NATIONAL INSTITUTE OF ECONOMIC
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# TRADE REGULATIONS & COMMERCIAL POLICY OF THE UNITED KINGDOM

BY
THE RESEARCH STAFF
OF
THE NATIONAL INSTITUTE OF
ECONOMIC AND SOCIAL RESEARCH

CAMBRIDGE
UNIVERSITY PRESS

Late in 1938 the Geneva Research Centre initiated a study of International Trade Regulations and Commercial Policy, and the National Institute of Economic and Social Research undertook the British section of this work. The special Committee appointed consisted of Professors J. B. Condliffe and A. G. B. Fisher, the late Mr G. I. H. Lloyd, Professor N. F. Hall, and Mr J. F. Cahan. By September 1939 the descriptive material had been largely assembled. It was subsequently revised and re-arranged by Mr J. M. Sebag-Montefiore and is now published as a technical descriptive study, providing a convenient and more detailed picture than has hitherto been available of the development of British commercial policy, and particularly of protectionism in all its forms, up to the end of 1938. It thus appears as a contribution to the economic history of this country between the two wars.

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# TRADE REGULATIONS
# &
# COMMERCIAL POLICY OF THE UNITED KINGDOM

BY

THE RESEARCH STAFF
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THE NATIONAL INSTITUTE OF
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A number of copies of this edition had been sold when the attention of the National Institute of Economic and Social Research was drawn to certain errors on pages 86 and 87. These pages were therefore revised and it has been possible to reprint the pages and to bind them in the remaining copies of this edition, of which this copy is one. A limited number of off-prints of the two corrected pages is available and if an off-print is desired by those possessing copies of the earlier state of this edition, application may be made to THE SECRETARY, NATIONAL INSTITUTE OF ECONOMIC AND SOCIAL RESEARCH, 2 DEAN TRENCH STREET, SMITH SQUARE, S.W. 1.

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# PREFACE

Late in 1938 the Geneva Research Centre initiated a study of International Trade Regulations and Commercial Policy. Professor J. B. Condliffe acted as General Rapporteur of the study, in which the staffs of some fifteen national research institutes agreed to collaborate. The National Institute of Economic and Social Research undertook the responsibility for the British section of the work. A Special Committee was appointed early in 1939 to advise and direct the work, consisting of Professor Condliffe, Professor A. G. B. Fisher, the late Mr G. I. H. Lloyd, the Director, Professor N. F. Hall, and the Secretary, Mr J. F. Cahan. The work was carried out by the Institute Research staff, under the supervision of the Director and the Secretary.

The essential purpose of the project was to obtain a detailed and realistic picture of the new methods of trade regulation which had been adopted in recent years, of the degree to which these methods had become an integral part of the national system of trade regulation, of the connection between them, the control of internal economic activities and the economic consequences of such methods. By September 1939 the descriptive material had been largely assembled, but a start had not been made on the further programme of work, which included certain experimental statistical studies, a consideration of the economic issues arising out of the technical study and of the changing international economic position of the United Kingdom. The descriptive material was revised and arranged during 1940 by Mr J. M. Sebag-Montefiore, Honorary Research Assistant at the Institute, who had assisted in the enquiry from the beginning. After consultation with Professor Condliffe, who warmly approved the proposal that it should be published, the Executive Committee of the Institute decided that it would be desirable to publish 'Trade Regulations and

Commercial Policy of the United Kingdom' as it now stands as a technical descriptive study. Its purpose is to provide a convenient and more detailed picture than has hitherto been available of the development of British commercial policy and particularly of protectionism in all its forms, up to the end of 1938. It thus appears as a contribution to the economic history of this country between the two wars.

In addition to the Director and the Secretary, Miss O. S. Wells and Miss K. Elliott assisted in the preparation of the material. The greatest share of the work fell, however, to Mr Sebag-Montefiore, who completed the manuscript for the Press. The Institute wishes to express its thanks to him, as well as to its other research workers who co-operated in the work, and to Dr F. C. Benham, who kindly read and advised on the manuscript in its final stages.

HENRY CLAY
*Chairman of the Council of Management*

1942

# CHAPTER I. *INTRODUCTION*

For more than fifty years before the outbreak of war in 1914 Great Britain had been a Free Trade country. In the middle of the nineteenth century the rapid advance of British industry and the lead which it held over those of foreign countries was attributed by the vast majority of people to the system of Free Trade, and for a long time the rival policy of Protection had few adherents. The worship of Free Trade applied not only to tariff policy, but also involved an aversion to Protection or interference in any form with industry and trade, and a foreign trade policy based on reciprocal unconditional most-favoured-nation treatment.

Towards the end of the nineteenth century the lead of British industry over its competitors was reduced, and between 1876 and 1885 Britain's share in world trade fell from 23 to 19 %. This relative decline led to criticism of the Free Trade fiscal policy, but it was not until 1903 that any important campaign in favour of Protection was launched. In that year Joseph Chamberlain began his campaign for Tariff Reform, but it is important to realize that he demanded Protection not so much as an end in itself, but as a necessary preliminary for Imperial Preference. It was, however, Protection and not Imperial Preference which became the more important issue after that date.

The Tariff Reform campaign succeeded in attracting much support, but it caused a split in the Conservative party as a result of which that party was heavily defeated in the election of 1906. Protection had now become, however, a live issue in political controversy, but in spite of the revival in protectionist sentiment Great Britain remained predominantly a Free Trade country until the outbreak of war in 1914.

Although the policy of the country during the pre-war period was Free Trade, this did not mean that no customs duties were imposed. Receipts from customs duties formed an important part of the revenue of the country, and they could not therefore be abolished. The most important duties were on spirits, wine and beer, tobacco, sugar, tea, coffee and cocoa, and motor spirits. The rates of these duties varied from year to year in accordance with the revenue requirements of the Exchequer, but these changes

were not connected with any development of commercial policy. As some of these duties were accompanied by corresponding excise duties they did not have any protective effect.

The first departure from the policy of non-interference with industry occurred in 1913, and may be directly attributed to the imminent danger of war. In this year the Government granted a subsidy to establish the production of beet sugar in the United Kingdom. Sugar was a product of an essential nature for the supply of which Great Britain was entirely dependent on overseas countries. There seemed to be a possibility of creating a self-supporting industry in the United Kingdom, and the Government was persuaded by military rather than economic considerations to finance the project.

When the danger of war was succeeded by the reality the necessity for interference with industry and trade became obvious, and in 1915 the first import duties of a non-revenue character were imposed. These duties, called the McKenna duties, were imposed not in order to encourage British industries, but to reduce the use of shipping space and the expenditure of foreign exchange on non-essential foreign imports. The McKenna duties of 1915 were in fact purely a war measure, but were important from the point of view of subsequent commercial policy because they broke down the former revenue tariff and created vested interests. They were also *ad valorem* duties, whereas all the revenue duties had been specific.

The period between 1919 and 1931 may be regarded as the transitional period between Free Trade and Protection. There was no general adoption of Protection, and the Governments continued to be opposed on principle to a wide-scale interference in industry and trade, but individual industries and groups of industries were given tariff protection or other help, and imperial preference was carried a stage further.

The first important post-war tariff development was the passing of the Safeguarding of Industries Act in 1921. The war had brought about a realization of the dependence of Great Britain on foreign countries for the supply of various essential goods and the Government determined to develop the home production of these 'key' industries under cover of a protective tariff. The Dyestuffs Industry Act of 1920, which prohibited the importation of dyestuffs, except under licence, was a new departure of policy, and represented an

alternative form of Protection. In 1920, also, a new and larger subsidy was given to beet-sugar production in a further attempt to establish this industry in the United Kingdom, and a subsidy was also given to forestry. Thus tariff, import restriction, and subsidy were all used for the same purpose, viz. to encourage home production for the sake of strategical security.

Another result of the war was to strengthen the demand for imperial unity and revive the desire to further this aim by the economic means of imperial preference. It has already been shown that before the war the United Kingdom was unable to grant preference owing to the absence of customs duties, and was unwilling to adopt Protection for the sake of being able to offer imperial preference. With the adoption of the measures already discussed, and on account of the increased revenue duties which war expenditure had necessitated, a limited amount of preference became possible, and this was first granted in 1919. A preference of one-sixth of the revenue duties, except for wines and spirits, was given. Preference was given at varying rates on wine, but spirits were not given any preference. Goods subject to McKenna duties were given a preference of one-third. Preference was increased in 1921 by the provision that the Safeguarding of Industries duties should not apply to Empire goods, and it was subsequently extended in varying ways up to 1931 with the gradual extension of the tariff. The position in 1931 was that the principle of imperial preference had been fully accepted, but its application was still limited by the comparatively small number of duties on foreign imports.

None of the measures which have so far been considered has been taken for purely protectionist motives. To find the beginning of true tariff protection we have to turn not to the imposition of any new duties, but to the retention of old ones. The McKenna duties were, as we have already seen, originally imposed as a war-time measure, but their retention long after the conclusion of the war altered completely the purpose which they served. When shipping space and foreign exchange became available for the importation of any foreign goods, the yearly renewal of high duties on luxury goods can only be described as out and out Protection. The McKenna duties were renewed annually until 1924, when the Labour Government, which had just taken office, refused to continue them. By 1925, however, a Conservative Government

had returned, and the McKenna duties were restored on a more permanent basis. In the same year duties were imposed on silk and artificial silk; these were really revenue duties and were accompanied by excise duties, but they were framed in a manner that gave a degree of protection to home industry, and the protection was increased by subsequent amendments. In 1925 the hop-growing industry was also protected.

There was no important development of tariff protection between 1925 and 1931. The new duty on hydrocarbon oils imposed in 1928 was mainly for revenue purposes, although it was intended also to encourage home production. Protection was not, however, confined to import duties, for the subsidy and quota were also used to assist home production. Civil aviation and coal had been given subsidies in 1921, and a scheme for encouraging the production of cinematograph films was adopted in 1928.

Thus in 1931 protection and other forms of assistance to industry, whilst not general over industry as a whole, had been given on a considerable scale to selected industries and groups of industries.

As we have seen, the fiscal policy of the United Kingdom had been tending towards Protection for many years, but in 1931 it was still very far from being fully protective in comparison with the tariff of some foreign countries, and there remained in the country a very large body of opinion opposed to protection except in isolated cases of proved necessity. It needed some outstanding event to convert the majority of public opinion to the approval of a policy of general protection, and this event was provided by the financial crisis of the autumn of 1931, accompanied as it was by the enforced abandonment of the gold standard. This crisis shook the confidence of the public in existing financial and fiscal methods and prepared the way for the adoption of new measures.

The General Election of October 1931 resulted in the return of the National Government, backed by a huge majority in Parliament. Although Mr Ramsay Macdonald, the Prime Minister, and some other members of the Government were not wholly in favour of Protection, the Conservative party, who had been advocating tariffs for many years, held the whip hand, and the adoption of a protectionist policy was thereby assured. It was this election of 1931 which was really instrumental in converting the United Kingdom from a Free Trade to a Protectionist country.

When it became clear that tariff protection was imminent British merchants and foreign suppliers began to build up stores in order to forestall possible duties. Consequently it was necessary to pass immediate legislation, which was only intended to be of a temporary nature, while more detailed and elaborate measures were being drafted. These temporary measures were the Abnormal Importations Act and the Horticultural Products Act, both passed as emergency measures in 1931. The former permitted the imposition of duties up to 100 % *ad valorem* on goods wholly or partly manufactured, which were being imported in abnormal quantities, the latter made provision for the charging of customs duties, either specific or *ad valorem*, on fresh fruit or other horticultural products, but such duties were not to exceed 100 % of the value of the goods. Several Orders were made under both these Acts, applying heavy duties to long lists of articles.

This temporary protection was duly replaced in 1932 by a far-reaching system of general protection imposed by the Import Duties Act. This measure is of vital importance, and forms the basis of the fiscal system of the United Kingdom since the date of its application. The protection which it accorded consisted of a general 10 % *ad valorem* tariff on all foreign imports, except for a number of articles specifically included in a free list. In lieu of the general tariff, 'additional duties' could be imposed by Order on any goods on the recommendation of the Import Duties Advisory Committee which was set up by the Act. During the course of 1932 several Orders were made imposing duties of 15 to 33⅓ % on long lists of goods.

It is important to notice that under the provisions of the Import Duties Act the new Import Duties Advisory Committee (I.D.A.C.) became the effective tariff-making body. It is true that the recommendations of the I.D.A.C. had to be sanctioned by the Treasury after consultation with the Board of Trade, and that the Treasury Order which gave effect to the recommendations had to be approved by the House of Commons, but all this was largely a matter of formality, and in practice the level of tariffs was determined by the I.D.A.C. instead of by Parliament. Various problems leading up to and arising out of this change are discussed in the chapter on Machinery on pp. 39 to 41 below, but for the moment it is sufficient to remember that after 1932 the study of tariffs involves a study of the I.D.A.C. and not of new Acts of Parliament.

Before going on to discuss the policy of the I.D.A.C. after 1932, it is necessary to take note of other important Acts of Parliament which gave effect to the new fiscal system in 1932. Firstly, there was the Ottawa Agreements Act 1932, which implemented undertakings given by the United Kingdom at the Imperial Conference of that year. The result of this Act was to increase the tariff level on certain goods, mainly agricultural commodities, in order to allow an increased degree of imperial preference to be given.

Secondly, the Irish Free State (Special Duties) Act 1932 levied high rates of duty on selected commodities, principally livestock, meat and dairy produce, imported from the Irish Free State. This Act was passed as a result of political dispute between the United Kingdom and Eire.

In addition to the protection afforded by customs duties under these Acts, protection was also largely increased in 1932 and 1933 by non-tariff measures. Several quota schemes were introduced limiting the imports of agricultural commodities, and the Wheat Act 1932 provided another method of protection. These new tariffs and quotas were used as bargaining weapons in the negotiation of trade treaties with foreign countries which were intended to increase British trade and particularly to improve the position of the export industries. The quota schemes and the international treaties are fully discussed in Parts II and III respectively of this study.

Thus during the period between the General Election of 1931 and the end of 1932 a complete transformation had taken place, as a result of which the United Kingdom had become a fully protectionist country. Except for a free list consisting of specially selected goods, all imports from foreign countries were subject to import duties. The normal and minimum duty was the 10 % general *ad valorem* tariff, but higher duties were substituted on a great many goods either by the Ottawa Agreements Act, or by Treasury Order based on recommendations of the I.D.A.C. In addition a few almost prohibitive duties were imposed on agricultural goods from Eire, and many agricultural commodities from other foreign countries were regulated by quantitative control. Exports, particularly of coal, were artificially stimulated by trade treaties.

The degree of protection afforded to British industry by all these measures was, however, modified to some extent by a large increase

in imperial preference. The National Government formed in 1931, anxious as it was to stimulate home industry by protection, was scarcely less anxious to expand Empire trade, and full use was made of the new duties to grant increased imperial preferences. Empire countries were exempted altogether from the emergency duties of 1931, for neither the Abnormal Importations Act nor the Horticultural Products Act applied to Empire countries. Further, in view of the Imperial Conference which was taking place in 1932, Empire countries were temporarily exempted from all duties under the Import Duties Act until the agreements made at the Conference could be put into force.

The Ottawa Conference of 1932 forms a landmark in the progress of imperial economic relations. Preference was no longer regarded by the United Kingdom in the light of a concession, but as a bargaining weapon to be used in order to secure reciprocal preferences for United Kingdom exports. A new system of preferential treatment was framed to be of mutual assistance to the trade of all Empire countries. As a result of the Ottawa Conference free entry of all Empire products under the Import Duties Act was made permanent and extra duties on foreign imports, mainly of agricultural commodities, were imposed under the Ottawa Agreements Act. Under this same Act quotas were placed on foreign imports of a few agricultural commodities. Some of the revenue duties were adjusted in favour of Empire countries and existing preferences were guaranteed. The Ottawa Agreements are fully discussed in Part II of this study.

It was emphasized above that after the passing of the Import Duties Act in 1932 the I.D.A.C. became the principal tariff-making body. It is impossible in the course of this introduction to mention the large number of Orders which were issued during the next few years on the recommendation of the I.D.A.C. These Orders applied to a vast number of different goods, on most of which additional duties were levied. Almost all the Orders increased duties on various goods, although there were one or two exceptions when some duties were lowered or new goods were placed on the free list.

The provisions of the Horticultural Products Act were merged into those of the Import Duties Act in 1932, and in 1933 it was decided that the silk duties should be similarly controlled by the I.D.A.C. but subject to the condition that the revenue from these

duties must not be reduced. The I.D.A.C. could also make recommendation for additional duties to be imposed on goods covered by the Ottawa Agreements Act. In 1935 the Safeguarding of Industries Act was due to expire, but on the recommendation of a Committee appointed by the Board of Trade the duties under the Act were prolonged for ten years and the manufacturers of articles liable to these duties were enabled to apply to the I.D.A.C. for an increase in duty. Finally in 1938 the McKenna duties were repealed, and duties of similar amounts were imposed under the Import Duties Act. Thus the scope of the tariff controlled by the I.D.A.C., already great in 1932, was gradually widened until it included the whole of the tariff with the exception of the revenue duties. Some of this control could, however, only be exercised in the direction of an increase in duties, for duties imposed under the Ottawa Agreements Act and the Safeguarding of Industries Act could not be reduced below the rates stipulated in the Acts, but could be raised above them.

From the mass of Orders applying to individual goods it is not easy to follow any general policy pursued by the I.D.A.C. It appears, however, to have favoured low rates on agricultural produce, and moderate rates on raw materials. In 1933, duties on certain articles were lowered on the ground that they were raw materials, but the general 10 % duty remained, nominally as a revenue-producing measure. A duty of approximately 20 % *ad valorem* appears to have been regarded as the standard rate, with major variations in special cases only, but the previous rates have been regarded as minima in the case of McKenna and key-industry duties. With the exception of goods subject to these duties, no duty greater than 33⅓ % has ever been recommended by the I.D.A.C.

Considerable pressure was brought to bear on the I.D.A.C. from various sources to increase protection. In the recommendations which were made to the Treasury for changes in the rates of duty, the I.D.A.C. gave their reasons for such changes. Examples of the reasons given to justify higher tariff rates were, a fall in the price of imports, price cutting by foreign suppliers, unemployment in the domestic industry, and the existence of a situation in which the domestic industry is capable of rapid expansion, particularly if such an expansion would reduce costs. In general it may be said that the grounds on which increases in tariff rates are justified

by the I.D.A.C. reveal that the main object of their policy was the reduction of unemployment in domestic industry. Wherever it appeared likely that a higher duty would increase employment in the United Kingdom industry without causing a large increase in the cost of home production, a higher duty was generally recommended.

The development of the tariff under the I.D.A.C. from 1932 to 1938 was principally a matter of detailed administration, and few features of individual importance emerge. By the end of 1935 nearly one hundred Orders relating to Additional Import Duties had been issued, and in the interests of simplification the I.D.A.C. decided to consolidate the tariff duties. Consequently a new and comprehensive Order was issued in January 1936 to replace the numerous single Orders. This consolidation did not, however, signalize stabilization, for the tendency of the British tariff to become more and more protective was continued by the issue of further Orders during 1936, 1937 and 1938.

The policy of the I.D.A.C. was effected, and the tendency towards higher protection was to some extent modified, by the concurrent policy of the Government in regard to international trade treaties. It has already been mentioned that in 1932 and 1933 the quota on agricultural imports was used as a bargaining weapon to expand exports, but after the conclusion of a number of treaties with agricultural suppliers a continuation of the policy of expanding exports by international agreements involved making certain concessions in tariff rates. These concessions generally necessitated the stabilization, and in some cases the reduction, of the rates of duty on specific articles of importance to the trade of the countries concerned. By far the most important of the agreements of this nature was the Anglo-American trade agreement concluded in 1938.

The I.D.A.C. policy in respect to two important sets of duties was directly effected by such international considerations. These were the silk duties and the duties on iron and steel products. In 1934 the I.D.A.C. wished to reduce the duties on raw silk which hindered the development of the domestic industry, and expressed the opinion that the duties should be abolished as soon as circumstances permitted. The I.D.A.C. therefore proposed new duties which increased the element of protection on manufactured silk and artificial silk goods, but, in consideration of the demands

of the Exchequer, did not involve any reduction in revenue. In view of the trade negotiations with France these recommendations were not accepted, and later in 1934 it was decided that the duty on raw silk should be reduced by 50 %. Mr Chamberlain, Chancellor of the Exchequer, said that he felt justified in unbalancing the Budget to this extent provided that this concession resulted in the satisfactory conclusion of trade negotiations with foreign countries.

Import duties on certain iron and steel products were increased in March 1935 in order to place the industry in a more favourable bargaining position in its negotiations with the International Steel Cartel. Negotiations were concluded in August 1935 and a system of quota restriction was agreed upon, as a result of which import duties on quota imports were reduced to 20 % in November 1936, but the duties on non-quota imports remained at 50 %. Thus for the first time a differential tariff favouring certain *foreign* countries was introduced into the British fiscal system, and this was done to give effect to an agreement which had been concluded, not by the British Government, but by the iron and steel industry itself. The Cartel agreement was, however, in accordance with the general Government policy of expanding exports by international agreements even when this involved tariff concessions to foreign countries.

The changes in the rates of tariff duties made by Order as a result of recommendations by the I.D.A.C. or of trade treaties negotiated by the Board of Trade have overshadowed both in number and in importance the tariff changes introduced by Act of Parliament. During the period 1932 to 1938 there were many changes in the rates of revenue duties imposed by the annual Finance Acts, mainly in an upwards direction, but no new duties were levied. The greatest increase in revenue from a customs duty was from the duty on hydrocarbon oils.

The only new tariffs imposed by a special Act of Parliament since 1932 are duties on beef and veal, which were imposed in 1937 as a complementary measure to the granting of a subsidy to livestock.

In 1938 the Irish Free State (Special Duties) Act was repealed and a Trade Agreement was signed which restored Eire to full imperial status. These duties had been considerably altered since their imposition in 1932, and they had been used as a bargaining weapon to increase United Kingdom exports of coal to Eire.

The assistance to industry which was involved in the protectionist policy pursued by the I.D.A.C. was by no means confined to the restriction of imports by customs duties. Quantitative regulation of imports of agricultural produce which was first introduced in 1932 was extended to a few more branches of agriculture, and in most cases the volume of imports permitted by the quotas was continually reduced. Production and distribution of many agricultural products was regulated by marketing schemes, and in 1937 subsidies were given on cattle and fertilizers. The subsidy on beet sugar was continued and increased; the fishing industry was assisted by quota, and in 1938 also by subsidy.

In the sphere of industry, the policy of encouraging industries of national importance continued, particularly in the case of the export industries which could not be assisted by protective tariffs. Thus subsidies previously granted to forestry and civil aviation were continued, as was also the quota system which had been applied in 1928 to the cinematograph films industry. In addition, subsidies were given to shipping and shipbuilding, and quota systems were applied to the coal and cotton industries. The details of the individual schemes are fully described in Part II of this study.

In conclusion it can be said that the years 1932–38 were a period during which the new policy adopted in 1931–32 was being tested and increasingly applied. The traditional policy of laissez-faire had been abandoned and in its place a system of protection and intervention had to be set up. New machinery for the administration of tariff protection had been established, and in spite of criticisms of individual duties and of the reasons given for their recommendations, it does appear that the I.D.A.C. were able to apply a definitive and consecutive policy to the whole field of industry.

Non-tariff protection was, however, more a matter of experiment, and the administration was retained in the hands of the Government, which was advised by the Market Supply and other committees. In the result it does not seem that the Government pursued any comprehensive policy, but that it waited until an industry, or a branch of agriculture, was in a more or less desperate position before intervening. Nor can it always be said that the form of assistance accorded was always in the best interests of the industry concerned, and the conclusion cannot be avoided that Government policy was palliative rather than constructive.

Finally, the Government attempted to improve the position and prospects of exporters by negotiating a series of bilateral trade agreements with Empire and foreign countries. This field may definitely be regarded as the most constructive and successful feature of Government policy in the years 1932–38. The long series of treaties which began with the Ottawa Conference in 1932 and ended with the Anglo-American agreement in 1938 may have involved some concessions prejudicial to individual British industries, but it certainly resulted in a larger volume of exports than would otherwise have occurred, and was of especial benefit to the depressed coal industry. By 1938 trade treaties had been concluded with most of the important countries of the world.

# PART I. TARIFFS

## CHAPTER II. *TARIFF PROTECTION, 1913 TO 1931*

The object of this Part of the study is to describe the main measures of tariff protection and to discuss the issues which they involve. It has been found that a clearer exposition is possible if each major tariff Act is taken separately and the duties and subsequent amendments under it are followed through than if a purely chronological treatment is used. But the whole period covered, 1913 to 1938, has been divided up into two sections, 1913 to 1931 and 1931 to 1938.

*The McKenna Duties*

In 1915 a 33⅓ % *ad valorem* duty was placed on motor vehicles and their accessories and component parts, musical instruments and their accessories and component parts, including gramophone records, and clocks and watches and their component parts. In addition a specific duty was placed on cinematograph film. These duties were imposed by the Finance Act and were subject to yearly renewal like all the existing revenue duties. They were imposed as a part of the Government's war-time policy of reducing unnecessary foreign imports in order to economize foreign exchange and shipping. There was no intention to use the duties to stimulate the production of these goods by the United Kingdom industries, which were fully occupied on war production.

The maintenance of these duties after the war was defended by the Chancellor of the Exchequer, Mr Baldwin, who in a debate in 1922 stated that although they were a war-time measure the days of war-time finance had not passed.

The Labour Government which took office in January 1924 was in favour of Free Trade, and decided that the McKenna duties should lapse on 1 August 1924, but by May 1925 a Conservative Government had returned and they were re-introduced. The official reason given was that they would increase the revenue, but there can be little doubt that the real reason was pressure by the vested interests concerned. In 1926 the duties were extended to cover commercial cars, and in 1927 a new duty was imposed on motor tyres.

In 1929 the second Labour Government was in office, and although other protective duties were repealed the McKenna duties were not touched and remained unchanged until they were merged into the general tariff in 1938.

*Safeguarding of Industries Act*

The experiences of the war made it clear that the United Kingdom depended very largely on imports from foreign countries for supplies of certain goods which were strategically of great importance. These industries came to be known as 'key industries', and the key-industry principle was reaffirmed by the President of the Board of Trade in October 1918 and repeated in 1919. In 1921, in spite of the fact that the country was at that time opposed to Protection, it was decided to encourage these key industries by giving them a considerable degree of tariff protection. The Safeguarding of Industries Act 1921[1] was passed, Parts I and III of which placed import duties on certain large classes of goods, including optical glass and optical elements, scientific and precision instruments, glassware, lampblown ware, and laboratory porcelain, wireless valves, ignition magnetos, arc-lamp carbons, hosiery latch-needles, metallic tungsten, and other rare earth metals, and synthetic organic chemicals. The duties levied on all these goods was 33 % *ad valorem* except in the case of optical glass elements or instruments, which were subject to 50 % *ad valorem*, and arc-lamp carbons which were subject to a specific duty of one shilling per pound.

Part I of the Act was passed in spite of protests from bankers and scientists, and from the cotton industry, and in face of much disagreement in Parliament. Its duration was limited to five years. It is instructive to note that Mr Baldwin, President of the Board of Trade, in defending this five-year limit, said: 'The object of fixing the period of five years is that that is the term of years which, after very careful consideration, we believe to be long enough for any industry, that they may be able to stand and flourish at the end of that period. I think in specifying five years we have gone to the limit of what the industries may reasonably expect.'[2]

There are certain goods which have been exempted, by Finance Acts, from key-industry duty. In the Finance Act of 1922 many articles were made exempt if they were only taxable because they

1 11 and 12 Geo. 5, c. 47. 2 142 *H.C. Deb.* 5 sess. p. 877.

contained small quantities of dutiable parts or ingredients. In certain cases, it was laid down that these dutiable parts and ingredients must not represent more than 10 % of the total value of the articles, if the goods were to qualify for remission of duty. Such articles included toys and fancy goods, fireworks, bath salts, unmedicated toilet soaps, medicinal preparations, disinfectants and sporting cartridges.

In 1926, certain very cheap optical instruments (such as binoculars and telescopes), toys and fancy goods (made of lampblown ware or glass wool), and cheap mathematical drawing instruments were exempted. Also, in the same year, about a hundred chemicals as well as some compounds of rare earth metals were exempted from the key-industry duty for a period ending 31 December 1939.

No additions were made to Part I of the Act until the end of 1925, when a new Act was passed in order to make gloves, gas-mantles and cutlery liable to the key-industry duty. This Act appears to apply the duty to goods which cannot be accurately described as of strategical importance, and it is perhaps not a complete coincidence that this was done in the same year as the McKenna duties were renewed and other duties imposed. In 1926 a safeguarding duty of 16·7 % *ad valorem* was placed on wrapping paper. These new duties, like the original ones, were to remain in force for a period of five years.

Part I of the 1921 Act was due to expire in August 1926, but it was decided earlier in the year that the safeguarding duties must be renewed, thus providing another illustration of the difficulty of withdrawing protection when once it has been granted, even if it had originally been intended to maintain it only for a fixed period. The Finance Act of 1926 extended the 1921 Act for ten years from August 1926, and made certain amendments. New categories of goods were added, including component parts of optical instruments, which were chargeable at the rate of 50 % *ad valorem*, and component parts of scientific instruments, amorphous carbon electrodes, and molybdenum, which were chargeable at the rate of 33⅓ %. An amendment provided for the exemption from duties of articles not produced in substantial quantities in the Dominions. This amendment will be further discussed below when the history of Imperial Preference is considered.

During the next few years there were many demands for increased protection and for the application of safeguarding duties

to articles which could certainly not be called strategically important. In 1928 the National Union of Manufacturers sent a deputation to the Government complaining that the safeguarding was not sufficiently effective, as only a few chosen industries were protected, and demanding protection for all industries. A group of Conservatives urged the Prime Minister to make unemployment the only condition for safeguarding. Obviously any such extension of the 1921 Act to all industries would have been opposed to the principle on which the measure was originally based, but the introduction of general protection was postponed by the General Election in 1929 which brought the Labour party into office. The duties on lace, gas-mantles and cutlery were due to expire in 1930, and the Labour Government allowed them to lapse. They did not, however, interfere with the remaining duties, which were still in force in 1931.

