape fruit was concerned it would secure a place in the Canadian market at a time when the other British Possessions would not be competing. The same might be said with respect to oranges, lemons and limes. With regard to the items in Schedule B, the trade promised very substantial improvement in the lumber items.

The Minister of Trade and Commerce stated that Rhodesia's returns showed an average importation of Canadian goods over the last six years of $1,250,000.

The Prime Minister explained that Section 3 interpreted as direct importations goods conveyed to Canada from the nearest seaport accessible to Southern Rhodesia.

On 22nd November the Bill passed its Third Reading by 105 to 16 votes.

TRADE AGREEMENT WITH GREAT BRITAIN.

(Power of Parliament to alter or abrogate.)

On 3rd November, in the House of Commons, on the Orders of the Day,

Hon. I. Mackenzie (Liberal, *Vancouver C., B.C.*) asked whether the Prime Minister's attention had been drawn to a statement in the British House of Commons by the Financial Secretary to the Treasury to the effect that the present, or any succeeding Parliament in Great Britain, would be entirely free to alter or abrogate any of the provisions of the Treaty in relation to Customs duties. Did the Prime Minister place the same construction upon the Treaty in so far as it affected Canada?

The Prime Minister (Rt. Hon. R. B. Bennett) replied that it was a matter of honour and good faith, and successive Ministers had made that clear in Great Britain for centuries. The same had been true of the Canadian Parliament. When they passed legislation, however much they desired to do so, they could not, in theory, bind the hands of succeeding Parliaments. Parliament was free within the scope of its powers to do anything which it thought desirable. But there were matters involving faith and confidence, and these had not been thus far disregarded either by the Candian Parliament or the Mother of Parliaments.

On 4th November,

Rt. Hon. W. L. Mackenzie King (Leader of the Opposition) called attention to a Canadian Press cable dispatch, referring to remarks made by Sir Herbert Samuel, as follows:—

> It had been made clear during the course of the debate that the Agreements which purported to be for five years could be altered at any time by Parliament whenever it chose.

Reference was also made to a statement by the Chancellor of the Exchequer, as follows:—

> Mr. Chamberlain replied for the Government that new Canadian duties, substituted by the Anglo-Canadian pact for existing duties, could not be altered within the next five years except to a limited degree specified in the Agreement.

That statement clearly indicated that so far as the Canadian Parliament was concerned they were not free to alter the duties, though it was admitted that so far as the British Parliament was concerned it was free to change the duties set forth in the Agreement.

On 7th November,

The Prime Minister did not think it desirable to make any answer to the question. It would be improper to do so inasmuch as it affected the other Dominions, and any construction he might place upon any word might be at variance with that which might be placed upon it by the Governments of the other Dominions. There had not been anything said by the Government of Great Britain, which, taken with its context, meant other than what had been said by the Canadian Government.

Mr. Mackenzie King asked whether, if a statement were made in the British House to the effect that the rates of duty substituted by the Anglo-Canadian pact for existing Canadian duties could not be altered within the next five years except to a limited degree specified in the Agreement, it would be correct.

The Prime Minister replied that they had made a contract for five years, and when the terms of the Agreement had been ratified they were binding upon Canada.

Mr. Mackenzie King: "May I ask my right hon. Friend specifically whether this Parliament has not the right to alter, within the next five years, any duties that may happen to be included in the Agreement"?

The Prime Minister: "I made it perfectly clear . . that the power of this Parliament is unlimited. Its honour is bound. Whether the right hon. Gentleman would carry into effect the threat he made the other day, that if he were in power he would change these Agreements, is not for me to say, but so far as we can in honour we have bound this Parliament for a term of years and on the terms mentioned."

Mr. Mackenzie King: "I have made no threat of any kind. I want to make it clear, however, that the Liberal Party will not regard itself in honour bound to maintain any policies of hon. Gentlemen opposite which are diametrically opposed to those of the Party."

SHIPMENT OF EMPIRE GOODS.

(Question as to preferences on wheat shipped viâ United States.)

On 24th October, in the House of Commons, on the Orders of the Day,

Mr. F. P. Quinn (Conservative, *Halifax, N.S.*) drew attention to the following article in the Press, and asked whether the Minister could confirm the report:—

> Canadian wheat transhipped at Buffalo or exported through United States ports will not receive the preference of 6 cents per bushel agreed to at the Ottawa Imperial Conference, according to unofficial but reliable interpretation of the British Customs Act.

On 26th October,

The Prime Minister (**Rt. Hon. R. B. Bennett**), in reply, stated that the question had been raised as to the interpretation to be placed upon the provisions of the Import Duties Act passed by the Parliament of the United Kingdom on 1st March, 1932.* Sub-section 2 of Section 4 of the Act read :—

In the case of goods which are shown to the satisfaction of the Commissioners [of Customs and Excise] to have been consigned from any part of the British Empire and grown, produced or manufactured in any country to which this Section applies, neither the general *ad valorem* duty nor any additional duty shall be chargeable until the fifteenth day of November, 1932, or if a later date is fixed for the purposes of this Section by Resolution of the Commons House of Parliament either generally, or as respects any particular country, then, in cases to which the Resolution applies, until that later date.

The Government had received inquiries as to whether or not goods consigned through another country to Great Britain would receive the preference, and it was abundantly clear that the mere transit of Canadian goods through the United States, for instance, would not be a barrier to the granting of an Imperial preference, provided that the goods were definitely consigned from Canada to the United Kingdom and that satisfactory evidence of through consignment was produced. The preference, however, would not be granted in the United Kingdom to such goods if they were sent from Canada to, say, the United States and then re-consigned from there. The conditions under which imports to the United Kingdom were governed might be found in Regulation No. 12 of the Customs Regulations of the United Kingdom :—

When Empire goods consigned to Great Britain or Northern Ireland have been transhipped *en route*, or have been shipped from a foreign port after overland transit from the Empire country of origin, the importer at the time of making entry will be required to produce the through bill of lading or railway consignment note from the country of production to Great Britain or Northern Ireland in support of the certificate of origin. Where a through bill of lading or consignment note is not available, the invoice, local bill of lading or consignment note from the original point of origin, and a certificate of arrival or landing at, and exportation from, the port of transhipment, will be required. Such certificates are to be signed by the proper Colonial or foreign Customs Officer at the port of transhipment, and in the case of the latter the signature must be visaed by the British Consular Authority. It is essential to prove that the goods were consigned from a part of the Empire to Great Britain or Northern Ireland, and not to a foreign country, from which they were subsequently re-consigned to Great Britain or Northern Ireland.

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* *Vide* JOURNAL, Vol. XIII., No. 2, p. 338.

That was but an expansion in terms of the conditions of the Statute providing that goods to receive free entry into the United Kingdom must originate within the Empire and be consigned to the United Kingdom.

Hon. J. L. Ralston (**Liberal**, *Shelburne-Yarmouth, N.S.*) asked whether the same rule would be applied by the Canadian Government in connection with goods imported into Canada from other parts of the Empire ? Would their Government recognise these goods as being entitled to the preference if they had originated in some other part of the Empire even though they had been actually shipped from a foreign port ?

The Prime Minister replied that there had been no change in the law as it had existed for years.

On 2nd November,

Mr. D. M. Kennedy (**United Farmers**, *Peace River, Alta.*) called attention to the following Press article :—

Canada's wheat must go direct to Old Country. If stored in American elevators and shipped, it will not enjoy preferences arranged here.

This was a report of a debate in the British House of an Amendment, moved by Sir John Sandeman Allen, asking that grain consigned from an American port and certified by the Canadian Government officer to have been grown in Canada, should be entitled to the preference. This was defeated by 247 to 55 votes, and the Government declined to accept the Amendment. Was it possible under the provisions of the Treaty to store grain that had been grown in Canada at Buffalo and other United States ports, to ship it from there to the United Kingdom, as had been done prior to this time, and still get the preference ?

On 3rd November,

The Prime Minister, in reply, read a cable from the High Commissioner's Office, sent after consultation with the Dominions Office :—

The mere transit of Canadian goods through the United States would not be a barrier to grant of Imperial preference, provided that the goods are definitely consigned from Canada to this country and that satisfactory evidence of through consignment is produced. Preference, however, would not be granted to such goods in this country if goods were sent from Canada to the United States and then re-consigned from there.

The whole matter was one of administration, which was solely under the control of the British authorities. He was sending a further despatch to Great Britain to obtain, if possible, more detailed information.

IN THE SENATE.

On 28th October,

Senator the Hon. W. E. Foster (*N.B.*) asked whether any representations would be made to the British Government suggesting such a change in Customs Regulations as would tend to direct Canadian traffic through Canadian channels and ports, and suggesting the application to Canadian goods shipped to Great Britain under the preferential tariff of the same principle that now applied under the preference to British goods shipped from Great Britain to Canada ?

On 3rd November,

Rt. Hon. A. Meighen (Leader of the Senate), after dealing with the British Regulations, stated that the provision, which was wholly a matter for the British Parliament, would undoubtedly have the effect of giving some advantage to Canadian routes and ports. In that connection the position of the Canadian exporter had to be very carefully taken into account ; also the conditions of transport which prevailed at the different ports of that continent, and which at certain times told rather heavily against Canadian ports. Under the Treaty with Rhodesia, advantage was given not merely to goods which came direct from Rhodesia but to the exports of that country, even those which went through foreign territory and were shipped from a foreign port. Canada, in respect of shipments from Rhodesia, was doing precisely the same as Great Britain in respect of shipments from Canada.

GOLD STANDARD.

On 23rd November, in the House of Commons, on the Orders of the Day,

Mr. S. W. Jacobs (Liberal, *Cartier, Que.*) drew attention to a Press article declaring it to be the general belief in Ottawa that between the Adjournment and the re-convening of the House on 30th January Canada intended to go off the gold standard.

The Prime Minister (Rt. Hon. R. B. Bennett) stated, in reply, that Canada had not been on the gold standard since 1929, when there had been shipped to New York $40,000,000 of gold, and gold was no longer a commodity that could be freely bought and sold, as it must be to enable the country affected to be on the gold standard. There need be no fear that the provisions of the law for the metal coverage with gold of their paper currency to the extent of 25 per cent. thereof up to $50,000,000, and thereafter dollar for dollar, would be amended or repealed between now and 30th January.

AUSTRALIA.

Commonwealth.

The following summary deals with further proceedings of the First Session (Third Period) of the Thirteenth Parliament which re-assembled on 31st August, 1932, and is in continuation of the summary given in the last issue of the JOURNAL. (*Vide Vol.* XIII., *No.* 4.)

MINISTERIAL CHANGES (*Note*).

On 13th October, 1932, in the House of Representatives, the Prime Minister (Rt. Hon. J. A. Lyons) announced that the Hon. C. S. Hawker (Minister for Commerce) and the Hon. J. E. Fenton (Postmaster-General) had resigned from the Ministry, and that the following appointments to the Ministry had been made : Hon. R. A. Parkhill (formerly Minister for the Interior), to be Postmaster-General ; Hon. J. A. Perkins (Assistant Minister), to be Minister for the Interior ; Hon. F. H. Stewart to be Minister for Commerce ; Hon. J. A. Guy to be an Assistant Minister.

On 12th January, 1933, it was announced that the Hon. Sir Henry Gullett (Minister for Trade and Customs) had resigned his office owing to ill-health. His name appeared in the List of Honours of January, 1933, as a K.C.M.G.

OTTAWA AGREEMENTS ACT.

(Imperial Economic Conference: United Kingdom and Australian Trade Agreement; Extension of preferences; Meat and other commodities; Tariff policy; Tariff Board; Opposition criticism; etc.)

An Act to approve the provisions of the Agreement made between the Government of the United Kingdom and the Commonwealth Government of Australia and arising out of the Imperial Economic Conference at Ottawa was assented to on 2nd December, 1932.

The main provisions of the Agreement were outlined by the Minister in his speech on the Motion for the Second Reading (*vide* below) and the principal Articles of the Agreement were outlined in the summary of the Ottawa Agreements Bill of the United Kingdom which appeared in the last issue of the JOURNAL (*vide* Vol. XIII., No. 4, at p. 850).

DEBATE IN HOUSE OF REPRESENTATIVES.

On 13th October,

The Minister for Trade and Customs (Hon. H. S. Gullett),* in moving the Second Reading, said that if the Conference had

* *Vide* Note on this page above.

met in a time of normal prosperity it would have presented very few economic or political difficulties. Tariff preferences would have been agreed upon, and they would have waited patiently for results. But meeting as it did in the midst of a depression of unparalleled range, with prices diminished to almost vanishing point, with the purchasing capacity of the Dominions exceedingly enfeebled, it was imperative that the Conference should evolve schemes containing sound plans for immediate effectiveness. Not only in the Trade Agreements did the British Delegation accept the view of the Dominions that the first step towards the success of the Conference and the recapture of prosperity must be an advance in wholesale prices. How to improve price levels became the dominant consideration of the Conference, and was the outstanding feature of the monetary resolutions adopted.

Preparatory work.

In January last the Commonwealth Government had received from the British Government a list of 250 tariff items and sub-items to which the British Government invited consideration with a view to concessions in favour of British industry. Some time before the Delegation had sailed for Ottawa, they had replied to Britain's requests, and had outlined in detail the concessions the Commonwealth was prepared to make, while they had forwarded to London the list of various primary products upon which Australia desired preferential treatment from Britain, together with the margins and forms of preference desired. In framing the Australian requests they had followed a course of studied moderation. They had to bear in mind that most of the exports to which they sought preferences were foodstuffs of a kind consumed by British workers and other people of moderate incomes.

Great Britain's requests.

The British requests were of two kinds: for reduction in the British preferential tariff level, and for a widening of existing preferences. At the outset of the preparation the Cabinet sub-Committee had to make a decision of first-class importance. The Government's policy was definitely against changes in protective tariff items without reference to the Tariff Board. The Government denied to itself the right arbitrarily to raise or lower protective tariff levels, and this policy, declared at the General Election, had been closely respected. After careful deliberation, the Government had decided that that policy must prevail at Ottawa. However, if the Australian requests to Britain were to succeed, ways had to be found to bring about a substantial improvement in the British trading position and prospects in the Australian market. They decided to refer to the Tariff Board all the protective

tariff items with respect to which Britain had made requests for reductions, and obtain as many recommendations as possible before the Conference opened. They had also given to the Government of the United Kingdom the assurance that the Board would continue its work upon these particular items, and that recommendations for reduced British preferential rates would be promptly considered by the Government.

Extension of preferences.

The next task before the Cabinet sub-Committee was the consideration of the British request for extensions of existing preferences. Here, after an unsatisfactory attempt to deal with the tariff item by item, it was decided to adopt a sliding scale formula for general application, subject to exceptions both ways. That formula, as originally transmitted, was as follows:—

British Preferential Duty.	*Margin of Preference Per cent.*
Free to 14 per cent.	12½
15 per cent. to 19 per cent.	15
20 per cent. to 29 per cent.	17½
30 per cent. and upwards	20

The important thing in Britain's interest was to provide a stronger preferential position for goods of the kind now freely entering the Commonwealth, even under depressing conditions. These goods were mainly such as were indispensable and not manufactured in Australia, and they entered either free or at revenue rates of duty. Some idea of the importance of this trade could be gained from a perusal of the import statistics. In 1929-30 the value of the imports admitted free of duty from the United Kingdom was £29,000,000, 54 per cent. of the total importations from that country. During the same year, £41,000,000 worth of goods had been admitted from the United Kingdom at rates of duty of 35 per cent. or less. By granting wider margins of preference over this field of imports, the United Kingdom would be in a position under normal trading conditions to attack a further £15,000,000 worth of their import trade.

Meat industry.

While they were alive to the embarrassment certain to be caused to the British Government by any request for preference for their meat, they were still more alive to the vital necessity of this particular preference to Australia. In a cablegram to the British Government on 14th June they had said it would be impossible to obtain the endorsement of Australian public opinion to any reciprocal arrangement which did not contain provision for some real benefit in regard to the meat they exported to Great Britain. Without some benefit for meat, the Conference was limited in its promise to the Australian dairyman, the fruit-grower and vigneron, the sugar-grower, the producer of base metals, and to sundry minor industries, and that prospect was one the Delegation at no stage contemplated without the gravest concern for the success of the Conference.

The Agreement.

With few exceptions, every Australian primary industry, great or small, was a beneficiary. It was understood early in the proceedings that, provided all the Dominions showed a ready disposition to agree to reciprocity, the Government of the United Kingdom would grant to all Dominions the preferences granted on the representations of any particular one. But, on the Dominion side, this rule was not to apply, and the Australian Delegation opposed any suggestion that preferences granted by Australia should be granted as a matter of course to all parts of the Empire. For many years to come the United Kingdom market would be a much richer market for Australian producers than the markets of all the Dominions taken as a whole. Australia desired to receive the most generous preferences the British people were disposed to give and were able to afford. Their disposition and capacity to grant and maintain preferences in their favour would be largely conditioned by the value of the preferences Australia granted in return. If they were to grant to India the 20 per cent. preference which they had been giving on cotton piece-goods from Lancashire, it was certain that India would at once become a strong competitor in the Australian market, and Lancashire enthusiasm for Australian meat and butter might reasonably be expected to wane. A similar result would follow if they placed Canadian manufacturers of motor chassis in the same preferential position with the British manufacturers.

They had decided, therefore, that any extension to other parts of the Empire of the preferences in the first place granted to Great Britain must be a matter for individual negotiation and consideration.

Meat.

The Dominions' case for meat was presented to the British Delegation by Mr. Bruce, who asked for preferential duties on frozen beef, mutton, lamb and pig-meats, together with quantitative restrictions upon all meats, including chilled beef. The British Delegation expressed its wish to improve the British market for Home and Dominion mutton and lamb by a scheme of progressive quantitative restrictions upon

foreign imports, and to expedite a similar scheme already in hand for the improvement of the market for pig-meats in the interest of the British farmer. The British Delegation, however, did not consider that a case had been made out for a preference on beef. Certainly the case for Dominion beef was not an impressive one. Australia and New Zealand supplied only 5½ per cent. of the total (British) consumption, and 13 per cent. of the total beef import. But there was in their (Dominions') view still a very definite case for the quantitative restriction of chilled beef from South America. They urged that it would be idle for the British Government to attempt to improve the position of the British meat producer, and for Australian and New Zealand mutton and lamb if chilled beef from South American countries were left free to flood the general meat market; that price levels for mutton and lamb could not be raised if an unlimited amount of cheap beef were available to consumers.

No duties on meat.

They continued to press for duties on mutton and lamb, together with restrictions upon the importation of all foreign meat. The British Delegation could not be brought to agree that duties were necessary if quantitative restrictions were imposed, and the Dominions were obliged to abandon the request for the actual tariff preferences.

Mr. Gullett, having given details of the final settlement,* went on to say that the deliberate intention of the arrangement was to improve the wholesale price of mutton and lamb and pig-meats in the British wholesale market, and to provide a better market for frozen beef from the Dominions. While the Australian Delegation would have preferred the imposition of preferential duties in addition to some quantitative restriction, the Agreement certainly provided substantially more quantitative restriction than would have been undertaken by the British Government had the duties been decided upon, and more than would be secured by moderate duties operating alone.

Wheat.

In regard to wheat, Mr. Gullett said that the British Government had suggested a quota scheme which would ensure to Australia a substantial share of the British market at world-parity price. That scheme had been discussed by the Ottawa Cabinet Sub-Committee with representatives of the Australian wheat industry, and the unanimous view was unfavourable to it. It was therefore decided that the best

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* *Vide* JOURNAL, Vol. XIII., No. 4, p. 852.

course to follow would be to co-operate with Canada in an endeavour to induce the British Government to devise means to reserve to Dominions' wheat as large a place as possible in the market of the United Kingdom, with safeguards against unfair marketing practices by any foreign country. On their (Dominions') side they undertook that under any arrangement made, Dominions' wheat would be sold at Liverpool at world parity prices. This proposal was agreed to, and was expressed in the Agreement as a duty of 2s. a quarter against all foreign wheat, with free entry for the product of the Dominions.

Flour and Barley.

Under the Import Duties Act, Dominions' flour enjoyed a temporary advantage of 10 per cent. against flour of foreign origin. That preference now stood in the Agreement for a term of five years. No increase was obtainable, but in view of the fear that the temporary duty of 10 per cent. would in the interest of United Kingdom millers be applied to the Dominions also, the Australian Delegation was satisfied with the outcome. Barley also remained on the 10 per cent. duty, although at one stage in the negotiations they had hopes of either 15 per cent. or 6d. per bushel.

Butter.

During the last twelve months the price of Australian butter in Britain had fluctuated from slightly below to slightly above 100s. per cwt.—the lowest level for a number of years. The butter market of the United Kingdom was like the meat market, practically the only one now open to exporting countries. Market after market which used to absorb some of the world's surplus products was closed in the new fiscal era, and the diverted supplies had been thrown on the United Kingdom, and Australia had suffered from the resultant slump. With this position before them, Australia had decided to request the British Government to grant both a duty and a quantitative restriction in their favour. The prevailing temporary duty was 10 per cent. *ad valorem*, equal to about 1d. per lb. Their original tentative request for preference was 1½d. per lb. and restriction, but finding that New Zealand was asking for 2d., Australia agreed to work on the same level. Again they had found the British Delegation opposed to the employment of both a duty and restriction against foreign supplies. The temporary duty of 10 per cent. was, however, increased to 15s. per cwt., which was equal to a little more than 1½d. per lb.

Cheese and Eggs.

The new duty of 15 per cent. on cheese was of more immediate importance to Canada and New Zealand than to

Australia, but it provided their dairy farmers with equal opportunity for profitable production. In regard to eggs, Mr. Gullett said that the new preference of 1s. to 1s. 9d. a great hundred according to weight, or about 10 per cent. of the London wholesale price, would prove a very useful contribution to the cost of marketing and should enable the Australian industry to show further profitable expansion.

Apples.

Apples had had their preference advanced from 10 per cent. *ad valorem* to 4s. 6d. per cwt. They were also associated with Canada and New Zealand in a request for some restriction of foreign imports upon a seasonal basis. This had been refused by the British Delegation, and, he thought, on solid grounds. Australian and New Zealand apples and pears enjoyed almost a monopoly of the British market through the early and mid-summer months. They met, however, competition early in the season from apples from the United States of America, which were carried then in cold storage, and again from the new American crop in September. The duty of 4s. 6d. a cwt. against foreign supplies would be of particular value in extending their selling season under favourable price conditions.

Dried and canned fruits.

The increase in the preferential margin upon dried vine and other fruits from 7s. to 10s. 6d. a cwt. might be interpreted as a well-earned reward to an Australian industry distinguished by the excellence of its products. Because of Britain's Trade Treaty with Greece, the preference on currants remained at 2s., but the Greek industry was well controlled, and those engaged in it had always regulated supplies and maintained a price not unprofitable to Australian growers. The Agreement provided for a preference of 15 per cent. upon canned fruits, in addition to the duty on the sugar content. Their request had been for 1s. 6d. a dozen tins, but the *ad valorem* concession would enable the Australian product to make still further headway against foreign supplies in the United Kingdom market.

Wine and Brandy.

The only additional advantage obtained for Australian wines was the increase in the preference from 1s. to 2s. upon the light classes. Already Australia enjoyed a strong preferential position in the British market. The spirit content upon Dominion wines paid less import or excise tax in the United Kingdom than any other class of alcohol with the exception of the so-called " wines " expressed from imported grape must. They had made no headway against " British Wine," which must be recognised as a British industry based on imported raw material. They had failed to obtain a further concession upon brandy. The request, in which they were joined by the South African Delegation, was that the present preference of 2s. 6d. a gallon be increased to 15s. The Chancellor of the Exchequer (Mr. Chamberlain) had pointed out that the obstacle to an extension of the preference was the need to guard the revenue.

Sugar.

The sugar position had not been changed at Ottawa. Prior to April last all Empire sugar was accorded preference. The effective rate on Australian sugar was about £3 12s. a ton. In April the British Government had reduced by £1 a ton the duty on sugar from the Colonies. Australia had joined with the South African and British beet sugar interests in an effort to have this additional preference made applicable also to sugar from the Dominions. Their effort had not been successful. The British Delegation had pointed out that the public finances of the sugar-growing Crown Colonies were in a very bad way, and the Government and taxpayers of the United Kingdom were in the last resort obliged to meet the deficiencies.

Base metals.

The magnitude of the base metal industry in Australia spurred the Delegation to every effort for at least the retention of the 10 per cent. preferences upon lead, zinc and copper. In view of the fact that the fall in the price of metals had been heavier even than the fall of pastoral and agricultural produce, it was unfortunate that the Australian interest clashed so definitely with that of the British industrialists using Australian products as raw material. Australia, therefore, had to be content with the retention of the 10 per cent. preference on lead and zinc, and a prohibitive duty of 2d. per lb. on unwrought copper, conditioned with the provision that Dominions' metals on first sale in the United Kingdom must be offered at prices not exceeding those ruling in foreign competitive countries.

Australian concessions.

Mr. Gullett went on to deal with the reciprocal concessions which it was proposed should be made to Britain by Australia. In this consideration, he said, the first step must be to endeavour to estimate the value of the prevailing Australian preferences to British imports under normal trading conditions. With the single exception of India, Australia had been for many years prior to the depression Britain's best overseas market,—a remarkable fact in the light of their small population, due beyond question to the generosity of their preference margins. It might be that it would be found that

by the other Dominions more new concessions had been made to Britain at Ottawa than had been granted by Australia, but, if so, the explanation would be that Australia had already carried concessions so far that her capacity for new favours was relatively limited. They had endeavoured to give Britain everything that could be given, subject only to the maintenance of efficient Australian industry and the preservation of vital foreign markets.

Tariff Board.

The British Delegation had accepted the decision of the Commonwealth Government that amendments of protective duties should be made through the Tariff Board, and that the Australian Delegation was not in a position at Ottawa to engage in arbitrary alterations.

The preferential formula.

Australia agreed to make the tentative formula somewhat more attractive by increasing the minimum margin from 12½ per cent. to 15 per cent., and as adopted it was as follows :—

British Preferential Duty.	*Margin of Preference Per cent.*
Up to 19 per cent.	15
Above 19 and up to 29 per cent.	17½
30 per cent. and over	20

Next, Australia made the concession that the formula should, subject to exceptions, apply not only to the list of goods originally submitted by the British Government, but also to the whole Australian schedule.

Taking first the exceptions made in favour of Britain, Mr. Gullett said that in a number of cases they had carried the preference up to 20 per cent. with the intention of endeavouring to give Britain either an important expansion of trade, or a new trade, where it was clear that her manufacturers had capacity to supply the Australian market. The exceptions in favour of Australia had been made on obvious grounds. If the application of the formula would have increased foreign rates of duty, they had not applied it in cases where already Britain enjoyed practically the whole of the Australian trade, or again in cases where Britain was not in a position to make a reasonable bid for the Australian market.

Foreign interests.

Consideration of foreign interests had also been responsible for a number of exceptions. The Governments of the United Kingdom and of the Dominions were completely within their rights in framing their tariffs upon an Empire preferential basis, but, in building up their agreements, as much consideration as possible had been shown to the interests of foreign trade. In accordance with this attitude, it was agreed that in certain cases in which the prevailing preference was below the formula level, no increase should be made, and that in certain other cases in which the preference was considerably above the formula, some reduction in the margin might be made.

Tariff reclassification.

A further undertaking entered into was that the Commonwealth Government would search out protected fields of industry which were not being exploited by Australian manufacturers, and by the refining and reclassification of the tariff schedule make these preferentially available to British industry.

Australia's tariff policy.

