

THE STRUGGLE FOR  
IMPERIAL PREFERENTIAL TRADE.

1887 - 1917.

WITH PARTICULAR REFERENCE

to

NEW ZEALAND.

Being a thesis

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## Preface.

### The Problem Stated.

The years 1887 - 1917 were years of continuous efforts to reconcile seeming irreconcilables in the economic sphere of relations between Great Britain and those of her self-governing colonies who were rapidly attaining to nationhood: Canada, the Australian and South African colonies, and New Zealand. Simply stated the problem on the one side was how the Mother Country could satisfy the demands of these colonies for some preference to their exports, when to do so would involve her in a fiscal revolution. She stood firmly, with almost religious fervour by the tenets of free trade, and to advocate any radical change would be a policy of political suicide for any party which adopted it as its platform. At the time she was the leader of the world's commerce, a fact that she attributed to the very free trade policy which the colonies would overthrow.

From the colonial point of view, the problem was to meet what appeared to them, a growing threat to their own exports by those foreign powers, mainly Germany and America, who through a policy of protection were keeping British products out of their own markets, and who through subsidies and differential rates were able to undersell the colonies on the Home market. These same foreign powers, in spite of colonial protective tariffs, were able to compete with the small local industries, and in many cases could undersell the



the produce of the Mother Country in the colonies. The answer which the colonies seized eagerly upon and fought so long and strenuously for, was an imperial preferential trade. Immediately, however, they were faced with the fact that the portion of the Empire most concerned, namely Britain, refused to change her fiscal system for a policy which she considered unnecessary and inimical to her own interests.

These matters affecting trade were the hard core of self interest, which must be constantly borne in mind as we seek to unravel disinterested service to the cause of Empire from the self interested approach of :- "How can this profit us?". In their presentation, the economic aspects, which would appear to predominate in such a question, actually are secondary to problems of the constitutional development and the relationship between Mother Country and colonies. These are the aspects which this thesis will primarily be concerned with, though time and again economic, political, and international aspects are inextricably tangled in the thread leading to nationhood. Imperial preference to the colonies was primarily a method of expressing imperial unity. It was a policy of co-operative partnership as distinct from any policy which would subjugate the self-governing colonies to the Mother Country.

The colonies formed a common front in their presentation of the policy of preferential trade to the Mother Country, with Sir Wilfred Laurier of Canada, Alfred Deakin of Australia and Richard John Seddon and Sir Joseph Ward of New Zealand as

its chief protagonists. The part New Zealand and her representatives played in this struggle has been the subject of my research and will naturally form the central study of this theme; however, it will often be necessary to follow the arguments of other colonial representatives with whom our New Zealand delegates expressed close agreement, the better to understand the full trend of the case put before the Mother Country.

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NOTE: Unless reference is made to the contrary the term "colonies" throughout the text refers to the self-governing colonies of Canada, Australia, South Africa, New Zealand and Newfoundland.

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## CHAPTER 1.

### An Economic Background Study.

Due to her commanding lead in the Industrial Revolution, Great Britain had attained to her position as the world's workshop, in the first half of the nineteenth century. She was predominant in the world's navigation and commerce; her capital and emigrant settlers were developing its out-lying territories; her money was the accepted standard of value, and her navy held open the seaways of the world unchallenged.

In 1846 Free Trade had triumphed in her parliament, and her markets, together with those of her colonies, (until they reacted strongly in favour of protection), were thrown open freely to the merchandise from all nations. Cobden had prophesied that all civilised nations would very soon follow Great Britain's example in removing all the fetters on trade. The trend of continental policy quickly refuted this prophecy however. Some fifty years earlier these free trade doctrines had been challenged in America, and by the mid-century strong opposition to them was beginning to appear in Germany. Engels wrote, "To convert all the other nations to the gospel of free trade and thus create a world in which England was the great manufacturing centre, with all other countries for its dependent agricultural districts, that was the next task before the English manufacturers, and their mouth-pieces the

political economists." (1)

For the Nationalists, Friedrich List said exactly the same thing except that where the Communists saw the English manufacturers as the exploiting power of capitalism, List saw the power of the English nation barring the economic progress of the German nation. (2) He was prepared to take the world view when there was real economic equality between its constituent peoples. Hence, first they must break free from British predominance and raise the German nation by artificial means to the standard of England.

Prior to her adoption of free trade principles, England had protected her own and her colonial interests by tariff preferences. England, List believed, was right in turning to free trade with open world markets, just as it would be in Germany's interests to take the step which England had just advanced from, of adopting protection in the interests of developing national resources and sentiment. A moderately protectionist zollverein would provide for the future fruitfulness of German trade.

Adam Smith's reservations on the needs of defence, political liberty, and such non-economic considerations in an economic theory, became the primary assumption for List. "Reasons of State" would provide the guiding hand for economic theories and development.

From the mid-century on, Germany began her challenge to the commercial supremacy of England. With the flying start the latter had received the results of this policy did not

(1) Quoted by Hancock, W.K. Survey of British Commonwealth Affairs II Problems of Economic Policy 1918 - 1939. Part I. p.73.  
 (2) ibid., p.73.

become apparent for some three decades and only in the 1880's did some in England begin casting anxious glances over their shoulders at the rapid expansion of German industry and trade.

Three answers were given in England to this challenge which formed three stages of policy or political agitation. The first answer was given by the Rigid Isolationist Free Traders who argued that Great Britain should continue her profitable way without troubling about what policy foreigners chose to follow. Some even congratulated their country on its luck in having fools for neighbours. Despite the changing circumstances since the time free trade was adopted when continental markets were open, until in the eighties when most were closing or were closed to Britain's trade, they still held rigidly to what they believed were Cobden's vital principles, to depart from which would be fatal.

Cobden himself however, had taken the first step away from those tenets of rigid and absolute free trade when he negotiated the Anglo-French Treaty of 1860, sometimes called the "Cobden Treaty". This introduced the phase of Most-Favoured-Nation agreements, and included a bargain by promising to France concessions in the British tariff in return for concessions to Great Britain in France. This was the answer of the second group, the Realist Negotiating Freetraders, to the challenge of protection. Their aim was impartial dealing with all nations by Great Britain, in return for similar dealing, with reduction in foreign tariffs whenever possible. The treaty was the commencement of a network of commercial agreements between continental powers and Great Britain including her

colonies, in which provision was made for mutual tariff concessions. By the treaty Britain automatically received the concessions extended by other nations to France. She in turn arranged Most-Favoured-Nation treaties with most European countries. These agreements could not stay the upward trend of foreign tariffs, but they did construct a barrier against policies of tariff discrimination. Great Britain brought her colonies inside the Most-Favoured-Nation system. By her treaty with Belgium she bound herself not to revert to the policy of imperial preference which she had abandoned in 1846. By her treaty with Prussia and the German Zollverein in 1865 she went further, not merely renouncing her right to institute a preferential system, but made it impossible for her colonies to extend preference to British exports. All countries then, which had Most-Favoured-Nation agreements with Great Britain received in the colonies the same equality of treatment.

During the years following 1870 as tariff walls were erected all over the Continent, America, and even within the Empire as the colonies sought to protect their newly founded industries, there was a growing dissatisfaction amongst the business community in Great Britain against "one sided" free trade. Britain found that she had handed over the weapons of commercial defence, namely her power to retaliate. However the large body of opinion supported the view that a maximum degree of reciprocal impartiality was preferable, and more akin to her interests than to join in a tariff war and a policy of exclusive bargaining. In spite of the principle of equality, which was the essence of the



Most-Favoured-Nation agreements, foreign nations were deliberately differentiating to the detriment of British trade. Such subterfuges as shipping bounties, railway preferences, import restrictions, manipulation of contracts, packing regulations, and specialised definition of tariffs and tariff treaties so that the country to whom they were granted was the only one in a position to take advantage of them, all enabled the hard bargaining protectionist nations to grant each other particular favours, thereby defying the spirit if not the letter of Most-Favoured-Nation obligations. The authorities in Great Britain were aware of these defects but considered firstly that they would be much greater if the restraint of the treaties was removed, and secondly that such evasions were small in comparison with the volume of trade handled.

In the periodic periods of depression which hit British trade from the 1870's on, there was a growing body of informed opinion that all was not well with British trade, and many became convinced that protectionist foreign powers were beginning to oust Britain from her world trade supremacy. Figures were used by both sides to justify their respective cases, and especially those giving comparative percentage increases were misleading, but that nagging feeling of uncertainty remained. Gradually small groups, supporting the cause of protection gathered together, to propound their case for the Government to do something about fiscal reform. Following the earlier 1868 "Revivers' Association" supporting protection, the "National Fair-Trade League" was formed in



1881. Support fluctuated according to periods of depression or national prosperity, but though the movement grew slowly its effectiveness was curtailed for want of a national rallying figure as its leader, and a popular catch cry. The term "protection" was anathema to politicians and the mass of the people whom it faced with the frightening thought of dearer food.

The protectionists finally hoisted their banner of "Empire". The expanding empire trade had been subject to most favourable speculation, and statistics of comparative percentage increase were used to show that the rate of increase of British exports to her colonies contrasted very favourably with those of her rate of increase of exports to foreign nations. Tables of figures opposing this view showed that the relative importance to Great Britain of her chief trading partners was about the same in 1890 as it was in 1860, and that throughout this period Empire trade had, if anything, dropped slightly from its proportion of a quarter of the foreign trade with Great Britain. Neglecting statistics which were embarrassing to them, the protectionist pamphleteers sought to show that by means of an Imperial Zollverein, and a speedy reform of fiscal policy, Great Britain had in her own hands the means of national economic defence.

The last decades of the nineteenth century saw an upsurge of imperial fervour, yet there was much confusion about the purpose of the Empire. The unsolicited tokens and acts of affection by the colonies, and their expressed desire

to bring the bonds of Empire closer, were inspiration to Englishmen who had believed that as the imperial ties were loosened and severed, the colony would assert its own independent existence; yet Englishmen did not know much about the economic and social structure of the self-governing communities, nor much about the impulses moulding their policy, so before long they found themselves at cross purposes with the colonies.

As we shall see the first colonial offer was for imperial preference in trade, but Joseph Chamberlain had justified the acquisition of the vast new territories to the Empire on the grounds that Great Britain would develop them as trustees of civilization for the commerce of the world. In these markets the same open field was offered to foreigners as to their own subjects, on the same terms. Initially then, Chamberlain had supported the "open door" policy, but he was soon to declare that he would be ready to close the door provided there was sufficient material inducement offered. To have accepted the colonial offer of imperial preference would have necessitated closing the door, but Chamberlain considered the compensations were inadequate for such a sacrifice on Great Britain's part.

He was very much taken however with the idea of a Zollverein of Empire. By this means free trade would operate within the empire, and protection in the sphere of foreign trade. Britain's need was for ample supplies of raw materials. These her Empire could supply, leaving the great manufacturing Motherland to supply her colonies with

manufactures. At the same time she would be free to use retaliatory threats in bargaining with protectionist foreigners. These anticipations were bound to come to grief for they conflicted with the constitutional and psychological trends of evolution in the self-governing parts of the Empire.

The idea of liberty, from the view point of the self-governing colonies included the development of tariff personality. This was more developed in those colonies who had most nearly attained to nationhood, but in none by the 1890's, was it full grown. To have adopted the idea of a Zollverein would have meant tariff assimilation by the Mother-Country, and the surrender of their own individual tariff personality. This latter was an essential element of self-government. It was a mark of constitutional status, a symbol of autonomy.

There was developing in the self-governing colonies a spirit of economic nationalism, a national system of political economy, and the idea of a free trade Zollverein was completely contrary to their policies.

They had fought quite a battle to obtain the trade freedom they had attained to by the end of the century. Between 1846 and 1859 the colonial legislatures had grasped the right of imposing customs duties with the object of protecting young industries, or for raising a revenue. The right of imposing differential duties was withheld from them as being contrary to Britain's trade policy. In the 1870's

the Australian colonies extracted a reluctant assent to their claim to grant preferential duties to each other. The claims of other colonies to have this principle extended were refused by Great Britain. The idea that the colonies, given freedom, might negotiate agreements with foreign nations to the detriment of the Mother Country was not to be thought of. Again, the idea that the colonies might exchange trade preferences with her could not be considered while she held to the principles of free trade and her Most-Favoured-Nation agreements. Finally the suggestion of a unilateral preference from the colony to the Motherland savoured of her benefiting from a policy, which in principle she repudiated.

Before anything could be done both self-governing colonies and the Mother Country were blocked by the treaties with Belgium and Prussia, by which Britain had bound herself and her colonies not to adopt or accept any system of preference which was not freely shared with them.

Still the colonies persisted with their doctrine of imperial preference. "Surely," they said, "we peoples of the Empire should treat each other better than we treat foreigners? Surely we should give each other preference?" To do this however, the whole Empire must be protectionist, and as most of it already adopted a protective policy it was up to Britain to give up her free trade principles.

From the 1890's on, the initiative in the imperial economic argument passed to the colonies, and Great Britain began the long protesting shuffle of retreat, to end with her capitulation in 1917.

## CHAPTER 2.

### New Zealand and the Colonial demand for Preferential Trade.

A reading of the discussions which took place at the various Colonial Conferences between 1887 and 1907 reveals very clearly the various stages that the free colonies had attained to in their development of a national consciousness.

The older colonies of Canada and Australia were naturally trying out the new freedoms extended to them and were lusty in their demands for more. New Zealand on the other hand still looked at these wider problems of empire, which were dealt with at the conference table, through the eyes of Britain, and on occasion she was prepared to stand with England against her sister colonies. It was only with the advent of Seddon that New Zealand was thrust forward into the full limelight, borne onward by the vigour of his imperial fervour. Undoubtedly the imperial theme which he propounded with such fervency and zeal, of the colonies buttressing the declining Mother Country and strengthening the imperial ties was in accord with the desire of most New Zealanders to make sacrifices for the land from which they had sprung. In fact the opposition which greeted his preferential bills in Parliament was directed towards the fact that New Zealand was not making sufficiently great a sacrifice to the Motherland. Yet Seddon's disinterested service to the imperial cause is suspect and this thesis will examine his actions and his

ostensible motives to see to what extent public opinion supported both.

After 1870 a number of parliamentary committees were set up by successive ministries to investigate ways of encouraging new industries in New Zealand. As customs duties were only justifiable for revenue producing purposes, various ineffectual expedients were tried in their endeavour to establish industry. As sea transport improved and foreign maritime power grew the natural protection given to <sup>local</sup> industry by New Zealand's distance from the manufacturing markets of the world was whittled away, and in 1888 Sir H. Atkinson yielded to popular clamour and introduced protective tariffs. Though the old orthodoxy died hard the policy of protection soon became the permanent fiscal policy of the country, but it was not a national policy in the same sense as Canada and Australia, because an independent national consciousness had not yet become a paramount motive. The protective system of tariffs gradually became an integral part of the policy, which, with the coming of the advanced social legislation of Seddon's Liberal ministry, distributed wealth and comfort more evenly in New Zealand. Industrial development has always lagged far behind the exploitation of the primary wealth of the land in a new colony, but by the turn of the century there was sufficient development of industrial resources, with employment at high wages, to make any reaction toward free trade impossible.

New Zealand, along with Canada and Australia reacted against the theory of a one sided fiscal policy inherent in the

proposal of an Imperial Zollverein. In an Empire free trade system, the newly established local industries could not hope to compete with the Mother Country. The policy of fostering them was defended on the ground that these industries provided the most profitable market for agricultural produce. Having established themselves in New Zealand it was not long before this small, but expanding minority were pushing the case of increased protection for the locally made article in the debates of the New Zealand Parliament.

Under the then existing world conditions it was impossible, generally speaking, for new countries to develop industries except on the basis of a protected home market. In other words although land settlement and industrial development ought to proceed together, the former must always be in advance of the latter. Therefore the indispensable condition of industrial as well as agricultural development in New Zealand and the other colonies was for an export market for primary produce. However there was only one market fulfilling the required conditions of free access and enormous capacity, namely Britain. She had destroyed her own agriculture in order that she might concentrate upon commercial expansion abroad based on her manufacturing industries. To the colonies this market appeared capable of absorbing all the meat and dairy produce that could be sent from all quarters of the globe. New Zealand and the colonies soon became aware of growing competition from continental states such as Denmark and again of South America, and with this came the realization that the Home market might not be unlimited. With the "New World" expansion in food



production both the colonies and their foreign rivals would before long more than satisfy the needs of Great Britain. Hence the growing support given by New Zealand to the Canadian and Australian moves to have the Mother Country treat preferentially the food supplies grown within the Empire. This would restrict their rivals and by expanding colonial primary production would stimulate much needed settlement in the colonies.

Such a policy commanded the support of what national sentiment there was in New Zealand, and to those New Zealanders who caught the wider unison it meant the drawing together of the imperial family to strengthen the Motherland in the face of the threats of the foreigner.

The situation in which New Zealand was placed in her negotiations can be summed up as that of a country absolutely dependent on one market in which she imagined she saw a growing threat to her own trade. She was unwilling, and unable due to her industrial growth and revenue dependence, to give up protection and accede to Britain's desire for free trade. Yet, in spite of this, she was diffident at first about pushing vigorously for a policy of reciprocal preference. This she knew was the answer to her problem, but she realised it would involve an unequal sacrifice on the part of the Motherland, to whom she felt bound by ties of the closest affection and to a large extent, dependence.

The subject of imperial preference played an important role in the conferences from 1887 to 1917 and to the discussions at the conference table we must now turn, to note in particular the part played by the New Zealand representatives.



### CHAPTER 3.

#### The Colonial Conference 1887. <sup>(1)</sup>

The occasion of the fiftieth anniversary of Victoria's reign, when the self-governing colonies were represented in London either by their Premiers or by delegates was deemed an opportune time to discuss problems affecting the Empire. As the conference was purely consultative it was not material that the colonies had equal or proportional representation at it. New Zealand was represented by Sir Francis Dillon Bell, the Agent-General in London, and Sir William Fitzherbert, the Speaker of the Legislative Council.

The opening address was given by Lord Salisbury, who pointed out the difficulties interposed in the way of a Customs Union by the different fiscal policies of the various parts of the Empire, but he regarded such a union as by no means impossible in the future.

The question of tariff reform arose over the question of Sugar Bounties to the West Indian Colonies. Since 1884 their sugar industry had been grievously hit by the enormous increase in the production of beet sugar in Europe. Prices had fallen as much as forty per cent. during the years 1884 to 1887. This European production of beet sugar had been vastly stimulated by the large bounties granted by their governments.

(1) Report of 1887 Colonial Conference cited in this chapter is in P.P., 1887, Vol 56. C.5091. Vol. I.

Mr. Lubbock, Chairman of the West Indies Committee who put their case to the Conference pointed out that, "...whilst hitherto bounties have been confined to sugar and two or three minor articles such as codfish, there is nothing to prevent them being granted on other commodities, and hence I think other industries which are equally open to attack are concerned in seeing the system put an end to. I hope therefore, that the Colonial Representatives will agree in representing to the Government, "1. That the maintenance of the sugar bounties by European Government is injurious to a large colonial industry."

"2. That justice to our Colonial industries and trade should be no less an object of our Government than justice to home industries and trade."

"3. The hope that Her Majesty's Government will spare no effort to bring about the abolition of a system so destructive of sound and healthy competition".<sup>(1)</sup>"

Sir Francis Bell posed a question which quickly opened up a wider field when he said, "Supposing that other countries ..... were to consent to withdraw the bounty system, but that France should determine, as I think no one can doubt for a moment she would continue to determine, to maintain hers, do you think that Her Majesty's Government would consider the question of a countervailing duty upon beet sugar from France?"<sup>(2)</sup>. The President then sought the opinion of the colonial representatives. Mr. Service, one of the Victorian representatives <sup>(3)</sup> spoke as a free trader who was faced with the

(1) ibid., p.385.

(2) ibid., p.394.

(3) For Mr. Service's address see ibid., pp.394-97.

fact of industries being ruined through his rigid adherence to principle. He sought to show that the use of countervailing duties mentioned by Sir Francis Bell in no way necessitated a departure from those principles. It was a fundamental principle of free trade that they should receive from any part of the world its products at the cheapest possible rate at which they could be obtained. This principle was subject only to the handicaps of geographical position, involving differences in freight, insurance etc., and that imposed by the revenue requirements of that particular government. The handicap of bounties was an unnatural one and was not economic, but political. It was not unnatural that any government should take this political action to preserve its industry and establish new ones, but Mr. Service went on to point out, if the action of other countries in so doing was going to injure the Empire, it was the duty of the Empire to see how they could defend themselves. The action of France, Russia, and Germany in establishing bounties was aimed not only at building up industries to supply their own people, but was aimed at securing the markets of Britain itself. In so doing foreign nations were presuming on the traditional free trade policy as distinguished from an intelligent free trade policy which gave England such a great start. The traditional free trade policy, which that country was rigidly following, he believed, consisted of free trade phrases improperly applied to circumstances which did not exist at the time that the great question was argued out, and to which the arguments which had then sustained the principle

of free trade would not apply.

Mr. Service concluded, "I contend that we ought not to approach these foreign governments in the form of mere suppliants asking them to take off their bounties.... " (1) but rather Britain and her colonies should be prepared to use retaliatory measures. Failure to support this movement on behalf of the sugar industries would contribute to "the gradual decadence of British commerce and the consequent decay of the British Empire." (2) These were strong terms from the lips of a self-styled freetrader, but they emphasised the vital necessity of facing this problem which was such a potential danger to the commerce of the whole Empire.

Sir William Fitzherbert then emphasised the need of the various units comprising the British Empire doing something themselves about safeguarding the interests of the Empire. Mr. Service had thrown the onus of action upon Great Britain. Fitzherbert looked further towards a new status for the colonies when he said, "Great Britain is entering, and has to enter upon a new line of thought in many respects. I say that we, as representing the various colonies in distant portions of the Empire have been comforted by finding that apparently a new sentiment towards us is pervading the minds of British people, which has been conveyed to us through these channels in a manner that has given us the greatest assurance, and we do believe that we are entering upon a new course. Now if that be so, I ask is this question the same question as it was some forty years ago?

(1) ibid., p.396.

(2) ibid., p.397.

At that time, when the colonies were scarcely regarded as an item of any serious consideration, was it the same question as it is to-day? I say that the distant parts of the Empire, that are sought now to be drawn more closely together must be regarded; and in any attempt at legislation or any attempt at making alterations such as are here ... suggested, if that closer union is an abiding one we have got to look to ourselves. I ask whether the great neighbouring nations are not looking to themselves, and I ask, when we see the inhabitants of the West Indies coming and telling you of the miserable condition in which they are in consequence of the policy which, as I say, does not sufficiently regard the inhabitants of the Empire as a whole, are we not called upon to take some steps to guard our own interests?" (1)

For the first time at the conference table the imperial outlook was advocated. This was the forerunner of many such statements which were to be enunciated in subsequent years pointing to the inherent strength of a unified Empire.

Fitzherbert went on to advise against an aggressive course which called upon the Imperial Government to deal boldly with the problem for such would involve a trenchant change of policy. He advocated a steady course which was certain, if each step was taken upon sound foundations, to lead to the right course in the end.

