

**Imperial Preference**

**VIS-A-VIS**

**World-Economy**

# Imperial Preference

vis-a-vis

# World-Economy

in relation to the International Trade and  
National Economy of India

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## PREFACE

In the tariff morphology of nations the Ottawa Agreement of 1932 is as great a landmark as the Cobden-Chevalier Treaty of 1860 and the *Deutscher Zollverein* of 1833. The present study seeks to examine the nature of Imperial Preference as thus consummated in its bearings on Economic India, the Empire-Economy, and the world-economy, thereby throwing some light on the theory of international trade as distinguished from what is known from the well-established viewpoints of free trade and protection.

I am happy to express my appreciation of the fact that the book was kindly piloted through the press by my friend and colleague, Dr. Narendra Nath Law.

BENOY KUMAR SARKAR

Calcutta University,  
- August 15, 1934.

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## Imperial Preference vis-à-vis World-Economy

The economics of Imperial Preference touches, on the one hand, the tariff policies of nations. We are interested here in the directions of foreign trade, the movements of exports and imports. On the other hand, the economics of Imperial Preference is an aspect of the problems bearing on the economic unification, concentration, consolidation or federation of regions. The topic of interest here is the territorial division of production and labour in the international sphere.

From the first standpoint we have to encounter questions relating to the terms of commercial treaties, agreements or conventions. And in this regard Imperial Preference introduces us to the very antithesis of the "most-favoured nation" treatment.

The second viewpoint is mainly geographical and brings us into contact with the boundaries of *Zollvereins* (customs unions), their racial make-up and their political affiliations. Imperial Preference takes us beyond the national plane and poses before us the problem as to whether and to what extent the economic unification realized by it, namely, Empire-Economy, is prejudicial to world-economy or the economy of the constituent units.

Both these questions, namely, commercial policy and economic centralization, consolidation or federation are essentially political, in so far they are but phases of international group-making or alliance. Imperial Preference as an item in Empire-economy is naturally political in its foundations. But the policies can be examined in the light of their purely economic values also. And to this we shall address ourselves.

## Appendix

### THE FUNCTIONING OF THE OTTAWA AGREEMENT

It is only recently that indices to the retreat of the world-economic depression have been slightly in evidence<sup>1</sup>. But otherwise up till now the Ottawa Agreement has been functioning under the shadow of the universal crisis. It is perhaps to a certain extent as one of the antidotes to this crisis that Imperial Preference may be said to have been planned.

It is in the perspective of those abnormal conditions, therefore, that the following figures<sup>2</sup> relating to the functioning of the Ottawa Agreement down to September 1933 have to be read. Two tables for 1931-33 are being exhibited. One describes the imports, exports as well as the re-exports<sup>3</sup> of the U. K. in absolute figures as well as in percentages, first, with the Empire countries, and secondly, with the non-Empire countries, as follows :

#### The United Kingdom's Trade with Empire and Non-Empire Countries

	January to September			January to September		
	1931 (£'000)	1932 (£'000)	1933 (£'000)	1931 Per cent	1932 Per cent	1933 Per cent
<b>Imports from</b>						
Empire Countries	180,866	183,412	181,720	29·11	35·26	37·25
Non-Empire Countries	440,487	336,803	306,134	70·89	64·74	62·75
All Countries	621,353	520,215	487,854	100·00	100·00	100·00
<b>Exports (British Produce) to:—</b>						
Empire Countries	129,262	123,486	118,218	44·21	45·55	44·05
Non-Empire Countries	163,129	147,621	150,172	55·79	64·45	55·95
All Countries	292,391	271,107	268,390	100·00	100·00	100·00
<b>Exports (Imported Merchandise) i.e. "Re-exports" to:—</b>						
Empire Countries	12,026	8,915	7,566	24·92	22·84	20·36
Non-Empire Countries	36,229	30,113	29,597	75·08	77·16	79·64
All Countries	48,255	39,028	37,163	100·00	100·00	100·00

1 Sarkar: "Indian Export, Price and Exchange Movements on the Eve of Recovery (with reference to Economic Structure and Economic Planning)" in the *Financial Times*, Calcutta, January-August 1934.

2 *Barclays Bank Monthly Review* (London), January, 1934, "U.K. Trade and the Ottawa Agreement" pp. 3-5.