We must now return to 1921 and consider Part II of the Safeguarding of Industries Act. This part was not concerned with the protection of special key industries, and did not impose any new duties immediately, but it sought to safeguard all industries against the possibility of abnormal imports in the future due to dumping or exchange depreciation. The 1921 Act was not the first attempt to deal with these problems, for in 1919 the 'Imports and Exports Regulations Bill' was introduced as a measure to counteract dumping. It attempted to prevent foreign goods being sold in the United Kingdom at less than the value in the country of origin of similar goods, and to prevent goods emanating from countries with depreciated exchange rates being sold at substantially lower prices than similar goods could be made and sold in the United Kingdom. A Trade Regulation Committee was set up to study the administrative measures required to carry out the principles stated in the Bill, but this was withdrawn.

Part II of the Safeguarding of Industries Act made provision for duties to be imposed by an Order issued by the Board of Trade on all goods except food and drink. Such an Order was to be made on the grounds that the articles were being sold or offered for sale in the United Kingdom at prices below the cost of production in the country of origin (later defined as the wholesale selling price in the country of origin less 5 %). Alternatively an Order was to be made if goods were being sold at prices which, as the result of currency depreciation, were below the prices at which goods

could be profitably manufactured in the United Kingdom, and if employment in the United Kingdom was likely to be seriously effected. The section regarding depreciated currencies was to cease not later than August 1924, but the anti-dumping section could only be repealed by special Act of Parliament.

No duties were imposed under the anti-dumping section, which was repealed by the Labour Government in 1930. The exchange depreciation section was passed mainly in anticipation of a flood of imports from Germany, and, although this flood never really materialized, seven Orders were made, all of them being directed against Germany. The section was allowed to lapse in August 1924.

Special machinery was set up to deal with complaints under Part II, and this is discussed fully in Chapter IV.

*The Silk Duties and Other Revenue Duties*

It is not proposed to follow in detail the movements in revenue duties, for these are dictated by financial requirements, but any major changes in revenue tariffs will be noted, particularly when such tariffs are combined with a measure of protection.

During the war increased revenue from indirect taxation was raised by heavy increases in existing duties, and by one or two new excise duties, but no important new revenue customs duties were imposed. This statement also applies to the first few post-war years, and it was not until 1925 that the scope of customs revenue was made appreciably wider than it had been in 1913. In 1925, duties were first placed on silk and artificial silk.

These duties form much the most complicated items among the revenue duties, or indeed in the whole tariff. Many different rates of specific duties were applied to silk and artificial silk in various stages of manufacture, and specific duties were replaced by *ad valorem* duties when the silk or artificial silk reached the stage of a finished article. The *ad valorem* duty was charged on the value of the whole article, the rate being varied according to the proportion of silk or artificial silk contained in the article. Where the articles are made wholly of silk or artificial silk, or where the value of the silk or artificial silk component exceeds 20 % of the aggregate of the values of all the components of the article, a rate of 33⅓ % *ad valorem* is charged.

The effect of the whole scheme was to charge gradually increasing duties with each stage of manufacture. Corresponding excise duties were levied on artificial silk, but the net result was that these duties, which were imposed for revenue purposes, gave a considerable measure of protection to the manufacture of artificial silk in the United Kingdom. These articles were selected for taxation largely because they were luxury goods, but the duties caused much concern in the sections of the textile industry which used mixtures of artificial silk and wool or cotton to produce articles that cannot be called luxury goods.

The silk duties remained substantially unaltered until 1932, and the only other important addition to the revenue tariff was the introduction of a new duty on imported hydrocarbon oils in 1928. This duty was very productive of revenue, and was also protective in so far as it encouraged the very small amount of home-produced oil. The duty was a specific duty, originally fixed at 4*d.* per gallon on light oils only, but subsequently raised to 8*d.* per gallon, and extended to heavy oils at 1*d.* per gallon.

*Imperial Preference*

As was shown in the last chapter, Imperial Preference had been advocated since 1903, and the war of 1914–18 led to a strengthening of imperial sentiment and resulted in the introduction of preferential tariffs in 1919.

A reduction of one-sixth of the full rates was granted on tea, cocoa, coffee, chicory, currants, dried or preserved fruit, sugar, glucose, molasses, saccharin, motor spirit and tobacco, varying rates of preference ranging from 30 to 50 % were given on wines, and goods subject to McKenna duties were allowed an imperial preference of one-third of the full rate. Preference was only given to goods which 'have been consigned from, and grown, produced or manufactured in the British Empire', and goods were only considered to be of Empire origin if at least 25 % of their value was the result of Empire labour.

Preferences were not contingent on reciprocal preferences being given by Empire countries, although in fact some countries had long allowed preferential rates on their imports from the United Kingdom. An Order in Council also accorded imperial preference to imports into the United Kingdom from mandated territories.

Although imperial preference was granted in respect of almost all goods subject to customs duties under the United Kingdom tariff, the limited range of that tariff made the advantage obtained by the Empire from these preferences very small. Very few McKenna goods were produced in the Empire, and the only preferences which substantially increased Empire trade were those on sugar, wines and tobacco.

In 1921 the range of imperial preference was extended, for the Safeguarding of Industries Act exempted Empire products from these duties; but here again the goods subject to key-industry duties rarely came from the Empire, and the value of imperial preference was not materially increased.

In 1923 an Imperial Conference was held and a Permanent Advisory Economic Committee was set up. As a result of this Conference new or increased preferences were granted to imports from Empire countries of apples, canned salmon, fruit juices, honey, tobacco and wines. These goods were specially selected as being of importance to the various Empire countries. It was, however, realized that the value of imperial preferences could not be largely increased without the imposition of new duties on foreign goods, and the United Kingdom was not at that time prepared for general protection. This was demonstrated at the General Election in 1923, which resulted in a Labour Government, opposed to tariffs and imperial preference, taking office. This Government reduced the range of imperial preference by abolishing the McKenna duties, but this reversal of policy was of short duration, for a Conservative Government returned to power in November 1924.

The new Government favoured imperial preference, and the revived McKenna duties and the duties on silk and artificial silk described above were used to extend the range of this preference. Empire countries were given a preference of one-sixth under the silk duties, and another new preference was granted by the removal of the duty on Empire currants.

In 1925 the policy was given a more permanent basis by the stabilization of the preferential margin on refined sugar. This margin was fixed at 4*s.* 3½*d.* per cwt., thus for the first time placing imperial preference on a specific instead of on an *ad valorem* basis, and was stabilized for ten years. This policy was extended to other commodities in the Finance Act of 1927, and in 1928 an adjust-

ment of the duty on wines gave a greater degree of preference to high quality Empire wines.

In 1929 the repeal of the tea duty led to a reduction of imperial preference, but this was due to revenue considerations and not to a reversal of policy.

In addition to the granting of imperial preference by tariff reductions, Empire trade was encouraged in other ways. In December 1924 a grant of £1 million was made to the Imperial Economic Committee, and a similar amount was given annually to the Empire Marketing Board which was established in 1926. This money was expended on scientific research, economic investigation and publicity, undertaken with a view to increasing inter-imperial trade. The work of the Empire Marketing Board is further discussed in Part IV, p. 252.

## CHAPTER III. *TARIFF PROTECTION, 1931 TO 1938*

The National Government which was returned to Parliament at the General Election in 1931 quickly transformed the tariff of Great Britain into a system of full protection. While comprehensive and permanent measures were being prepared emergency steps were necessary to prevent a flood of imports, and two Acts were passed in 1931 to serve this purpose. They were the Abnormal Importations (Customs Duties) Act[1] and the Horticultural Products (Emergency Provisions) Act.[2] Early in 1932 the permanent system of protection was ready, and the Import Duties Act 1932[3] was passed. By August 1932 the Ottawa Conference had concluded and the Ottawa Agreements Act[4] was passed. In the same year a dispute with Eire caused heavy duties on Irish imports to be imposed under the Irish Free State (Special Duties) Act.[5]

No further legislation was passed specifically concerned with tariffs until the Beef and Veal Customs Duties Act[6] in 1937.

In addition to examining the working of these Acts it will also be necessary to discuss the Safeguarding of Industries duties which were mentioned above, and which still remained in force after 1931, and to comment upon some of the revenue duties imposed by the annual Finance Acts. The effect of the protectionist policy on imperial preference must also be examined.

### *Abnormal Importations (Customs Duties) Act*

This Act provided for duties not exceeding 100 % *ad valorem* on all imports which were previously free, with the exception of horticultural products. The duties were imposed by Order, which were issued on the recommendation of the Board of Trade.

Three Orders[7] were issued under the Act during November and December 1931, all of which imposed duties of 50 % *ad valorem.*

The first Order applied to such articles as pottery, cutlery, tools, wireless apparatus, typewriters, woollen goods, gloves, paper, rubber tyres and some linen goods. Duties on important raw materials were not included in the first Order, but the second

1 22 Geo. 5, c. 1.
2 22 Geo. 5, c. 3.
3 22 Geo. 5, c. 8.
4 22 and 23 Geo. 5, c. 53.
5 22 and 23 Geo. 5, c. 30.
6 1 Edw. 8 and 1 Geo. 6, c. 8.
7 S.R.O. 1931, 978, 1000 and 1027.

Order applied to wool yarn as well as to bottles, gums, and metal spoons and forks. Large imports of other goods continued in the expectation of further import duties, and as a result the third Order was issued imposing duties on a long list of goods, including illuminating glassware, cameras, manufactures wholly or partly of cotton, outer garments and hosiery.

All the duties imposed by these Orders were revoked in April 1932,[1] when they were replaced by additional duties under the Import Duties Act. The duties did not apply to Empire produce.

*Horticultural Products (Emergency Provisions) Act*

This Act made provision for the charging of customs duties on certain classes of fresh fruit, fresh vegetables and other horticultural products if they were of a kind which could be produced in increased quantities in the United Kingdom or if they were articles of luxury. The duties could be either *ad valorem* or specific, but were not to exceed 100 % of the value of the goods, and the duties did not apply to Empire products.

The reason for the passing of this Act, instead of the inclusion of horticultural products in the Abnormal Importations Act, was the difficulty of valuing goods which were often imported for sale on commission. It was therefore preferable to charge specific duties, and the five Orders which were made under the Act did in fact impose specific and not *ad valorem* duties.

The Act remained in force only until December 1932, but the duties imposed by the Orders under the Act were incorporated in the provisions of the Import Duties Act, and the I.D.A.C. stated that it was not their intention to make any alteration in the general scheme of protection of horticultural produce before the autumn of 1934.

*Import Duties Act*

In February 1932 the temporary legislation was replaced by the Import Duties Act, which was designed to initiate a permanent protective tariff and to provide machinery for its administration.

The Act made provision for the imposition of (1) a general *ad valorem* import duty of 10 %, (2) additional duties and (3) retaliatory duties on goods produced or manufactured in a foreign country which discriminates against the United Kingdom.

1 S.R.O. 1932, 256.

The general *ad valorem* duty applied to all goods imported from foreign countries into the United Kingdom, with the following exceptions: (1) goods placed on a Free List, or subsequently added to it, (2) goods chargeable with certain other customs duties, (3) goods for re-export, (4) goods consigned direct to registered shipbuilding yards, (5) antiques more than 100 years old, (6) fish of British taking, (7) goods consigned from Empire countries, which were exempted from both the general and additional duties for a limited period only, but the exemption was made permanent by the Ottawa Agreements Act (see below).

The Additional Duties were imposed by Treasury Orders after a recommendation by an independent advisory committee set up by the Act, and known as the Import Duties Advisory Committee (I.D.A.C.). This Committee was empowered to recommend that an additional duty should be imposed on any articles of luxury, or any articles which were produced or were likely within a reasonable time to be produced in the United Kingdom in substantial quantities. The Committee could also recommend that a specific duty should be substituted for the general 10 % *ad valorem* duty, and in exceptional circumstances this might represent less than 10 % of the value of the goods. Additional duties did not apply to the classes of goods exempted from the general *ad valorem* duty.

When a recommendation for an additional duty was made by the I.D.A.C. the Treasury could make an Order directing that this duty should be charged. The machinery by which such recommendations were translated into legal provisions is further discussed below in the chapter on Machinery (p. 38), but the important fact to be noted is that the recommendations of the I.D.A.C. have almost always been legally enforced.

The third type of duty for which the Import Duties Act made provision was retaliatory duties on imports from countries discriminating against the United Kingdom. The Board of Trade, with the concurrence of the Treasury, could impose duties not exceeding 100 % *ad valorem* on goods from the discriminating country, these duties being supplementary to all other existing duties on the goods. This provision was once put into operation, when certain imports from France were subjected to special duties for a short period in 1934.

The Import Duties Act thus made possible an enormous extension of protective tariffs, and the effect of the Act in practice

depended upon the use made by the I.D.A.C. of the powers bestowed upon it.

The general 10 % *ad valorem* duty came into force in March 1932. The free list, which exempted certain classes of goods from this duty, consisted of more than thirty items, and contained mainly important raw materials. Orders were made from time to time adding further items to the list, which by 1938 consisted of more than one hundred classes of goods. In spite of this extension, however, the free list never covered more than a comparatively very small fraction of total non-food imports into the United Kingdom.

Unlike the general 10 % *ad valorem* duty the full scope of the additional duties did not come into force at one time, for after the original Order had been made further Orders were made imposing new additional duties at frequent intervals. The general scheme of the protective system was, however, laid down by the first Order, issued in April 1932. This imposed duties on all goods included in a Schedule, which was divided into seventeen groups, comprising in all approximately one hundred main headings. These groups remained substantially the same, although there were some alterations in their composition, and by 1938 they had increased to eighteen.

It is not intended here to enter into details of the goods subjected to additional duties by the first Order, or to discuss the numerous amendments to the Schedule which were made later, for the number and diverse character of these goods prevents such an examination. The original Schedule may, however, be summarized as follows. An increase of duties from 10 to 15 % *ad valorem* was imposed on agricultural machinery and tools, most building materials, ropes and twine and other articles. A duty of 20 % was applied to a wide range of manufactured products, including finished iron and steel goods. Duties of 25 % were imposed on such articles as fruit pulp, leather trunks, pipes, sporting guns and games, and duties of 30 % were applied to luxury articles such as oysters, caviare, furs, jewellery and artificial flowers. A duty of 33⅓ % was charged on bicycles and on some chemical products, which were thus brought within the safeguarding category. Duties on semi-finished steel imports were also raised to 33⅓ % for a minimum period of three months, and this rate was subsequently renewed.

During the following years the tariff was greatly extended and elaborated by the machinery of the I.D.A.C. The general tendency was for tariffs to rise, but there were also a large number of goods

added to the free list. The policy appears to have been to fix low rates of duty on agricultural imports (potatoes, particularly new potatoes, were an exception), rates of approximately 20 % *ad valorem* on manufactured goods, and rates of 33⅓ % or higher on McKenna and key-industry goods.

The development of the tariff was carried out by a large number of Additional Orders and Exemption Orders issued by the Treasury. By the end of 1935 no less than one hundred Additional Orders and fifty Exemption Orders had been issued, and in December 1935 these were consolidated by new and comprehensive Orders.[1] During the three years 1936–38 more than fifty new Additional Orders and thirty Exemption Orders were made.

With the exception of the duties on horticultural products, all the duties administered by the I.D.A.C. in 1932 were *ad valorem* duties. With the elaboration of the tariff in later years, however, there was a considerable substitution of specific for *ad valorem* duties, and often alternative rates were charged, either the specific or the *ad valorem* duty being enforced, whichever was the higher. These specific duties were often used to prevent the entry of very cheap types of manufactured goods which were undercutting the better quality British goods. The more expensive imported articles would not be effected by these alternative specific duties. The introduction of specific duties was often accompanied by a reclassification of the relevant part of the tariff into more numerous and carefully defined grades. Slightly different articles could then be charged different rates of duty.

The most important single group of duties under the Import Duties Act were those on iron and steel products. It will be remembered that certain of these products were subjected to a duty of 33⅓ % in the first Schedule issued in 1932. This rate of duty was renewed for two years in December 1932, and was continued indefinitely in May 1934. In March 1935 the *ad valorem* duties on some of the elementary iron and steel products were superseded by specific duties varying from £2 to £4 per ton, which represented an approximate average of 50 % *ad valorem*. This increase in rates was made for two reasons, firstly, to stop imports from countries which had depreciated their currencies, and secondly, to give the British industry more bargaining power to negotiate satisfactory agreements with its foreign competitors.

1 S.R.O. 1935, 1244 and 1245.

As a result of these negotiations an agreement was arrived at between the British Iron and Steel Federation and the International Steel Cartel. The terms of the agreement provided for a quantitative limitation of imports into the United Kingdom from Cartel countries, and that the duties on Cartel products should be reduced to 20 % *ad valorem*. Non-Cartel products were still to be subject to duties of 50 %, and certain products not included in the agreement remained subject to the original duty of 33⅓ % *ad valorem*.

The conclusion of this agreement introduced into the British tariff a system of tariff preference in favour of certain foreign countries as well as of Empire countries. A provision of the Import Duties Act permitted such discrimination to be made, but this was the only occasion on which it was used. The rates of duty on both Cartel and non-Cartel products were subsequently reduced, but the preferential rates remained.

In 1938 the McKenna duties were repealed, but duties of similar amounts were imposed under the Import Duties Act. The industries were now able to apply to the I.D.A.C. for an increase in the rates of duty, but in spite of a large temporary increase in the imports of cheap German motor-cars no recommendation for higher duties was made by the I.D.A.C.

It can be said in conclusion that by the end of 1938 the duties imposed under the Import Duties Act constituted a comprehensive and highly protective fiscal system. The field covered by the Act had been widened since 1932, and the average rate of duty was considerably higher in 1938. The number of goods covered by the additional duties had considerably increased in the interval, but not so much as the number of individual items subject to such duties, owing to the elaboration of the tariff by the multiplication and subdivision of headings. This latter development not only made the import duties more complicated to administer, but also increased the difficulties of merchants and importers.

*Ottawa Agreements Act*

The Ottawa Agreements which were signed in 1932 are fully discussed in Part III of this study. As a result of these agreements the Ottawa Agreements Act was passed which was designed to grant agreed preferences to Empire countries by imposing duties

on foreign imports of goods which are of special importance to Empire trade.

The duties imposed under the Act were mainly on agricultural produce, an exception being magnesium chloride. They included taxes of 2*s.* per qr. on wheat, 15*s.* per cwt. on butter, 15 % on cheese, specific duties on eggs, milk products, fruit and salmon, and a 15 % duty on various oils.

In addition to the new duties guarantees were given that the general 10 % *ad valorem* duty would be maintained on certain goods, including barley, wheat flour, maize, potatoes, timber, leather, lead and zinc. Also, wheat in grain, copper and linseed were removed from the free list of the Import Duties Act. The Government reserved the right to remove duties on foreign imports of wheat, copper, lead and zinc if these commodities could not be purchased from Empire producers at world prices.

Preferences on coffee and tobacco were increased and other preferences stabilized. There were also important provisions as to quantitative regulation of foreign imports, which are described in Part II of this study.

The duties under the Ottawa Agreements Act did not apply to Empire countries. The agreements which gave rise to the Act were to last for five years, except in the case of the one with India. Free entry for Empire eggs, poultry, butter, cheese and other milk products was, however, only guaranteed for three years, but free entry of all other Empire products covered by the Act was assured for the duration of the agreements. No subsequent changes in the Act have been made.

*Irish Free State (Special Duties) Act*

No agreement was concluded at Ottawa with the Irish Free State, which had failed to fulfil its obligations to the United Kingdom under previous agreements and to discharge its debts. In consequence of this dispute Eire was not exempted from the duties under the Import Duties Act, and in 1932, new duties were levied on imports from Eire under the Irish Free State (Special Duties) Act. This Act gave the Treasury, after consultation with any other interested Department, power to impose duties not exceeding 100 % *ad valorem* on goods imported into the United Kingdom from Eire. The only goods exempted from these provisions

were those which could be proved to have been imported into Eire in the same condition as that in which they were exported.

Although the Act was intended to be of a retaliatory nature, it was to some extent used in the interests of British agriculture, and later used as a bargaining weapon to assist the British coal industry. Duties of 20 % were imposed under the Act in 1932 on livestock, meat, poultry, game, butter, eggs and cream. In 1933 all the duties were increased: specific duties ranging from £1. 5*s*. to £1 per head were charged on live cattle and *ad valorem* duties of 40 and 30 % on other imports.

In 1936 a 'cattle for coal' arrangement was made, and as a result the duties on livestock and meat were reduced. In return the Irish duty on British coal was reduced by 5*s*. a ton and the *ad valorem* duties decreased by 10 %.

In 1938 long negotiations resulted in the conclusion of the Anglo-Irish Agreements and a trade pact provided for the repeal of the Irish Free State (Special Duties) Act. After the withdrawal of these duties Eire enjoyed full imperial status and was entitled to all Empire preferences.

*Safeguarding of Industries Duties*

It was stated on p. 15 above that the Finance Act 1926 extended the key-industry duties for ten years, which were thus due to expire in August 1936. In March 1936 a Committee which had been appointed by the Board of Trade to consider the advisability of continuing, varying or extending Part I of the Safeguarding of Industries Act 1921, recommended the prolongation of the duties for a further ten years at not less than the existing rates. It also advised an alteration in procedure to enable manufacturers of articles liable to these duties to apply to the I.D.A.C. for an increase in duty, and that the I.D.A.C. should advise the Board of Trade on the matter. It was also recommended that the Board of Trade should be given wider powers to vary the list of dutiable goods and that some additions should be made to the Schedule of dutiable articles. These recommendations were accepted and the duties accordingly renewed for ten years. Although the Safeguarding of Industries Act still remained a separate part of the tariff, the duties under it were in effect varied by the I.D.A.C. in the same way as were the duties under the Import Duties Act.

*Beef and Veal Customs Duties Act*

In 1937 it was decided to assist the British livestock industry. This was accomplished by two methods. The first was the granting of a subsidy under the Livestock Industry Act, which is discussed in Part II of this study. The second involved the imposition of additional duties on imports of foreign beef and veal, for which purpose the Beef and Veal Customs Duties Act 1937 was passed.

Under this Act specific duties of $\frac{3}{4}d.$ per lb. on chilled and $\frac{2}{3}d.$ per lb. on other kinds of beef and veal were charged, and *ad valorem* duties of 20 % on boned and boneless beef or veal and 10 % on preserved beef and extracts and essences.

Duties imposed under this Act were additional to other duties, but they did not apply to Empire goods.

*Revenue Duties*

The most important development in the revenue duties in the years 1932–38 as far as commercial policy is concerned was in respect to the silk duties. It was stated above that these duties resulted in a considerable measure of protection, and in 1932 Mr Chamberlain, Chancellor of the Exchequer, asked the I.D.A.C. to recommend a method by which these duties could be made fully protective. As the duties had been imposed for revenue purposes they could only be changed in the annual Budgets, and in 1933 it was decided that the machinery of the I.D.A.C. should be applied to the silk duties so that the recommendations could be carried out without delay. This decision was confirmed by the Finance Act 1933, and after that date the silk duties became in practice a part of the general protective tariff, although the duties were officially enforced under the same part of the tariff as the other revenue duties.

The powers of the I.D.A.C. with respect to the silk duties were, however, limited by request from the Chancellor of the Exchequer that any revised system of duties should yield no less revenue than the current system. In their first recommendation the I.D.A.C. pointed out that the customs duty on raw silk placed a considerable burden on the home industry and hindered its development, and owing to the fact that the articles produced by the industry had ceased to be luxuries it was recommended that the duty should be abolished. On account of the revenue requirement and the general

policy of protection alterations in the duties on artificial silk involving an increase in the element of protection were proposed, but at this time trade negotiations with France were in progress, as a result of which the recommendations were not accepted. New recommendations based on the result of the trade negotiations were made and enforced by Order.[1] This Order reduced the duty on raw silk by 50 % and retained the previous level of protection on artificial silk. The Chancellor of the Exchequer agreed to the sacrifice of revenue involved in the interests of the trade agreements with foreign countries. Thus the silk duties, originally imposed for revenue purposes, became an instrument of protection and an international bargaining weapon.

The changes in other revenue duties were mainly in an upwards direction. The duty on heavy hydrocarbon oils for road vehicles was increased from 1*d.* to 8*d.* a gallon, and was raised to 9*d.* in 1938, when an equivalent duty was also imposed on power methylated spirits. The tea duty was raised in 1936 and again in 1938 and several adjustments were made in the sugar and other duties. The only new duties were those on matches and automatic mechanical lighters imposed in 1932.

*Imperial Preference*

Having reviewed all the duties charged during the period 1931–38 we can now study the effect of these duties on imperial preference. The National Government which was returned to power in 1931 and remained in office during the whole of this period declared itself to be in favour of imperial preference, and made full use of the new duties to increase the margin of preference.

The temporary emergency measures of 1931, the Abnormal Importations Act and the Horticultural Produce Act, did not apply to Empire produce, thus giving a preference of 50 % on many articles. The Import Duties Act temporarily exempted Empire goods from both the 10 % general *ad valorem* and the additional duties, pending the conclusion of a permanent arrangement at the Ottawa Conference which was held in 1932.

This Conference was in fact decisive in determining future inter-imperial trade relations. Previous preferences granted by the United Kingdom had been concessions to other Empire countries,

1 Cmd. 4633.

but the 1932 Conference was conducted on the basis of reciprocity, and the agreements arrived at were the result of trade bargaining. It can be said that the Conference was successful in establishing a large measure of reciprocal preferential treatment. As a result of the Ottawa agreements it was decided to exempt Empire countries permanently from all the duties imposed under the Import Duties Act. This by itself, however, would have favoured some Empire countries more than others and would have excluded some of the most important commodities, such as wheat, from preferential treatment. Consequently selected commodities were subjected to new duties when imported from foreign countries, and quotas on foreign imports were introduced. These measures have been fully described in the discussion of the Ottawa Agreements Act, and the total result was to build into the protective tariff a comprehensive scheme of imperial preference.

Neither the beef and veal duties nor the safeguarding of industries duties applied to Empire produce, but the revenue duties and the McKenna duties continued to be charged on Empire goods at reduced rates. When the McKenna duties were repealed in 1938 and similar duties substituted under the Import Duties Act it was decided to continue to charge reduced rates on these goods when imported from Empire countries, instead of totally exempting them as would normally have been the case.

During the period 1932–38 some adjustments were made in revenue duties designed to increase the degree of imperial preference. The most important of these was in 1932, when the sugar duty was altered in favour of the Colonies. The sugar industry in the Colonies was at that time in a very serious condition owing to the fall in world prices. Consequently an increase of 1*s.* a cwt. in the preference for all Colonial sugar was allowed, and in addition a further preference was granted to a limited quantity. These concessions were not granted to the Dominions which had large domestic markets. There were therefore four separate rates of sugar duty; on imports from foreign countries, from Dominions, from the Colonies, and the special Colonial quota rate. The special quota rate was renewed in 1935 and again in 1938, but the ordinary Colonial rate was then the same as that for the Dominions.

In 1936 beer was added to the list of commodities on which Empire preferences are granted by an increase in the duty on imported foreign beer. In the Finance Act of 1937 the rates of

preference on certain goods which had been stabilized for ten years in 1927 were renewed for a further period of ten years.

The position of the Irish Free State was peculiar. Although nominally a member of the British Empire the dispute which was referred to above resulted not only in the imposition of special duties, but also in the withdrawal of some of the preferential treatment accorded to other Empire countries. The Irish Free State was not exempted from duties under the Import Duties Act, but imports of Irish goods subject to safeguarding of industries duties or revenue duties were admitted at preferential rates, and they were also exempted from duties under the Ottawa Agreements Act as long as the Irish Free State (Special Duties) Act remained in force. After the repeal of the latter Act in 1938 Eire was treated on the same basis as other Empire countries.

Thus, as a result of the legislation and administration of the period 1931–38, the scope and importance of imperial preference was vastly extended. Empire goods were given a preferential tariff rate varying from 10 to 33⅓ % over a large proportion of British imports, and in some cases even higher rates of preference were enjoyed. In addition, as will be shown in Part II of this study, non-tariff protection was directed towards securing the expansion of Empire trade by the use of quotas on foreign imports.

## CHAPTER IV. *TARIFF MACHINERY*

In order to appreciate the full significance of tariff changes a knowledge of the machinery by which the provisions are made and enforced is scarcely less important than a knowledge of the provisions themselves. The object of this chapter is to study the manner in which tariff laws were made and the changes which have occurred in the methods of their enactment and administration during the period under review.

The ultimate authority for all customs duties is an Act of Parliament, and it is therefore desirable to have some understanding of the process by which an Act becomes law, but it is not intended to enter here into the details of Parliamentary procedure.

The supreme head of the State is the Crown, the executive powers of which are exercised by the constitutional Ministers who are responsible to Parliament. The effective political control is centred in the Cabinet, which is in fact responsible for the financial and commercial policy of the country.

The administration of the policy determined by the Cabinet is in the hands of the Civil Service, which is divided into Departments of State, the most important of which is the Treasury. The Departments which are concerned with customs duties are the Treasury, the Board of Trade and the Ministry of Agriculture and Fisheries.

When the Government decides to impose customs duties a Bill embodying these duties is prepared by the relevant State Department, and after being approved by the Cabinet is introduced into Parliament. Before becoming law it must be debated and passed through all stages in both the House of Commons and the House of Lords and receive the King's signature.

Customs duties may be enacted by a special Act dealing exclusively with this subject, or they may be incorporated in the annual Finance Act which is prepared by the Treasury and is introduced into Parliament by the Chancellor of the Exchequer as the annual Budget. The Finance Act is concerned almost entirely with the balancing of revenue and expenditure for the coming year, and the customs duties incorporated in it are dictated mainly by their revenue-yielding capacity. The rates and scope of the duties

charged under a Finance Act are directly authorized by Parliament and cannot be varied until the Finance Act of the following year.

As long as the duties charged were small in number and were mainly for revenue purposes their incorporation in a Finance Act was a reasonable and adequate procedure, and until 1921 it was the means by which all duties were charged; but when the tariff was used for purposes other than the raising of revenue the need for more elastic and speedy machinery became apparent. It is true that the McKenna duties were imposed by the Finance Act of 1915 and renewed annually by subsequent Finance Acts although their main purpose was not the raising of revenue. The number of these duties was, however, limited and their scope clearly defined, and there was no necessity for frequent adjustments.

When, in 1921, the Government decided to introduce protective tariffs it became necessary to pass a special Act authorizing the charging of these duties. The Safeguarding of Industries Act made provision for the charging of import duties on certain general classes of goods specified in the Schedule of the Act, and the broad outlines of the duties were thus approved by the Cabinet and passed by Parliament in the same way as if they had been included in the Finance Act. Effective Parliamentary debate and control was, however, limited to the general descriptions of the goods, for power was delegated to the Departments of State to settle the details of the items which should be included in or excluded from the lists of dutiable articles.