There was complete agreement upon the three West Indian propositions and later in the Conference the next logical step from this initial sugar bounty problem was taken when the

(1) ibid.

subject of an Imperial Custom's Tariff was discussed. Sir Samuel Griffith of Queensland opened up the subject by painting out the previous conclusion arrived at, namely that it was the duty of the governing bodies of the Empire to see that their own subjects had at least an equal chance with the subjects of foreign countries in the matter of trade. From this presumption he contended the matter should go further. In effect it should be recognised as part of the duty of the governing bodies of the Empire to see that their own subjects had a preference over foreign subjects in matters of trade. Their first duty as members of the British Empire was to the Empire and not to any foreign country. "Someday", he said, "perhaps human nature will advance so far, that we shall regard all mankind as so truly a brotherhood that we shall no longer have any feelings of rivalry with foreign countries, and it will not be necessary to take any steps to protect ourselves against them. But in the meantime, while other countries do not recognise that doctrine, and while we do not ourselves do so, though we may profess to do so, it is desirable that we should give practical effect to the principles that we hold by giving material advantages to the people of our own kith and kin. I believe that doing so would tend in a very large degree to maintain and strengthen the feeling that we are all one nation, and would tend in many ways to bring about a stronger union than can now be said to exist." (1)

The solution he advocated was that when a country thought fit to impose duties upon imported goods, a higher duty

(1) ibid., p. 463.

should be imposed on those coming from foreign countries. He realized that the existence of Most-Favoured-Nation clauses would interfere with immediate action hence it was a subject well worthy of consideration as a matter of future policy.

Fitzherbert entirely concurred with Sir Samuel Griffith's propositions, but, faced with the insurmountable obstacle of British freetrade policy he pointed to what he considered was the fallacy in it, " Of course it goes without saying that England has adopted for many years a free trade policy. It makes no distinction of any kind whatever. Friend or foe, white or dark man, it is no matter to England, the world is its market, and there is no distinction made. There is no favour or preference given to kith or kin wherever they may be. In other words, England has abhorred Protection .... We had before us the case of the West Indian sugar plantations. We had the effects very plainly brought before us of the protective duty in the shape of bounties given by the French Government. The effect of those bounties has been as the West Indian planters told us, that they were driven out of the market, and their cultivation of sugar almost destroyed, that is to say that they, being an integral part of the British Empire find that they are so far unable to maintain themselves that the trade has gone by which the people live. Now how has that been brought about? By a country that abhors Protection, but which practices protection vicariously. It seems to me that that is precisely the condition of things that England is vicariously carrying out a protective policy "pro

hae vice" and the effect of that policy is that an integral portion of the population of her Empire is suffering in the way that has been pointed out. .... I have no hesitation in expressing my belief that the day is coming - and that very fast - when a totally different policy will be adopted by that country." (1)

Sir William then went on to point out that they had in their discussions on Empire defence done something to cement the Empire together, and on the subject of feeding the Empire the same approach should be made. However, the example of the West Indies showed what a free trade policy could lead to, and the Empire would have to seek in other directions. The matter of trade relations, he concluded, was fundamental to drawing the bonds of Empire closer, and would have to be carefully considered.

Sir Francis Dillon Bell, who had not taken part in the discussion up to that point then sought to lead it from theoretical expression of opinion to practical matters. He excused his not previously having spoken on the trade questions on the grounds that any attempt to change the principles upon which English trade was regulated was utterly hopeless, and in addition was unjustified interference in the concerns of the Imperial Government. Such action would be resented by his Government and the same could be expected by Her Majesty's Government. He considered such a discussion led to the very subject Mr. Stanhope and Her Majesty's Government had excluded from the Conference's consideration, namely Imperial Federation.

(1) ibid., pp.. 470 - 71.



A discussion on imperial trade questions must, he believed, be one of the very first steps in any discussion on Imperial Federation. Again, he had not taken part, because he considered that none of their governments had been adequately prepared and therefore his opinion could express no definite view on the part of the New Zealand Government.

He urged as a practical proposition and one of effectually avoiding at once some of the disabilities under which colonial trade laboured, that the power of negotiation between the colonies and foreign countries, (subject of course, first to the assent of the Imperial Government, and secondly to the diplomatic supervision of Her Majesty's Ambassadors and Ministers in those countries), should be conceded to all colonies alike. He pointed out that this concession had already been conceded in the case of Canada, and requested similar treatment for the Australasian Colonies. The case in point affecting New Zealand in particular was over the need for trade negotiations between New Zealand and France. There was a possibility of a profitable and extensible trade in frozen mutton being opened up with France, but due to their heavy duty under protective legislation this trade was nullified. Through negotiation and the removal of French fears that New Zealand intended to increase duties on French goods it might be possible to arrange a treaty. Thus a mutually advantageous trade could be opened up with France and New Zealand, and France and Australia.

(1)

This proposition of Sir Francis Bell's was

(1) For full text of Sir Francis Bell's Memorandum see "Negotiations with Foreign Powers in matters of Trade." P.P., 1887, Vol.56. C.5091. Vol II. p.135.

immediately attached as being the very antithesis of the unity the colonial delegates had been striving to obtain in their previous discussions. Such a policy, Sir Samuel Griffith said, could mean that the French could have preference over England in New Zealand. The immediate advantages to New Zealand were obvious but should all colonies do the same thing, seeds of disunion would be sown making any unification of trade interests hopelessly impracticable.

Mr. Hofmeyr, (Cape of Good Hope) considered the memorandum eloquent testimony of the untenable character of the fiscal arrangements of the Empire and the advisability of a reconsideration by the Mother Country of her trade relationships with her colonies and with foreign powers. Considerable problems were raised by the proposition for if New Zealand could find a market for its products in France, just as the West Indies could find a market in the United States, it seemed to him a somewhat harsh measure to refuse such a right.

"If you refuse the right," he said, "you create a very great dissatisfaction and the people begin to ask: What is the use of the British Empire? If you grant the right you just as effectively promote the disintegration of the British Empire." (1)

In the face of this opposition Sir Francis withdrew his proposition, but pointed out that as he had understood the previous trade discussion it had been aimed at imposing restrictions on foreign trade, and yet his was an instance where the meat trade of South America could be restricted to

(1) P.P., 1887, Vol.56. C.5091. Vol.I. p.481.

the advantage of Australasia in the French market.

Mr. Hofmeyr brought discussion on the topic to a close, when, speaking for the delegates who opposed it, he showed that the difficulty was, "... whether permission should be given to any Colony to enter into a differential tariff arrangement with foreign Powers as against the rest of the colonies which are included in the British Empire. That is the great point, I must say that if such a liberty has been conceded to Canada I do not see how it can be withheld from Australia, or from any other colony, but at the same time it remains a most dangerous thing for the solidarity and unity of the Empire" (1).

In summing up the part this Conference played in opening up the subject of preferential trade within the Empire, the following trends can be noted.

There evolved the decision on the part of the colonies that all was not well with trade within the Empire. This led to the resolution that consideration should be given to all matters relating to the trade of the colonies, and in particular to the urgent needs of the Sugar Colonies.

The principle was established that justice to colonial trade was to be of equal concern to the Imperial Government as justice to the Home trade.

A preferential duty to be imposed on all foreign goods was suggested as the most effective way of countering foreign bounties and protective tariffs.

(1). ibid., p. 483.

The policy of freeing the colonies to allow them to foster trade to their own advantage wherever they were able to do so, met with strong opposition from the majority of the delegates present because it was believed it would have a disintegrating effect on the Empire.

The subject of preferential trade then was given its first hearing at the Conference, and whilst letting the Mother Country have a glimpse of the trend of colonial thought, at the same time it helped to crystallize the ideas of the free colonies. They discovered that most of them thought along the same lines, and all showed a readiness to adopt preconceived ideas to new situations. Amongst the colonials there was a strongly expressed desire to strengthen the imperial ties; and at the same time a realization of the inherent strength of a unified Empire.

As far as New Zealand was concerned, of her two representatives Fitzherbert saw the broader aspects of the problem of the declining sugar industry, and saw that before long there must be a considerable fiscal reform by the Mother Country if imperial unity was to be effective.

The time had not yet arrived when approval could be given to Dillon Bell's proposal for freeing trade negotiations. In matters affecting relationships with foreign powers the self-governing colonies were constitutionally entirely dependent on the Imperial Government. Yet it is an interesting revelation that New Zealand was seeking to broaden the basis of her trade, and not remain bound exclusively to the Mother Country.

There was very little newspaper comment on the Conference, such as there was, was confined to cable news. However it is interesting to note in a leading article in the "Otago Daily Times", when New Zealand representatives were thinking in terms of protection and preferential trade that the following should appear, "It is certain that our reputation for recklessness and instability cannot fail to be confirmed by the announcement that the Government consider a Protectionist tariff the best remedy for the financial situation ... We have just seen what a good effect the proposal of Sir Henry Parkes' to meet the financial crisis in New South Wales by a large improvement in the tariff in the direction of Free Trade, has had on the credit of that colony. And yet our Government propose to do the exact opposite. Nor is this all. They choose a time at which it is desirable to show that the Colony is prudent and stable by embodying in their policy facts of the most mischievous nature and experiments which are specially calculated to frighten people at home." (1)

The 1887 Conference had no results to show in the sphere of tariff reforms, but this was not to be expected seeing that it was purely consultative and the representatives were not the key policy makers of the Colonies. Still the eyes of the colonial representatives were opened to a possible new approach to the task of improving their trade, and bringing them closer together within the Empire.

(1) Otago Daily Times, 7 April 1887, p.2.

## CHAPTER 4.

### The Ottawa Conference, 1894. (1)

The second conference at which the subject of improving trade relations within the Empire was discussed, was summoned at the invitation of Canada. Though the subjects for discussion mainly concerned Canada, the Australian Colonies, and New Zealand, (for example the construction of a submarine cable from Vancouver to Australia and a fast mail service between Britain and Australia and New Zealand), representatives attended from the Cape of Good Hope, and Lord Jersey held a watching brief for Britain.

There was considerable dissatisfaction expressed in New Zealand newspapers at the selection of Mr. Lee Smith as that country's representative to the Conference. His appointment in view of the fact that he had no particular qualifications, and had been an unsuccessful Liberal candidate, was regarded as consolation for a defeated supporter. One leading article stated "We do not think Mr. Lee Smith is likely to do the Conference much good in Canada or wherever else he may be sent. The Government has had a great opportunity of rendering the Colony an essential service and has thrown it away in its desire to reward a political supporter." (2) In fact New Zealand's representative played a very subdued part in the Conference, and was overshadowed by the other colonial representatives.

(1) Proceedings of the Ottawa Conference 1894 cited in this chapter are from A. to J. 1895, A-5 and P.P., 1894, Vol. 56. C. 7553.

(2) Evening Post, 16 February 1894, p. 2.

In his report on the Conference, Mr. Lee Smith commented on what he believed was a changing imperial attitude towards the colonies. Hitherto the mass of the people in Britain knew little about colonial matters. They naturally accepted the expressions of their leaders as a guide, and a prolonged period of prosperity had fostered a sense of security in their insular strength, "Inspired by the idea that England was to be the permanent workshop of the world, her people became permeated with a complete insensibility to the value of national prestige in other directions. There was no contemplation of the time when the tide of trade receding - features of a very different character would present themselves. The weapons of industry have been largely taken hold of by those industrious races who once were regarded as permanent contributors to British employment. But a restricted field of operations in countries which are now themselves competitors in the world's trade has set in motion a current of enquiring thought as to the ways and means necessary for the maintenance of British supremacy. The magnitude, resources, and strategic value of the colonial dependencies have come into view. Their attractive features in this respect are becoming seductive to many who once disregarded their claims to admiration" (1).

Lee Smith then alluded to that section of the Federation League, (which had dissolved in 1893), who whilst regarding anything like parliamentary federation as impracticable, desired to secure imperial unity by means of commercial bonds supplemented by some form of consultative council. This desire to draw closer the bonds of Empire through

(1) A. to J. 1895, A - 5. p.2.

trade reciprocity was, he considered, the underlying motive of the Ottawa Conference. Self-interest, was in his opinion, the only basis on which any movement of that nature could safely and permanently rest.

The chief object of the Conference was to endeavour to find out whether there were any barriers in the way of commercial interchange which could be dispensed with. Hitherto there had been no effort made to examine the widely varying commercial and industrial conditions that existed throughout British dependences, and the Conference would endeavour to discover whether such could be made available to mutual advantage.

Discussion at first took place over the Victorian motion, "That provision should be made by imperial legislation to enable the dependencies of the Empire to enter into agreements of commercial reciprocity with Great Britain or with one another without foreign nations being entitled to share therein". (1)

In 1873 permission had been granted to the Australian Colonies to make differential treaties between themselves, and authority was now sought to enable them to make treaties with other British possessions. This motion was agreed to but was only a preliminary step towards a more advanced movement in the direction of establishing closer trade relations. Considerable discussion then took place on the resolutions moved by the Hon. Mr. Foster, the Canadian Minister of Finance :-

(1). ibid., p.3.



"Whereas the stability and progress of the British Empire can best be assured by drawing continually closer the bonds that unite the colonies with the Mother Country, and by the continuous growth of a practical sympathy and co-operation in all that pertains to the common welfare. And whereas this co-operation and unity can in no way be more effectually promoted than by the cultivation and extension of the mutual and profitable interchange of their products :

Resolved, That this Conference records its belief in the advisability and practical possibility of a Customs arrangement between Great Britain and her colonies by which trade within the Empire may be placed on a more favourable footing than that which is carried on with foreign countries.

And further resolved, That, pending the assent of the Mother Country to such an arrangement, in which she shall be included, it is desirable that the colonies of Great Britain, or such of them as may be disposed to accede to this view, take immediate steps to place each others' products on a more favoured basis than is accorded to the like products of other countries (1).

In the course of his address Mr. Foster emphasised the growing importance of the colonial trade to Great Britain. Empire cooperation and unity could in no way be more effectually promoted than by directing their efforts towards a more profitable interchange of trade. He was certain that if Britain and her colonies could be formed into a commercial union whereby the trade between the different parts of the Empire would have a more favoured position than foreign trade,

(1). ibid., p.6.

immense benefits would immediately accrue to the Empire as a whole.

For one thing, the strength, energy and genius of Britain would be directed toward colonial development. All this would lead to a strong prosperous and united Empire and, "in time a strength of conviction in the political status which would be beneficial to everyone in the colonies." (1)

Foster expresses in this last sentence an underlying doubt in those colonies most nearly attaining to national consciousness as to where their strivings for greater constitutional freedoms were leading them. A satisfactory solution to the desire to remain linked to Great Britain, and yet at the same time attain to a more complete national development would appear to be to replace political ties with strong and profitable commercial bonds throughout the Empire.

Granted the advantages of the scheme; but was it practicable? Here Foster realised that the first consideration was the interests of Britain itself. He questioned whether there was any theoretical reason why Great Britain should not give a more favoured place to the commerce of the colonies. Though an equally open market was given to colonial goods, the same favour was extended to foreigners who were their competitors, and consequently no favour was done to the colonies for which a favour could be asked in return.

Foreign countries certainly did not adopt the same attitude to the commerce of Great Britain. Forty or fifty years previously, he argued, Britain had her market free to the produce of the world, but in return had practically the monopoly

(1) P.P., 1894, Vol. 56. C. 7553. p.180.

of supplying the world with the manufactured goods it needed. Now fiscal walls were raised against her by every great country. Whereas in 1870 foreigners depended for nine-tenths of their manufactured articles on Great Britain, by 1890 they made nine-tenths of what they consumed within their own borders, and in addition used Britain's free markets to compete therein. For these reasons, and owing no goodwill commercially to foreigners there was no bar to Britain treating her own colonies a little better than foreign countries.

What extension Britain had made in her commerce had been done through her colonies, so that every colonial dependency that she possessed had become her customer. However she was being followed unrelentingly by rising foreign powers in this commercial warfare. Neutral markets such as in her vast new African territories were being divided with foreigners owing to her open door policy and consequently the area of her markets was diminishing.

Another factor he considered important was that the colonies were Britain's strategic food supply for they would never be at war with her. Such being the case they should be developed until they could supply all the food and most of the natural resources Great Britain need for her manufacturing.

As far as the colonies themselves were concerned, they already had protective tariffs so that his motion posed no difficulties for them. For Great Britain with her free trade policy, however, it was a different matter, he considered that taking cognisance of the growing importance of her colonies, she should affirm the principle that more favourable trade

arrangements should be made for the colonies than for foreign countries.

He felt that in view of their common sisterhood, and the benefits which would accrue to all from a system of preferences throughout the Empire, it would be wise if the colonies did not wait for Great Britain but did something about making arrangements themselves. For example Canada would establish a tariff so that for every British colony which gave a like reciprocation or adequate reciprocation, Canada would enact with reference to the goods being imported, that they should be scaled down 5% or 10% for the products of that colony. Such a differential rate would result in the direction of trade to the Empire.

Though Britain might not immediately be prepared to enter into a scheme involving her playing a reciprocal part, there were, in Mr. Foster's opinion, indications that public opinion in England was moving towards a more favourable attitude. He instanced an article in "The Times" which commented on a resolution passed in the Canadian Parliament to the effect that whenever Great Britain would give them preferential treatment, Canada would give a lower scale of duties to her products entering Canada. The article said that this was a remarkable step that Canada had taken. It deserved to be considered, but Great Britain could scarcely change her fiscal policy for one colony. What did the other colonies think about this? If it did happen that they thought in the same way, then the lead had been given to a remarkable proposition, which might lead to her changing her

fiscal relations entirely. This opinion was further supported, said Mr. Foster, by a speech of Lord Salisbury who said, "We live in an age of a war of tariffs, every nation is trying how it can, by agreement with its neighbours, to get the greatest possible protection for its industries, and at the same time, the greatest possible access to the markets of its neighbours. I want to point out to you that while A is very anxious to get the favour of B, and B is anxious to get the favour of C, nobody cares two straws about getting the commercial favour of Great Britain. What is the reason for that? Is it that in this great battle Great Britain has deliberately stripped herself of her armour and her weapons by which the battle is to be fought? You cannot do business in this world of evil and suffering on those terms. If you fight you must fight with the weapons with which those whom you are contending against are fighting." (1)

The time might be more or less distant when the people of Britain would fight out that practical issue for themselves, but come it undoubtedly would. Meantime the colonies could take hold of the question and solve it for themselves.

Hon. Mr. Foster concluded with the words, "Whatever the colonies undertake to carry out will have by its pressure the power of causing thought and moulding the subsequent action of Great Britain itself. My plea at the present time is that though we consider imperial reciprocity an ideal which may only be realised by and by, we should not divest ourselves of the

(1), *ibid.*, p.184.

thought that the union of the colonies in this matter is an idea which can be more speedily realised. It is a practical possibility, and we ought to come to the conclusion, I think, that we brethren of kin may do for each other more than we do for outside brethren, who are brethren only by descent from the common parent."<sup>(1)</sup>

For the reason that this was the first occasion that the case of imperial preferential trade was placed before the colonies and the Mother Country; and actual resolutions were made which aimed at bringing into being a practical policy, I have dealt with Hon. Mr. Foster's case in detail. The advantages to be gained from such a policy in the direction of enhanced trade throughout the Empire and in knitting the component parts of that Empire into a stronger unity were so obvious to him, that he believed the colonies should act at once, and that in due time Britain could be led to join with them on seeing the successful operation of the proposals.

Mr. Lee Smith, together with the delegates of New South Wales and Queensland opposed the resolutions. The New Zealand delegate agreed that the bonds of Empire would be bound more closely by paying more regard to the commercial relations between Great Britain and her colonies. However the colonies must ensure that nothing was done which in the slightest degree would hamper Great Britain in her trade relations with the world at large. She was a free trade country, and he believed she must necessarily continue to be a free trade country if she was going to preserve her preeminent position.

(1). ibid., p.184.

Britain had attained that position, in his opinion, through the start she had received in industrial inventions, and through the exhaustion of her rivals through war. She had continued to maintain that position through the adoption and maintenance of a free trade policy. Any efforts of an artificial nature would interfere with the condition of things as they then existed. For this reason he believed the policy for Great Britain lay immediately in the direction of continuing free trade. Protection of any raw product in England would limit the manufacturing power of Great Britain in comparison with other countries; would reduce the extent of her manufacturers and consequently affect the employment of labour. Anything they did at the Conference must not hamper Great Britain, which was exactly what Mr. Foster's resolution would result in doing.

As he understood it they might give Great Britain advantages but they could not ask her in return to place her customs duties in such a position as to give the colonies a better position than other nations. To do so she would have to impose tariffs where they simply did not exist.' He considered that the colonies' first move should be in the direction of reducing duties on raw products. He might be prepared to support a policy of discrimination in favour of some British manufactured goods in the colonies, but it would have to be understood that Britain could give nothing in return.

On the second day of discussion on these trade matters Mr. Lee Smith again reiterated his previous argument. With regard to the first resolution he asked "... do you mean

by that resolution that you would expect Great Britain to give an advantage by imposing duties on products sent from other countries in favour of us, because, if that is so I could not vote for it. I am prepared to vote in this direction, that the colonies give as much away as they like, to Great Britain, but I should not like to agree to vote for any resolution which would imply that Great Britain in response to that, would place duties on the products of other nations. I think this is complicating the question. I should like to see all the colonies place the goods of Great Britain on a better footing than the goods of other nations, and I should like to see a concession made between the colonies themselves, but I should not like to commit this conference to the proposition that Great Britain, in response, as a matter of reciprocity to us, should place other nations at a disadvantage by doing what they would have to do to benefit us, viz: to place duties on the goods of other nations. I do not think it is possible to do that, I do not think the British Government would listen to it for a moment. It is quite unthinkable and in the long run would hurt us."

Hon. Mr. Foster ".... It would resolve itself into this, that Great Britain could, as the proposition states, treat our commerce more favourably, in whatever particular she liked against foreign countries, and that could only be done by placing duties on goods of foreign countries."

Mr. Lee Smith. " We should get a larger exporting power by giving Great Britain a differential tariff, but it is



impossible to ask Great Britain to give us something like that."

Hon. Mr. Foster, "I said it would be manifestly unfair to require from us a greater return than we received from Great Britain."

Mr. Lee Smith. "Supposing there was a 10% duty, you ought to give them a similar duty. Great Britain imports about 24,000,000 L of wheat every year. Now putting the small duty of a shilling a quarter, which is 5%, upon it which would mean a taxation of 1,200,000 L a year. How are you to take duties off in retail articles to meet that? It is impossible. The volume of trade is 3 to 1. 75% of the trade of Great Britain is outside the British colonies."

Lord Jersey. "British trade with the British possessions is about  $\frac{1}{4}$  of the whole volume, and it is only 15% to the self governing Colonies."

Mr. Lee Smith. "Well it is worse still. If we get 5%, it is manifestly unfair that you should carry such a system on. Our business is a small one. The only way we can assist Great Britain is by allowing her to get as free access as we can afford to take her products into our colonies and thereby help her in the way of cheap duties to buy back from us. We should get British vessels coming from British ports and thereby assist our people into a large market by lower freights and better exchange rates. You cannot expect Great Britain would be content with a similar reduction of duties because one is a large volume of business and the other a small one, and the British people would not listen to it for five minutes.

The true way is to encourage Britons to sell to us, and then they must necessarily by the laws of trade, be in a better position to buy off us." (1)

Mr. Lee Smith in this enlightening discussion quoted at length above, developed the argument which was to prove the stumbling block preventing England from reciprocating the colonies' preferential trade gestures, namely that the sacrifice would be too one sided. Even were she to change her free trade policy, the advantages to be gained lay entirely with the colonies, whilst reciprocity would involve almost the entire sacrifice being made by her. The New Zealand representative also pertinently referred to the small proportion of Great Britain's total trade which was done with the self-governing colonies and the great danger to her commerce were she to raise a tariff wall against the large proportion of her trade which was with foreign nations.