3 On re-exports see *Supra* pp. 112, 113, 121.

The persistence of the depression is embodied in the absolute decline in both imports and exports as exhibited in the above table, which comes down to September 1933. But it is clear that so far as imports are concerned the Empire countries have advanced from 29·11 per cent in 1931 to 37·25 per cent in 1933. In other words, the U. K. has been importing relatively more from the Empire than from the non-Empire countries. In regard to exports, however, the relative position of the Empire and the non-Empire countries as markets for the U. K. has remained virtually the same.

From the returns for the first quarter of 1934 (January—March) we can glean the following figures with special reference to the Empire countries :

		Compared to the corresponding quarter of 1933
1. Imports of the U. K. :	£72,089,000	+16%
2. Exports from the U. K. :	£41,880,000	+ 6%

The expansion on both heads should evidently point perhaps to a somewhat pronounced retreat of the depression.<sup>4</sup>

Another table is being exhibited below in which we have a special survey of the British Empire-Economy with reference to the U. K.'s imports, exports, and re-exports, likewise in absolute figures as well as in percentages.

### The Empire Trade of the United Kingdom

	January to September			January to September		
	1931 (£1,000)	1932 (£1,000)	1933. (£1,000)	1931 p. cent	1932 p. cent	1933 p. cent
Imports from :—						
Irish Free State	26,029	19,880	12,488	4·19	3·82	2·56
Union of South Africa	9,795	10,717	10,102	1·58	2·06	2·07
Southern Rhodesia	734	756	892	0·12	0·15	0·18
British India	24,424	21,913	24,807	3·93	4·21	4·98
Australia	32,150	34,659	34,281	5·18	6·67	7·03
New Zealand	31,464	31,535	31,409	5·06	6·06	6·44
Canada	22,003	28,763	32,001	3·54	5·53	6·56
Newfoundland	1,376	1,248	1,418	0·22	0·24	0·29
<b>Total from British Empire</b>	<b>180,866</b>	<b>183,412</b>	<b>181,720</b>	<b>29·11</b>	<b>35·26</b>	<b>37·25</b>
<b>Total from British Empire exclusive of the Irish Free State</b>	<b>154,837</b>	<b>163,532</b>	<b>169,232</b>	<b>24·92</b>	<b>31·44</b>	<b>34·69</b>
Exports (British Produce) to :						
Irish Free State	22,651	20,894	19,812	7·75	7·71	5·15
Union of South Africa	16,301	12,815	18,556	5·67	4·73	6·17
Southern Rhodesia	1,107	829	1,055	0·33	0·31	0·39
British India	24,740	25,906	24,425	8·46	9·55	9·10
Australia	10,976	14,229	15,414	3·75	5·25	5·74

<sup>4</sup> Hobson: "Trade Recovery and the Future" in *Lloyds Bank Limited Monthly Review* (London), July, 1934, pp. 296-297.

	January to September			January to September		
	1931 (£1,000)	1932 (£1,000)	1933 (£1,000)	1931 p. cent	1932 p. cent	1933 p. cent
New Zealand	8,528	7,638	6,970	2.92	2.82	2.60
Canada	16,275	12,011	12,114	5.57	4.43	4.51
Newfoundland	406	423	474	0.14	0.15	0.18
<b>Total to British Empire</b>	<b>129,262</b>	<b>123,486</b>	<b>118,218</b>	<b>44.21</b>	<b>45.55</b>	<b>44.05</b>
<b>Total to British Empire exclusive of the Irish Free State</b>	<b>106,611</b>	<b>102,592</b>	<b>104,406</b>	<b>36.46</b>	<b>37.84</b>	<b>38.90</b>
<b>Exports (Imported Merchandise) i.e. "Re-exports" to:—</b>						
Irish Free State	6,406	4,898	3,403	13.27	12.55	9.16
Union of South Africa	789	391	419	1.64	1.00	1.13
Southern Rhodesia	31	19	19	0.06	0.05	0.05
British India	621	436	484	1.29	1.11	1.30
Australia	481	436	542	1.00	1.13	1.46
New Zealand	421	224	201	0.87	0.57	0.54
Canada	1,194	672	750	2.47	1.72	2.02
Newfoundland	63	50	50	0.13	0.13	0.13
<b>Total to British Empire</b>	<b>12,026</b>	<b>8,915</b>	<b>7,566</b>	<b>24.92</b>	<b>22.84</b>	<b>20.36</b>
<b>Total to British Empire exclusive of the Irish Free State</b>	<b>5,620</b>	<b>4,017</b>	<b>4,163</b>	<b>11.65</b>	<b>10.29</b>	<b>11.20</b>