The main points bearing upon tariff policy were to be found in Articles, 9, 10, 11 and 12, and in these Articles the Government of the Commonwealth undertaking was as follows :—

Article 9.—That protection by tariff shall be afforded only to those industries which are reasonably assured of sound opportunities for success ;

Article 10.—That the tariff shall be based on the principle that protective duties shall not exceed such a level as will give United Kingdom producers full opportunity of reasonable competition on the basis of the relative cost of economical and efficient production ;

Article 11.—That as soon as practicable existing protective duties shall be reviewed by the Tariff Board in accordance with the principles laid down in Article 10, and that, where necessary, Parliamentary action will follow such review ; and

Article 12.—That no protective duty shall be imposed, and no existing duty shall be increased on United Kingdom goods to an amount in excess of the recommendation of the Tariff Board.

These undertakings were completely consistent with the tariff policy enunciated by the Prime Minister in his policy speech. He (Mr. Gullett) would admit that Article 12 appeared to break new ground. But in reality it did not do so, for it was merely consequential upon the Prime Minister's declared policy that the Government would not decrease duties without first referring them to the Tariff Board.

Benefit to Great Britain.

The advantages bestowed upon Britain by the Treaty fell into three classes. First, the prevailing preferences which were now operating strongly in favour of British trade in the lower revenue and free levels of the tariff. Next, the generally increased preferences granted at Ottawa, which should immediately stimulate imports from Britain. Finally, the progressive benefit which would accrue as the depression

lifted, and as the Tariff Board proceeded with its work of revision, and there was a general return to what he described as a normal tariff level.

Dominions and Colonies.

The magnitude of the major negotiation with the British Delegation had made it impracticable to give to trade with the Dominions the full time necessary to complete the chain of new or improved Agreements right round the Empire. They did, however, with slight exceptions, succeed in bringing to a conclusion a tentative Agreement with the Crown Colonies as a whole. They also carried to its final stage, except for the signature of the Prime Minister of Newfoundland, an Agreement with that Dominion.

Crown Colonies.

Under the Agreement with the Crown Colonies, Australia received no fewer than 42 new and increased preferences. These applied in the main to flour, frozen and canned meat ; bacon and hams ; fresh, dried and canned fruits ; butter ; condensed and powdered milk ; wine and brandy ; and foodstuff manufactures such as biscuits, confectionery and jams. Broadly speaking, Australia granted to the Colonies on specified commodities the same margins of preference that applied in the formula adopted for the United Kingdom consideration, but, in addition, the Agreement provided for a few special concessions.

Conclusion.

In his concluding remarks, Mr. Gullett said that the Agreement marked the initiation of a policy of reciprocal preferential trading which would at once begin to contribute to the dissipation of the depression. Its beneficial effects would be progressive and cumulative. In its present form it would prove a strong and growing instrument, ever working for increased production, employment and prosperity throughout the lands which made the Empire. Moreover, it was an instrument which, in the hands of sympathetic and co-operating Governments, would surely be from time to time expanded and improved.

On 3rd November,

Rt. Hon. J. H. Scullin (Leader of the Opposition) said that some of the Articles of the Agreement were so repugnant to those who stood for Australian industries and Australian self-government, that they outweighed any concessions that might have been obtained for their producers. On that account, they should seek a new Agreement which would provide an opportunity to secure concessions and preferences without binding Parliament hard and fast, and without violating the policy of protecting Australian industries. For these reasons he moved the following Amendment :—

That the Bill be withdrawn and negotiations opened for a new agreement embodying concessions to Australian producers and preferences to Great Britain on specified items without endangering our protective policy or depriving Parliament of its power to give effect to the will of the people on general tariff policy.

The Tariff Board.

Articles 10 and 11 of the Agreement* provided for a general review of their tariff by the Tariff Board with the object of giving effect to the principle that their "protective duties shall not exceed such a level as will give United Kingdom producers full opportunity of reasonable competition." That was clearly an instruction to the Tariff Board to review every item of the tariff, and recommend lower duties. Hitherto the Tariff Board had been required to protect Australian industries, and to safeguard the interests of Australian consumers. Under the Ottawa Agreement, a third duty would be imposed upon it—to watch the interests of British manufacturers, and ensure that they were given full opportunities to compete with Australian manufacturers on the Australian market. Industries that had been established in Australia were to receive no advantage whatever as against British competitors. Mass production overseas and the dumping of goods made fair and reasonable competition impossible.

An objectionable feature.

A most objectionable feature of the Agreement was Article 12. The Tariff Board had been created for the purpose of advising Parliament and furnishing it with information on tariff matters. But now it was proposed that in the imposition of duties on goods from the United Kingdom, Parliament should become subservient to a body which it had created. "By ratifying the Agreement we shall barter away our fiscal freedom as a nation. The Board is bound by Article 10 to reduce duties, and by Article 12 this Parliament is bound to the Board, and cannot exceed any duties that it recommends on goods from the United Kingdom."

Britain's good bargain.

Previous duties had given British industries preference margins averaging 15 per cent. The Agreement increased those margins on 428 tariff items. Australia was to receive preference on 40 items. Britain, therefore, had the best of the bargain, even in the earlier stages, without any insistence on their pledging their whole tariff policy in a written agreement of five years' duration. The British Delegates had been careful

* *Vide* JOURNAL, Vol. XIII., No. 4, p. 853.

not to accept restrictions on their own Parliament similar to those imposed on the Commonwealth Parliament. The Minister (Mr. Gullett) had claimed that the meat restrictions represented the greatest achievement won by the Australian Delegates at the Conference. The terms of the Agreement revealed that the Government of the United Kingdom might remove those restrictions when it chooses. He was not blaming the British Government for that, for it had the right to protect its consumers. But the elasticity should be general, not one-sided.

Fiscal freedom.

In the Ottawa Agreement the fiscal freedom of Australia had been signed away. Whatever justification or mandate the Government might claim, this Agreement bound the Parliament and the next in regard to fundamental principles of fiscal policy. Acceptance of it would rob the people of their rights at the next Election, and would, in effect, disfranchise them in regard to vital principles of the protectionist policy. The present Parliament had, at the most, two years to run.

"At the next General Election," Mr. Scullin said, "the people may return to power a Government opposed to many features of this Agreement, and in that event is the will of the people to be flouted? I say definitely on behalf of the Australian Labour Party that we shall not agree to that."

He strongly believed in preserving unity and goodwill within the British Commonwealth of Nations. The undertaking that existing protective duties should be reduced low enough to admit British goods on a competitive basis with Australian made goods would impair the friendly relations between the nations. Unity and goodwill would be promoted, not by competitive trade but by complementary trade, Australia taking from the United Kingdom, instead of from foreign countries, a greater proportion of the goods they must import, and selling to it increased quantities of their primary products. The Ottawa Agreement created irritation by insistence on competitive trade, and by imposing vetoes on the important phases of political policy it violated their self-governing rights. Under the Agreement Australian industries were imperilled, because their fiscal freedom was pledged. The Agreement might be ratified by that Parliament under the crack of the Party whip, but it could not last.

The Government's mandate.

The Prime Minister (Rt. Hon. J. A. Lyons) said that when the Government announced its tariff policy to the people, it had also announced its determination to negotiate and carry out an agreement with Great Britain and the other Dominions to bring about Empire preferences. There was a general mandate given to the Government by the people in that regard. To-day they were giving effect to it. In doing so, they were exercising the democratic and self-governing rights of the people. They had done nothing the people had not authorised them to do.

Anti-dumping legislation.

Mr. Scullin had suggested that under the Agreement goods would be dumped into Australia to the disadvantage of Australian industries. The protection which the Australian Industries Preservation Act* afforded Australian industries against dumping remained the same as it was before the Ottawa Agreement and would continue until the termination of the Agreement.

Agreement not unalterable.

The only variation of the policy announced to the people during the elections was contained in Article 12 of the Agreement, under which the Government agreed to accept as a maximum the duties recommended by the Tariff Board. But even then the Agreement was not unalterable. If, for special reasons, it appeared to be necessary to impose a higher rate of duty than that recommended by the Tariff Board, the way was open for them to confer on the subject with any of the Governments concerned. He had no doubt that an Agreement could be reached.

It had been suggested that Great Britain had given away nothing in regard to her general policy. In Schedule D of the Bill would be found a list of Articles in regard to which Great Britain had agreed to impose definite duties for the period of the Agreement. Great Britain had definitely bound herself not to vary the duties on those articles by even 1 per cent. without first obtaining the approval of the Commonwealth Government. The Government of the United Kingdom was more completely tied by this Agreement than the Commonwealth Government, because a certain amount of latitude was allowed to Australia within the margins of preference, while no latitude was allowed in these items to the Government of the United Kingdom during the five-year term of the Agreement. If the Imperial Government felt, after experience, that there should be a reduction of duty in any of these particular items, and it conferred with the Commonwealth Government, he had no doubt that an agreement could be reached for equitable variation.

* *Vide* JOURNAL, Vol. II., No. 4, p. 893, and Vol. III., No. 1, p. 138.

The Tariff Board.

The Tariff Board was required to investigate in the fullest detail the circumstances of their different industries, and to recommend a duty which would give the degree of protection necessary to maintain the industry. The only danger of protecting something that was inefficient was in acting politically instead of leaving the matter to the investigation of an independent tribunal. It was the stated policy of the Government that tariff-making should be done through the medium of the Tariff Board. He did not think anybody had seriously suggested that the Government should accept every Recommendation of the Tariff Board. The Recommendations of that body were considered by the Government. The only variation of that policy was in the direction that had been indicated, and it applied only to British products.

Mutual advantage.

In conclusion, the Prime Minister said he was confident that the Agreement would bring them more closely into contact with Great Britain and their sister-Dominions, to the mutual advantage of all concerned. He felt sure that no injury would be inflicted upon Australian secondary industries, and that lasting benefits would accrue to their primary industries.

Repugnant Articles.

Hon. J. A. Beasley (Leader of the State Labour Party) said that Articles 10, 11 and 12 of the Agreement would most seriously impair the self-governing powers of Australia, and were repugnant to every sense of justice and equity. The Agreement was also antagonistic to the Balfour Declaration of Empire equality, because it was designed to make the Australian people merely hewers of wood and drawers of water for the British captains of industry. There could not be a shadow of doubt that Article 12 implied the scuttling of Australian secondary industries. It was proposed that the Tariff Board should be equipped with greater power than Parliament had. Stripped of all humbug, the Agreement meant that for five years the Parliament of Australia would be powerless to do anything effectively for the protection of Australian industries.

"We question not only the right of the Government to make such an Agreement as this," said Mr. Beasley, "but also the constitutionality of its action. . . We believe that it is the duty of this Parliament to protect Australian industries, and to do everything possible to make this country self-contained. We shall support the Amendment, and if the Bill is passed, I make it clear, not only to our own people, but also to the people overseas, that immediately an opportunity presents itself to terminate the Agreement, we shall accept it. We do not feel ourselves bound by the Agreement in any shape or form. We believe that it cuts across our rights as a self-governing Dominion, and we shall associate ourselves with any Party which takes effective action to free our people from the shackles imposed upon them by this Agreement, and to restore self-government in Australia."

Country Party's approval.

On 10th November,

Hon. T. Paterson (Deputy-Leader of the Country Party) said that in expressing his wholehearted approval of the Bill, he was also stating the view of the Country Party. They gladly supported such sane fiscal principles as those enunciated in Articles 9, 10 and 12 of the Agreement. They believed this would lead to an increase in intra-Empire two-way trade, and to the lifting, to some extent, of the tremendous burden imposed on industries by the present Customs duties.

Promise to manufacturers.

It was regrettable that their representatives at Ottawa had been, to some extent, hamstrung by the far-reaching promise given to manufacturers that the Government would not reduce any of the Scullin duties without first obtaining a report from the Tariff Board. This unfortunate provision had been made, despite the fact that in most cases the duties had been increased without reference to the Board. Undoubtedly that pledge had prevented their representatives at Ottawa from going as far as they otherwise would have gone, and from agreeing to reductions in certain tariff items in favour of Great Britain.

Concessions contrasted.

Until the last twelve months, practically the only items which they exported to Great Britain on which they had a monetary preference, were wine, dried fruits and sugar. Those three items had now grown to 40. Mr. Scullin had contrasted those 40 items on which they received preference under the Treaty with some 428 items on which they were to give preference to Great Britain. The number of items alone were not much of a guide in comparing the relative advantages enjoyed by Great Britain and Australia. Let him take only one of those 40 items—butter, of which 84,000 tons were sent from Australia to Great Britain last year. The imports of many of those 428 items did not represent as many ounces. They had also to remember that, with a few exceptions, those 40 items went into British ports free, which placed them in that respect on an equal footing with British producers.

Comparatively few of the 428 items on which Australia gave Britain preference came into Australia duty free. In too many cases in which they did grant preference and imposed a duty, that duty was so high that trade was rendered practically impossible, so that the preference was more imaginary than real.

He trusted that the Government would try to carry out in their entirety and with promptitude the letter and the spirit of the Ottawa provisions. There need have been no delay had it not been for an illogical promise to the manufacturers by a Government which pinned its faith to the Recommendations of the Tariff Board to retain duties imposed without a prior report from that Board. If the Government believed that it had bound itself—and the Schedule was capable of no other explanation—he hoped that it would not validate those duties but would speed up inquiries by the Tariff Board to enable the barriers to be reduced, and that no petty advantage would be taken of primage and exchange to nullify reductions.

Mr. Scullin's Amendment was defeated by 41 votes to 19, and a Motion, also brought forward by Mr. Scullin, that the Bill be referred to a Select Committee, was rejected.

The Bill was finally passed without amendment by the House of Representatives on 16th November, 1932, and by the Senate on 29th November.

TARIFF PROPOSALS.

(Ottawa Agreement: formula preference margin; etc.)

On 13th October, in the House of Representatives, the Minister for Trade and Customs brought forward a Schedule of Amendments to give effect, inter alia, to the formula margin of preference referred to in the Agreement with the Government of the United Kingdom at the Ottawa Conference.

IN THE HOUSE OF REPRESENTATIVES.

The Minister for Trade and Customs (Hon. H. S. Gullett)* said there were four Resolutions, the main Tariff Resolution, special duties proposals, primage duty Resolution, and Customs Tariff Canadian preference proposals. The main Tariff Resolution was a completely new tariff, incorporating the unaltered portion of the 1921-28 Tariff, and the Tariff Resolutions tabled during the present year.† It gave effect to the formula

* *Vide* Note on p. 99.

† *Vide* JOURNAL, Vol. XIII., No. 2, p. 445, and No. 4, p. 975.

margin of preference and other changes that had been agreed to at the Ottawa Conference. There were some 440 items and sub-items under which immediate increases were being imposed under the general Tariff. They were as follow :—

Number of Items.	*Extent of Increase.*
12 at	Specific rates.
28 at	$2\frac{1}{2}$ per cent.
244 at	5 ,,
54 at	$7\frac{1}{2}$,,
94 at	10 ,,
1 at	$12\frac{1}{2}$,,
6 at	15 ,,
1 at	$17\frac{1}{2}$,,
440	

With one or two unimportant exceptions the level of the protective duties had been maintained, and the Government had adhered to its policy not to reduce the protective level without inquiry by the Tariff Board. The total number of reductions was 26, 20 under the British preferential and six under the general tariff. Nearly all these reductions were made to items which had no protective significance, and were not connected with the Ottawa settlement.

Two-column Tariff.

A notable departure from the previous tariff schedules was the reversion to a two-column tariff. From 1907 to 1921 the Australian tariff was a two-column one. In the latter year a three-column tariff was established by the introduction of the intermediate column, for the purpose of enabling the Commonwealth to negotiate trade treaties with foreign countries. Apart from granting to Canada a small number of rates under this tariff, the intermediate tariff was inoperative. It had been decided to delete this column, and to adopt the practice of bringing down Bills covering any trade treaties which might in the future be negotiated with foreign countries.

Canadian Agreement.

The Canadian Resolution did not amend the existing Canadian Agreement, it merely ensured its continuance in the form in which the Agreement was ratified last year.* The negotiations conducted by the Australian Delegation (at Ottawa) with a view to the extension of the Treaty with Canada were still proceeding.

* *Vide* JOURNAL, Vol. XII., No. 4, p. 956.

DISARMAMENT.

(Consultation with the United Kingdom; Conference at Geneva: Australian Delegate's Report.)

On 15th November, in the House of Representatives,

The Prime Minister (Rt. Hon. J. A. Lyons), in reply to a question as to whether the Commonwealth Government was associated with the statement made by the Secretary of State for Foreign Affairs (Sir John Simon) in the House of Commons on 10th November regarding Disarmament, said : " Since the delivery of the German memorandum to France in August last, the Commonwealth Government has shared the desire of the Government of the United Kingdom that as soon as possible a basis should be found on which the principal Powers could resume complete co-operation in the work of concluding a satisfactory convention for the reduction and limitation of armaments. My Government has been in constant consultation with the Government of the United Kingdom on the subject, and when the draft of the statement which was made in the House of Commons last Thursday, and has been published in full in the newspapers, was communicated to us, we agreed that it constituted such a basis. The Government hopes that all the Powers will accept it as such, and take part in the drafting of a convention by which every State will bind itself, on the basis of complete equality, to a measure of reduction and limitation of armaments, and in no circumstances to increase them.

" The Governments of the United Kingdom and the Commonwealth are now consulting further as to how the maximum of positive disarmament may be brought about, and it is hoped that at an early date the Commonwealth representative at Geneva will associate Australia with a proposal which, in the opinion of the two Governments, is a basis for a satisfactory Convention."

On 30th September, in the House of Representatives,

The Attorney-General (Rt. Hon. J. G. Latham) laid on the Table his Report on the Disarmament Conference, Geneva, 1932, covering the period February-July, and said that before he left Australia he had outlined the policy* which he proposed to advocate on behalf of the Government. That, he added, was the policy he had advocated.

* *Vide* JOURNAL, Vol. XIII., No. 2, p. 442.

Having dealt with the aspects of Disarmament, quantitative and qualitative, as discussed at the Conference, Mr. Latham went on to say that he had formulated certain proposals which he subsequently outlined in a letter which he addressed to the president of the Conference on 23rd June. The Conference appeared to him to be following a wholly uncertain course. It was divided between a desire to conform with the plan of the draft Convention and the plan of the Covenant of the League of Nations.

The early proceedings of the Conference centred on schemes based upon Article 8 of the Covenant. That involved a specific statement by each Delegation of what were regarded as the ultimate maximum forces which would be required to ensure the safety of its people. It appeared to him to be a very great mistake to ask the nations of the world to specify the armaments that were regarded as necessary for national safety for the indefinite future. The adoption of this principle would lead to the maintenance of the maximum rather than the minimum armaments, and it was useless to shut their eyes to this obvious fact No nation could possibly publish its requirements until it knew what its neighbour's plans were. Accordingly there had been no way to start the ball rolling. Another reason why no progress had been made was that the nations were not prepared to fix what they regarded as the maximum necessary for their national safety and work from that basis.

The Australian proposal.

The proposal he had made was that they should specify the armaments with which they would be content for, say, the next five, seven, or ten years. He was interested in the principle and not in a particular period. If an agreement of that kind could be reached, it would be reviewed prior to the expiry of the period. He believed that something possible and practicable could be achieved in that direction, but any attempt to cover the indefinite future was doomed to failure.

Great Britain's support.

Mr. Latham added that he had been informed that his proposal had received a considerable measure of support. The proposal was supported by the British Delegation, and he had incorporated in the Report a letter from the Polish Delegation which also supported it. He had been unable to remain at Geneva in order to press the suggestion, but Sir John Simon had undertaken to do his best to see that it was accepted.

FINANCIAL EMERGENCY ACT.

(Parliamentary allowances ; Maternity allowance ; Invalid and Old Age Pensions; Wine and Gold Bounties.)

This Act to amend the Financial Emergency Act, 1931,* was assented to on 3rd October, 1932. It gives effect to the proposed reductions in expenditure announced in the Budget speech.†

The main provisions are as follow :—

The aggregate salaries of Ministers which by the previous Act were reduced from £15,300 to £11,857 10s., or 22½ per cent., are further reduced to make the total reduction 30 per cent. The allowances to Senators and Members of the House of Representatives, previously reduced by 20 per cent., are further reduced to make the total reduction 25 per cent.

Salaries and wages of the Public Service are reduced as follows: Adult male officers, £8 per annum ; adult female officers, £5 per annum ; minors, £4 per annum.

Payment of maternity allowance (£4) is limited to cases where the total income of claimant and husband does not exceed £208 per annum.

The full invalid and old-age pension of 17s. 6d. per week will in future be paid only to pensioners who are entirely dependent upon pension. Other pensions are reduced to 15s. per week. Pensions to inmates of benevolent asylums and institutions are reduced from 5s. to 3s. 9d. per week.

Provision is also made that where relatives of pensioners are in a position to contribute towards the cost of the pension, they may be required to do so.

Another provision is that future pension payments are to be a charge against the pensioners' estate at death.

The annual liability under the Wine Export Bounty Act is limited to £96,000, and where the payment of the bounty at the rate of 1s. 9d. per gallon would involve expenditure in excess of £96,000, the rate of bounty is to be reduced proportionately.

Payment of the bounty on gold produced in Australia is suspended as from 30th September, the bounty to be restored when the London mint price does not exceed £5 per ounce, and when the Melbourne mint price does not exceed £5 10s. per ounce.

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* *Vide* JOURNAL, Vol. XII., No. 4, p. 967.
† *Vide* JOURNAL, Vol. XIII., No. 4, p. 974.

States.

New South Wales.

THE BUDGET.

(Revenue and Expenditure; Deficit; Public Debt; Taxation relief; Social Services; Railways; etc.)

On 21st September, in the Legislative Assembly, the Premier and Treasurer delivered his Annual Financial Statement.

The Premier and Treasurer (Hon. B. S. B. Stevens) said he had found on assuming control of the Treasury that his predecessor (Mr. Lang) had been spending 25s. for every 20s. which he collected in revenue, and had been conducting Government finance more or less in that way for eighteen months. During that time debts of more than £20,000,000 had accumulated either by way of Treasury Bills or unpaid accounts in respect of services normally financed from revenue. This debt was still unfunded.

Revenue and Expenditure.

The position last year (1931-32) was: Expenditure on all funds, £56,644,634; Receipts from all sources, £42,416,790, showing a deficiency for the year of £14,227,844. The position estimated for the current year was: Expenditure, £49,535,082; Receipts, £45,185,082; deficiency, £4,350,000.

The deficit.

The deficit of £4,350,000 was arrived at after making adequate provision for all statutory and administrative charges, and also extraordinary provisions which included: (*a*) provision for Sinking Fund, £1,100,000; (*b*) exchange on interest on loans, £2,420,000; (*c*) provision of interest at 4 per cent. on Treasury Bill finance raised by previous Government, £600,000.

Interest on Public Debt.

The average rate of interest for the past five years on the Crown indebtedness had been: 1927-28, 5·12; 1928-29, 5·14; 1929-30, 5·17; 1930-31, 5·14; 1931-32, 4·85 per cent. The average rate payable at present on the full debt in London and New York was £4·75 per cent.*

The State had not raised any loan in London for three years, except on account of short-term Treasury Bills and debentures.

Relief of taxation, etc.

The Premier indicated the extent to which it was proposed to remit taxation charges and interest rates: (1) Railway freights: The Government had already reduced freight rates on wool and livestock by 10 per cent. (2) The Government proposed to reduce by 15 per cent. the rates for workmen's weekly rail tickets. (3) Unemployment Relief Tax: It was proposed to reduce the burden on wages and salaries up to a limit of £3 10s. per week, as follows: £2 to £2 10s. per week, from 2s. to 1s.; £2 10s. to £3 per week, from 2s.—3s. to 1s. 6d.; £3 to £3 10s. per week, from 3s. to 2s. (4) Interest charges: The Government proposed to reduce rates of interest to all Crown debtors and amounts owing by public bodies. (5) Tramway fares.

* The gross Public Debt at 30th June, 1932, totalled £305,590,877, of which £127,001,230 was domiciled in Australia and £178,579,647 overseas.

Social Services.

The Premier submitted the following statement of expenditure on social services on a comparable basis by New South Wales and the various other States:—

State.	1928-29. £	*Per head.* £ s. d.	1931-32. £	*Per head.* £ s. d.
New South Wales ...	3,024,995	1 4 9	9,003,471	3 11 6
Victoria	603,503	6 10	2,184,178	1 4 3
Queensland	521,000	11 4	424,000	8 10
South Australia ...	214,107	7 5	1,033,546	1 15 4
Western Australia ...	153,157	7 7	782,185	1 17 1
Tasmania	77,240	7 2	142,591	12 9

It was essential that the cost be reduced to the lowest possible amount without inflicting hardship upon any section of the community. It was not intended to deprive of sustenance people who were out of work. In regard to widows' pensions, the Government proposed to reduce the cost in accordance with the fall in the cost of living.

Family endowment.

With regard to family endowment, when the scheme was originally drafted its benefits were intended as an auxiliary to the State basic wage and to benefit workers actually in employment. To-day the incidence of the Fund had altered until it was largely an unemployment relief measure. The position must be dealt with, and the scheme would be reconsidered in the light of principles which would be embodied in special legislation to be brought down to provide effective means of co-ordinating and regulating the payment of social services of all descriptions.

Salary reductions; Basic wage.

The Government had been criticised for applying the recent reduction of the basic wage (from £4 2s. 6d. to £3 10s.) to the Public Service. The alternative suggestion put forward was that as the Salaries Reduction Act of 1931 had affected a reduction of 20 per cent., and therefore complied with the Premier's Plan, it was unnecessary also to apply the basic wage. As a matter of fact, that Act did not effect a 20 per cent. reduction. In respect of the Public Service proper, the reduction had amounted to only 17 per cent., and in respect of the Public Service including the Railways to only 12·8 per cent.

Unemployment relief.

The Government had taken definite action with a view to providing funds for useful public works and for assistance to primary and other forms of industry. The Commonwealth Government had made available £600,000 as a winter relief loan for distribution through the Commonwealth Employment Council, almost the whole of which had gone to shires and municipalities. A sum of £600,000 from the same source had been made available through the State Unemployment Relief Council for advances to settlers up to £300 each, for permanent improvements. In addition the Council had had at its disposal a special relief credit of £2,900,000. There would also be £1,000,000 available from Consolidated Revenue, making a total of £4,500,000.

Railways.

For the year ended 30th June, 1932, the net loss on the Railway Service was £4,555,664. The estimated loss for the current year was £1,976,300. Railway revenue had reached its peak (£19,616,000) during the year ending June, 1929. Between then and the year just ended it had fallen by over four and a half millions, or 23½ per cent.

Loan expenditure.

The actual loan expenditure during 1931-32 amounted to £4,032,067, and for the current year the gross expenditure, as approved by the Australian Loan Council, was £3,550,000.

The Premier, in his concluding remarks, said the Government's predecessors had rendered a disservice to the people because they had advocated, and in part practised, a policy of default; because they had bought and estranged those financial and commercial interests which combined to give trade and employment, and because they had endeavoured to change the whole basis of industrial control. They (the Government) were adopting a different policy. Their objective was to see that the great financial institutions functioned in the interests of the whole nation, and they were prepared to work with them to that end.

Queensland.

THE BUDGET.

(Revenue and Expenditure; Unfunded deficit; Trust Funds; Loan Funds; Public Debt; Exchange; etc.)

On 29th September, in the Legislative Assembly,

The Premier and Treasurer (Hon. W. Forgan Smith) brought forward his annual Financial Statement.

Revenue and Expenditure, 1931-32.