Hon. Mr. Foster in the above discussion made a revealing comment when he referred to the unfairness of requiring from the colonies a greater return than they received from Great Britain. Even though Canada, and later New Zealand, South Africa, and Australia were to pass preferential trade legislation with a great show of loyalty and openhandedness; underlying it always was the spirit of this remark of Hon. Mr. Foster's. Though he made no mention of it in Parliament Seddon told his constituents that Great Britain was inviting the dismemberment of the Empire did she not reciprocate the preferences he proposed in his Bill of 1903.

(1). ibid., pp. 206 - 8.

Threats to the effect that she might have to revise her policy were later to be made by Canada, if Great Britain did not reciprocate. The actual sacrifices the colonies were to make were very limited and provisional, and one is left with the disturbing thought that this outspoken seeming generosity was but a "sprat to catch a mackerel".

The original resolution was amended to read, "That this Conference records its belief in the advisability of a Customs arrangement between Great Britain and her colonies by which trade within the Empire may be placed on a more favourable footing than that which is carried on with foreign countries.

And further resolved, That, until the Mother Country can see her way to enter into such an arrangement, it is desirable that the colonies of Great Britain, or such of them as may be disposed to accede to this view, take steps to place each others' products in whole or in part on a more favoured Customs basis than is accorded to the products of other countries." (1)

The first resolution was passed by five votes to three. New South Wales, New Zealand and Queensland dissenting, but these latter affirmed the second resolution.

Having agreed to these proposals the Conference then affirmed the following principles ;

(a) "That all existing treaties between Great Britain and any foreign Power which prevent self-governing dependencies of the Empire from entering into more favoured trade relations with

Great Britain and each other should be abrogated.

(b) The Customs arrangements between Great Britain and her colonies should be such as to give a preference to the Mother Country in the markets of the colonies, and to the colonies in the markets of Great Britain.

(c) That the stability of the Empire can be best secured by the adoption of a policy which would lead to the cultivation and extension of a mutual and profitable interchange of products.

(d) That this could best be accomplished by a Customs arrangement between Great Britain and her colonies by which advantages would be secured in the markets of either not granted to foreign powers.

(e) That until the Mother Country is prepared to enter into such an arrangement, all impediments in the way of colonies adopting reciprocal arrangements should be repealed.<sup>(1)</sup>

Mr. Lee Smith was impressed by the possibilities of this inter-colonial reciprocity, and considered that some definite progress could be made at the Conference by setting about an examination of the various tariffs, in order to discover how best the commencement of the preferential trade policy could be effected. Though he received no support for his suggestion that this should be done at the Conference table, it was decided to hold informal discussions among the various participating colonies. The New Zealand and Canadian representatives met and exploratory talks took place. New Zealand suggested reduced Canadian duties on wool, hides and butter in return for lower

(1) A. to J., 1894, A - 7. p.2.

duties on paper and agricultural machinery. This cursory examination did reveal several anomalies and Lee Smith recommended to the New Zealand Parliament a closer study of the possibilities.

In concluding his report Mr. Lee Smith pointed to future trends in Empire commercial relations. These he believed could not be achieved all at once but would take time and many steps towards fulfilment, however a commencement in the direction of immediate tangible advantages however small, could be made. "In the opinion of many English and colonial statesmen," he wrote, "the time is fast approaching when commercial union between all the British possessions would not only be advantageous, but be absolutely necessary for the maintenance of the Empire's supremacy. The immediate construction of a comprehensive scheme for insuring a common defence, a self-dependent commercial and industrial existence, and a complete imperial unity in every sense, is the dream of the Federationists. The idea does more credit to their patriotic zeal than to their judgement. The barriers that lie across the path of federation are numerous and difficult of removal. They will have to be approached cautiously and taken in detail so that the risk of mistake be minimised. The British Constitution was not made in a day, in a year or in a lifetime, and to ignore this consideration in the case of federation is to invite failure .... It is the recognition of these difficulties which has convinced many thinkers on the question that the first steps towards its solution should be in the direction of trade reciprocity. The

obtaining of some immediate and tangible trade advantages, however small, by these means would excite public interest in the matter and set in motion speculative inquiry on the subject generally. What is really wanted is an object lesson that would in itself demonstrate in a practical manner the advantages to be derived by the means of preferential commerce .... At the Ottawa Conference this aspect of the matter received attentive consideration. It seemed to be generally agreed that the time was opportune for some move to be made in the direction of favoured Customs duties between the several British colonies as against outside countries. It is seen that the world generally is going in the direction of Protection. In view of this and the gradual shutting out of her manufactures in foreign markets, would not Great Britain, it was asked, be wise in preparing the way for a future advantage to herself, and a present one to her dependencies by differentiating her tariff in their favour? .... The keynote to the commercial line Mr. Foster would play to the outside world was commercial union, with favour to the Empire against foreigners, so stimulating the growth and progress of the colonies. Most people would agree with this were it immediately practicable. But it is to be feared that the time is not yet when Great Britain can afford to make such discrimination between the one or the other contributors to her commercial and industrial requirements. Until the colonies are in a position to satisfy her demands to a much larger extent than they are now capable of doing it seems hopeless to expect that a preference, which would be so costly to her people could

be granted. But there is no reason why in the meantime some steps should not be taken to obtain a partial realisation of advantages that, it is hoped, would follow from preferential colonial tariffs."<sup>(1)</sup>

The response of the Imperial Government to the foregoing trade resolutions, which would have meant a radical change in Britain's commercial policy, was immediate. In a lengthy dispatch to the Governors of the colonies the Secretary of State for the Colonies, Lord Ripon, pointed out emphatically that the Imperial Government could not agree with or would take any action about the resolutions. They had the utmost sympathy with any proposals which would promote the stability and progress of the Empire, but they could not agree that those put forward at the Conference would have this effect and in fact believed they were to the detriment of the Empire for the following reasons,<sup>(2)</sup>

1. Though Great Britain would consider a policy in principle free from objection which advocated the establishment of a Customs Union comprising the whole Empire, whereby all existing barriers to commercial enterprise were removed the delegates had considered that the circumstances of the colonies made this impossible.

2. The policy recommended, involving the establishment of differential duties in the Mother Country in favour of colonial produce, and in the colonies in favour of the produce of the Mother Country meant a complete reversal of the fiscal and commercial system which Great Britain had adopted fifty years previously.

(1) A.to J. 1895. A - 5. p.17.

(2) For full text of the Dispatch see A.to J. 1896, A-2, pp. 8 - 19.



3. Compared with an absolutely free trade policy, differential duties from the consumer's point of view added cost where such had not previously existed, and also dislocated trade by diverting it from its regular and natural channels.

4. Such a policy would mean increased taxation, and at the same time a serious net loss of trade, because by adopting a preference by remitting duties in favour of British and colonial goods, it was obvious that, as the total trade of the Empire with foreign countries far exceeded the trade between the various members constituting the Empires, the volume of trade upon which taxation was to be placed exceeded the volume which would be partially relieved. The burden naturally would fall on those parts of the Empire which had the largest proportion of foreign trade, namely Great Britain. In her case the loss would more than outweigh the gain in other parts.

5. As the bulk of the Mother Country's imports were in the form of food or raw materials for manufacture, a duty on food would mean a diminution of the real wages of workmen, and one on raw materials, unless compensated for by lower wages, would impede competition with trade rivals. The British manufacturer would be at a disadvantage in the open markets of the world. Any remission of duties in the colonies would scarcely place him on level terms with his foreign competitor.

6. The imposition of duties on foreign produce would mean that the great re-export trade of Great Britain as the world's entre-<sup>pot</sup> would be lost: Goods would then be sent direct to their market.



7. All this would react strongly against Britain's carrying trade, and in fact every industry in the United Kingdom would be injured.

8. On the other hand the gain to the colonies would be altogether incommensurable with the loss of the Mother Country. It was improbable that there would be any permanent gain, for apart from the loss of purchasing power due to lower wages it was obvious that a reduction in imports from foreign countries would be followed by a reduction in exports to them. As a considerable part of these were colonial materials manufactured and re-exported, the colonies would be losers as well. Therefore the demand for colonial produce, even with the preferential advantage, would not be likely to increase, and the price for it would not be enhanced.

9. If differentiation were confined to specific articles the difficulty of arriving at an equitable arrangement would make satisfaction to colonies and Mother Country seem almost impossible. The adjusting of the value of the concessions on each side would vary according to the number of colonies participating. Different colonies would approach the consideration of the question from entirely different angles.

10. In the colonies a remission of duty on the bulk of imports would involve loss of revenue entailing an entire readjustment of their fiscal systems. This would result in increased direct taxation.

11. Foreign rivals would probably retaliate with results injurious to the trade of the whole Empire.

12. The Conference had ventured the opinion that

because the colonial trade of Great Britain increased so much faster than the foreign, that at no very distant date the proportions would be reversed. However the proportion of colonial to foreign trade was very nearly the same then as it had been forty years before.<sup>(1)</sup> So although the colonies had room for expansion, and English capital had flowed more freely into them than into foreign countries, there was no indication of any sustained alteration in the relative proportions of foreign and colonial trade. Even if these proportions were reversed Her Majesty's Government were convinced that the evil results of a preferential policy would be only mitigated slightly.

13. "A consideration of these practical difficulties, and of the more immediate results above indicated of a system of mutual tariff discrimination has convinced Her Majesty's Government that, even if its consequences were confined to the limits of the Empire, and even if it were not followed by changes of fiscal policy on the part of foreign Powers unfavourable to this country, its general economic results would not be beneficial to the Empire. Such duties are really a weapon of commercial war, used as a means of retaliation, and inflicting possibly more loss on the country employing it than on the country against which it is directed, and which would not be likely to view them with indifference."<sup>(2)</sup>

With regard to the second resolution, which urged that the colonies should be permitted to place each others' products on a more favoured customs basis, Lord Ripon pointed out that

(1) Ripon supplied Table of Trade Statistics for period 1854 - 93, ibid., p.11.

(2) ibid., p.10.

though this at first sight appeared simply to be an inter-colonial matter, and therefore, seeing Her Majesty's Government always gave full liberty to the colonies to frame their own fiscal systems there should be no objection made. However more was involved in it than that - Because the object of a differential duty was a diversion rather than an increase in trade and because colonial trade with foreign countries was insignificant compared with that carried on with the Mother Country and other colonies, it would be difficult for one colony to give a preference in its markets to the trade of another; solely at the expense of the foreigner, and without at the same time diverting trade from the Mother Country or sister colonies .

This might lead to unfriendly feelings, and certainly would not be conducive to a unified Empire, and progress in commerce. Her Majesty's Government held the responsibility for the general welfare of the Empire, and they would have to scrutinize any such proposals very carefully to see that no colony would gain advantage to the prejudice of others. To this end, any Bill passed by a colonial legislature would have to be reserved until Her Majesty's pleasure was signified.

As far as that resolution was concerned which called on Great Britain to remove any clauses in existing treaties which would prevent colonial trade reciprocity, the only stipulation in them was that which prevented the British colonies from granting preferential treatment to Great Britain. There was no clause to stop the Mother Country from granting preferences

(1)  
to the colonies, nor the colonies favouring each other.

The only point to consider was whether the advantages to be derived from permitting the United Kingdom from enjoying preferential treatment in the British colonies was sufficient to outweigh the disadvantages to the Empire of denouncing the Belgian and Zollverein Trade Treaties. The following figures<sup>(2)</sup> of the trade of the United Kingdom showed where her interests lay :-

1893	Exports to Germany	£28 million
	" " Belgium	£13 "
	Total	£41 "
	Exports to Colonies (excl. India)	£35 "

(1) Article VII of the German Treaty - "The stipulations of the preceding Articles I - VI shall be applied to the colonies and foreign possessions of Her Britannic Majesty. In those colonies and possessions the products of the States of the Zollverein shall not be subject to any higher or other import duties than the produce of the United Kingdom of Great Britain and Ireland, or of any country of a like kind. Nor shall the exportation from these colonies or possessions to the Zollverein be subject to any higher or other duties than the exportation to the United Kingdom of Great Britain and Ireland."

Quoted in Evening Post, 5 May, 1897, p.5.

(2) A. to J. 1896, A - 2, p.14

The denunciation of the treaties would involve risks, possible loss of part of her export trade, lack of the permanence and security so needful for successful interchange of trade due to constant fluctuations, and above all, there was no indication of the precise advantages to be secured to the United Kingdom export trade to the colonies. The latter would lose the advantages they gained from inclusion in the treaties. For these reasons Her Majesty's Government considered that it would not be prudent to denounce the treaties.

The Secretary of State for the Colonies then dealt with the interesting constitutional problems occasioned by the colonies' desire to extend their commerce through agreements with foreign powers. Sir Henry Wrixon of Victoria had raised the question at the Conference when he said, "I do not know that I have ever thoroughly understood the position which the imperial Government takes with regard to the power which they have allowed to Canada, and the Cape, because we all know that nations can only know one another through the supreme head. Each nation is an entity as regards any other nation, and I have no knowledge of how you recognise part of the Empire making arrangements for itself. If you look at the thing in the last resort, supposing conflicts arose, or cause of war, the foreign power that had cause to complain of the breach of a commercial treaty must naturally look to the head of the Empire, and they could not be put off by telling him to look for satisfaction to the dependency, ---- therefore I am quite against any attempt to recognise the right of a dependency of the Empire to act on its own behalf. Everything must be done

through the head of the Empire when we are dealing with foreign nations -----." (1)

Lord Ripon agreed that that must be the procedure to be followed for the reasons that Sir Henry had given. A foreign power could only be approached through Her Majesty's representative, and any agreement entered into was an agreement between Her Majesty and the Sovereign of the foreign state. It was to Her Majesty's Government that the foreign state would apply in case of any question arising from the agreement. "To give the colonies the power of negotiating treaties for themselves without reference to Her Majesty's Government would be to give them international status as separate and sovereign states, and would be equivalent to breaking the Empire into a number of independent states, a result which Her Majesty's Government are satisfied would be injurious equally to the colonies and to the Mother Country, and would be desired by neither." (2)

These negotiations would be carried out by Her Majesty's representative at the court of the foreign power, assisted by the colony's adviser as a second plenipotentiary in a subordinate capacity. Arrangements arrived at would have to be approved by Her Majesty's Government and the Government of the colony concerned.

All negotiations would have to be restricted by the following considerations: Firstly, that the colony could not offer a foreign power tariff concessions which were not at the

(1) ibid., p.16.

(2) ibid., p.17.

same time extended to all other Powers entitled by the treaty to Most-Favoured-Nation treatment in the colony. Secondly, that any tariff concessions proposed to be conceded by a colony to a foreign power should be extended to the Mother Country, and to the rest of the Colonies. Her Majesty's Government presumed that no colony would wish to afford to foreign nations, most of whom were linked to the Most-Favoured-Nation network of treaties, better treatment than it accorded to the Empire of which it was a part. Whilst preferential tariff treatment was a friendly act to the country receiving it, it was an unfriendly act to those excluded from it. Should a colony fail to grant at least as favourable terms to her sister colonies and the Mother Country as it did to foreign nations such a step could not fail to alienate that colony from the rest of the Empire, and attract it politically as well as commercially toward that foreign power. In such a case, seeing that the interests of the Empire as a whole were endangered Her Majesty's Government would not assent to the arrangement. In like manner Her Majesty's Government would feel it their duty to have any foreign concessions extended to the rest of the Empire, or at least ascertain whether other colonies affected would wish to be made a party to the arrangement. Should the foreign power not agree and the result to trade be prejudicial to those excluded parts of the Empire, it would be necessary to consider whether, in the common interests the negotiations should be proceeded with.

The guardianship of those common interests of the



Empire rested with the Mother Country and they could not in any way be parties to, or assist in any arrangements detrimental to those interests as a whole. In the performance of that duty apparent sacrifices might sometimes be required, but the Government was confident that their general policy in all matters involving colonial interests was sufficient to satisfy the colonies that they would not, without good reason place difficulties in the way of any arrangements which a colony might regard as likely to be beneficial to it.<sup>(1)</sup> No practical advances were made in establishing the trade of the Empire on a preferential basis, though progress had been made from the tentative discussions of the 1887 Conference. Canada had come forward with a prepared case, which had received strong colonial support, but had been categorically negatived by the Imperial Government. The United Kingdom would not change her fiscal system, nor was she prepared to sacrifice the known advantages of her trade with the Zollverein and Belgium for the very doubtful advantages which the colonies might extend to her by preferential treatment.

Though at first sight the proposals would appear to assist in unifying the Empire, the Imperial Government believed that there were inherent in them seeds of distrust and discontent which would serve to alienate the colonies, as advantages were gained at the expense of sister colonies.

Hence, though she acquiesced in the principle of her

- (1) I have dealt with the cases put forward by both sides at some length because all future Conferences find the Colonial and United Kingdom representatives using the same arguments or variations on the same theme.



colonies making mutual tariff arrangement all must be done under her strictest oversight.

The proposals put forward by Hon. Mr. Foster show the delegates thinking of the idea of Commercial Union, and the Secretary of State for the Colonies gives the impression that the Imperial Government would look favourably upon such a scheme, provided it was based on the principle of free trade.

New Zealand's delegate showed himself acutely conscious of the debt his country owed the Motherland, and signified willingness to make sacrifices for her provided nothing was asked in return, and nothing was done to hamper her trade. This was the idealism of a man divorced from the political arena. The colonial Governments simply could not justify such an altruistic policy to their electors.

Those of Mr. Lee Smith's arguments relating to the effect on Great Britain's trade of adopting a protective policy were undoubtedly correct at the time. The great part of her wealth was derived from her commerce, her shipping, and her investments with foreign nations and any hindrances, through increased duties on raw materials, would hamper her in the competitive struggle for markets against foreign manufacturers.

The New Zealand delegate viewed the problem from the British standpoint and in so doing, does reveal an immaturity as far as national consciousness is concerned when compared with the forthright stand of the Canadian delegates.

In his decision Mr. Lee Smith reflected at least the opinion of the New Zealand press, The "Otago Daily Times" in a

leading article said, "We do not approve of the resolution which was carried by the Conference favouring preferential duties within the Empire, and we observe with satisfaction that this colony's delegate voted with the minority. The people of Britain cannot, and ought not to be expected to agree to any course of action which would place their receiving continued food supplies in the slightest danger. ---- Britain has long held aloft and alone the banner of free trade, though there is reason to believe that she will by and by be joined in this matter by the English speaking Republic and Britain will not, we may feel assured, desert free trade now." (1)

The "Evening Post" denounced the proposal and the Conference in more vigorous terms :- "It strikes us very forcibly that the great Ottawa Conference has been something very much in the nature of a fizzle ----- as regards any commercial or political results the record is entirely a blank. Judging from the cable news of the proceedings it does not seem that Australasia in general or New Zealand in particular is likely to benefit at all by what has been done.

The main business of the Conference seems to have been the carrying of a resolution in favour of what is known as preferential trade. This we regard as distinctly a step in a wrong and backward direction. It is satisfactory to note that the representatives of New Zealand, New South Wales and Queensland voted against it. Preferential trade is a bad

(1) Otago Daily Times, 13 July 1894.

kind of Protection. It violates the principles of trade without even bringing with it the compensating advantages which are claimed on behalf of Protection. To these colonies preferential trade would mean loss on every side. We fail to see what New Zealand could possibly gain in return for what it would lose under such a system. It is fortunate, however, that the decision of the majority at the Ottawa Conference is not likely to be attended with any practical effect, as the adoption of the system recommended would conflict with large imperial interests, and seriously prejudice imperial obligations. Preferential trade, Fair trade and other similar nostrums recommended, invented or supported by faddists associated under some high sounding name or title; as a League, have long been recommended as a remedy for commercial depression, but the verdict of practical business men and of statesmen has been that the remedy would prove worse than the disease. The resolution of the Ottawa Conference is not at all likely to have any practical effect on the policy of the Empire."<sup>(1)</sup>

At the time this was undeniably true but the resolutions did portend the line of action that the colonies would take in their efforts to increase trade within the Empire, and strengthen the whole. Before many years had elapsed their demands for preferential trade were to grow in vigour, and they were to find in the Imperial Cabinet itself one of its strongest advocates.

Sir Henry Wrixon, addressing the Royal Colonial

(1) Evening Post, 23 July 1894.

Institute after the Conference forecast the growing prominence of the question, "When the stress of foreign competition increases here, while at the same time the markets of our dependencies are growing in importance, some form of union for the Empire will not appear to be as impracticable as to many it seems now. The action of foreign countries as they press the Tariff war, or rather Tariff attack - for there is no response from England, will push this question upon us how little soever we may like it.

The great fact is this concentration which is daily accomplishing itself. What in the end it will bring us to, politically and commercially, may be hard to say. Growth in these matters is better than construction. So with England and her colonies events will be brought forth in her own way by the fertile future. ---- (1)

(1) Royal Colonial Institute. Report of Proceedings,  
1894 - 95, Vol. XXVI, p.37.

## CHAPTER 5.

### Customs Duty Reciprocity Bill 1895.

Arising out of the talks at the Ottawa Conference the New Zealand Government provisionally arranged reciprocal treaties with Canada and South Australia. In the speech from the throne it was announced that these Agreements would be submitted to Parliament for ratification.

It should be noted that the subject of Reciprocal Tariff Treaties with Australia had been brought to the notice of the governments of the day on a number of occasions between 1889 and 1894. All agreed upon the desirability of such action, but nothing positive was forthcoming, due probably to the change in the ministries of Atkinson, Ballance, and Seddon during this period. Other pertinent reasons were the free trade policy which New South Wales adopted then, making reciprocity impossible; and the small trade done with protectionist South Australia making it unnecessary.

So it was not till 1895 that any step forward was made toward intercolonial reciprocity.

Hon. Mr. Ward in introducing the second reading of the Customs Duties Reciprocity Bill <sup>(1)</sup> said that he was sure the House would agree that it was desirable to extend trade to outside places, and though this Bill was specifically directed towards reciprocal trade with Canada and South Australia it was in the direction of practically asking the

(1) N.Z.P.D. 1895, Vol.91, pp. 789 - 93.

House to assent to the entering into treaties with other countries as well.

The Imperial Government, he said, had by the Australian Colonies Duties Act of 1894, enabled the several colonies to enter into treaties with other countries under the dominion of the British Crown subject to imperial assent, with the object of increasing trade between the colonies. He asked members to keep in view, the fact that in an isolated country such as New Zealand, at the distance they were from the consuming centres of the world, it was of material consequence to broaden the avenues of trade, and to add to their export business with any country so long as it was done on fair lines. He disagreed with the opinion expressed by some that the benefits accruing would be one sided, and all in Canada's favour. He believed that provided proper freight arrangements were made a great number of articles would be sent from New Zealand to Canada, and that on even terms the manufacturers of New Zealand would not be harmed, and would in fact be more than able to hold their own.

With regard to the South Australian Trade, there had been considerable comment as to whether it was desirable to enter into trade relationships with that Colony, in view of the fact that New South Wales had adopted free trade, but he felt that even if South Australia followed her example, New Zealand would benefit in the long run through having established the trade connection, and might secure a far greater extension. The Bill provided the necessary power, if it should be necessary to enter a treaty with New South Wales.

He reiterated his belief that whether it was done then or at some future date, the necessity undoubtedly would arise for New Zealand to find fresh markets for its products, and to extend its commercial relationship with other places beyond those avenues it already had. With increasing population and land settlement the New Zealand producers had to have the encouragement of fresh markets for their produce to bring more people to settle on the land.