Under the Safeguarding of Industries Act the Board of Trade was empowered to issue lists defining the articles falling within the general dutiable descriptions. These lists were published in the *London Gazette* and the goods included in them became dutiable. The delegation of powers to Departments was subsequently extended, for the Finance Act of 1922 provided that the Treasury, after consultation with the Board of Trade, could exempt from the safeguarding duties certain compound articles if they were satisfied that the charging of duties on them was inexpedient. The Finance Act of 1926 similarly empowered the Treasury to exempt articles which were not produced in the British Dominions and articles of small value.

The exemptions made under these provisions were issued in the form of Treasury Orders, and were published as Statutory Rules

and Orders. All such Orders had to be laid before Parliament for a period of twenty-eight days, during which any member could examine and raise objections to the proposals, and in theory the House of Commons could modify or reject them. In practice, however, the need to obtain the approval of Parliament was a mere formality, and the issue of an Order was the equivalent of legislation. It must, however, be emphasized that any Statutory Rule and Order had to be within the terms of an Act of Parliament which gave power to a Department to issue such Orders.

Under the Safeguarding of Industries Act the Statutory Rule and Order was used in the first place for defining precisely the goods of which a general description was included in the Act, and in the second place for exempting certain goods which complied with provisions laid down in the Act. The discretionary power of the Departments was thus narrowly limited. When the protection of industry became more general, however, involving a much larger number of goods and classes of goods, Parliament delegated to the Departments of State not only the power to define and exempt goods, but also the power within very wide limits to select the goods upon which duties were to be imposed and the rates of the duties to be charged. Under the Abnormal Importations Act 1931 the President of the Board of Trade was empowered to issue Orders imposing duties up to 100 % *ad valorem* on goods wholly or partly manufactured, in order to check the abnormal stream of imports. Under the Horticultural Products (Emergency Provisions) Act the Minister of Agriculture and Fisheries was empowered, with the concurrence of the Treasury, to make Orders applying duties to certain classes of horticultural produce. The duties, which could be either specific or *ad valorem*, were not to exceed 100 % of the value of the goods, and could only be applied to luxury articles or to produce of a kind which could be produced in increased quantities in the United Kingdom. The Orders had to be approved by the House of Commons within twenty-eight days, and they could be varied or revoked by subsequent Orders. It is clear that the power delegated to the Board of Trade and the Ministry of Agriculture under these Acts enables them to exercise a considerable effect on the height and direction of the tariff, and Parliament is only theoretically responsible for their decisions.

This large delegation of power under the temporary Acts of 1931 did not necessitate the creation of any new legislative or

administrative machinery. The making of tariffs by Orders instead of by Acts was merely the adoption of a procedure which had long been in use in other fields, and its application to tariff making. The body really responsible for the duties remained, as it had been before, the Board of Trade or other Department concerned, the political head of which was a Cabinet Minister. Thus the Government was directly responsible to Parliament and to the country.

In the Import Duties Act 1932, however, a new principle and new machinery are introduced. It was considered that in view of the large number of duties and the frequent changes of rates which would be necessary under a fully protective system it would be better to transfer the effective administration of the tariff to an independent non-political body.

The Import Duties Advisory Committee was therefore established as a permanent organization which could make recommendations to the Treasury with regard to the alteration of duties. It consisted of between three and six members, the appointments being made by the Treasury, for periods of three years. The members of the Committee were

Lord (formerly Sir George) May, *Chairman* (an Actuary).
Sir Sydney Chapman (Economist).
Sir George Allan Powell (Barrister-at-law).
Sir Percy Ashley, *Secretary* (Civil Servant and Historian).

Under the terms of reference of the Committee its recommendations could extend to the following articles:

1. Articles on the free list, for which the Committee could advise the imposition of duties.

2. Articles liable to the 10 % *ad valorem* duty but which were not luxury articles, nor produced, nor likely to be produced, in substantial quantities in the United Kingdom. The Committee could recommend a reduction or removal of the duty.

3. Articles of a luxury character or which were or might be produced in large quantities in the United Kingdom. With regard to these the Committee was empowered to make any recommendations.

4. Machinery not at the time procurable in the United Kingdom. The Committee could recommend that particular consignments should be imported without duty or at reduced rates of duty.

Subsequently further powers were given to the I.D.A.C., as follows:

5. In the case of any article which was not on the Free List before the Ottawa Agreements Act was passed the Committee could recommend the imposition of a duty additional to those contained in the Act.

6. After 1936 the Committee had power to advise that an additional duty should be charged on articles subject to safeguarding duties. It did not have power to recommend a reduction in these duties.

7. After 1938 the Committee had power to recommend additional duties on articles previously charged with McKenna duties.

The I.D.A.C. had power to make some other recommendations besides those listed above. For instance, it could advise the Treasury that the rate of additional duty on particular classes of goods should vary according to the season of the year. This made it possible to discriminate between goods imported from countries where there were substantial climatic variations. Under the Finance Act of 1934 the importation of certain iron and steel goods free of duty was permitted on the condition that they were to be used for the construction and/or repair of boilers and propelling machinery for ships. It was open to the I.D.A.C. to make recommendations and the Treasury and Board of Trade could thereupon make changes in the list, by addition or deletion.

The I.D.A.C. could take any considerations into account when deciding upon recommendations. It could have regard to the interests of the ultimate consumers of the imported goods or to the desirability of regulating the duties so that they would affect the interests of various exporting countries differently. It had to have regard to the 'Advisability of restricting imports into the United Kingdom', and to 'the interests generally of trade and industry in the United Kingdom'. It could only recommend a change of duty, however, and had no power to give effect to its own recommendations.

In spite of the fact that changes of duty on articles in the preceding categories were made by Treasury Orders, the Treasury's discretion was limited in various ways. Firstly, when the recommendation referred to an additional duty the Treasury could not impose a duty at a higher rate than the one recommended, nor could it impose one below the level of the basic duty. Secondly,

when the recommendation referred to the level of an *ad valorem* duty the Treasury could not make a larger reduction than that recommended. Thirdly, when it was recommended that an article should be added to or removed from the free list the Treasury had to accept or reject the recommendation as it stood. It could not alter the rate in other ways. Fourthly, the Treasury could not impose a duty at a rate lower than 10 % without the express recommendations of the Committee.

A brief outline of the procedure of the Committee may be given. It received applications, preferably from representative bodies of the trades concerned, regarding customs duties, and it had the power to subpoena witnesses and call for any statements that might be required. But it could proceed on its own initiative as well as make recommendations regarding the applications it had received. The Committee in placing a recommendation before the Treasury moved a reasoned statement. The Treasury, when it had taken action upon the recommendation, published it and its own decision. It was not obliged to publish the reasoned statement as well, but this was the general practice, and before the Treasury could make an Order it had to consult the appropriate department, that is to say the Board of Trade or the Ministry of Agriculture and Fisheries. Orders were laid on the table of the House of Commons as soon as possible after they had been made. An Order imposing a customs duty expired automatically after twenty-eight days unless it was approved by the House, but other Orders continued in force unless the House resolved, before twenty-eight days had elapsed, that they should be annulled.

The I.D.A.C. was also called upon from time to time by the Chancellor of the Exchequer or the Board of Trade to make special investigations. It was asked by the former, in 1932, to inquire into and report on the silk and artificial silk duties. In 1936 the Board of Trade chose it to investigate the present position and future development of the iron and steel industry.

It is interesting to notice that the I.D.A.C. had no power to make recommendations regarding import taxes on foreign beef and veal.

Under the Ottawa Agreements Act the Treasury had certain powers to issue Orders altering duties without previous reference to the Import Duties Advisory Committee. It could make Orders concerning the repeal or reimposition of Ottawa duties, the reduc-

tion of the margin of preference on Empire wine or coffee or the imposition of duties on goods not chargeable with Ottawa duties.

Retaliatory duties, unlike safeguarding duties, were imposed by the Board of Trade. These could be charged on goods coming from any country, which, in the opinion of the Board of Trade, discriminated against imports from the United Kingdom or the British Colonial Empire. However, the Board of Trade was required to obtain the concurrence of the Treasury before imposing such duties and the Treasury had to consult any other Government Department which appeared to be interested. These duties were additional to any other taxes already chargeable on the same goods, but, although there was no limit to the rate of duty which might be imposed for protective purposes, retaliatory duties could not exceed a maximum rate of 100 % *ad valorem*.

Appeals against rates of duty could be made to the Import Duties Advisory Committee by interested industries. The Committee could then make investigations in the manner that has already been described. If the Committee decided that the appeal was well founded it sent a recommendation to the Treasury. Any interested person could complain that goods had been wrongly included or excluded from an amended list of key-industry goods, within three months of the publication of the list. The complaint was then referred to arbitration.

There was special machinery for reducing or repealing any duty under the Import Duties Act in order to give effect to a Commercial Agreement. This machinery also applied to beef and veal duties. The Board of Trade had the initiative regarding such changes in the tariff and it was not necessary to consult the Import Duties Advisory Committee. The Board of Trade put forward any suggestion to the Treasury, which could then accept or reject the recommendation.

It will readily be appreciated that the effect of the machinery created by the Import Duties Act and subsequently employed under other Acts depended mainly upon the use made of it by the I.D.A.C. and the extent to which the Treasury approved or rejected their recommendations. We have shown above that the I.D.A.C. made a very large number of recommendations, and on p. 5 it was indicated that almost all were approved and enforced by the Treasury. It is, therefore, true to say that the *effective* control of

the tariff was in the hands of an independent body not responsible to Parliament, viz. the I.D.A.C.

It must be admitted that the machinery created for the purpose of adjusting tariff duties worked efficiently and smoothly. It is, however, wise to remember that the Committee, though nominally of a non-political character, was appointed by the National Government and that the same Government remained in power until after the outbreak of the present war. What would have happened if a Government in favour of Free Trade had come to power it is difficult to say, but it seems unlikely that the machinery could have functioned effectively if the Chancellor of the Exchequer, as head of the Treasury, had been fundamentally opposed to the policy of the I.D.A.C. Although theoretically removed from the field of politics, tariffs were always likely to arise as a political issue, and in the event of a difference of opinion it seems probable that the Treasury and ultimately Parliament itself would have dictated policy and that the I.D.A.C. as then constituted would have been over-ruled and probably reformed.

The effect of a tariff depends not only on the number and rates of the duties, but also on the efficiency with which they are enforced and the basis of valuation of the goods. The machinery for the enforcement of customs and excise duties was of extremely long standing, and underwent surprisingly little modification as a result of the expansion of the tariff.

The enforcement of the tariff was under the control of the Board of Commissioners of Customs and Excise, which had as its head a Chairman who was a permanent Civil Servant. The Commissioners were appointed to collect and manage the duties, drawbacks and allowances, and they were directly responsible to the Treasury. The country was divided into districts, and over each district a Collector of Customs and Excise presided. Under each Collector there were several Surveyors who supervised a number of Officers, each of whom had his local station, and a number of Prevention men. Usually a Collector of Customs was stationed at each principal port and Surveyors supervised the smaller ports and districts of ports.

The duty of the customs authorities was not only to prevent the admission of goods without payment of duty, but also to assess correctly the duty to be paid. As long as the customs duties were mainly specific duties imposed for revenue purposes this was a

comparatively simple procedure. Specific duties were charged on the number or the net weight of the goods. The net weight was obtained by actual weighing, or by deducting the actual tare or an average tare, agreed to by the importer, from the gross weight. *Ad valorem* duties were more difficult, however, and a precise definition of value was necessary. Originally value was described as the price which an importer would give for the goods on a purchase in the open market if the goods were delivered to him at the port of importation, freight, insurance, commission and all other costs having been paid.

Later Acts included slightly differing definitions, and difficulties were experienced in assessing the value of goods passing between associated firms. The Finance Act 1935[1] therefore made a new definition of import value which was later applied to all customs duties. The full definition is given in Appendix D, but it can be said that no important change was involved.

The methods employed by the Customs Officers to obtain the necessary information on which to base the assessments for duty, the methods of settling disputes over valuation and other kindred matters are fully discussed in Part IV of this study.

1 25 and 26 Geo. 5, c. 24.

# APPENDICES TO PART I

## APPENDIX A. *SUMMARY OF THE TARIFF*

This Appendix is intended to give a summary of the volume called *The Customs and Excise Tariff of the United Kingdom and Northern Ireland in operation on 1st January*, 1939 published by the Stationery Office.[1]

This volume is the official authority on which all customs duties, drawbacks, prohibitions, etc. were based at that date. Much of the contents of this volume have been incorporated in the text of one or other of the chapters of this study, and where no useful addition can be given in this Appendix to facts set out elsewhere a reference will be made to the appropriate chapter of this study.

The Customs and Excise Tariff is arranged in Parts according to the statutes under which the duties are imposed. In general if duty is imposed under one Part it is not chargeable under any other on the same article, but there are exceptions to this rule which will be noted below.

### PART I. GENERAL INFORMATION

Most of the information included in this part is given in other parts of this study.

It is stated that more detailed information as to the definition of goods liable to duty or eligible for drawback and allowances, and explanatory notes, will be found in the relevant Public Notices which can be obtained on application to the Secretary, Custom House, London, E.C. 3.

The general provisions in respect to Composite Goods are that any goods which contain as a part or ingredient any articles liable to duty are chargeable on the quantity of such articles as was used in their manufacture or preparation.

The basis of valuation of imported goods is stated.[2] Provisions regarding the re-importation of exported goods, temporary importations and the repayment of duty on goods returned by the importer are given.[3] Certain classes of goods exempted from duty are described.[4] Regulations concerning postal importations and passengers' baggage are mentioned, and special formalities in respect to the importation of flour required by the Wheat Act 1932 are described. After mentioning two minor matters concerned with Drawback[5] the remainder of Part I is devoted to a discussion of the conditions governing the admission of imported goods to Imperial Preference.[6]

1 Customs Sale Form, No. 34.
2 See Chapter IV, p. 41 and Appendix D.
3 See Part IV, section 2.
4 See Appendix B.
5 See Appendix C.
6 See Appendix B.

## PART 2. PROHIBITIONS AND RESTRICTIONS ON IMPORTATION AND EXPORTATION

All the information included in this Part of the tariff is given in Chapter XIII, section 8 and Appendices P to R.

## PART 3. IMPORT DUTIES ACT 1932

A general *ad valorem* duty of 10 % of the value of the goods is charged on all goods imported into the United Kingdom except those specifically exempted.[1] In certain cases, however, specific duties or reduced duties are substituted for the *ad valorem* duties. Particulars of these are included in the list of additional duties summarized below.

On certain goods 'Additional Duties' are charged as well as the general *ad valorem* duty. The list of additional duties is divided into eighteen groups, and a summary of it is given below. The list is so long, however, that only the most important items in each class can be given in the summary.[2]

Additional duties may be either specific or *ad valorem*. Where a specific duty is imposed it is 'deemed to include both the additional and the general *ad valorem* duty notwithstanding that the amount of duty paid may be less than 10 % of the value of the goods'. Goods which fall within more than one of the classes or descriptions specified are chargeable at the *highest* of the rates applicable. (There are, however, exceptions to this rule, including those goods which were formerly subject to McKenna duties.) Where there are alternative specific and *ad valorem* duties the one which yields the greater amount is chargeable.

The Schedule of Duties is as follows:

### GROUP I. *Grain, Fruit and Vegetables*

This group consists almost entirely of specific duties. The duties on grain include 3*s.* per cwt. on oats, 5*s.* per cwt. on oatmeal, and 3*s.* 6*d.* per cwt. or 20*s.* *ad valorem* on pearled barley. The duties on fresh fruit are notable mainly because they apply for part of the year only, viz. during the summer months when imported fruit competes with United Kingdom produce. The duties vary from ½*d.* per lb. on gooseberries to 1*s.* per lb. on hothouse peaches and nectarines. There is a considerable list of dutiable fresh vegetables, upon which the duties vary from 2*s.* 4*d.* per cwt. in the case of carrots and turnips to 8*d.* per lb. in the case of mushrooms. Many of these duties also vary according to the time of the year, and there are a particularly large number of rates of duty in the case of potatoes, which are divided into (*a*) new and (*b*) other descriptions. The remaining duties in Group I are on various kinds of preserved fruit and confectionery. Some varieties are subjected to an *ad valorem* duty of 15 to 25 % in addition to duty under other enactments, such as the sugar duty.

### GROUP II. *Plants and Flowers*

In general a duty of 6*d.* per lb. is charged on flowering plants, £1 per cwt. on trees and shrubs not in flower and 9*d.* per lb. when in flower. Duties on other flowers vary from 2*d.* to 9*d.* per lb., except that flowers grown from bulbs are charged 1*s.* 3*d.* per lb. from 1 December to the end of February.

1 See Appendix B.

2 The list takes up 77 pages of the Customs and Excise Tariff.

GROUP III. *Livestock Products and Fish*

Dead domestic poultry are liable to a duty of 3*d.* per lb. There is a duty of 10 % *ad valorem* on condensed milk in addition to any tax charged under other enactments, and duties varying from ½*d.* to 2½*d.* per lb. are charged on eggs not in shell. There are duties of 30 % *ad valorem* on most fresh shell fish, caviare and poultry, and meat pastes and sausages.

GROUP IV. *Pottery and Glassware*

There are duties on glazed tiles of 2*s.* 3*d.* per sq. yard if white and 3*s.* if coloured. Roofing and paving tiles are subject to a 15 % and drain pipes to a 20 % *ad valorem* duty. There is a specific duty of 25*s.* per cwt. on most pottery articles for domestic purposes.

Glassware is liable to *ad valorem* duties varying from 15 to 30 %. For example, the duty on unfinished plate glass is 15 %, on many finished plate glass goods it is 20 %, on bottles and jars it is 25 % and on some articles such as stationery glassware the duty is 30 %.

GROUP V. *Iron and Steel*

Duties of 33⅓ % *ad valorem* are charged on spiegeleisen and most types of pig iron.

There are two different rates of duty applied to nearly all iron and steel products according to whether the goods are or are not imported from a Cartel country and covered by a quotá certificate. All products from Cartel countries eligible for the preferential rate are subject to an *ad valorem* duty of 10 %. Products imported from other countries are subject to duties as follows:

On ingots, blooms, billets and slabs of iron and steel there are specific duties varying, according to quality, from £2 to £2. 10*s.* per ton, but where the value exceeds £25 per ton there is an *ad valorem* duty of 25 %. On girders, beams, joists, pillars, rails and barbed wire there is an *ad valorem* duty of 33⅓ %, with, in most cases, an alternative specific duty. On angles, shapes, sections, plates, sheets and hoop and strip iron and steel the duties vary according to quality. On the cheapest grades, having a value less than £7 per ton, there is a specific duty of £3 per ton, on the medium qualities there is an *ad valorem* duty of 33⅓ %, and on the most expensive grades the duty is 20 % and in some cases 25 %. There is a specific duty on bars and rods of £2 or £3 per ton on the lower qualities and *ad valorem* duties of 20 and 25 % on the higher.

All forgings and castings are divided into three grades according to whether their value is less than £24 per ton, between £24 and £40 per ton or greater than £40 per ton. The duties imposed on these grades are respectively 33⅓ % *ad valorem*, £8 per ton or 20 % *ad valorem*, and 25 % *ad valorem*. On cast tubes and pipes, and such goods as rivets, screws and bolts the rates are all approximately 20 % *ad valorem*. There are several exemptions from duty in this group.

GROUP VI. *Metal Furniture*

Most complete metal articles, including safes, cabinets, stoves for domestic heating with solid fuel, doors and window-frames are liable to a duty of 15 % *ad valorem*. On parts of the above articles, and on bedsteads, wire mattresses, wrought enamelled hollow-ware and other stoves, the duty is 20 %, and on enamelled iron and steel products it is 25 % *ad valorem*.

GROUP VII. *Metals, other than Iron and Steel*

On unwrought lead there is a duty of 7*s.* 6*d.* per ton or 10 %, whichever is the *less*, and on unwrought zinc or spelter there is a duty of 12*s.* 6*d.* per ton or 10 %, whichever is the *less*. On articles made wholly or partly of aluminium, copper, lead, nickel, tin and zinc there is a duty of 20 % *ad valorem*, but there are many exemptions, including machinery and tools, scientific instruments, leather faced with metal, etc. Certain articles containing more than 50 % of aluminium, copper or zinc are, however, only liable to a duty of 15 % *ad valorem*.

GROUP VIII. *Tools, Clocks and Watches*

A duty of 20 % *ad valorem* is generally charged on knives, razors, blades, clippers, scissors and medical instruments. In many cases there are alternative specific duties, and in the case of razor blades and blanks there is a specific duty in addition to the *ad valorem* duty. Most kinds of tools are subject to an *ad valorem* duty of 15 %, but some of the cheaper varieties have to pay 20 % or even 33⅓ %. Clocks and watches have scales of *ad valorem* duties, varying from 20 to 33⅓ % on the more expensive types. Empire goods are not totally exempt from these duties, but are allowed a preference of one-third of the full rate.

GROUP IX. *Electrical Goods*

The duty on accumulators and heating and cooking apparatus is 15 % *ad valorem*, but on all other electrical goods it is 20 %.

GROUP X. *Machinery*

There is a general rate of 20 % *ad valorem* on machinery, but there are many exceptions to it. For example a duty of only 15 % is imposed on machines for domestic and household purposes, cash registers, dry cleaning and laundering machines, office machinery, petrol pumps, electric refrigerators, agricultural machinery, milking machines and other dairy machinery. There are high specific duties on typewriters varying from £1. 5*s.* to £3. 10*s.* per machine. Ball bearings are subject to a duty of 33⅓ % *ad valorem*. There are several exemptions in this group, including iron and steel for rolling mills and dictating machines.

GROUP XI. *Wooden Manufactures*

The general level of duties on articles manufactured wholly or partly from wood or timber is; for builders' woodwork 15 % *ad valorem*, and for other sorts 20 %. Hardwood flooring is, however, taxed at the rate of 17½ %, and wood and timber of coniferous species are subject to elaborate specific duties. There are a large number of articles exempted from duty in this group.

GROUP XII. *Textiles*

This group comprises manufactures made wholly or partly of cotton, wool, hemp, flax or jute. Tissue, household goods, sacking, mats, netting, felt and blankets are subject to a duty of 20 % *ad valorem*. There is a specific duty on handmade carpets of 4*s.* 6*d.* per square yard, and other carpets are charged 20 % *ad valorem* or 1*s.* per square yard. Alternative duties of 20 % or 1*s.* 6*d.*

per square yard are imposed on handkerchiefs, and there is a duty of 30 % *ad valorem* on goods that are made wholly or partly of material that is, or resembles, lace, net or embroidery.

GROUP XIII. *Apparel*

This group consists of all articles of apparel and footwear, and a duty of 20 % is charged on all articles not separately listed. There are several rates of specific duties on rubber footwear varying from 8*d.* to 4*s.* per pair. On other women's footwear there are alternative duties of 2*s.* per pair or 15 % *ad valorem*. On gloves there is an *ad valorem* duty of 30 % and on hats and hat shapes the duties vary from 20 to 30 % *ad valorem* (or 3*s.* per dozen).

GROUP XIV. *Chemicals, Paints, Soap, etc.*

This group includes a short list of chemicals many of which are used for domestic or agricultural purposes. Most of them are dutiable at the rate of 20 % *ad valorem*, but in a few cases duties as low as 15 % and as high as 33⅓ % are imposed. Fertilizers are mainly subject to specific duties, the most common rate being £4 per ton. The duties on paint vary from 15 to 20 % *ad valorem* and there is a 20 % duty on candles. On most types of soap the duty is 15 %, but on toilet soap it is 30 % *ad valorem*. There are alternative duties on glue etc. of 10*s.* 6*d.* per cwt. or 25 % *ad valorem*, and a specific duty of 7*s.* 6*d.* per cwt. on several articles containing starches.

GROUP XV. *Leather, Fur and Rubber Goods*

The duty on calf (excluding scrap) is 30 % *ad valorem* and on other leather, with the exception of patent leather and glacé kid, the duty is 15 %. There is a 20 % duty on saddlery and harness and on trunks, bags, wallets, etc., but in the case of women's handbags there is an alternative duty of 1*s.* each. Other leather goods are charged 25 % *ad valorem*. Fur skins are subject to a duty of 15 %, but on other fur goods the duty is 30 % *ad valorem*. On most manufactured rubber goods the duty is 20 %, but there are some alternative specific duties. There are also a few exemptions in this group.

GROUP XVI. *Paper and Board*

The general duty on paper and board is 20 % *ad valorem*, but the duty on tissue paper, writing paper and a few other varieties is 16⅔ %. Some types of imitation paper and parchment are liable to a 25 % *ad valorem* duty. Paper dress patterns, craft board and a few other items are charged 15 % *ad valorem*.

GROUP XVII. *Motor Vehicles and Bicycles*

A duty of 33⅓ % *ad valorem* is imposed on railway wagons, motor cars, motor bicycles and cycles. Empire imports of the above goods (except cycles) are not exempted from duty but are entitled to a preference of one-third. Cycle accessories are liable to an *ad valorem* duty of 33⅓ % or alternative specific duties. The duty on agricultural tractors and on some electrical accessories is 15 % and on axle boxes for railway wagons it is 20 % *ad valorem*.

GROUP XVIII. *Other Goods*

The last group comprises a heterogeneous collection of goods. Arms and ammunition are liable to a duty of 25 % *ad valorem*. Duties varying from 20 to 30 % are imposed on toilet preparations and requisites. There is a 33⅓ %

*ad valorem* duty on spectacles and buttons, and most jewellery is liable to a duty of 30 %. On sports apparatus the usual duty is 20 %, but on fishing tackle it is 15 % and on rackets and racket frames it is 25 % with alternative specific duties. Toys are generally liable to 15 % *ad valorem*, but certain kinds are charged 25 %. The duties on musical instruments vary from 15 % to 33⅓ %, Empire goods being allowed a preference of one-third. Brooms and brushes, sticks and umbrellas, covers, manufactures of cork and most stationery articles are liable to an *ad valorem* duty of 20 %, in some cases with alternative specific duties.

There are complicated regulations regarding cinematograph films, on which Empire countries are entitled to a preference of one-third. Specific duties per linear foot of standard width are: on blank film, ¼*d.*; on positive film, 1*d.*; on negative film, 5*d.* On certain conditions negative film taken by British subjects may be treated as blank film.

*List of Exemptions*

The remainder of this Part of the Customs and Excise Tariff enumerates classes and groups of goods exempted from duty under the Import Duties Act. These are summarized in Appendix B.

## Part 4. Ottawa Agreements Act 1932

'General *ad valorem* duty is not chargeable under Part 3 on goods (except composite goods) chargeable under this Part. Goods chargeable under this Part may, however, be liable to an additional duty under Part 3 (e.g. linseed oil). In cases where goods liable under this Part are liable under Part 5 or 6, both duties are chargeable.'[1]

The duties under this Act refer mainly to food products. There is a 10 % *ad valorem* duty on maize and a specific duty of ⅝*d.* per lb. on rice. On butter there is a specific duty of 15*s.* per cwt. and on cheese an *ad valorem* rate of 15 %. There are three rates of specific duty on eggs, which vary according to weight. The rates per 120 eggs are 1*s.* under 14 lb., 1*s.* 6*d.* between 14 and 17 lb. and 1*s.* 9*d.* over 17 lb. There are specific duties on condensed milk, milk powder, honey and various fresh and raw fruit. Some of the fruit duties are only imposed for part of the year. There are also specific duties on preserved fruits. There is a specific duty of ¼*d.* per lb. on chilled or frozen salmon, and *ad valorem* duties of 15 % on various types of oil, and on patent leather.

## Part 5. Key Industry Duty

Under the Safeguarding of Industries Act 1921 the Board of Trade are empowered to issue lists defining the articles falling within certain general dutiable descriptions. The lists are extremely long so that only the general descriptions can be given in this appendix.[2]

Where goods chargeable under this Part are also chargeable under Parts 3 or 6, the duty under this Part is only chargeable in so far as its amount exceeds the amount chargeable under Parts 3 or 6.

1 Customs and Excise Tariff 1939, p. 109.

2 The list of chemicals alone covers 66 pages of the Customs and Excise Tariff.

Certain articles which would otherwise be dutiable under this Part have been exempted. Details are given in Appendix B below.

*Ad valorem* duties of 50 % are imposed on optical glass and optical elements and component parts of optical instruments. Specific duties of 5*s.* or 7*s.* 6*d.* per lb. are charged on arc-lamp carbons and their parts.

All other goods liable to key industry duty are subject to a 33⅓ % *ad valorem* duty. The general descriptions of these goods include: scientific glassware, lampblown ware and other laboratory porcelain; scientific instruments and their component parts; precision instruments of types used in engineering machine shops and viewing rooms; wireless valves and similar rectifiers, and vacuum tubes, and their component parts; ignition magnetos and permanent magnets; activated and decolorizing carbons; amorphous carbon electrodes; hosiery latch needles; rare earth metals and compounds; molybdenum, vanadium and their compounds; ferro-titanium containing not more than 2 % of carbon; manganese metal containing not more than 1 % of carbon; chromium metal, all synthetic organic chemicals (other than synthetic organic dyestuffs and intermediate products), analytic reagents, all other fine chemicals (except sulphate of quinine of vegetable origin) and chemicals manufactured by fermentation processes.

PART 6. CUSTOMS DUTIES CHARGEABLE UNDER OTHER ENACTMENTS

This Part consists of various duties which have been imposed at different times under special enactments. Many of them were originally for revenue purposes under Finance Acts.

*Beef and Veal.* There are specific duties of ⅔*d.* per lb. on chilled meat and ⅓*d.* per lb. on other kinds. There is an *ad valorem* duty of 20 % on boned and boneless beef and veal and edible offals, and of 10 % on beef and veal contained in any airtight container, and on extracts and essences. These duties are chargeable in addition to any duties chargeable on the goods under other Parts.

*Beer.* The duties on beer are specific, and vary according to the specific gravity of the worts before fermentation.

*Cards.* On playing cards there is a duty of 3*s.* 9*d.* per dozen packs.

*Chicory, Cocoa and Coffee.* The duty on roasted or ground chicory and kiln-dried coffee and mixtures of the two is 2*d.* per lb. Coffee not kiln dried roasted or ground and cocoa are charged 14*s.* per cwt. and raw or kiln dried chicory 13*s.* 3*d.* per cwt.

*Hops.* There is a duty of £4 per cwt. on hops and £1 per oz. on hop oil.