He said that the estimated and actual Receipts and Expenditure were as follows:—

	Estimated.	Actual.	Under Estimate.
	£	£	£
Receipts	13,829,585	12,994,113	835,472
Expenditure	15,700,744	15,069,293	631,451
Estimated Deficit	£1,871,159	—	
Actual Deficit	—	£2,075,180	

Receipts, 1931-32.

Income Tax collections fell from £2,556,050 in the previous year to £1,674,329. Income Tax collected in 1929-30 amounted to £2 12s. 7d. per head of population. For the two following years it was £2 13s. 11d. and £1 14s. 9d. per head respectively.

Railway receipts (£5,936,500) continued to decline, and were £1,630,781 below the collections for 1928-29, and £490,465 less than 1930-31.

Land Revenue (£1,128,026) showed a decline on the collections for the three previous years. This was, no doubt, due to the reductions of rent granted by the previous Government.

Expenditure, 1931-32.

A comparison of the Expenditure last year with that of the year ended 30th June, 1930, was given in the following statement:—

Expenditure...	*Year.* 1929-30.	*Year.* 1931-32.
	£	£
Interest on Public Debt	5,181,116	5,004,626
Sinking Fund	313,535	363,390
Exchange	10,625	1,047,718
Railways	5,946,163	4,352,804
Other Expenditure...	5,269,616	4,300,755
Total	£16,721,055	£15,069,293

Unfunded deficit.

Including the deficit at 30th June, 1929, the total deficit to be provided for was £3,806,367. The actual amounts by which Expenditure exceeded Revenue for each of the last three financial years was approximately £700,000 more than would appear from the deficits recorded. This was due to various transfers from Loan and Trust Fund Accounts to the credit of consolidated revenue.

Trust Funds, 1931-32.

Trust Fund receipts amounted to £4,885,113, compared with £5,619,455 for the previous year. Receipts on account of Central Sugar-Mills fell from £862,044 to £11,489, due to the fact that none of these mills was now controlled by the Government. Unemployment relief tax collections rose from £702,640 to £1,089,645, as a result of the increase in the rate of tax. Main roads collections increased from £773,808 to £778,836.

Expenditure from Trust Funds decreased from £5,206,574 to £4,329,843. Central Sugar-Mills were responsible for only £2,848, compared with £947,848. £439,100 was expended from Main Roads Fund, as against £706,541. £1,200,674 was disbursed from the Unemployment Relief Fund.

Loan Fund, 1931-32.

The total sum of £1,700,771 was appropriated for expenditure from the Loan Fund last year. Actual disbursements were restricted to £1,162,910.

The Premier said he was satisfied that undue restriction of expenditure on the right class of work was false economy in the existing financial circumstances, and it was not the intention of the present Government to pursue such a policy.

Public Debt.

The Public Debt at 30th June, 1932, amounted to £111,911,785, being a reduction of £319,404 since 30th June, 1931. Cash was provided from Sinking Funds to redeem £794,787, of which £507,928 was domiciled in Australia, £52,810 in Great Britain, and £234,049 in America.

Exchange.

By the addition of exchange, the average rate of interest on oversea debt was increased from 4·77 per cent. to 6·25 per cent., and the average rate on the whole of the debt was increased from 4·38 per cent. to 5·32 per cent.

Estimates, 1932-33.

The Premier said he anticipated that the deficit this year would amount to £1,440,868. This figure was in compliance with the arrangements he had made at the Premiers' Conference. The appropriations from Revenue Account in the aggregate were £14,790,403, which was £278,890 less than the actual expenditure last year.

In attempting to effect a reduction of £1,265,000 in the anticipated deficit (£2,750,000) the task could not be accomplished solely by curtailing expenditure. After a careful survey, it had been decided to proceed as follows:—

	£
To reduce estimated expenditure by	220,000
To reimpose the Super Land Tax	130,000
To increase Income Tax by	270,000
To increase Railway Fares and Freights by	325,000
To transfer from Main Roads Fund receipts	250,000
Adjustments in estimated receipts under various headings as result of revised estimates	70,000
	£1,265,000

As regards Consolidated Revenue Fund receipts, the items were: Amount from Commonwealth, £1,096,235; Taxation, £3,220,000; Land Revenue, £1,125,000; Mining Receipts, £37,300; Railways, £5,925,000; other Receipts, £1,896,000; Total, £13,299,535. This was £305,432 more than actual Receipts last year.

Trust Funds.

The requirements of the various Trust Funds for the current year were estimated to amount to £5,681,978, which was £1,352,135 in excess of last year. The principal increases were Main Roads Fund, £704,000, and Unemployment Relief Fund, £500,000.

Loan Fund; etc.

The Loan Council had approved of gross expenditure by Queensland of £1,610,000 on account of the State's ordinary loan programme. In addition, the State had the authority of the Council to raise and expend £310,000 for special winter relief for the unemployed. The Commonwealth Government would also provide £310,000 for expenditure on approved works in the State. The Loan Estimate also provided appropriations amounting to £940,000 in connection with the special revival loan for the relief of unemployment. The total appropriation on Loan Fund Account was £3,167,242.

In concluding his statement, the Premier said that signs of returning confidence were daily being translated into actualities. He held the view that they had witnessed the worst features of the destruction which the vicious policy of deflation had brought in its train. The favourable position which Australian stocks were now commanding on the London market was an index of considerable moment, and would do much to pave the way to a successful conversion of their external indebtedness. The manner in which the Australian people had demonstrated their determination to meet all their existing contractual obligations merited a favourable and successful reception of such a conversion.

South Australia.

THE BUDGET.

(Revenue and Expenditure; Business undertakings; Public Debt; Motor taxation; Farmers' relief; etc.)

On 6th October, in the House of Assembly,

The Premier and Treasurer (Hon. L. L. Hill), in presenting the Budget, said that a comparison of the estimated revenue and expenditure and actual figures was as follows:—

	Actual. 1930-31 £	*Estimated.* 1931-32 £	*Actual.* 1931-32 £
Revenue	10,725,811	10,191,753	10,481,976
Expenditure	12,539,668	11,681,260	11,545,336
Deficit	£1,813,857	£1,489,507	£1,063,360

Reduced deficit.

Seeing that the State's deficit had been reduced in 12 months from £1,800,000 to £1,063,000 they had been able to keep within the Premiers' Plan deficit (£1,500,000) and provide £48,000 for exchange and £28,000 for farmers' relief.

Business undertakings.

The loss after paying interest on business undertakings was £2,882,905, which was most embarrassing to the Treasury. Included in that total was £787,748 for Railways. Though the figures showed an improvement, it was a big loss. Country waterworks showed a fairly heavy loss, namely £354,016. The loss on Soldiers' Settlement was £345,319.

Interest and exchange.

In 1926 interest had represented about 37 per cent. of the expenditure, but that was abnormal. Interest had been reduced under the Premier's Plan; and they hoped the interest on overseas debts would be considerably reduced. Exchange now represented a sum of £600,000 per annum; 44 per cent. (£5,105,198) of their expenditure was for interest and exchange, and 27 per cent. (£3,188,880) for salaries and wages, in addition to which 2·89 per cent. (£334,225) had to be provided for redemption of Public Debt. Therefore about 75 per cent. of expenditure was absolutely fixed.

Public Debt.

The Premier said that a comparison of the position at 30th June, 1932, with that of the previous year was as follows: At 30th June, 1931, total indebtedness, £101,548,659 (£174 0s. 2d. per head); at 30th June, 1932, £103,118,476 (£175 19s. 5d. per head). The increase of £1,569,817 was the smallest increase for many years.

Commonwealth grant.

The Federal Government had agreed to make South Australia a special grant of £1,000,000 for 1932-33, which was the same amount as was granted in 1931-32.

Estimates, 1932-33.

At the Premiers' Conference tentative figures for 1932-33 were submitted showing a deficit for South Australia of £1,770,000. After discussion the Budget deficits for all Governments were reduced to £9,000,000, of which £1,215,000 was fixed as the deficit for South Australia.

The estimates as finalised, gave the following results :—

Revenue	10,056,807
Expenditure	11,244,300
Estimated Deficit	1,187,493

Revenue.

The following items, *inter alia*, called for comment: Income Tax (£1,100,000). The decrease of £380,000 on last year was due to the further contraction in the incomes of practically every section of the community. Railways (£2,800,000). The increase of £40,000 was put down in anticipation of a record wheat harvest. Water Supply and Sewerage (£760,000). The decrease of £50,000 was accounted for by the increased difficulty of collection of amounts due. Interest on loans to local bodies, £800,000: The decrease of £30,000 was mainly due to reductions in interest pursuant to the Premiers' Plan passed on to various bodies who had borrowed from the Government.

Expenditure.

The interest Bill (£4,400,000) was slightly less than last year. This was due to the reduction in interest arising out of the Conversion Loan, while in London certain short-dated debentures had been renewed at lower rates. Unemployment, £780,000: The decrease of £240,000 was due to the fact that unemployment had reached its peak figure some time ago, and there was now definite signs of a revival in industry. Railways, £2,040,000: The decrease of £20,000 was accounted for by the fact that reductions in salaries and wages had not been operative for the whole of 1931-32, and further reductions in expenditure could be anticipated without impairing the efficiency of the service. Education: The estimated expenditure (£758,105) would be £167,804 less than in 1929-30. All individual salaries had been reduced by 20 per cent., and further economies had been effected by combining positions wherever possible.

Motor taxation.

The actual operations in 1931-32 were :—

	£	£
Receipts from Motor taxation		508,289
Deduct		
Administration costs	13,235	
Expenditure on Roads	200,000	
Sinking Fund	10,517	
Interest Payments	158,484	
		382,236
Net Gain to Revenue		£126,053

The figures for 1932-33 should work out similar. It was estimated that £200,000 would be received from the Commonwealth Government under the Roads Agreement, in addition to the sum of £200,000 provided for Roads in the year's Estimates.

Farmers' relief.

Under the Farmers' Relief Act, 1931, 3,459 farmers were financially assisted to put in and take off the crop. The total sum advanced by the Government under Part II of the Act was £394,338, of which £340,688 had been repaid. Under the Farmers' Relief Extension Act, 1931, 2,600 farmers had received assistance from the Government and the advances approved to date totalled £410,000. Further allowances for corn sacks and harvesting expenses would be made; and it was estimated that the total financial assistance to be granted would exceed £500,000.

Loan expenditure.

The gross Loan expenditure for 1931-32 was £1,504,755 (including £531,359 for farmers' relief), and the ordinary credits to the Loan Fund were £957,128, making the net Loan expenditure for the year £547,627. The Loan estimates for 1932-33 allowed for a gross Loan programme of £2,177,700 (including £500,000 for farmers' relief), and credits of £898,000 giving a net loan expenditure of £1,279,700. Included in the Loan programme was a special Unemployment Relief Loan of £195,000, and this was being supplemented by a similar amount to be found by the Commonwealth Government.

The Premier concluded by saying that for the first time all Governments in Australia were in accord as regards common action based on the principles of the Premiers' Plan. The change of Government in New South Wales and the tremendous effect of that change, not only upon the credit of that State but also upon the credit of Australia as a whole, was one of the outstanding events of recent Australian history. The arranging for the conversion of the New South Wales Loan of £13,000,000 maturing in London in November upon terms much more favourable than could have been expected some time ago, was very gratifying, and afforded hope that South Australia would also be able to convert some of its overseas indebtedness at lower rates.

Western Australia.

THE BUDGET.

(Revenue and Expenditure; Floating Debt; Unemployment and relief; Public Debt; Trading concerns; etc.)

On 15th September, in the Legislative Assembly,

The Premier and Treasurer (Hon. Sir James Mitchell) delivered his Annual Financial Statement.

Revenue and Expenditure, 1931-32.

Last year, he said, a limit had been set by the Loan Council upon the deficit of each Government, and Western Australia's figure was fixed at £1,200,000. Subsequently representations had been made to the Loan Council that Western Australia and Tasmania were not able to live within the Budget fixed, and an increased margin of £360,000 was permitted for Western Australia. That had brought the revised estimate of the deficit to £1,560,000. The following table showed a comparison of the Revenue and Expenditure with the estimates :—

	Estimated.	*Actual.*
Revenue ...	£8,247,423	£8,035,316
Expenditure	£9,473,796	£9,593,212
Deficit	£1,226,373	£1,557,896

Reduced adjustable expenditure.

Under the Premier's Plan, Western Australia was pledged to reduce its adjustable expenditure in 1931-32 by 20 per cent. below the adjustable expenditure of 1929-30. The amount of reductions were :—

	1929-30.	1931-32.
Business undertakings	£4,080,000	£2,890,000
Administration, general	£2,650,000	£1,940,000
	£6,730,000	£4,830,000

This total showed a reduction of £1,900,000, and was made possible by a reduction of wages, salaries, pensions and grants, the elimination of unnecessary expenditure and savings in the cost of materials.

Floating Debt.

On 30th June, 1932, the short-term debt by way of bank overdraft, Treasury Bills and Debentures was £8,944,825, and by way of uninvested trust funds borrowed £1,638,034, a total of £10,583,759. The increase in the short-term indebtedness between March, 1930, and June, 1932, was £3,878,799.

Unemployment Relief Tax.

It was utterly impossible to reduce the deficit to the limit required by the Loan Council without increasing taxation. They proposed, therefore, to levy an unemployment relief tax of 4½d. in the pound on incomes. They estimated that the tax would yield £300,000 this year.

Revenue and Expenditure, 1932-33.

The Estimates for the current year were as follow :—

Revenue ...	£8,417,577
Expenditure	£9,181,243
Estimated Deficit	£763,666

The estimated Revenue was £382,261 greater than the actual Revenue last year. This was due to anticipated receipts from special Unemployment Relief Tax of £300,000, while the disabilities grant from the Commonwealth (£500,000) was £200,000 greater.

Revenue from public utilities (£4,445,450) was estimated at £36,426 more than last year. Railways (£2,950,000) were expected to show an improvement of £52,664.

The Expenditure for 1932-33 was estimated to be lower by £411,969 than last year. On account of the conversion of Australia's (internal) indebtedness and the subsequent reduction of interest rates, the interest for 1932-33 was only £37,492 greater than last year, despite anticipated increase in the total debt of £2,900,000 during the year. The estimated Governmental Expenditure this year was £2,588,471, a decrease of £409,598. This was due principally in the amount of unemployment relief, £343,996.

The estimated Expenditure on public utilities was £2,798,045 (Railways £2,050,000). Last year it was £2,862,122, a decrease of £64,077, the railways accounting for £66,353.

Agricultural Bank.

The position of the Agricultural Bank, including group settlement and soldier settlement, at 30th June, 1932, was: Principal owing, £11,524,092; interest owing, £1,762,594. As most of the bank's capital had been raised overseas, it had not been possible to reduce the rate to clients below 5½ per cent. Interest on soldier settlement loans had been reduced to 4½ per cent.

Public Debt.

The loan indebtedness at 30th June, 1932, was £79,707,593. The interest paid was £3,268,775, Sinking Fund £238,604, and Exchange £620,058, a total of £4,127,437.

Trading concerns.

The Premier said they should dispose of the trading concerns. The total capital at 30th June, 1933, was £3,553,213, and the ascertained losses £1,029,939. These concerns had been disastrous to the finances. They could not find any additional working capital for them.

Control of public utilities.

Parliament would be called upon to decide as to their future responsibilities in regard to the maintenance of public utilities. Of course they must maintain their railways and their harbours. The maintenance of the metropolitan water supply, sewage and drainage threw a tremendous burden on their finances. The control of this service was not one for the Government. He hoped that the administration would be taken over by a board of works.

Policy.

The Premier, in his concluding remarks, said it was perfectly evident that the policy of Australia would have to be altered if Australia was to profit. It seemed to him that national prosperity was impossible with 75 per cent. of the people engaged in industries that were protected and bonused, while the other 25 per cent. were left unprotected, and bearing a great part of the burden of protection granted to the 75 per cent. In Western Australia's case they were unprotected, not 25 per cent., but at least 45 per cent. Western Australia could not pay the taxation imposed by taxation and prosper.

A brighter outlook.

Twelve months ago they were in a much worse position than they were to-day. Australia was then facing financial collapse. As a result of the Premier's Plan this had been arrested. Deficits had been reduced and the people of Australia had voluntarily relieved the Governments of some of the interest liability on the National Debt. Thanks to that action, their credit was now rising. Commodity prices were rising, not only on their products, but of goods practically all over the world. Nations were realising the necessity for increased trade and were recognising that barriers against the free flow of international trade must be removed. Altogether the view was much brighter than it had been 12 months ago, and gave them renewed hope to continue the struggle until prosperity was with them again.

NEW ZEALAND.

The following summary deals with some of the earlier proceedings of the Second Session of the Twenty-fourth Parliament. This Session commenced on 22nd September, 1932, and was adjourned on 9th December until 26th January, 1933.

MINISTERIAL CHANGES (*Note*).

As this JOURNAL is in the press it is announced that the Hon. W. Downie Stewart has resigned office as Minister of Finance and Customs and Attorney-General. The Rt. Hon. J. G. Coates has taken the Finance and Customs Portfolios; and the Prime Minister (the Rt. Hon. G. W. Forbes) the Attorney-Generalship. The Portfolio of Unemployment, previously held by Mr. Coates, has been taken by the Hon. A. Hamilton.

THE ADDRESS: GENERAL DISCUSSION.

(Governor-General's Speech: Ottawa Conference; "No Confidence" Amendment; Currency inflation; Unemployment and industrial development; Land settlement.)

Parliament was opened on 22nd September, 1932, by the Governor-General (Lord Bledisloe). The following is a summary of his Speech:—

IMPERIAL ECONOMIC CONFERENCE.

His Ministers had consistently held the view that an increase in inter-Empire trade must be of benefit to the peoples of the British Commonwealth, and accordingly they warmly welcomed the convening of the Imperial Economic Conference at Ottawa. The results of its deliberations had been a matter of much satisfaction to the Government. Details of the Agreements entered into would be laid before the House for consideration.

LAUSANNE AND WORLD ECONOMIC CONFERENCES.

He had been happy to note indications that the depression from which New Zealand, in common with the whole world, had been suffering was becoming less severe. At the same time the Government was convinced that the existing economic disturbance could be overcome only by international action directed to the abolition of the numerous financial restrictions hampering world trade. His Ministers, therefore, attached the utmost importance to the recent Conference at Lausanne, the deliberations at which were calculated to enhance confidence and promote commercial intercourse. Complete success must depend upon international co-operation, and they hoped that a substantial measure of progress would be achieved by the World Economic Conference.

TRADE DEPRESSION AND PUBLIC FINANCES.

Owing largely to prices of primary products in the world's markets continuing to fall, the disorganisation of their economic life had been accentuated to such an extent that the Government had felt it necessary to submit drastic proposals to meet the situation. The legislation passed during the special Session to enable production to be maintained, and in order to spread the financial burden as equitably as possible over all sections of the community, had afforded considerable relief.

The stagnation in trade and industry was inevitably reflected in the public finances and, notwithstanding additional taxation, reductions in salaries and wages, and other economies, the financial year closed with a deficit of £2,140,000. However, this amount was more than offset by reserves accumulated in more prosperous times. Although the budgetary position still demanded anxious consideration, every effort was being made to avoid any increase of taxation during the current financial year.

As a measure of relief it had recently been decided to restore penny postage.

LAND SETTLEMENT.

It had been found necessary largely to suspend the purchase of estates for the purpose of closer settlement, but every effort was being made to meet the demand for small dairy farms by rendering available for selection suitable areas of Crown land and by applying the provisions of the legislation of last Session under which substantial advances might be made to prospective settlers desirous of purchasing freehold property.

PROPOSED LEGISLATION.

A Bill to consolidate and amend the law relating to companies would be submitted, to bring the law of New Zealand into harmony with company law in England, but modified to meet local requirements. Bills would also be laid before Parliament with regard to rating of urban farm lands and safety in building construction, and for the amendment of the law concerning Customs, banking, superannuation, native lands and other subjects.

DEBATE IN HOUSE OF REPRESENTATIVES.

On 27th September, in moving the Address-in-Reply,

Mr. J. N. Massey (Reform, *Franklin*) said he believed that the conditions now ruling overseas could not continue, and that New Zealand, in common with the rest of the world, would receive a distinct benefit at no distant date. Although they had increased production to a considerable extent, the value of the increased output did not equal the value of the smaller output of some years ago. Whereas a few years ago the value of the New Zealand wool-clip paid the interest on their overseas National Debt twice over, to-day it took double the value of their output to meet it.

The benefits that would flow to the people of New Zealand from the Ottawa Conference would be of considerable magnitude. The Conference was a step in the right direction and would confer great benefit on all parts of the British Empire. It must be remembered that certain concessions granted by Great Britain would have expired in November, but arrangements had been made at the Conference whereby these would be continued, and additional benefits would accrue to the producers of the Empire. While on the one hand they must increase production, they must at the same time take into consideration the problem of marketing. They could go still further in that direction and open up new markets in other parts of the world.

Mr. P. McSkimming (United, *Clutha*), in seconding the Motion, said that many of their people, he knew, were of opinion that great financial benefits would accrue as the result of the Ottawa Conference. He was never very optimistic on the point, but it was just possible the work of the Conference might be of considerable advantage to the Dominion. The manufacturers were already up in arms in regard to what had been done, but he thought they should withhold their criticisms until they knew definitely what had been arranged. If they had to give away a little because of the benefits to be received by the primary producers, the secondary industries would have to see whether they could not, by reorganisation and the adoption of better methods, so improve matters that they would be able to compete successfully. Though himself a manufacturer engaged in a secondary industry, he was not in favour of such heavy tariffs being imposed that they would prove a penalty to the purchaser. He could not see why, with fair competition, they should not, in many of their industries, be able to compete with goods from the Old Country, if assisted by a moderate tariff.

The National Debt in 1921 was £197,000,000, while in 1931 it amounted to £273,000,000. It was the huge interest bill on this debt which was assisting to kill everyone. The local bodies were not one whit better. In ten years their interest bill had advanced from £1 7s. 7d. to £3 2s. 11d. *per capita*. He was very pleased with the appointment of the Railways Board. They had £60,000,000 or £70,000,000 invested in the country's railways and they must get some return for that expenditure.

To spend £4,100,000 a year on education was more than the country could afford. In 1918 they were expending only £1,800,000, and expenditure must be curtailed.

"Want of Confidence."

On 28th September,

Mr. H. E. Holland (Leader of the Opposition) moved an Amendment :—

That Your Excellency's Advisers do not possess the confidence of this House because—(1) They have made the financial and industrial depression worse by their policy of deflation and reducing wages and salaries ; (2) they have failed to utilise the credit resources and currency facilities of the State to re-establish prosperity by restoring and increasing the purchasing-power of the people as a whole ; (3) they have failed hopelessly to grapple effectively with the unemployment situation, and have made the living and working conditions of the unemployed progressively worse ; (4) they have precipitated and accentuated the marked and deplorable decline in prices, equity, and purchasing-power, and, even when the evil results of deflation were only too evident, they failed to do anything to arrest that decline ; (5) they have failed to give consideration to proposals for dealing with the present financial position advanced from time to time by the Labour Party and others, including a State Central Bank, with complete control of banking, currency and credit.

In moving the Amendment, Mr. Holland said the Speech contained no ray of hope for the many experiencing want in a land of plenty. He did not propose to deal with the references to Ottawa. Until the official Report was before them no criticism offered would be conclusive or effective. The Ottawa credit and currency decisions were apparently those of Sir Otto Niemeyer and the banks of which he was the representative. While recognising that no form of currency reform alone could bring about the conditions necessary to end unemployment, Mr. Holland contended that currency reform must constitute an important part of any scheme of social reconstruction making for the rehabilitation of the industries of the country.

Unemployment and relief works.

Many of the relief workers were doing valuable work, but many were not, because the Government refused to finance material, transport, and supervision for relief works, and threw upon local bodies that responsibility. In some cases local bodies were almost on the brink of bankruptcy and could not find money for such purposes and were compelled to put men on any kind of work that could be undertaken. That was better than leaving them idle, but it would be far better if they were engaged on work of economic value to the country. Under the present arrangement, women, although liable for the wages-tax, received no benefit and boys under twenty years of age were in the same plight. There were 73,000 adult men registered as unemployed and the total number unemployed in New Zealand was not less than 120,000, if they included men, women, boys and girls.

Public works and industrial development.

In the Minority Report of the special Economic Committee,* the Labour Party advocated a bold policy of industrial development with systematised productive effort and definite planning of output for the respective industries. A Labour Government would at once transfer men from uneconomic to economic undertakings, and would immediately abolish relief-work rates and the stand-down week, and substitute standard rates of wages.

Mr. W. J. Polson (Independent, *Stratford*): "Where would the money come from ?"

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* *Vide* JOURNAL, Vol. XIII., No. 1, p. 202.

Mr. Holland replied that a Labour Government would provide the necessary credit and currency to finance the change. Immediately they brought large numbers of unemployed into industry they would "feed a huge new stream into the river of purchasing-power, thus stimulating industry and causing more unemployed to be absorbed as food and clothing makers, thus adding to the purchasing power again, and thus extending the stimulating process." What was wanted immediately was a vigorous public works policy. The construction of economic railways should be resumed. This would mean recalling the power held by the Railways Board—a power that should never have been conferred. Men should be taken from the ranks of the unemployed—large numbers, not handfuls—to prepare for the immediate settlement of extensive areas of Crown and other suitable lands. He would suggest not less than 1,000,000 acres.

Purchasing power; Currency; State Bank.

Instead of cutting down pensions, they should be increased. That was one method by which consumption and purchasing power would be increased. Purchasing power, and consequently the local market, depended upon the level of income received by the wage-earner and salary-earner. Inevitably the recent wage reductions would result in trade stagnation. The object of any worth-while scheme of monetary reform should be to keep on increasing the amount of money in circulation, in ratio with any increase in production. The control by the State of the existing banking machinery must be the first step towards effective currency reform. The Labour Party would establish a State central bank for the purpose of effectively controlling both credit and currency. Since the object of currency expansion was to increase purchasing power and stabilise prices, the Labour Party would regulate the issue of sufficient currency in accordance with an ascertained price-level, with increases in credit and currency as production increased. This system was already in operation in Sweden.

In his opening speech at Ottawa, the Minister of Public Works said: "The raising of the level of our prices is recognised as a matter of first importance." An interesting fact in connection with Ottawa was that every Delegate there came from a country where price-levels had been deliberately forced down by the Government of the day.

Inflation and deflation.

After quoting from the writings of various economists, Mr. Holland said it was universally admitted that an increase in the supply of credit and currency, unaccompanied by a corresponding increase in production, would mean inflation and would raise prices, and consequently lower the real wages of the workers and adversely affect all those with fixed incomes, but a parallel increase of credit, currency and production—represented in goods and services—would not mean inflation and would have no detrimental tendency. "Inflation defrauds the creditor class of its property. Deflation deprives the worker of his job, and, if carried far enough, threatens universal bankruptcy."

Debt inflation and War Debts.

Debt inflation was one of the evils they were suffering from. If the War Debts were not cancelled by sensible, businesslike arrangements, they would be likely to cancel themselves in a less satisfactory way. It was quite clear that New Zealand could not continue to pay one-third of its exports to cover the annual interest burden on the National Debt. When asking Britain for readjustments, they were entitled to keep in mind the readjustments made with other countries. For every £100 owed to England from France the British Government agreed to accept £38, and for every £100 owed by Italy, £14. They were entitled to remind Britain of these facts when asking for an interest adjustment that would save New Zealand from having to pay double the quantity of goods required when the debt was contracted. The Labour Party proposed that overseas borrowing should cease except for conversion purposes.