The second reading of the Bill was defeated upon a division by 28 to 26.

In spite of this rejection Hon. Mr. Seddon reintroduced the Bill later in the same month<sup>(1)</sup> on the grounds that the New Zealand Parliament were treating the provisional agreement entered into with the South Australian colony with scant respect in not rearing it a second time. The principle of the measure, he submitted, had been agreed to by a large majority for a number of years. He would have preferred the reciprocity to have been with New South Wales, with whom New Zealand carried on a much greater volume of trade. He considered that the Bill had been rejected on the first occasion owing to its being a double measure, with members disagreeing with a Canadian treaty. As the subject of the Vancouver service had been held over till the following session he thought it not unreasonable to omit the Canadian section of the Bill, and hold it over until the steamship line was established.

The measure was attacked on the grounds of the negligible amount of South Australian trade, and the fact that

(1) N.Z.P.D. 1895, Vol 59, pp. 901 - 14.

there was no direct communication.

Captain Russell the leader of the Opposition, considered it would impede the cause of reciprocity with all Australian colonies by creating jealousies and the arrival of free trade with the other colonies there would be impeded. Had he the time, he said, he would have liked to have spoken on the questions of federation of the colonies, and the establishment of a Zollverein between Europe and the colonies of Australasia.

Some considered the measure should be held over a few years until the federation of Australasia took place, then New Zealand would unite in a combined tariff policy.

The Colonial Treasurer pointed out that what trade New Zealand did with South Australia was hindered by high protective duties, and it was in her interests to stimulate trade between the two colonies freed to a considerable extent, from these barriers.

The measure was then passed. It was in operation for seven years but was terminated in 1901 by the formation of the Australian Commonwealth, with which no reciprocal agreement was then made.

This Bill bears on this thesis to the extent that it shows New Zealand realising the need for fresh markets and seeking them first within the Empire. By a policy of reciprocal preference the hampering effects in trade of tariff barriers would be reduced.

It should also be borne in mind that it arose out of the trade discussions at the Ottawa Conference.



And finally its passage through Parliament reveals the strength of the opposition to any measure which did not hold out the certainty of a profitable exchange of trade. The size of Canadian trade potential as compared with New Zealand's raised a doubt as to whether New Zealand would not suffer through such a treaty and it was therefore suspect.

## CHAPTER 6.

### The Conference of Premiers 1897.<sup>(1)</sup>

For the first time in the history of the Empire all the self-governing colonies were represented by their Premiers at the conference. Hitherto delegates had been very limited, as they could not speak with any measure of authority. Now with the executive heads of the Colonies present much more effective progress was expected. Three of the Premiers were conspicuous. Reid of New South Wales, a great free trader fighting a losing battle in his part of the world; Laurier of Canada, who had already at previous conferences earned a reputation for distinction and accomplishment; and thirdly massive and sturdy Seddon of New Zealand, who though primitive in some of his economic notions, was the most devoted imperialist of them all. They had gathered to pay the homage of the daughter colonies to Queen Victoria upon her Diamond Jubilee. The spirit that permeated their meeting was one of pride of Empire, and a genuine desire to knit the loosening ties of Empire closer.

On their way to the Conference, Seddon met the Premiers of the Australian colonies at Hobart where they discussed the common problems they would raise at the Imperial Conference. Their first subject was trade relations with the Mother Country, and it was resolved, "to favour closer commercial relations between the Mother Country and the Australasian colonies on the basis of mutual advantage, and

(1) Memorandum on Conference of Premiers cited in this chapter is in P.P., 1897, Vol.59. C.8596, and A.to J. 1897. A - 4. pp. 5-8.

that full enquiry into the subject, whether by a commission of experts or otherwise, should be instituted. As it was impossible to form an accurate estimate of the extent of trade between the colonies and foreign nations, it was deemed advisable to have further inquiry made, with the view of ascertaining the amount of such trade, and also what legislation, if any, is necessary." (1)

Canada, just prior to the Conference had brought the subject of closer commercial relations to a practical issue by offering preferential terms to the Mother Country.<sup>(2)</sup> These could not be accepted because of the German and Belgian Treaties, so consideration of any action to be taken on this matter necessarily became prominent on the agenda.

Unfortunately the full text of this Conference has not been released, and all that is available is a public statement made by the Secretary of State, for the Colonies, Joseph Chamberlain, at its conclusion. Though a full report of all proceedings was taken and furnished to every delegate for reference purposes, with the object of preserving the informality of the discussions, these were not published.

(1) A. to J. 1897, B- 6, Financial Statement, p.XXXI.

(2) Otago Daily Times, 7 July 1897, p.2, "Canada certainly by her recent tariff in which she establishes differential duties in favour of English imports, seems to recognize that statesmanship does not consist entirely of making all demands and giving no concessions; but even Canada was driven into apparent magnanimity by the desire to pay off the U.S. for the DINGLEY tariff".

It would have been of considerable value to this thesis to have been able to study the case put forward by Seddon, but of necessity, one is forced to use such sources as the newspaper summary, newspaper reports and Seddon's statements in Parliament and arrive at his approach and contribution to the discussion.

In 1895 Salisbury had formed his third Cabinet, and Joseph Chamberlain had accepted the post of Colonial Secretary. He brought his energetic genius to his new appointment, and it was soon obvious that he was liberalizing his previous ideas. In a speech at the Canada Club in 1896 he laid down four, as he held, incontrovertible propositions: That there was a universal desire among all the members of the Empire for closer union; that experience had proved that closer union must be approached from the commercial side; that most of the suggestions, hitherto offered were scarcely favourable enough to meet the views of the imperial statesmen; and that the right measure was the establishment of a true Zollverein or Customs Union, with free trade throughout the Empire. Although this would involve the imposition of duties against foreign countries, and would in that respect be a derogation from the high principles of free trade, it would still be a proper subject for discussion, and might probably lead to satisfactory arrangements if the colonies on their part were willing to consider it.

This speech was very favourably received by the Chambers of Commerce in the United Kingdom, and speaking at their Congress in 1897 prior to the Imperial Conference, Chamberlain further amplified his own personal ideas, "If we had Commercial Union

throughout the Empire of course there would have to be a Council of the Empire, and that Council would be called upon to watch over the execution of the arrangements which might be made, to consider and make amendments in them from time to time, and whenever such a Council is established, surely there would naturally be remitted to it all these questions of communication and of commercial law in which all parts of the Empire are mutually interested. Even Imperial Defence is only another name for the protection of Imperial Commerce. Gradually, therefore, by that prudent and experimental process by which all our greatest institutions have been built up, we should in this way, I believe, approach to a result which would be little if at all distinguished from a real Federation of the Empire. ----- The establishment of Commercial Union throughout the Empire would only be the first step but it would be the main step, towards the realisation of the most inspiring idea that has ever entered into the mind of British statesmen." (1)

Chamberlain had realized the deadlock facing any trade discussions with the colonies, due to the two irreconcilables, free trade, and protection, and sought a third course. He had noted how the Zollverein between the German States had played its part in creating political unity, and he believed this example could be followed with modifications to suit the British Empire. A world wide British Zollverein, with free trade between its ports and duties on foreign products seemed the one policy great enough to justify the Mother Country in abrogating the principle of "free imports." He left no doubt however that within the Empire, protection must disappear.

(1) Quoted by Marris, N.M. The Rt. Hon. Joseph Chamberlain, p.384.

But in most of the colonies protection had even then developed too many vested interests for that to be acceptable. The ideas of List had penetrated the British Empire. This happened not because colonial statemen pursued wide studies in economic theory, but statesmen and people saw things as List saw them. The economic problems with which they had to grapple, and the social ideals which they cherished drove the overseas democracies, through a struggle of ideas and interests towards policies of economic nationalism. They were not prepared to sacrifice these policies for the sake of an Imperial Zollverein. Empire free trade, would they believed, condemn them to economic provincialism, and would expose their standards of social well-being to the attack of British cheapness. With Seddon advocating, and providing, such an advanced programme of social betterment in New Zealand we can reasonably assume that he would prove a staunch opponent to any imperial scheme which might threaten it. Yet the colonial Premiers did believe themselves to be imperial patriots and wished to prove it. Their answer was Imperial Preference.

The debates of the Conference barred once for all the proposal of an Imperial Zollverein, but opened a new hope. If the dream of Empire free trade was extinguished, compensation might be found in an enlarged conception of preference. Chamberlain stated the position, "Permit me to say that very definite suggestions have been before the Conference, and one of them has, to a certain extent, been approved, and another has been undoubtedly rejected by the general opinion of the

Conference. The one which was rejected was the proposal for a Zollverein with free trade in the British Empire. The colonies represented that that is at all events at the present time, a counsel of perfection which they cannot contemplate as possible. Then the second proposal was that those colonies which have a protective duty should be asked to consider whether they would not follow the example of Canada and give a preferential advantage to the Mother Country.<sup>(1)</sup>

From his subsequent actions and speeches there is every reason to believe that Seddon was in full agreement with such proposals, and within the limits of political expediency intended doing something about them.

The following resolution was unanimously adopted, "That in the hope of improving trade relations between the Mother Country and the colonies, the Premiers present undertake to confer with their colleagues with a view to seeing whether such a result can be properly secured by a preference given by the colonies to the products of the United Kingdom."<sup>(2)</sup>

Chamberlain then discussed the treaties existing between the Mother Country, acting on behalf of the colonies as well as herself, and foreign countries. The colonies had already requested the denunciation of the treaties, notably with Germany and Belgium. He pointed out that this involved serious considerations by Great Britain seeing that her trade with these two powers was larger than her trade with the colonies combined. In addition Germany and Belgium might retaliate

(1) Quoted by Garvin, J.L. Life of Joseph Chamberlain, Vol. III, p.191.

(2) A.to J. 1897, A - 4, p.8.

so any action taken would have to be in deference to very strong opinion both in the United Kingdom and in the colonies. Both powers had protested over Canada's offer of preferential terms, and Her Majesty's Government wanted the opinion of the colonies as to whether the treaties should be denounced. Should it be their unanimous wish that this be done, Her Majesty's Government would most earnestly consider their recommendation and give to it the favourable regard it deserved.

He also pointed out that owing to her Most-Favoured-Nation treaties which applied to Great Britain and colonies alike, any preference given to any foreign country would necessitate the concession of similar terms to all countries included in those obligations.

The following resolution was unanimously adopted, "That the Premiers of the self-governing colonies unanimously and earnestly recommend the denunciation at the earliest convenient time of any treaties which hamper the commercial relations between Great Britain and her colonies."<sup>(1)</sup>

The Imperial Government immediately gave effect to this request and notified the Governments concerned of their wish to terminate the commercial treaties with Germany and Belgium, which alone of the existing commercial treaties were a bar to the establishment of preferential tariff relations with the Mother Country by the colonies. These treaties required one year's notice, so they ceased to become effective from the 30th. July, 1898. The unilateral preference of 12½ per cent. given by Canada could thereupon be regularized.

(1) ibid., p.8.



The colonies had won their first objective and Great Britain took the first step of retreat from her high free trade principles. She did not repudiate the Most-Favoured-Nation principle, but merely limited its operation. Up till that time she had denied herself the right of pleading the common sovereignty of her Empire as a limited factor in her Most-Favoured-Nation undertakings, as had already been done in some instances by other powers.

The whole problem had arisen out of the constitutional evolution of the Empire. The expansion of colonial autonomy was inevitably leading Great Britain to the realization that her colonies, now moving so rapidly towards nationhood, would make their own tariffs in their own way. However in acquiescing to this demand she herself became implicated in the colonies' discriminatory tariff building, for she became the beneficiary of the discrimination. Within the next ten years South Africa, New Zealand, and Australia were to join Canada in granting tariff preferences.

There was considerable newspaper comment in New Zealand on the tariff questions being discussed at the Conference, but in most instances it was obvious that New Zealand public opinion, to the extent that such is represented by newspaper articles, had not understood the full implications of the 'Colonial Premiers' renunciation of the idea of a Zollverein, and stand for imperial preference. A leading article in the Otago Daily Times of 3 August 1897 said with reference to the trade discussions, "Most

significant of all is the recognition of the consolidated unity of the empire. The position of the colonies which maintain Protection will now be anomalous until some modus vivendi is arrived at. The denunciation of the treaties is a direct invitation to the colonies to enter a British Zollverein against the world, and if it was generally conceded that free trade must prevail amongst the federated colonies, how much more should it rule between different parts of the Empire? Since renouncing these treaties, it is surely ungracious to maintain an indiscriminating protective policy against that country."

A growing awareness of the difficulties underlying such a course was expressed by the same daily when the leader said, "The colonies may discriminate against these (foreign) countries either by lowering the tariff on British products or raising it on foreign products. It is almost certain the latter course will be adopted if any change is made ---- The implied effect of the Premiers' joint request is that they are disposed to move in the direction indicated. We are not sure that the Premiers accurately reflect a unanimous public feeling in the colonies. The industrial section of the population would certainly resent a lowering of duty on such British goods as are produced in the colonies, and there would be a general objection to raising a duty, and hence the price of foreign goods not produced in the colonies. In undertaking to ascertain the direction in which the weight of opinion lies, the Premiers have assumed a difficult task." (1)

The denunciation of the treaties was quite unexpected as all the leading New Zealand dailies expressed similar opinions to that of the Otago Daily Times of 7 July, "It is unlikely, however, that Mr. Chamberlain will agree to renounce the treaties. He will probably adhere to the despatch which Lord Ripon, when Secretary of State for the Colonies sent to the Colonial Conference at Ottawa."

Mr. Chamberlain's public utterances prior to the Conference had led to high hopes of his bringing forward worthwhile tariff proposals. The Evening Post of 1 July, gave vent to disappointed hopes in an article entitled "The Chamberlain Failure." "Latest cable advices upon the great Colonial Office Conference are distinctly disappointing. Mr. Chamberlain at the crucial moment seems to have assumed the role of Canning's needy knife grinder, with his "Story! God bless you, I have none to tell." He evidently sought to shift the burden of initiating commercial and tariff proposals from his own shoulders to those of the Premiers, and as a consequence the net result of the discussion has ended, or is likely to end in little more than a Royal Commission of Enquiry. This weak anticlimax to Mr. Chamberlain's eloquent speeches on the subject is not altogether unexpected, and our readers will remember that, while hoping for better arrangement of imperial trade relations we have pointed out the probability of "rocks ahead" in the form of British Cobdenism, imperial commercial treaties, and a colonial need for customs revenue. ---- We cannot help expressing our honest opinion that he (Mr. Chamberlain) has according to present appearances, failed

egregiously to come up to the expectations he aroused." The same article concluded with an expression of opinion that the imperial interests were not being best served by being subordinated to party politics in England, "It is needless to express our regret at the miscarriage of an attempt which bade fair at the outset by the strengthening of reciprocal trade relations to make for the solidarity of the Empire, but it seems evident that if the imperial idea is to be strengthened, the interests of the colonies cannot be much longer subordinated to the needs and wishes of political parties in the Old Country." (1)

The sooner it was realized that the colonies had attained to a maturity which entitled them to a greater measure of freedom, and the consequences which would attend failure to grant it, was the subject of further articles in the same paper.

In an article entitled, "The Plain Talk of the Premiers" the leading article said, "The Premiers evidently concluded from his (Mr. Chamberlain's) opening address to the Conference that there was to be little more to be given them. John Bull apparently hesitated to share his trust investments with his distant children, and was anything but ready to pay a farthing more for the family stores than for those of foreigners. He had however an old idea that children should contribute a fair amount to the little comforts and luxuries of the old folk at home, and so he cleverly suggested that colonial loyalty should take the shape of increased subsidies

(1) Evening Post, 1 July 1897, p.4.

to the Imperial Navy ----- We can quite realize that through the outspoken utterances of the Premiers, particularly those of Mr. Reid and Mr. Seddon, the Imperial Government will realize that the colonies have not only ceased to be in leading strings, but have arrived at the estate which can claim the right of independent action, and is ready to insist on equitable consideration." (1)

Again in a sub-leader entitled, "Mr. Chamberlain's Dilemma" the paper again referred, in somewhat exaggerated terms, to the attitude of the Premiers, "Put in other words, Mr. Reid might have said, 'Give us the right to make our own commercial treaties without regard to Britain's obligations to foreign nations and we will be in a position to give you what you ask'. But Lord Ripon has said that to concede such a right would be to give the colonies an international status as Sovereign states. The situation is growing extremely interesting, and Mr. Chamberlain is perchance beginning to reflect that he may yet get 'twixt the devil' of disrupted imperial treaties and the deep sea of discontented if not rebellious Colonial Premiers." (2)

When Great Britain did capitulate and acceded to the Colonies' request to denounce the treaties, this same newspaper was quick to realize the implications of such a surrender, "Sir Wilfred Laurier ----- strongly urged the Imperial Government to denounce the obstructive treaties, if they really prevented the operation of his new preferential Tariff.

(1) Evening Post, 6 July 1897, p.4.

(2) ibid., p.4.

He persuaded the other colonial Premiers to aid him in putting pressure upon the Home authorities, and in this he was loyally seconded by our own Premier, who has from the first strongly advocated the denunciation which has just taken place ----. The whole affair is very suggestive of the weight which the colonies can bring to bear upon imperial politics, and points a possible method by which they can gain at need a by no means inefficient control over acts and treaties which directly affect their interests ----." (1)

Further point is given to the national sentiments of this paper, apart from its editorial policy of attacking the Premier when it referred to Seddon at the Conference, "Our own Premier, alas! in spite of his assertive liberalism and truculent self-reliance has bowed with lowly mien at the shrine of Imperialism ---- He hinted at Imperial Councils, Zollvereins etc. in a way which approached perilously near betraying his country's freedom and interests." (2)

Obviously self interest was to be the New Zealand electors' criterion in assessing the value of the British move in denouncing the treaties, "It behoves every elector throughout the Colony to endeavour to gain a clear conception of the bearing of the denounced treaties, of the issues involved in their denunciation, and of the possible advantages if any, of

(1) Evening Post, 22 August 1897, p.4.

(2) ibid., 23 July 1897, p.4.

the institution of preferential tariffs, which may lead to such concessions from the Old Country as may enable us to put our products on the London market with a slight advantage over our European and Argentine competitors. As we indicated -- neither Mr. Chamberlain nor the Home authorities generally can expect us to sacrifice a portion of our revenue by giving a preference to British manufactures on merely sentimental grounds. It is only just and reasonable that the bargain should be even and we have every reason to demand a quid pro quo." (1) It was realized, the article went on to point out, that there was little hope of the free trade principles of Great Britain being tampered with, but there were avenues by which reciprocity for any colonial sacrifices could be achieved. For example, freights could be subsidised or reduced; there could be "fair play" in the Home markets, and a careful safeguarding and inspection of New Zealand produce on arrival, with the imperial Exchequer bearing the burden of these expenses. This approach would probably lead to an extension of trade and prove an adequate provisional offset to a preferential tariff until such time as the Old Country could cast away time honoured prejudices and offer a better policy. The article concluded, "We heartily recommend our electors to think over the question in all its bearings and endeavour to extract from its solution a material benefit to our trade."

Reporting to Parliament upon his return the Premier advised that during the recess a careful analysis would be made of the existing tariff to see whether it would be found that the revenue from the customs duties might permit a reduction;

(1) Evening Post, 9 August, 1897.



and if an alteration could be made in favour of goods manufactured in the United Kingdom, without prejudice to New Zealand industries, it would be advisable to differentiate and leave the tariff on foreign goods. A Bill extending the Reciprocity Act to the United Kingdom and foreign nations would then be introduced. (1)

Six years were to elapse before this statement was to be carried into effect. This delay can be attributed mainly to the fact that Seddon was an astute politician first and a patriotic imperialist second.

The 1897 Conference removed finally from the sphere of practical politics, Chamberlain's idea of an Imperial Zollverein, and with it his underlying policy of Imperial Federation. He realized this, but appreciating that to do nothing further towards bringing the Empire together was a policy of despair, he advocated successfully before the Imperial Government the denunciation of tariff treaties in the colonies' interests, "The great thing", he said in using a railway expression, "was to get the points right." If we do this we shall go on parallel lines in the future. If we make any mistake we shall get wider and wider apart till the separation is complete." (2)

His action removed any restraints on the colonies giving the Mother Country preference. But this step was not so important commercially, as that it signifies a great advance in the constitutional relationship of colonies with Mother Country. The points, to use Chamberlain's illustration, were not only set for the eventual diversion of trade into Empire

(1) A. to J. 1897, B-6, p. XXXII. Financial Statement.

(2) Quoted by Garvin, op. cit., p. 193.



channels, but they were set, as they had been before when self-government was granted, to enable the constitution of the British Empire to evolve further. This seemingly unimportant step had considerable significance.

Seddon's part in the Conference appears to have been the firing of the ammunition provided by Laurier. This he did ably and with abandon. He returned to New Zealand inspired by the fervour of his rhetoric, intending to do something about Preferences, but as time elapsed and the effects of his "lionizing" by the public and press at Home wore off, his intentions dimmed, and the whole matter was shelved.

## CHAPTER 7.

### Colonial Stock Act 1901.

As earnest of the Mother Country's desire to do something in return for the Canadian preference, and the proposed preferences of other of her self-governing colonies, and yet not depart from her free trade policy, the Colonial Stock Act was passed in 1901. This placed colonial government and railway stocks within the circle of safe investment known as Trustee stocks. They thus received the imprimatur of the Imperial Government, and the colonies were able to borrow at rates of interest otherwise unobtainable. Thus a great fund of credit was opened to them. The relatively lower rate of interest at which such loans are floated was a most substantial form of imperial preference, far and away more valuable than tariff alteration would have proved. It is impossible to estimate the value of this concession to the Colonial Governments, but it was obviously important to a government which borrowed heavily, as New Zealand did. J.B.Condliffe in his "New Zealand in the Making", hazards a guess that preferences granted in this way have meant far less to British traders than the cheaper borrowing has meant to New Zealand development.

In her book "Industrial and Commercial Revolutions" L.C.Knowles points out that while the colonies were enabled to borrow at a lower rate the holders of existing securities suffered with the lowering of the value of British Consols

Investments comprising £650 million were supplied by Great Britain about 1 per cent. cheaper than she was prepared to lend to countries outside the Empire. L.C.Knowles estimates that this meant a saving to the colonies and India of at least £10 million a year. A notably handsome preference.

This Act together with the treaty denunciation of 1897 shows a realization by the imperial statesmen that Britain had lost one empire largely through failure to appreciate the strength of the commercial spirit, and that sentiment alone would not hold her Empire together. Not willing to commit political suicide, they sought alternatives through which they could satisfy colonial aspirations.

## CHAPTER 8

### Imperial Conference, 1902. <sup>(1)</sup>

The New Zealand Chamber of Commerce was but one among many such bodies within the self-governing colonies, and particularly Canada, who passed resolutions during the year 1902 urging their respective Premiers to push for preferential trade relations within the Empire.

The New Zealand resolutions were, "1. That in the opinion of the Conference the presence in London of statesmen from all parts of the British Empire at the Coronation renders the occasion particularly opportune for negotiations for preferential trade relations or for efforts to establish a Customs union among the various parts of the British Empire.

2. The Rt. Hon. Mr. Seddon be asked to make every possible effort during his visit to the heart of the Empire to bring about discussion with other British statesmen of the elements involved in these questions with a view to arranging a basis of commercial union acceptable to the whole Empire. <sup>(2)</sup> "

In speaking to his motion Mr. Cohen quoted figures and pointed out that every pound of goods purchased from foreign countries went to support their industrial development. Other countries protected their manufactures thereby, providing the weapons which were used against Great Britain. If she was not prepared to hold the trade of the colonies by fostering their products, she stood the risk of losing it. The

(1) Memorandum on Proceedings of the Conference of Premiers, 1902 cited in this chapter is in P.P. 1902, Vol.66. Cl.1299. and A.to J.1903, A - 7.

