

**THE
EMPIRE ECONOMIC UNION**

**THE FISCAL
SITUATION
TO-DAY**

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VICTORIA STREET
LONDON, S.W.1**

NOVEMBER 1937

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Statistics quoted in the various chapters are the latest available in each case at the time of going to press.

APPENDIX I

INTERNATIONAL TREATY LIMITATIONS TO FISCAL FREEDOM

THE MOST-FAVOURLED-NATION CLAUSE*

The United Kingdom has concluded commercial treaties or similar arrangements with most countries, and nearly all these treaties and arrangements contain a Most-Favoured-Nation clause relating to import duties and other matters. The typical form which the clause takes may be seen in the Commercial Treaty with Austria (May 22nd, 1924) :

“Articles produced or manufactured in the territories of one of the contracting parties, imported into the territories of the other, from whatever place arriving, shall not be subjected to other or higher duties or charges than those paid on the like articles produced or manufactured in any other foreign country.”

In further paragraphs quoted below the clause provides for Most-Favoured-Nation treatment in respect of prohibitions also (except in the case of bounty-fed articles), although it does not render impossible a prohibition enforced by one party against imports from all foreign countries :

“Nor shall any prohibition or restriction be maintained or imposed on the importation of any article, produced or manufactured in the territories of either of the contracting parties, into the territories of the other from whatever place arriving which shall not *equally* extend to the importation of the like articles produced or manufactured in any other foreign country.

“The only exceptions to this general rule shall be in the case of the sanitary and other prohibitions occasioned by the necessity of securing the safety of persons, or of cattle, or of plants useful to agriculture and of the measures applicable in the territories of either of the contracting parties to articles enjoying a bounty in the territories of the other contracting party.”

As a result of the Most-Favoured-Nation clause in our commercial treaties we are debarred from discriminating either by way of duties or restrictions against any foreign country with which we have such treaty nor in favour of any foreign country, as compared with all the other foreign countries with which we have such treaties.

*A List of the Countries with which we have Most-Favoured-Nation Treaties appears on pages 83-6.

THE LIMITATION OF POWER TO IMPOSE RESTRICTIONS ON IMPORTS

Article 10 of our Commercial Treaty with Germany makes it impossible for us to impose any prohibitions whatsoever on German goods except for the usual sanitary, etc., exceptions, and except in the case of commodities that are under a similar control when produced in this country, e.g., articles controlled under the Milk Marketing Scheme.

Since we can impose no restrictions on the goods of any country with which we have a treaty containing the Most-Favoured-Nation clause other than those which we can impose upon German goods it will be seen that the provisions of Article 10 in the German Agreement are thus automatically extended to all other countries.

LEAGUE OF NATIONS MANDATES .

Since Palestine is administered by us under the terms of a Class "A" Mandate of the League of Nations, that is to say, a Mandate which assumes that ultimately the country is to become a sovereign independent state, the United Kingdom has acted on the assumption that Palestine had to be treated fiscally as if it were a foreign country and, accordingly, we have granted no preferences to Palestinian goods over the similar goods of any foreign country, while Palestine under the provisions of the Mandate is debarred from giving any preferences to goods from the United Kingdom or from other parts of the Empire. Some authorities have held the view that our action in treating Palestine fiscally as a foreign country was not a necessary consequence of the terms of the Mandate and it is important to note that the recent Royal Commission on Palestine has expressed the opinion that these restrictions on Palestine and on ourselves represent an unfair penalty on Palestine.

Tanganyika Territory, British Cameroons, British Togoland, being administered by us under a Class "B" Mandate of the League of Nations, cannot give our goods any preferences though we are entitled to accord preferences on the goods from those countries. The former German Territories administered under Class "C" Mandates by the Commonwealth of Australia, the Union of South Africa and the Dominion of New Zealand are free from these restrictions and accordingly these territories can both give and receive preferences.

ANGLO-FRENCH WEST AFRICAN AGREEMENT

As indicated earlier in the text, Section 9 of this Agreement, which prohibited both the British and the French West African Colonies concerned from according preferences, has been brought to an end by the action of the French Government in denouncing that Section, and as a result, since October 22nd, 1936, freedom to accord preferences has existed, but so far no action has been taken by either Government to modify the position which existed prior to the denunciation of Section 9.

THE CONGO BASIN TREATIES

The Berlin Act of 1885 amended by the Brussels Act of 1890 and as further amended by the St. Germain-en-Laye Convention of 1919 constitute what are commonly known as the Congo Basin Treaties.