The Minister of Lands (Hon. E. A. Ransom) said they all agreed that there should be some economic value attached to the work done by the unemployed. There was no evidence submitted in the speech of the Leader of the Opposition to show that any public work had been stopped that was of economic value to the Dominion. To develop unproductive and idle lands to the extent of 1,000,000 acres, as suggested by the Labour Party, would cost not less than £10,000,000. Notwithstanding the fact that it was an advantage to engage their unemployed in breaking in and developing idle lands, only those having experience of this work could realise how little the initial labour counted in the cost of development. The principal costs were the purchase of implements, fencing material, grass seed and manures.

It was argued that purchasing power was increased by higher wages and increased production. He had never advocated low wages, but unless the wage-earner, not only in New Zealand but also in the countries to which they sent their produce, was receiving a reasonable wage they could not expect a satisfactory price-level. An increase in New Zealand wages alone would not tend to increase production, because one of the factors keeping down their production was its high cost, and unless they cut down that cost they could not increase production.

Wages reductions.

The first Clause in the Amendment read: "They"—the Government—" have made the financial and industrial position worse by their policy of deflation and reducing wages and salaries." The only alternative suggested was the creation of cheap money per medium of the printing press. They had to face either increased taxation or reduced expenditure, and the Government, with a due sense of responsibility, chose the latter course. The country could not stand increased taxation. The reduced revenue coming into the Treasury was very considerable. In respect of one Department—Lands and Survey—rents and interest payments were outstanding to the extent of £1,580,000. With such a huge sum outstanding it would be seen how necessary it was to practise economy.

The Government was not prepared to issue State currency without a stable backing. It was regarded in some quarters as a way out of their difficulty to issue currency of a character which had not to be redeemed in the ordinary way. It was one thing to get out of their difficulty by the simple process of currency inflation and quite another to overcome the difficulties that would inevitably follow. Currency control was not a matter that could be taken up satisfactorily by one nation alone. That had been shown at Ottawa and other Conferences. The question of currency was one of the matters to be dealt with at the forthcoming International Conference. There was a great necessity throughout the world to bring currency more into line with the value of produce, but up to the present no one had shown how that could be done on sound lines. The real cause of depression in the Dominion was the loss of national income from their exports.

Trade within the Empire.

If the Ottawa Conference had taught them one thing more than another it was that they in the British Empire could not expect to carry on without the assistance and co-operation of other countries. Many of them had advocated trade within the Empire as the great ideal. They did not wish to lose sight of that ideal, but when they had regard to the fact that of all the manufactured goods of the United Kingdom more than half went to foreign countries, it made them realise that the ideal of trade within the Empire alone was not a sufficiently sound rock on which to stand. If the United Kingdom exported more than half of her exportable manufactured products to other countries, they also must look to others outside the Empire to take some of their products. They must look for additional markets, and therefore

to those countries where the balance of trade was decidedly against them.

Mr. W. Nash (Labour, *Hutt*) said they were faced with three alternatives. Firstly, with the alternative of despair coming to the mass of the people, as it had already come to some extent, making them follow policies and leaders that would lead them to desperation and to even worse conditions. Rather than acquiesce in drift and dependency on good-will or charity, the best men were ready to accept almost any philosophy, and the Communist who came along and said "You cannot expect anything else under the present system" would be listened to. Whether the Communist's philosophy would lead to better things or not did not matter much; he would be listened to. The second policy—that which the Government adopted—was that of pure, unadulterated drift. They took up the attitude that the things they were experiencing were beyond their control; that they were dependent on the prices paid for their commodities overseas and could do nothing in New Zealand to restore prosperity.

"More Government in business."

He did not think the solution lay either in the policy of the Communist to overthrow the existing order or the policy of drift of the Government. The alternative policy was that of reconstruction on new foundations—different monetary methods, more control, more order, more investigation. Instead of "Less Government in business" they required a policy of "More Government in business"—more control, more order. To the extent that the Ottawa Conference had led anywhere in that direction it was to the good. The Government should set up a special marketing council in Great Britain for the purpose of marketing every commodity they could produce and did not require for their own well-being. If they were wise, they would have, inside that control, an overseas Credit Board, consisting of competent men responsible to a Minister of the Crown and to the House, receiving the credit obtained from the sale of their commodities and utilising it for the redemption of their debts and for the allocation of the surplus proceeds for the imports most needed in the Dominion.

On 29th September,

Mr. H. E. Rushworth (Independent, *Bay of Islands*) moved to strike out from the Amendment moved by the Leader of the Opposition all the words after "because."

This was carried by 32 votes to 21, but Mr. Rushworth's further proposal, to substitute, as the reason for "no confidence," that the Government had taken no steps to adjust the monetary system to the fall in values, was negatived.

Mr. R. Semple (**Labour**, *Wellington, E.*) said the Reform Party had been endeavouring to create a scare by use of the word "inflation." The world's War Debt was itself twenty-five times greater than the value of all the gold in the world. That was inflation with a vengeance. If they based their currency on a goods standard they could not have inflation. Their currency should be built on a goods basis, scientifically controlled by an independent board of experts outside Government control and outside the control of the banks, so that the money would expand in proportion to the development of industry.

Mr. A. M. Samuel (**Reform**, *Thames*) said he believed the policy of deflation that had been entered upon by the Government was doing incalculable harm to the manhood and womanhood of the Dominion.

Mr. J. W. Munro (**Labour**, *Dunedin, N.*) said the old system they called capitalism was in the melting-pot and the new system was trying to get birth, but there were no midwives who knew anything about the job. The fundamental necessity was to feed, clothe and house the people of the world. They were not doing it simply because they had gone on the old idea that profit must be made at any cost.

On 30th September,

Mr. Polson, after referring to the catastrophic conditions of the farming community, said he thought they would have to adopt some plan to manage their own currency.

Advantages of high exchange.

Australia was restoring her primary industry to a sound foundation, her costs were steadily falling, and the advantages of a high exchange were so manifest that he was surprised there was such an objection to that course in New Zealand.*

Mr. J. Hargest (**Reform**, *Invercargill*) said if the Ottawa Conference had done nothing else it had opened the eyes of the world to the fact that they, as British people, were prepared to pull down their tariff walls as between different parts of the Empire and to make for freer trade.

Burden of interest on Public Debt.

The primary industries were in a desperate position. The butter and cheese producer might be able to scrape along, though with the oncoming of the European spring he would be subjected to the fiercest competition in the history of New Zealand, but even if the price of wool advanced 75 to 80 per cent. every pound of cross-bred wool would still be produced at a loss, and to-day every pound of meat from New Zealand sold in England was sold at a loss. He did not believe in repudiation, but he feared that within six months, unless the price-level of their primary products overseas was considerably raised, they would be faced with the necessity of confessing their inability to pay their interest bill. It would be better to confess their position and to state that, although they were not going to repudiate their National Debt, they were going to demand of their creditors some composition. Their first responsibility must be to feed, clothe and house their own people. They should attempt to make their oversea bondholders take, say, 15s. in the pound and let them use the remaining 5s. to preserve their assets.

Mr. H. T. Armstrong (**Labour**, *Christchurch, E.*) said they would never have real currency reform until they took the control of currency completely from private enterprise and made it absolutely impossible for any individual to make a profit out of their banking system in any shape or form. He quoted Lord d'Abernon as saying: "There is only one way to raise prices and that is by inflation. I suggest that we should inflate the price level back to 1926 or 1928." They in New Zealand need not take any notice of what any other country was doing in reference to currency. Much as he disagreed with Sir Otto Niemeyer, he was in agreement with him when he said in his Report* that they need not worry about what other countries were doing and that they could manage their own affairs. Would Ministers sit calmly by and admit that there was more available for everybody than ever before and allow the people to starve and the foodstuffs to rot because the banks did not see fit to issue a sufficient number of tickets to enable the people to buy back the things they had produced, and which they needed to sustain life?

Shortcomings of economists.

The Prime Minister (**Rt. Hon. G. W. Forbes**)† said they had listened for new ideas but there had been the usual generalities about currency and credit resources, a State bank and complete control of banking. One was impressed with the view that the Members of the Opposition, if they ever got into power, would take charge of the money of the country and carry out what no doubt would be a very popular policy for a while. The commonsense of the people of the Dominion could be relied on to see through the arguments which had been produced. Mr. Rushworth had said he had the opinions of a hundred economists. No doubt they could learn a good deal

* On 20th January, 1933, the New Zealand exchange rate was raised, at the instance of the New Zealand Government, from £110 to £125 New Zealand = £100 sterling. The Finance Minister (Hon. W. Downie Stewart) resigned owing to his disagreement with the Government's policy in regard to the exchange. (*Vide* Note on p. 130.)

* *Vide* JOURNAL, Vol. XIII., No. 1, p. 189.

† *Vide* Note on p. 130.

from the way economists marshalled their facts and the data they made available, but when one got down to the very point on which one wanted some practical guidance, one found the economist to be delightfully vague or that one economist was opposed to another.

After remarking that the Report of the Committee of experts which, at the Ottawa Conference, investigated the currency and credit problem for a whole month, had not been mentioned in the debate, Mr. Forbes referred to the recommendations of the Report, and, to an interjection of "All platitudes," rejoined that at all events the Report had the support of all the representatives of the Dominions.

Mr. P. Fraser (**Labour**, *Wellington, C.*) said the Prime Minister had in effect admitted that he was not capable of grasping and correlating the various and varying statements of the economists. Instead of at least endeavouring to understand the economists he merely made a few derogatory remarks about them. The Prime Minister's attitude was that of Captain Brown in the jazz song, who "played the ukelele as the ship went down." The Prime Minister said the reason for the Government doing nothing in regard to currency and credit was because a number of people who were at Ottawa had not yet decided on what procedure they would adopt. What nonsense! Who for a moment would say that Great Britain's problem, associated and allied in trade, commerce and finance with the European countries and America as she was, was the same problem as they had? Why did not the Government get on with the job? They knew what happened in Britain when the Great War broke out: a Currency and Bank Notes Act was immediately passed; Treasury notes were issued, and that was to all intents and purposes floating a loan without paying interest. As the War went on, the note-issue was increased to meet the requirements of the country. Those notes were used in an emergency and New Zealand was faced with an emergency to-day.

On 4th October,

Mr. H. Atmore (**Independent**, *Nelson*) said the issue of "Bradburys" by the British Government in 1914 was a recognition of the fact that at a time of great emergency the money was not in the country, but the credit was there—the real credit on which a bank always based its business. It was about time they were self-respecting enough to realise that if their assets were good enough for the financiers of London to advance money on, they ought at least to have an equally high opinion of their assets themselves. They could issue notes against the same assets and the same credit that the financiers of the Old Country or the General Manager of the

Bank of New Zealand were prepared to issue against. They actually declared the bank notes now issued to be legal tender, and yet the credit of the shareholders of the banks was infinitely less in value and volume than the credit of the whole of the people. It was about time the Government set its face against any further borrowing in the Old Country or New Zealand. In this connection, the real Ottawa Conference, so far as New Zealand was concerned, took place when Mr. Montagu Norman waited on the Minister of Finance for New Zealand.

The Minister of Lands stated that no country could act alone. That was just what one country could do. Every currency in the world was a national currency, and it was because gold was an international commodity that they had the trouble they were experiencing. If the Government issued a cheque for £20 where was the hon. Member who would refuse to accept it? Were they to believe that they must pledge the credit of the people to the banks, and, in order to get it back, harness the people and make them pay interest to the banks for the notes which they issued on the security of the people themselves?

Loan conversion.

Mr. A. J. Stallworthy (**United Party**, *Eden*) said there were many members of the Government Party who felt just as keenly as Mr. Rushworth that currency reform was urgently needed in the Dominion, but why prejudice the success of that reform by tacking it on to a no-confidence Motion? Let them have such matters discussed on their merits and not have the Party machine wielded in such an unfair way.

Taxation and unemployment levy.

The Prime Minister had recently stated that there would be no increase of taxation that Session. He trusted the Government would not rest there but would take into consideration the fact that the general and local taxation was a crushing burden on individuals and on industry. Had they not already arrived at the position where the Government had, by collecting millions of money to relieve unemployment, actually developed and accentuated the problem? By the simple remission of this terrific load of taxation it would be possible for private citizens and normal industry to spend the money to better advantage than the Government and there would be a reduction in unemployment.

Drawbacks of economy; Premium bonds.

Mr. A. Harris (**Reform**, *Waitemata*) considered that National Expenditure Commissions and the depressing legislation which had followed in their wake had done a very great deal to aggravate public concern. The continual cry for economy caused people who had money to invest to tighten up their purse-strings and refuse to enter into the ordinary commercial and industrial activities of the country, and so created the community psychology of non-spending which had done incalculable harm. There was a growing feeling that the existing monetary system had largely broken down and that their present ills could best be remedied by a change in that system. He was not greatly influenced by the contrary decision at Ottawa or the opinion of Sir Otto Niemeyer.

If the mission of the Minister of Finance to London was successful and he was able to arrange for the conversion of maturing loans at a substantially lower rate of interest, it would be particularly helpful to the country. The legislation introduced during the short Session earlier in the year, repudiating their obligations to their internal bondholders, made it extremely difficult for the Government to raise future loans on the New Zealand market. It would have been much better had they endeavoured to bring about a voluntary conversion. He believed the response would have been entirely satisfactory and the fair name of New Zealand would not have been besmirched, as it unquestionably was, by the reduction of interest rates under the guise of a stamp-duty tax on the interest payments.

The only way they could borrow internally on reasonably favourable terms would be by a system of premium bonds loan issues. That would be worth a trial.

Issue of £5,000,000 Treasury notes suggested.

The financial *débâcle* which had overwhelmed the country might in the long run prove a blessing in disguise. But for that *débâcle* it was quite possible that no doubt whatever would have arisen as to the efficiency of the present banking and currency system of the country. When New Zealand raised a loan on the London market she offered as security the public revenues of New Zealand. That being so, would it not be possible to issue £5,000,000 worth of notes from the New Zealand Treasury on the security of the public revenues, make them legal tender, and not have to pay any interest on them? If New Zealand went on the London market for £20,000,000 instead of £5,000,000 would it ever be suggested that inflation would result? Yet the same security would be behind the issue of £5,000,000 New Zealand Treasury notes which he had suggested. If the money could be raised locally, even if interest had to be paid, it was surely a great deal better to raise it locally and keep the interest in the country. As an alternative to the issue of Treasury notes the same result would be achieved by remitting the note tax on an additional £5,000,000 worth of notes issued by the Associated Banks, under the instruction of the Government.

At the moment they had £6,021,000 worth of bank notes, issued by the Associated Banks in circulation in New Zealand, against which the banks concerned held £5,500,000 in gold. Under regulations brought down during the War and still in force, the obligation on the banks to hold against their note issue a gold reserve to the extent of one-third was entirely removed. Even under the permanent legislation, with £5,500,000 worth of gold in their vaults the banks could issue notes to the value of £16,500,000, if they cared to, but they would not. The banks would only issue the minimum possible value of notes required, because of the note tax.

Mr. Nash: "How can they issue notes?"

Mr. Harris: "By liberally increasing advances to their customers an additional £5,000,000 worth of notes could readily be absorbed."

On 4th October the No-Confidence Amendment was defeated by 40 votes to 26, and the Motion for the presentation of an Address-in-Reply was agreed to.

IMPERIAL ECONOMIC CONFERENCE.

(Motion for approval of Agreement; Secondary industries; Quota for meat; Monetary reform; Search for markets outside the Empire.)

On 13th October a debate commenced in the House of Representatives upon the following Motion, moved by the Minister of Public Works:—

That the Agreement between His Majesty's Government in the United Kingdom and His Majesty's Government in New Zealand do lie upon the Table and be printed.

DEBATE IN HOUSE OF REPRESENTATIVES.

The Minister of Public Works (Rt. Hon. J. G. Coates)* said it might assist if he made a statement bearing on the Ottawa Conference before moving certain Resolutions affecting Customs duties. The Conference marked a milestone in the history of the Empire. No previous Colonial or Imperial Conference was charged with issues—with menacing dangers if it should fail, with richer promise if it should happily succeed—more vital to the welfare of their people. The world-wide depression had passed beyond the stage at which it was within the power of any nation by its single-handed efforts to arrest the drift. Co-operation on a wide scale was urgently necessary, not merely to effect recovery, but to prevent further collapse. The countries of the Commonwealth of British Nations looked to Ottawa to set them by co-operative effort on the high road towards recovery. Other

* *Vide* Note on p. 130.

nations, equally in the grip of the depression, were alive to the bearing of the Conference on their welfare. Anything that would hasten recovery in the one-fourth of the world included within the Empire would be the most effective way of assisting also the other three-fourths. They were not seeking the selfish advancement of their own country or Empire, regardless of the welfare of the rest of the world. Judged even by the narrow standards of material gain to the nation pursuing it, such a policy of isolation was unwise. Rather was it their ideal and immediate purpose to contribute their part towards general recovery, in which their people would reap their share.

Before referring in detail to the Agreement,* he desired to emphasise that loyalty to its spirit required that they should proceed by way of removing barriers to trade, which were so largely responsible for common impoverishment in a world abounding with the means of plenty.

Effect of Agreement: "Most-favoured-Dominion" treatment.

The first achievement of the Agreement was that their staple exports were to remain exempt from the tariff. Moreover, an increased margin of preference, mostly of the order of 15 per cent., instead of the former 10 per cent., was to be granted to many of New Zealand's exports. This applied to butter, cheese, apples, pears, eggs, milk products and honey. On a further substantial list of their exports the margin of 10 per cent. preference over foreign products was to be maintained. The 15 per cent. list covered many foodstuffs, the 10 per cent. list covered articles which were the raw materials of British manufacturing industries.

A highly valuable provision conceded by the United Kingdom was that these preferences on New Zealand products were for the most part guaranteed to continue at least five years. A reservation in relation to dairy-products enabled the United Kingdom, after the expiry of three years and in the interests of the United Kingdom producer, to impose a duty on New Zealand produce, while maintaining the existing margin of preference over foreign produce, or to introduce a system of quantitative regulation of all supplies. But generally the arrangements concluded at Ottawa were effective for five years and thereafter until six months' notice of denunciation had been given by either party.

If they built up an export trade to the United Kingdom in any line now included in the Schedules of another Dominion, but not in their own, they would enjoy what might be called "most-favoured-Dominion treatment."

* *Vide* JOURNAL, Vol. XIII., No. 4, p. 853.

Meat: quantitative regulation.

In regard to meat, the Agreement proceeded along new lines. The purpose of the agreed policy was not different from that sought in other products: it was to secure for the Dominions and the Home producer an increased and assured share in the United Kingdom markets at remunerative prices. But the method of approach was different in the case of meat, and, as it had been the subject of misunderstanding, he would refer to it in some detail. The outstanding fact in connection with the United Kingdom meat market was the vast and abnormal increase in supplies. Particularly had this been true of pig-products—indeed, their increase had been sufficient of itself to account for the collapse in meat prices. New Zealand did not export bacon, but the increase in bacon supplies had broken the market for all meat. After quoting figures for meat imports into the United Kingdom, Mr. Coates said that, even at the low prices that had prevailed, it had been impossible to absorb the greatly increased supplies. This condition, with prices below cost of production, was disastrous to producers and must react to the injury of consumers also. To cope with such abnormal conditions abnormal measures were clearly necessary. New Zealand sought, as a long term measure, a preferential position in the United Kingdom market, to be secured by means of a tariff on foreign supplies, with free entry for the products of the Dominions. To supplement this, as an emergency measure, they suggested the imposition of a quota against foreign supplies. At the present time the origin of meat imports of the United Kingdom was: Foreign, 76 per cent.; Empire, 24 per cent. Their contention that there was ample scope for increasing the Dominions' share was not disputed. Moreover, the New Zealand proposals were accepted as the basis of the agreed requests advanced on behalf of all Dominions.

British Government's objection to tariff on meat.

His Majesty's Government in the United Kingdom were unable to accede to the request for a tariff on foreign meat. The statement, widely published in New Zealand, that they were prepared to impose such a tariff, and that it was rejected by the Dominions, was contrary to fact. At no time were the United Kingdom representatives at Ottawa prepared to contemplate a tariff on meat, but the Government of the United Kingdom were prepared—indeed, in the interests of their own producers, were determined—to apply a scheme for regulation of imports. The objective of the scheme was twofold—to raise the price of meat to a remunerative level and to increase the share of the Home producer and the Dominions in the United Kingdom market.

No reduction was to be imposed on any exports from New

Zealand. They had agreed, however, to give, early in each export season, a reliable estimate of exports, by weight, of mutton and lamb—to assist in orderly marketing of supplies in the United Kingdom. They were not to exceed the estimate given. It was impossible to calculate the precise effect on prices, but it could be assumed that such regulation would tend to raise prices to a remunerative level. The United Kingdom Government were able, in accordance with the Agreement, to safeguard the interest of consumers, and the plan adopted would be beneficial to producers without detriment to consumers.

Concessions by New Zealand.

Turning to the changes in the New Zealand Customs tariff to which they agreed, generally, their undertaking was that "protection by tariffs shall be afforded against United Kingdom products only to those industries which are reasonably assured of sound opportunities for success." They agreed to institute an inquiry into existing protective duties (at which inquiry United Kingdom producers would have facilities for expressing their views) and where necessary they would reduce protective duties to such a level as would place the United Kingdom producer in the position of a domestic competitor—that is, protective tariffs would be reduced to a level "which will give the United Kingdom producer full opportunity of reasonable competition on the basis of the relative cost of economical and efficient production."

They agreed also to remove at once the surtax* on goods produced in the United Kingdom and, when financial conditions permitted, to remove the primage duty of 3 per cent. *ad valorem*.† These were imposed for revenue purposes and not for protection of local industries.

After alluding to the agreed list of changes in duties on United Kingdom manufactures of confectionery, apparel and ready-made clothing, hosiery, and silk and artificial silk piece-goods, Mr. Coates said it was generally recognised at Ottawa that the rates of duty under the New Zealand General Tariff‡ were too high, and Clause 10 of the Agreement allowed New Zealand the right to maintain the existing margin of preference where less than 20 per cent. *ad valorem* and where these margins at present exceeded 20 per cent. to reduce them to that figure. The relatively high duties now imposed on many lines of foreign goods did not confer any real benefit on United Kingdom traders, and merely tended to keep up the cost of living and cost of production in New Zealand.

* The surtax amounted to $\frac{9}{40}$ths of the duty otherwise payable, except in regard to a few items where the rate was $\frac{1}{40}$th instead of $\frac{9}{40}$ths. It applied to *all* dutiable goods and continues to apply to all such goods of foreign origin.

† Primage duty applies only to goods not otherwise dutiable.

‡ *i.e.*, the duties applying to goods not qualifying for British Preferential rate.

Imports from non-self-governing Colonies.

Certain changes had been agreed to in respect to imports from non-self-governing Colonies.* These took the form, not of prescribed maximum duties but of a guaranteed margin of preference.

Secondary industries.

The issue had to some extent been clouded through alarmist propaganda of interested parties who had tried to discredit Ottawa by alleging the betrayal of the Dominion's secondary industries. There was nothing in the Agreement or in their obligations under it that would prejudice the establishment or the growth of sound industrial enterprises in New Zealand. They were, however, bound by the letter and by the spirit of the Agreement to see that reasonable opportunities for trade were extended to the British manufacturer. If they were to revive trade it must be on a reciprocal basis. They could not expect Great Britain to embark upon a new trade policy designed to help the Dominions without their facilitating her trade. The Agreement definitely committed New Zealand to a thorough overhaul of her protective tariff duties. This should be undertaken not merely for giving effect to the Ottawa Agreement, but in the interests of their own people. The distance that separated New Zealand from the outside world gave substantial protection to local industry. Artificial protection—so easy to establish, so difficult to curb or remove—was apt to be a costly business for their country. If the tariff was so high as to stand in the way of low costs of production, both manufacturers and employees suffered through loss of trade due to inefficiency. New Zealand would be in a far better economic and industrial position if the protection granted by the tariff were limited to those classes of goods the manufacture of which was natural to the country. It was difficult to resist the conclusion that there were industries in New Zealand upon which the protection was too high. New Zealand's prosperity depended to a great extent upon the export of its primary products and it was essential that the farmers' costs should be brought down. The so-called "concessions" which they made in reducing tariffs were not of advantage to United Kingdom exporters alone. The reduction of tariffs was a necessary step towards lower costs of production and lower costs of living.

* *Vide* JOURNAL, Vol. XIII., No. 4, p. 854.

Primage duty on Australian goods.

One of the Resolutions to be introduced provided for the abolition of the primage duty on Australian goods, except the 3 per cent. *ad valorem* imposed last year on practically all goods otherwise free of duty. This action was taken because it was considered that under the Tariff Agreement with the Commonwealth such primage duty could not be charged on Australian goods when the surtax on similar United Kingdom goods was abolished.

Financial conditions did not at present permit of the abolition of the 3 per cent. primage duty on raw materials otherwise free of duty, but industrialists could rest assured that as soon as possible primage duty would be abolished.

With respect to the effect of the proposed change on the revenue of the Dominion, it was estimated that for the remainder of the current financial year there would be a reduction of about a quarter of a million pounds.

Monetary policy.

The representatives of all Governments were emphatic in describing the collapse in commodity prices as the most serious aspect of the depression. By general agreement, first the raising of the general price-level, and then its reasonable stabilisation, must be their objective. Ways and means of achieving this were discussed and a policy of co-operation with the United Kingdom was agreed upon.

Manipulation of the monetary system, attractive as this might be for its simplicity, could not correct the highly complex difficulties in the economic world. Other factors—political, economic and financial—had to be taken into account. Nevertheless, much importance was attached to continuing low rates of interest and an abundance of short-term money. World-prices in terms of gold could not be raised by any action that Great Britain or the Ottawa Conference could take. And, while gold prices remained where they were, the return to gold on the part of the United Kingdom would be disastrous. There should be no haste in linking sterling with gold, and this was agreed to in the Report adopted by the Conference. In reference to details of monetary policy it was true the Conference did not go very far, but at least such steps as were taken were in the right direction. It remained to implement these by action on a wider scale and the world conference shortly to be held would be the place for that.

The decline in prices in New Zealand, as elsewhere, had been more marked in wholesale than in retail prices and a rise in wholesale prices did not necessarily mean an increase in the cost of living.

Central Bank.

The control and organisation of banking within countries of the Empire were discussed at Ottawa and it was the general

opinion that some form of central control, such as that usually obtained by means of a Central or Reserve Bank, was important and essential. New Zealand was almost unique in the British Empire in being without a responsible organisation of this nature. After discussion at Ottawa with most competent authorities, he was satisfied that the creation of a Central Bank in New Zealand would be a step in the right direction.

Shipping.

The Conference had under discussion some aspects of shipping competition which were of special concern to New Zealand. It was recognised by both Australia and New Zealand that British interests should be safeguarded against unequal competition, and this applied, of course, to New Zealand interests in the Pacific. All that was desired was assurance of reasonably equitable conditions of trading. The matter was now the subject of communications between Governments.

Empire Marketing Board.

The Empire Marketing Board had been financed wholly by the United Kingdom. The justification for this had disappeared with the granting of tariff preferences on Empire products imported into the United Kingdom. After ascertaining from the New Zealand Producers' Boards that they would be willing to make grants to ensure the continuance of the Empire Marketing Board's work, he gave an undertaking that assistance would be forthcoming. As to co-ordinating the activities of existing Imperial bodies in London, it was decided that a small Committee in London, representative of the Governments concerned, should consider "the means of facilitating economic consultation and co-operation between the several Governments of the Commonwealth." New Zealand would participate, but in general the present position appeared to call for no drastic change.