(2) Quoted by Evening Post, 6 February 1902, p.2.

consumption per head of English goods in different parts of the world afforded a startling contract. In the United States it was 4s.9d. per head, in Canada £1. 5s, in Australasia £5. Commenting on Mr. Cohen's motion the leading article said, "The colonies, at least those in a similar position to New Zealand, have unquestionably ---- a great deal to gain from an imperial "Zollverein." A slight differentiation against foreign products such as butter, frozen meat, and even wool, in the markets of the United Kingdom would take the keen edge off existing competition. A similar differentiation on our own part against foreign manufacturers in our markets would be a small price to pay for this advantage to our producers. --- The step from differential duties to inter-British free trade would not be a very long one, and if the first plunge were once taken we might ultimately break down the tariff barriers, that had been erected between different parts of the Empire." (1)

The Zollverein idea was most certainly dead in the minds of the colonial leaders, but the full implications of their discussions and decisions at the 1897 Conference certainly do not appear to have been understood by the press or the people, for it was widely discussed prior to the 1902 Conference in the articles of the leading New Zealand 'dailies'. At the same time they were equally sure that they could see no way of the Mother Country departing from her free trade principles, irrespective of the evil effect those same shibboleths had on the progress of Imperial trade. (2) Within England, the same article pointed out, free trade had helped depopulate rural areas; it had encouraged the widespread

(1) ibid. 6 February 1902, p.4.

(2) ibid.

investment of British capital abroad; and had made the Old Country dependent on foreign supplies to an extent that might be dangerous in the event of a maritime war. It had also led to imports growing out of all proportion to exports.

Intense interest was aroused by this question of Empire Preference throughout the press of New Zealand. From the time of Seddon's departure for the Conference, and throughout its duration hardly a week passed without long and thoughtful articles appearing in the papers devoted to a discussion of all aspects of the problem. This interest was probably intensified by the fact that the New Zealand Premier had taken the initiative and had moved the motion specifically dealing with the question for discussion at the Conference.

"It is essential for the well being of the Mother Country and His Majesty's Dominions beyond the seas, that in such dominions where the same do not now exist, preferential tariffs by way of rebate of duties on British manufactured goods carried by British owned ships should be granted, and that in the Mother-Country rebate of duty on colonial products now taxable should be conceded." (1)

Various public statements in England, especially by Joseph Chamberlain, and articles in the English press gave rise to anticipations that the Conference might reach some finality on this vexed question.

Seddon speaking at Hamilton said, "The Premiers' Conference will probably elicit from the imperial authorities a definite statement of the distance they will go to meet colonial wishes in this matter." (2)

- (1) A. to J. 1903, A - 7, p.2.
- (2) Evening Post, 21 March 1902, p.4.

Whilst the colonial Premiers departed for London with high hopes the tenor of press articles shows them not over sanguine of success. The Evening Post in taking this attitude, recognized that once one side granted a rebate of duties there was an implication of reciprocity which would involve the United Kingdom in a fiscal revolution. "All revolutions," it continues, "must have a beginning and Mr. Seddon should begin well because the desire of New Zealand will at this present juncture command attention, always supposing that its Premier does not weary his auditors with too long speeches."<sup>(1)</sup> The same paper referred to the need to protect New Zealand's industrial interests by its tariff, and also how the liberal legislation was transferring the emphasis from primary industries to labour in the industrial urban setting.<sup>(2)</sup> Reference was made in the same article to the effect of New Zealand's exclusion from the Australian fiscal union, and saw Mr. Seddon's motion as being prompted by this fact. His scheme, as far as could be understood from his utterances appeared as an effort to drive a good bargain with the Old Country in return for any breach he was prepared to make in the tariff wall New Zealand had built up between herself and the Motherland. He virtually said, "Impose certain duties on certain goods, leave those duties to be operated against foreign producers, but remit or reduce them in the case of colonial producers, so that you can protect the latter in your markets."<sup>(3)</sup>

This seems a fair statement of Seddon's underlying

(1) ibid. 11 April 1902, p.4.

(2) ibid. 7 May 1902, p.4.

(3) ibid.

aim, with a full realization on his part that this would not entail much sacrifice to New Zealand, though involving radical fiscal changes in the Old Country. New Zealand had everything to gain by a preference in the British market, for 77 per cent. of her exports went to the United Kingdom, whilst Australasia only imported 10 per cent. of British exports.

If a low duty was placed on foreign butter, cheese, frozen meat, and cereals, the New Zealand exporter would immediately have an advantage in the markets of the United Kingdom, and would be able to either increase his output at the expense of the foreign producer or raise his margin of profit. Of the Motherland's total export trade of £354 million, £102 million worth of goods went to the British possessions, with less than half being imported by all the self-governing colonies together. Germany alone took goods to the same value as Canada, Australia, and New Zealand together. Ceylon and the Straits Settlements only took a little less than New Zealand. Whilst the United States, Argentine, Belgium, Brazil, Holland, France, Germany, Italy, Japan, Russia, Spain, Sweden, and Egypt all took more.

The greater part of the foodstuffs of Great Britain came from foreign sources, and the Empire at that time simply could not supply the United Kingdom needs. A preferential tariff under these circumstances would mean dearer foodstuffs in Great Britain. Greater Britain would have to multiply its output by four and a half times in order to supply the Old Country's demand. A duty on foodstuffs, even if it led to a small increase in colonial imports at the expense of foreign



imports would mean taxing more than three quarters of the food imported into the United Kingdom. Whilst appreciating all these arguments, the New Zealand press believed that adequate compensation would be received by the Old Country for changing her policy. Preferential trade on foodstuffs would help the landowner in Britain and repopulate country districts. The colonies would be bound closer to the Motherland in the face of any aggression. All papers warned against attempting to settle the question in an offhand or reckless manner.

New Zealand then waited to see what would be the outcome of the impact of the dominant personality of their Premier upon the citadel of free trade.

An understanding of Joseph Chamberlain's position is necessary for a clear appreciation of the English scene. When Hicks Beach, the Chancellor of the Exchequer, reintroduced a Corn Duty in 1902 with the specific purpose of helping to pay for the South African War, there were some prophetic utterances to the effect that though there was no rebate on colonial corn, the Mother Country was gradually working towards a position in which she would be able to enter into preferential trade relations with her daughter nations. Canada seized upon this and a discussion on its possibilities was initiated in the Canadian Parliament, with the hope of it being used as a basis for discussion at the coming Premiers' Conference being clearly envisaged. Balfour immediately repudiated Laurier's interpretation of the Corn Duty. Joseph Chamberlain, however, not wishing to leave Laurier with the idea that there was no

ground for discussion at the Conference on the subject of Preference, and to reassure him that the Cabinet's collective mind was at least open to persuasion, spoke to his constituents at Birmingham, "The position of this country is not one without anxiety to statesmen and careful observers. The political jealousy of which I have spoken, the commercial rivalry more serious than we have yet had, the pressure of hostile tariffs, the pressure of bounties, the pressure of subsidies, is all becoming more weighty and more apparent. What is the object of this system adopted by countries, which, at all events, are very prosperous themselves - countries like Germany and the large Continental states? What is the object of this policy of bounties and subsidies? It is admitted, there is no secret about it; the intention is to shut out this country, as far as possible, from all profitable trade with those foreign states, and at the same time to enable those foreign states to undersell us in British markets. This is the policy, and we see that it is assuming a great development, that old ideas of trade and free competition have changed. We are face to face with great combinations, with enormous trusts, having behind them gigantic wealth. Even the industries and commerce which we thought to be peculiarly our own, even those are in danger. It is quite impossible that these new methods of competition can be met by adherence to old and antiquated methods which were perfectly right at the time at which they were developed. At the present moment, the Empire is being attacked on all sides and in our isolation we must look to ourselves. We must draw closer our internal relations, the ties of sentiment, the ties

my sympathy, yes, and the ties of interest. If by adherence to economic pedantry and old shibboleths, we are to lose opportunities of closer union which are offered us by our colonies, if we are to put aside occasions now within our grasp, if we do not take every chance within our power to keep British trade in British hands, I am certain that we shall deserve the disasters which will infallibly come upon us ----. The days are for Great Empires and not for little States." (1)

This speech was taken by the colonies to mean, as one New Zealand paper put it, "If this does not mean that the Imperial Government has decided to abandon free trade, to subordinate the economic doctrines of Cobden to the political necessities of the time, then there is no meaning in words. And we contend that this speech alone justifies the hope, if not the belief, that the British Government contemplates preference to colonial products." (2)

Austin Chamberlain in answering references to his father's speech pointed out that he had not gone so far as to advocate the adoption of reciprocal preferences. He had only intended that the question of the Corn Tax for preferential purposes remain open for further discussion between the colonies and Mother Country. Even Hicks Beach, in the vanguard of the defence of free trade, said that the United Kingdom could make some sacrifice toward preference against foreigners should it prove unavoidable, provided there was

(1) Quoted by Amery, J., Life of Joseph Chamberlain, Vol. 4. p.405.

(2) Evening Post, 23 May 1902, p.4.

free trade within the Empire.

So the way was clear for a full expression of opinion on the subject at the Conference, but it cannot be denied that the Premiers were of one mind with Laurier, having cognisance of the clearly stated colonial opinion on the subject at the 1897 Conference, when he said that he could not conceive that Mr. Chamberlain would invite the colonial representatives to discussions on the subject unless the British Government had something to propose.

The Premiers arrived in London for the Coronation of Edward VII, and the second Imperial Conference which followed it.

Mr. Seddon, speaking at the Reception Dinner given by the Agent General, W. Pember Reeves, referred to his motion regarding Imperial Preference. He said that nothing sordid prompted his resolution. Its communication to Mr. Chamberlain in December was proof that it was not connected with the Corn Tax. He was optimistic as to the willingness of the colonies to give preference to the Motherland on the basis of his proposals. They wished to help the Motherland. He was asking nothing, but anything given even indirectly in strengthening the colonies would equally strengthen the Empire. (1)

Mr. Seddon's faulty economic theorising soon weakened his position as the "man who had come from the Antipodes to save the Mother Country in her economic straits." One cartoon showed John Bull presenting little Seddon with a book entitled "Elements of Economic Science" with the words "There, Master Seddon, read that and you'll learn something you didn't know before." This

(1) Evening Post, 19 June 1902, p.5.

arose out of the palpable economic ignorance shown in the theory he gave expression to in his speech in England where he referred to the United Kingdom imports as £450 million, her exports as million £250 /with an annual loss of some £200 million being sent out of Britain to foreign countries in the form of "Golden Sovereigns."

His whole attitude was that the colonies had a clearer vision of the Empire than had the Old Country, which was hampered by local differences and political matters, and whose intelligence was centred on working out problems bound by Great Britain itself, and by the public men who could not divest themselves of old traditions, forms and conservative ideas which seemed to fasten on the British mind. Having to meet newer conditions and developments, the colonial public men had a better appreciation of how the general interest of the Empire might be arrived at. He, with the Premiers of these young countries would have to form rescue parties to go to save and bring back to the Old Country the trade and commerce she was losing.

This attitude was vividly expressed in one of Mr. F.C.Gould's cartoons in the "Westminister Gazette" entitled "Suicide or Seddon Death". It quoted his Bloemfontein speech where Seddon said that the object of his visit to England was to assist in laying the foundation of the Union of a portion of the Empire ---- It was his great desire to help the trade of the Mother Country either by a preferential tariff, or by a rebate of duty on British goods imported in British ships. The country must withdraw from the suicidal position which for many

years had been maintained in Great Britain.<sup>(1)</sup> The cartoon depicts stout John Bull roped securely to a large stone block entitled "Protection", while Seddon lowers the huge and weighty foundation stone, "Zollverein" onto him, guided in the act by Chamberlain. The following conversation is appended.

Mr. Chamberlain :- "Lower away Seddon."

John Bull:- "Here I say, what are you doing?"

Mr. Seddon:- "We're saving you from suicide."

These illustrations of his flair for saying the wrong thing at the wrong time certainly would not enhance Seddon's standing, when at the Conference table, he was to advance proposals which struck at the very heart of British economic theories. I have referred to them because undoubtedly Seddon did the colonial cause a disservice which would have had some bearing, on the rebuff the Premiers' case for Preferential trade received. And so to the Conference itself.<sup>(2)</sup>

(1) The New Zealand Herald. 5 July 1902, p.5.

(2) Footnote: As with the 1897 Conference the full record of this 1902 Conference has not yet been released. Julian Amery in his "Life of Joseph Chamberlain," p.417 quotes a letter from Sir Edmund Barton of Australia to Chamberlain which pointed out the delicate handling required for some of the questions to be discussed at the Conference, and that to report it in full would make it impossible for the representatives of the self-governing colonies to speak with absolute frankness. So only a resumé of the discussions, and the resolutions arrived at appeared in the Blue Book. (Cd.1299). When later the whole question was to come into the full glare of political controversy in England, this decision was undoubtedly harmful to Chamberlain's cause for it left the impression that the colonies had something to hide.

I have endeavoured to obtain access to these documents from the Public Record Office, London, seeing that the normal fifty year period would elapse this year, but without success. The copy of the full report of the proceedings brought back by Seddon is not to be found amongst the records of the New Zealand Prime Ministers' Office and is presumed to have been destroyed along with other documents upon a subsequent change of Government.

Chamberlain, in his opening speech at the Conference defined his attitude to the problems of commercial relations. Once again he put forward arguments to support the idea of free trade within the Empire. If they chose, it might be self-sustaining, because it was so wide and diversified. Yet at that time the great bulk of the United Kingdom trade was with foreign countries. Everything that could be done to increase the interchange of products between the parts of the Empire would hasten the development of the colonies, and make the Mother Country more and more independent of foreigners.

He was fully aware of and in sympathy with the subject of colonial tariffs for revenue raising purposes, which he considered involved no derogation from the principles of free trade. Even with this limitation, which he recognised as an important one, if the proposal for an Empire free trade were accepted it would be impossible to overestimate the mutual advantage which would be derived from it.

He then went on to refer to the results of the preference the Canadians had given in 1897, and pointed out that they had been altogether disappointing. Speaking from the brief prepared for him by the Board of Trade he said, "--- in spite of the preference which Canada has given us, their tariff has pressed and still presses with the greatest severity upon its best customer, and has favoured the foreigner, who is constantly doing his best to shut out our goods."<sup>(1)</sup> It had only served to check the decline in the importation of British goods to Canada.

(1) P.P., 1902, Vol.66. Cd. 1299. p.8.



The position then, which applied to all colonies alike, was that the United Kingdom took by far the largest proportion of colonial exports. The amount taken could without doubt be greatly increased, but that the Mother Country could not do this until they had reciprocal advantages. In other words, the colonies must take in exchange a larger proportion of British goods to enable the United Kingdom to pay for the imports received from the colonies. While preferences were most gratefully accepted, Britain could not bargain for them, they could not pay for them unless the colonies went further and enabled her to enter their markets on terms of greater equality. He then made the all important position of the Mother Country clear, "As long as a preferential tariff, even a munificent preference is still sufficiently protective to exclude us altogether, or nearly so, from your markets, it is no satisfaction to us that you have imposed even greater disability upon the same goods if they come from foreign markets, especially if the articles in which the foreigners are interested come in under more favourable conditions." (1)

The discussion on commercial relations revealed a strong feeling among the Premiers in favour of making some definite advance towards establishing closer trade relations between the Mother Country and the colonies. But the circumstances in the colonies differed so widely that it was apparent that no arrangements applicable to all could be devised, and it was resolved that the Prime Ministers should meet the Secretary of the Board of Trade independently and discuss arrangements.

(1). ibid.



Seddon declared that, "New Zealand would give a preference of ten per cent. all round reduction of the present duty on British manufactured goods, or an equivalent in respect to lists of selected articles on the lines proposed by Canada, namely, (a) by further reducing the duties in favour of the United Kingdom, (b) by raising the duties against foreign imports, (c) by imposing duties on certain foreign imports now on a free list." (1) In the absence of his economic adviser he was not prepared to undertake detailed negotiations.

There were no demands for reciprocal treatment though everyone knew that reciprocity was the real issue.

Laurier opened the case for the colonies, pointing out the effect of the closed foreign markets, particularly the United States, which showed the need for the various parts of the Empire to develop themselves. He stated that Chamberlain's criticism of the results of the Canadian preference was an open question, but provided the principle of reciprocity was accepted, he was prepared to concede that the degree of preference was a matter for further discussion. Seddon made the point that retaliation was not to be feared because foreign tariff walls were raised almost to the limit already.

Chamberlain was torn between the two policies. He would accept the principle of reciprocal preference provided it was a step toward freer trade within the Empire, and provided that it could be substantiated that such a move would be a paying proposition. He realized free trade was impossible

(1) ibid., p. 36.

within the Empire at that time, because of the colonies' objections, but said that he sought ways of making an approach to it, "It is not for me, primarily a question of money sacrifice; it is primarily a question of the unity of the Empire - and I am firmly convinced that unity cannot be effectually secured in the future unless we can improve and extend inter-commercial relations." (1)

Ways of advancing toward this free trade were to have a fixed preference given on either side or both sides upon all taxable goods - a free trade list, or by testing the tariffs to find a number of dutiable articles which might be made free. It was his personal opinion that the Mother Country ought to be prepared to do something in return. He did not think that such a proposal to change the existing fiscal system in the United Kingdom would prove an insuperable obstacle. The principle of reciprocity was thus provisionally conceded.

During the detailed discussions with the Board of Trade an unexpected conflict of principle emerged. Canada found that to give greater preferences to the British exporter, by further reducing their duties, they would in many cases deprive the Canadian manufacturer of protection. In such instances they proposed the expedient of not reducing the tariff but of raising it against the foreigner.

This was an unpleasant surprise to Chamberlain, because, rather than leading towards freer trade by further reductions of duties, the new element led towards protection.

(1) Quoted by Amery, op. cit., p. 440

He could command the former to Parliament on orthodox economic grounds, but there was no hope for his gaining their support for the latter. The discussion revealed that the Canadian attitude was shared by the other colonies, especially New Zealand, who advised that their offers of preference would in many cases have to take this form.

A general resolution was then drawn up by the colonial Premiers committing the United Kingdom to granting preferential treatment to the colonies by exemption from or reduction of duties. Chamberlain could not accept this because he could see no hope of getting Cabinet's approval for it, nor was it right to promise reciprocity before specific trade agreements had proved its value. The resolution was therefore modified from "committing" the United Kingdom to "urging" upon them the introduction of reciprocal preferences.

The following resolutions were agreed to,

- "1. That this Conference recognize the principle of preferential trade between the United Kingdom and His Majesty's Dominions beyond the seas, would stimulate and facilitate mutual commercial intercourse, and would, by promoting the development of the resources and industries of the several parts, strengthen the Empire.
2. That this Conference recognizes that in the present circumstances of the colonies, it is not practicable to adopt a general system of Free Trade as between the Mother Country and the British Dominions beyond the seas.
3. That with a view, however to promoting the increase of trade within the Empire, it is desirable that those colonies which

have not already adopted such a policy should as far as their circumstances permit, give substantial preferential treatment to the products and manufactures of the United Kingdom.

4. That the Prime Ministers of the colonies respectfully urge on His Majesty's Government the expediency of granting in the United Kingdom preferential treatment to the products and manufactures of the colonies, either by exemption from or reduction of duties now or hereafter imposed.

5. That the Premiers present at the Conference, undertake to submit to their respective Governments at the earliest opportunity the principle of the resolution and to request them to take such measures as may be necessary to give effect to it."<sup>(1)</sup>

The lesson of the Conference was clear; Reciprocal Preference offered the only line of approach to closer imperial union which the colonies were prepared to consider. Their conception of Preference was a protectionist conception, so there could not be a closer commercial union of the Empire without a fiscal revolution in the Mother Country.

To conclude the action taken by the Imperial Cabinet briefly, it should be noted that the Conference had brought the matter to a head and it could not afford to be ignored. Canada had clearly informed the Colonial Secretary that were the principle of reciprocal preferences not conceded by the Mother Country she felt herself free to take any action she deemed necessary. So before the normal course of imperial relations could be resumed the imperial Cabinet had to make a decision one way or the other. The subject was strongly contested by the divided opinion within the Cabinet, but prior to Chamberlain's

(1) P.P., 1902, Vol.66. Cd. 1299. p.36.

departure for South Africa, the Cabinet memorandum from Balfour to the King on 19th. November 1902 stated,

"---- discussed in Cabinet to-day the advisability of giving the colonies a preferential abatement on the Corn Tax. In respect of this question, the discussion was long and elaborate, --- The Cabinet finally resolved that as at present advised, they would maintain the Corn Tax, but that a preferential remission of it should be made in favour of the British Empire." (1) So Chamberlain and colonial policy would appear to have triumphed. However during his absence Hicks Beach persuaded the Cabinet to repeal the Corn Duty. After weeks of private altercation Chamberlain proclaimed his secession from free trade and his belief in Imperial Preference. He was convinced that its persistent rejection might alienate the colonies, and this might close for ever the door which seemed to lead to imperial unity.

The coming bitter struggle between tariff reform and free trade in the United Kingdom ended with an overwhelming mandate being given to the Liberals in 1906 to follow a policy of Free Trade.

The reaction of the New Zealand press to the Tariff discussions at the Conference showed that they had a sympathetic appreciation of the difficulties underlying any radical changes, until British public opinion was led to a clearer perception of the colonial point of view, and of the advantages to be derived from any preferential scheme.

(1) Quoted by Amery, op. cit., p.523.

They all favoured the idea of granting preference to the Motherland so long as it did not entail sacrificing colonial industry. The New Zealand Herald expressed this view when it commented, "While there seems to be no immediate prospect of establishing an Imperial Zollverein there is an increasing colonial movement in favour of Preferential tariffs for British goods, and this generation may possibly see the re-opening of the fiscal question in British politics upon imperialistic lines. Mr. Seddon cannot expect cautious British statesmen to play fast and loose with the tremendous trade upon which the United Kingdom depends for its existence, and if he were himself a cautious man he would be more than satisfied with the support and consideration which in five short years the movement for increasing and fostering imperial trade has won." (1)

They considered that the interests at stake were so vast, and the outcome might be so momentous, that every step would have to be discussed thoroughly in its initial stages before the Empire was committed to it. Mr. Seddon therefore had no cause to feel disappointed at the indefiniteness and apparent barrenness of the results.

It was clearly understood in press comment that free trade within the Empire at that time was impossible, because apart from the consideration of her young industries, New Zealand's revenues were based on Customs duties, with no sufficient substitute source, should there be a move toward a free trade Zollverein.

(1) The New Zealand Herald, 1 July 1902, p.4.