This table may be supplemented by the following figures for the first quarter of the current year (January—March 1934):

Compared to the corresponding quarter of 1933

1. Imports of the U. K. from India and Ceylon	£1,13,896,000	+41%
2. Exports from the U. K. to India and Ceylon	£9,344,000	+1%

The special study of the Empire trade as exhibited in the above tables indicates that the U. K. has been importing larger values from India. The fall in 1932 from the position of 1931 was almost wholly made up in 1933 in so far as absolute figures are concerned. In percentual relations, again, in 1933 Indian goods represented 4.93 per cent of the total U. K. imports from the world. The percentage rose from 4.21 in 1932 and 3.93 in 1931. India's hold over the British market was thus stronger in 1933 than in 1931. In so far as the impact of Imperial Preference is to be seen in these developments it is found to be connected with the expansion of Indian exports in the U. K.<sup>5</sup>

<sup>5</sup> *Supra*, pp. 54, 58-59, 65-67, 69-71. See Sarkar: "The Logic of the Ottawa Agreement" in *Arthik Unnati* (Economic Progress), Calcutta, November 1932 and April 1933.

On the other hand, in regard to the U. K.'s exports to India there was some decline in 1933 compared to the situation in 1932 which indeed had marked an improvement upon the condition in 1931. The decline in percentage is also to be noticed. Of the total exports from the U. K. 9·10 per cent constituted India's share in 1933 whereas it had been 9·55 per cent in 1932. To the extent that it is possible to draw any conclusion within the limitations referred to above, we are to observe that Imperial Preference is not automatically associated with the expansion in British exports to India.<sup>6</sup> But the returns of the period from January to March 1934 show that exports from the U. K. to India and Ceylon were valued at £ 9,344,000. This is one per cent more than the figure of the corresponding quarter in 1933.

From the Indian side it is possible to get the returns for a complete Ottawa year (April 1933—March 1934).<sup>7</sup> In the returns from 1932-33,<sup>8</sup> be it observed *en passant*, not more than a quarter is to be treated as the first Ottawa period.

Comparative figures, both absolute and percentual, are being given from 1931 to 1934, first, in regard to exports, and secondly, in regard to imports.

On the exports side there was a total rise in 1933-34 from the figure of 1932-33 indicating perhaps a slight "recovery" as it does, from the depression's trough. This absolute rise was shared by the non-Empire countries as well as by the Empire countries. The greatest share in the rise fell to the U. K., as the following table will show:—

#### India's Exports to the Empire and Non-Empire Countries

	1931-32	Percent	1932-33	Percent	1933-34	Percent
	(in million Rupees)		(in million Rupees)		(in million Rupees)	
1. U. K.	448,0	27·9	384,6	28·4	465,7	31·8
2. Total British Empire	709,8	44·2	620,8	45·8	676,0	46·2
3. Total Non-Empire countries	895,7	55·8	735,5	54·2	787,1	53·8
Grand Total	1,605,5	100	1,356,9	100	1,463,1	100

<sup>6</sup> See the discussion at pp. 81-84, 86, 87, 89.

<sup>7</sup> *Accounts relating to the Seaborne Trade and Navigation of British India* (Delhi), March 1934, pp. 27-28; *Barclays Bank Monthly Review* (London), June 1934, p. 10.

The analysis of the export percentages yields the result that the non-Empire countries fell slightly from 54·2 to 53·8. Naturally, therefore, the Empire countries rose correspondingly to a slight extent from 45·8 to 46·2 per cent. But the rise of the U. K. alone was from 28·4 to 31·8 per cent,—a significant improvement of 3·4 per cent. The change in the "direction" of exports has come about as expected.<sup>8</sup>

The imports schedule of India is now being exhibited as follows:—

#### India's Imports from the Empire and Non-Empire Countries

	1931-32 (in million Rupees)	Percent	1932-33 (in million Rupees)	Percent	1933-34 (in million Rupees)	Percent
1. U. K.	448,1	35.5	488,0	36.8	475,8	41.2
2. Total British Empire	566,7	44.8	593,8	44.8	576,8	50.0
3. Total non-Empire Countries	697,0	55.2	732,0	55.2	576,9	50.0
Grand Total	1,263,7	100	1,325,8	100	1,153,8	100

The imports schedule indicates that in the period from April 1933 to March 1934 there was a decline from the position of the previous year so far as India's total takings of foreign goods are concerned. The absolute decline is to be noticed as much in the figures relating to the U. K. and the total British Empire as to the total non-Empire countries. It is these non-Empire countries that represent the greatest absolute decline.