Marketing problems.

He had given reasons for believing that the results of the Ottawa Conference would be an important factor in providing very substantial help in restoring equilibrium and prosperity. Already a marked improvement in confidence was evident, and, apart from immediate benefits, the success of the Conference laid a foundation for the future. While noting with satisfaction the success achieved, they recognised that tasks of real difficulty still lay ahead. Foremost amongst their economic problems was that of marketing their products. New Zealand would long look to the United Kingdom to absorb the bulk of her exports—indeed, Great Britain's market was vital to their very economic existence—and for that reason they must be prepared to play their part in assisting her industries. At the same time it was incumbent upon their producers and manufacturers to search out and create new markets and new outlets for their products. It would be false economy to curtail their Trade Commissioner services, particularly at a time when wider markets were their pressing need. It was now most urgent that their producers, manufacturers and the Government should pool their efforts in establishing much needed new outlets. He could not too strongly emphasise, in the light of the Ottawa Conference, the value of their primary producers' export Boards, to farmers and to the Dominion as a whole.

Agriculture in the United Kingdom.

One returned from the Conference impressed with the new importance now attached by the United Kingdom to her own farming industry. Its encouragement was accepted as a first object of State policy. More than once in the course of his statement he had noted how directly the attitude of His Majesty's Government in the United Kingdom was influenced by the determination to assist the Home agricultural producer. This changed outlook in the United Kingdom was of much concern to them in New Zealand.

He did not accept the view that over-production was the basic cause of their economic troubles: and while there were human needs unsatisfied the deliberate curtailing of production as the way of bringing consumption and production into line would be a disastrous and defeatist policy. But for the present, for primary producers especially, not the slogan "more production" but "more economical production" was the safer guide. That meant a relentless search for more efficiency, not on the farm alone, but in marketing and other co-operative organisation.

Threat to secondary industries.

On the Motion to go into Committee of Ways and Means,

Mr. H. E. Holland (Leader of the Opposition) said it seemed to him the most significant part of the Report was Article 8, which stated: "His Majesty's Government in New Zealand undertake to institute an inquiry into the existing protective duties, and, where necessary, to reduce them as speedily as possible to such a level as will place the United Kingdom producer in the position of a domestic competitor, etc." In that Article were contained all the germs of danger to the secondary industries of the country. As a forerunner, they had the four changes in the tariff set forth in Schedule D. Confectionery, ready-made clothing and hosiery were all commodities they made in New Zealand. Surely the time had arrived when they should give up tariff-tinkering. Goods which could not be produced in New Zealand should come in duty-free. They should tell Britain and other countries that

they did not want them to send goods that they could produce themselves. They had to keep their own people working and they could not do that if they allowed their market to be flooded with goods from outside, whether from Britain, Japan or any other country.

While the surtax was to be removed on the made-up articles, the primage duty on the raw materials was to remain. This would leave the local manufacturer between the devil and the deep sea.

If at Ottawa the Minister and his colleagues had put it straight to Mr. Stanley Baldwin and his colleagues that they wanted definite arrangements regarding the minimum quantity of their primary products that Britain could take and the minimum prices that would be paid for them, it would have been much more businesslike. Mr. Coates might also have asked the Conference to discuss the question of how to restore the purchasing power of the people of Britain, as well as the purchasing power of the people of New Zealand; for it did not matter how much they might talk about lifting the price-levels, that could never be done unless they lifted the wage-levels first.

Coming back to the danger to their secondary industries, he did not care what the viewpoint of the British politician was, the day had gone when they could put themselves in the position of existing only to send primary products to, and take manufactures from, Great Britain. New Zealand, like all other countries, had to build up its secondary industries. They would have to pay far more attention to their internal markets for primary products. Britain was being slowly and relentlessly driven to primary production. Every advanced country was producing more of its own goods, and the overseas markets, not only for New Zealand but for other countries, would begin to dwindle, especially in the matter of primary products.

Cutting costs: effect on standard of living.

When the Prime Minister was arranging to place the British manufacturer on the same footing as the New Zealand manufacturer, would he take into consideration the difference between the wages paid in Britain and those paid in New Zealand? In a number of industries there was no comparison between the wages paid. In addition, Britain was entering into competition with Eastern countries, and doctrinaire Free-trade minds in Britain were insisting that she must cut her costs. Orthodox Protectionists also stood for cutting costs, which first of all meant cutting wages. So there would be a gradual tendency to drag down the wages of the British workers in order to enable competition to be carried on successfully with Eastern countries, and the demand would be for their workers to be dragged down not merely to the British level but to the Eastern level.

Britain's generous treatment.

The Prime Minister (Rt. Hon. G. W. Forbes) was disappointed with the Leader of the Opposition. He had thought that one of the things he would have done would be to express the gratification of the House and the country at the results of the mission of the Minister of Public Works to Ottawa. The matter of getting an advantage for the Dominions as against the Mother Country did not, he thought, enter into the negotiations at Ottawa at all. There was no doubt, when one read what New Zealand was asked to do in return for very substantial concessions granted by the Mother Country, that the Mother Country had been very generous in her treatment of New Zealand and of her Dominions generally. Substantial preferences had been given in regard to their produce, and they in turn must recognise the importance of conserving their British markets as much as possible. He thought a pleasant surprise awaited the manufacturers of the Dominion when they learnt that so little had been asked in return for the substantial concessions granted by Great Britain.

Empire co-operation.

The definite arrangements entered into on friendly terms marked a forward step in regard to Empire co-operation. It had been truly said that if they were to get anywhere they must get together. That wish had been re-echoed for many years—it was one of the sentiments expressed at the Imperial Conference which he attended—but up till now that wish had never resulted in anything like real action and the definite adoption of such a policy had seemed a long way off. But to-day they were considering the ratifying of a definite Agreement based on those lines.

New Zealand had never been disposed to sponge upon the Motherland and he felt certain that the spirit of the Agreement would be observed as well as the letter.

Without asking for anything in return, New Zealand had been giving preference which was of great value to the manufacturers in Great Britain. The result was that, when it came to a question of further preference, New Zealand was not asked to do so much more as compared with Dominions that had not been giving such preferences. That was the reason the list they had to consider in the way of Customs Resolutions was a very small one.

They had to look to the market in the Old Land for the sale of their products, and for that reason, if for no other, they should do what they could to assist the people there to

buy their goods. If they were not able to buy from Great Britain, the people of Great Britain were not able to buy from them.

Abolition of the surtax.

The surtax was imposed for revenue purposes and no manufacturer could claim a right to look for protection in that connection. The Leader of the Opposition considered that Customs taxation was the worst form of taxation, so he must welcome the abolition of the surtax on British goods.

Mr. H. T. Armstrong (Labour, *Christchurch, E.*) said that for the first time in history a restriction had been placed on the quantity of meat they could send to Britain. If their primary producers went on increasing their production the increased production would have to be sold somewhere outside Britain. There was no guarantee that their primary producers would get more for their produce, and if they increased their production there was no guarantee that Britain would take it. There was an absolute certainty, however, that their secondary industries were at a disadvantage as a result of the Conference—though not to the extent he had anticipated. The only real service they could render their primary producers was to assist them in establishing in New Zealand a market for their produce. That could not be done by placing their manufacturers at a disadvantage as compared with the past.

Self-supporting policy impracticable.

Mr. W. J. Polson (Independent, *Stratford*) pointed out that if they did not import a single woollen garment into New Zealand they would be able to utilise only 6 per cent. of the wool grown in New Zealand. They ate 16 per cent. of the butter produced in New Zealand and about 8 per cent. of their lamb production. What were they going to do with the balance? All the talk about consuming in the country all their products, while the population grew to 10,000,000, in order to enable them to be self-supporting, was a clearly ridiculous and absurd argument. Tariff reductions would be welcomed by the farming community, who realised that their only hope of prosperity was to reduce their costs.

Margin of preference too great.

Mr. A. Harris (Reform, *Waitemata*), after quoting figures to show how the operation of the surtax and the additional duty imposed by converting foreign money into New Zealand money, increased the nominal amount of preference, so that under the proposal to abolish the 22½ per cent. surtax on British goods the difference as against foreign countries amounted in some cases to no less than 62 per cent., contended that this preposterously high preference granted to Britain was injurious to New Zealand. British manufactures were raised in price as a result of little or no competition and the New Zealand consumer was paying more for his goods. If Great Britain could not successfully carry on commerce with a preference of, say, 10 per cent., there was something wrong. To give a preference of 25 per cent., plus all the extras he had mentioned, simply made it impossible to do business with foreign nations and got them at variance with every other possible consumer country.

Importance of abolition of surtax.

Mr. J. McCombs (Labour, *Lyttelton*) said an attempt had been made to make it appear that New Zealand was not giving away very much and that she had gained considerably. But their surtax on all goods—not only British—amounted to £650,000 per annum, which represented 22½ per cent. of the duty imposed on dutiable goods. So, on that item alone, they were giving away a very considerable amount. The surtax at present existing constituted additional protection to the New Zealand manufacturers, and that protection was being removed.

The "quota" system.

Mr. H. G. Dickie (Reform, *Patea*) thought that anyone seeing the proportion and the way the quotas were based must realise that it was all to the advantage of the New Zealand producers to have the quota system. The restrictions on foreign meat amounted to as much as 35 per cent. of the present amount on a graduated scale spread over a number of years, whereas their quota would be based on what was a record season for production in New Zealand, and consequently they were not likely to exceed that amount for many years.

The Minister of Public Works, in reply to a question as to whether there was any discussion at Ottawa about reduction in the Australian exchange, said that the whole question of the stabilisation of currency, the relation of sterling to gold, and the effect upon the economic agreements that were entered into, naturally came up for consideration, but the matter was never made a fetish, nor did it interfere in any sense with the agreements. In common fairness they must always keep in mind the effect of a depreciated currency on any agreement entered into.

Agreements with other Dominions.

The Agreement did not alter their present tariff with India.

Later on he would be glad to give information regarding the negotiations which had taken place with other Dominions. No agreements had been altered, but certain communications had taken place as between the countries.

The Resolution was then agreed to.

Resolutions amending the Customs Tariff to give effect to the Agreement made at Ottawa having been agreed to in Committee,

The Prime Minister moved:—

That this House approve of the Agreement between His Majesty's Government in the United Kingdom and His Majesty's Government in New Zealand, embodied in Parliamentary Paper A.—6A, 1932.

The debate was then adjourned.

On 18th October,

Mr. M. J. Savage (Labour, *Auckland, W.*) said the Minister's statement teemed with evidence of a definite move towards making New Zealand less dependent upon the internal market and more dependent on the external market, which the Report itself admitted was a diminishing quantity. New Zealand was committed to a thorough overhaul of her protective tariff, which would put Britain in a better position to compete with Dominion industries. That could only mean that they were going to have more British products, irrespective of their ability to produce the goods in their own country. He wanted British products to come in where it was not possible to produce such goods in New Zealand, and did not want Japanese products substituted for them. But he was not prepared to sacrifice the secondary industries of New Zealand to bring in anything from outside. It was better to employ their men and women in industry than on relief work at 7s. 6d. per day for two days' work a week.

Trade with the East.

If they did not give attention to the development of economic secondary industries the only alternative would be for them all to be primary producers, and to exchange their products largely in the markets of the East, in return for the products of cheap labour. Only a few days previously an article appeared in the "*Evening Post*" showing that three Ministers—one of whom had just returned from the Ottawa Conference—were advising commercial men of New Zealand to develop trade with Japan and the East generally. To the extent they developed their trade with Eastern countries they must weaken their position on the British market. If they traded with the East, they must take the products of the East, either directly or indirectly. They could not have an effective preferential tariff and increase their foreign trade at the same time.

No trade agreement, no preferential tariff or any other kind of tariff, could be substituted for purchasing power. They could shift trade from one country to another by a preferential tariff: they might prevent goods coming into New Zealand by means of a direct tariff, but they could not develop trade unless they developed or expanded their own people's power to buy. The fact remained that the foundation of all trade—the purchasing power of the people—had been materially reduced. They could do nothing until it was realised that there could be no expansion of trade on falling incomes. Employers of labour in New Zealand had not adopted a helpful attitude. There had been a wage-smashing campaign on the top of the alteration of the Industrial Conciliation and Arbitration Act. By this action employers were not only striking at labour, but at the very foundation upon which their business rested.

Dominions as field for investment of British capital.

Britain's main problem was to feed, clothe and house her people and at the same time to remain a manufacturing nation. He did not think this could be done within the confines of Britain. She had got to spread out, and he thought she could spread out without investing her money in Argentine, Japan, China or any other foreign country; while Britain invested her surplus capital in foreign countries she laid the foundations for foreign trade. Was it unreasonable to ask Britain to turn her attention to the British Dominions? So long as they sent whatever surplus they had outside the Empire it was not much use talking of preferential trade. A policy should be laid down for settling British people in the British Commonwealth. Someone was going to settle it if they did not, and the large open spaces in the various parts of the British Commonwealth were a standing menace to the future peace of the world. That must not be interpreted as meaning admitting shiploads of people to struggle for a wages job. It did mean sending suitable persons to the Dominion for the purposes of settlement, and Britain investing in the industries of the Dominion instead of in the industries of foreign countries.

The Minister of Lands (Hon. E. A. Ransom) said that perhaps of greater importance than any item they might have benefited by was the unanimity of all the representatives of the Empire who attended the Ottawa Conference and their desire to grant all the concessions they possibly could. The attitude of the Mother Country to her Dominions could not be sufficiently praised. Mr. Savage had put forward British exports to foreign countries as evidence of the impossibility of Great Britain extending to them the preference they might need, but, notwithstanding that Britain exported to foreign countries more than half her manufactured goods, her representatives at Ottawa offered very substantial preferences to the Dominions, and they appreciated those concessions.

Wholesale and retail prices: foreign trade.

Steps were now being taken to raise wholesale prices, particularly of commodities such as they exported.

Mr. F. Langstone (Labour, *Waimarino*): " Where are they going to get the money from to do it? "

The Minister of Lands replied that while they were exporting produce at below production-costs, the British consumers had not been getting the benefit of the low prices.

With regard to extending their markets to the East, at present the balance of trade with foreign countries was altogether against them, and the commodities they were procuring from those countries were not, in the main, procurable within the Empire. It was desirable that they should eliminate those balances, and that was one of the questions which must be given serious consideration in the near future.

Manufacturers' views; Export possibilities.

The President of the New Zealand Manufacturers' Association had expressed entire satisfaction with the Ottawa decisions and saw no reason to doubt that the Agreement would be in the interests of their secondary industries. Unlike Canada and Australia, New Zealand had not indulged in high protective tariffs and their industries had nothing to fear from the inquiries provided for. Higher tariffs excluded all possibility of the export of manufactured goods, but under the system of careful supervision of their various industries, as suggested in the Agreement, it should, with a lower tariff, be possible to export many products manufactured from their raw materials.

Whenever tariff questions were under review, it had always been open to any interested person, either within or without the Dominion, to make representations. No further consideration was proposed to be given in this respect than was given formerly. The responsibility for any change in the New Zealand tariff remained, as hitherto, with the New Zealand Legislature, whose rights in this matter had not been abrogated in any way.

Currency control.

Mr. R. McKeen (Labour, *Wellington, S.*) contended that whilst the currency was allowed to be controlled by private bankers, who could manipulate it in their own interest, it mattered not a snap of the fingers how they scaled tariffs up or down, because tariffs could be overcome. The Conference at Ottawa should have concentrated on the questions of banking, currency and credit.

On 19th October,

Mr. Dickie said the bargain they had made in connection with meat was better than that in regard to butter. But, notwithstanding all the arrangements made, he had a misgiving that the benefit to their farmers would not materialise quickly enough to save many of them.

Economic independence and population.

Mr. W. E. Barnard (Labour, *Napier*), in denying the suggestion that one of the reasons for the unhappy state of the Dominion was the policy of economic independence, quoted Lord Melchett's words that "the tendency of science was to make nations more self-supporting."

He found in the statement of the Minister of Public Works an underlying note of doubt and disappointment. The Minister told them that "One returns from the Conference impressed with the new importance now attached by the United Kingdom to her own farming industry" and went on to say that "This changed outlook is of much concern to us in New Zealand." Instead of bringing hope and comfort to the struggling farmers of New Zealand the Minister had returned with the knowledge that there was a new obstacle which was not very apparent before. There was a very bleak outlook facing the primary producer in New Zealand.

A policy which aimed at a considerable measure of self-containment was most desirable in the interests of the masses of the people. It would be far better if they could populate the country much more fully. They had no right to possess the soil of New Zealand, one of the most promising lands in the world, with a population of only a million and a half—and one increasing at a very slow rate.

Mr. W. J. Broadfoot (**United Party**, *Waitomo*) said that when one looked at the price at which they sold their produce and then at the retail prices paid for them at Home it was clear that the British people might well cease to worry about the increased cost of living caused through tariffs and eliminate some of the excessive profits made by their own wholesalers and retailers.

He recalled that objections were raised to the surcharge and primage duties when they were imposed a few Sessions ago. To-day the same hon. Members were objecting to their removal.

Mr. R. Semple (**Labour**, *Wellington, E.*) contended that if they were to surrender to the manufacturers of Britain the right to say what industries should be developed in the Dominion they would be erecting a barrier which it would be difficult for future Governments to surmount. Similarly, if the Government passed a Measure to establish a Central Bank it would mean a surrender of the people's right to control their own currency—another barrier to Governments of the future. The Government had no right to tinker with the rights and privileges of the people without their knowledge or consent.

Irish Free State produce.

Mr. J. Hargest (**Reform**, *Invercargill*) drew attention to the position in connection with the Irish Free State. There must be accumulating in Ireland an enormous amount of products which would compete with those of New Zealand

If an arrangement were arrived at and these foodstuffs thrown upon the English market they must cause further fall in prices and a tremendous amount of hardship in New Zealand. Was it intended to make immediate representations to the British Government as to what was to be done in the event of an amicable arrangement being arrived at?

Mr. Polson quoted the cabled report that Mr. George Lansbury had stated that the Dominions had obviously driven a bargain giving them a tremendous gain without Britain gaining anything. Yet they had the leaders of the Labour Party in New Zealand saying that they had got nothing but words.

Hon. A. D. McLeod (**Reform**, *Wairarapa*), referring to the suggestion that Britain should invest her surplus funds within the Empire instead of in foreign countries, quoted figures to show that in the ten years 1922-1931 Great Britain had lent £703,000,000 to Empire countries as against £407,000,000 to foreign countries.

Constitutional objections: failure to consult Parliament.

Mr. A. J. Stallworthy (**United Party**, *Eden*) much regretted that the discussion did not take place prior to the New Zealand Delegates leaving for Ottawa. Notwithstanding determined efforts to have the Conference discussed then, the request was stubbornly refused. The issue was a very serious constitutional one. It was the duty of Members of the House, to whichever Party they might belong, to insist that Parliament should be consulted at a time when its voice should at least have some opportunity of proving effective.

Irrespective of the commercial value of the Agreement, the greatest peril attached to the making of agreements based on hard commercial bargaining, for business bargaining could not be the real basis of the Empire. The infraction of business arrangements often proved a source of irritation. The "quota" system might easily be a weapon used against the Dominion by changing political Parties and become a source of friction instead of a source of reconciliation or co-operation. It would be a mistake to rely upon such agreements to the extent of supplanting the old bonds of family ties and good-will which had stood the test of centuries.

On 20th October,

Mr. W. A. Veitch (**United Party**, *Wanganui*) submitted that no policy other than a policy of world trade could bring the British Empire to still greater things. He believed it was possible to increase the purchasing power of the people of the Dominion by trading with Japan and with any other nation when they could balance their trade on reasonable terms. It was not a wise thing to develop the idea that they were going to have a little world of their own in New Zealand, when even the great British Empire was not big enough to stand by itself in the world. When considering matters of import duties and preferences they must consider their own consumers. He knew of no better safeguard for them than to provide that their own manufacturers were to compete on equal terms with British manufacturers.

One would imagine from some of the arguments used that the only road to prosperity was to export all they could and import as little as possible in return. The country which got the largest amount of imports in return for its exports was the one getting the best possible bargain.

More favourable Labour view.

Mr. W. Nash (**Labour**, *Hutt*) said that between 1929 and 1931 the British Labour Government did everything humanly possible to induce countries inside and outside of Europe to lower their tariff barriers. Instead of responding to the spirit of Britain's offer, every year saw definite steps taken to increase tariff barriers and to block trade. If ever a country had justification for trying to increase its trade and benefit its people that country was Great Britain. Britain went to Ottawa and they had the report before them,—not entirely satisfactory but there were proposals worth considering.

With regard to Articles 8 and 9, he did not see why they should object to a representative of the Old Country coming and hearing and giving evidence in regard to their activities, but if that was to apply in New Zealand it ought to apply at Home. A policy of self-sufficiency in New Zealand was not worth consideration. There was nothing more dangerous and harmful. What the Labour Party had said was that the only possible policy that could control the position—for the benefit of the whole of the people—was the policy of bringing all imported commodities under control, through the Government. Other countries were doing that; Great Britain was on the road to it, and they ought to follow.

Mr. W. J. Jordan (**Labour**, *Manukau*) said their export figures showed that they had an unfavourable trade balance last year with every country except the United Kingdom and France. In some cases there were enormous unfavourable balances. The United States sold to them goods to the value of £3,698,714, and they sold to the United States £920,931 only. "It will be seen, therefore," he said, "that if the Ottawa Conference will establish what we have been asking for all along, that is, trade agreements dealing with goods, there must be a return of prosperity in the various countries considered at Ottawa." Writers in all parts of the world had shown that interest was accumulating, that presently the peoples of the world would be enslaved, working to produce goods to pay interest on loans and investments. Last year their favourable balance in trade goods was £10,000,000 exported, but that amount was more than absorbed by the overseas interest. "If there were a balance of trade in goods," he said, "our Empire would boom, and that is the ideal we should aim at."

In the course of quoting figures of trade with Japan the hon. Member pointed out that the cotton operatives of Lancashire were unable to carry on; "yet," he added, "we are buying from Japan, Britain's competitor, cotton, linen, and so on, to the value of £148,667 in one year."

Labour not represented.

On 21st October,

Mr. Holland said he was convinced that any benefits New Zealand might receive from the arrangements made at Ottawa would be infinitesimal. The Minister of Lands had stated that there was no evidence of Party at Ottawa. The reply was that there was only one Party at Ottawa. There was no question of sinking Party when the Delegation to Ottawa was being appointed. Representatives of the employers in the meat-producing, dairying, fruit-growing, general farming and manufacturing industries were among the official advisers, but the thousands of wage-workers who were just as intensely concerned had no representation. The Government insisted upon its right to make international and inter-Empire bargains without reference to Parties outside its own supporters, but when one-sided bargains were struck it expected others to accept them without question. The whole of the industrial workers of New Zealand were opposed to certain phases of the Agreement.

If the Agreement sent prices up in Britain without a corresponding increase in wage-rates it would bring the country dangerously near the point of rebellion.

The Minister of Public Works had told them that the Agreement definitely committed New Zealand to a thorough overhaul of her protective tariff. The Minister of Lands went a good deal further. If his statement meant anything it meant that once an industry was established there was to be free entry of competitive goods from Britain, if not from other countries. That was a serious pronouncement from the viewpoint of the manufacturers and workers in their secondary industries.

Meat Agreement.

What struck him in connection with the arrangement regarding meat was its wholly indefinite nature in relation to prices. Not until 1934 would the question of prices of meat exports to Great Britain be considered by the British Government. Apparently the existing prices were to remain. It would probably not be denied that the primary producers of New Zealand were supplying the British market at a loss at present. If it were possible for the arrangement to help them put more meat on the British market, what benefit would it be to the people making a loss now if they increased their loss? Notwithstanding that they had, since 1925, increased their mutton and lamb supplies to Britain by more than 60 per cent., they were worse off than ever before. If they increased prices without increasing the means of paying those prices they would deny the workers of Britain the right to buy New Zealand mutton and lamb.

Main principles not discussed.

There were three main principles that should have been among the first considered at Ottawa and that did not appear to have been discussed at all. One was the restoration of the purchasing power of the people in all the countries of the Commonwealth of British Nations. The next was the enormous influence on unemployment of the introduction of labour-displacing machinery in all industries. The third was the almost supreme question of credit and currency.

Labour Amendment.

He moved, as an Amendment to the Motion approving the Agreement, to insert after the word "that" the words

"except in so far as the change tends to destroy the measure of protection accorded by the existing laws to commodities which can economically be produced in New Zealand, and always provided that necessaries which cannot be produced in New Zealand shall come in duty free."

The Minister of Public Works said the Amendment said very definitely that nothing should be imported that could be made in New Zealand.

Mr. Nash: "Economically made here."

The Minister of Public Works: "What is the difference, then, between the Amendment and the Agreement arrived at in Ottawa?" The real essence of the Amendment was that New Zealand must become self-contained and produce for herself everything she wanted. The policy urged by the Labour Party was one of closing the windows down and asphyxiating everybody. If the Amendment meant what the hon. Gentleman said it meant, what had they to fear regarding a close investigation into their industries, whether primary or secondary? The Ottawa Agreement was wholly based on reciprocity and co-operation and yet they had an Amendment moved which practically said: "We will sell all the things we can but we will not buy." The Amendment was an endeavour to be clever, a smart way of trying to get round an Agreement which the hon. Gentlemen opposite were not prepared to vote against.

Low prices and production; Monetary policy.

If low prices continued and they were unable to sell their produce at a profit on the cost of production the inevitable result would be a reduction in production, and the men out of work would suffer worse than ever. Ottawa marked the first step towards orderly marketing and an attempt to fit in orderly supplies with the demand. They hoped the arrangement made would lead to a world movement for a realignment of conditions throughout the world.

The economic factor was not the only factor, because the monetary problem was another and important factor. The statement that the Conference laid it down that they should come to par with sterling was wide of the mark. Whatever they might do in that connection they must remember that the economic Agreement should not be destroyed by violent fluctuations of currency.

Mr. Nash: "Ottawa did nothing whatever about a monetary policy."

The Minister of Public Works replied that for a fortnight the Conference devoted its energies to seeing whether there was any possible solution to the question. He wondered whether anything was possible, in view of the disparities in currency within the Empire itself, to say nothing of the discrepancies outside. But to say that the matter was lightly discussed would be to cause a complete misapprehension.

Restrictive quotas and new markets.

New Zealand believed in orderly marketing. The old haphazard methods must go. Their Marketing Boards were opposed, at the commencement, to any restrictive arrangements affecting Dominion produce, but he thought the value of them was obvious now. New Zealand must live within her estimate. That was hard and fast. If they were not careful they would do themselves harm by endeavouring to produce too much. It was essential they should look for other markets, for it was on the horizon that Great Britain could not absorb everything sent to her.

Planned production and guaranteed price.

As he understood it, the system of planned production advocated by the Labour Party was similar to that adopted by Soviet Russia. The Russian plan would be impracticable amongst British people at the present time. He would be interested to hear the details of a proposal under which you could guarantee to the producers of a country a satisfactory return for their products. In his opinion that was impracticable. With the good-will of the producers and those interested, however, they could, by arrangements made throughout the Empire, deepen the channels of trade and remove the blocks which had occurred. That must lead to a general breaking down of the barriers existing elsewhere. The Leader of the Opposition had discussed the question of obtaining a guaranteed price for their exports. But would Great Britain accept such proposals? No, she could not. Would other nations accept them? No. They were only leading people down a blind alley if they talked about something that could not be accepted.