Under the provisions of these treaties none of the Territories concerned may accord Tariff Preferences. The boundaries of the Territories covered by the Congo Basin Treaties generally do not follow existing frontiers and the situation is accordingly a confused one.

The following are the British Colonies, Protectorates and Mandated Territories affected: Kenya Colony, Uganda Protectorate, Tanganyika Territory, Zanzibar, Nyasaland, part of Northern Rhodesia, and part of the Anglo-Egyptian Sudan. The other Territories within the area are part of Italian Somaliland, part of Abyssinia, part of French Equatorial Africa, the whole of Belgian Congo, part of the Portuguese Colony of Angola and part of Portuguese East Africa.

ANGLO-EGYPTIAN CONDOMINIUM OVER THE SUDAN

Anglo-Egyptian Sudan is a condominium for which the United Kingdom and Egypt are jointly responsible. From the practical point of view of day-to-day administration the Sudan may be regarded as a British Protectorate, but from the point of view of commercial relationships, having regard to its connection with Egypt, it is treated as a foreign country.

APPENDIX II

LIST OF COUNTRIES WITH WHICH THE UNITED KINGDOM HAS A MOST-FAVOURLED-NATION ARRANGEMENT

<i>Country</i>	<i>Instrument and Date of Signature</i>	<i>When Terminable</i>
*Abyssinia	Treaty, May 14th, 1897	No provision for termination.
Albania	Notes, June 10th, 1925	At any time on 3 months' notice.
Argentine	Treaty, February 2nd, 1825	No provision for termination.
Austria	Treaty, May 22nd, 1924.	At any time on 12 months' notice.
Belgium	Notes, July 27th, 1898	At any time on 3 months' notice.
Bolivia	Treaty, August 1st, 1911	At any time on 12 months' notice.
Brazil	Notes, August 10th, 1936	At any time on 3 months' notice.
Bulgaria	Notes, November 12th, 1925	At any time on 3 months' notice.
Chile	Notes, October 15th, 1931	At any time on 15 days' notice.
China	Treaty, June 26th, 1858	Subject to revision every ten years on 6 months' notice.
	Treaty and Notes, December 20th, 1928	No provision for termination.
Columbia	Treaty, February 16th, 1866	At any time on 12 months' notice.
Costa Rica	Exchange of Notes, March 1933	At any time.
Czechoslovakia	Treaty, July 14th, 1923	At any time on 12 months' notice.
Denmark	Treaty, February 19th, 1660-1; July 11th, 1670.	No provision for termination.
	Agreement, April 24th, 1933	On 4 months' notice.
	Agreement, June 19th, 1936	„
Egypt	Notes, June 5-7th, 1930	Prolonged till February 16th, 1938.

* In these cases the countries concerned are under obligation to give the United Kingdom Most-Favoured-Nation treatment, but the United Kingdom is not bound to reciprocate.

Countries with which the United Kingdom has a Most-Favoured-Nation arrangement (Continued).

<i>Country</i>	<i>Instrument and Date of Signature</i>	<i>When Terminable</i>
Estonia	Treaty, January 18th, 1926	On 12 months' notice.
Finland	Treaty, December 14th, 1923	On 6 months' notice.
Germany	Treaty, December 2nd, 1924	At any time on 12 months' notice.
Greece	Treaty, July 16th, 1926	At any time on 12 months' notice.
Hayti	Notes, February 25th, 1928	At any time on 6 months' notice.
Hungary	Treaty, July 23rd, 1926	At any time on 12 months' notice.
Iceland	Treaty, February 13th, 1660-1, as interpreted by Agreement of May 19th, 1933	On 6 months' notice.
Italy	Treaty, June 15th, 1883	At any time on 12 months' notice.
Japan	Treaty, April 3rd, 1911	At any time on 12 months' notice.
Latvia	Treaty, June 22nd, 1923	At any time on 12 months' notice.
*Liberia	Treaty, November 21st, 1848	No provision for termination.
Lithuania	Notes, May 6th, 1922	At any time on 3 months' notice.
	Agreement, July 6th, 1934	At any time on 6 months' notice.
*Morocco	Convention, December 9th, 1856	Will terminate on conclusion of a Convention to replace the Convention of 1856.
*Muscat	Treaty, May 19th, 1891	Denounced but continued in force from year to year.
Netherlands	Treaty, October 27th, 1837	At any time on 12 months' notice.
Nicaragua	Treaty, July 28th, 1905	At any time on 12 months' notice.
Norway	Treaty, March 18th, 1826	At any time on 12 months' notice.