*Preserved Fruits.* On dried currants without sugar, there is a duty of 2*s.* per cwt., and on such dried or preserved fruits as figs, plums, greengages, prunes and raisins, without sugar, the duty is 7*s.* per cwt. If the fruit is preserved with sugar it becomes liable to sugar duty.

*Hydrocarbon Oils.* Light hydrocarbon oils and heavy oils for road fuel are liable to a duty of 9*d.* per gallon, and on other heavy oils the duty is 1*d.* per gallon. Repayment of duty is allowed on hydrocarbon oils used in certain British vessels in home waters.

*Matches.* There is a specific duty of 6*s.* 8*d.* per 1,000 containers holding less than 10 matches, and 13*s.* 4*d.* per 1,000 containers in which there are between 10 and 20 matches. Boxes holding between 20 and 50 matches are liable to

a duty of 4*s.* 9*d.* per 144 boxes, and there is an additional duty of 2*s.* 5*d.* for every extra 25 or part of 25 matches in each box. *Mechanical Lighters* are liable to a specific duty of 1*s.* 6*d.* each.

*Silk and Artificial Silk.* Raw silk is liable to a duty of 1*s.* 6*d.* per lb. when undischarged and of 2*s.* 2*d.* per lb. if wholly or partly discharged.[1] The specific duties on undischarged yarn, discharged yarn and noil yarn are 2*s.* 2*d.*, 2*s.* 9*d.*, and 9*d.* per lb. but, in addition, there is in each case an *ad valorem* duty of 25 %. When there is both silk and artificial silk in any tissue the duty by weight on the artificial silk is levied at the artificial silk tissue rate.

Artificial silk yarn is rated at 1*s.* 3*d.* per lb. plus 25 % of the value. On tissues there is a duty of 1*s.* 5*d.* per lb. plus an *ad valorem* duty of either 20 or 25 %. In certain cases an alternative duty on yardage is given and the higher of these and the *ad valorem* duty is charged.

Stockings and socks containing silk, the value of which exceeds 20 % of the aggregate of the values of the components, are liable to a duty of 43⅓ % *ad valorem* or 12*s.* per lb., providing that the duty does not exceed 10*s.* per dozen pairs. The preferential duty on these is equal to two-thirds of the full rate. All other articles (except hosiery) composed partly or wholly of silk or artificial silk are subject to *ad valorem* duties varying from 12 to 43⅓ % according to the proportion of the total value of the goods that is represented by the silk and artificial silk components. On articles of apparel and furnishing drapery there are alternative specific duties dependent upon the weight of the articles. These specific duties also vary according to whether silk is or is not a component part. The preferential duties are in all cases equal to five-sixths of the full rates. There are many special regulations and exemptions regarding these duties which are too long to include in this summary.

*Spirits.* There are specific duties of approximately £3. 15*s.* 0*d.* per proof gallon on the following spirits when imported in cask after having been warehoused for three years or more: brandy and rum, sweetened and unsweetened liqueurs, cordials and mixtures, imitation rum, Geneva, naphtha and methyl alcohol (if purified so as to be potable). The duties on immature spirits (concerning the importation of which there are special regulations) are 1*s.* or 1*s.* 6*d.* higher, as also are the duties on spirits imported in bottles. Liqueurs, cordials and mixtures must be tested for strength, but if they are imported in bottles and the strength is not to be tested they are liable to duties of approximately £5. 3*s.* 6*d.* On perfumed spirits the duties vary from £6. 0*s.* 0*d.* to £6. 2*s.* 5*d.* per gallon.

*Sugar.* The duties on sugar are dependent upon the degree of polarization. On foreign imports they vary from 4*s.* 6*d.* to 11*s.* 8*d.* per cwt.

Molasses are dutiable at rates varying from 2*s.* 7*d.* to 7*s.* 5*d.* per cwt. according to their content of sweetening matter. There is a duty of 3*s.* 9*d.* per oz. on saccharine and articles containing more than 1 % of saccharine. Duties on preparations made with added sugar or sweetening matter, such as confectionery and crystallized, tinned or bottled fruit are subject to duties varying from 1*s.* 6½*d.* to 11*s.* 8*d.* per cwt. and some of these articles are also liable to duty under Part 3. There are many regulations concerning the rates of duty on the various articles.

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1 From which the gum has been removed.

*Tea.* There is a duty of 8*d.* per lb. on tea.

*Tobacco.* On unmanufactured tobacco the duties are 9*s.* 6*d.* or 10*s.* 6*d.* when unstripped, and an extra ½*d.* when stripped. The higher duties are charged when the tobacco contains less than 10 % of moisture. The duty on cigars is 18*s.* 1*d.* per lb., on cigarettes 14*s.* 7*d.* per lb. and on other tobaccos and snuff the rates vary from 11*s.* 4*d.* to 13*s.* 9*d.* per lb.

*Wine.* The rate of duty on wine depends upon the degrees proof spirit. It is 4*s.* per gallon under 25°, 8*s.* between 25° and 42° and 8*d.* per gallon for each additional degree. There are additional duties of 12*s.* 6*d.* per gallon on sparkling wine and of 2*s.* per gallon on still wine in bottle.

*Other Duties.* There are also duties on chloral hydrate, chloroform, collodion, and several varieties of ether and ethyl. Most of these articles are chargeable with duty under Part 5 in so far as it exceeds duty under this Part.

### Part 7. Customs Drawbacks and Allowances

See Appendix C.

### Part 8. Excise Duties

Excise duties are not of direct concern to this study, but when there are both import and excise duties on similar goods the extent to which the former is protective depends to some extent on the rate of the latter.

In view of the predominantly revenue character of the import duties concerned, it is not necessary to make a detailed comparison of the import and excise duties on the articles which are subject to them both. It may be said, however, that in almost all cases the excise duty is somewhat lower than the equivalent customs duty. Where there are alternative rates of full or preferential customs duty the excise duty is lower than the preferential rate and therefore considerably lower than the full rate. The case of sugar is interesting: it will be remembered that there are three separate rates of import duty, a Colonial preferential rate being lower than the Empire preferential rate. The excise duty is in this case between the Empire and the Colonial rates.

The goods which are subject to both customs and excise duties are as follows: artificial silk, beer, playing cards, coffee or chicory and their substitutes, matches, mechanical lighters, power alcohol, spirits, sugar, table waters and tobacco.

### Part 9. Excise Drawbacks and Allowances

See Appendix C.

## APPENDIX B. *TARIFF EXEMPTIONS AND PREFERENCES*

The object of this Appendix is to show to what extent the duties described in Appendix A are modified by exemptions and preferences.

(*a*) *Exemptions.* Certain classes of goods are exempted from all duties and others are exempted from duty under particular Acts, but remain liable to duty under other Acts.

The goods exempted from *all* duties are as follows:

(1) *Re-imported goods.* British goods may be re-imported within five years of the date of exportation without payment of duty if it can be shown that no drawback was paid on exportation, or that such drawback has been repaid.

(2) *Temporary importations.* Goods in course of transit through the United Kingdom, or for transhipment, may be admitted without payment of duty.

(3) *Returned goods.* The importer of goods on which duty has been paid may obtain repayment of such duty if the goods are returned on account of not being in accordance with the contract of sale, have not been used, and are returned with the consent of the foreign seller.

(4) *Antique articles* (except wines and spirits) proved to have been manufactured or produced more than one hundred years before the date of importation are exempted from duty.

(5) *Awards for distinction.* Articles which are shown to have been awarded abroad to any person for distinction in art, literature, science or sport, or for public service, or for other meritorious achievement or conduct and to be imported by or on behalf of that person, are not charged with customs duty.

(6) *Educational cinematograph films* certified as such by the Board of Education are exempt from duty.

(7) *Molasses* when delivered to a licensed distiller for use in the manufacture of spirits and yeast, or if it is to be used solely for the purpose of food for live-stock, is exempt.

(8) Goods imported as trade samples, goods in transit, and goods destined for bonded warehouses, may be imported without payment of duty if certain conditions are observed. These conditions and the procedure for obtaining exemption are described in Part IV, sections (2) and (3) of this study.

The goods exempted from duty under particular Acts are as follows:

Under the *Import Duties Act* the following classes of goods are exempted from duty under Part 3 of the tariff:

(1) Goods consigned direct to a shipbuilding yard and which will be used for the building, repairing or refitting of ships in that yard.

(2) Goods of certain classes when imported for use in the construction or repair of the boilers or propelling machinery of ships, or of their accessories.

(3) Machinery of certain classes which is not for the time being procurable in the United Kingdom, if imported under licence issued by the Treasury.

(4) Goods intended to be used in scientific research, or for the advancement of learning or art or the promotion of sport, provided they are not to be sold or used for a commercial purpose, if imported under licence issued by the Treasury.

(5) Goods consigned to any gallery or museum and imported solely for use as exhibits.

(6) Goods which form part of a ship or other vessel which is being imported for the purpose of being broken up, or any equipment or machinery of such a ship.

(7) Goods specifically exempted under the Act. The list of these goods covers ten pages of the Customs and Excise Tariff, and includes: wheat, maize, rice, hay, straw, tea, certain vegetable fibres, cork, seaweed, animals, meat, fish of British taking, whale oil, lard, hides and skins, pig bristles, animal ivory, natural silkworm gut, coal and coke, emery, flint, mica, quartz, sulphur,

metallic ores, scrap metals, used railway rails, iron ore briquettes, various descriptions of iron and steel including pig iron, and products made from pig iron with charcoal, ferro-chromium, silicon and alloys thereof, radium ores, copper, mercury, unwrought nickel, platinum, tin, gold and silver bullion and coin; roundwood logs, pit props, telegraph poles, esparto, wood pulp; raw cotton, wool and animal hair, flax, hemp, jute, waste of cotton, wool, flax, hemp and jute, raffia, cotton seed, linseed, shellac, certain essential oils, raw rubber and gutta percha; certain organic intermediate products, synthetic organic dyestuffs, certain natural raw materials, iodine, glycol ethers, nitrate of lime, phosphates of lime, radium compounds, insulin, newsprint, printed trade catalogues and lists, manuscripts and typescripts, paintings, works of art, maps, certain varieties of sound track negatives and exposed photographic films and gramophone records, unset precious and semi-precious stones and pearls.

(8) Goods which are entitled to Colonial or Dominion preference are exempt from the general *ad valorem* duty. The conditions with which goods must comply in order to be eligible for preference are described later in this Appendix.

(9) Composite goods chargeable with duty under another Part are chargeable with duty under Part 3 only in respect of the amount, if any, by which it exceeds the other duty.

(10) Goods, other than composite goods, chargeable under Parts 4, 5 and 6, are not chargeable under Part 3 except that an additional duty may be superimposed on a duty under Part 4, and goods chargeable with the duties on beef and veal are also chargeable under Part 3.

Under the *Ottawa Agreements Act* goods entitled to Empire preference are exempt from duty under Part 4.

Under the *Safeguarding of Industries Act* 1921, and the *Finance Acts* of 1922, 1926 and 1936, the following classes of goods are exempt from duty under Part 5:

(1) Goods entitled to Empire preference.

(2) Compound articles of such a nature that the article liable to duty which forms an ingredient of the compound loses its identity.

(3) Compound articles where the Treasury, after consultation with the Board of Trade, having regard to the nature of the ingredient which is liable to duty, and to the smallness of its value in comparison with the total value of the article, is satisfied that it is inexpedient that duty should be charged. Articles exempted under this section include certain varieties of toys, induction coils, ornamental articles containing lamp-blown ware, unmedicated toilet oils, cadmium mass, and scrap accumulator plates. The following articles are also exempted if they are dutiable only by reason of containing dutiable chemicals as an ingredient: fireworks, aluminium torches, sporting cartridges, bath salts, grease paints, toilet soaps and other toilet preparations.

(4) Where it appears to the Treasury, after consultation with the Board of Trade, to be inexpedient, having regard to the nature or small value of the articles that duty should be charged. Under this section very cheap varieties of the following articles are exempted: complete binoculars, optical lanterns, cinematographs, telescopes, microscopes, set squares, mathematical drawing instruments, toys and ornaments made wholly of lampblown ware or glass wool.

(5) If an article is not made in any part of the Dominions in any substantial quantity, and there is no reasonable probability thereof within a reasonable period, the Treasury may exempt the article from duty after a representation has been made by a consumer. Certain specifications of the following articles have been exempted under this provision: amorphous carbon electrodes, cellulose ethers, magnifiers incorporating microscopic pictures, dolls' eyes, fermentographs, integrators, vacuum tubes, vanadium compounds, compounds of rare earth metals, a list of synthetic organic chemicals, analytic reagents, other fine chemicals and chemicals manufactured by fermentation processes, and radium compounds.

(6) Instruments and apparatus which are not made in the Dominions and which are required for the importer's own use may be exempted from duty by licence from the Treasury on the recommendation of the Board of Trade, provided that application is made before the importation of the goods.

Under *other enactments*, beef and veal, currants, figs and fig cake without sugar are exempt from duty under Part 6 when entitled to imperial preference.

(*b*) *Imperial Preference.* In addition to the goods which are entirely exempted from duty when entitled to imperial preference, there are other goods which are admitted at reduced rates under Parts 3 and 6 of the Customs and Excise Tariff.

Empire goods subject to preferential rates under Part 3 are motor vehicles and their accessories and component parts, clocks, watches and their component parts, musical instruments and cinematograph films. In all these cases the preferential rate is two-thirds of the full rate.

Under Part 6 the goods admitted at preferential rates are beer, chicory, cocoa, coffee, hops, silk and artificial silk, spirits, sugar, tea, tobacco and wine. The margin of preference on types of beer other than mum, spruce, black and Berlin is £1 per 36 gallons, and on spirits the margin varies from 2*s.* 6*d.* to 4*s.* per proof gallon. In all other cases the preference is a proportion of the full rate and not an absolute margin. For example the Empire rate on silk and artificial silk, chicory, cocoa and kiln dried coffee is five-sixths of the full rate, on tobacco it is rather more than 75 %, on tea it is 75 %, on hops it is two-thirds, on wine it is one-half and on coffee it is one-third of the full rate. The preferential rates on sugar vary according to the degree of polarization, and no proportion or absolute margin can be given. In addition to the ordinary Empire preference there is a further preference on sugar which, in addition to fulfilling the normal preference conditions, is produced in and consigned from any of the Colonies, Protectorates or Mandated Territories, and is covered by a Colonial Sugar Certificate. Such Certificates are only granted on a limited quota of sugar, and mainly on sugar produced in the West Indies. The rates on Certified sugar are rather less than one-third of the Empire preferential rates. The preferential rates on molasses and articles manufactured with sugar are one-half of the full rates, and there is no special Colonial preference on these goods.

This concludes the list of goods entitled to imperial preference, but it remains to consider the conditions which must be fulfilled before such goods are admitted at reduced rates, or free of duty as the case may be.

The general conditions governing the admission of imported goods to imperial preference are that the goods must be shown to have been (1) consigned

from the British Empire and (2) grown, produced or manufactured in the British Empire. There is, however, a special provision enabling Rhodesian and Nyasaland goods consigned from the port of Beira to obtain imperial preference.

Manufactured articles are only entitled to preference if a prescribed proportion of their value is derived from expenditure in the British Empire or United Kingdom. This expenditure must be of a prescribed kind, and in respect of materials grown or produced or work done in the British Empire or United Kingdom. Different proportions of value have been prescribed for different classes of manufactured goods; the main headings of goods are as follows:

(i) 5 per cent:
Refined sugar, molasses, extracts from sugar and manufactured tobacco.[1]

(ii) 50 per cent:
Aircraft, appliances for sports, arc lamp carbons, arms and ammunition, baths, beakers and other scientific glassware and lamp-blown ware, boots, shoes, etc. and laces, brooms and brushes, buttons, clocks, cutlery, cycles, distempers, electrical goods, evaporating dishes and other laboratory porcelain, metal furniture, glass and glassware, hair combs, hollow ware, hosiery latch needles, ignition magnetos, implements and tools, iron and steel products, locks, locomotives, machinery, metal door frames, motor cars, musical instruments, needles and pins, paints, pens and nibs, perambulators, pigments and extenders, pottery, saddlery and harness, scientific instruments, screws, stoves, textile manufactures, toilet preparations and requisites, toys, transparent cellulose wrapping, trunks and other leather goods, twine, unexposed sensitized cinematograph film and photographic paper, wireless valves, and certain articles such as sheets made of aluminium, copper, lead, nickel, tin or zinc.

(iii) 75 per cent:
Optical glass, optical elements and other optical instruments, and components thereof.

(iv) 25 per cent:
All other manufactured goods.

(*c*) *Other Preference.* Under Part 3 of the Customs and Excise Tariff preferential rates of duty are allowed on certain iron and steel products which are accompanied by a quota certificate issued by the International Steel Cartel. The goods concerned are ingots, blooms, billets and slabs, girders, beams, joists and pillars, angles, shapes and sections, bars and rods, plates and sheets, hoop and strip, railway and tramway construction material, barbed wire, wire netting and wire nails, tacks and staples. The preferential rate on all these goods is 10 % *ad valorem* compared with full rates varying from 20 % to 33⅓ % *ad valorem* or high specific rates. The quota certificates are only made in respect of a limited quantity of imports in accordance with the provisions of the Finance Act 1936.[2]

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1 The preferential rate is charged only on the proportion of Empire material used.

2 26 Geo. and 1 Edw. 8, c. 34.

## APPENDIX C. *DRAWBACKS*

In the economic system of the United Kingdom the entrepot trade was of great importance, as also was the group of industries which manufactured imported materials into goods for export. It was therefore essential that some system should exist by which the goods imported for these trades could escape the incidence of customs duties.

The systems designed for this purpose in the United Kingdom were those of transhipment in bond, warehousing in bond, and drawback. The first two enabled goods to be imported temporarily without payment of duty, and they are described in Chapter XIII, section 2, of this study. The drawback system required full payment of duty on goods when they were imported, but subject to certain conditions, it allowed a refund of the duty, in whole or in part, when the goods were re-exported. Goods brought into a registered shipbuilding yard for use in the building, repairing or refitting of ships, were under certain conditions eligible for these drawbacks as if they were exported.

Part 7 of the Customs and Excise Tariff, which deals with customs drawbacks and allowances, is divided into three sections. The first section gives a list of the drawbacks allowed under the second schedule to the Import Duties Act. These drawbacks are only allowed on goods which are exported in the same state as that in which they were imported and which have not been used. Drawbacks which can only be claimed by the importer of the goods, or some person who has taken delivery directly from the importer, is in all cases equal to the amount of duty which was paid on the goods.

The drawbacks in this section are administered by the I.D.A.C. in the same manner as the duties under the Import Duties Act. The I.D.A.C. must first recommend to the Treasury that drawback be allowed on any class of goods, and the Treasury then makes an Order to that effect. The I.D.A.C. are directed by the Act to have regard to the general interests of the industry concerned, including the export trade, and to the facilities available, either by warehousing in bond or otherwise, to deal with such goods without payment of duty. Recommendations for drawbacks are only made when customs duties impose a substantial burden on British exporters.

The goods included in the first section are as follows: apparel, ball bearings, beef and veal, boots and shoes, buttons, canes, cinematograph films, clocks and watches, eggs in shell, electric battery parts, fancy goods, fur skins, handles, leather, machinery, motor cars, musical instruments, paper tissue, partridges, seeds, suitcase parts, siphons, siphon vases, textiles, tools, trailer unit parts, wheat in grain, wheels, wood and timber.

The second section of Part 7 of the Customs and Excise Tariff gives a list of the drawbacks allowed under section 9 of the Finance Act 1932. These drawbacks are on goods manufactured in the United Kingdom from imported material. They are also imposed by Treasury Order following recommendations by the I.D.A.C. The recommendations must specify the material in respect of which drawback is allowed; the ratios of the quantities of material and

finished goods on which drawback is allowed; and the rate of drawback. The scheme recommended must not result in a drawback which exceeds the amount of duty paid on the raw material, but it may be less than this amount. The rate allowed on most of the goods in this section does in fact result in a drawback of a somewhat less amount than the duty paid, thereby giving protection to home produced materials even for the export trade.

An example of a drawback Order is that on perforated zinc sheets, the material for which is plain zinc sheets: drawback is allowed on 1¼ tons of material for each ton of finished goods, and the rate of drawback is £4. 10*s.* per ton. This is less than the import duty paid on plain zinc sheets, which is £5 per ton of 15 % *ad valorem*.

The goods included in this section are as follows: almonds, pickled beef, bobbins, boots and shoes, brazil nuts, bullets, cane seating, cartridges, cherries, chewing gum, cinematograph film, fish, flour, oils, paint and linoleum, photographic film, quebracho extract, sewing machine frames and woodwork, steel, suitcases and zinc sheets.

The third section of Part 7 of the Customs and Excise Tariff deals with 'Other Customs Drawbacks and Allowances'. On all goods subject to duty under Part 5 of the Tariff a drawback equal to the full amount of the duty paid is allowed. The remainder of the section deals with the goods dutiable under Part 6 of the Tariff.

A drawback equal to the full amount of the duty paid is allowed on hops, hydrocarbon oils, tea, and all grades of sugar except molasses, and on the quantity of dutiable goods used in the manufacture of cocoa and dried fruit. Drawbacks of amounts less than the full duty are allowed on coffee, chicory, and preparations containing roasted coffee or chicory. On beer (other than mum, spruce, etc.) the drawback is 3*d.* per 36 gallons less than the import duty, and on manufactured tobacco the drawbacks are approximately the same as the import duties on the same weight of unmanufactured tobacco, but considerably less than the duties on the equivalent varieties of imported manufactured tobacco.

The system of drawbacks on silk and artificial silk is very long and complicated, and in many cases it is not possible to make a direct comparison between the rate of drawback and the rate of duty, because the latter is always on a specific basis, whereas the former is often on a combination of specific and *ad valorem* duties. In some cases the drawback is equal to the amount of duty paid, but in general, and particularly among the more highly manufactured products, the rate of drawback is considerably less than the import duty on equivalent products.

On artificial silk waste and its products, however, drawback is payable whether or not duty has been paid in respect of the material from which the waste was made. The rates vary from 1½*d.* to 3*d.* per lb. and apply both to customs and excise drawback.

*Excise Drawbacks.* In addition to the drawbacks of customs duties given in Part 7 of the Tariff, there are also drawbacks of excise duty on certain classes of goods when exported. These are given in Part 9 of the Tariff. When these drawbacks exceed the amount of excise duty paid they act as a subsidy to exports, in other cases their effect on exports can only be considered in relation to the rates of customs drawbacks and the comparative rates of customs and

excise duties. For example, if the rates of the customs and excise drawbacks are the same, but the customs duties are higher than the excise duties, home produced goods will have an advantage over imported goods in the export trade. This is the case with artificial silk.

The following is a summary of the comparative rates of drawback and duty:

*Artificial Silk.* The excise drawback is the same as the customs drawback, but the customs duties are higher than the excise duties.

*Beer.*[1] The excise drawback is the same as the customs drawback. This is 1*s.* per 36 gallons *greater* than the excise duty, and 3*d.* per 36 gallons less than the preferential customs duty.

*Matches.* There is an excise drawback of 2*d.* per 10,000, but no corresponding customs drawback.

*Power Methylated Spirit.* There is an excise drawback equal to the full amount of the excise duty. There is no customs drawback.

*Spirits.*[1] There is a drawback equal to the excise duty paid, and, in addition, an allowance of 3*d.* or 5*d.* per proof gallon. There is no drawback of customs duty.

*Sugar.* In most cases the excise drawback is equal to the amount of excise duty paid, but on molasses it is slightly less. These rates are more than the rates of customs drawbacks on certificated colonial sugar, but less than the ordinary Empire preferential rates.

*Tobacco.* Excise drawback on manufactured tobacco is equal to corresponding rates of preferential customs drawbacks, although the excise duties are 2*d.* per lb. less than the preferential customs duties. There is also an allowance of 2*d.* per lb. on tobacco exported in a marketable condition and fully cured.

*Note.* Information on the formalities to be observed in the claiming of drawback is given in Chapter XIII, section 2, of this study, where the alternative systems of transhipment and warehousing are also described.

## APPENDIX D. *LEGAL DEFINITION OF VALUE*

### FINANCE ACT 1935, SECTION 10

(1) For the purposes of any enactment for the time being in force whereunder a duty of customs is chargeable on goods by reference to their value, the value of any imported goods shall be taken to be the price which they would fetch on a sale in the open market at the time of the importation, and duty shall be paid on that value as fixed by the Commissioners.

(2) For the purposes of computing the price aforesaid it shall be assumed:

(*a*) that the goods to be valued are to be delivered to the buyer at the port or place of importation, freight, insurance, commission and all other costs, charges and expenses incidental to the making of the contract of sale and the delivery of the goods at that port or place (except any duties of customs) having been paid by the seller; and

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1 The reason for the drawbacks on beer and spirits being greater than the excise duty paid is that the elaborate regulations and restrictions which are enforced in order to prevent possible evasion of excise duty raise the cost of production. An extra allowance is therefore given as compensation.

(*b*) that the price is the sole consideration for the sale of the said goods; and

(*c*) that neither the seller nor any person associated in business with him has any interest, direct or indirect, in the subsequent re-sale or disposal of the said goods; and

(*d*) that there has not been and will not be any commercial relationship between the seller and the buyer, whether created by contract or otherwise, other than that created by the sale of the said goods.

(3) Where the goods to be valued are manufactured in accordance with a patented invention or are goods to which a registered design has been applied, it shall also be assumed for the purpose of computing the price aforesaid that the buyer is not the patentee or the proprietor of the design and has not paid any sum or given any consideration by way of royalty or otherwise in respect of the patent or design and, on payment of the price, will be entitled to deal with the goods free from any restriction as regards the patent or design.

(4) Where a trade mark is used in the United Kingdom in relation to goods of the class or description to which the goods to be valued belong for the purpose of indicating that goods in relation to which it is used are goods of a foreign supplier of the goods to be valued or of a person to whom he has assigned the goodwill of the business in connexion with which the trade mark is so used, it shall also be assumed for the purpose of computing the price aforesaid that the goods to be valued are sold under that trade mark, unless it is shown to the satisfaction of the Commissioners that the goods to be valued have not at any time been, and security is given to the satisfaction of the Commissioners that they will not be, so sold by or on behalf of the foreign supplier or any such person as aforesaid.

(5) For the purposes of this section:

(*a*) two persons shall be deemed to be associated in business with one another if, whether directly or indirectly, either of them has any interest in the business or property of the other or both have a common interest in any business or property or some third person has an interest in the business or property of both of them;

(*b*) the expression 'foreign supplier' in relation to any goods to be valued, means any person by whom those goods have been grown, produced, manufactured, selected, dealt with or offered for sale outside the United Kingdom, and includes any other person associated in business with such a person as aforesaid;

(*c*) the expression 'trade mark' includes a trade name and a get-up.

# APPENDIX E

NET RECEIPTS FROM CUSTOMS DUTIES[1] (£ millions)

| Year | 1913–14[2] | 1930–31 | 1931–32 | 1932–33 | 1933–34 | 1934–35 | 1935–36 | 1936–37 | 1937–38 |
|---|---|---|---|---|---|---|---|---|---|
| Drinks[3] | 6 | 16 | 15 | 15 | 13 | 14 | 15 | 15 | 14 |
| Sugar | 3 | 12 | 14 | 11 | 10 | 9 | 9 | 10 | 10 |
| Tea | 6 | — | — | 2 | 4 | 4 | 4 | 8 | 7 |
| Tobacco | 18 | 64 | 63 | 67 | 68 | 71 | 75 | 77 | 83 |
| Hydrocarbon oils | — | 16 | 29 | 35 | 40 | 42 | 45 | 48 | 50 |
| Silk and artificial silk | — | 5 | 5 | 4 | 4 | 3 | 4 | 4 | 4 |
| Irish Free State goods[4] | — | — | — | 3 | 5 | 5 | 5 | 5 | 4 |
| Goods liable to McKenna duty | — | 3 | 2 | 1 | 1 | 2 | 2 | 3 | 3 |
| Key-industry goods | — | 1 | 1 | — | 1 | 1 | 1 | 1 | 1 |
| Goods dutiable under Import Duties Act | — | — | 2[5] | 22[5] | 23 | 24 | 25 | 28 | 30 |
| Total receipts | 36 | 122 | 135 | 167 | 180 | 185 | 197 | 210 | 222 |

[1] *Statistical Abstract for the United Kingdom*, Cmd. 5903.
[2] Inclusive of particulars for territory which is now Eire.
[3] Spirits, beer, wine and table waters.
[4] Dutiable under the Irish Free State (Special Duties) Act 1932 and the Import Duties Act 1932.
[5] Inclusive of goods subject to Abnormal Importations Duty and Horticultural Products Duty.

# PART II. NON-TARIFF PROTECTION

## CHAPTER V. *AGRICULTURAL PROTECTION*

The great diversity of the overseas trade of the United Kingdom and the very large number of points at which its internal economic life is in contact with external economic forces has made it a very delicate task to aid any particular British interests by subsidies or by indirect aid such as marketing schemes and import quotas. The effects of any such scheme upon other interests have tended in the past to be so immediately clear as to make any sectional scheme politically impossible. There have always been exceptions to this rule in the few cases where military considerations have taken pride of place. It would probably not have been possible to secure, for example, the repeal of the Navigation Acts during the nineteenth century had not changes in naval technique introduced during the 1830's made the type of training given in merchantmen no longer a suitable apprenticeship for men who were to serve in warships. In more recent times, the special arrangements for beet sugar,[1] introduced immediately after the war, should be considered more from the strategic than the economic point of view. The coal subsidies of the twenties[2] had a social rather than a strategic aspect. They were the price of internal peace when external markets were gravely disturbed by reparations and other post-war incidents, including the revaluation of the £ in 1926.

Apart from military requirements, there was no definite purpose to be sought by subsidization or other forms of direct intervention. But the same constellation of circumstances that induced the abandonment of free trade in 1931–32 also conspired to create conditions under which those whose claim for help could not be met by tariff protection could demand other forms of assistance from the State. There were two types of cases in which tariff protection was not appropriate, first, in depressed exporting industries where no question of import duties could arise, and

1 See p. 122 below. 2 See p. 140 below.

secondly, those cases in which the Government had undertaken not to institute or to increase tariff duties under the Ottawa or some other agreement or in which it felt that the social consequences of a slight duty would be undesirable as tending to raise prices to the poorer consumers. Broadly speaking it may be said that industrial subsidies and other schemes belong to the first type, where the interest to be helped is principally an exporting industry and all the agricultural schemes come into the second case where a tariff would be a possible means of giving aid but in which some special circumstance or circumstances made it appear that some other form of aid was more desirable. We are not at the moment concerned with the economic validity, if any, of these distinctions; we refer to them only to point out the way in which the public mind appears to have worked in these matters, for this is an important point in considering the general form which subsidies and other schemes have taken in the United Kingdom since 1931–32.