In conclusion, Mr. Coates said the Amendment, as he saw it, meant very little, but it could be taken as definitely antagonistic to the Agreement made at Ottawa. What right would they have to ask for any favour or make any suggestion to Britain if they negatived the Agreement?

The Amendment was negatived by 44 votes to 24, only one Independent, in addition to the Members of the Labour Party, voting for it.

After further discussion, the Motion was agreed to on 21st October.

UNION OF SOUTH AFRICA.

The Fifth Session of the Sixth Parliament was opened on 20th January, 1933. Proceedings of this Session will be dealt with in subsequent issues of the JOURNAL.

IRISH FREE STATE.

The following summary deals with some of the proceedings of the Session which re-assembled on 19th October, 1932. The Dáil adjourned on 7th December, 1932, until 1st February, 1933, but on 3rd January the Dáil was dissolved by Order of the Governor-General and a General Election took place on 24th January. The new Dáil will meet on 8th February. The Senate adjourned on 15th December until 11th January, 1933.

DISSOLUTION OF THE DÁIL; GENERAL ELECTION (*Note*).

On 3rd January, the Dáil was dissolved by Order of the Governor-General (Mr. Donal Buckley) at the request of the President of the Executive Council (Mr. E. de Valera). A General Election took place on 24th January, the results of which are given below. The state of Parties in the Dáil at Dissolution is added for comparison:—

	New Dáil.	*Old Dáil.*
Fianna Fáil (de Valera)	77	72
Cumann na nGaedheal (Cosgrave)	48	57
Centre (formerly Farmers') Party	11	4
Labour Party	8	7
Independents	8	11
Independent Labour	1	2
	153	153

IMPERIAL ECONOMIC CONFERENCE.

(Commercial Agreement with Canada signed at Ottawa; Trade relations with United Kingdom; Irish Free State and British Commonwealth.)

On 6th December, in the Dáil, a debate commenced upon the following Motion moved by the Minister for Industry and Commerce:—

That the Dáil approves of the Trade Agreement between the Irish Free State and the Dominion of Canada, signed at Ottawa on the 20th day of August, 1932, a copy of which was laid on the Table of the Dáil on the 13th day of October, 1932.

DEBATE IN THE DÁIL.

The Minister for Industry and Commerce (Mr. S. Lemass) said the Agreement contained three provisions. Article I. agreed that Canadian produce or manufactures imported into the Irish Free State could not be made subject to other or higher duties than those from any other country. Article II. agreed that goods or manufactures exported from the Irish Free State to Canada could not be subjected to other or higher duties than those from Great Britain and Northern Ireland. Article III. stated that the Agreement must be subject to approval by the Canadian and Irish Free State Parliaments. After such approval, it was to be valid for five years from coming into force, with a requirement of six months' notice to terminate it thereafter.

In practice this meant that the Imperial preference given to other members of the Commonwealth by the Irish Free State in regard to most of their tariffs would continue in regard to Canada. That general application of Imperial preference by the Irish Free State would not operate in future. But the recent Agreements between Canada and Great Britain in regard to special tariff reductions would become applicable to the Irish Free State also. Irish industrialists would thus benefit by the recent reduction of Canadian tariffs against certain classes of imports from Great Britain. Irish exports to Canada during 1930 had totalled

£133,000, and imports from Canada £772,000. The chief Irish exports to Canada had been tractors, woollen tissues, biscuits, live horses, raw wool and drink of various kinds. These exports had been injured by recent Canadian tariffs and would benefit by the new Agreement.

Mr. P. McGilligan (Cumann na nGaedheal, *National University*) said that this and one other trade agreement were the only results which the Government had been able to derive from the greatest International Economic Conference that had ever been held. No preparation had been made for participation in that Conference. There was a total of £30,000,000 worth of imported manufactures to bargain with. The net result gained by the Irish Delegation was that Canadian imports were for five years to have "most-favoured-nation" treatment, whether within or outside the Commonwealth, and that in return Canada was to charge the same import duty upon Irish and British goods. Had the Minister any expectation that Canada would import from the Irish Free State instead of from Great Britain the £30,000,000 worth of trade formerly done with Great Britain?

Trade with Great Britain.

Sooner or later, the Deputy continued, there would have to be a trade agreement with the United Kingdom, and this Canadian Agreement would have to be taken as the model for it. Analysing the Trade Agreement between Canada and the United Kingdom, he showed that various Articles in it would prejudice the prospects of Irish trade development. Thus, Article 10 stipulated that Canada would protect her home industries against United Kingdom competition only when they were reasonably assured of success. The new Irish Agreement at Ottawa only gave the same preferences as applied to British manufactures. Economic and efficient production would henceforward rule the tariff rate on goods entering Canada, and that rule, set according to the standard of British economic production and efficiency, would rule Irish imports to Canada also. Most of the recent tariffs in the Free State had been on the assumption that British competition was unreasonably efficient; but the Canadian Agreement would involve acceptance of British standards of efficiency.

As a trade agreement, said the Deputy, this Agreement with Canada was worth nothing in itself, whereas it might hamper any future Agreement concerning the really valuable trade with Great Britain. In that haphazard way the Government were changing the country's economic system, while they were also subsidising all the dairy products and livestock exports which they used to condemn. The whole trend of those subsidies was to keep going the particular form of economy which prevailed in the country. The biggest trade

rationalisation scheme ever attempted had been undertaken at Ottawa; but instead of playing a foremost part in that rationalisation scheme, the Free State was in a corner while re-fashioning was going on elsewhere. The Irish Free State, in purchasing more British manufactures than any other Dominion, could have bargained most effectively when the recent Agreements were being negotiated for reducing the total of agricultural produce imports into Great Britain from all countries.

"The spirit of Ottawa."

Concluding, the Deputy asked whether the Irish Delegates had returned from the Conference to impart "the spirit of Ottawa" to their colleagues? Did the Vice-President sign the Canadian Agreement, as stated officially, "on behalf of His Majesty's Government in the Irish Free State," with the approval of the President? The Agreement with Canada was only of very minor importance when viewed from any angle; and if this was to be a real Agreement made with the very people who mattered in relation to Irish trade, then this Agreement might have to fall if in any way it obstructed a real trade agreement with the people of Great Britain.

Mr. W. T. Cosgrave (Leader of the Opposition) contended that the Agreement in itself did no more than continue for five years the Imperial preference which had existed since the Free State was established. Ministers had discovered since they assumed office that trade depression existed all over the world. At Ottawa they must have learned also that the imports of cattle, butter, and mutton from Australia and New Zealand into Great Britain had been steadily increasing. Irish trade with Canada and South Africa together amounted to little over £2,000,000 a year, whereas the British market was worth £40,000,000 a year to the Irish exporters. Had the Ministers who went to Ottawa impressed upon their colleagues the results of what they learned there?

Effects of British Tariffs.

The Minister for Industry and Commerce, replying, said that apart from the possibility of developing better trade relations with Great Britain the Free State had very little interest in Imperial Conferences. The Opposition appeared to assume that the position between Great Britain and the Free State would continue for ever. But he believed that the worst effects of the dislocation of Irish trade by the British tariffs were now over. The British Government's effort to enforce their views by economic pressure had, he thought, defeated itself. The need for an agreement with Great Britain was growing less urgent week by week. Trade agreements with other countries now became possible, to obtain special concessions for Irish exports in return for special privileges in the Irish market which was formerly supplied by Great Britain. The advisability of making such agreements was receiving the Government's close attention.

Continuing, the Minister repudiated Deputy McGilligan's assumption that Irish manufacturers could not compete on level terms with British, and that industry in Ireland could never be economic or efficient. Yet Irish manufacturers of hosiery and woollen and linen goods and of alcoholic drinks were in fact competing on level terms in the Canadian market. The Government had never proposed giving more than conditions of free competition to new Irish industries; but new Irish industries had hitherto been faced with a commercial organisation and a system of credit against them which made protection necessary. Such industries would in time become efficient. The Government was confident that in spite of past neglect and world depression they could definitely secure the people against hardships and abolish poverty, by building an economic system which would be sound at base and could not easily be shaken by trade fluctuations in other countries.

The Resolution was passed without a division.

DEBATE IN THE SENATE.

On 14th December, in the Senate, in introducing a similar Resolution,

The Minister for Industry and Commerce said that the previous position which was now being continued by the Agreement with Canada might not have continued otherwise. In fact, the Irish Free State had operated Imperial preference much more impartially as between members of the Commonwealth than any other Commonwealth State. At Ottawa it had been decided almost unanimously not to adopt a general extension of Imperial preference, but to have separate trade treaties. The phrase "most-favoured-nation" treatment had in fact become almost meaningless in most new treaties, and direct bargaining had become the general tendency. "It is not unlikely," he continued, "that the Irish Free State will find itself in the position in which, if it desires to have any trade with a number of these countries, it will have to enter into treaties of that nature." The Trade Agreement with Canada would not interfere seriously with the Government's efforts to secure better trading conditions with other countries. Canada could not supply the produce which would be required from other countries, and the Free State was likely to require during the next five years the goods they had been taking from Canada. Such goods would have to be got from some other country if not from Canada.

Senator James Douglas feared that, except for the Trade Agreements with Canada and South Africa, the Free State was being definitely injured as the result of the Ottawa Conference, apart altogether from its relation to Great Britain. He wished for information concerning the present position in regard to preferential tariffs in India, Australia, New Zealand, and the Crown Colonies. There had been a quite considerable Irish trade with these countries, especially regarding linen and whiskey.

Senator Sir John Keane hoped that since Ministers had made personal contact with the Governments of the Dominions, they would continue to behave in that same dignified spirit, at home as well as abroad.

Messages to the King.

Senator Thomas Johnson, replying to criticism of participation by the Irish Delegates in loyal messages to the King, asked whether the chances of an agreement with Great Britain at Ottawa would have been increased if the Irish Ministers refused to conform to the usages of previous Conferences? The reason which Great Britain alleged for refusing to negotiate with the Free State at Ottawa was that the Free State was accused of having broken an Agreement unilaterally. Yet Great Britain had since unilaterally broken its agreement with the United States over War Debts; so, the former objection must now be discarded. He hoped that, on equal terms from the British point of view, the two countries could now begin negotiations again.

The Minister for Industry and Commerce, replying, said that while it was an associated State of the Commonwealth, the Free State could not dissociate itself from the practice of Imperial Conferences. "If circumstances should necessitate," he continued, "—and it is quite likely that in the very near future circumstances will not merely necessitate, but justify, the dissociation of the Free State from the British Commonwealth, the necessity—be it peaceful or otherwise—for these messages will have been removed. The Free State's membership of the British Commonwealth is not founded on any other basis than the basis of expediency. . . The only justification for the continuation of the association of the Free State with the British Commonwealth is that substantial benefits are conferred upon our people by that association. If, as at present, no such benefits are in fact experienced, then the necessity for continuing this association is removed. We have not decided to take action to remove it. That is a matter for decision, not by the Executive Council or by the present Dáil or Seanad, but by the people."

The Resolution was declared carried.

IMPERIAL ECONOMIC CONFERENCE.

(Ottawa Agreement and payment of bounty on cattle exports.)

On 10th November, in the Dáil,

Mr. H. M. Dockrell (Cumann na nGaedheal, *Dublin Co.*) asked whether the President's attention had been called to Article 21* of the Ottawa Agreement between Great Britain and Canada, and if so, whether in view of that Article it was intended to continue paying the bounty on cattle, etc., after 14th November?

The President of the Executive Council (Mr. E. de Valera) replied that the answer was in the affirmative.

ECONOMIC SITUATION.

(General policy of the Government; Value of Ottawa Agreements; Competition of Dominions; Growth of public expenditure; Irish trade with Great Britain; etc.)

On 7th December, on the Motion for the adjournment of the Dáil until 18th February, references were made to the economic situation and the policy of the Government.

DEBATE IN THE DÁIL.

Mr. W. T. Cosgrave (Leader of the Opposition) said that the national economy was in a very serious, but not dangerous, state, as it was one of the few creditor States in the world, with considerable investments outside. The present economic conflict was reducing revenue from its principal industry—agriculture. Agriculturists had been injured both in respect of their exports and the costs of their industry. Unemployment, want, and poverty, had been increased; and the position compared very unfavourably with last year. A campaign to "boycott British goods" was in progress, when the country's main market was Great Britain. Few countries could expect to export and to escape importing. The Government's duty, he believed, was to prevent interference with traders who stocked goods and did business according to law. If it was desired to prohibit imports from any country, let that be done according to law, and let the proposals for legislation be clearly defined. He condemned most positively any attempt to cause injury to the trade or goods of any other country.

Competition of other Dominions.

At Ottawa, the Deputy continued, the other countries of the Commonwealth had stated their difficulties. New Zealand, Australia, Canada and South Africa had pointed out how much money they had to pay creditors in respect of

* *Vide* JOURNAL, Vol. XIII., No. 4, p. 850.

borrowed money. Australia had been obliged to increase production enormously and to decrease imports. That increased production had resulted in enormous competition in the British markets in respect of mutton, lamb and butter. The imports from Australia and New Zealand had practically doubled for mutton, and more than doubled for butter. This competition directly affected the Irish Free State's exports. It had been better equipped than any other country for such international competition for trade, and at Ottawa there was a probability of doing great good for the country. But the Free State had derived from Ottawa only two Agreements, negligible in value, although they were capable of extension. Henceforward, the Free State would have to create prosperity by producing at competitive prices.

Growth of public expenditure

Public expenditure in the Free State had in the meantime been raised to such a height that it must increase the cost of production above any relative international standard. Various Acts had been passed by the Government, but it had collected more from the people, when their capacity to pay was never lower, in order to vindicate its promises. But it had failed in its fundamental policy of rebuilding on sounder and better foundations the national economy of the State. The returns respecting employment and home assistance, and the huge sums spent in that connection, proved positively that the position was much worse than before the Government assumed office.

The first essential, the Deputy concluded, was peace with Great Britain. To win a war might be much too costly. To save £5,000,000 a year and lose the export trade would be an absolute bagatelle. But if some of the £5,000,000 could be saved, and the country's trade could be saved and extended, they would have done well. The sooner the war was ended the better.

The Minister for Finance (Mr. S. MacEntee) said that the tribute hitherto exacted from the country was without comparison on the face of the globe. As President de Valera had often said, the Reparations which they paid were, in proportion to the resources of the German people, insignificant in comparison with the tribute imposed on the Free State. The yearly tribute from Great Britain in discharge of her debt to America was much less, but the British Government had received unanimous and united support in declaring that debt to be intolerable. But whereas Great Britain felt obliged in honour to pay that debt, the Free State Government felt no obligation in law or honour or equity. The total product of the Irish trade with Great Britain, measured in terms of real profit, was the difference between what it cost to produce and the price received. That could not at any time be more than £7,500,000. The Opposition was asking the country willingly to forgo its right to retain at least two-thirds of the total profit derived from its trade. The Government had long ago foreseen that Canada, Australia and other countries would dump into the British market the same products which the Irish Free State was selling. But it had anticipated the inevitable decrease in prices by protective legislation, and the Government's new tillage policy would be in active operation next spring. That would mean a decreased import of wheat and foreign flour, and of foreign-made boots and clothing, an increase in the employed population and an expanding market for the products of Irish farmers.

AGREEMENTS WITH GREAT BRITAIN.

On 15th November, in the Dáil,

Mr. O. Grattan Esmonde (Cumann na nGaedheal, ***Wexford*****)** asked whether any agreement on any matter had been arrived at between the Free State Government or any Department thereof and the Government of the United Kingdom or any Department thereof, since the beginning of the present Session ?

The President of the Executive Council (Mr. E. de Valera): " The answer is in the negative."

Mr. Esmonde asked whether there was any general understanding or agreement between the Free State Government and the Government of Great Britain to carry on all previous arrangements arrived at by the President and his predecessors, except such as were publicly repudiated ? Were all other agreements to be carried out continuously ? For instance, the Passport requirements for aliens, the agreement in regard to double income tax, and so forth.

The President of the Executive: " All these are being continued as usual."

PAYMENT OF LAND ANNUITIES.

(Question of reference to The Hague tribunal.)

On 24th November, in the Dáil,

Mr. P. McGilligan (Cumann na nGaedheal, ***National University*****)**, asked whether (*a*) during the Ottawa Conference or (*b*) at any other time since the dispute as to payment of land annuities arose between the Irish Free State and British Governments, any proposal or suggestion had been made by the Irish Free State Government to have the legal and/or other issues involved referred for decision or opinion to the Permanent Court at The Hague ; and, if so, how such proposal or suggestion was received and resulted ; and, if not so made, why not ?

The Vice-President of the Executive Council (Mr. S. T. O'Kelly): " No proposal or suggestion has been made by the Government to have the legal or other issues involved in the land annuities dispute referred for decision or opinion to the Permanent Court at The Hague. . . The policy of the Government has been to retain the land annuities in this country until such time as the British Government have established a valid claim to them. The Government have always been willing to submit the issues involved for determination by an international tribunal. The British Government, however, have declined to accept arbitration by such a body. Neither have they invoked the jurisdiction of the Permanent Court. In our view the onus of invoking the jurisdiction of the Permanent Court at The Hague lies upon the party making the claim."

Mr. McGilligan: " Inasmuch as suggestions have been made by the Irish Free State Government with regard to this dispute, nevertheless we are to understand now that no suggestion as to invoking the aid of the Permanent Court of The Hague has ever been made ? "

The Vice-President: " No."

Mr. McGilligan: "Was there any reason why it should not be made ? "

The Vice-President: " Not by the Irish Free State."

Mr. McGilligan: " Why not ? "

The Vice-President: " It is up to the party making the claim to bring a case there."

Mr. McGilligan: " Is the country to continue to suffer the hardships of an economic war because the Irish Free State Government will not make up its mind to put forward a particular claim and see whether it will be accepted ? "

Later,

Mr. McGilligan asked, with special reference to the British Government's despatch sent on 6th July, relative to the composition of a Tribunal to decide the land annuities dispute, (*a*) if any restriction was thereby sought to be imposed on the appointment of Irish Free State nationals by the Irish Free State Government as their nominees on such Tribunal ; (*b*) if any restriction was thereby sought to be imposed on the appointment, by agreement, of an Irish Free State national as Chairman ; (*c*) if it was possible for the Government of the Irish Free State to appoint as their nominees some of the Counsel who prepared their case for the retention of the Land Annuities ; (*d*) if there was any reason why a Tribunal with such Irish nominees should not be constituted forthwith and meet to consider the appointment of a Chairman.

The Vice-President: "No special restrictions were sought to be imposed as to the composition of the Tribunal beyond that of confining its membership to persons drawn from the States of the Commonwealth. It was because of that restricting condition that the Government of the Irish Free State refused to accept it. The possibility—if there were such a possibility—of having a citizen of this State selected by the nominees of both sides as Chairman would not make the Tribunal more acceptable. The principle for which the Government stands in this controversy is that the tribunal to determine the dispute between the two States should be an international tribunal, that is to say, a tribunal selected without restriction as to the nationality of its members. The Government have no intention of abandoning that principle."

NEWFOUNDLAND.

Parliament was dissolved on 7th May, 1932, *and a General Election took place on 11th June,* 1932.* *The new Session is expected to open in April,* 1933.

* For results and composition of the Cabinet *vide* JOURNAL, Vol. XIII., No. 3, p. 790.

INDIA.

The following is a summary of some of the further proceedings of the Fourth Session of the Fourth Legislative Assembly, which opened at Simla on 5th September,* 1932, *was resumed at Delhi on 7th November, and ended on 15th December; also of the Fourth Session of the Third Council of State, which opened on 20th September, resumed at Delhi on 29th November, and ended on 19th December.

INTERNATIONAL CONVENTION.

(Age of Children in non-Industrial Employment: ratification impracticable.)

On 8th December, 1932, the Council of State passed the following Resolution:—

That this Council, having considered the Draft Convention and Recommendation concerning the age for admission to non-industrial employment adopted by the International Conference at its Sixteenth Session, recommends to the Governor-General-in-Council that he should not ratify the Draft Convention nor accept the Recommendation.

IN THE COUNCIL OF STATE.

Hon. Mr. A. G. Clow (*Government of India: Nominated Official*), in moving the Resolution, said he regretted that this recommendation should be couched in a negative form. The Convention contained provisions specially designed to meet the case of India, but he hoped to convince the House that its ratification was impracticable, indeed impossible. The Government of India instructed their Delegates to press for certain special conditions. The first was that the age limit should be fixed at 10 years instead of 14; the second, the vital condition, that the Convention in respect of India should apply only to certain specified occupations. M. Albert Thomas came to the Committee and urged the acceptance of the Indian proposals and the Committee agreed. But in the full Conference they were met with criticisms and different proposals were put forward by a lady from Spain. This lady's proposals were carried by a small majority and, as a result, the Indian Government Delegates as well as the Indian Employers' Delegate found themselves unable to support the Convention by their votes. They shared that position with a number of other Government Delegates, including those from Great Britain and Japan. The most important provision was that children under 10 should be excluded from all non-industrial employment. He would suggest that hon. Members should ask themselves what children under 10 were employed in non-industrial employments. Some of those to whom he had spoken thought of tennis courts and golf courses where very young children were employed in getting tennis balls and looking for golf balls. Undoubtedly that would come under the Convention. Perhaps the next most important occupation was domestic service. It was not that they wanted to see children under 10 employed. But these children were scattered throughout the length and breadth of India, and how were Government going to enforce in the various houses, one child here and one there, a Convention of this kind? He did not think he would get much support if he suggested that the police might be strengthened and granted powers of entry into private houses for the purpose of enforcing the Convention. The other alternative was the employment of a special staff, and he left it to hon. Members to picture the size of the staff required for excluding what was probably a small number of children from certain occupations in which they found comparatively light work.

IMPERIAL ECONOMIC CONFERENCE.

(Ottawa Agreements: attitude of Government; India's gains and concessions; Opposition criticism; Agreement terminable by six months' notice.)

On 7th November, in the Legislative Assembly, the Member for Commerce and Railways moved the following Resolution :—

This Assembly, accepting the Trade Agreement made by the Government of India with His Majesty's Government in the United Kingdom, which was signed at Ottawa on 20th August, 1932, and the supplementary Agreement regarding iron and steel contained in the correspondence between Sir George Rainy and Sir Horace Wilson, dated 22nd September, 1932, recommends to the Governor-General-in-Council that he do introduce in the Indian Legislature at the earliest possible moment such legislative measures as may be necessary to give effect to the Agreements in question.

DEBATE IN LEGISLATIVE ASSEMBLY.

The Member for Commerce and Railways (Hon. Sir Joseph Bhore), in moving the Resolution, said he asked from the House a consideration of the results of the Ottawa Conference, so far as they concerned India, free of all passions and prejudice, and a final judgment unbiased by extraneous considerations. He made this appeal because so long ago as last April a campaign of relentless opposition to any Agreement, based entirely on political grounds, had been initiated and had continued ever since, making calm and impartial consideration of the questions involved well-nigh impossible.

The charge that they and the Members of their Delegation were coerced into this Agreement was absolutely and wholly untrue. In all conversations and negotiations with which the Government of India were concerned they were dominated by one idea alone, namely, to place India and India's interests before anything else. And this was equally true of the Delegation, whose loyalty to India's interests was only equalled by the care and sagacity with which they strove, and, he submitted, strove successfully, to guard those interests against possible invasion. In the admirable Report of the Delegation the House would find a presentation of the case for the Agreement set out with an impartiality, a clarity of statement and a cogency of argument which he hoped would carry conviction. He must of necessity re-traverse some of the ground covered by the Report in order to satisfy the House that the Agreement represented an arrangement which, as far as they could see at present, was advantageous to both sides, and that its non-acceptance would be against the interests of India.

Three general questions.

In order to focus the argument he had endeavoured to formulate three general questions which seemed to him to cover the whole field and to which he would endeavour to give satisfactory replies. These were: firstly, why did they go to Ottawa and conclude the Agreement? secondly, what did they give and what did they get at Ottawa? and thirdly, why should they accept the Agreement? The first of these questions seemed to him to be of fundamental importance, and the answer to it would, he hoped, furnish the fullest justification for the Trade Agreement they had concluded with the United Kingdom. To enable him to answer this question, he must refer to recent changes in British fiscal policy. The Import Duties Act of 1932 wrought a fundamental change in that policy and placed the fiscal relations of the United Kingdom and the Empire countries on an entirely altered basis. Under that Act all articles not dutiable under existing enactments or included in the free list became subject to a Customs duty of 10 per cent. *ad valorem*. Empire goods, other than goods from the non-self-governing Colonies and Protectorates, which were indefinitely exempted, were exempted until 15th November, 1932, when they would automatically become liable to the operation of the Act unless exempted by Order-in-Council. But the announcement made in Parliament when the Bill was introduced made it clear that exemption would be continued if the Dominions and India entered into reciprocal trade agreements with the United Kingdom. That had now been done, and, therefore, the 15th November was no longer a crucial date.

The alternatives for India.

Faced with the situation created by the new policy adopted by His Majesty's Government, the Government of India had two courses open to them. They might have said to His Majesty's Government that they were indifferent to the Import Duties Act or, at any rate, that they were prepared to see Indian goods subjected to the same rates of duty as goods from foreign countries, and that they refused to negotiate with His Majesty's Government, whatever the consequences to India. The alternative was honestly to face the possible consequences of the change in British fiscal policy and endeavour to secure a satisfactory mutual arrangement between the United Kingdom and India. The Government of India had no hesitation in choosing the latter course, and he felt certain that the House would endorse that action. He had seen it suggested that they might have stood aside and allowed things to take their course. It was not denied that India's export trade to the United Kingdom would, in consequence, suffer diminution, but it was suggested that that trade could have been diverted into alternative channels. He had seen it suggested that their possible losses might have been in the neighbourhood of eight crores of rupees. That estimate was furnished by hostile critics of the Agreement and it was accompanied by the light-hearted suggestion that alternative markets could easily have been found. If these gentlemen would disclose the secret of how to find markets of such magnitude they would lay the country under an eternal debt of gratitude. He only wondered why if it was such an easy matter, their trade should have suffered so grievously during the years of depression.

The threat to India's trade.

He would not attempt to suggest figures, but he would try to satisfy the House by examining a few typical commodities to show how substantial was the threat to India's export trade by the new fiscal policy of England, and how in assessing that threat hostile critics of the Agreement had failed to take into account vital considerations or had built on a foundation of figures which had no basis in fact. First, take the case of those commodities in which India's chief competitors were the non-self-governing Colonies and the Protectorates-commodities like coir, coir mats, tobacco, hemp, ground nuts, spices, coffee : the value of the exports of these commodities in the year 1929-30 to the United Kingdom amounted to about five million sterling, while India's competitors sent similar goods to the value of nearly twice that amount. In a free market India ought to be able to hold her own, but prices were cut very fine, and in this particular case if they had refused to enter into an agreement their competitors would have got a preference of 10 per cent. and this would have most grievously affected India's trade. Regarding commodities in which they had a monopoly position, critic after critic had lightly assumed that a 10 per cent. duty would have left India in the same position as before its imposition. They had overlooked the fact that such commodities as lac and myrabolams were open to keen competition from substitutes, and that an import duty on these commodities might have well proved ruinous to India's trade. They sent annually to the United Kingdom lac to the value of about £1½ million. In 1930 the United Kingdom imported competing materials to the value of nearly £1 million, and synthetic substitutes had, if not actually wiped out, grievously affected India's exports to the United States. In myrabolams India had a practical monopoly so far as the United Kingdom was concerned. But myrabolams were subject to the competition of natural substitutes, coming not only from foreign countries but from the Dominions and Colonies. If the latter had received a preference and India had been subjected to a duty, it did not need much imagination to forecast the future of India's myrabolam export trade.