The concept of greater unity throughout the Empire was paramount, and any step which could bring the units nearer an organic whole should be carefully considered and keenly sought after. Here were the political and constitutional aspects of the question being more clearly appreciated in colonial opinion, which also realized that there were great difficulties and long established prejudices to be removed before any such result could be achieved. The Evening Post said, "If the Conference of Premiers does little more it will at least enable imperial and colonial leaders to understand more clearly than they did before the different phases of the commercial problem in different States of the Empire. The colonial Premiers will learn that much as the Old Country desires closer union with her daughter states she cannot safely seek it by subverting her system of open markets. The political chiefs of the Motherland will learn that the colonies, however loyal to the race and Empire, cannot under existing conditions, break down the barriers which impede the course of trade with the United Kingdom. The foundations on which commercial relations of the scattered provinces of the Empire are built, will remain the same for some years to come, but the reasons for local differences will be better appreciated. The ideal of inter-imperial free trade will not be lost, but the danger of specious schemes for bringing it about before the time is ripe will be perceived." (1)

There was also an appreciation of the action of the United Kingdom in approving Mr. Seddon's other resolutions to the Conference requesting help for the colonies, with regard to Navigation Laws and Coasting Trade. By such methods as

(1) Evening Post, 14 July, 1902, p.4.



increased mail and cable subsidies, increased facilities for docking, coaling, repairing, etc., the Mother Country could give a practical return for the proposed colonial preferences.

In a speech on his return Mr. Seddon referred to the Preferential trade discussions at the Conference and said, "...that what was aimed at was to show foreign nations that if they were selfish, we must protect ourselves, and the ultimate result would be that all trade barriers would be removed, and general reciprocity established. What was proposed was on the lines of a broad general policy to get these nations to work in harmony with us. If the United Kingdom went down in trade and commerce she must go down in the fullest sense of the term, and it was necessary to combine as one man to protect our general trade." (1)

From this speech it would appear that Seddon had in mind some thought of federation along the lines of Chamberlain's Zollverein idea, as a means of protection against foreign competition. The surging spirit of national consciousness evident in Laurier's threat at the conclusion of the Conference, would appear as far as Mr. Seddon was concerned to have been subordinated to the imperial viewpoint. To further support this view Seddon in a speech at the New Zealand Dinner in London on 21st June, said, "I do not think it possible at the present time; at all events, it will require some time before the finances of the self-governing colonies get adjusted so as to have free trade absolutely within the Empire.----" (2)

(1) Otago Daily Times, 31 October 1902, p.5.

(2) The New Zealand Herald, 26 July 1902, p.5.



The 1902 discussions on Imperial Preference in comparison with previous Conferences showed first and foremost an awakened New Zealand opinion upon the issues involved. Hitherto this was confined to the Conference representatives and a few politicians.

Secondly, they reveal the Mother Country as prepared to support reciprocal preferences provided such moves were in the direction of freer trade within the Empire but adamant that she would not support anything that led toward protection.

Thirdly, they show Seddon playing on the imperial theme, but unsure of his ground, and of his economic theory. Here was a man torn between the exigencies of New Zealand politics together with the example of his fellow Colonial Premiers on the one hand, and Seddon the imperialist seeking ways and means of bringing the Empire closer together along the path pointed by Chamberlain, on the other.

Finally the Conference shows the more nationally conscious colonies of Canada and Australia just as adamant that only through reciprocal preference would the colonies' constitutional and economic development be satisfied.

CHAPTER 9The New Zealand Preferential and Reciprocal Trade Bill.

A study of the New Zealand Parliamentary scene in the years from 1900 to the introduction of the Preferential and Reciprocal Trade Bill in November, 1903, reveals considerable interest being taken in the subject of Empire Preferential Trade within Parliament with nothing being done to put into effect the imperialistic utterances of Parliamentarians. With few exceptions there was an outspoken desire for preferential trade, but the Government stopped short of making any definite move.

In the Financial Statement of August, 1900,<sup>(1)</sup> the Colonial Treasurer, the Rt. Hon. R.J.Seddon reviewed the desirability of having preferential duties with a view to encouraging trade and establishing reciprocity. He pointed to the success of the Canadian preference to the Mother Country and saw in it an opportunity for New Zealand to follow her example, and gain advantage by making reciprocal arrangements with Canada. The changeable conditions of trade caused by the establishment of the Commonwealth of Australia rendered it very desirable for New Zealand to turn to Canada and other colonies, seeing that she could not make satisfactory trade arrangements with her nearest neighbour. In reply to a question as to whether the Government had abandoned the proposal to differentiate the application of customs duties in favour of commodities produced within the British Empire, the

(1) N.Z.P.D. 1900, Vol.113, p.87

Premier said, "that every day his conviction was strengthened, that something ought to be done in the direction indicated by the question. It was the height of stupidity on the part of British statesmen to continue to go on spending British money and spilling British blood in order that other nations should reap the reward ----- Most of the Colony's produce was British bound and was consumed in Great Britain, and as they took our produce, so the Colony had a right to take their goods, and thereby make the Empire a greater nation within itself, than it was at the present time. That was what was necessary and he was quite prepared at any time to move in this direction. But they must be assured, when the Colony gave this preference, that the British manufacturers would be in a position to meet our demands." (1)

Mr. T. Mackenzie later in the same year asked the Premier if he would at the earliest date open communications with the Governments of the various dependencies of the Empire, and with the Secretary of State for the Colonies with a view to promoting an Imperial Trade Zollverein.<sup>(2)</sup> He quoted Lord Rosebery as saying, "It is, as I believe, impossible for you to maintain in the long-run your loose and imperfect relations to your colonies and preserve those colonies as part of the Empire. I wish to say that on the ground of commercial interests alone, the question is worthy of the consideration of our great commercial communities." Another imperial statesman, Mr. Goschen, urged that it was an opportune time, when the imperialistic spirit was so strong throughout the length and

(1) N.Z.P.D. 1900, Vol.112, pp.330 - 1.

(2) N.Z.P.D. 1900, Vol.114, pp.194 - 5.

breadth of the Empire, to see if some progress could not be made whereby they should secure to themselves the trade of the Empire, and so prevent the handicapping of their own producers who had to compete with countries employing inferior labour.

Mr. Seddon replied that he was strongly of the opinion that it was a question of the greatest importance to the Colony, and that what was proposed, would be an advantage to the Empire itself. The time had come, he concluded, when a move should be made to establish an Imperial Zollverein. In fact he could not understand why it had been so long delayed. He had not altered the opinions he had expressed at the 1897 Conference. As he understood it, the Mother Country was relying on the colonies to take the initiative; Canada had done so with advantage to herself and the Mother Country. It was high time something was done in the way of establishing an Imperial Zollverein. It was too late, that session, but in the next session he hoped to submit proposals to Parliament which would prove advantageous and acceptable. He was satisfied that if they appealed to the Mother Country their appeal would be received with open arms. He would open up communication on the subject, and trusted that the next session would see the matter dealt with in Parliament. He regretted that large and important subjects of that kind did not receive the attention at the hands of Parliament their merit demanded, "Instead, members seemed to be tinkering and debating over "tin-pot" affairs, while the great questions were left untouched." (1)

(1) ibid.

As the leader of the House, and the initiator of its business, Seddon must himself be held responsible for the matter not receiving the attention which he claimed it so greatly merited.

A year later the same Member asked if the Premier, in fulfilment of his promise, had opened up communication with a view to promoting an Imperial Trade Zollverein.<sup>(1)</sup> Seddon said that the whole question was surrounded with difficulty. It would be wise to wait till the Commonwealth prepared their tariff. If he advocated a Zollverein then he might be accused of trying to obtain reciprocity with Australia by backdoor methods. In addition, he considered neither New Zealand nor British Manufacturers would gain while foreign governments subsidised their steamers and gave facilities to their products. The very goods New Zealand wanted could either not be supplied by the United Kingdom, or if they could, then not within the time the goods were required in New Zealand. To alter the tariff would simply be acting against the New Zealand people. Mackenzie interjected that at least New Zealand could help them. To which Seddon replied that that was correct but the Mother Country could not give New Zealand much, and in addition there was not much feeling, as far as he could see, in favour of reciprocity at Home. Their efforts were directed towards an open door free trade policy. He had not opened up communication as he did not wish to invite a slap in the face. He preferred rather to bide his time.

The Premier was obviously procrastinating, and anxious

(1) N.Z.P.D. 1901, Vol. 117, p.14.

that a New Zealand Preference was supported by a like reciprocity by the United Kingdom.

The Speech from the Throne in the Parliamentary session after the 1902 Premiers' Conference referred to the topic of Preference in these words, "To enable a reasonable preference to be given in favour of certain goods produced in the Mother Country important fiscal changes are necessary, how and in what manner, it will be for you to consider and determine. Paying due regard to our own industries the lines adopted by Canada would best help British manufacturers without causing undue irritation to other nations."<sup>(1)</sup>

From this it will be noted that the Government had formulated no definite proposals, and that members were led to believe that preference would take the form of reduced duties, if the New Zealand Bill was to be modelled on Canada's example.

Many members took the opportunity of referring to it in the Address in Reply debate. With few exceptions the proposed measure was well supported.

As Leader of the Opposition, the Hon. Mr. Massey expressed his sympathy with the idea, especially if it was a step toward absolute free trade between the different portions of the British Empire, but from various speeches of the Premier it appeared that any Bill introduced would not follow the Canadian pattern. In a speech at Hokitika he had said, "After careful consideration it was decided to fall into line with Canada, namely, to allow the present duties to obtain on goods brought in British ships, and increase the duties on goods manufactured

(1) N.Z.P.D. 1903, Vol.123, p.7.

in other countries." (1)

It is difficult to believe that Seddon did not know the Canadian proposals, although he affirmed that Massey was mistaken and that Canada was not reducing duties in favour of British goods. The historian must conclude that this was another example of the Premier's political manouverings. Canada granted a considerable reduction, and only on those articles where to do so would harm her own industries was the tariff raised against the foreigner. It obviously suited Seddon who was proposing to follow the latter course, (which would involve no sacrifice of revenue at all) to try to create the impression that that was the course Canada was following.

Massey along with other Opposition members roundly condemned another statement of the Premier's made at Otira which had been cabled Home to the English newspapers, and had been referred to in the Imperial Parliament. He was reported to have said that if Britain did not give preference to the products of the colonies, they and New Zealand in particular, would give preference to the goods of foreign countries. In a subsequent interview with the press in Christchurch, the Premier said, "He had received a number of cable messages from Home, where there was concern at his pronouncement of what might eventuate in the case of all Mr. Chamberlain's overtures being flouted. The natural result would be reciprocity with other countries who would be only too delighted to admit New Zealand meat, kauri gum, and other products; and New Zealand would give them advantages with respect to their manufactured goods. ---

(1) ibid., p.57.



This was an alternative which had apparently not been thought of, but if Britain gave other nations the same treatment as she gave her colonies, she could not complain if other nations gave the colonies concessions. If Britain refused to do anything, and treated the overtures made by this Colony with contumely she must be held responsible --- He would be sorry if as a last resource New Zealand had to adopt this course, but if the Mother Country would neither help herself nor allow her colonies to help her, she must be held responsible for the inevitable dismemberment which must follow the maintenance of existing lines." (1)

Massey regarded this statement as absolute nonsense. Britain alone admitted New Zealand's products duty free, and New Zealand would never give advantages to the people of foreign countries which were not shared by their kin in Great Britain. Although there were difficulties in the way of granting a preferential tariff he believed that in time they would be got rid of.

These speeches of Seddon's, though in their reporting, emphasis may have been given to aspects which he did not intend giving point to, at least reveal, his earnest desire for reciprocity. Here was an argument, a lever, a threat to jolt British complacency, namely the threat of the dismemberment of the Empire. Preference to the Motherland was the least of Seddon's concerns, the prize to be won for New Zealand was reciprocity and all the wealth and security that such a preference would bring. He was well aware that any policy of preference to foreign countries would receive no support from



his fellow countrymen. As he had achieved some notoriety for such wild statements, it can be assumed that he would not be taken seriously by the imperial authorities, but here was ammunition for Chamberlain's supporters to fire. The fact that in this, the youngest and possibly the most loyal of her self-governing colonies, such thoughts were being uttered by its Premier would give pause for thought that the colonies were deadly serious.

Various members cut through the theoretical talk of "Empire", and laid bare more realistic motives. According to one member, they would have to divest themselves of the influence of such phrases as "the crimson thread of kinship" and "the silken bonds of Empire", which were well sounding but meant little in practical politics. In the final resort it resolved itself into a matter of business. There was no doubt, this member said, that rising colonies, growing in wealth and population and depending almost vitally on their exports should be prompt to seek advantage whenever anything in the nature of a bargain was arranged. (1)

Another said that the proposals submitted to Great Britain would probably involve granting a rebate on British goods. But the vital question was what effect this would have on the New Zealand manufacturers. They should look to No. 1 first. (2)

Again it was said that the proper course in considering the question was first to ascertain whether by adopting a preferential tariff New Zealand would benefit by it, and if they could see their way clear that New Zealand as a colony,

- (1) *ibid.*, p.278. Mr. Tanner.
- (2) *ibid.*, p.345. Mr. Hanan.

and part of the British Empire would benefit them they could by all means fall in with Mr. Chamberlain's suggestion. (1)

Mr. Sidey echoes the same idea when he said, "The Premier is sagacious enough to know what is the strongest motive that actuates both individuals and nations. There are writers on the future of our Empire who declare that when one of its dependencies finds that its interests is directly opposed to union with the Mother Country, but lies in another direction, it will make for disunion. Take the case of individuals ---- . It is a question of self-interest, and I say the same principle governs nations as individuals. And if we can do anything which can in any way bring about a condition of things which will make for the interest of the various portions of the Empire to stick together, we will be doing a thing which would tend to strengthen the ties which bind us to the Mother Country." (2)

Mr. Bedford pointed to what he considered was the selfishness of the proposition. The sacrifice he saw was all on the part of Britain and despite his boasted patriotism, the Premier would not make any material sacrifice for that which he expected Britain to make. (3)

One opposition argument put forward was that reciprocity by the Mother Country, with duties on food and raw materials would mean dearer products; thus nullifying any benefit to New Zealand, when the increased cost was paid by

- (1) ibid., p.195. Mr. Herdman.
- (2) ibid., p.237,
- (3) ibid., p.150.

New Zealand for manufactured goods. (1)

Mr. Baume saw in the proposal a step towards the Empire Froude had envisaged thirty years earlier where the unexampled resources of the British Empire were made available for the whole commonwealth, loyal to one Crown, loyal to each other because they shared equally in the greatness of the Empire. Here would be a vigorous race banded together for mutual help and intercourse.

In the Legislative Council, the Hon. Lee Smith, who had represented New Zealand in 1894, gave a thoughtful but florid address from the imperial viewpoint. As on the previous occasion he had favoured the colonies granting preference to the Mother Country without asking anything in return, he again took the same stand. To do otherwise would, he believed, cause friction and jealousy amongst the colonies themselves, and invite reprisals throughout the world, so endangering British commercial interests, "The proposed step involved consideration of questions of high import. As an imperial movement designed to strengthen the Empire, and to preserve and enlarge its powerful and benign influence in the world, it was a noble conception - one that evoked and commanded their warmest sympathy. As an ideal it suggested and should inspire an elevated imagination and generous resolve that they would do their utmost, at almost any cost, to assist in maintaining the integrity of the Empire and the supremacy of the race,----" (2)

If the vagueness of the reference to the subject in the Speech from the Throne was aimed at giving free rein for debate on the subject, to enable the Premier to gauge the

- (1) ibid., p.320.
- (2) ibid., pp.174-5.

feeling of Parliament, it was successful. The measure he must draft, must secure advantage to the colony in the immediate or near future. It must not endanger the country's industries. Much should be made of it to ensure that the Mother Country realized that favours bestowed by her daughter Colony, and so would be inclined to grant favour in return. Whilst underlying all was the spirit that if this measure would help to strengthen the ties of Empire, while advantaging the Colony, it would be a good thing.

This was the situation up to the introduction of the Bill in the last days of that same session. In spite of requests by the Opposition to have the proposed measure postponed until the next session, the Premier went ahead with it, and a marathon debate ensued.

The "Preferential and Reciprocal Trade Bill," (1) which was introduced and passed through all its stages in a continuous session of twenty-seven hours, was strenuously opposed by the Opposition. Though there was general agreement that a preference towards United Kingdom and Empire goods was most desirable as a step toward imperial unity, there was strong resistance even from the Government benches to the principle of increasing the duties on foreign goods whilst leaving the high barrier against imports from the United Kingdom untouched.

The measure held little advantage for the United Kingdom manufacturer, and while there were high sounding phrases from the Premier, in effect there was little or no sacrifice at all to be made by New Zealand in the interests of the Empire.

(1) N.Z.P.D., 1903, Vol. 127.

In introducing the Bill in a jingoistic patriotic speech, Mr. Seddon said that this was a grave matter affecting a great Empire with great potentialities. Its object, he said, was to solidify the Empire and promote its good. It was the duty of every well wisher of the Empire in New Zealand to facilitate the granting of preferential trade to the Mother Country. There was no distinction made between any part of the Empire and with the step being taken, as far as New Zealand was concerned, an Imperial Zollverein commenced. Only against alien countries would increased duties be charged. (1)

The Zollverein idea falls down however when we read Clause 10, which provided that if a foreign country extended preference, New Zealand would reciprocate in a like manner.

The Opposition naturally saw in the measure a move toward further protection, with preferential trade for the Empire taking second place.

Mr. Seddon agreed that though they were not doing very much, it was a start, and at least they were affirming a great principle which could not be gauged in L.S.D. or the amount that would be gained under the proposals. This was to be the first instalment with more to follow.

He wanted it clearly understood that New Zealand was demanding nothing in return, but if the United Kingdom spontaneously arrived at the conclusion to help the Colony a little, well and good. There could be no bargain making over this great national question. Patriotism was the guide, with Empire the goal.

(1) ibid., pp. 715-25. Seddon's address.

Then he went on later to say that New Zealand had lost nothing by its patriotism, whence he drew the comforting conclusion that the Bill before the House would spell some more substantial benefit for the country than the short-sighted virtue which is its own reward and is content with nothing more.

The measure contained all that could be done at that time, the Premier said, because New Zealand's struggling industries and revenue requirements precluded further preferences. He admitted it might not be economically sound but he was sure it was politically sound, and was forced upon New Zealand by the action of other countries and accentuated by the apathy of those in the Mother Country.

The main burden of his speech was to prove that British industry and trade was tottering to its fall, with "foreign trade vampires sucking its vitals and its blood." (1) He adjured the stalwart sons of New Zealand to buttress the structure, and unite the greatest Empire the world had ever known, in bonds unbreakable. It was not a question of concession of revenue or the paltry few thousand pounds involved, it was a question of affirming the principle and advantage of passing an imperial trade Zollverein with the Empire, and trade extension amongst themselves, by excluding those who had excluded and repelled them. (2)

The Colony was also duty bound to give effect to the resolutions of the Premiers' Conferences of 1897 and 1902. Seddon had been asked why, seeing he had taken the initiative in the matter, New Zealand had not moved in the direction he had

(1) ibid., p.718 .  
 (2) ibid., p.720 .

indicated at the Conference table. By passing the Bill that reproach could no longer be used against him. The Opposition referred to a speech of Lord Rosebery, in which he twitted the Colonial Premiers with having done nothing but promise, and they pointed out that this had inspired the hasty attempt to force the measure through in that session.

The increased revenue New Zealand would gain through the higher foreign duties, assessed at £70,000, the Premier proposed to offset by abolishing the duty on tea amounting to £40,000. Thus, he held that while giving preference to the trade of the Mother Country, the Colony was also able to benefit her people by giving a large reduction on indirect taxation of the necessaries of life. In conclusion he stated, "No colony can surpass the people of New Zealand in their earnest desire to do their duty, and assist their kindred and to promote the wellbeing and welfare of the peoples within the Empire. That assistance is now required and I ask the House in the interests of the unity of the Empire to cheerfully pass the Bill, giving as it does preferential trade to all within the Empire." (1)

With this flourish the measure set off on its stormy passage through the House. Massey immediately made it a vote of no confidence, on the grounds that, though they desired a tariff to encourage trade within the Empire, there had not been sufficient time to consider the measure, nor did they agree with the principle inherent in it, leading away from free trade toward protection and more taxation.

The Opposition arguments covered the following points: Firstly the main reason given by the Government for bringing

(1) ibid., p.725.



the Bill forward had been that British Trade was seriously declining. This, they strenuously disputed. Some held that the rate of increase might be declining, but at least the volume of trade was not decreasing. On the contrary it showed a very healthy position. The rate of trade increase was not as rapid as other countries, particularly Germany and America. However when the increase of trade of one country was compared with that of another on a percentage basis, it had to be remembered that when other countries began to develop their industries Great Britain had a greater volume of trade than they did. It did not take much to increase one by 100 per cent, for you only added one, but where there was 100 you had to add 100 before you increased 100 per cent. For this reason, while the volume of Great Britain's trade was still the greatest in the world, its percentage rate of increase was not comparable with the leading foreign nations.

Secondly, the Bill gave no advantage to the British manufacturer. It was proposed to sacrifice the foreigner, make no reduction of duties to the products of the Mother Country, and make sure New Zealand itself in no wise suffered. Mr. Chamberlain had said that as long as a preferential tariff was sufficiently protective to exclude Britain's products from colonial markets, it was no satisfaction to her to have even higher duties placed on foreign manufacturers.

Yet this selfish measure made no general reduction of the duty on articles from England. It seemed that Britain was not to gain any advantage she did not already possess, and the whole benefit of the measure would accrue to the Colony's



manufacturers.

According to a speech of the Premier at Akaroa, which the Opposition quoted,<sup>(1)</sup> the imposition of such a duty would not increase British imports, but would check imports from alien countries. He was either wrong on that occasion, or the contention was wrong he was making, that the proposals in the Bill would secure that portion of the trade hitherto going to foreign countries, for the Mother Country.

The Opposition believed the imposition of the duties would increase British exports to New Zealand to the limited extent of between £150,000 and £250,000. Was this all the Colony could do? they asked, after the talk of loyalty. The measure meant additional protection under the guise of patriotism, with increased burden to the taxpayer without corresponding benefits.

Thirdly, after years of stalling and procrastination the Premier had been forced into bringing something forward which was hastily prepared, did not go far enough, and was solely a salve to the Premier's wounded imperialistic dignity upon being twitted by the statesmen at Home for talking much and doing nothing.

(1) ibid., p. 737.

Fourthly, others argued that Britain had the greatest navy, the largest amount of shipping, and the largest trade in the world, all were interdependent. By expecting Britain to adopt protection in reciprocating New Zealand's preference, the Colony was asking her to become more self reliant, in other words, to diminish her trade with foreign countries, for diminution of trade must follow Protection. By lessening imports you lessened exports. Diminution of trade would mean decline in shipping, yet Britain became great, because of the world wide nature of her trade and shipping. In effect then, the Colony was asking the Mother Country to reverse the process which had built the Empire. They argued that the ultimate effect would be that the Mother Country would be able to purchase less of the colony's goods, or would resort to increasing the cost of her exports.

Fifthly, the Premier had talked of fattening foreign nations on New Zealand's trade, and how, out of the profits of that trade, foreign powers were building up navies that would menace the Empire. Just think, the Opposition said, of the enormous navies that could be built out of the profits from the £600,000 worth of New Zealand trade with foreign countries. In fact a considerable portion of that trade would continue to be with foreign powers, for the Premier had not dared touch a long list of articles, such as farm implements, kerosene etc. which could not be obtained anywhere else than outside the Empire.

Finally a number of members strongly advocate the deletion of Clause 10, one going so far as to say, that if

there were no binding ties in connection with the Empire, it would gradually dissolve. If New Zealand entered into reciprocal relations with Continental Countries, and found them to her advantage, and that her connection with the Mother Country was to her detriment, then New Zealand, along with the greater colonies of the Empire would, in the course of time, become dismembered and severed entities. This member believed that with the exception of Clause 10 the proposals were in the direction of not only strengthening the Empire, but of bringing its several parts into closer union and of making them greatly interested in one another's welfare.