Before 1931–32 various types of indirect aid to producers were considered to be not inappropriate to a predominantly free-trade country. It was not thought improper that the State should assist producers by grants in aid of research such as those administered by the Department of Scientific and Industrial Research,[1] by the Development Commission[1] or by the Agricultural Research Council.[1] It would be pedantic to suggest that the very small sums spent upon these organizations should be considered as indirect subsidies to producers. In so far as these organizations competed for talent that might otherwise have been employed in the research departments of private industry, they may be said to have been a burden rather than a help. Other types of general aid were, however, given from time to time and these need more careful examination.

For a long time farmers have enjoyed certain privileges with regard to assessment for income tax which in effect may be considered as an indirect subsidy. Whereas most businesses are assessed for income tax on the actual profits of the year preceding the year of assessment (Schedule D), persons occupying land for purposes of 'husbandry' are assessed on the basis of a conventional figure, re-examined every five years, which represents the 'annual value' of, or the rent payable for, their land (Schedule B). On the assumption that there is some regular correlation between the rental value of the land and the farmer's profits this figure or some

1 For detail, see Appendix F.

proportion of it has been taken to represent the farmer's taxable profits. This method of assessment, though rough and ready, has not in itself put the farmer in a favoured position.

His special privileges and the element of subsidy have arisen from certain modifying provisions introduced in 1887 and 1896. The Income Tax Act of 1918, which repeated provisions of earlier Acts, allowed the farmer two alternative methods of assessment to that under Schedule B mentioned above. Under rule 5 of Schedule B the farmer could elect to be assessed, like any other business, under Schedule D, that is to say, on his actual profits of the year preceding the year of assessment. Rule 6 provided that if for the actual year of assessment the farmer could show that his profits were less than the conventional figure of annual value he could claim a reduction of the assessment to the actual profits and if the result for the year was a loss he could set this loss against other income of that year. The results of this choice between three alternative methods of assessment were extremely advantageous to the farmer.

The following imaginary example[1] illustrates the assessments which would be raised on a farmer and those which would be raised on any other business making the same profits and losses:

SCHEDULE 'B': ANNUAL VALUE £240

Profit or loss adjusted for income tax purposes:

| | £ | | £ |
|---|---|---|---|
| Year 1 | +20 | Year 4 | +1550 |
| 2 | −300 | 5 | +800 |
| 3 | −400 | | |

| | £ | Assessments on any other type of business £ | Assessments on farmers £ |
|---|---|---|---|
| Year 2 | 20 | | |
| Less section 34 claim | 20 | | |
| | | 0 | 0 (Rule 6) |
| Year 3 | | 0 | 0 (Rule 6) |
| 4 | | 0 | 0 (Rule 5) |
| 5 | 1550 | | |
| Less section 33 claim | 680 | | |
| | | 870 | 240 (Schedule B) |
| Year 6 | | 800 | 240 (Schedule B) |
| | | £1670 | £480 |

In addition, the losses of £700 could be set against any income of the years in which the losses occurred.

1 Taken from an article by R. S. Edwards, 'Farmers and Income Tax', *Economica*, May 1937, pp. 208–15.

The important points are that farmers need never pay tax on more than they earned but they could very frequently pay tax on less. The 'annual value' operated as an upper limit only, and a bad year could be made to serve twice for income-tax purposes. In the absence of definite figures for the post-1918 period, the extent to which farmers availed themselves of their privileges is not known. The income-tax law, however, certainly operated in this respect as an indirect State subsidy to agricultural producers.

As early as 1896 agricultural land was exempted from half the rates which it would otherwise have been assessed in aid of local government. In 1929 agricultural rates were abolished altogether and those on industrial sites reduced by 75 %. Whether measures of this kind should be classed as indirect subsidies to *producers* raises a number of difficult questions of fact and of economic analysis which must be briefly examined.

On the question of fact, assuming for the moment that rates on agricultural land prior to 1929 entered into the costs of production, it is necessary to know whether there were similar costs borne by importers into the British market and whether they were prejudicially affected by the reduction of the rates on agricultural lands. It is not possible to state the facts on this question, as before doing so it would be necessary to enter into complex questions of evaluation of land for taxation purposes and the methods of assessing taxes on agricultural land and holdings in a large number of different countries. General analysis helps us here, however, by showing that such detailed examination of facts are unnecessary. It is generally agreed that in the long run, and subject to such friction as may be caused by the terms of leases and by systems of valuation and assessment, rates do not enter into costs but are a tax upon true rent. The early reforms of 1896 and 1929 involved, therefore, no general aid to agricultural producers but to landowners. In the long run it could and probably did happen that the change in the incidence of taxation as between agricultural land and other forms of property increased the liquidity of the agricultural landowners and enabled them, if they saw fit, to spend more upon the improvement and development of their land. But this investment of resources presumably took place under competitive conditions and was made only if there were opportunities for earning from the improved land an appropriate

return. While in most cases it was difficult for anyone but the owner of agricultural land to spend capital upon its development, he was not bound to spend any increase in his resources in this way. It appears, therefore, to be difficult to regard rating relief as an indirect aid from the Government to a particular section of production. It was an aid to a class of property holder. Its justification, if any, should be sought rather in a study of the incidence of taxation than in its particular effects on production.

Special agricultural credits, including mortgage facilities, were also provided by the British Government in the United Kingdom before general protection was adopted. The provision of the facilities was intended to give direct benefit to a sectional group of producers, and its economic effects may not have been so unlike those of subsidies, because it must be assumed that they enabled the producer to lower his costs of production by borrowing upon more favourable terms either as to interest or as to date of repayment or both. Before 1926, however, benefits of this type were extremely unimportant, amounting to little more than some administrative assistance in the handling of loans, for under the Improvement of Land Acts, 1864 and 1899, no public money was made available to landowners who wished to make improvements. The benefit which the Acts conferred was to exempt from agricultural rates the costs of work upon improved land provided that the Ministry of Agriculture and Fisheries had sanctioned the plan and its financing by borrowed money. The money was obtained from various sources, including a number of voluntary Land Improvement companies which had started in the middle of the nineteenth century to provide improvement credit. These were amalgamated into the Land Improvement Company, some of the administrative work of which was carried out by the Ministry of Agriculture. Up to this point there was little that can be called indirect State aid to agricultural producers.

With the Agricultural Credits Act 1928, however, direct aid was provided. The Act 'gave substantial inducements for the formation of a company for the sole purpose of making loans to farmers, (*a*) on mortgages of agricultural land, and (*b*) under the Improvement of Land Acts, 1864 and 1899, for agricultural purposes'.[1]

1 Lord Macmillan, *Local Government Law and Administration in England and Wales*, vol. I, p. 166.

The inducements offered for the formation of the Corporation included:

(1) A Treasury Loan, free of interest for sixty years, not exceeding £750,000 and not exceeding the paid up share capital of the company.

(2) An annual grant of £10,000 a year towards administration costs.

(3) The Treasury was authorized to procure the underwriting of debentures issued by the company to an amount necessary to raise a sum not exceeding £5,000,000.

(4) The Treasury was authorized to subscribe to debentures issued by the company to an amount not exceeding one-fourth of each debenture issue and not exceeding a total of £1,250,000.

The share capital of the company was held by the Bank of England and most of the large joint-stock banks. The dividends of the Corporation on its share capital were restricted to 5 % per annum and it was provided that one director had to be appointed by the Treasury, so long as any part of the Government advances were outstanding.

The method by which loans were obtained by farmers under the Improvement of Land Act was as follows. The landowner applied to the Secretary of the Land Improvement Company or the manager of a local branch of one of the shareholding banks of the Agricultural Mortgage Corporation. The application was then submitted to the Ministry of Agriculture and Fisheries, which arranged for an official inspection to ensure that the property would be improved, at least to the extent of the proposed charge. 'If the report of the inspector was satisfactory, the Ministry then sanctioned the improvement by means of a Provisional Order, which named the landowner to whom it was issued, the maximum sum to be charged in addition to costs, charges and expenses, the rate of interest and the term of years (which could not exceed forty) for repayment.'[1] When the work was completed, the Ministry made a further inspection before issuing an Absolute Order creating a charge on the lands which was payable half-yearly.

The Agricultural Mortgage Corporation could grant mortgages on agricultural land, as well as improvement credits. Loans could

1 Ministry of Agriculture and Fisheries. Form A 748/L.I.

not exceed two-thirds of the estimated value of the mortgaged land and they were repayable, with interest at 5½ % per annum, by equal yearly or half-yearly instalments, spread over a period of not more than sixty years.

In Scotland the Scottish Agricultural Securities Corporation, Ltd., established under the Agricultural Credits (Scotland) Act 1929,[1] performed similar functions to those of the Agricultural Mortgage Corporation and obtained an annual grant of £1,750 towards administration costs.

Section I of the Agricultural Credits Act 1923[2] provided facilities for certain farmers, who had purchased their farms between April 1917 and June 1921,[3] to obtain mortgage loans through the Public Works Loan Board and £4,769,000 was advanced. When a loan was repaid the Public Works Commissioners purchased Local Loans Stock. If a loan was repaid before the due date the borrower had to pay a premium if the net yield on Local Loans Stock was less than the rate of interest on the loan. In the case of agricultural credits, the premium on premature repayments were borne by the Ministry of Agriculture and Fisheries or the Department of Agriculture for Scotland and the premium paid in 1937–38 amounted to £31,270.

In England and Wales improvement and mortgage loans were made by County Councils to small holders, under the Small Holdings Act 1926.[4] Mortgage credit could be advanced up to nine-tenths of the value of an existing holding and loans were repayable over not more than sixty years.[5] The County Councils, as well as making advances themselves, could guarantee repayment to a Building Society or Industrial and Provident Society of improvement loans made to members owning small holdings. In all cases valuations were made by the County Councils before loans were granted.

In Scotland loans to small holders were made under the Small Landholders (Scotland) Act 1911.[6] This established a Board of Agriculture for Scotland and provided that an annual sum, not

1 19 Geo. 5, c. 13. 2 13 and 14 Geo. 5, c. 34.

3 Period of Government Guarantee of Corn Production.

4 16 and 17 Geo. 5, c. 52.

5 Losses of £7·6 millions under earlier schemes were borne by the Exchequer, but, since the County Councils took over the risk in 1926, losses have been small. See Astor and Rountree, *British Agriculture*, p. 331.

6 1 and 2 Geo. 5, c. 49.

greater than £185,000, should be voted by Parliament and paid into the Agricultural (Scotland) Fund for various purposes including the constitution of new holdings and improvement.

In the years 1934–35 loans were made as follows:[1]

| | | (£000) | | |
|---|---|---|---|---|
| | | 1934 | 1935 | 1936 |
| | *Improvement Credit* | | | |
| England and Wales. | Improvement of Land Acts | 109 | 164 | 180 |
| | Small Holdings Act 1926 | 2 | — | — |
| Scotland | Improvement of Land Acts | 11 | 14 | 25 |
| | Small Landowners Act 1911 | 37 | 26 | 24 |
| | *Mortgage Credit* | | | |
| England and Wales | Agricultural Mortgage Corporation | 589 | 467 | 377 |
| | Small Holdings Act 1926 | 10 | 18 | 22 |
| Scotland | Scottish Agricultural Securities Corporation | 276 | 148 | 62 |

An attempt to establish short-term agricultural credit in Great Britain was made when the Agricultural Credits Act 1923 was passed. The Minister of Agriculture and Fisheries was given power to promote the formation of credit societies, each covering small districts. The members of the societies were to hold at least one £1 share, of which 5*s*. was paid up, to the society equal to £1 for each share held. The Government loan was to be secured by floating debentures on the society's total assets, including the uncalled share capital, and each society was to be able to make loans to its members. But this scheme proved to be a failure, only nine societies ever registered under the Act, and after three years it was decided that further advances to the few existing societies should be discontinued.

The next step in the development of short-term credits was the passing of the Agricultural Credits Act of 1928. Part II of the Act enables a farmer to create, in favour of a bank, a charge on his farming stock or other agricultural assets as security for an overdraft or for any sum paid to him under a guarantee by the bank. Before 1938, a tenant farmer, when borrowing from a bank, had to deposit securities of a non-agricultural character but the Agricultural Credits Act gave a bank the first claim upon a farmer's assets, ranking after rent, rates and taxes, and certain rights in respect of seizure and disposal of any property which

1 Agricultural Register, 1937–38.

was the subject of a charge. An agreed charge had to be registered within seven days of its execution and the bank sent details to the Agricultural Credits Superintendent at the Land Registry.

The above Act applied only to England and Wales, but the Agricultural Credits (Scotland) Act contained similar provisions concerning short-term loans, although the power to create a charge in favour of a bank could only be exercised by certain registered provident societies.

The facilities thus provided by the State do not appear to have been largely used. Perhaps one reason is that with the marked alteration in the rate of interest after 1932 the scheme was unduly expensive to borrowers. In any case after that year direct protectionist devices became of much greater importance than the indirect assistance of the kind which we have been examining up to this point.

As has already been pointed out on p. 60, subsidies, marketing schemes and indirect aid were resorted to as a part of the scheme of protectionism in those cases where a tariff could yield no aid, as in the case of an exporting industry, or where, by reason of special circumstances arising out of external or internal obligations, duties could not be introduced or increased. Full-blooded protection makes the shadowy indirect devices which have been discussed in the immediately preceding paragraphs relatively insignificant and we must turn to more substantial measures. The most important of these related to agriculture and it is proposed to deal with them first, proceeding to special measures that have been taken in a few industrial cases in a later chapter of this study.

In reviewing British agricultural protection since 1931 it is necessary to recall the political and institutional background against which it has been devised. The principal piece of legislation was the Agricultural Marketing Act of 1931.[1] This measure, introduced by a Labour Government which depended upon Liberal support in the House of Commons, enabled agricultural producers to draw up schemes for regulating the marketing of their own products. 'Marketing' is a wide term as used in the Act and covered the sale, grading, packing, storing, adapting for sale, insuring, advertising, transporting and working up into other commodities of the regulated product, as well as the regulation of the description of the commodity which could be sold and the

[1] 21 and 22 Geo. 5, c. 42.

terms on which, the price at which and the persons to or through the agency of whom it could be sold. The phrase 'agricultural product' 'included any products of agriculture or horticulture and any article of food or drink wholly or partly manufactured or derived from any such product, and fleeces and the skins of animals'.[1] The schemes were permissive though not compulsory, and it was expressly stated that the interests of the consumers were to be safeguarded by relying upon the spur of foreign competition. When the Bill was passed there was no provision for regulating imports into the market. It is, therefore, probably fair to say that the legislation was intended to raise prices to the farmer but not to the consumer; it was intended to equalize bargaining power between the many scattered farmers and the relatively few distributors who purchased their products and resold them to the public. To this extent the measure was neither socialist nor protectionist. It may perhaps be described as a kind of functional liberalism.

In 1932 and 1933 legislation was passed which empowered the Board of Trade to regulate imports under certain conditions. The Ottawa Agreements Act 1932,[2] which gave effect to decisions reached at the Ottawa Conference, fixed the scales according to which imports of meat from foreign countries were to be restricted, and the Agricultural Marketing Act 1933[2] empowered the Board of Trade to make an Order regulating the imports of an agricultural product provided that there was an agricultural marketing scheme in force, or prepared or in course of preparation and if it appeared that unless the Order was made the reorganization of that branch of agriculture by means of an agricultural marketing scheme could not be effected. The object of the restrictions imposed under the Ottawa Agreements Act[1] was the substitution of Empire imports for foreign imports, and the object of those imposed under the Agricultural Marketing Act was the protection of the home producer during the period in which home production was being reorganized. In considering the working of the individual schemes it is important to know whether the main object was the protection of home production or the expansion of Empire imports, or if, as is the case with some of the more important schemes, an attempt was being made to combine both objects.

1 21 and 22 Geo. 5, c. 42, section 18 (1).
2 22 Geo. 5, c. 53.

Under the Agricultural Marketing Act 1933[1] the Ministry of Agriculture and other Ministers appointed a Committee known as the Market Supply Committee. This Committee was composed of a Chairman and not more than four other persons appointed by the Ministers. Its duties were to review generally the circumstances affecting the supply of agricultural products and to make recommendations as to any steps which ought to be taken for regulating the supply and to report on the operation of any Order in force and of any arrangements made for controlling imports.

The machinery for drawing up the quotas was that the Board of Trade issued Orders after consulting with the Minister of Agriculture, who was advised by the Market Supply Committee; as the reports of the Market Supply Committee were not published it is not possible to tell to what extent its advice was followed, but it is probable that the Market Supply Committee was in practice the body responsible for fixing the quotas and altering them when necessary. It is surprising that the Committee were not required to report to the Board of Trade, but had to make their recommendations through the Ministry of Agriculture, which was not directly concerned with their enforcement.

The Market Supply Committee could establish Consultative Committees to advise it on the problems of individual industries. An example is the Potato Supplies Consultative Committee, which was established in 1937 and consisted of nominees of the Potato Marketing Board, importers, merchants, consumers and retailers. Its functions were to consider the supply situation and determine the extent to which foreign imports were necessary.

When the Board of Trade had determined the amount of quotas an Order was made under the Act. This Order was the legal authority for the imposition of the quota. In making an Order the Board of Trade was required to take into consideration the interests of consumers of the product and the effect which the regulation would have on commercial relations with other countries. No Order could be made if it was at variance with any treaty or agreement in force with any other country.

There were no special facilities designed to enable consumers to exert pressure concerning the restriction of imports, but Consumers' Committees and Committees of Investigation were set up under the marketing schemes. Consumers' Committees con-

[1] 23 and 24 Geo. 5, c. 31.

sidered and reported on the effects of any scheme on consumers of the regulated product, and investigated any complaints. The Committees of Investigation, at the direction of the Minister of Agriculture, considered and reported on the report of a Consumers' Committee and any complaints which could not be heard by a Consumers' Committee. The influence of these Committees on the operation of quota schemes appears to have been slight.

The Orders made by the Board of Trade prohibited the importation of the products except under licence. The methods of issuing these licences varied with different products. In some cases, as for example with bacon, the licences were distributed directly to the Governments of the foreign countries, who could allocate them within their territory as they desired. Similarly, the Board of Trade sent licences for the import of live cattle from Eire to the Ministry of Agriculture of Eire, which distributed them to their exporters. Licences for the importation of potatoes were, however, distributed by a completely different method. The Potato Importers Association allocated the 'global' quota among the individual importers on the basis of the previous imports. A small proportion of the quota was reserved for new importers. An applicant for a licence had to supply a certified return of his previous imports, and was then issued with a certificate for each consignment which he was permitted to import, which had to be used within ten days of issue. Allocations could be transferred from one importer to another, and there was no restriction concerning the country of origin of the imported potatoes.

In 1937 the establishment of the International Beef Conference marked a new departure in the administration of the agricultural quota schemes. The Conference was formed to regulate the supply of beef to the United Kingdom market. It was composed of the nominees of the Governments of the principal exporting countries. Argentine, Australia, Brazil, Eire, New Zealand and Uruguay were represented, and the Chairman, who was appointed by the British Government, also watched over the interests of Canada, South Africa, Southern Rhodesia, and Bechuanaland Protectorate. The Conference decided the quantities and classes of beef to be exported to the United Kingdom, and the proportions to be allocated to each exporting country. The decisions were conveyed to the Governments concerned, who were responsible for regulating their exports in accordance with the quotas allowed by the Conference.

Associated with the Conference was the Empire Beef Council, composed of representatives of the Empire countries, whose duty it was to further the interests of imperial trade. From the beginning of 1939 the Council was also entrusted by the Board of Trade with the regulation of imports of mutton and lamb into the United Kingdom.

The establishment of the International Beef Conference and the Empire Beef Council was the first attempt to regulate supply compulsorily by consultation and agreement with all the producing countries instead of by unilateral action by the Board of Trade or bilateral trade agreements.

When the issue of an Order by the Board of Trade gave a quota the force of law the administration was transferred to the Commissioners of Customs and Excise. The importation of the commodity was governed by the Customs Consolidation Act 1876[1] and a person attempting to import without a licence contrary to the terms of the Order was liable to penalties under the Act.

There was no possibility of appeal against the quotas, except by direct representation by the Government of the producing country to the Government of the United Kingdom.

The formulae on which the quota was regulated naturally varied for each product. The volume of imports during a given year, or the average of a number of years, was generally taken as a basis, and the quantity of imports which were to be admitted was stated as a percentage of the imports in the base period. The quota was usually fixed in advance for a stated period, a quarter, a season, or a contracting period, but it could be altered at any time, and in the case of bacon frequent changes were made during the early years of the scheme. It was usual for the total quota to be divided up among the supplying countries in specified proportions, so that when the quota from one country was reduced the others were also reduced. The size of the quota originally allocated to each country depended mainly on the quantity of imports received from each during the base period or the years immediately preceding the imposition of the quota, but in some cases the original quotas or later changes in them were made to give effect to reciprocal agreements with the supplying countries. For example, the quota of imports of live cattle from Eire was

[1] 39 and 40 Vict. c. 36.

increased when the latter country agreed to import more British coal, and the quota on chilled and frozen beef from Argentina was throughout determined in accordance with the Anglo-Argentine Trade Agreements of 1933 and 1936. The allocation of the quotas to the various countries was fixed by the Board of Trade, except in the case of potatoes, where the source of supply was left to the discretion of the importers. There was no possibility of one country transferring its quota to another, but the Board of Trade could re-distribute the allocation of any country which failed to supply its full quota.

There was little difference in practice between the compulsory quotas and some of the voluntary agreements to restrict imports. But other voluntary agreements took the form of the suppliers agreeing to do their best to restrict their exports, and in these cases the effectiveness of the arrangement was very uncertain, and varied in individual cases.

Where the regulation of imports existed, the Board of Trade, after consultation with the Minister of Agriculture, could make an Order regulating the sales of the home-produced agricultural product, if it appeared that such an Order would conduce to the more efficient organization of the branch of industry concerned with that product.

Part II of the 1933 Act provided for the institution of development schemes for organizing the production of secondary agricultural products. Such a scheme could be submitted for approval to the appropriate Minister by two or more boards of which one controlled a scheme for regulating the marketing of an agricultural product from which that secondary product was wholly or partly manufactured. If the Minister was satisfied that better marketing was likely to be secured by such a development scheme, he could, after consultation with the Board of Trade, lay a draft of the scheme before each House of Parliament, and if each House resolved that the scheme be approved the Minister made an Order to that effect. The development board administering a scheme consisting of a Chairman and two other persons appointed by the appropriate Minister and such number of other persons as might be specified in the scheme, being persons elected in accordance with the scheme by the constituent marketing boards.

The Agricultural Marketing (No. 2) Act 1933[1] was concerned

1 24 Geo. 5, c. 1.

with financial matters only. The main sections enabled a board to make loans and grants to another or to guarantee payment of the liabilities of another board, and further to provide for the application of loans and grants to a marketing board. Though these provisions were made in general form they were made primarily to authorize certain financial transactions between the Pigs and Bacon Marketing Boards to meet an emergency.

The differences between the legislation of 1931 and 1933 are significant. The restriction of imports was used as a method of securing organizations, and in cases such as milk, where there were no competitive imports, other methods of persuasion or compulsion were used.

# CHAPTER VI. *THE PROTECTION OF AGRICULTURE AND FISHERIES*

## 1. Milk

Milk is usually cited as a standard and homogeneous product and on this account it is regarded as particularly susceptible to 'orderly marketing', and yet milk is not homogeneous. A farmer who produces milk with a markedly better result than the average seasonal variation in output is doing a much more highly skilled job than the man who just produces milk and lets nature take its course in determining the variations week by week and season by season.

The reduction of seasonal variations in the supply of milk needs considerable skill on the part of the farmer, and in so far as it is accomplished it is of definite advantage to the country. The Milk Marketing Board recognized this fact and offered a reward in order to encourage farmers to reduce seasonal variations. The reward took the form of a bonus for level deliveries.

The Milk Marketing Board attempted to secure the efficient production and distribution of supply by purchasing all milk from the farmers and selling it to the public at a fixed retail price. Competition among the farmers, which had led to a severe fall in prices, was thereby avoided. But this scheme led to a surplus of milk being produced above that which was required for liquid consumption. An assured price to the farmers caused an increase in supply, without a corresponding fall in the cost of production, and any retail price sufficiently high to cover the costs of production and also to give an agreed margin to the distributors could not be low enough to dispose of the increased supply of milk to the liquid market. This surplus of milk could, however, be put to other uses, for it could be manufactured into cheese and other milk products. The price obtainable for milk sold for manufacturing purposes was, however, very much lower than for liquid consumption, because manufactured milk products, unlike liquid milk, had to compete with foreign imports.

The existence of a surplus of milk which could only be sold at a price greatly below the fixed retail price for liquid milk and its cost of production raised important considerations of principle

and policy. From the point of view of the farmers it could be argued that in order to raise the average price obtainable from all milk an increase in the price of liquid milk was necessary. This, however, would have caused a fall in liquid consumption and therefore an increase in the surplus and the percentage of milk used for manufacturing, which in turn would have meant a lower average price for all milk. This policy in effect would have meant that the consumers of liquid milk were being forced to subsidize the production of milk sold for manufacture at a price insufficient to cover its cost of production. On the other hand an attempt to remove the surplus by reducing the volume of production of milk would have been met by energetic opposition from the farmers, for it could only have been brought about by a fall in the wholesale price. It would, however, have reduced the percentage which was sold at a loss for manufacture and therefore increased the average price obtained. This might have made possible a reduction in the retail price, which would certainly have been of great advantage to the community.

The policy pursued by the Milk Marketing Board was not directed towards reducing the surplus by means of reducing the wholesale price. Between the years 1933–34 and 1937–38 the wholesale price increased from 14·01*d.* per gallon to 16·25*d.*, and during the same period the retail price increased from 24·83*d.* to 27·48*d.* During the winter of 1938–39, 20 % of all milk sold was for manufacture, although it was estimated that a 10 % margin was amply sufficient.

The increasing surplus of milk production over the requirements of the liquid market can be further illustrated by figures of the increase in the exports of manufactured milk products. Exports of dairy products other than butter and cheese from 1933 to 1937 were as follows:

| | Cwt. | | Cwt. |
|---|---|---|---|
| 1933 | 163,052 | 1936 | 400,356 |
| 1934 | 233,710 | 1937 | 329,929 |
| 1935 | 297,984 | | |

Exports of butter and cheese were slightly higher in 1937 than in 1933, but were lower in the intermediate years.

The policy of subsidizing the production of milk for manufacture at the expense largely of the producers of milk for liquid consumption was likely to lead to a tendency among dairy farmers

to restrict the production of milk for liquid consumption and increase the production for manufacture. For geographical reasons, this tendency was likely to take the form of a relative increase in production in the areas of the North and North-West, which were chiefly engaged in production for manufacture, and a relative decrease in the Midlands and South-East, which were mainly responsible for the supply of liquid milk to the great urbanized areas. An indication that this tendency in fact followed the introduction of the scheme is provided by the following figures, showing the variation in the cow population of these regions during the three years preceding and following the introduction of the scheme, though it must be noted that these variations were not necessarily the consequence of the scheme.

PERCENTAGE VARIATION IN THE COW POPULATION OF DIFFERENT REGIONS OF ENGLAND, WALES AND SCOTLAND[1]

| | Annual Average | | | |
|---|---|---|---|---|
| | 1930–33 | 1933–34 | 1934–35 | 1935–36 |
| England and Wales | + 9·6 | +1·6 | +1·4 | +0·6 |
| (*a*) North and North-West | + 9·2 | +1·61 | +3·5 | +1·0 |
| (*b*) East, East Midland, South-East | +13·0 | +1·25 | +0·18 | −0·7 |
| (*c*) Rest of England | + 8·0 | +1·69 | +0·7 | +0·9 |
| Scotland | + 6·4 | +1·9 | +1·1 | +0·7 |
| East | +11·4 | +2·0 | −0·8 | −0·6 |
| West | + 4·6 | +1·9 | +1·9 | +0·7 |

[1] The figures are taken from the *Report of the Reorganization Committee on Milk*, published by the Ministry of Agriculture and Fisheries, Economic Series, No. 44, Appendix, p. 344.

The surplus of milk also affected policy in other ways. It was obviously to the interest of the milk industry that the price obtainable for manufactured milk products should be as high as possible, and that the manufacturing industry should be efficient. The efficiency of manufacturing would be lessened if its turnover was variable, and as consumption of liquid milk remained fairly steady throughout the year, any great variation in the total supply of milk would have caused a similar variation in the quantity of milk to be manufactured and prejudiced the efficiency of the industry. This was an additional reason for the desire to eliminate seasonal variations, an attempt at which was made by offering premiums for level deliveries.

The provisions of the Milk Marketing Schemes were as follows: There were seven Milk Marketing Schemes in operation in the United Kingdom, one in England and Wales, five in Scotland and one in Northern Ireland. They were separate schemes and were administered by entirely independent Boards. They worked, however, on the same general lines though there were numerous variations in details.

Prices were fixed by the Boards, except in the Argyll Scheme, which did not control sales of liquid milk and was designed solely to obtain the Government subsidy on milk manufactured. In all schemes it was provided that distributors had to be consulted in price fixing. All Boards had the same powers to fix prices, although at first the English Board confined itself to fixing wholesale prices for ordinary milk. In all cases, with the exception of the Argyll Scheme, Boards differentiated prices according to the use to which the milk was put, those for milk sold for liquid consumption being higher than those for milk sold for manufacturing purposes.

The Milk Marketing Scheme for England and Wales, which was the most important, came into full operation on 6 October 1933.[1] Under this scheme the country was divided into eleven regions, nine in England and two in Wales. The Board, which consisted of representatives of the regions, three special members elected by the registered producers in general meeting and two persons co-opted by the elected members after consultation with the Market Supply Committee, administered the scheme from 30 June 1934.