The case of tea.

Lastly, let him take the case of tea, which was the largest single item of their exports to the United Kingdom, amounting in the year 1929-30 to over £20 million in value. This industry was in a very difficult position and was fighting hard to avoid disaster. Java had during the last ten years increased her production of tea by over 100 per cent., while the production of Indian tea had increased by only 13 per cent., and the production of tea from Java, Sumatra and Ceylon was now in excess of the production of India. The production of tea was far in excess of the demand, it being calculated that in 1931 the surplus was in the neighbourhood of 57 million lbs. Even with the preference, India could barely cope with the competition from Java, which had certain natural advantages, and she could only just compete on equal terms with Ceylon. The loss of the preference which would have followed their refusal to negotiate would have made the recovery of the industry almost impossible. He had heard it argued that, since most of the capital invested in this industry was British, Great Britain would never have imposed any handicap upon it. If there were any validity in that argument, then it must apply equally to the Dominions, which were inhabited very largely by people of British descent and which had been developed very largely by British capital. What it really came to was this, that the entire new fiscal policy of His Majesty's Government was bluff, and the Dominions and

India had fallen victims to that bluff. He had only to state the proposition in that form to expose its absurdity. But whatever His Majesty's Government might have done or intended to do, the Government of India could not possibly have taken a risk which, had it materialised, would have set this industry on the road to irretrievable ruin. The amount of Indian capital involved was by no means insignificant. He understood that the capital of purely Indian-owned estates was in the neighbourhood of 3½ crores of rupees, and the capital of rupee tea companies was about 14 crores. In the event of trouble the Indian planter, with his more slender reserves and his more restricted resources, would have been the first to go under. Further, close upon one million of Indian labourers found employment in the gardens, and the statistics of four of the largest sterling companies showed that no less than 72 per cent. of the gross earnings of these companies was expended in India. He maintained that the closing down of any large proportion of the acreage of tea in India would have meant something little short of disaster for the country.

India's preferences to the United Kingdom.

He would now endeavour to show what India had given to the United Kingdom. First, it was proposed to give 10 per cent. preferences in respect of the articles included in Schedule F to the Agreement, excepting motor vehicles and parts of mechanically propelled vehicles and accessories other than aircraft, in respect of which the preferences would be only 7½ per cent. But the grant of preferences under this Schedule was subject to certain important limitations to which he would return later.

Secondly, it was proposed to give preferences in accordance with Article 11 of the Agreement, which ran as follows :—

> The Government of India would consider in the light of the findings of the Tariff Board the protective duties to be imposed on goods of cotton and artificial silk according as they are made in the United Kingdom or elsewhere, and will invite the Legislature to pass legislation by which where protective duties are not imposed, as a result of the recommendations of the Tariff Board upon United Kingdom goods of the kind specified in Schedule G, the margins of preference shown in that schedule will be extended to such goods.

That meant that they could take no action in regard to preferences under that Article until they had received the report of the Tariff Board.

Lastly, they proposed to maintain the existing differential duties in regard to iron and steel, except in regard to galvanised sheets, on which the rates of duty proposed were, firstly, Rs. 30 on galvanised sheets rolled in the United Kingdom from Indian sheet bar ; secondly, a duty of Rs. 53 on sheets rolled

in the United Kingdom from other bar ; and, thirdly, Rs. 83 on sheet not rolled in the United Kingdom. This arrangement was in pursuance of an agreement arrived at between the iron and steel industry in the United Kingdom and the Tata Iron and Steel Company ; and it would be in force only until action was taken upon the report of the Tariff Board on the industry, the statutory inquiry into which would take place in the coming year. He wished to place before the House a few figures which would enable it to place this question of preferences in its proper perspective. From figures compiled on the average of the three years ending with 1929-30, he found that as much as 55 per cent. of the total imports into India did not come into the preference. Of the balance of 45 per cent., 22·4 per cent. were covered by differential duties into which they were not committed under the Agreement and the future of which must be decided on the coming reports of the Tariff Board. It was, therefore, in regard to 22·6 of their total imports that preferences were given, and about half came from the United Kingdom and the remainder from foreign countries.

India's gains under the Agreement.

Let him now turn to the other side of the picture and state what they had gained under the Agreement. In the first place, the articles described in Schedule A would be subject to the rates of duty shown therein, but goods of these categories from India would be admitted free ; that was to say, India would get a preference equal to the rate of duty shown in the Schedule. Two of these commodities, vegetable oils and linseed, were of special importance. To those whose cry was that they were to be encouraged only to export their raw material it would come as a surprise to find that, as in the case of iron and steel, India's cotton coir and jute manufactures, undressed leather, carpets and rugs, so also in the case of vegetable oils, they had secured preferences which definitely gave advantage to India's manufactures and semi-manufactures. The 15 per cent. *ad valorem* preference on vegetable oils would enable them to capture a market which was largely supplied by the foreigner. In 1929-30 Great Britain took castor oil, linseed oil, cocoanut oil, ground nut oil, rape and sesamum from foreign sources to the extent of £2½ million. Except in the case of cocoanut oil, there was no reason why India should not supply the whole of this, and it should be noted that she had no serious competitor within the Empire in regard to these other oils. Secondly, this preference would give a definite impetus to India's oil-expressing industry ; and, thirdly, it would help to keep oil-cake in the country, to the great benefit of agriculture. In regard to linseed, there was an extremely large market to be captured from the foreigner amounting to something like Rs. 2½ crores. They would share this preference with no other member of the Empire, and it was possible for India to supply almost the whole of the United Kingdom's requirements without contracting supplies to foreign countries, having regard to India's production twenty years ago. In 1913-14 the area under linseed was something like five million acres; in 1930-31 it had contracted to three million acres. If, as a result of the preference, they were able to increase this area by only one million acres and a modest extra profit of Rs. 10 per acre were realised, this would place nearly a crore of rupees into the pocket of the cultivator.

Again, the heavy preference of 1d. a lb. on rice would help India materially to increase her exports and to capture a large trade now in foreign hands. Further, India secured a preference of 9s. 4d. a cwt. on coffee. If Indian coffee had been subjected to a duty they would have been in a hopeless position against the coffee-producing areas of the Empire who were India's chief competitors. India was also assured continuance of the rates of preference on the articles shown in Schedule C; that was to say a minimum preference of 10 per cent., and in some cases a very much higher preference, as for instance, in that of tobacco. That assurance was accompanied by the promise that if the rate of preference in respect of these articles were increased so far as Empire countries were concerned the increased rate would be extended to India.

Preference on manufactures.

He had heard it said that India was going to get no advantage from the preference on certain of its manufactures included in this Schedule, as, for instance, jute manufactures, and carpets and rugs. The value of Indian exports of these articles to the United Kingdom in 1929-30 was about 4½ crores of rupees. In these commodities India was up against not merely British competition but also foreign competition. The alternative was not between preference and free entry, but between preference and possibly a very heavy duty, and even a 10 per cent. duty on the articles he had mentioned would most obviously have crippled India. Further, they had been able to get certain articles placed on the free list, while under the British Import Duties Act India would obtain free entry for all other articles not included in the free list and preference to the extent of the duty. The most important commodities in this class were Indian pig iron and half-finished steel, in respect of which they would secure free entry and a preference of no less than 33⅓ per cent. against competing foreigners. The importance of this to the iron and steel industry of that country was evident. The surplus blast furnace capacity of India was about a million tons annually, the bulk of which

must find a foreign market for a considerable time to come. Japan, three or four years ago their most important customer, had been gradually diminishing her purchases, and she would continue to do so as she made fuller use of her own and the Manchurian blast furnaces.

It was wholly untrue to say that these preference stood in the way of the protection of Indian industries, either given or to be given in accordance with their policy of discriminating protection. They had not assured Great Britain either free entry or any particular rate of duty. And they had safeguarded those commodities which it was their policy to import free or at exceptionally low rates. He could not do better than repeat to the House, in the language used by the Deputation, those categories :—

The exemption from duty and the low rates of duty fall into one or other of the following categories :—

(1) Commodities of importance to the cultivator, such as agricultural implements and manures.

(2) Particular medicines, such as quinine, the wide distribution of which is important from the point of view of health.

(3) Commodities, a duty on which might operate as a tax on knowledge, such as printing machinery and appliances.

(4) Commodities, a duty on which might retard a desirable development still in its infancy, such as aircraft and radio appliances.

(5) Commodities, a duty on which would impede the development of industries, such as power machinery and raw materials and dyes.

(6) Commodities, a duty on which might appreciably increase the cost of railway transport, such as locomotives and many other classes of railway material.

He would point out that in respect of these categories no preference had been given or promised.

Evaluation of the preferences.

What they had a right to say was that these preferences under the Agreement would result in benefit to India's trade and in expansion of its volume. They could not evaluate the preferences. If, as a result of actual experience, they found that their anticipations were not realised it was open to India to determine the Agreement by six months' notice. Article 14 left them free, as it left His Majesty's Government free, to determine the Agreement, and he would point out that this provision was only to be found in the Agreement with India; it had no place in the Agreement with any other Empire country. They must give the Agreement a fair time to operate, and if they found that they had given more than they were likely to get, or that their losses consequent upon any action taken by their foreign customers outweighed the gains accruing from the Agreement, then they were at full liberty to determine it.

Dr. Ziauddin Ahmad (*United Provinces Southern Divisions: Muhammadan*) moved, as an Amendment, that the Agreement be referred to a Committee of the Legislative Assembly with power to co-opt six specialists, and that the Governor-General-in-Council be requested to urge on the British Government to suspend the operation of the Import Duties Act until the Assembly had given its decision on the Agreement. He said he strongly believed that they should take their due share in all the deliberations affecting the British Empire. But he thought it was their duty to consider the arguments on either side before they endorsed this Agreement. Imperial preference really meant taxing one country for the unemployment in another country, and he would like to see the debit and credit of the balance sheet before he expressed an opinion. It had been pointed out that India had a greater volume of trade with foreign countries than with the British Empire. If India signed this Agreement would it happen that some of these countries would retaliate, and that the net result would be a little loss instead of a gain ?

Mr. B. Das (*Orissa Division: non-Muhammadan*) moved another Amendment to the effect that the Governor-General-in-Council be pleased to convey to His Majesty's Government that India was not prepared to consider any proposal for reciprocal trade benefits with the United Kingdom until she were given responsible self-government; and to convey to the Colonial Empire that no trade agreement would be entered into or tariff concessions granted to any Colony which did not concede to Indians settled in their territory equal rights of citizenship. He said he wanted to co-operate with England as a free partner of the British Empire. He was casting no reflection upon the Indian members of the Ottawa Delegation, but while they were in that cold country where he understood people travelled on dog sledges or on sledges drawn by reindeer, his hon. Friends forgot the political aspect of the question. He did not want any trade agreement even when India was free with Canada, or Australia, or South Africa, or with any Dominion or Colony, because of the bad treatment of Indians and the anti-Asiatic laws they had framed.

Mr. B. Sitaramaraju (*Ganjam cum Vizagapatam: non-Muhammadan*) moved a further Amendment to the effect that the Report of the Delegates be submitted to the various Chambers of Commerce in India, and with the opinions thus obtained the Agreement and all connected papers should be examined by the Tariff Board. He contended that the Agreements had been entered into by the Indian Delegation which represented the Government, but not the people of India. The Government had said that they did not intend to make any changes without satisfying the Legislature that they were in the interests of India. He submitted, however, that the Government had not placed the House in a position to judge and satisfy themselves that these Agreements were for the benefit of the country. It was not they who were importing political considerations into the matter. He had read an inspired telegram that the Conservatives in the House of Commons might be displeased by a refusal on their part to ratify the Agreements. Thus it was their enemies who introduced political considerations by threats and promises referring to constitutional advance.

The debate, which had not concluded when the Assembly adjourned, was continued on 8th, 9th and 10th November.

Mr. Arthur Moore (*Bengal: European*), in supporting the Resolution, declared that, first, there was the colossal fact that Great Britain and the whole of the Colonial Empire, that was to say the Empire apart from the Dominions and India, were ceasing to be a Free Trade market, and that Great Britain had abandoned her traditional policy of free imports. Whereas foreign countries hoped that Great Britain would adhere to Free Trade, the Dominions urged that England should adopt tariffs against foreigners in order to provide economic links which would draw the British Commonwealth together. In all the Dominions the policy adopted at Ottawa was regarded as a fine policy. In the criticisms of the Agreement there were suggestions that markets could be found elsewhere by India. But it was admitted that they would lose the benefits on Rs. 25 crores of tea and on Rs. 8 or Rs. 9 crores of the tanning industry and on others. If they took the narrow view, he feared the inevitable result would be that they must be prepared to see India's trade and commerce flowing through narrow and sandy channels, and not as a great river full at all seasons and winding safely to the sea.

Mr. B. N. Misra (*Orissa Division: non-Muhammadan*) trusted that the Government would postpone the ratification of the Agreement in this Session with the support of the nominated and official bloc and prevent the strong suspicion in respect of economic motives of the United Kingdom in dealing with India in a one-sided manner. The analysis of the Indian Agreement disclosed by the President of the Board of Trade in the House of Commons, said :

> The value of the Indian Agreement would mean an enormous increase in the activities of our houses exporting to India, with a corresponding effect on the manufacturing centres in the United Kingdom.

From the Indian point of view, the gain of the United Kingdom would doubtless be the loss to Indian industries and a further reduction of the purchasing power of the Indian masses.

Mr. N. N. Anklesaria (*Bombay Northern Division: non-Muhammadan*) said every speaker who had opposed the Motion had been talking as if the Agreement were part of a policy of Imperial Preference. Nothing could be farther from the truth; it was part of a policy of reciprocal preference which had come into vogue after England had decided to abandon Free Trade. Their Delegates at Ottawa had not committed India to a policy of giving England or any other member of the British Commonwealth anything which was not a return for something given by them. If England were convinced that India was not going to stand by the Agreement, then it would be stupid for India to expect that England would continue the preferences granted under the Import Duties Act. The result to India's pig iron industry and to her agricultural industry would be disastrous.

Mr. C. S. Ranga Iyer (*Rohilkund and Kumaon Division: non-Muhammadan*), after referring to the protection granted to the iron and steel industry by the Assembly, said that a policy had been introduced at Ottawa which would cripple the development of that industry. His quarrel with the Ottawa Delegation was that they had bungled in their choice of preferences, and India had been given preferences in such articles as tea and jute, where they needed no preference whatever. He objected to the Ottawa policy because of the boomerang consequences it involved.

Dr. F. X. De Souza (*Nominated non-Official*) said he was interested in an industry which would greatly benefit under the Agreement, namely, coffee. In 1929 the United Kingdom imported about £3¾ millions' worth of coffee, of which India supplied only £168,000, and India's average for the five years previous was £375,000. It appeared that England took 8½ per cent. of her requirements from India, 36½ per cent. from East Africa and the Dominions and 55 per cent. from foreign countries. He ventured to submit with all confidence that this 55 per cent. was likely to be captured by India if the Agreement were ratified.

Mr. A. Hoon (*Allahabad and Jhansi Divisions: non-Muhammadan*) urged that they should have reasonable time to inquire into these matters; if the assurances held out by the Commerce Member were satisfactory he would find the Assembly strong co-operators. There was one aspect of the question which he commended to the House. Feeling in the country at the moment was not towards buying anything British; much less towards entering into trade or other agreements with Britain. They might agree with such a view or not, but they were elected by their constituents and had to answer them. As for the Colonies, nothing would induce him to enter into negotiations with them.

* **Mr. R. K. Shanmukham Chetty** (*Salem and Coimbatore cum North Arcot: non-Muhammadan*) declared that in deciding upon

* Mr. Chetty was a member of the Indian Delegation at Ottawa.

the preferences they might give, he and his fellow Delegates at Ottawa had to keep certain fundamental facts before them.

First, they could not ignore the fact that Customs was the most important source of revenue for the Government of India. Secondly, they had to remember that India was committed to a policy of discriminating protection; that they had the ambition to become a great industrial nation. Thirdly, there were commodities which it was their interest to import free of duty or to purchase in the cheapest market, in this category being included agricultural implements and power machinery.

Having made up their minds that these were vital considerations, they commenced negotiations with the British Government, and in regard to all these points they maintained to the last the attitude they had taken up at the beginning. The test that should be applied in judging the Agreement was this: how far would the preferences obtained on Indian exports enable India to retain the trade in the market in which preference was given and to expand trade in certain commodities in that market; and in regard to the preferences which India had given, whether any commodity had been included which would detrimentally retard the industrial progress of India. He would invite subsequent speakers to apply this test and give their verdict. In the case of tea, the preference would enable them to retain the volume of trade they already possessed; in certain other commodities the preference obtained would enable them to expand their trade. The Commerce Member gave the instance of linseed and Dr. De Souza that of coffee. He would call attention to the case of vegetable oils. The United Kingdom imported these oils to the value of £9 million, and India had only 1 per cent. of that trade. Three per cent. was in the hands of Ceylon and 96 per cent. in the hands of foreigners. He put it that with the preference of 15 per cent. there was considerable scope for the expansion of India's oil trade in the British market. In regard to rice, the preference was nearly 50 per cent. and India supplied only 26 per cent. of the United Kingdom's imports of nearly £2 million; foreigners supplied the rest. Was it not open for him to say that they could capture the British market in rice?

A great deal of the criticism levelled against the Agreement had been engineered. "I would ask hon. Members," he said, "to look at the Agreement from a more impartial point of view. When it suits certain industrialists in Bombay, they can swallow a preference of 25 per cent. in favour of Lancashire, and they can ask for a prohibitive duty against Japan; and yet when we honestly do something to secure advantages for our primary producers, well, this very school of thought at once decry it as being of no value to India."

Sir Abdur Rahim (Leader of the Independent Party) said his greatest grievance so far as the Agreement was concerned was the way in which the Government of India regulated the procedure with reference to the task made over to the Indian Delegation. In the case of the self-governing Colonies, the British Government gave the list of commodities on which they wanted preference from the Colonies to their representatives in the Colonies, and similarly representatives from the Colonies went to England with their list. Who prepared the lists in the case of India? It must have been the Government of India.

Mr. Shanmukham Chetty : The Delegation prepared the list of the preferences that India wanted in consultation with the Government of India.

Sir Abdur Rahim declared that the Delegation had this list in London, where they were out of touch with Indian public opinion. That was the difficulty of the Delegation and that was the reason why Mr. Chetty and Haji Abdoola Haroon found themselves in isolation so far as Indian public opinion and the opinion of the Assembly were concerned. Everything was done by the Government of India, and that Government being a subordinate Government, the lists were prepared in consultation with the India Office, and the India Office must have consulted the Department of Trade, or whatever the Department was, of the British Government. Therefore, there was no independent examination of the problem involving very difficult questions. If the Government of India had any respect for their pledges and for the convention which they had been party to, they must leave this question to be decided entirely by the Legislature in accordance with public opinion. The Government ought to support one of the Amendments; that was the least they could do.

Mr. B. C. Burt (*Government of India: Nominated Official*) said the cry of the Indian agriculturist was that he could not sell his products; why should he produce more when he could not sell them? And they had seen the contraction in exports of some of their most valuable produce. The Agreement was an attempt to rectify that. In regard to wheat, the preference was equivalent to four annas per railway maund, a figure which made all the difference to the grower. The figures given them at Ottawa showed that the rates at which farmers in Canada and Australia could continue to produce wheat ran very close to those of India. It had to be borne in mind that in Sind there was a large area coming under perennial irrigation, and with the new canal areas in Punjab, which were not yet fully developed, an additional two million acres would be under wheat and there was likely to be a surplus of a million tons. When that time came they should be able to export wheat on level terms with Canada and Australia and the rest of the Empire.

Sir Hari Singh Gour (Leader of the Nationalist Party) declared that the Motion of the Commerce Member was of an unprecedented character. It involved a decision on a Bill which was not before them, and if they agreed to the Motion they would be ratifying the Agreement; in other words they would be accepting a principle beyond which it would be difficult for them to go when the legislative Measure was brought forward. The Budgetary position was abnormal. The Customs duties had been raised from time to time until they came up to 30 per cent., and they had been further raised by a surcharge of 7½ per cent. Sir George Schuster, speaking at the Ottawa Conference, had stated that while India's normal tax revenue had since the War averaged about 75 crores (£56 million sterling), he had been forced during the last two years to impose new taxes calculated to yield 34 crores (£25½ million sterling). Yet, he added, even this might prove insufficient if the present low level of prices continued. Now the question arose, were they going to standardise this abnormally high expenditure? No answer had been given to this question, and they were entitled to a reply from the Treasury Bench. As regards the Agreement, was there anything in it which prevented the United Kingdom from entering into a similar Agreement with foreign countries? The United Kingdom, moreover, was only contracting for itself; it was not contracting for the Self-Governing Dominions. These were questions which complicated the issue. It might be that the criticism to which the Agreement had been subjected was wrong, but the Government could not ask them to come to a hasty judgment without considering all aspects of the question.

Mr. H. P. Mody (*Bombay Millowners' Association: Indian Commerce*) maintained that the Agreement required the most careful examination. They ought to know how the preferences which were to be given to British manufactures worked out in the Tariff Bill. Many critics had said that there would be retaliation, but he was not of that view. But if only a limited trade was going round and if they filched a portion of it from foreign countries, it did not mean that they enlarged their trade; it merely meant that the trade had been diverted from one channel to another. As for the arrangement with the Colonies, there was a clean-rice trade of India with Ceylon to which Ceylon would not give preference. Kenya, Uganda, Zanzibar, Nigeria and other Colonies got preferences without giving any return, because they were said to be precluded from doing so by treaty arrangements. In British East Africa, for instance, there was a large trade in textiles, and India would have benefited considerably if preference had been given to her goods. British East Africa took her cloth from Japan, and they were thus giving preference to a country which chose to buy her requirements from a foreign source in preference to Empire countries. He urged that an examination should be given to the Agreement by a Committee of the House. He would look at the matter as a strictly business proposition, and if he were convinced that the Agreement was for the benefit of India, he would be its strongest supporter.

Mr. F. E. James (*Madras: European*), referring to the argument that if the Agreement were adopted foreign countries would retaliate, asked what had other countries done in recent years as far as India's export trade was concerned ? In France, the duties on linseed oil, hides and skins, coffee, and jute cloth had been raised tremendously. Holland had increased the duties on jute cloth and groundnuts; and Germany those on linseed and coffee. Japan had imposed a prohibitive duty on pig-iron and total prohibition of rice. America, again, had levied large increases all round on Indian products. The immediate effect of the Ottawa Agreement, so far as the United Kingdom was concerned, was that other countries had expressed their desire to enter into similar reciprocal arrangements. The main point in favour of the Agreement under consideration was that it would result in expanding India's export trade and would lead to a general lowering of tariffs throughout the world.

After further discussion,

Sir Hari Singh Gour moved an Amendment that the Agreement be referred to a Committee of the Assembly, and that the further consideration of the Resolution be postponed until the Report of the Committee had been presented.

The Member for Commerce and Railways said the Government accepted the Amendment.

The Amendment was then put from the Chair and adopted.

The Report of the Committee was presented on 28th November by the Member for Commerce and Railways, together with a separate Report by three Members. The Report advocated thea doption of the Ottawa Agreement and made a number of recommendations regarding the course to be followed by the Government of India during the operation of the Agreement.

On 5th December, Sir Hari Singh Gour moved an Amendment to the Resolution, which would make it read as follows :—

That this Assembly, accepting the Trade Agreement made by the Government of India with His Majesty's Government in the United Kingdom, which was signed at Ottawa on the 20th August, 1932, and the supplementary Agreement regarding iron and steel contained in the correspondence between Sir George Rainy and Sir Horace Wilson, dated the 22nd September, 1932, and approving the Report of the Committee set up by this Assembly on the 10th November, recommends to the Governor-General-in-Council that he do introduce in the Indian Legislature at the earliest possible moment such legislative Measures as may be necessary to give effect to the Agreements in question, and further that he do give effect to the recommendations of the said Committee.

Sir Hari Singh Gour, in moving the Amendment, said the Committee had not been able to deal with the question with the exhaustiveness the importance of the subject demanded. But when they examined the evidence and conferred with their colleagues they were convinced that it was to the advantage of India that the Agreement should be given a fair trial. Let him categorise what they had decided and what the Assembly was asked to ratify. In the first place, the ratification was provisional, for a period of three years at the maximum. The preference was not to be without conditions, and these conditions were first, that India's tariff policy and her policy of discriminating protection remained unaffected. Next, it had been provided that no additional burden should be placed on the consumer or the taxpayer by the re-shuffling of the Customs duties. Further, there was a provision that the Government of India should keep a watch on the trend of prices and the course of business to see how the Agreement affected agriculture, trade and industry. The Committee had also provided that at the end of each year the Government should draw up and publish for the information of the House a report supported by statistics collected for the purpose. Then they had instituted a Vigilance Committee of not more than 15 Members of the Assembly to keep watch upon the course of trade and examine the annual report. Last, but not least, they had for the first time in the history of constitutional development in India made the Executive Government of India responsible to the popular Chamber in this matter. They had provided that if at the end of three years the Legislative Assembly decided that this Agreement should terminate, the Government of India undertook to give notice in accordance with Article 14 of the Agreement. The question at the moment was should they give the Agreement a trial, and in giving it a trial what did they stand to gain and what to lose ? That was the narrow issue upon which he invited the vote of the House.

On 6th December,

The Member for Commerce and Railways said some of the most important commercial bodies which vehemently opposed the Agreement proclaimed their opposition on political grounds before any Agreement had been entered into and now proceeded to assess the economic merits of an arrangement which they had all along condemned root and branch. He did not attribute motives to anyone, but he asserted that the verdict passed by these bodies was irretrievably tainted by the views previously expressed. He accepted the Amendment of his hon. Friend, Sir Hari Singh Gour, and the recommendations of the Committee appointed by the House.

The Amendment was carried by 74 votes to 27, and on being put as a substantive Motion it was passed by 77 votes to 25.

THE INDIA TARIFF (OTTAWA TRADE AGREEMENT) AMENDMENT ACT.

The Bill to implement the Ottawa Agreement, as reported by a Select Committee, was passed on 15th December.

The principal Amendments introduced by the Select Committee were: (1) That vegetable non-essential oils be subjected to a standard rate of duty of 35 per cent. and a preferential rate of 25 per cent. *ad valorem*. (2) That the preference on unexposed cinematograph films be subjected to a standard rate of 25 per cent. and a preferential rate of 15 per cent. *ad valorem*. (3) That woollen goods, other than woollen yarn for weaving and knitting wool, be made subject to a standard rate of 35 per cent. *ad valorem* and to a preferential rate of 25 per cent. (4) That toilet soap be made subject to a standard rate of 35 per cent. *ad valorem* and a preferential rate of 25 per cent. (the existing rate). (5) That the standard rate on lubricating oil be 2½ annas per gallon and the preferential rate half an anna. (6) That the duty on motor omnibuses, chassis of motor omnibuses, motor vans and motor lorries be 25 per cent. and the preferential rate 17½ per cent.

The Bill was passed by the Council of State on 19th December.

SUPPRESSION OF TERRORIST OUTRAGES ACT.

(Measure to supplement Bengal Suppression of Terrorist Outrages Act.)

On 14th November, in the Legislative Assembly, the Home Member moved :—

That the Bill to supplement the Bengal Suppression of Terrorist Outrages Act, 1932, be taken into consideration.

DEBATE IN LEGISLATIVE ASSEMBLY.