* In these cases the countries concerned are under obligation to give the United Kingdom Most-Favoured-Nation treatment, but the United Kingdom is not bound to reciprocate.

Countries with which the United Kingdom has a Most-Favoured-Nation arrangement (Continued).

<i>Country</i>	<i>Instrument and Date of Signature</i>	<i>When Terminable</i>
Panama	Treaty, September 25th, 1928	April 8th, 1939, or thereafter on 12 months' notice.
Poland and Danzig	Treaty, November 26th, 1923	On 3 months' notice, such notice not to take effect while Agreement of 27th February, 1935, is in force.
Portugal	Treaty, August 12th, 1914	At any time on 12 months' notice.
Roumania	Treaty, August 6th, 1930	On 6 months' notice.
Salvador	Notes, August 8th, 1931	Prolonged till 16th December, 1937.
Siam	Treaty, July 14th, 1925	Denounced to expire on November 5th, 1937.
Spain	Treaty, October 31st, 1922, as modified by Convention of April 5th, 1927, and Notes of February 6th and May 31st, 1928	On 3 months' notice.
Sweden	Convention, March 18th, 1826	At any time on 12 months' notice.
Switzerland	Treaty, September 6th, 1855	At any time on 12 months' notice.
Turkey	Treaty, March 1st, 1930, as amended by Agreements of June 4th, 1935, and 2nd September, 1936	Article 16 relating to prohibitions and restrictions deleted by Agreements of 4th June, 1935, and 2nd September, 1936, and Article 39 amended by Agreement of 1936 to 3 months' notice of termination, such notice not to take effect while the 1936 Agreement is in force.

Countries with which the United Kingdom has a Most-Favoured-Nation arrangement (Continued).

<i>Country</i>	<i>Instrument and Date of Signature</i>		<i>When Terminable</i>
Union of Soviet Soc. Republics	Temporary Agreement,	February 16th, 1934	6 months' notice.
United States	Convention,	July 3rd, 1815	At any time on 12 months' notice.
Uruguay	Agreement,	June 26th, 1935	On 3 months' notice.
Venezuela	Treaty,	April, 18th, 1825	No provision for termination.
Yugoslavia	Treaty,	May 12th, 1927	At any time on 12 months' notice.

PUBLICATIONS OF THE EMPIRE ECONOMIC UNION

THE EMPIRE ECONOMIC UNION was founded by the late Lord Melchett in 1929 as a Research Institution for the purpose of studying the economic problems of the British Empire.

Many of the results of its first studies were used by the founder in his book, *Imperial Economic Unity*, published in 1930.

The chief publications of the Union have been :

THE PRELIMINARY GENERAL REPORT OF THE RESEARCH COMMITTEE. (Which was sent to all the delegates at the Imperial Conference, 1930.)

THE ECONOMIC SITUATION OF THE BRITISH COLONIAL EMPIRE. 1931.

THE REPORT OF A JOINT COMMITTEE ON AGRICULTURAL POLICY. (In collaboration with the Central Chamber of Agriculture.)

THE REPORT ON EMPIRE MONETARY AND FINANCIAL POLICY by a Joint Committee of the Federation of British Industries and the Empire Economic Union.

REPORT DEALING WITH TARIFFS AND TREATIES. MOST-FAVOURED-NATION CLAUSE DUTIES V. QUOTAS. 1933.

FUTURE FISCAL POLICY. First edition March 1935, second edition October 1935.

FURTHER CONSIDERATIONS ON ECONOMIC POLICY, with particular reference to migration. 1936.

THE BRITISH COLONIAL EMPIRE AND THE GERMAN CLAIM. 1937.

All these documents have been circulated to the leading Statesmen of the Empire.

While the Ottawa Conference endorsed the principles for the support of which the Union was founded, it is clear that the Ottawa Agreements are the beginning and not the end of the full development of Imperial Economic Unity and, accordingly, it is hoped that the Union may continue to receive support for the pursuance of its objects.

The minimum annual subscription is £5 5s. od.

To the Secretary,

EMPIRE ECONOMIC UNION,

57, Abbey House,
Victoria Street, S.W.1.

I enclose herewith cheque/Banker's Order for
£..... being my subscription for one year to the
Empire Economic Union.

Name.....

Address.....

Date.....