Before this scheme, however, the market for milk had not been entirely unorganized. Since 1922 some buyers, mostly those supplying London and other large cities, had bought milk under the terms negotiated annually by the Permanent Joint Milk Committee composed of representatives of the National Farmers' Union and of the National Federation of Dairymen's Associations. There were two prices for milk, one for milk sold for manufacture and the other for milk sold for liquid consumption. The former price was based on the price of imported cheese. Since 1929 the prices for 'liquid' and 'manufacturing' milk had diverged substantially and many buyers who bought milk for manufacture tried to sell a portion of it on the liquid milk market, particularly as the price divergence increased. Thus it was felt that unless there was some

1 Milk Marketing Scheme (Approval) Order, S.R.O. 1933, 789.

form of organization in the milk industry the price for liquid milk would fall considerably owing to this undercutting. Such undercutting was made impossible by the Milk Marketing Schemes.

The Milk Marketing Scheme for England and Wales covered all milk sold in liquid form with the exception of wholesale sales by persons owning no more than four cows and sales of Certified and Grade A, Tuberculin Tested, milk. All sales except those of producer-retailers had to be made through the Board.

The approval order empowered the Board to regulate the sales of milk by determining the description of milk and the prices at which it might be sold, and the persons to whom and through the agency of whom sales might be made. This was subject to the proviso that within the first twelve months of the operation of the scheme the Board had to reach agreement with the distributors in fixing prices, and if agreement was not reached the matter had to be referred to three arbitrators appointed by the Minister.

The Board was also empowered to buy milk; produce various commodities from milk; sell, grade, pack, store, adapt for sale, insure, advertise and transport milk or the commodities produced therefrom by the Board; buy and sell or hire to registered producers anything required for the production, adaptation for sale and sale of milk; encourage, promote or conduct agricultural co-operation among producers of milk or research and education in connection with the production and marketing of milk and milk products.

The Board was enabled to exercise its power of regulation in a concrete fashion by prescribing the terms and form of contract under which registered producers sold their milk. Contracts had to be registered with the Board, which was authorized to see that the purchaser did not use or re-sell the milk for any purposes other than those laid down in the contract and that milk sold by retail was only sold on specified terms and with such a margin between wholesale and retail prices as the Board might determine. All payments for milk sold under contract were made to the Board and not to the individual registered producer.

Under the scheme the Board could arrange for additional payments to be made to producers who sold milk graded under the Milk (Special Designations) Order 1923, and who undertook to deliver milk in specified quantities at specified times—Level Delivery Premiums. The Board was further empowered to compile

a register of Accredited Producers and any registered producer had the right to be put on the register if he satisfied the Board's requirements as to the purity and good quality of the milk sold by him. Such producers were entitled to additional payments out of the fund for each gallon sold.

The Board was obliged to accept milk which a producer had been unable to sell (unless he was in receipt of Level Delivery Premiums) if he satisfied the Board that he had been unable to find a customer for it. The producer participated in the fund as if that quantity of milk had been sold in the normal way, except that the Board could charge a commission not exceeding ½*d.* per gallon.

Returns for the milk sold in all regions were pooled. Producer-retailers contributed to the pool by a levy based on the difference between the price received for liquid milk and the pool price of their region. Those producer-retailers with not more than four milch cows contributed 10*s.* per cow per annum. A levy, not exceeding 1*d.* per gallon, was made on all milk sold for liquid consumption to form an Inter-regional Compensation Fund which was distributed between the regions in proportion to the amount of milk sold for manufacture in each, in order to bring regional prices more into line with one another, since some regions were able to sell much more milk for liquid consumption than others. Expenses of operating the scheme were deducted and the balance of the pool was divided among producers in each region proportionately to the gallonage supplied by each and irrespective of whether their milk was actually sold for liquid consumption or for manufacture. In addition each producer was debited with the amount of transport charges payable to the purchasers of his milk and credited with any Level Delivery or other premiums for which he had qualified.

In the first and second contract periods of the scheme, 6 October 1933 to 31 March 1934, and 1 April to 30 September 1934, the Board was unable to reach agreement as to prices with the representatives of the distributors and the matter had to be referred to arbitration. Only wholesale prices were fixed during this period and it was merely laid down that milk sold retail was not to be sold below the prevailing retail price in the district.

During the second contract period the arrangements for retail prices were altered—margins were prescribed according to the

population of the area. Semi-wholesale transactions had margins fixed for them in the third contract period, 1 October 1934 to 30 September 1935.

The Board's plan for Accredited Producers came into force on 1 May 1935, whereby producers who fulfilled the necessary conditions were to be paid a bonus of 1*d.* per gallon. This bonus was financed out of the Board's pools. The Government's Attested Herds Scheme came into force at the same time; certificates were granted for a year at a time to owners of herds containing no cows reacting to the tuberculosis test; owners of such herds received 1*d.* per gallon bonus from the Exchequer for all milk sold through the Board in addition to the bonus to which they were entitled under the Accredited Milk Scheme. This scheme was slightly amended in June 1937, when the costs for the testing of herds were reduced for the farmer.

In January 1935 the registered producers protested that prices were too low and demanded a poll as to whether the scheme should be revoked or not. The Board, however, exercised its right to refuse this request within the first two years of operation of the scheme. They sanctioned the poll in August and the result favoured the continuance of the scheme.

The Board again failed to reach agreement with the distributors as to prices for the contract period 1 October 1935 to 30 September 1936, but it was able to exercise its statutory power to impose the prices it had proposed. The distributors appealed to the Minister of Agriculture; the matter was referred to the Committee of Investigation, who made some alterations in the prices fixed by the Board. The prices for 1936–37 were much the same as for 1935–36.

In May 1936 the Board was authorized by a poll of producers to submit amendments to the scheme to the Minister of Agriculture and after a public inquiry these were approved on 3 August 1937.[1] Most of these amendments related to administrative details, but the Order also withdrew the exemption of producers of Certified and Grade A, Tuberculin Tested, Milk and those with four or fewer cows from the scheme.

Prices in the fifth contract period, 1 October 1936 to 30 September 1937, were fixed by agreement between the Board and the Central Milk Distributive Council and were much the same

1 Milk Marketing Scheme (Amendment) (No. 2) Order, S.R.O. 1937, 744.

as before as regards milk sold for liquid consumption. Prices for manufacturing milk were, however, somewhat modified: those for milk made into butter, cheese and condensed milk for export were based on the price of imports and those for other products were also fixed.

In the period 1937–38 the Board and the Central Milk Distributive Council again settled prices, at a somewhat higher level than in the previous year.

In July 1937 the Government had published a White Paper[1] on milk policy and the Bill to give effect to its provisions was introduced into the House of Commons on 16 November 1938. The Bill provided for the appointment of a Milk Commission consisting of nine persons with no financial interests in milk production or distribution. The Commission was to keep under review and advise the Government on all matters concerning the industry and was to be assisted by a Milk Advisory Committee on which the various sections of the industry would be represented.

The Commission was to be entrusted with powers to regulate hours and the number of milk deliveries and to fix prices if the Milk Marketing Boards failed to reach agreement with the producers or distributors. The Commission was also to take over from the Boards the schemes for providing cheap milk for school-children.

There was, however, so much opposition to the establishment of an independent Commission that the Bill was withdrawn on 1 December for further discussion of the whole problem.

Apart from the marketing schemes mentioned above, other forms of assistance were given to the milk industry. In 1934 the surplus of milk over liquid consumption was so great that it was estimated that 40 % of the summer supply would have to be sold for manufacture. This led to the grant of a subsidy for manufacturing milk under the Milk Act 1934,[2] and consisted of a guaranteed price for milk used for manufacture and grants to increase the demand for and to improve the quality of milk.

The Act established standard prices for milk sold for manufacture at 5*d.* per gallon in summer and 6*d.* in winter. The Exchequer was to pay the Milk Marketing Boards the difference between this standard price and the actual sale price for milk sold for manufacture or the cheese-milk price (based on an average of prices of imported New Zealand and Canadian cheese), which-

1 Cmd. 5533.

2 24 and 25 Geo. 5, c. 51.

ever involved the lesser amount. This arrangement was made for two years and covered all milk sold for manufacture into butter, cheese, cream, milk powder and condensed milk at less than the standard price, as well as all milk manufactured by the Boards in their own factories; in this case payment equalled the subsidy which would have been paid if the milk had been sold for the manufacture of the products made by the Board. The difference between the guaranteed price and the cheese-milk price was also to be paid for all cheese manufactured on farms. In Northern Ireland payments were to be granted on all milk made into butter and cream at rates equal to the excess of the standard price over the average sum payable to the producer for milk sold for manufacture. Such grants by the Exchequer to the Milk Marketing Boards were nominally advances which were to be repaid if, during any month between 1 April 1936 and 30 September 1939, the cheese-milk price (or in Northern Ireland the average sum per gallon payable to the producer) exceeded the standard price by more than 1*d.* per gallon.

Under the Milk (Extension of Temporary Provisions) Act 1936[1] these payments on milk sold for manufacture were extended until 30 September 1937. In June and July 1937 the cheese-milk price did exceed the standard price by more than 1*d.*, so that the Milk Marketing Boards should have re-imbursed the Exchequer in proportion to the quantity of milk sold at that price. The Board and producers maintained that the purpose of the Acts of 1934 and 1936 had been to guarantee them a minimum price for all manufactured milk and in fact they had not obtained that minimum since April 1935 as the formulae for ascertaining the price of milk for manufacture was then altered. Under the Milk (Amendment) Act 1937[2] part of this objection was met.

The period within which payments were to be made from the Exchequer to the Boards was extended to 30 September 1938, and that during which repayments were due to the Exchequer until 30 September 1940, but this was later repealed. In actual fact the Boards did not repay any of the money advanced to them to raise the price of manufacturing milk. The basis of these Exchequer advances was altered as from 1 August 1937[2] when, as the price of milk made into butter became different from that for milk made into cheese, a separate 'butter-milk' price was provided.

1 26 Geo. 5 and 1 Edw. 8, c. 9. 2 1 Edw. 8 and 1 Geo. 6, c. 66.

Section 9 of the Milk Act 1934 empowered the Exchequer to spend £750,000 spread over four years to secure that milk supplied for human consumption in Great Britain should, as far as was practicable, be pure and free from infection. Under this section a scheme for the elimination of tuberculosis among cattle known as the 'Attested Herds' scheme was started in England and Wales in February 1935. A bonus of 1*d.* per gallon was paid, out of the £750,000 mentioned above, on all milk from Attested Herds sold under the marketing schemes. Such herds were only registered as 'attested' when three consecutive tests had revealed no reactors; these tests were repeated at regular intervals. Provision was also made for research into the reliability of tuberculin tests.

This section of the Milk Act was repealed by the Agricultural Act 1937, which provided, however, that any arrangements which were operative before the Act was passed should continue in force. After 31 January 1941 the Ministry could require the Milk Marketing Boards to pay the bonus of 1*d.* per gallon on milk to secure the eradication of tuberculosis.

Section 11 of the Milk Act 1934 authorized the Exchequer to pay half the expenses incurred by the Milk Marketing Boards in carrying out approved schemes to increase the demand for milk; the Exchequer payments not to exceed £1 million spread over two years. The two-year period began on 1 October 1934, when the English Milk in Schools Scheme was approved, and was extended in 1936[1] to September 1937, the total being raised to £1½ millions under the Milk Amendment Act 1937; the period was again extended to 30 September 1938, and the grant increased by £500,000. The Exchequer contributions to the Board in England each year were at the rate of half the Board's assumed loss on the first 18 million gallons and at a quarter of the remainder, provided the funds sufficed. Under the Scottish Scheme the Exchequer contributions were half the assumed loss.

£5,000 was also allocated for a nutritional survey which was undertaken jointly by the English and the main Scottish Marketing Boards to ascertain the effect on the health of the children of consuming milk in varying quantities and to obtain evidence as to the relative nutritive values of raw and pasteurized milk. The Exchequer contributions towards the cost of the survey were applied, firstly, to meet half the general expenses of the inquiry

[1] 26 Geo. 5 and 1 Edw. 8, c. 9.

and, secondly, to reimburse the Boards so far as possible at the rate of 6*d.* per gallon for milk consumed, but not paid for, by the children.

Publicity campaigns were also undertaken both in England and Scotland after 1935. Half the cost was borne by the Exchequer.

The subsidy payments since the start of the milk-marketing schemes shown below were taken from the Civil Appropriation Accounts and refer to Great Britain.

(£000)

| Year ending 31 March | A | B | C | Total |
|---|---|---|---|---|
| 1935 | 1,211 | —[1] | 174 | 1,385 |
| 1936 | 1,363 | 4 | 488 | 1,855 |
| 1937 | 519 | 19 | 506 | 1,044 |
| 1938 | 149 | 83 | 528 | 760 |

A, Milk used for manufacturing. B, Improvement of quality. C, Publicity.

[1] £5. 18*s.* 10*d.*

In addition to the marketing schemes and the subsidy the milk industry was assisted by restrictions on foreign imports of manufactured milk products. The object of this restriction was to increase the price at which milk would be sold for manufacturing by reducing foreign competition.

Imports of condensed skimmed milk, condensed whole milk, milk powder and cream were restricted by voluntary agreement in 1933. The basic year was June 1932 to May 1933, and a quota was fixed quarterly, expressed as a percentage reduction of imports during the basic year.

The quotas originally fixed reduced foreign imports by amounts varying from 25 to 40 % for the different classes, and further reductions were made subsequently. In 1937 foreign imports of cream and condensed milk were approximately 50 % below the basic year, and condensed skimmed milk and milk powder 20 % below.

A separate voluntary arrangement was applied to Eire after 1934. Imports of condensed milk were limited to the 1933 level, and imports of cream were subject to half the reductions imposed on Denmark and other foreign countries. The Irish Agreement which was signed in April 1938 placed Eire on full imperial status and imports from that country were no longer restricted.

## 2. GRAIN

(*a*) *Wheat.* The Wheat Act 1932[1] established a Wheat Fund from which deficiency payments were made to farmers to bring the price received by them up to a standard price of 10*s.* per cwt. These payments were made in respect of all millable wheat grown in the United Kingdom by registered growers and delivered to millers. The certified wheat did not necessarily have to be milled into flour, and the purchaser was therefore free to use it for any other purpose. So long as the wheat was sold off the farm and certified as millable the deficiency payments were obtainable by the farmer. In this way the milling of good home-grown seed wheat was avoided and in addition a certain amount of feed wheat other than tailings left on the farm was still available.

There were several objects of this scheme but among the chief was the increase and stabilization of the incomes of arable farmers. The secondary consideration—that a minimum amount of wheat used for human consumption should be grown in this country—was inspired by a popular but erroneous belief that wheat was the mainstay of the British farming system.

The Act placed very few obligations on farmers. A guaranteed price was nominated and in so far as this guaranteed price exceeded the market price a subsidy to wheat producers was involved. Owing to the mechanics of the Act, this was paid not by the Exchequer but by the consumers of flour, and their liability was only limited by a maximum amount on which the guaranteed price was payable. Part of the burden was placed on the millers, particularly on flour manufacturers, who were handicapped by the extra book-keeping involved and by the enforced use of increased quantities of soft English flour in the place of the more popular product made from foreign hard wheats.

The farmer now had to sell his own wheat and buy in the open market any seed or feed wheat he required. These costs partly offset the subsidy. This wheat policy had little effect on the general price of feeding-stuffs or the volume of imports. While British wheat has for several years been used either for flour or for livestock, the Act did not necessitate the manufacture of all wheat into flour. Also the feed wheat diverted into manufacture was a

1 22 and 23 Geo. 5, c. 24.

small fraction of the quantity of feeding-stuffs available, and offals derived from flour milling ensured that part of the home-grown crop was available to livestock farmers.

The Wheat Fund was controlled by a Wheat Commission, consisting of a Chairman, a Vice-Chairman and seventeen other members appointed by the Minister of Agriculture, which was set up under the Act. The money for the Fund was obtained by a levy on every sack of flour imported into or milled in this country. The levy, which was paid by the millers to the Wheat Commission, was fixed by reference to the price obtained for home-grown wheat in the free market and had to be sufficient to bring that price up to the 'standard price', which was fixed at 10*s*. per cwt. until 1935, when a Committee was set up to consider the desirability of altering it; they, however, decided unanimously that it should remain at 10*s*. per cwt.

Deficiency payments made to registered growers were payable only on a total of 27 million cwt. until 1937, when the figure was increased to 36 million cwt.[1] Before each season the Wheat Commission estimated the 'anticipated supply' of wheat and the levies and deficiency payments were worked out on the basis of this figure. The total subsidy was the difference between the average market price and 10*s*. per cwt. for the anticipated supply, so long as the latter did not exceed the maximum of 36 million cwts. If it did exceed it, then deficiency payments were payable only on a proportion of the actual sales of wheat by each registered grower, and the latter, therefore, received proportionately less than 10*s*. per cwt.

The payments made from the Wheat Fund for the cereal years were as follows:[2]

| Year ended 31 July | £(000) | Year ended 31 July | £(000) |
|---|---|---|---|
| 1933 | 4,511 | 1936 | 5,644 |
| 1934 | 7,180 | 1937 | 1,339 |
| 1935 | 6,814 | | |

(*b*) *Oats and Barley.* The importance of oats and barley was very much less than that of wheat, but the same arguments for

1 Edw. 8 and 1 Geo. 6, c. 70.

2 Figures are taken from the *Report of the Wheat Commissions*, Ministry of Agriculture and Fisheries, Economic Series, No. 45.

encouraging its production held good to a lesser extent. The first step to assist the grower of oats was taken in 1933, when a voluntary agreement was made with Canada to limit her exports of oats and oat products to the United Kingdom after August 1933 to the average of the previous two years. This arrangement was maintained until July 1935, but was then discontinued. The withdrawal of restriction was due to the virtual elimination of foreign imports by the imposition of an additional duty of 3*s.* per cwt. in 1934. Between 1933 and 1935 Canadian imports increased from 1,269,000 to 3,321,000 cwt., but total imports fell from 5,619,000 to 3,553,000 cwt. The price of oats increased by 11·6 % between 1933 and 1935, but this was obviously due to the duty on foreign imports rather than to the voluntary restriction of Canadian imports.

In 1937 it was decided to undertake further measures to increase production of both oats and barley. This was done under Part II of the Agriculture Act 1937,[1] in which arrangements were made for subsidy payments to growers of oats and barley for a period of five years commencing in 1937. Payments were made if, during the months September to March inclusive, the price of home-grown oats was 7*s.* 7*d.* per cwt. or less. The Ministry of Agriculture then made a subsidy payment to anybody who, on 4 June 1937, had land under oats or barley at a rate of an amount equal to six times the difference between the average price per cwt. and the standard price of 8*s.* per cwt., up to a maximum of £1 per acre. The rate of the subsidy for barley was the same as for oats and was determined by the price of oats.

The standard acreage on which payments were made was the acreage which the Minister for Agriculture declared by Order to be the result arrived at by multiplying by eleven tenths the acreage of land under oats and barley in 1937. If, in any of the years when subsidy payments were to be made, the qualifying acreage exceeded that standard acreage payments were made at a rate bearing to the appropriate rate the same proportion as the standard acreage bore to the acreage of that year.

Farmers were given the option of obtaining this subsidy on oats and barley or the deficiency payments on wheat, but they could not receive both.

By the Home-Grown Oats (Ascertained United Kingdom price for 1938) Order 1939,[2] the average price of oats for the seven

1 Edw. 8 and 1 Geo. 6, c. 70. 2 S.R.O. 1939, 480.

months ended 31 March 1939 was declared to be 5*s.* 9*d.* per cwt. This would have entailed a subsidy at the rate of 13*s.* 6*d.* an acre had the acreages not exceeded the standard acreages for barley and oats by 24 and 2 % respectively. The subsidy actually payable for the period was, therefore, 10*s.* 10*d.* an acre for barley and 13*s.* 2*d.* an acre for oats.

### 3. Pigs and Bacon

Two schemes were introduced under the Agricultural Marketing Acts in order to assist the pig industry.

The Pigs Marketing Scheme of Great Britain, which dealt only with pigs sold for bacon by registered producers either to registered curers or to the Pigs Marketing Board, was set up by the Pigs Marketing Scheme (Approval) Order 1933[1] and came into full operation on 9 September 1933. At the same time the Bacon Marketing Scheme was established under the Bacon Marketing Scheme (Approval) Order 1933,[2] and the importation of foreign bacon was compulsorily restricted.

The object of the schemes was to guarantee the pig producer and curer a return which would adequately cover his costs and to bring about conditions such that the industry as a whole could become efficient and compete successfully with Danish and other imported bacon. It was realized from the first that this would involve an initial increase in bacon prices and a reduction in the abnormal level of foreign supplies which were imported into this country in 1931. It was hoped that the increase in efficiency which would result from these schemes would lead to a gradual replacement of foreign supplies by British production, and that any increase in Empire supplies would be at the expense of foreign imports.

The replacement of Danish bacon by British bacon involved the necessity not only of the restriction of foreign imports, but also of the introduction into this country of the best methods of production and curing which contributed most to the success of the Danish industry. In particular it was important to ensure that the final British product should be an acceptable alternative to the imported article which it was designed to replace. The methods of production which had prevailed in the United Kingdom were

1 S.R.O. 1933, 686. 2 S.R.O. 1933, 683.

very different from those in Denmark, and one result of the difference in technique was that the final products were by no means identical. The main method of curing used in Denmark was tank curing, whereas in the United Kingdom dry curing was much more prevalent. Also the average capacity of the average bacon factory was very much larger in Denmark than in the United Kingdom, and it must also be noted that owing to a surplus of capacity each factory in the United Kingdom seldom produced at its most efficient level.

Turning now to the pig-producing side of the industry it appears that the equipment available on the farms, and the number of pigs produced on each farm, were both considerably greater in Denmark than in the United Kingdom, leading to a consequent increase in efficiency. Also in Denmark the types of pigs were standardized, and production was confined to a few varieties best suited to the manufacturing of bacon. In the United Kingdom, on the other hand, there were a far greater number of varieties of pig, and as it was usual for the farmer to decide only at the time of marketing whether he would sell the pigs to the pork or the bacon markets the pigs were not generally specially suited for either market. Standardization of types of pigs, with concentration on good bacon-producing types, was a much needed development, but the bacon and pig schemes did not seriously attempt to achieve this.

A further factor of importance to the efficient working of the pig industry was the maintenance of an even rate of supply of pigs to the bacon-curing factories. The object of the pigs and bacon schemes was to give precedence to the bacon market in order to secure level supplies, leaving the pork market to absorb any surplus production of pigs above that which was needed to fulfil the home bacon quota. It was hoped that the contract system would ensure an adequate supply of pigs to the curers at a price acceptable to both parties, and that the continual alternation of supplies from the bacon to pork markets and back would be prevented. Unfortunately, however, this did not prove to be the case, and owing to the higher price obtained for pork pigs the supply of pigs to the bacon curers did not come up to quota requirements and the whole contract system broke down.

The success or failure of the Agricultural Marketing Act as applied to pigs must be judged in the light of all the considerations

mentioned above bearing on the efficiency of the industry, and not only by its immediate effect on raising prices and increasing output. By this criterion it does appear that the scheme was not altogether successful, and that some of the important factors were not given due weight in the original plans.

In addition to this failure to improve materially the efficiency of the industry the effect of the price changes brought about by the schemes must also be considered. Bacon prices rose considerably after 1932, but the price of British bacon, which was the most important price as far as the home producers were concerned, did not rise nearly as much as that of Danish bacon. The reason for this was that the two products were not completely competitive. Before the restriction began the price of first quality British bacon was considerably higher than that of Danish bacon, but the difference between the two prices continuously diminished until in 1936 the price of Danish bacon exceeded that of Wiltshire bacon.

The scheme not only meant a loss to the English consumer but also continued high profits to the Danish producer. This appears from the following figures showing the difference in the price of Danish bacon sold in the Danish home market and the price of Danish bacon sold in Great Britain.

PRICES OF DANISH (FIRST QUALITY) BACON IN DENMARK AND IN GREAT BRITAIN

| | Wholesale (per cwt.) | | | | Retail (per lb.) | | | |
|---|---|---|---|---|---|---|---|---|
| | Copenhagen[1] | | London | | Copenhagen | | London[2] | |
| | *s.* | *d.* | *s.* | *d.* | *s.* | *d.* | *s.* | *d.* |
| 1933 | — | — | 87 | 6 | | 8½ | | 11½ |
| 34 | 62 | 0 | 103 | 0 | | 9 | 1 | 1¼ |
| 35 | 64 | 8½ | 103 | 0 | | 11 | 1 | 1¾ |
| 36 | 68 | 0 | 107 | 6 | | 11½ | 1 | 2¼ |
| 37 | 69 | 0 | 108 | 6 | | 10¾ | 1 | 2¾ |
| 38 | 70 | 4 | 114 | 6 | 1 | 0½ | 1 | 3¼ |
| 39 | 72 | 0 | 116 | 6 | 1 | 1 | — | — |

[1] Prices of the Danish butcher co-operatives.
[2] Prices of foreign (excluding Empire) and therefore overwhelmingly Danish bacon.

The result of these movements, given in the table below, show clearly that although the home producers did gain some benefit in the form of higher prices of British bacon, their gain was not as great as the loss which consumers sustained by having to pay very much higher prices for imported bacon. The prices per cwt. of

Wiltshire bacon, Danish bacon and first quality baconers between 1932 and 1937 were as follows:

| Year | Wiltshire bacon | | Danish bacon | | 1st quality baconers | |
|---|---|---|---|---|---|---|
| | *s.* | *d.* | *s.* | *d.* | *s.* | *d.* |
| 1932 | 86 | 6 | 61 | 6 | 10 | 4 |
| 1933 | 91 | 0 | 77 | 6 | 11 | 3 |
| 1934 | 97 | 0 | 93 | 0 | 11 | 8 |
| 1935 | 95 | 0 | 92 | 6 | 11 | 2 |
| 1936 | 96 | 0 | 98 | 3 | 11 | 5 |
| 1937 | 101 | 0 | 99 | 6 | 13 | 2 |

The amount of bacon cured in the United Kingdom rose by 37 % from 1934 to 1935, and the 1935 figure was increased by 16 % in 1936. The estimated pig population increased by 25 % between 1933 and 1937.

The detailed provisions and progress of the Pigs Marketing Board, the Bacon Marketing Board and the restrictions on the importation of foreign bacon are as follows:

The two Boards were given the usual financial powers—to borrow money, set up funds into which all money received was paid and out of which all payments were made, and to fine any producers who contravened the regulations laid down in respect of pig and bacon marketing.

Exemptions from the pigs scheme were: sales of pigs otherwise than to the Board or to any curer, and sales of pigs to a curer, no part of which was intended to be used for the production of bacon. Producers who were not registered or exempt from registration were prohibited from selling any pigs.

The Pigs Marketing Board, after consultation with the Bacon Marketing Board, prescribed the terms on which contracts for the sale of pigs were to be made by registered producers, the varieties and grades of pigs which were to be sold, the prices at which they were to be sold, dates for the delivery of pigs or the period during which pigs had to be delivered. Any contract had to be registered with and approved by the Board. The Bacon Marketing Board was also empowered to determine the kinds, varieties and grades of bacon which might be sold. Registered curers could not sell bacon from pigs produced in Great Britain unless those pigs were bought under a contract confirmed by the Pigs Marketing Board. If, however, pigs bought under contract were, by reason of deficiency in weight and quantity, insufficient to produce the

quantity of bacon which a registered producer was permitted by the Board to sell or if the producer failed to deliver the contracted pigs, then the curer might buy pigs in the open market if the Pigs Marketing Board did not make a supplementary contract with him within twenty-one days of his notifying them of the shortage. A curer could sell as part of his bacon quota bacon made from any pig produced by him if he notified the Pigs Marketing Board of such pigs.

During the First Contract Period (1 November 1933 to 28 February 1934) the pig producer was, in principle, guaranteed a price estimated to cover his cost of production, since the price varied with the price of feeding stuffs. But the market price of bacon did not justify these prices for pigs and losses were incurred by the curers. A Government loan of £160,000 repayable by the Pigs Marketing Board was advanced to reimburse them. In the second contract period, March to December 1934, a deduction of 6*d.* per pig from the price of the basic pig—Class 1, Grade C—was taken to repay this loan. As from May 1934 the price for pigs was to take account of the market price of bacon and the realization value of offals as well as the price of feeding stuffs. A 'co-partnership' system was introduced whereby any profit or loss as represented by the difference between the estimated price of bacon and the realized market value was shared between the producer and the curer in a 50:50 ratio. In the last four months of the contract the ratio was 75:25 when the realization price of bacon was more than 13*s.* per cwt. above the estimated price. In the third contract period similar provisions were made in an attempt to meet the curers' difficulties arising from unequal monthly distribution of contracts.

In December 1934 the Bacon Marketing Board declined to enter into a new contract unless the Pigs Board could contract more pigs; supplementary contracts did not bring forth a sufficient supply of pigs for the curers, so the Pigs Marketing Board decided to leave the curers free to buy pigs in the open market rather than to buy the pigs itself. Curers began buying in the open market in June 1935 and were required to make returns of their purchases to the Pigs Marketing Board. In December 1935 the contracts for the fourth period, 1936, were once more below the curers' requirements and the Pigs Board had to default again and allow curers to buy pigs in the open market to make up their total supplies.

The Bacon Development Scheme came into force on 7 September 1935,[1] as the result of the recommendations of the Reorganization Commission. A Bacon Development Board was established, consisting of representatives of the Pigs and Bacon Boards and three nominees of the Minister of Agriculture, whose main function was the licensing of bacon factories. After 1 January 1936, no person was allowed to produce bacon on any premises in Great Britain unless he was either exempt from registration under the Bacon Development Scheme or was licensed by the Bacon Development Board. This aimed at enabling the Board to restrict bacon production and obtain a better distribution of factories, but the Board could not refuse a licence during the first two years of the scheme for premises used for bacon production at any time during the six months previous to 17 May 1935. Producers had the right to submit the matter to arbitration, the arbitrator to be mutually agreed upon, or, in the absence of agreement, to be appointed by the Minister of Agriculture.

Early in 1936 a Joint Advisory Committee consisting of four members each from the Pigs and Bacon Boards with a Chairman appointed by the Minister of Agriculture was set up to examine the working of the Pigs Marketing Scheme and to consider changes in the 1937 contract. Minimum prices varying with the season of the year and rising as the number of contracted pigs increased were guaranteed, provided that the number of pigs under contract should not be less than 2,200,000. Prices were still to be adjusted for changes in the prices of bacon and of feeding stuffs.

It was obvious, therefore, that these schemes for the marketing of pigs and bacon needed considerable alteration if they were to work at all and in July 1938 Parliament passed the Bacon Industry Act[2] 1938, which included both a new scheme and a subsidy for three years.