The Home Member (Hon. Mr. H. G. Haig), in moving the Resolution, said it was less than two months ago that the House expressed its feeling of horror at the latest outrages perpetrated by members of the Bengal terrorist party. The Bengal Government already enjoyed certain special powers by the Criminal Law Amendment Act for dealing with this movement. But, in spite of that, the Bengal Legislative Council passed the Bengal Suppression of Terrorist Outrages Act by a large majority, he thought he was right in saying by a majority of 58 to 12. That showed the importance attached by those who lived in these conditions to the additional powers the

recent Act conferred. The object of the legislation he was now asking the House to consider was to supplement those powers in certain particulars. The Bengal Act, in the first place, gave powers to certain executive officers to pass certain emergency orders in special circumstances. The second class of powers dealt with the establishment of Courts of Special Magistrates, which instead of being limited to the normal sentence of two years' imprisonment, were authorised to give sentences up to seven years. The justification for that was that in dealing with terrorist offences there should not be the delays which they so often saw in terrorist trials in other parts of India.

The provisions of the present Bill were confined to three points. The Bengal Act provided that there should be an appeal in certain cases to the Court of Session from the judgments of the Special Magistrates, but the Bengal Government under their powers were not able to provide for an appeal to the High Court. The first provision, therefore, of the present Bill was that in cases in which an appeal did not go to the Court of Session it should go to the High Court. The next provision extended the effect of the local Act. The Bengal Council felt it necessary to provide that orders made under the emergency powers conferred by the first part of the Act should not be called in question by any Court, and it was obvious that if these powers were to be effective they could not be made subject to injunctions of the Courts. The Government of India proposed that they should also remove the jurisdiction in this matter of the High Court. The last provision, contained in Clause 5, provided for the exclusion of interference of Courts with the proceedings in the Courts of the Special Magistrates; in other words, the High Court would not have power to entertain applications in revision. If the accused were able at every stage of the proceedings to make applications in revision to the High Court, then the object of speedy trial was defeated. He would like, however, to emphasise that in every case an appeal from the sentence of the Special Magistrates was granted, and there should be no fear that any substantial injustice would be done.

He knew of no facts which bore out the theory that the terrorists were enthusiastic reformers, who merely wanted Swaraj, and that they would then settle down into ordinary law-abiding citizens. They had based themselves largely on Irish models. Those who did not agree with them were traitors and must, if necessary, be murdered. But leaflets issued by terrorist organisations showed that they were beginning to turn for their model from Ireland to Russia.

One of these leaflets described the constitutionalists as traitors and advocated the establishment of a revolutionary

Government by a country-wide revolution. He appealed earnestly to the House to pass the Bill.

Sir Hari Singh Gour (Leader of the Nationalist Party) raised a point of order in respect of Clause 5. He said the power of superintendence vested in a chartered High Court was one over which the House had no jurisdiction. He was told that it was not the intention of the Government to take away from the High Court the power given it by Section 107 of the Government of India Act, and he submitted that the President should rule that Clause 5 was *ultra vires* the Assembly. If the Government wished to safeguard the provisions of Section 107 they must have a Clause inserted to that effect.

The Law Member (Hon. Sir Brojendra Mitter) said he was quite prepared to table an Amendment by way of explanation expressly stating that there was no intention to alter the powers given by Section 107 of the Government of India Act.

The President (Hon. Sir Ibrahim Rahimtoola) said he proposed to adjourn the House, leaving it to the Law Member to consider in what form he proposed to re-draft the Clause. As it stood it did apply to Section 107, and was, therefore, out of order.

On 12th December, on the resumption of the debate,

The President, in reply to questions, said that when Clause 5 was reached the House would decide what form it should take so as to meet his ruling.

Mr. S. C. Mitra (*Chittagong and Rajshahi Divisions : non-Muhammadan*) moved as an Amendment :—

That the Bill be circulated for the purpose of eliciting the opinion of the various High Courts in India by the end of December, 1932.

In moving his Resolution, Mr. Mitra said the Clauses of the Bengal Bill were framed so loosely that it might cause trouble to any kind of people. Let them have, even after a speedy trial by a Special Court, the right of appeal to the Sessions Court and the High Court. He complained that under Section 15 a collective fine of Rs. 80,000 had been imposed on the Hindu population of Chittagong and the Government did not see their way to mitigate the cruel enforcement of these laws. If anybody ought to be punished there it was the inefficient police, who had failed to find the culprits.

Pandit Satyendra Nath Sen (*Presidency Division : non-Muhammadan*) moved a further Amendment to the effect that the Bill be circulated for the purpose of eliciting opinion thereon by 31st January, 1933. He said he was opposed to terrorism, not only when it came from the people, but also when it came from Government. The Government had been indulging in terrorism in deeds only and now they wanted to commit acts of terrorism in trials also, because the Bill implied a denial of justice to accused persons.

Mr. S. C. Sen (*Bengal National Chamber of Commerce : Indian Commerce*) complained of the action of the authorities in Chittagong and said the Government looked more to the prestige of the police than to justice. Was it not time to cry halt and to take stock of how far the terrorist movement had been suppressed by these methods ? Terrorism was an act of despair. People who went about with a deadly poison in one hand and a pistol in the other and faced immediate death resorted to such a thing in sheer desperation, because they felt there was no remedy for the treatment meted to their country, to them or to their kinsmen.

Mr. Muhammad Anwar-ul-Azim (*Chittagong Division : Muhammadan*) defended the action of the police and officials at Chittagong. He thought the Bill a highly desirable piece of legislation and he trusted all of them would give it their good wishes for its speedy passage.

Maj. Nawab Ahmad Nawaz Khan (*Nominated non-Official*) said that while some hon. Members admitted that they were against the terrorist movement, they generally tried to oppose any measure brought forward to check terrorist activities. Did they think that any Government would leave the country in the hands of the terrorists ? If previous measures had not been successful it was because they were weak.

The Home Member pointed out that the powers which the Bengal Suppression of Outrages Act was replacing would come to an end at the end of the year, and, therefore, the supplementary powers required would be needed by that date. It was obvious that no Motion for the circulation of the Bill would meet those conditions. This terrorism was a poisonous growth, which must be rooted out, and they were bound to give the Government of Bengal all the assistance they required in rooting it out.

The Amendments on being put from the Chair were negatived and the Resolution was adopted.

On 14th December the Bill was passed, without a division, after a proviso had been added to Clause 5 to the effect that nothing therein contained should affect the powers of the High Court under Section 107 of the Government of India Act.

The Bill was passed by the Council of State on 16th December.

SOUTHERN RHODESIA.

The Fifth Session of the Second Parliament ended on 12th May, 1932. Parliament is expected to reassemble on 20th March, 1933.

MALTA.

The following summary deals with further proceedings of the First Session of the Fourth Parliament, which was opened on 18th October, 1932, and is in continuation of the summary given in the last issue of the JOURNAL (*Vol.* XIII., *No.* 4).

ELECTION OF SPEAKER OF THE LEGISLATIVE ASSEMBLY AND PRESIDENT OF THE SENATE. (*Note.*)

On 17th October, 1932, on the proposal of Prof. Carlo Mallia, LL.D. (Nationalist, *First Division*), seconded by Mr. Michael Borg (Nationalist, *Third Division*), **Mr. G. E. de Giorgio, LL.D. (Nationalist,** *Seventh Division*), was elected Speaker of the Assembly; and **Mr. Tommaso Fenech, LL.D (Nationalist,** *Sixth Division*) was elected Deputy-Speaker and Chairman of Committees.

On the same day, in the Senate, on the Motion of the Hon. L. A. Randon, LL.D., B.A. (Nationalist, *First Division*), seconded by the Hon. E. Said, M.D., B.A. (*Chamber of Commerce*), **Count the Hon. Luigi Preziosi, M.D., D.O., B.Sc. (Graduates),** was elected President of the Senate; and the **Hon. Gaetano Lanzon, L.P. (Nationalist,** *Second Division*), was elected Vice-President.

THE ADDRESS: GENERAL DISCUSSION.

(Language question and the Election; Use of word "Parliament" instead of "Legislature"; Nationalist Party's Election pledges; Government and financial situation; Maltese culture; Hotel scheme; Government's programme; etc.)

A summary of the Governor-General's Speech at the Opening of Parliament on 18th October, 1932, was given in the last issue of the JOURNAL.* The following is a summary of the debate which followed.

DEBATE IN LEGISLATIVE ASSEMBLY.

Language question and the Election.

On 14th November, moving the Address-in-Reply, viz.,

". . . May it please Your Excellency, We, Members of the Legislative Assembly, Maltese citizens and loyal subjects of His Majesty our beloved Sovereign, thank Your Excellency as in duty bound for the gracious Speech which Your Excellency has been pleased to address to both Houses of Parliament at the opening of the Fourth Legislature of the Malta Parliament."

Professor G. Hyzler (Nationalist, *First Division*) said the Nationalist Party had a clear and well-defined programme, which had been distributed throughout the electorate. It was not true that, as stated in the Opposition Press, they had won the recent Election simply on the religious question. The Nationalist Party had fought and won the elections principally on the questions of the language and the projected amendment of the Constitution.

He did not say that they [Nationalist Party candidates] had not placed the religious question before the electorate; but they had been instructed by their Party chiefs to avoid it as far as possible.

Stating that the principles of the Party were the defence of the Roman Catholic Apostolic Church, the defence of their Maltese nationality, which was eminently Latin, the defence of their cultural language, and the improvement of the Constitution of 1921, Professor Hyzler drew the attention of the Chamber to the second paragraph of

* *Vide* JOURNAL, Vol. XIII., No. 4, p. 1102.

the Governor's Speech in which it was stated that Ministers intended to adopt all legal means for fulfilling pledges made to the electors. He saw in that a distinct allusion to the language question. All the matters touched upon in the Speech could be dealt with by means of an administrative or legislative act; but the language question, being a Reserved matter, did not depend on the Malta Government but absolutely upon the Imperial Government.

After the elections, when nearly two-thirds of the electors had declared themselves in favour of maintaining the Italian language in the position it had held prior to the issue of the last Letters Patent, and what was more important, after a free and voluntary expression of 80 per cent. of the fathers of children attending elementary schools who had voted in favour of the voluntary study of the Italian language after school hours, the Secretary of State for the Colonies ought to be convinced that, in spite of questions in the House of Commons and his own declarations, the people of Malta had decided to continue the fight to maintain their linguistic heritage, their cultural language, the language which gave to them their European imprint.

Unemployment.

Professor Hyzler also referred to unemployment and said he was pleased to see that the Government had already thought of unemployment relief. In fact, they had submitted for the approval of the House a Supplementary Vote to provide work for a certain number of unemployed.

Dr. R. Mizzi (Nationalist, *Sixth Division*), seconded the Motion.

Maltese the national language.

On 22nd November,

Professor the Hon. R. V. Galea (Constitutionalist, *Second Division*) said the mover of the Motion had stated amongst other things that the victory of the present Government at the elections had not been due to the religious question, but principally, if not exclusively, to the language question. Prof. Galea said he was sorry to differ; no one needed to be persuaded to the contrary, much less Members of the Government themselves, who knew how much use they had made during election time of the religious question.

Another striking statement made by the mover of the Motion was that the Italian language gave to the people the "European imprint." Prof. Galea said he was not aware that those who held that the language of the Maltese was Italian were considered as Europeans whilst those who held the contrary theory were considered as Africans or something like it. The hon. Gentleman should know that language was not necessarily evidence of race.

If they wished to uplift the people of Malta they must cultivate all their characteristics; and there was no doubt that the first and foremost of those was their one and only national language, the Maltese language. In running it down and saying that by it they lost their "European imprint" they would simply be lowering themselves in the face of other European countries.

Projected expenditure.

Prof. Galea, in concluding his speech, remarked that such a large expenditure of money was involved in carrying out the schemes projected in the Speech that he believed the Government was in duty bound to inform the House how the money was going to be obtained.

Election and religious and language questions.

The Treasurer and Minister of Police (Hon. C. Mifsud Bonnici) said they had never denied and would never deny that amongst other questions that had condemned the Constitutionalist Party and put it into opposition there had also been the religious question. Neither would they deny that the policy of the Constitutionalist Party, when in power, in matters of religion was against the cherished traditions of the Maltese people and that when the people called them to the tribunal to judge them, by means of votes, they naturally had borne in mind that policy.

As to whether the Constitutionalist Party had fought the election mainly on the religious question or on the language question, the Minister referred to a *Green Book* which gave a *résumé* of all Committees held by the Nationalist Party before it assumed office and the Resolutions passed by each Committee and one Resolution which dealt specifically and characteristically with the language.

He was amazed that his hon. Friend who wanted to bury the language question could stand up and contest the convincing statements put forward by the Mover and Seconder of the Motion.

They had never pretended that the sign of their "Latinity" was the language they spoke,—in fact, they made a distinction on that point as otherwise they would be Arabs and Africans, because the language they spoke was an Arab language. The language spoken by a people was not an indication of its race; but the language of the culture of a people was the expression of its spirit and its race. And that was why they maintained that because they had had for centuries immemorial the Italian language as a sign of their culture and an expression of their spirit, even if they spoke Maltese, they did not belong to Africa or the Orient but to Europe.

"Parliament" instead of "Legislature."

On 28th November,

Hon. R. E. Hamilton (Constitutionalist, *Fourth Division*) referred to the use of the word "Legislature" in the Address-in-Reply, and said he objected to it. The word was also used in the Speech from the Throne, but he thought they should do away with it. Considering that Parliament enjoyed certain privileges, he thought it would be advisable to use the word "Parliament" instead of "Legislature." He therefore suggested to Prof. Hyzler to cancel in the Address the words "Legislature of the Malta Parliament" and insert the words "Parliament of Malta."

Public works.

Referring to the Speech, Mr. Hamilton said he thought Ministers should have refrained from slinging mud at the former Administration. Ministers had boasted in the Speech that various public works had been commenced by the Nationalist Government. According to Ministers opposite, everything had been done by the Nationalist Government. He was prepared to give the Nationalist Party their due and to admit that they had extended the electric light, the drainage and the water supply, and had built new schools; but there was no denying the fact that those works were first commenced under the administration of Sir Gerald Strickland.

Nationalist Party's election pledges.

As to whether the Party opposite had been elected on an explicit mandate as regarded the language question or on the religious question, Mr. Hamilton said the majority of the people were now saying that they had voted for the Nationalists because of the religious question. As to the manner in which Ministers opposite were behaving in regard to the legal means for fulfilling their pledges to the electors on the language question, Mr. Hamilton continued: "I say to Ministers opposite that if another Election were to take place now, many of those who supported them at the last Election, and who are now condemning them because of the manner, which is against the best interests of Malta, in which they are behaving, will vote against them. There are thousands of *bonâ fide* Nationalist supporters who condemn the action of the Government because of the obstinacy of one of the Ministers who wants absolutely to impose upon them this line of action, which I do not call at all legal and which will in the long run prove detrimental to the whole population."

Finance.

Referring to financial matters, Mr. Hamilton said that according to the Treasurer's report published on 9th May, 1930, there was on 31st March, 1928, a balance of £112,474; and if it were said that the Constitutionalists were responsible for the Administration of the Island up to the time when the Provisional Government assumed office, according to the Treasurer's report, on 31st March, 1930, they had left a balance of £193,875. According to the report of Mr. Luke* which appeared in the Government *Gazette* of 18th June, 1932, on 30th April, 1932—three months before the Nationalist Government had assumed office—there was a balance of £159,976. Further, the fact that the present Government was in a position to bring forward a Supplementary Estimate for £50,556, including a provision to cover the expense of sending Elementary School Teachers to Italy and a sum of £35,685 was voted for extraordinary works. Mr. Hamilton said he wanted to prove that the financial position was still sound enough, and that measures to place it on a sounder footing referred to in the Speech were not necessary. If the financial position of the Government were alarming, how could the present Government bring forward a Supplementary Estimate for £50,556. Although £70,321 had been voted for works they would have at the end of the current financial year the usual balances from the preceding year.

Dealing with the statement in the Speech that Ministers "will devote all their energy to provide the necessary means for procuring all the work that is necessary for the unemployed," Mr. Hamilton said that according to that statement there would be no more unemployment.

The Minister of Industry and Commerce (Dr. the Hon. E. Mizzi) said that Mr. Hamilton had endeavoured to show that the Strickland Government had left a balance of £110,000. This was not true. The Minister for the Treasury, on 4th November, 1932, had shewn that not only had the Strickland Government not left any balance but had left a deficit amounting to several thousand pounds.

Prof. Galea: "He said 'adverse balance,' not deficit."

* Reference is made to the Lieut.-Governor, His Honour H. C. Luke, C.M.G., who appeared in the New Year's Honours List as a Knight Bachelor.

Language and constitutional rights.

The Minister of Industry and Commerce, continuing, said Mr. Hamilton had stated that they [the Nationalist Party] had won the Election mainly on the religious question. If they had done this, they had done well, and they would find no difficulty in declaring it; but the truth was that they had made a point of conducting the electoral campaign on the language question. A *Green Book*, which had been laid upon the table, dealt with their Committees and all Resolutions passed, their electoral programme, and resolutions approved by the most representative entities of Malta and Gozo, and all these were but a declaration of the wish of the Maltese people to defend their own Italian language and their own constitutional rights.

The debate was adjourned.

DEBATE IN THE SENATE.

On 26th October, moving the Address-in-Reply,

Senator Col. the Hon. A. G. Chesney (Nationalist, ***First Division*****)** said the Speech referred to the mandate obtained by the present Government—of which he, a retired British officer, was a staunch supporter—and to the intention of its members to fulfil their pledges and, if he might use the expression, get on with the job. Without wearying the House with a recapitulation of the very comprehensive programme of the Government set forth fully in the Speech, there were several passages which would give the liveliest satisfaction to the supporters of the Government, especially that the work of the new hospital, the completion and building of schools and workmen's dwellings, the revival of agriculture and relief works for unskilled labour were to be seriously taken in hand, so that the peoples' money was to be spent in and not out of the Island. Improvement in the mail service, too, would give universal satisfaction.

The Speech set forth a popular programme, and he had no hesitation in giving voice to the Resolution and confidence of the electors that the Government " will continue in the firm spirit in which it has begun, give a useful lead, and govern with honour and success."

Senator the Hon. Lord Strickland (Leader of the Opposition), in the course of his speech, said they [the Maltese] must recognise that it was no good wanting to quarrel with their bread and butter; they could not have the magnificent privileges they saw around them as a nation which enjoyed the highest standard of living in any of the communities round the Mediterranean and at the same time fight the source of those benefits. The money that produced a higher standard of life was poured into Malta from the pockets of the British taxpayer to make that fortress more and more worthy to be held. It was not mere philanthropy.

It was the duty of the Head of the Ministry, as well as his own duty, to collect all the influence possible that might prevent any diminution of the views held as to the importance of Malta to the trade, power and progress of the Empire.

Government and the financial situation.

Lord Strickland, proceeding, pointed out the " appalling omission " of a statement on finance in the Speech, and said it was not stated what the balances were when Ministers assumed office, how much money there was that day, whether there was any necessity for taxation and, if so, how far it might be raised and whether a loan was contemplated. Nothing of all that.

Maltese culture; etc.

Dealing with the question of Maltese culture, Lord Strickland said the large number of newspapers in Maltese, together with the number of those printed in English, furnished ample evidence that the so-called Latin culture was disappearing. Why prolong the agony by declaring political war against England and showering abuse on the English Government in bolstering up a so-called Latin culture? Culture in Malta was at one time Greek culture, Syracusan culture, Sicilian culture. There had never been any popular Latin culture there till the latter days. There was no Latin culture now. What was not English and Maltese was Sicilian. Their culture was becoming, and must remain, Maltese, and their mentality was Phœnician, and it would be so for generations to come.

Dealing with the " reiterated intention " [of the Government] to repeal Acts validated by the Imperial Parliament, Lord Strickland said he hoped there would be caution in the matter.

Hotel scheme.

Referring to the question of the building of an hotel, Lord Strickland said he felt that if the business was to be dealt with honestly, the building of the hotel must be segregated from the management of the hotel. The Government should build the hotel and there would be less temptation for boodle and nonsense.

Government's programme.

The Head of the Ministry (Hon. Sir Ugo Mifsud), in the course of his speech, said that the Register of Electors had been prepared during the administration of Lord Strickland so that there was no question that the Election was a real plebiscite of the people. The people having returned the Nationalist Administration, it was the duty of the Nationalist Party to declare that it intended keeping its pledges contained in its programme.

In connection with the language question, having regard to the obstruction obtained through an Imperial Act, they hoped to surmount all obstacles and obtain what was legally due to the people.

Sir Ugo Mifsud went on to say that the Constitution had been suspended, not after 6 years of good Nationalist administration, but after 3 years of bad Constitutionalist administration. It had been restored with many alterations, which he would call mutilations, particularly with regard to language—alterations that the majority of the people did not wish for and had not delegated anybody to obtain for them, either before or after the Election, or before or after the suspension of the elections. The Constitution had now been restored and the administration was in the hands of the same Ministers who, during the first six years, had managed the affairs of the country.

Ministers hoped to regain for the inhabitants of the Islands the freedom they had lost, and such rights as they might expect to possess as a civil population within the British Confederation. They intended to insist that the autonomy of Malta should be the same as that of a State of Australia or the Union of South Africa. They could not admit that autonomy for the Maltese should mean one thing and that autonomy for those who were of English blood should mean another. They must demand the same rights if they were to be respected. The Secretary of State would not dare to treat any other country in the British Union or Confederation in the way he had done Malta in 1930. He wished to announce, with a certain pride, that one of the matters discussed in London during the visit of the Maltese Delegation was precisely the question of granting Dominion Status to Malta equal to that of Rhodesia or something more.

Continuing, the Head of the Ministry said that the Minister of the Treasury had already given notice to the Assembly of a Motion for the expenditure of about £50,000 to provide work for the unemployed, particularly those who had no special trade. They also intended to assist education and to continue the construction of schools.

In view of the position of the language question, they intended to augment the number of " lycées " or institutions for secondary education.

After dealing with local matters relating to roads, lighting, drainage, the Head of the Ministry remarked that the Senate could rest assured that the Nationalist Government would introduce legislation relating to old-age pensions. They had in mind the encouragement of industry and would not only introduce legislation to assist new industries, but at the same time would amend the tariff in such a way as to assist certain local industries.

Concluding, Sir Ugo Mifsud said they had announced clearly their programme of administration which would be duly submitted to Parliament. He would not go into details with regard to legislative proposals; but he wished to say that in regard to the language question they would certainly have to remain for the time being subject to the Imperial Acts in force. But in cases where such Acts did not bind them, they would repeal certain Acts which the Maltese Parliament had not legally approved.

At the conclusion of the debate the Motion was agreed to.

PARLIAMENTARY ALLOWANCE ACT.

This Act received Assent on 2nd December, 1932. It repeals and re-enacts with amendments the law relating to the salary of the officers of the Legislature and to the allowance payable to Members of the Senate and of the Legislative Assembly. A summary of the main provisions of the Bill as introduced was given in the last issue of the JOURNAL.*

As originally drafted, provision was made under Clause 7 for deducting from the allowance of any Member of either House suspended the sum of £1 in respect of each sitting during his suspension.

This Clause, as amended in Committee and finally passed, provides for the forfeiture by the Member of his allowance for the whole period of his suspension.

The Bill was read a third time and passed in the Senate on 18th November.

CEYLON.

Summaries of the proceedings of the present Session of the State Council will be dealt with in subsequent issues of the JOURNAL.

BERMUDA.

IMPERIAL PREFERENCE ACT.

(Ottawa Agreements.)

This Act, gives effect to the Agreements recently concluded at the Imperial Economic Conference at Ottawa in so far as they affect Bermuda.

The Act provides that the margin of preference on Customs Duties between goods produced or manufactured in any Dominion, Protectorate and Mandated Territory and goods of foreign production or manufacture, as set forth in the Schedule, shall be maintained from 1st January, 1933, until 20th August, 1937, provided that in the event of circumstances arising which in the judgment of the Government of the United Kingdom or of the Government of Bermuda necessitate a variation in the preferences, the proposal to vary such preferences shall form the subject of consultation between the two Governments.

SCHEDULE.

	Margin of Preference.		Margin of Preference.
Bacon	½d. per lb.	Ham	½d. per lb.
Butter	1½d. per lb.	Hardware	10% *ad valorem*
Fruit, canned or bottled	15% *ad valorem*	Hosiery of cotton and/or of artificial silk	6d. per pair
Meat, canned or bottled	15% *ad valorem*	Hosiery, silk... ...	9d. per pair
Vegetables, canned or bottled	15% *ad valorem*	Motor vehicles and parts, including tyres	20% *ad valorem*
Canvas boots and shoes with rubber soles	1s. per pair	Rubber boots and shoes	1s. per pair
Eggs	2d. per doz.	Cigarettes made in the Empire of Empire tobacco	Such preference as may be provided in Annual Customs Tariff Act
Electric appliances, bulbs, fittings and apparatus ...	15% *ad valorem*	Tobacco, other than cigars manufactured in the Empire entirely of tobacco grown within the Empire ...	Such preference as may be provided in Annual Customs Tariff Act
Electric generating machinery ...	15% *ad valorem*		
Furniture	10% *ad valorem*		

DEBATE IN HOUSE OF ASSEMBLY.

On 7th December, 1932, on the Motion " that the Bill do pass the House,"

Mr. C. G. Gilbert (*Sandys Parish*) said he wondered how many years the General Imperial Preference Act of 1925 had to run, or whether it had to be passed annually in the Customs Tariff Act. Some day they might be glad to send their agricultural produce to the United States, and he wondered whether it would be possible, if the Imperial Act were in force, to allow a sort of " most-favoured-nation " treaty with the United States. They might like to have such a treaty so that the United States could have reciprocal arrangements for a preference over other foreign nations.

The Chairman of the Finance Committee (Hon. S. S. Spurling) said the Act of 1925 provided for the tariff preference under that Act to be in effect twelve years from the date of publication of the Act and to run on thereafter until terminated by twelve months' notice given by either party to the Agreement. So it would be definitely in force until 1937, and would run on indefinitely after that until twelve months' notice was given by any one of the Colonies or by the Dominion of Canada to terminate it.

As he understood the Ottawa Agreement, the nations of the Empire and the United Kingdom on behalf of the Colonies and Protectorates had agreed not to enter into any tariff arrangement with any foreign country without a consultation with the other parties to the Ottawa Agreements, and he thought that spelled more good for them in the future than they could possibly hope to obtain by themselves.

THE BUDGET.

On 12th December the Chairman of the Finance Committee introduced the Estimates for 1933. These were stated to be as follows :—

Revenue	£409,787
Expenditure	405,421
Balance	£4,366

IN THE HOUSE OF ASSEMBLY.

The Chairman of the Finance Committee (Hon. S. S. Spurling) said the Finance Committee had tried not to curtail the expenditure of those Departments—such as the Trade Development Board and the Board of Agriculture—which tended to the development of the trade and commerce of the Colony.

Mr. Spurling quoted from dispatches sent to the Executive by the Secretary of State urging the necessity of balanced Budgets in all the British Colonies and Protectorates, and drawing attention to the fact that certain Governments at present granted Customs immunity to local authorities, corporations, etc., on commodities they imported. The Secretary of State, without laying down any rule, requested the various Governments to consider the expediency of introducing legislation to exempt foreign goods from such a provision so that only British goods would be imported free of duty.

The House might consider that it had gone far enough with the margins of preference already granted on items affected by the Ottawa Agreements, but legislation would be introduced and Members could then make a decision.

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