The Government speakers argued that the measure would give Britain greater power to negotiate with foreign nations because she could use the threat of their being deprived of British Markets. The dumping of cheaply produced foreign goods in New Zealand would also be prevented by the Bill. Apart from these points the Government members closely followed and emphasised the Premier's case. In spite of the fact that the measure was passed, a reading of the Bill and the debate for and against, leave the reader with the opinion that when the jingoistic trimmings are removed this was a measure in which New Zealand sacrificed nothing, and at the same time gained a lever by means of which she could endeavour to gain the principle of reciprocity from the United Kingdom. Such a conclusion would mean possibilities of great future gain to the Colony.

Seddon's claim that the measure was supported by

the press throughout the length and breadth of the country was grossly inaccurate. Most leading papers in fact condemned the Bill. The Christchurch Press said, "Everyone feels the Bill is a sham, holding no real benefit to our kinsmen, and is solely to save Mr. Seddon's face before Mr. Chamberlain,"<sup>(1)</sup> and again, "The more we examine Mr. Seddon's Preferential Tariff Bill the more futile it appears from the point of view of an Empire welding measure.... The cause of imperial unity will never be advanced by pretending to give preference to the Mother Country, knowing all the time that we are merely acting a part."<sup>(2)</sup>

The Otago Daily Times said, "The Premier has not offered anything like so generous a concession to British trade as it had been led to expect of him,"<sup>(3)</sup> and, "There is a consensus of opinion among those who are entitled to be regarded as competent authorities on the point, that, while the tariff will penalize the New Zealand consumer, it will exercise scarcely any appreciable effect in favour of the English Manufacturer."<sup>(4)</sup>

"The preference offered by this Bill will be no inducement to the electors of the United Kingdom to tax their food in our favour, but we shall at least have made clear our position and prevented their being buoyed up with false hopes," said the Evening Post, "Though we deplore Mr. Seddon's tactics and most of his arguments, we are glad to see the Bill

- (1) The Press, 20 November 1903, p.4.
- (2) ibid., 19 November 1903, p.4.
- (3) Otago Daily Times, 19 November 1903, p.7.
- (4) ibid., 20 November 1903, p.4.

go through. It will not do very much for the Empire but it will clear the air." (1)

The Review of Reviews commenting on the measure said that it would secure to the British manufacturer an increase of about £500,000 in exports to New Zealand for which New Zealand would expect England to reciprocate by imposing duties on meat, butter and cheese to the amount of £3½ millions. At a tax of 5 per cent this would amount in Britain to a tax of £690,000, which would be increased to £725,000 if the 2/- per quarter on the New Zealand wheat sent to the United Kingdom was added on. (2)

The Lyttelton Times said, "The Bill is not the measure we should like to see on the Statute book, doubtless material amendments would be made next session." (3)

However, this hope was not to be realised, for Seddon failed to make any amendments or alterations in spite of dissatisfaction with the working of the Act, and of his promises that it was but a token of more to come. Mr. Massey voiced this, when in the following session of 1904 he said, that the Act had been disappointing, ill considered, and had not given satisfaction. He quoted the Wellington Chamber of Commerce as saying, "This policy, which was advocated by the Conference of New Zealand Chambers held in Wellington in February, 1902 was the subject of an Act passed by the Legislature towards the close of the

(1) Evening Post, 19 November 1903, p.4.

(2) Review of Reviews, (Australasian edition). Vol. XXIII. No. 6. 20 Dec. 1903, p.525.

(3) The Lyttelton Times, 20 November 1903, p.4.

session. Your Council, however, regrets to say that the list of articles to which preference is made to apply, does not seem to have been chosen with any judgement or care, and your Council is of opinion that the Act will have little effect in fostering imperial trade, but that the chief result will be to increase the customs revenue, harass importers, and enhance the cost of various classes of goods, which will of necessity continue to be imported from foreign countries."<sup>(1)</sup>

New Zealand wanted a Bill, Massey said, that would not injure industry, nor increase the burdens of the people, but which would give a reasonable amount of preference to Britain and British industries.

Nothing was done by the Government and in the following session in 1904 Massey again referred to the Act as proving useless. It had not benefited the British manufacturer, he said, nor had it prevented the importation of foreign goods. It had increased the burdens of the people and had been the cause of considerable friction between importers and Government. He trusted that the Government would fulfil its promise and give careful consideration to an amendment of the Act.<sup>(2)</sup>

An examination of the question as to whether the Act benefited the Mother Country reveals that a very slight benefit was given by the preference. The Department of Trade and Customs table of "Imports and Exports" for the year ended 31st December, 1904 shows that the percentage of the total of imports from the United Kingdom for 1903 was 58.5% and in 1904 was 60.05%, an increase of 1.55%. At the same time imports from America

{1} N.Z.P.D. Vol. 128. p.26.  
{2} N.Z.P.D. Vol. 129. p.418.

and elsewhere (including British colonies) dropped from 41.25% to 39.95%. Imports from foreign countries, by themselves had in 1902, prior to the preference, reached 16 $\frac{5}{8}$ % and had continued to show a nominal advance to the end of 1904. (1)

The additional duties collected, which Seddon had assessed at £70,000 by 30th June, 1904, amounted to £13,845.14.0d whilst the Duty remitted on tea was £29,856.13.4d. (2)

In effect the Act was resulting in a trifling loss to the Colony, with an equally small advantage being given to British trade. There was no decrease in foreign imports into New Zealand. When regard is given to all the talk about unifying the Empire, buttressing the declining trade of the Motherland, and such imperialistic catch cries the net result of New Zealand's contribution at that time was negligible.

(1) N.Z.P.D. Vol.133, p.277.  
(2) A. to J. 1904, B-25 A. p.2.



CHAPTER 10.Imperial Conference 1907.

Shortly after his succession to Seddon as Prime Minister of New Zealand, Sir Joseph Ward enunciated his principles with regard to Imperial Preference when he said in Parliament:-

"We have to consider every aspect of the different industries and also the position of the workers where any attempt is made to bring about a reform by reciprocal treaties between the Colony and Australia or with any other country.<sup>(1)</sup> For my part I believe if we could have an Imperial Zollverein on a practical workable basis by which trade could be carried on without any duties at all within its limits, it would confer an immense benefit on the working classes, and on the farming classes, and I for one am prepared to work in the direction of achieving that goal, difficult as it is to bring about."<sup>(2)</sup>

Ward, who had attended the 1902 Conference with Seddon, and who was fully aware of the difficulties besetting the path of Imperial Preference, set off for the Imperial Conference in 1907 with the object of obtaining imperial reciprocity.<sup>(3)</sup>

The Resolutions he submitted to the Conference were,

"1. That it is essential to the well being of both the United Kingdom and His Majesty's Dominions beyond the seas that in the overseas Dominions preferential tariffs in favour of British

(1) The Reciprocal Tariff Treaty with Australia which Seddon had been negotiating when his death intervened was not ratified by Ward on the ground that any advantages to New Zealand outweighed the sacrifices involved.

(2) N.Z.P.D. 1906, Vol. 138, p.118.

(3) References to the 1907 Conference cited in this chapter are from the A. to J. 1907, A-5. pp.228-441 and P.P. 1907, Vol. 55. Cd. 3523.



manufactured goods carried in British owned ships should be granted, and that in the United Kingdom preferential rates of duty on Colonial products now taxable should be conceded.

"2. That all doubts should be removed as to the right of the self-governing dependencies to make reciprocal and preferential fiscal agreements with each other and with the United Kingdom, and further that such right should not be fettered by imperial treaties or coventions without their concurrence." (1)

This latter resolution marks a forward step in New Zealand's constitutional thinking. They claimed by it, complete freedom to handle their own fiscal affairs, and strongly disagreed to being bound by imperial treaties especially with foreign powers upon which they had not been consulted.

With regard to the former resolution, this was identical to that put forward by Seddon in 1902. By it New Zealand wanted reciprocal preference given by the United Kingdom on colonial products that were already taxable there. The Australian case put forward by Mr. Deakin went further and required preferential treatment on the products and manufactures of the Colonies. Whereas Ward's resolution required no radical reconstruction of the British tariff, Deakin's did. The former was harmless but at the same time was almost useless, from the very few items that in a free trade country would be affected by it. The Colonial Premiers, including Ward, gave their full support to Deakin. However,

(1) A. to J. 1907, A-1, p.7.

their cause was lost before they started, for the imperial representatives at the Conference were there, because they had been elected overwhelmingly on a free trade platform.

Mr. Deakin advanced the case for Imperial Preference,<sup>(1)</sup> and many of his arguments had already been used at previous Conferences. However his theme was that with the passing of years the colonies had become more and more convinced that such a policy would greatly advantage the Empire.

With each fresh discussion of the subject from the Conferences of 1887 on, the subject had gained definiteness, and all the self-governing colonies had granted preferences. There was moreover a growing feeling that it was in the best interest of the Empire for the Motherland to reciprocate.

This was a matter of business. As all trade, broadly speaking, existed for mutual profit and was based on it, so every nation sought the largest trade possible. By a trade in preference, which should be conceded by all parts of the Empire, great benefit and increased trade and profit would accrue to all. It was agreed that a nation's first consideration must be its own industries, but after that the case for granting preferences should be considered to see if it would advantage that nation. By "advantage" he meant more than the consideration of L.S.D. For example, if preference aided the building up of the Dominions, such a policy would later bear fruit, for it would increase the consuming power of those colonies which were the Motherland's best customers.

(1) A.to J. 1907, A-5, pp. 229 - 64.

Then there was a great political motive involved in a policy which aimed at mutual assistance and interchange. It would result, Deakin believed, in bringing the Empire closer together, making them stronger by union, and so the better enabled to preserve world peace. This, he claimed, was the strongest motive the colonies had for looking hopefully toward a policy of Imperial Preference.

Anything that encouraged the development of the imperial organization, without limiting the self-governing powers of the several parts, or unduly trespassed on the individual liberty of the citizen, would compact them together in co-operative relations. Every increase in that co-operation, the Australian Premier believed, marked a higher stage in civilization, giving greater opportunities to the individual colony and greater strength to the nation to which it belonged. The nation and the individual colony acted and reacted upon each other, and in the British Empire, the colonies saw the greatest future open to any people, for that interaction, affording the fullest free play to individual energy and enterprise, and at the same time by willing consent uniting its peoples together for their great common ends of one national destiny.

Then again the colonies were adversely affected by the aggressive trade policies of foreigners. To combat this they were not helpless, but could combine in preferential trading to limit the effectiveness of the foreigner in Empire markets. Yet the colonies were faced with the position that the United Kingdom had greater financial interests in the

Argentine than she had in Canada. The colonies could only assume that in matters of trade where the treasure is there will the heart be also. It was imperative that the treasure be put within the Empire, if the best interests of that organization were to be served. He did not advocate an aggressive commercial policy but merely an indication of a freedom and a willingness to use the great powers, a unified Empire would possess, to maintain its own well being in the face of acute fiscal attacks by foreign nations.

The resolutions did not limit the principle of preference to trade alone, but applied it to all the channels of trade; navigation laws, shipping, cables, Suez Canal charges, freights, emigration, conferences making for national unity, in effect every means of co-operation within the Empire. This powerful series of links would sustain the sentiment of unity which was the beginning and end of all imperial thought by the colonies. The strength of that sentiment would decide the destiny of the Empire.

National protection and Imperial Preference had for Deakin, the same quasi-religious significance which universal free trade had for Cobden. The latter hoped to attain universal peace by way of free trade. Deakin with an equal sincerity and an equal credulity believed in Imperial Preference as the royal road to an united Empire.

sir Joseph Ward<sup>(1)</sup> stated that he was there with the honest desire to place his country's position before the British Government, and the British people, in the hope that if they should see fit to reciprocate the preference New Zealand

(1) ibid., pp. 265 - 81.

had already granted on some articles, they would be only too glad to extend the system and add to it on a mutual basis. He believed that if the question were taken out of the arena of party politics, a solution could be reached; but he realized the impossibility of this for the United Kingdom, and concentrated his attention on trying to show that preference would not result in increased prices. "I should like to say," he said, "that if I were a public man resident in England, and with the general knowledge of economic conditions that I possess, at the moment, I should be found on the side of those fighting for cheap food for the masses ---- For my part if I thought that what New Zealand was urging in that respect was likely to bring about an increase in the price of foodstuffs to the masses of the people of England, speaking as a New Zealander, I would not urge it upon the consideration of the Conference, and I would not urge it upon the attention of the people of New Zealand."<sup>(1)</sup>

His argument was, that undoubtedly a policy of protection would result in dearer food and raw materials, but that Imperial Preference would not have this undesirable effect. If the United Kingdom did give a preference by placing a duty against foreign competitors on some articles, and gave the opportunity to the self-governing colonies to send the same articles to England, he believed that the price would be as low by the competition and natural rivalry between the colonies, as it would have been by allowing those articles to come in from foreign countries. This was his contention and one which, he said, would remove from the question of

(1) ibid., p.266.

of Preference the main arguments which had been raised against it, simply because it had been confused with Protection.

Ward instanced the effect of the 1903 New Zealand Preferential and Reciprocal Trade Act which had not brought about an increase in the price of articles imported from the United Kingdom to the New Zealand consumers. On the contrary the increased opportunity for competition between British traders by having a preference against foreigners, he believed had for this reason, kept the price of those articles down.

He quoted the Reciprocal trade treaties extending preferential tariffs which were being arranged between New Zealand and Canada, and New Zealand with South Africa as an example of his country's earnest desire to bring about mutual trade within the different portions of the British Empire.

In spite of the preferences given to the United Kingdom, the trade statistics which were before the Conference in the table "Relative Importance of British Colonies and Foreign Countries as Consumers of United Kingdom Produce" revealed that the only countries in which there was a diminution of the United Kingdom exports to, in the years 1904 to 1906, as compared with 1899 to 1901, were Australia and New Zealand.<sup>(1)</sup> This was to the extent of £610,000 and Ward considered the cause to be that the trade had gone to other countries, and England under Preference ought to have had the lot.

He did not attempt to disguise the fact that New

(1) *ibid.*, p. 267.



Zealand wanted Preference to be as advantageous to her as she could have it, but the colonies were not so selfish, nor so stupid, as to suppose England would reciprocate, to her own substantial hurt.

Another point Sir Joseph Ward made was that the trade of the United Kingdom with Australasia placed them third in importance of all Britain's customers. In comparison with the huge populations of some of these, the small population of Australasia took a greatly disproportionate amount of the exports of the United Kingdom. What was important, he said, was that the future development of young Australia and New Zealand held great potentialities for a greatly increasing volume of trade, whilst the great foreign powers of the Continent had very nearly reached their purchasing limit.

Preference would be to England's advantage even if it necessitated some preliminary sacrifice of foreign trade, because it would be replaced at least, by an equal amount of increased trade with the colonies.

Sir Joseph Ward then turned to some very practical considerations arising from the broader view of Imperial Preference. Firstly he dealt with the growing maritime trade of Germany, and Britain's foreign competitors. As a matter of preference, trade in British possessions would follow the British flag, but the Germans, through subsidies, were providing a most attractive carrying trade. If this were not combated the colonies' trade would be attracted to their ships. The colonies wanted to see British merchants giving a preference

to British ships.

Secondly, in New Zealand and Australia there were representatives of every important country in the world, except Great Britain. These consuls or vice consuls in every large town were briefed on all important matters and especially those connected with trade.

Thirdly, there should be a preference for the British ships trading with Australia and New Zealand in the matter of Suez Canal dues. The continuance of high and almost prohibitive charges on vessels using the Canal, he believed, minimised the effects of Disraeli's master stroke in acquiring the shares of the Suez Canal in the interests of the Empire itself.

Finally communications, and in turn trade, would benefit from a fast mail service from Britain to Australia and New Zealand via Canada.

For Sir Joseph Ward, a sentimental connection with the Old Country was not sufficient. A static policy would only result in retrogression. The only answer, and he believed it would come in time, was for Great Britain and her colonies to enter into a preferential system of trading, with the preference applying in all the channels of trade.

The British Chancellor of the Exchequer, Rt. Hon. H.H. Asquith, pointed out the fact that New Zealand's preference was only of a very limited extent and applied only to about a dozen or a score of things at the outside. Only some 20 per cent. of the total British exports to New Zealand were affected by the preference. Sir Joseph replied that what had been done showed the earnest desire of his country to give a



preference to the Mother Country, and that New Zealand was quite prepared to extend it.

The colonies had stated the thesis, that the determining factor in deciding the question for or against preference was the particular interest of each member. That being the case, said Asquith (1) Britain's interest lay in free trade and she would follow that policy. For the first time in history it had been found possible to give the completest development of local liberty and independence without impairing in any way the sense of corporate unity between the parts and the whole of the Empire. Nowhere was this truer than with regard to fiscal policy. When self-government was given, statesmen recognised that unless they gave complete fiscal independence, they were giving something which in the long run was not worth having, and sowing seeds of dismemberment and discord. Britain had not pressed the doctrine of free trade upon the colonies who had used their own fiscal freedom to adopt Protection. Just as the colonies had been free to adopt this course, so Britain, having regard to the special conditions and interests of her people, had come to the conclusion that the maintenance of free trade in its fullest sense was not only expedient, but absolutely vital to her economic interests.

Britain had retained her predominant position for three reasons, he said, namely the special productive activity of her people, her position as clearing house for a great part of the intermediate business of the world, and thirdly to her shipping which did the carrying trade for more than half

(1) ibid., pp.305 - 24.

the world's produce. If the sources of supply were curtailed and the cost of supply were raised a deadly blow would be struck at the foundations of her whole industrial system. The British free trade system resulted from the above mentioned needs and as long as those circumstances remained, Asquith said, his Government could not without treachery to the true and enduring interests of their people, abandon the foundations of the system.

They had had a singular manifestation of public feeling in the United Kingdom on the question through the verdict given at the elections. Were they to yield to the colonies' arguments and put the proposition to the House of Commons it would be defeated by a majority of two or three to one.

The United Kingdom and the colonies, he pointed out, were not being excluded from foreign markets as had been argued by the Colonial Premiers, because in the case of almost all the countries with whom they traded there were Most-Favoured-Nation stipulations.

There would also be great difficulty in framing preferences which dealt equally with all the self-governing colonies. Were one colony to gain more than another there would arise very real cause for discontent throughout the Empire.

Asquith brought his case to a forceful conclusion when he said, "Of course you will not agree with many of the things I am saying. You think, no doubt, other people are right and that our economic system belongs to the age of the dodo or some other prehistoric period --- But we are

43,000,000 people, still the richest in the world, still not afraid to speak with our commercial enemy at the gate, and convinced that no system of preference such as you have been advocating --- can be adopted by Great Britain which does not involve taxation of our sources of supply, both of food and of raw materials, and a consequent enhancement of the cost of necessities of life and of industry, and a corresponding and necessary curtailment in the area and profitability of the whole of our productive industries. That is our position and that being so it is impossible for His Majesty's Government, anxious as they are by every means in their power to promote the commercial development as well as the imperial unity of this great fabric for which we are jointly responsible, to recommend to Parliament any fundamental change in the fiscal system of this country as would be involved in the adoption of the proposal you have laid before us." (1)

Lloyd George and Winston Churchill further supported Asquith's arguments, the latter prophesying that people in the future would look back to the Conference of 1907 as a date in the history of the British Empire when one grand wrong turn was successfully avoided.

The case for Preferential Trade was concluded by reaffirming the 1902 Resolutions, with Great Britain again dissenting from that one recommending reciprocal preferences by the United Kingdom to her Dominions.

Sir Joseph Ward, realizing that a stalemate had

(1) ibid., p.322.

been reached, strongly supported the United Kingdom resolution to the effect that the Conference should recognize the importance of promoting greater freedom and fuller development of commercial intercourse within the Empire, believing that these objects might best be served by leaving to each part of the Empire liberty of action in selecting the most suitable means of attaining them, having regard to its own special conditions and requirements, and that every effort should be made to bring about co-operation in matters of mutual interest.<sup>(1)</sup>

Ward was the realist at the Conference, and unlike Deakin and other Premiers, who continued the struggle even out into the English constituencies, contented himself with striving for achievements of some practical moment. The British Government had decisively rejected the whole idea of tariff preferences so he applied himself to "making roads across the Empire, not building walls".

The New Zealand press supported this approach and there were no heartburnings that the Premier had failed in his desire to get Imperial reciprocity. The Otago Daily Times referred to the subject as being regarded by the majority of men as a kind of chimera which however enticing on the surface embodied a mischievous principle, namely a revenue raising scheme under the guise of imperialism."<sup>(2)</sup>

The Evening Post recognised the fact that each member of the imperial partnership must be allowed to save

(1) ibid., p.429.

(2) Otago Daily Times, 4 May 1907, p.8.

its own soul, to work out its own fiscal salvation in its own way, unembarrassed by the solicitations, or the admonitions of others, and that no partner should be expected to sacrifice its own interests to those of others, or to promote their interests except incidentally to whatever scheme it had first adopted on its own account.<sup>(1)</sup>

"We must quietly accept the inevitable until British public opinion has approved a policy of Protection on its own merits, and so prepared the way for a preference which is impossible under free trade."<sup>(2)</sup>

At the conclusion of the discussion at the Conference the same paper referred to public feeling in New Zealand on the subject, "This is her (Britain's) affair and not ours, and the change which alone will supply a basis for preference must come from a change in her own estimate of what is good for her, and not from the urgency of our claims. This we believe represents fairly enough the general attitude of public opinion towards the question, but it must be added that even thus modified, the feeling in favour of preference is not a strong one. It is rather a vague aspiration than a practical moving force. An excellent illustration of how easily we deceive ourselves was provided last week. Referring to the notion that the refusal of preference might be regarded as a rebuff, we wrote on the 9th instant, 'There is certainly no such sentiment here, and though in Australia the issue has recently had a little more vitality, because the whole tariff question has been actively

(1) Evening Post, 2 May 1907, p.6.  
 (2) ibid., 9 May 1907, p.4.

discussed, the same remark probably equally applies to Australian sentiment.' On the very same day the Sydney Daily Telegraph remarked, 'Sir Joseph Ward is a preferentialist and his Colony is much more pronounced than is the Commonwealth on this question'. Thus each Colony is satisfied of the greater vitality of the other's sentiments, the fact being that in both the general interest in the matter is exceedingly languid."<sup>(1)</sup>

The above press comments fairly assess New Zealand's attitude to the failure to gain reciprocal preference from the United Kingdom and in fact her attitude to the whole question. It was essentially a realistic viewpoint. The United Kingdom had decidedly rejected any suggestion of altering her fiscal system, but at the same time reaffirmed the principle that the colonies were completely free to work out their own fiscal arrangements. The Motherland once again expressed her desire to strengthen the bonds of Empire by every means within her power, subject only to the limitations of her free trade system, and much was done henceforward to improve the channels of trade. This Conference did serve to clarify the whole issue, and removed many prejudices and misunderstandings which had hitherto clouded the issue. The colonies loyally accepted the situation and joined willingly with the Mother Country in seeking ways and means of improving trade relations. The final move, as will be seen, came from the Mother Country, whereas up to 1907 it was the self-governing colonies who had so keenly advanced the cause of Imperial Preference.

(1) Evening Post, 15 May 1907, p.6.

The 1907 Conference gave to the colonies a clearer realization of the great constitutional freedom, so paramount in fiscal matters, possessed by each of the self-governing Colonies. This fact so explicitly pointed out by the imperial statesmen, was another step in the evolving British Constitution, and but a short transitionary stage from the complete autonomy in the sphere of international relations granted later by the Statute of Westminster.