The Act set up a new Bacon Development Board consisting of thirteen persons, of whom five were appointed by the Minister of Agriculture and the Secretary of State for Scotland, four were nominated by the Pigs Marketing Board and four by the Bacon Marketing Board. This Development Board had the control of all matters of policy and the two Marketing Boards acted as advisory bodies and carried out the Development Board's orders. The Pigs and Bacon Marketing Schemes were accordingly

1 Bacon Development Scheme (Approval) Order, S.R.O. 1935, 781.
2 1 and 2 Geo. 6, c. 71.

amended[1] to fit in with the new scheme. The Act provided for factory rationalization in accordance with a scheme drawn up by the industry. If the cost of a standard ration as ascertained by the Minister exceeded 8*s.* 6*d.* the curers had to pay proportionately more to the producers and vice versa. In the former case they were refunded by the Exchequer and in the latter they paid the difference to the Exchequer.

The Act continued the arrangements for the regulation of supplies of home-produced and imported bacon and applied the procedure of Consumer's Committees and Committees of Investigation to the powers of the Development Board. The principal provisions of this Act were brought into force on 4 August 1938,[2] while the marketing provisions with the new method of pig supply came into operation on 1 October 1938.

On 15 December 1938 a Bill was introduced to amend the Bacon Industry Act 1938, in respect of standard bacon prices which included an allowance in regard to variations in lard prices, the identification of imported pigs and methods of weighing bacon for the purpose of proving claims in respect of payments to the Exchequer or from the Exchequer to the curers; these provisions were retrospective to 1 October.

*Bacon and Ham*

The quantitative control of the bacon industry began in November 1932, when voluntary agreements were made with eleven foreign countries limiting their exports to the United Kingdom and fixing the proportion of the total foreign imports of bacon and ham into the United Kingdom to be supplied by each of these countries. The period covered by these agreements was November 1932 to September 1933, and the proportion of foreign imports allotted to each country was as follows:

| Country | Percentage | Country | Percentage |
|---|---|---|---|
| Denmark | 61·1 | Finland | 0·5 |
| Sweden | 4·6 | Argentina | 0·7 |
| Holland | 10·1 | Latvia | 0·5 |
| Poland | 9·8 | U.S.S.R. | 0·5 |
| Lithuania | 4·9 | U.S.A. | 6·4 |
| Esthonia | 0·9 | | |

1 The Bacon Industry (Pig Marketing Scheme Amendment) Order, S.R.O. 1938, 1227. The Bacon Industry (Bacon Marketing Scheme Amendment) Order, S.R.O. 1938, 1223.

2 Bacon Industry (Commencement) Order, S.R.O. 1938, 785.

Actual imports during this period exceeded allocations by 2 %.

During this period of voluntary restriction there was a large and unexpected increase in the home supply of bacon, and it was therefore decided to reduce imports. The eleven countries accepted a reduction of 11 % on their quotas, but when it was proposed shortly afterwards to reduce these new quotas by 16 %, Denmark, the principal foreign exporter, refused to agree. The compulsory powers given by the Agricultural Marketing Act[1] were therefore employed and the Bacon (Import Regulation) Order[2] was issued in November 1933. This Order prohibited the importation, except under licence, of bacon and ham from the eleven countries with which voluntary agreements had been in force, and also from any other foreign country whose exports of bacon to the United Kingdom exceeded 400 cwt. per week.

The licences were issued to the Governments of the exporting countries on the basis of the proportions previously agreed, but subsequently an agreement with Denmark provided that her quota should not be allowed to fall below 62 % of the total foreign imports. Allocations were made for a contract period, the quotas for each contract period being fixed in advance, but subject to alteration at any time.

The total allocation under the voluntary agreements between November 1932 and September 1933 represented a reduction of 20 % on the imports for the corresponding period of the previous year. This was followed by the reduction of 11 % in allocations in September voluntarily and 16 % in November compulsorily, and this rate was maintained until the end of February 1934. Allocations for the ten months, March to December 1934, amounted to 5,420,000 cwt., the rate for the first half of this period being higher than for the second half in order to balance the seasonal variations in domestic supply. The total allocations continued to decline until the beginning of 1936. There was a temporary increase of 5 % during the period May to August 1936, but a reduction of 12 % from September to December, making the total allocation 7·7 % below the corresponding period of 1935. From January to September 1937 there was an increase of 10 % in the allocations, owing to a disorganization of the domestic supply brought about by the breakdown of the Bacon Marketing Scheme. The quota was reduced by 5 % in September, but increased by

1. 23 and 24 Geo. 5, c. 31. 2 S.R.O. 1933, 683.

3·8 % in October. Total allocations during 1937 were 2·3 % higher than in 1936. During 1937 part of the U.S.A. allocation was redistributed to other countries owing to deficiencies in shipments.

The quantities of imports of bacon and hams from all countries into the United Kingdom and the proportion taken from each is given in the table on p. 99.

The reason underlying these frequent changes in foreign allocations, and the large reduction of foreign imports admitted to the United Kingdom, was the joint policy of maintaining total supplies at a constant level, increasing the domestic production and expanding Empire imports. Thus an increase either in domestic production or in Empire imports had to be balanced by a reduction in foreign imports.

Importation was regulated on the basis of maintaining total supply at the level of 10,670,000 cwt. annually. The quantity of domestic supply was largely dependent on the operation of the Bacon Marketing Scheme. The failure of this scheme to secure a sufficient supply of pigs for curing was the reason for the increase in imports permitted during 1937.

Of the Empire countries only Canada and Eire were important sources of supply of bacon and hams. In 1932, before the quota scheme came into force, an agreement had been made with Canada that in the event of regulation being imposed Canadian imports would be admitted up to a total of 2,500,000 cwt. annually, although at that time imports were only 324,000 cwt. No restrictions were imposed on Empire countries, and allocations were made on the basis of probable shipments. As a result of this, imports from Canada increased from 686,600 cwt. in 1933 to 1,701,700 in 1937, and in 1936 a new agreement was made with Canada which gave the United Kingdom the right—which has not yet been used—to restrict Canadian imports if they were 'expanding at an abnormal rate' towards the stipulated maximum of 2,500,000 cwt. There was a large increase in imports from Canada between 1936 and 1937, but they declined again in 1938. The extent of the increase in Empire imports after 1932, which took place in spite of a considerable fall in total imports, may be seen from the table. It should be noted that the proportion of Empire imports to total imports increased from 4·4 % in 1932 to 29·3 % in 1937. The policy of restriction of foreign imports

and the expansion of Empire imports was continued in 1938, but the aim of limiting total supply to the pre-determined figure of 10,670,000 cwt. was abandoned, new figures being fixed from time to time.

As has already been mentioned, the restrictions imposed by the Bacon (Import Regulation) Order 1933 applied only to the eleven countries with which voluntary agreements had been made in 1932 and other countries whose exports to the United Kingdom exceeded 400 cwt. per week. Imports from these countries were regulated monthly in accordance with the allocations in force during that period. It was found that this method of regulation led to evasion, and actual imports considerably exceeded allocations. One of the main reasons for this was the lack of control of imports from non-licensed countries whose exports had previously been unimportant; the practice arose of the licensed countries sending their pigs to be cured in unlicensed countries, from whence they were re-exported to the United Kingdom. In this way considerable quantities of Danish bacon were imported via Germany and escaped the quota restriction. The Bacon (Import Regulation) Amendment Order[1] was therefore made in 1935 which prohibited 'the importation of any bacon produced in a foreign country from pigs bred in any other foreign country'. Also imports from licensed countries were regulated fortnightly instead of monthly.

The scheme was again amended in 1936, when the maximum weekly imports from unlicensed countries was reduced to 225 cwt. or nine-sixteenths of the imports during 1934 and 1935, whichever was the greater. All countries were required to supply prompt weekly returns of actual shipments.

Bacon was not subject to a general import duty, but between July 1932 and April 1938 bacon imports from Eire were subject to a duty which was 20 % *ad valorem* in 1932, 30 % in 1933, and 16*s.* per cwt. or 40 % *ad valorem*, whichever was the greater, from November 1933 until the Anglo-Irish Trade Agreement was signed in April 1938. These duties were imposed as part of the trade war with Eire, not as part of the agricultural policy.

1 S.R.O. 1935. 1237.

UNITED KINGDOM: IMPORTS OF BACON AND HAMS

| Average ... | 1929–31 | | 1932 | | 1933 | | 1934 | |
|---|---|---|---|---|---|---|---|---|
| | cwt. (000) | % | cwt. (000) | % | cwt. (000) | % | cwt. (000) | % |
| Total | 10,489 | 100·0 | 12,192 | 100·0 | 9,953 | 100·0 | 8,327 | 100·0 |
| From British countries of which | 595 | 5·7 | 541 | 4·4 | 911 | 9·2 | 1,457 | 17·5 |
| Canada | 201 | 2·0 | 324 | 2·6 | 687 | 6·8 | 1,075 | 12·9 |
| Eire | 391 | 3·7 | 215 | 1·8 | 225 | 2·4 | 380 | 4·6 |
| From foreign countries of which | 9,894 | 94·3 | 11,651 | 95·6 | 9,042 | 90·8 | 6,870 | 82·5 |
| Denmark | 6,147 | 58·6 | 7,677 | 63·0 | 5,524 | 55·5 | 4,288 | 51·5 |
| U.S.A. | 1,188 | 11·3 | 529 | 4·3 | 627 | 6·3 | 517 | 6·2 |
| Netherlands | 916 | 8·7 | 977 | 8·0 | 873 | 8·8 | 608 | 7·3 |
| Poland | 680 | 6·5 | 1,253 | 10·3 | 858 | 8·6 | 497 | 6·0 |
| Sweden | 502 | 4·8 | 424 | 3·5 | 403 | 4·0 | 297 | 3·6 |
| Lithuania | 147 | 1·4 | 512 | 4·2 | 416 | 4·2 | 252 | 3·0 |

| Average ... | 1935 | | 1936 | | 1937 | | 1938 | |
|---|---|---|---|---|---|---|---|---|
| | cwt. (000) | % | cwt. (000) | % | cwt. (000) | % | cwt. (000) | % |
| Total | 7,604 | 100·0 | 7,241 | 100·0 | 7,600 | 100·0 | 7,533 | 100·0 |
| From British countries of which | 1,589 | 20·9 | 1,898 | 26·2 | 2,227 | 29·3 | 2,060 | 27·3 |
| Canada | 1,110 | 14·6 | 1,370 | 18·9 | 1,702 | 22·4 | 1,508 | 20·0 |
| Eire | 479 | 6·3 | 528 | 7·3 | 525 | 6·9 | 552 | 7·3 |
| From foreign countries of which | 6,015 | 79·1 | 5,343 | 73·8 | 5,373 | 70·7 | 5,473 | 72·7 |
| Denmark | 3,827 | 50·3 | 3,374 | 46·6 | 3,429 | 45·0 | 3,389 | 45·0 |
| U.S.A. | 439 | 5·8 | 350 | 4·8 | 319 | 4·2 | 438 | 5·8 |
| Netherlands | 509 | 6·7 | 485 | 6·7 | 481 | 6·3 | 514 | 6·8 |
| Poland | 452 | 5·9 | 421 | 5·8 | 445 | 5·9 | 457 | 6·1 |
| Sweden | 257 | 3·4 | 242 | 3·3 | 250 | 3·3 | 251 | 3·3 |
| Lithuania | 165 | 2·2 | 194 | 2·7 | 188 | 2·5 | 190 | 2·5 |

## 4. HOPS

The hop industry was peculiar in that its market was strictly limited and was determined by the demand of the brewers. The price of hops formed only a small proportion of the total cost of beer, and the demand for hops was very inelastic. It was therefore natural that in these conditions some control of supplies should be undertaken in order to prevent catastrophic falls in price, particularly as the growing of hops in the United Kingdom was only possible in a few areas. As the supply of hops was partly

provided by imports it was also natural that control by some method should extend to imported hops.

Restriction of supplies was enforced by three methods. Foreign imports were subject to high duties, imports were restricted to 15 % of total supplies, and home production was controlled by a quota system. The quotas were confined to those producers on whose land hops were grown during the period 1928 to 1932, and the industry was therefore limited to this group of persons. A farmer could only enter the industry by buying land on which hops were already grown, and the grower of hops was assured of only a very limited amount of competition. This scheme amounted to a producers' monopoly, but the power of this monopoly was limited by the fact that the demand was confined to a well-organized trade. The fact that a small rise in the price of hops did not seriously embarrass the brewers, and that the latter were anxious to have an assured source of supplies, enabled the scheme to work satisfactorily, and it cannot be said that the monopoly which was created worked against the interests of any existing group of persons in the United Kingdom. All that can be said is that it was exclusive and prevented outsiders from entering, but if it had not done so the profitability of hop producing might well have disappeared.

Hops were the first agricultural product to be covered by a marketing scheme under the Agricultural Marketing Act of 1931, although this was not the first time that hops had been under Governmental control. In 1917, because of the large increase in hop acreage during the war, the Hops (Restriction) Order compelled hop growers, without compensation, to restrict their acreage by half. This control lasted until 1920, when the Ministry of Food (Continuance) Act renewed it for five years and prohibited imports of hops except under licence from the Hop Controller. After 1925, the full duty on imported hops was £4 per cwt. and the preferential rate £2. 13*s.* 4*d.* per cwt., and after 1932 imports were restricted to 15 % of total supplies.

The new marketing scheme came into full operation in September 1932.[1] The Hops Marketing Board was bound to accept all hops tendered to it by registered producers. Producers who were not registered nor exempt from registration could not sell any hops and registered producers could sell their hops only to

1 The Hops Marketing Scheme (Approval) Order, S.R.O. 1932, 505.

the Board, under penalty of a fine. All hops accepted by the Board became the property of the Board, which could sell them, borrow money on them and, if it was unable to sell them in a reasonable time, destroy them or render them unfit for brewing.

From the gross amount which the Board received from the sale of the hops it deducted any selling commission paid, a sum in respect of the expenses of the Board and a contribution towards the fund out of which the Board paid compensation and met any other liabilities. After these deductions the remainder was divided between all registered producers in proportion to the value of the hops supplied by them to the Board; that value of the hops having been estimated by the Board on acceptance.

The scheme allowed the Board to advance to registered producers sums not exceeding two-thirds of the sum which the Board estimated the registered producers would receive in respect of the hops they supplied.

A system of quotas to be allocated to individual producers was introduced by the Hops Marketing Scheme (Amendment) Order of 13 July 1934.[1] A basic quota was fixed for each producer equal to the annual average quantity of hops picked on his farm during the years 1928–32 inclusive or the period during which hops had been grown on the farm, whichever was the shorter. The quota of a registered producer for hops for any season was such a quantity as bore to the total demand the same proportion as the producer's basic quota bore to the total of the basic quotas for all producers, the total demand for hops for any season being estimated by the Board. The rights of a registered producer in respect of any hops accepted by the Board from him differed according as the hops were 'quota hops' or 'non-quota hops'. If the quantity of hops for any season accepted by the Board from the producer exceeded his quota, then, of the hops so accepted, a quantity equal to the quota was treated as quota hops and the remainder as non-quota hops; the hops having the greatest value were selected as the quota hops. The amount realized by the Board from the hops of the season was distributed, after the necessary deductions for expenses, in proportion to the hops supplied by the producers; if the sum realized was insufficient to provide for each registered producer an amount equal to the value of the hops supplied, the

1 S.R.O. 1934, 841.

amount realized was distributed in proportion to the values of the quota hops.

The introduction of the quota was complementary to an agreement made at the same time between the Hops Marketing Board and the Brewers' Society which was to last five years, during which period the price of English hops was fixed at 9*s*. per cwt. The arrangement was to be carried out by a Permanent Joint Committee consisting of four representatives of the growers, four of the brewers and three impartial observers.

This Committee estimated in April each year the total market demand for all hops and for English hops picked in the next September. Brewers were then asked to make forward contracts for at least two-thirds of the demand for English hops. The total of producers' quotas for that year was the estimated market demand minus any unsold balances of the previous year. To ensure that the remaining third of the market demand was bought, a Levy Fund was established financed by a charge per cwt. on all hops sold by the Hops Marketing Board. This fund was used to buy any unsold balance of the total market demand and the hops paid for in this way were handed over to the Committee, who disposed of them at their discretion.

The Hops Marketing Scheme did not undergo any alterations after the 1934 Amendment Order. In February 1938 a Reorganization Commission was appointed to consider the advisability of continuing the quota system instituted in 1934. The Commissioners' Report[1] published in April recommended the continuance of the system until 1946, that a further agreement should be negotiated between the Hops Marketing Board and the Brewers' Society and that the Permanent Joint Committee or some similarly constituted body should continue to function.

## 5. Potatoes

The new agricultural policy was applied to potatoes rather later than to most other products. The policy had to be adapted in order to meet several special characteristics of the crop. The requirement was not so much to secure an absolute increase in prices or output as to ensure a market for a very variable output.

1 *Report of Hops Reorganization Commission for England, 29 April* 1938 (24-40-46), Ministry of Agriculture and Fisheries, Economic Series, 46.

The special characteristics of the potato crop are briefly as follows: (1) The output varies very greatly from one year to another; this is due to natural causes and cannot be prevented by the grower. (2) Earlies, that is new potatoes, present a problem of their own, and owing to their higher value are of great importance to the producer. (3) The main market is for human consumption, but there are also several alternative uses which cannot be entirely neglected.

The natural yearly variation in the yield of the potato crop had caused large differences in prices. The policy adopted was an effort to shift the impact of the variation in the size of the home crop on to the importer of foreign supplies. A quota for foreign imports was fixed annually after the size of the home crop could be estimated, and the size of this quota differed greatly from year to year. By controlling the volume of imports it was hoped to maintain prices stable whatever the volume of home production might be.

Separate quotas were fixed for new potatoes and others, thereby preventing the whole quota of foreign imports from swamping the market at the period of the year when prices were highest. Previously new potatoes had been imported from warmer climates in May–June before the home supplies of new potatoes were available, thus spoiling the market for United Kingdom growers. In addition to the quantitative regulation, an import duty of £1 per ton was imposed in 1932, and in May 1933 this was raised to £2 per ton on potatoes imported between July and 31 August.

The marketing scheme only controlled the sale of main-crop potatoes used for human consumption. The surplus could be sold independently for feeding livestock or other purposes. The price which had to be paid for potatoes used for purposes other than human consumption would naturally be affected to some extent by the marketing scheme and the restriction of imports, but it would not be increased as much as if the whole potato crop were controlled.

It appears therefore that the three special characteristics of the potato crop were recognized and allowed for in the application of the agricultural policy.

The Potato Marketing Scheme, which applied to the whole of Great Britain, came fully into operation on 9 March 1934.[1] The scheme applied only to main-crop potatoes lifted in the autumn and sold for human consumption, so all sales of seed potatoes were

1 The Potato Marketing Scheme (Approval) Order, S.R.O. 1933, 1186.

exempt. Other exemptions were sales of potatoes in quantities of less than 1 cwt.; sales of potatoes by a registered producer acting in person, provided the potatoes were in the market at the time of sale and were of the producer's own growing; sales of new potatoes: new potatoes being defined as those which were the product of potatoes planted between 1 September and 31 July and lifted, sold and delivered during that period; sales of potatoes for use in any process of manufacture by the actual purchaser; sales of potatoes to any government department, local authority, hospital or other similar institution; and, finally, potatoes sold to a retailer.

The Potato Marketing Board was empowered to set up and administer a fund to which they could require all registered producers to contribute 5*s*. per acre per annum or a sum up to 10*s*. per acre per annum if so resolved by the registered producers at a general meeting.

The Board did not buy from producers all the potatoes produced, as was the procedure in the Hops Scheme; instead, it regulated the quantities which could be sold and could, if it wished, buy up and dispose of the surplus. Regulation of the quantities of potatoes which could be sold for human consumption was done indirectly; e.g. either by restriction of the sale of certain varieties of potatoes or by restrictions as to the mimimum size of the different varieties which could be sold.

In order to decide which potatoes might be marketed, the Board was authorized to estimate, as soon after 1 September as possible, the total quantity of potatoes likely to be available that season. If that quantity was in excess of the total quantity which the Board considered would be required for human consumption, it then regulated the size and varieties of potatoes which could be sold by registered producers.

Apart from dealing with the surplus simply by keeping it off the market, the Board could buy, sell, grade, pack, store, adapt for sale, insure, advertise and transport surplus potatoes. This surplus, however, consisted of those potatoes which were not considered fit for human consumption or the sale of which the Board had prohibited for human consumption in that season, so the Board could only sell them for feeding livestock or extracting spirit, etc. in this country, or export them for human consumption elsewhere.

A feature similar to the Hops Scheme was that a basic acreage was fixed for all potato growers; this basic acreage was the equi-

valent of the acreage under potatoes in 1933 or an average of the preceding three years. Any producer who wished to increase his acreage had first to consult the Board who could demand a contribution to the fund on that account, such a contribution not to exceed £5 per acre.

Voluntary arrangements for the restriction of imports of potatoes were made in 1933 with Belgium, the Netherlands, and Eire. At first they applied only to the maincrop, but were later extended to earlies. The quotas for the 1933–34 season were 28,000 tons main-crop and 94,500 tons earlies, but imports were substantially below these figures.

Compulsory restriction of imports from foreign countries was imposed in November 1934, when the Potatoes (Import Regulations) Order[1] was made which prohibited importation except under licence.

A 'global' quota of permitted imports was fixed periodically and licences amounting to this total were issued to importers. There was no control of the amounts to be imported from individual countries, this being left in the hands of the importers. The aim of the scheme was to limit imports to the amount by which the home supply falls short of normal market requirements. As the quantity of home production was necessarily very variable the amount of imports admitted also varied considerably. For example there was an increase in imports in 1936 of nearly 66 % over the previous year due to an exceptionally bad home crop.

A Potato Supplies Consultative Committee was set up under the aegis of the Market Supply Committee and consisted of representatives of the Potato Marketing Board, importers, merchants, consumers and retailers. This Committee decided on the extent to which imports of potatoes should be permitted.

In 1935 an agreement was concluded with Northern Ireland to limit imports into Great Britain to 200,000 tons owing to the small home crop.

After the imposition of restriction potato prices rose. The index number for the years 1932 to 1937 is as follows:

Price of potatoes: 1927–29 = 100

| | | | |
|---|---|---|---|
| 1932 | 141 | 1935 | 84 |
| 1933 | 63 | 1936 | 122 |
| 1934 | 68 | 1937 | 120 |

1 S.R.O. 1934, 1160.

## 6. Livestock

The beef producers in Great Britain in 1932 were faced with very low prices, due to a fall in demand, which had been brought about, firstly, as a result of the general slump, secondly, as a result of a shift in demand for meat from beef to mutton.

Assistance to the industry was given from 1932 onwards by a restriction of imports of meat. It was necessary to restrict the importation, not only of beef, but also of mutton and pork, or the shift of demand away from beef would have been accentuated. The restrictions were imposed under the Ottawa Agreements Act,[1] but this Act, together with the Anglo-Argentine Trade Agreement, limited the development of restriction and made it impossible to solve the increasingly acute problems of the industry by this means.

In 1934 imports of live cattle were restricted, and a subsidy was granted to the industry. The subsidy was intended to be of a temporary nature to help the industry until imports of meat could be further restricted, or demand increased, but the subsidy was maintained unchanged until 1937.

It cannot be said that any of the measures so far adopted to assist the industry were of anything but a palliative nature, or that they were likely to place the livestock industry on a self-supporting basis except in the event of a substantial increase in demand. It was not until 1937 that a constructive policy was adopted. This took the form, firstly, of paying a higher rate of subsidy for superior quality, thereby encouraging the improvement of stock, secondly, of establishing a Livestock Commission with the object of improving marketing facilities and reducing costs.

It is not possible to judge of the success which the Livestock Commission would have had in solving the problems of the industry, but it seems apparent that in 1937 some effort was made to develop the industry on economic lines, whereas before 1937 the industry was merely benefiting at the expense of the taxpayer and the consumer, without any inducement to increase its own efficiency.

The meats which were restricted were (*a*) chilled beef, (*b*) frozen beef, and (*c*) frozen mutton and lamb. The period 1 July 1931 to

[1] 22 Geo. 5, c. 53.

30 June 1932, known as the 'Ottawa Year', was taken as the basic year, and foreign imports were restricted to an agreed percentage of the imports during that year. The working of the scheme in respect of each product was as follows:

(*a*) *Chilled Beef.* In November and December 1932 there was a 10 % reduction by voluntary agreement with foreign countries. From 1 January 1933 imports were compulsorily limited quarterly to the quantities imported in the same quarter of the 'Ottawa Year', but in addition to this compulsory limitation there were also voluntary reductions in 1933, 1934 and 1935 varying each quarter between 10 and 15 %. In 1936 this reduction ceased to be effective, and there was a slight increase in imports, which were about 8 % below the 'Ottawa Year'. In 1935 there was also a voluntary agreement concluded to regulate shipments from the principal Empire countries, viz. Australia, New Zealand, Canada, South Africa and Southern Rhodesia.

During this period the enforcement of compulsory restriction on foreign imports had been considerably limited by the operation of the trade agreement with Argentina. This agreement provided that there should be no reduction of imports from the Argentine below the level of the 'Ottawa Year' unless such a reduction was essential for the maintenance of United Kingdom prices, in which case any reduction of more than 10 % must be accompanied by a similar reduction of imports from the Dominions. In December 1936 a new agreement was signed with Argentina which guaranteed her a minimum quantity and a minimum proportion of regulated foreign imports. The basic year became 1935, and for the first three quarters of 1937 imports were limited to 98 % and for the last quarter to 100 % of the 1935 level.

The result of this restriction was that during the period 1933–37 total imports remained fairly stable at just over 8 million cwt., except for a slight increase in 1936. This was about 10 % below the pre-restriction level. Meanwhile imports from Empire countries, which had been almost non-existent before 1933, increased to about 900,000 cwt. or 10 % of total imports in 1937. The main countries to benefit were Australia and New Zealand, and the chief sufferer was Argentina, the main source of foreign supplies.

The average price of imported chilled beef fell between 1932 and 1934, but the fall was not so great as that of British beef. The price of first quality Argentine hindquarters was 6⅛*d.* per lb.

in 1932 and had fallen to 5¼*d.* in 1934. It rose gradually to 5⅞*d.* in 1936, and jumped to 6½*d.* in 1937.

(*b*) *Frozen Beef.* The regulation of imports from foreign countries began on 1 January 1933. The quota was determined by a scale which had been agreed at the Ottawa Conference and incorporated in the Ottawa Agreements Act.[1] It began at 90 % of the foreign imports during the 'Ottawa Year', and fell by a further 5 % each quarter until it had been reduced to 65 % in the second quarter of 1934. It remained at this figure until July 1937, and from then until June 1938 an increase of 20 % was allowed.

The Argentine trade agreement signed in 1936 guaranteed a minimum importation from that country of 124,600 cwt. per annum during the three years 1937–39.

At first the quota was applied only to carcass and boned beef and veal, but owing to the increase in the importation of other descriptions it was later applied also to beef cuts and offals.

In the case of frozen beef, unlike that of chilled beef, a substantial proportion of our imports had come from Empire sources, mainly New Zealand and Australia, before 1932. It was therefore thought to be necessary to impose a voluntary restriction on Empire imports, and at the Ottawa Conference assurances were obtained from the Empire suppliers that they would do their best to prevent their exports to the United Kingdom from exceeding by more than 10 % the level attained in the 'Ottawa Year'. In spite of these assurances there was a very large increase in Empire imports, particularly in 1934. Subsequently, owing to stricter control, there was a decline until the end of 1936, but the originally intended figure of a 10 % increase over the 'Ottawa Year' was always exceeded. Imports from Empire countries between 1932 and 1937 were as follows:

| | Cwt. (000) | | Cwt. (000) |
|---|---|---|---|
| 1932 | 1,648 | 1935 | 2,401 |
| 1933 | 2,092 | 1936 | 2,285 |
| 1934 | 2,733 | 1937 | 2,519 |

The 1937 figure represented 75 % of total imports. Foreign imports fell during the period from 1,052,000 cwt. in 1932 to 842,000 cwt. in 1937, total imports therefore showing an increase of 660,000 cwt. Prices of frozen beef followed practically the same

1 22 Geo. 5, c. 53.

course as those of chilled beef, falling from 1932 to 1934 and subsequently rising.

(*c*) *Frozen Mutton and Lamb.* Imports from foreign countries were regulated since November 1932. The scale according to which the quota was fixed was laid down in the Ottawa Agreements Act[1] and was the same as that for frozen beef referred to above. The level of 65 % of the quantity imported during the 'Ottawa Year' reached in the middle of 1934 was subsequently maintained.

Imports from Empire countries were subject to voluntary regulation since the beginning of 1935. The aim of this restriction was to maintain total supplies at approximately the 1934 level. There was, however, a gradual increase in Empire imports, and their proportion of total imports had reached 81 % in 1937, as against 65 % in 1929–31. The country to benefit most was New Zealand, and Australian supplies also gained considerably. Prices of British mutton and lamb increased, and the price of the New Zealand imports was maintained after 1934 in spite of the increase in supply.

(*d*) *Frozen and Chilled Pork.* After a short period of voluntary regulation imports from foreign countries were compulsorily controlled in 1935 under the Agricultural Marketing Act.[2] The Pork (Import Regulation) Order[3] made under this Act prohibited the importation of pork from foreign countries except under licence. Imports were limited quarterly to the average level in the corresponding quarters of 1932, 1933 and 1934, which represented a considerable reduction on the 1934 imports. The same level of allocations was maintained in 1936, 1937 and 1938, but in some years actual imports fell below permitted quotas owing to short shipments from the U.S.A.

Voluntary agreements were made with the Empire suppliers, viz. Australia, New Zealand and Canada. The average imports from these countries during three years 1932–34 were 361,000 cwt. and the permitted quotas for 1935, 1936 and 1937 were 363,300, 487,400 and 465,000 cwt., respectively, but actual imports were considerably above these quotas, and in 1937 were 834,000 cwt.

(*e*) *Other Meats.* By voluntary agreements imports of foreign canned beef, excluding tongues, were maintained at approxi-

1 22 Geo. 5, c. 53. 2 23 and 24 Geo. 5, c. 31.
3 S.R.O. 1935, 160.

mately the level reached in 1933, and imports of foreign beef offals were regulated in relation to imports of other classes of beef. This position was stabilized by the Argentine trade agreement signed in 1936.

(*f*) *Live Cattle.* The importation of live cattle from foreign countries was prohibited by a series of Acts known as the Diseases of Animals Acts, which are discussed in Chapter XIII. Importation was, however, allowed from Eire and Canada, the former country being the main source of supply.