In percentual relations, however, the U. K. rose from 36·8 per cent in 1932-33 to 41·2 per cent of the Indian imports in 1933-34. The ascent from 35·5 per cent of 1931-32 is steady and remarkable. Equally noticeable is the decline in percentage of the non-Empire regions from 55·2 to 50·0.<sup>9</sup> This change in the "direction" of overseas trade as embodied in the relative percentual ascendancy of the U. K. as contrasted with the non-Empire countries has come about according to expectations.

Let us take the figures of India's trade with some non-Empire countries for the period as described above, namely, from April 1931 to March 1934. The following table describes the comparative position:<sup>10</sup>

<sup>8</sup> *Supra*, pp. 70-71.

<sup>9</sup> See p. 84 *Supra* for the arguments advanced in regard to both these items; also *Arthik Unnati*, November 1932 and April 1933.

<sup>10</sup> *Barclays Bank Monthly*, June 1934, p. 10.

**India's Exports to some Non-Empire Countries**

	1931-32	Percent	1932-33	Percent	1933-34	Percent
	(in million Rupees)		(in million Rupees)		(in million Rupees)	
1. Japan	139	9.0	140	10.5	126	8.6
2. U. S. A.	139	9.0	98	7.4	139	9.5
3. Germany	103	6.6	86	6.5	95	6.5
4. France	76	4.9	81	6.1	69	4.7
5. Italy	54	4.9	47	3.5	57	3.9

**India's Imports from some Non-Empire Countries**

	1931-32	Percent	1932-33	Percent	1933-34	Percent
	(in million Rupees)		(in million Rupees)		(in million Rupees)	
1. Japan	133	10.6	205	15.4	164	14.2
2. U. S. A.	128	10.2	113	8.5	72	6.2
3. Germany	102	8.1	104	7.8	99	7.7

Exports from India increased in the cases of Italy (from 3.5 to 3.9 per cent) and the U. S. A. (from 7.4 to 9.5 per cent). In regard to Germany they remained constant at 6.5 per cent. The decline is to be noticed in the case of Japan, namely, from 10.5 to 8.6 per cent, which was almost identical with the 8.7 per cent of 1931-32 and 8.9 per cent of 1927-28.<sup>11</sup>

Like the exports, the imports also from Germany remained almost constant (7.7 per cent in 1933-34 against 7.8 per cent in 1932-33). But decline was experienced in the cases of the U. S. A. and Japan, the former coming down from 8.5 to 6.2 per cent while the latter was hit somewhat lightly since the contraction was from 15.4 to 14.2 per cent only.

In 1932 the U. S. A. exported 24.9 million dollars worth of goods to India but in 1933 the exports were valued at 19.9 million dollars only. The decrease was measured by 20.3 per cent.<sup>12</sup>

On the strength of the statistics available at present it is possible to draw tentative conclusions in regard to one or two points. First, on the import market of India the U. K. has gained at the cost of the non-Empire countries. She has commenced rising towards the pre-war level from which she declined in post-war years. The coefficient 41.2 (1933-34) is yet quite below the 42.8 of 1929-30, however.<sup>13</sup>

11 *R.T.I.*, 1928-29, p. 171, 1932-33, p. 183.

12 *Barclays Bank Monthly*, June 1934, p. 8.

13 *R.T.I.*, 1932-33, p. 128.





As exporter, India has not lost her non-Empire markets. Rather they have served but to demonstrate the tenacity of India's export trade. And in regard to the British market India has, first, succeeded in averting the losses to the Colonies, enjoying preference as they did, such as she might have suffered had she chosen to remain outside the Empire ring. In the second place, India has not only maintained her *status quo* but actually strengthened it, increasing thereby her command over the U. K. as supplier of the latter's external goods.

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