CHAPTER 11.The Tariff Bill 1907.<sup>(1)</sup>

When Sir Joseph Ward returned to New Zealand he immediately included in the Bills to be enacted during the remaining session in 1907, one revising the Preferential and Reciprocal Trade Act of 1903. It will be recalled that at the Imperial Conference he had said, that if Britain was prepared to reciprocate the preference already granted to her by New Zealand, the latter would be only too glad to extend the system. Yet in spite of the categorical negative, Asquith had given to the idea of reciprocity, Ward introduced his measure with a genuine desire to assist the Mother Country.

The Prime Minister had taken the opportunity at the Conference of making tentative arrangements with the Premiers of Canada and South Africa for reciprocal tariff treaties. His action was also confirmed in the Tariff Bill.

The speeches made by both Government and Opposition members in the Address in Reply Debate on the subject of Preferential Trade are almost identical to those made during the debate in 1903, to which I have referred in detail. There was considerable comment on the rejection of the ideal of reciprocity by the Imperial Government, and also on the clear cut decision of the British electors in favour of Free Trade.

The Prime Minister dealt very fairly with the Leader of the Opposition's complaint that, "it was for the

(1) The debate on the Tariff Bill is in N.Z.P.D.1907, Vol.140. In addition many references were made to the proposed measure in the Address in Reply Debate, N.Z.P.D. 1907. Vol.139.



representatives of the Imperial Government at the Conference to suggest a way out, and to show the younger nations that we were regarded as junior partners, and not send their representatives away with the impression, which was undoubtedly conveyed, that their aspirations to a voice in imperial affairs were not likely to be granted." (1)

Sir Joseph Ward explained that the Imperial representatives had been elected on a Free Trade platform by the great majority of the people of the United Kingdom. The working class in particular sincerely believed that the cost of their food could only be kept down by such a policy. Though he believed himself that they were wrong it would be unreasonable to expect them to change their views merely for the sake of agreeing with the colonies. All the latter could do was to try to educate them. "In any case I believe", he said, "it is worth making a sacrifice in this important matter for the purpose of enabling Britishers in all parts of the world to give the preference for trading amongst themselves and by so doing help to strengthen their own people in all parts of the Empire. It is neither necessary, fair, nor even politic to call members of the British Government names because they do not see eye to eye with us in this matter." (2)

The actual Tariff Bill aimed at revising existing tariffs to obtain more nearly a "free breakfast table", whilst continuing to maintain protection for local industries. It contained provision for increased duties upon foreign imports,

(1) N.Z.P.D. 1907, Vol.139, p.35.

(2) ibid., p.45.

thereby giving preference to like goods from the United Kingdom, and the Dominions. To the 37 items on which preference was given in the old list, 165 new items were added. Of these, 48 were made entirely free of duty to England and any part of the British Dominions, but would bear a 10-20 % duty if coming from foreign countries.

Although there was much debate on the separate items of the tariff, the principle of giving the preference had been established in 1903, and as a result, the Bill as a whole received the approval of both sides of the House.

The conclusion reached, with regard to the 1903 Act, that its benefit to the Mother Country was negligible could no longer be applied. "British exports to New Zealand increased from £6,905,000 in 1903 to £10,838,000 in 1913".<sup>(1)</sup> Under the stimulus of preference advantage was given to the trade of the Mother Country.

(1) Russell, R.S. Imperial Preference, Its Development and Effects. p.17.

## CHAPTER 12.

### The Imperial Conferences 1911 and 1917.

The 1911 Imperial Conference had two important resolutions affecting the trade of the Empire. (1) The first which was concerned with commercial relations was moved by Sir Wilfred Laurier of Canada and warmly seconded by Sir Joseph Ward. It advocated the setting up of a peripatetic Royal Commission representing the self-governing colonies, with the object of investigating and reporting upon the natural resources of each part of the Empire, the development attained and attainable, the facilities of production, manufacture and distribution, the trade of each part with the others, and with the outside world, the food and raw material resources of each and the services available. The Commission would investigate to what extent, if any, the trade between each of the different parts had been affected by existing legislation in each, either beneficially or otherwise, and finally what methods consistent with the existing fiscal policy of each part, the trade of each part with the others might be improved and extended.

This resolution arose out of one that was not approved, which urged that every effort should be made to bring about co-operation in commercial relations and matters

(1) References to the 1911 Imperial Conference cited in this chapter are from A. to J. 1911, A-4, pp. 340 - 4, and P.P., 1911, Vol. 54. Cd. 5741. pp. 64 - 6.

of mutual interest. Ward pointed out that New Zealand was already doing all it could with regard to mutual help. The spirit which instigated this resolution found expression in the idea of the Royal Commission to investigate all commercial matters relating to the Empire's well being. Much of the commercial discussion at previous Conferences had been limited by the lack of knowledge of the trade and resources of the other self-governing colonies, which resulted in unsatisfactory theorising without being able to get to grips with practical realities.

The Secretary of State for the Colonies, (Lewis Harcourt) perhaps seeing the thin edge of the wedge being inserted by the colonies with the aim of building up a case for Imperial Preference from the trade figures gathered by the Commission, insisted that the words "consistent with the existing fiscal policy of each part" be included.

The second resolution which Sir Joseph Ward strongly supported, reveals a further step being taken by the colonies toward attaining greater freedom. His Majesty's Government were requested, "to open negotiations with the several foreign governments having commercial treaties which apply to the Overseas Dominions with a view to securing liberty for any of those Dominions which may so desire to withdraw from the operation of the Treaty without impairing the Treaty in respect to the rest of the Empire."<sup>(1)</sup>

(1) P.P.1911, Vol.54. Cd. 5741, p.64.

The discussion on commercial matters resulted then in very practical advances being made, and high hopes were entertained of the advantage to the Empire which would be derived from the Inquiries of the Royal Commission. This body had not completed its investigations when the Great War intervened, but the interim reports published as the Commission visited each Dominion proved of considerable value, in ensuring that the war effort of the Empire in the vital matter of commerce was most effectively directed.

In their final report published in 1917 the Commission stated that "The British Empire has grown in obedience to no material plan of development. Each section outside the United Kingdom which has received the grant of self-government has shaped its course, pursued its own ends, and directed its activities chiefly from the standpoint of its local interests. One sentiment alone has held the widely scattered parts from disintegration, loyalty to the Crown, accompanied by a reassuring sense of security and protection.

Yet as growth has proceeded and as the strength and power of the outlying portions of the Empire have increased as means of communication and intercourse have multiplied, there has developed a deepening sense of common aims and ideals and a recognition of common interests and purpose. The instinct not only of nationhood, but of imperial unity has gradually asserted itself."<sup>(1)</sup>

(1) P.P., 1917, Vol.10. Cd. 8462, p.159.

The Commission recognized then the important part played by commerce and channels of trade in strengthening the imperial ties, where the struggle toward nationhood in the colonies could easily have led to the dismemberment of the Empire.

The Imperial Conference of 1917 was to see the United Kingdom finally capitulating in the struggle between free trade and protection. In February of that year in addition to the "Report of the Dominions' Royal Commission on the Natural Resources, Trade, and Legislation of certain portions of His Majesty's Dominions," already referred to, a Committee on Commercial and Industrial Policy headed by Lord Balfour, reported to the Prime Minister, Lloyd George,<sup>(1)</sup> giving reasons for a number of important resolutions which their report embodied. These latter were that, "1. In the light of experience gained during the war we consider that special steps must be taken to stimulate the production of foodstuffs, raw materials, and manufactured articles within the Empire whenever the expansion of production is possible and economically desirable for the safety and welfare of the Empire as a whole.

"2. We therefore recommend that His Majesty's Government should now declare their adherence to the principle that preference should be accorded to the products and manufactures of the British Overseas Dominions in respect of any Customs Duties, now or hereafter to be imposed on imports

(1) P.P., 1917, Vol. 23, Cd. 8482, p. 4.

into the United Kingdom.

3. Further it will in our opinion, be necessary to take into early consideration, as one of the methods of achieving the above objects, the desirability of establishing a wider range of customs duties which would be remitted or reduced on the products and manufactures of the Empire, and which would form the basis of commercial treaties with Allied and Neutral powers" (1)

A study of the reasons prompting this sudden change of heart by the Mother Country, reveals above all, genuine gratitude for the part the self-governing colonies were playing in the war.

The secondary consideration was that her pre-war trade had been thrown into upheaval and new markets would have to be secured. "We have arrived at our conclusions", the report stated, "chiefly on the ground, that although to some of us, any measures which may act in restraint of trade are in the abstract distasteful, we think it necessary that for the sake of the unity of the Empire, a serious attempt should be made to meet the declared wishes of the Dominions for the development of their economic relations with the United Kingdom, and that any abstract opinions we may hold should not under the circumstances in which we are placed, and with the experience gained during the war, stand in the way of any measures which are seen to be important, having regard to the general interests of the Empire." (2)

(1) ibid.

(2) ibid.



The report referred to the unanimous colonial attitude toward Imperial Preference at earlier Conferences and then continued, "Whatever controversies may have arisen in the past, we think that, regard being had in particular, to the sacrifices made and the services rendered by our fellow subjects overseas for a common purpose during the present war, the time has now arrived at which this request should be granted to the fullest extent which is now or may hereafter be practicable. The Dominions have not asked, and we do not understand them to ask that duties should be imposed by the United Kingdom for the sake of granting a preference to their products. But we feel that ----- it will be necessary to take into full consideration as one of the methods of achieving the objects indicated, the desirability of establishing a wider range of customs duties than exists at present -----"

We do not overlook the practical difficulties involved, but we desire to emphasise the fact that for the purpose of recovering trade lost during the war, of securing new markets, and consolidating the resources of the British Empire, the development throughout the Empire of a system of mutual tariff preferences, is a subject which cannot in our opinion any longer be neglected."<sup>(1)</sup>

The Committee then pointed out that any fiscal changes would have to take many factors into consideration, such as the interests of home manufacturing industries, ship-building, local consumers, etc., but these would not impose any insuperable obstacles to the adoption of the policy embodied in the resolutions.

(1) ibid.



The Imperial Government gave their warm approval to the principles of the report, and it was probably at their instigation, and with a foreknowledge of the support of the United Kingdom that Rt. Hon. W.F. Massey of New Zealand moved the resolution at the Imperial Conference in April 1917 that, "The time has arrived when all possible encouragement should be given to the development of imperial resources and especially to making the Empire independent of other countries in respect of food supplies, raw materials, and essential industries. With these objects in view the Conference expresses itself in favour of;—

1. The principle that each part of the Empire, having due regard to the interests of our Allies, shall give specially favourable treatment and facilities to the produce and manufactures of other parts of the Empire.

2. Arrangements by which intending emigrants from the United Kingdom may be induced to settle in countries under the British flag." (1)

The resolution was unanimously adopted, and for the first time the Chairman was able to place the seal of England's approval on it. "I am very glad that on this occasion a resolution of this character can be passed with absolute unanimity, not only the representatives of the Dominions concurring in it, but also those who happen to be the representatives of the Home Government." (2)

(1) P.P., 1917, Vol. 23. Cd. 8566. p.114  
 (2) ibid., p.115.

Sir Joseph Ward who had taken part in the discussions on this subject at the 1902 and 1907 Conferences, and who was present with Massey on this occasion expressed his great satisfaction that this measure, which he had consistently supported, had at last come to fruition. He referred to the appropriateness of the presence of Austin, the son of Joseph Chamberlain who had sacrificed all in a cause, which by the Conference's unanimous decision, was now fully justified. He also noted with approval the Prime Minister's speech which indicated that the policy would be put into effect soon after the war concluded.

It had taken thirty years from the first appearance of the subject of Imperial Preference at the Conference table in 1887, before the self-governing colonies finally attained their end.

The Great War had done much to bring home to the Mother Country the inherent strength of the British Empire, and the strength of the ties of loyalty and affection which bound her self-governing colonies to her. It was the least she could do in return, to take steps towards strengthening those bonds in the days of peace by adopting the cause of Empire Preference, and this she undertook to do wholeheartedly.

**Footnote:** Preferential remissions on existing duties were made in the United Kingdom in 1919, which the Dominions reciprocated with substantial remissions. At the Imperial Economic

Conference of 1923 the British Government increased the remissions. Mr. Snowden however reversed the policy in 1924, and it was not till the world economic crisis of 1932 that this decision was reconsidered and a system of mutual preference was established. This action, it is claimed, materially assisted the British Empire to make a more rapid recovery from the depression than any other group of countries. During the 1939-45 War the British Government felt constrained, under insistent American pressure, to contemplate the reduction, if not the elimination of Imperial Preference, as part of the "Lend Lease Agreement" of 1942, and used its influence with the Dominions in that direction. By the "General Agreement on Tariffs and Trade" Britain in principle is pledged to abandon all Empire Preference of every sort. Mr. L.S. Amery has only recently stated that Britain has only survived by violating its principles and clauses. That is the present situation.

## CHAPTER 13.

### Conclusion.

A review of the course of the struggle between Mother Country and colonies shows clearly that from the moment that she acceded to their desire to grant her preferences in 1897, even though she herself did not reciprocate, she had made a breach in her free trade principles, which passed the initiative over to her self-governing colonies. Though she still might claim that she maintained the principle of "Open Door" she could not deny the ostensible benefits which came to her through the Dominions' preferences, nor fail to make something out of the oblique practices of her kindred overseas. In fact, British free traders argued with considerable justification that the benefits accruing to her through colonial preferences were negligible, however the colonies strongly denied this, and believed themselves to be generous, but not so generous that they would persist quietly in their unrequited generosity. They complained bitterly about the onesidedness of their giving, seeing that the Mother Country would not reciprocate. They threatened the dismemberment of the Empire as the logical outcome of an imperial policy, which, if it were persisted in, would drive them towards a more profitable trade with the foreigner.

The imperial controversialists then claimed that the colonies' preferences were but some small return for the

burden of Empire defence, and capital investment concessions on the British Stock market which the Mother Country bore.

To all of which the colonies replied that a vital principle was involved. They, in their trade preferred and made sacrifices for the Motherland, as they would to a revered parent, only to be treated on exactly the same terms as the foreigner, in the free trade markets of the Old Country.

British statesmen wearily repeated to these persistent kin, that the course they advocated was completely contrary to the whole fiscal policy of the United Kingdom. Britain's policy had gained for her world trade supremacy, and to depart from it by adopting a protective policy could not do other than cause a diminution of her vast volume of trade, threaten her with retaliation by her powerful rivals, and increase the cost of living of her people. This stand was met with the rejoinder that it had not been contrary to her principles when it came to receiving preferences from her colonies. So the argument had gone round the full circle and imperial statesmen could only fall back on the weak argument, that she claimed for herself the same autonomy which she accorded to her colonies. Such an argument could do nothing whatever towards strengthening imperial unity.

In the eyes of the freetraders the colonial claims showed a complete disregard for Britain's interests, and a complete ignorance of her economic structure. To them the

cause of Imperial Preference was but a cloak being used by the colonies to cover the selfish desires of local interests. This thesis has brought evidence of this very fact.

Protection for local industries and higher revenue raising tariffs were undoubtedly aimed at, under the guise of assisting the Mother Country and unifying the Empire. The hard core of self interest was at the heart of the new imperial plan. In reality this self interest was not imperial at all, but was the national system of political economy seeking to project itself towards greater freedoms, more advantageous trade and the security which a unified Empire could give. Again it was not solely a matter between governments, for within each national system sectional interests manoeuvred to gain the ear of the Government with similar ends in view. These influenced Governments in the policies their representatives put forward at the Conference table.

Yet this solution of basic causes of the policy of Imperial Preference does not give the complete answer. For example, it does not explain the intense ardour with which the Colonial Premiers pursued its cause, nor does it explain the disinterested imperial enthusiasm and sacrifice of such men as Joseph Chamberlain. Underlying all was a rugged pride of race. The homogeneity given to the colonies through their common forebears, the heritage of their history and traditions, and their loyalty to a common throne, all strengthened the desire to bring greater unity into the imperial structure by preferring one another in matters of trade.

The policy was premature which the advocates of



Imperial Preference used in pointing to the decline in British trade, in comparison with certain foreign powers whose trade was rapidly advancing under a system of protection. The advocates of preference did not give due credit to the large volume of trade which Britain continued to enjoy with protectionist powers. They emphasised the slow increase in British exports to foreign powers in comparison with the rapid increase in her exports to her colonies, but here they fell into the percentage fallacy. They proclaimed the day of "open door" empires was over, but the interests vested in her export industries, so dependent on cheap raw materials, had no intention of risking a change of policy which might hamper their ability to compete with the foreigner.

The exaggerated arguments of those advocating a system of Preference did correspond in some degree with reality. The trade barriers were being raised higher by foreign powers. Some were closing their doors to Britain's manufactures, or were evading the Most-Favoured-Nation clauses. The markets for manufactured goods were diminishing, as foreign countries developed their own industrial potential. Through her pioneering of industrial development, Britain, by the turn of the century, was at a disadvantage. New developments had outmoded much of her machinery, whereas new foreign industries were able to benefit from her experience and installed more efficient and productive plant.

All powers were readjusting their trade to changing conditions both political, economic, and social, which were taking place within their borders. However, as long as the



majority of Englishmen at Home believed that they could meet those changing needs, and still retain their leadership in the trade of the world, by a policy of free trade, then the arguments of the colonies and all who advocated a policy of Imperial Preference as a means of presenting a strong united front to the foreigner, evoked no deep popular response in the Mother Country.

It required the intervention of the Great War, when the trade net work that Britain had woven with foreign continental powers was thrown into disruption, and patriotic fervour was aroused, for her to realize the inherent possibilities of the course her colonies had so long advocated. A united Empire, with its free and self-governing entities preferring one another in all matters, including those of trade, would provide the logical answer to the desperate needs of a nation struggling for its very existence.

As far as New Zealand itself was concerned, her politicians and statesmen at all times sought for a most profitable exchange of trade on the most advantageous terms possible. They foresaw rich returns through a preference being granted to her food exports by the Mother Country. At the same time New Zealand was adamant that full protection must be given to the industrial development within the Colony. For this reason her representatives soon appreciated the dangers of a policy which sought to establish freer trade within the Empire, and so aligned themselves wholeheartedly with the cause of Imperial Preference. This policy enabled them to give that protection, whilst allowing them to favour the Empire,

to the detriment of the foreigner.

The legislation New Zealand passed was very tentative at first and in no wise involved much sacrifice, however she did extend the preferences when the Mother Country indicated that she would reciprocate. This resulted in advantage to the United Kingdom and to New Zealand herself.

The policy of Imperial Preference has resulted in some cases where the New Zealand consumer has had to pay a heavy duty on some high quality commodity supplied by a foreign country, or take an inferior article from the United Kingdom. Furthermore she has, on occasions, had to pay higher prices because of the monopoly position given to British goods in the New Zealand market. In these respects the advantages of Imperial Preference to the country are not so clear, however there can be no gainsaying the beneficial effect of having preference in the United Kingdom, her most important market.

The struggle for Preference involved much more than an economic argument between the Mother Country and her colonies. When the discussions at the Conferences are examined the growing spirit of nationhood of the self-governing colonies is clearly revealed. The colonial conception was one of co-operation within the Empire partnership. They were less concerned with foreign policy and defence, than with mutual economic support in building up each other's welfare, and hence the strength upon which defence and consequently a foreign policy would ultimately depend. It is impossible to understand the evolution of Empire relations over the period unless it is realised that for the colonial statesmen the subject of Imperial

Preference was largely a constitutional issue, as being the obvious method of asserting imperial unity.

R. Jebb in his Studies on Colonial Nationalism in 1902 referred to the changing constitutional status of the colonies, "If these objectors realized that the colonial era is passing away and that the Governments of the Dominion, the Commonwealth and New Zealand now exercise national functions, they would also realize that it will fall upon those governments and not the British Government to evolve out of sectional colonial interests a proposal which it is possible for us to accept." (1)

"The basis of the present proposals is national equality, expressed by the negotiation of commercial treaties in exactly the same way as between foreign countries." (2)

There was a slow appreciation in the Mother Country of this evolving claim to nationhood by the daughter-colonies. Imperial statesmen still tended to think of the function of the self-governing colonies, just as in the earlier days of the nineteenth century, as means of transmitting their sectional views for the favourable consideration of a paternal Home Government. The discussions on the subject of Imperial Preference at the Conferences of 1897, 1902 and 1907 did much to disabuse the imperial statesmen of this attitude.

At the same time the colonies showed themselves to be at various stages in this evolution from colony to nation. Canada and Australia revealed a much greater precocity of

(1) Jebb, R. Studies in Colonial Nationalism, p.235.

(2) ibid., p.239.

national sentiment than did New Zealand, who clung much closer to the imperial tie. New Zealand's representatives, with the possible exception of Seddon, were always very conscious of the imperial viewpoint, and, quickly appreciating the state of impasse which the free trade versus preference discussions had come to, sought for practical expedients to foster trade.

Granting to the colonies the freedom to make commercial treaties with foreign nations was another stride forward on the path to nationhood. This was a considerably advanced stage in the evolution of the idea of the imperial connection, from the days of the mercantile dependent empire. As yet the treaties had to be negotiated through the head of the Empire. Both colonial and imperial statesmen had not arrived at the concept of the British Commonwealth of Nations embodied in the Statute of Westminster.

Undoubtedly the extension of this power to negotiate commercial treaties with foreign powers, even though it was conducted through the imperial representative guided by a colonial plenipotentiary, would have provided considerable experience and stimulus towards fuller freedoms.

By the end of the period under review the question of fiscal relations was no longer the point of most concern in the connection between the United Kingdom and the Dominions. The centre of gravity had shifted from trade to foreign affairs. Naturally after the sacrifices made by the Dominions during the War, their primary concern was to win for themselves a voice at the Peace Conference.

The idea of Imperial Preference, is claimed by some to have inherent in it, a somewhat narrow and militant conception of the relationship of the Empire to the world. The ideal however has been that a strong self-sufficing Empire is a more solid and desirable alternative than the chimera of a world wide society of nations. Events have shown that the British Commonwealth has played a full part in working for international understanding and at the same time has strengthened the imperial ties between Mother Country and Dominions through a preference in trade.

In spite of the manoeuvrings of self-interested parties, both political and commercial in the colonies, the cause of Imperial Preference was an endeavour by the self-governing colonies to unify the Empire in the face of the growing threat to Britain's supremacy, by foreign powers, Whilst bringing them closer together in one respect, paradoxically, it freed them in another, for in the cause of Imperial Preference the Dominions succeeded in attaining greater imperial unity, whilst advancing themselves towards the freedoms of nationhood.

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There are full reports for the Conferences of 1887, 1894, 1907 and 1911, and abbreviated memoranda containing summaries of the resolutions agreed to for the Conferences of 1897, 1902, and 1917.

(b) The Debates of the Legislative Council and House of Representatives of New Zealand (N.Z.P.D.) have provided the source material for the New Zealand Preferential Tariff legislation.

(c) Research in the daily newspaper files has been confined to the leading New Zealand papers during the particular years in which the Conferences were held, and when the subject was under discussion in Parliament.

(d) The Review of Reviews also contains valuable current comment.

The numerous pamphlets published during the Free Trade v Preference controversy from 1902 to 1906 were confined to England. There appears to have been little or no source of material of this nature written in New Zealand. For this reason, I have selected a few of the more relevant English pamphlets which provided a useful background study, and have classified them as secondary material.

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