Regulation of imports by licence was introduced on 1 January 1934 under the Cattle (Import Regulation) Order,[1] which applies to fat cattle, store cattle, bulls showing permanent incisor teeth and dry cows. Fat cattle from Eire were restricted each quarter to 50 % of the number imported in the corresponding quarter of 1933 and other classes were restricted to 100 %.

In 1935 a 'coal for cattle' barter agreement was arranged with Eire, as a result of which the quota for fat cattle was increased to 66·6 % and the quota for other classes to 133·3 %. In 1936 a further limited increase was allowed on condition that Eire purchased more coal from the United Kingdom. There was no alteration during 1937.

Nearly all the imports of live cattle came from Eire, the proportion varying from 94 to 98 %. The remainder, which came from Canada, were subject to a voluntary agreement during 1934 which aimed at limiting the number of cattle imported to approximately the 1933 level. This agreement was not continued in 1935, when, owing to the increased profits from sales in the United States market, Canadian exports to the United Kingdom almost ceased.

The Cattle Industry (Emergency Provisions) Act 1934[2] provided for the establishment of a Cattle Fund to which grants might be made by the Exchequer up to a total of £3 millions. The Fund was administered by a Cattle Committee and payments were made from it in respect of sales of steers, heifers and cows up to March 1935. The rate of payment depended on prices, with a maximum of 5*s.* per live cwt., or 9*s.* 4*d.* per cwt. deadweight, and the subsidy was granted on all cattle of certified standards in accordance with regulations laid down by the Minister of Agriculture and Fisheries and the Secretaries of State concerned with Agriculture in Scotland and Northern Ireland.

1 S.R.O. 1933, 1165. 2 24 and 25 Geo. 5, c. 54.

The period within which payments were to be made was extended[1] until 31 July 1937, and on 23 July 1937 new regulations and orders were made under the Livestock Industry Act 1937.[2] The Cattle Subsidy Regulations[3] altered the basis on which payments were made—they differentiated between quality and ordinary standard—and a Payments Order[4] published the same day laid down the rates of subsidy. Payment in respect of a steer or heifer of quality standard bred in the United Kingdom was fixed at 7*s.* 6*d.* per cwt. live weight and the ordinary standard at 5*s.* per cwt.; for imported steers and heifers the subsidy was fixed at 5*s.* per live cwt. for quality standard and 2*s.* 6*d.* for ordinary standard. These rates were amended by the Livestock Industry Act[5] in October 1937, to the effect that all such payments should not be 'at rates specified above, but not exceeding those rates'.

The subsidy was granted on all cattle of certified standards which were laid down in the regulations. The cattle were examined at Approved Certification Centres set up under the scheme and a small fee was charged which went towards the expenses of such centres.

The maximum up to which grants might be made by the Exchequer to the Cattle Fund was fixed at £5 millions per annum under the Livestock Industry Act. The Fund then paid all the subsidies, reimbursed the Ministry of Agriculture and Fisheries for any expenses incurred in respect of the subsidy, and also defrayed the expenses of the Livestock Commission, the Livestock Advisory Committee and the working costs of making the subsidy payments.

The total cost of the Cattle Subsidy is shown in the following table:

PAYMENTS BY THE EXCHEQUER TOWARDS THE CATTLE FUND

| Year ended 31 March | £ (000) | Year ended 31 March | £ (000) |
|---|---|---|---|
| 1935 | 2,057 | 1937 | 4,056 |
| 1936 | 3,955 | 1938 | 4,318 |

The Livestock Industry Act also authorized the establishment of a Livestock Commission to improve the marketing of livestock

1 Payments extended by the following Acts and Orders: 25 Geo. 5, c. 12; S.R.O. 1935, 622; 25 and 26 Geo. 5, c. 29; S.R.O. 1936, 681; 26 Geo. 5 and 1 Edw. 8, c. 46.

2 1 Edw. 8 and 1 Geo. 6, c. 50.

3 S.R.O. 1937, 660.

4 S.R.O. 1937, 658.

5 S.R.O. 1937, 1001.

in Great Britain. This Commission was not elected by registered producers but was appointed by the Minister of Agriculture and the Secretary of State for Scotland. The Act was largely permissive and the extent to which it was used depended largely on the decisions of the Livestock Commission and the desire of the industry to make use of the powers available to it.

A Livestock Advisory Committee was also established to assist the Commission. It consisted of persons appointed by the Ministers to represent the interests of producers, local authorities, auctioneers and other interests directly affected by the operation of the Act, together with four independent members who acted as Chairmen of the main Committee and the sub-committees for England, Scotland and Wales respectively.

The Act made three main provisions for improving the marketing of livestock: provisions dealing with markets and slaughter-houses, the establishment of experimental central slaughter-houses and the promotion of research and education.

Section 14 of the Act laid down that no premises, other than premises which were used as livestock markets during the year ended 30 November 1936, could be so used after 1 November 1937, unless approved by the Minister after consultation with the Livestock Advisory Committee and the local interests concerned. On the advice of the Commission the Ministers were empowered to make Livestock Markets Orders closing redundant markets; if these Orders were opposed they were provisional only until confirmed by Parliament. Compensation could be paid to the owners and auctioneers operating markets which were closed and the money for this was collected from market owners and auctioneers at approved markets who benefited by the Order. The Commission could require the owners of those markets which continued to operate to make such improvements to their premises as they considered desirable for promoting efficiency or economy in the marketing of livestock. The Commission was also empowered to make by-laws for livestock auctions—such regulations as the management of markets, the fixing of the charges which producers might be required to pay for services rendered to them by livestock market owners and livestock auctioneers, the limitation of the number of auctions in any market, and the fixing of the days and times at which markets could be held. Such by-laws were subject to confirmation by Ministers.

Part V of the Act permitted the establishment of three experimental central slaughter-houses, the initiative for which was to come from local authorities or other bodies which were prepared to be responsible for the erection and operation of the slaughter-houses. The Exchequer assisted such schemes up to a maximum of £250,000 by way of grants or loans. When a scheme for a central slaughter-house was drawn up it could be laid down that no other slaughter-house might be operated within the specified area except such as were approved by the Commission. Such a scheme had to appear to the Commission likely to promote efficiency in slaughtering, secure that the carcasses and most of the livestock were treated in a satisfactory manner and ensure that other products of slaughtering were utilized to the best advantage. The Commission was also empowered to determine the classes and number of animals which could be slaughtered so as to obtain the economic operation of the central slaughter-house and to see that compensation was paid to any persons who suffered loss as a result of the scheme by those operating the central slaughter-house.

The Commission was also authorized to make a survey of the market facilities throughout the country in order to determine in which areas marketing orders might be desirable. It commenced this shortly after it came into being in July 1937. The collection of statistics and the promotion of research and education were also undertaken by the Commission.

In its first report for the eight months ending 31 March 1938, the Commission outlined its work for that period. This had necessarily been limited to the collection of information and up to that time no marketing orders or by-laws had been issued. Later, however, the Commission issued memoranda on livestock markets and on slaughter-houses.

### 7. Eggs

Between March 1934 and December 1935 an attempt was made to restrict the importation of eggs by voluntary agreement with the main supplying countries. The basic year was April 1933 to March 1934 and it was intended to reduce imports by a given percentage of the quantity imported during that period. The largest reduction proposed was 10 % during the first half of 1935. The reduction of imports from Eire was at half the rate applied to foreign countries.

The scheme did not prove successful in reducing imports, which

in fact increased considerably during that period. Unlike the restrictions imposed on meat and other products the reduction was really voluntary in character, and was not accompanied by threats of compulsory regulation, and this was the cause of its failure. It was decided to abandon the scheme, because it was realized that a reduction of imports sufficient to have a substantial effect in raising prices would have to be very drastic. In April 1939, however, the compulsory restriction of imports of eggs was again under consideration.

## 8. Land Fertility

The Land Fertility Scheme,[1] which was started in August 1937 under the Agriculture Act 1937,[2] provided for a contribution by the State towards the cost of buying and transporting lime or basic slag, which was used for improving the fertility of the soil. It was administered by a Land Fertility Committee appointed by the Minister of Agriculture and Fisheries and the Secretary of State for Scotland under Section 2 (1) of the Act. The Exchequer contributed up to one-half of the cost in the case of lime and a quarter in the case of basic slag, payments only being made on quantities of two tons or more. Small farmers and allotment holders could obtain the subsidy by buying their lime or slag through societies approved by the Committee; the society bought the fertilizer in quantities of two tons or more, obtained the State grant and divided it in proportion to the quantities bought by the members.

Farmers who produced lime themselves by digging it in the forms of chalk from a pit or collecting it from the sea shore were eligible for subsidy payments in respect of the cost incurred in obtaining the lime.

In order to obtain the grant on lime or slag which they bought, farmers had to make their purchases from suppliers approved by the Ministers on the recommendation of the Committee. A condition of approval was that the prices charged under the scheme should be no higher than they were for cash transactions on 1 May 1937. Distributors also had to be approved and were subject to the same conditions as to prices as the suppliers. Persons who were not producing or distributing lime or basic slag at that date could be approved on condition that their maximum prices or charges were comparable to those of approved suppliers in their localities.

1 S.R.O. 1937, 872. 2 1 Edw. 8 and 1 Geo. 6, c. 70.

Petitions could be made to the Ministers for an increase in prices on the grounds of rises in the price of fuel, or the rates of wages, or to meet any national increase in railway rates. The Ministers appointed an independent investigator to consider such proposals and could increase prices as they thought fit after considering his recommendations.

The machinery of approved suppliers was ready on 6 September 1937, and the scheme then came into full operation. Between that date and 31 May 1938, Exchequer payments amounted to £826,000 for lime and £245,000 for basic slag.

Provision was also made for the raising of a Fund to be used for promoting research or instruction as to the use of fertilizers. The Fund was to be used to defray the cost of additional staff at the Provisional Advisory Centres in order to ensure that farmers could have soil samples tested free of charge and to undertake surveys of selected areas. The provisional statement of expenditure borne on the Land Fertility Improvement Vote for the period ending 31 March 1938 showed a total of £657,000, of which £638,141 was contributed towards the cost of lime and basic slag and the remainder was spent in salaries and general expenses.

## 9. Sea Fish

The sea-fish industry has much in common with certain branches of agriculture, and in addition the same Government department is responsible both for agriculture and for fisheries. Fish is an article of food, and could not be protected by a tariff on account of the general objections to duties on foodstuffs. It was therefore natural that those problems of the industry which arose, or were thought to arise, from foreign competition should be dealt with by the same means as were used in the case of agricultural products, such as bacon, facing similar problems.

As the Agricultural Marketing Act could not be applied to any non-agricultural product, a special Act had to be passed on similar lines. This was done in 1933, when the Sea-Fishing Industry Act[1] was passed. In addition to controlling imports this Act regulated the supply of fish of British taking by controlling the size of the mesh of nets, laying down a minimum size of fish which might be sold, and prohibiting the landing of fish caught in Northern waters during certain months.

1 23 and 24 Geo. 5, c. 45.

The Sea-Fishing Industry (Regulation of Landing) Order[1] issued under this Act allocated annual quotas to the supplying countries. The total allocations represented a reduction of about 10 % on the imports of the average of the previous three years. The Order applied to cod, haddock, hake, plaice, soles, dabs and herrings. Separate quotas were fixed for herrings imported from four of the principal suppliers, viz. Belgium, France, Germany and Norway. The amounts of the quota originally fixed by the 1933 Order were not altered, but in 1936 the Sea-Fishing Industry (Regulation of Landing) Order[2] excluded wet-salted split cod-fish, and included kippered herrings.

The actual landings of foreign fish under the Orders was consistently considerably less than the total allocations. This was mainly due to reduced German landings owing to exchange difficulties, but other countries also failed to supply their full quota. The quantities of fish imported under licence from 1934 to 1937 were as follows:

| | Cwt. | | Cwt. |
|---|---|---|---|
| 1934 | 1,691,000 | 1936 | 1,588,000 |
| 1935 | 1,821,500 | 1937 | 1,414,000 |

These figures compare with a total allocation of 2,426,000 cwt. The allocation of the quota to the individual countries, together with the amounts actually imported during 1937, is given in the following table:

| Country | Maximum quantity (cwt.) | Amount landed in 1937 (cwt.) |
|---|---|---|
| Belgium[1] | 55,000 | 33,208 |
| Belgium[2] | 16,000 | 196 |
| Denmark and Faroe | 412,000 | 391,164 |
| Finland | 1,980 | 201 |
| France[1] | 9,000 | 1,042 |
| France[2] | 16,000 | — |
| Germany[1] | 666,000 | 86,426 |
| Germany[2] | 27,000 | — |
| Greenland | 9,880 | — |
| Iceland | 354,000 | 226,872 |
| Italy | 3,400 | 1,487 |
| Netherlands | 41,000 | 32,128 |
| Norway[1] | 240,000 | 237,214 |
| Norway[2] | 500,000 | 343,065 |
| Soviet Union | 13,000 | — |
| Spain | 17,000 | 16,959 |
| Sweden | 43,000 | 43,000 |
| U.S.A. | 1,800 | 1,081 |

[1] Sea fish other than fresh or frozen herrings. [2] Fresh or frozen herrings.

1 S.R.O. 1933, 808. 2 S.R.O. 1936, 697.

In view of the fact that the foreign imports of sea fish formed only a comparatively small proportion of total landings it is not possible to isolate the economic effects of the control of imports from those of the changes in supplies of fish of British taking. The average price per cwt. of wet fish fell from 17*s.* 7*d.* in 1934 to 14*s.* in 1937, in spite of the reduction in imports. The main reason for this fall was the large increase in landings of cod from distant waters.

The quota scheme was administered by means of licences in the same way as the agricultural schemes. The 1933 Order prohibited the importation of sea fish except under licence issued by the Board of Trade. These licences were sent to the Governments of the supplying countries.

The Market Supply Committee established under the Agricultural Marketing Act[1] included sea fish within its scope. The Sea-Fishing Industries Act[2] also set up a Sea-Fish Commission to investigate and report on matters relating to the catching and landing of sea fish. This Commission was abolished in 1938 and replaced by a White-Fish Commission and a White-Fish Industry Joint Council.

In addition to these steps which were taken to assist the sea-fishing industry as a whole, special measures were undertaken on behalf of herring fisheries, which form a large and important section of the industry and were in an extremely depressed condition.

The Sea-Fish Commission inquired into the state of the herring industry and, in August 1934, its interim report[3] was published.

It found that there were about 15,000 herring fishermen[4] in 1933 and also a large number of other workers connected with the industry. There is no official estimate of curers, kipperers, packers and coopers in England, but the number employed in Scotland was 9,644,[5] while in the whole Scottish sea-fishing industry there were three workers engaged in ancillary occupations (including boat building and transport) for every two fishermen. The total catch of herrings in 1933 was 1,293,000 crans as compared with 3,245,000 crans in 1913 and exports had decreased to less than one-third of the pre-war level, but while the herring

1 23 and 24 Geo. 5, c. 31. 2 23 and 24 Geo. 5, c. 45.
3 Cmd. 4677.
4 Sea Fisheries: *Statistical Tables*, 1934 (49, 32, 0, 34).
5 Herring Industry Board: *First Annual Report*, 1936.

fleet included 1,485 steam drifters in 1913 there were still 994 in 1934 and their average earnings did not cover costs.

The Commission attributed the extreme depression in the industry to a shrinkage in the market caused by the decline of home consumption, protection in Germany, much smaller purchases by Russia and competition from Icelandic and Norwegian fleets. A duty of 10 % *ad valorem* on imported fish had been imposed by the Import Duties Act 1932, but foreign competition in the home market was not important. The Commission's recommendations included the suggestion that a Herring Industry Board should be established and that the industry should be subsidized.

### Herring Industry Act 1935[1]

In 1935, the Herring Industry Act was passed and it provided for the setting up of a Herring Industry Board composed of a chairman and seven[2] other members. The Board was required to submit schemes for the reorganization of the industry to the Minister of Agriculture and Fisheries and the Secretary of State for Scotland. After ensuring that the prevailing opinion in the industry was in favour of the schemes and after consultation with the Treasury and the Board of Trade the Ministers were to lay the schemes before Parliament. The main purposes of the schemes were as follows:

(1) The promotion of sales, market development and research.
(2) The making of loans for construction, reconditioning and equipment of boats.
(3) The making of loans in connection with export and the undertaking of arrangements for shipment.
(4) The purchase and disposal of redundant boats.
(5) The provision of assistance for the revival of winter fisheries.
(6) The limitation of boats and workers by a licensing system.
(7) The regulation of the methods of fishing, the organization of sales and the fixing of prices.
(8) The imposition of obligations to keep records and accounts.
(9) The levying of contributions from the industry.

The Board was given power to borrow, with the approval of the Treasury, sums not exceeding £1,000,000 and money was to be provided by Parliament for general administrative expenses, not exceeding £125,000 during the period ending 31 March 1938. In addition a

1 25 Geo. 5, c. 9.

2 Three members were to be unconnected with the industry and the others were to be representative of it. Almost immediately after the constitution of the Board the Scottish Herring Producers Association contended that Scottish representation was inadequate and another member was added.

Herring Industry Fund Advances Account was established under the control of the Treasury into which not more than £600,000 would be paid by Parliament before 31 March 1935. Money required for the making of loans in connection with export and for the undertaking of operations involving the outlay of working capital was paid from the Herring Industry Fund Advances Account into a Herring Marketing Fund. It could not exceed a total of £200,000. No money was issued from the Advances Account or the Marketing Fund after 31 March 1940.

A scheme[1] permitting the Board to make any arrangements which it considered advisable for the purposes enumerated above was submitted to the Ministers on 29 March 1935, and came into effect on 1 June.

### Herring Industry Act 1938[2]

The Herring Industry Act 1938 was passed in order to reconstruct the Herring Industry Board and to provide for grants, not exceeding £250,000, for the provision of new motor boats. Under previous schemes, loans had been granted for constructional purposes up to two-thirds of the total cost of new drifters, but many owners had had difficulty in finding the other third, as a drifter might cost £6,000.

The Act provided that the Board should consist of a Chairman and two other members, unconnected with the industry, and that a Herring Advisory Council, with members appointed by the Ministers to represent the interests of the different sections of the industry, should be established. The Act stated that Parliament would contribute towards expenses incurred by the Board, but that the amount paid in any financial year would not exceed one-half of the Board's total expenditure and that the total Parliamentary vote for this purpose would not exceed £125,000. The period of advances from the Herring Fund Advances Account was extended to 31 March 1944, and the Act stated that further sums not exceeding £150,000 might be paid into it.

Statistics relating to the herring industry are given in Appendix G.

## 10. Conclusions

The significance of the above survey of the branches of agriculture which received direct Government assistance in one form or another is the lack of any comprehensive agricultural policy. Each branch was treated as a separate industry, and the measures taken to assist it were generally the result of immediate need. The object in view was normally to relieve from financial loss the producers of a product which had been competing unsuccessfully with foreign imports.

1 S.R.O. 1935, 490.

2 1 and 2 Geo. 6, c. 42.

The effect of the measures adopted on other branches of agriculture were seldom given due consideration; for example, measures adopted to raise the selling price of wheat and oats increased the difficulties of livestock producers by raising the price of feeding stuffs. This was all the more important because mixed farming played such a large part in British agriculture. It must also be remembered that the products which were least profitable, or on which the biggest losses were incurred, were the ones which received the greatest assistance, and that those branches which were comparatively prosperous, and therefore likely to be best suited to British conditions, did not receive direct encouragement. For example, the only assistance which was given to sheep farming was the restriction on imports of foreign frozen mutton and lamb which was undertaken in order to expand Empire trade. One result of the lack of a comprehensive agricultural policy was, therefore, to encourage the unsuitable products and neglect the suitable ones.

It is also necessary to consider the extent to which the original intentions of the agricultural acts were carried out. We have seen that the Agricultural Marketing Act 1931[1] enabled marketing schemes to be drawn up for regulating the marketing of agricultural products, and that the Agricultural Marketing Act 1933[2] linked organized marketing with the regulation of imports. From the fact that the existence or preparation of a marketing scheme was made a condition for the imposition of a quota, as well as from the speeches of responsible politicians, it can be surmised that the intention of the Government was to restrict imports only when it was considered to be a necessary condition for reorganizing and increasing the efficiency of the home production. But in studying the application of this policy to the various branches of the industry it is only too clear that what was intended as a stimulant and an instrument of progress was in fact used as a cloak for the protection of inefficiencies. This is not to say that the whole of British agriculture was inefficient, or that no improvement was made as a result of some of the schemes, but that in the main the agricultural legislation was used by the farmers to improve their own position at other people's expense. The marketing schemes which were designed by the 1931 Act to lead to economies in production or distribution were, after the 1933 Act was passed,

1 21 and 22 Geo. 5, c. 42. 2 23 and 24 Geo. 5, c. 31.

regarded in the light of an unwelcome condition for the imposition of import quotas, and the object of placing the industry on a permanently economic basis largely gave way to that of obtaining higher prices or a subsidy.

In 1937, however, the Government showed an appreciation of the need for an increase in efficiency of agriculture in general, and the livestock industry in particular, and the Land Fertility Scheme and the Livestock Industry Act were passed with a view to meeting this need.

## CHAPTER VII. *BEET-SUGAR SUBSIDIES*

The production of beet sugar is a branch of agriculture, but the circumstances which brought about its introduction into the United Kingdom, and the reasons which caused the Government to ensure its continued existence, are so different in character from those of other branches of agriculture that it is necessary to study them separately instead of as a part of general agricultural policy.

The important fact about the production of beet sugar is that it was subsidized primarily for strategical reasons and not for the benefit of farmers. It is true that the development of the crop was of the greatest importance to agriculture, and that with the financial help granted by the Government many of the farmers in East Anglia, who would otherwise have been bankrupt by the losses incurred in growing cereals, were enabled to survive, it is equally true that the whole structure of agriculture in the United Kingdom was thereby affected. But in spite of the considerable benefits which the industry bestowed on an important section of the agricultural community, it is extremely unlikely that the Government would have continued to spend such large sums on one agricultural product unless other important considerations required it.

The strategical consideration involved was, of course, the provision of a minimum supply of sugar in time of war. Sugar was one of the essential items in our food supply and the danger of being completely dependent on imports from distant countries had long been realized. It was at first thought that there was a possibility of establishing sugar production on a self-supporting basis in the United Kingdom, and it was for this reason that a subsidy was given as early as 1913, long before Government assistance became a part of general agricultural policy.

The anxiety of the Government to obtain the production of a quantity of sugar in this country was shown by the fact that in 1918 a new grant was made to re-establish the industry, and after that date heavy expenditure was incurred in order to provide for its continuation. These large subsidies evoked considerable opposition, but in spite of the fact that it became quite clear that sugar production would never be possible without heavy State assistance, and in spite of an adverse majority report of a Committe of Inquiry

which was set up in 1934, the Government granted the necessary expenditure to secure the survival of the industry.

The beet-sugar industry received its first subsidy from the Government in 1913 when a grant, not to exceed £11,000, was made from the Development Fund to the Sugar-Beet Growers' Society, which consisted of eight English agriculturalists. The grant was applied to educational and organization expenses and was used by the Society in demonstrating foreign methods of beet cultivation to farmers in Norfolk and Suffolk. As a result they succeeded in producing some raw material for the factory at Cantley, Norfolk, which had been built in 1912 by the Anglo-Netherland Sugar Corporation, Ltd. They incurred heavy losses, however, and the Society was wound up.

In 1916 the Selborne Committee[1] urged the Government to arrange for a study of the possibilities of establishing a beet-sugar industry using British-grown beet. An estate at Kelham, Nottinghamshire, was bought with the aid of a grant of £125,000 from the Government and in 1918 a further loan of £40,000 for working capital was made by the Treasury from the Development Fund. During the war foodstuffs were grown on the estate, but in 1920 a company called Home-Grown Sugar Ltd. was floated with a capital of £500,000, one half subscribed by the Government and the other half by private investors. Factories were in operation at both Cantley and Kelham during 1921–22, both incurring heavy losses. The excise duty which had been imposed in 1915 was reduced and then entirely remitted under the Finance Act 1922.

By 1924 it was apparent that a substantial subsidy was required if the industry was to survive. The Government decided on such a course and passed the British Sugar (Subsidy) Act[2] in 1925 (the provisions of which were made to apply retrospectively to the 1924 season) which granted a subsidy for ten years at a rate of 19*s.* 6*d.* per cwt. of sugar produced from home-grown beet for the first four years, 13*s.* per cwt. for the next three and 6*s.* 6*d.* for the last three years. The subsidy payments were conditional upon the sugar manufacturers' paying a minimum price of 44*s.* per ton for beet of 15½ % sugar-content during the first four years,

1 Agricultural Policy Sub-Committee of the Reconstruction Committee, Cd. 8506/1917.

2 15 and 16 Geo. 5, c. 12.

buying at least 75 % of their plant and machinery from British manufacturers and paying wages in accordance with the 'fair wage clause'.

Under the Finance Act 1924 an excise duty was imposed once more at a rate equal to the customs duty on Empire sugar which gave protection as against foreign sugar of 1*s.* 11*d.* per cwt. In 1925 the Finance Act increased this preference for both home-grown and Empire sugar to 2*s.* 4*d.* per cwt.

'With 1931 the sugar-beet industry entered upon the final period of the subsidy, when the rate fell from 13*s.* to 6*s.* 6*d.* per cwt. In addition to the effect of this reduction the factories were faced with such low prices for sugar that many of them felt unable to offer farmers a price for their beet which would ensure a sufficient acreage to justify operating the factories.'[1] The Government, therefore, passed the British Sugar Industry (Assistance) Act 1931,[2] which granted 1*s.* 3*d.* per cwt. for the first 300,000 cwt. of sugar manufactured by each factory during the 1931–32 season on condition that the factories offered the farmers a price for sugar beet high enough to pass on the extra subsidy to them.

In April 1934 the Chancellor of the Exchequer appointed a Committee of Inquiry to consider the whole question of the sugar industry. As they had not reported before the subsidy was due to expire it was extended for eleven months by the British Sugar-Beet Subsidy Act 1934[3] and for a further year under the British Sugar-Beet Subsidy Act 1935.[4] The report[5] was published in March 1935, but despite the proposals of the majority the Government decided to continue the subsidy, without specific limitation of period though restricting payments to the equivalent of 560,000 tons of white sugar.

The subsidy was fixed at 5*s.* per cwt. of white sugar related to a raw sugar price of 4*s.* 6*d.* per cwt. with appropriate adjustments up or down if the average price of raw sugar should vary from that figure. After March 1937 it was to be calculated annually by the Minister of Agriculture and Fisheries, after consultation

1 A. Bridges and R. N. Dixey, *British Sugar Beet; Ten Years Progress under the Subsidy*, 1934, p. 8.

2 21 and 22 Geo. 5, c. 35.

3 24 and 25 Geo. 5, c. 39.

4 25 and 26 Geo. 5, c. 37.

5 Sugar Industry of the United Kingdom: *Report of the Inquiry Committee*, Cmd. 4891.

with the Sugar Commission and the Treasury, by reference to the world price of sugar, the price of beet and certain other factors. It was designed to fill the gap between the Corporation's income and outgoings and to include provisions for a reasonable rate of profit (at present 4 %) in addition to the Corporation's share under an Incentive Agreement of any savings due to economies in factory operation. After five years the basis of State assistance was to be reviewed triennially.

The Government adopted most of the Committee's recommendations as to the reorganization of the British sugar industry and they were embodied in the Sugar Industry (Reorganization) Act 1936.[1] This arranged for the voluntary amalgamation of all the sugar factories in the United Kingdom into a single corporation, the British Sugar Corporation, Ltd., under the supervision of a permanent Sugar Commission appointed by the Minister of Agriculture and the Secretary of State for Scotland. This Commission was authorized to keep under review the growing of sugar beet and the manufacturing, refining, marketing and consumption of sugar, to advise the Government on the administration of the subsidy and to have a measure of executive authority on certain technical questions. The Commission was also empowered to promote education and research out of funds provided by the industry. The general expenses of the Commission were paid by the Exchequer under a special vote to the Ministry of Agriculture and Fisheries.

A temporary Sugar Tribunal was set up to assist the amalgamation of the firms in the sugar industry. If that amalgamation did not take place within a reasonable time it was to be undertaken in accordance with a scheme prepared by the Sugar Commission.

The British Sugar Corporation acquired and operated the existing sugar organizations as from 1 April 1936. The Chairman and two other members of the Board of the Corporation had to be approved by the Government and no subsequent vacancy could be filled except after consultation with the Sugar Commission; all appointments to the higher executive posts were subject to prior consultation with the Sugar Commission.

In January 1937 the Commission fixed the maximum acreage in respect of which contracts might be entered into by the Corporation. This maximum was fixed with a view to securing that the

1 26 Geo. 5 and 1 Edw. 8, c. 18.

quantity of sugar produced should equal, as nearly as possible, the 560,000 tons of white sugar which was the maximum amount of sugar on which the subsidy was payable. Under the Act the Corporation had to submit to the Commission, at the end of every year, plans showing the arrangements proposed as to the production and marketing by the Corporation of white sugar during the next year. These had to be approved by the Commission, who could make any modifications which they considered to be in the public interest. The payment complied with the arrangements approved by the Commission. The Commission approved without modification the Corporation's proposals for the years commencing 1 April 1937 and 1 April 1938. They were based on the estimated acreage of beet to be grown in 1937 in each factory area as shown by the contracts offered by growers, and on the best estimate that could be made of the probable production of white sugar at each factory having regard to the market position and to considerations affecting the production of individual factories. The Commission's Orders approving the arrangements allowed a measure of latitude for circumstances arising outside the control of the Corporation which might necessitate some modification in practice of the details of the arrangements.

The payments made by the Exchequer to the Beet-Sugar Industry as shown in the Civil Appropriation Accounts, are given below.

BRITISH SUGAR SUBSIDY

| Year ending 31 March | £ (000) | Year ending 31 March | £ (000) |
|---|---|---|---|
| 1925 | 492 | 1932 | 2,135 |
| 1926 | 1,066 | 1933 | 2,356 |
| 1927 | 3,226 | 1934 | 3,333 |
| 1928 | 4,309 | 1935 | 4,450 |
| 1929 | 2,854 | 1936 | 2,286 |
| 1930 | 4,230 | 1937 | 2,981 |
| 1931 | 6,023 | 1938 | 1,218 |

It was noted on p. 60 above that no general policy of Government assistance to industries was adopted, but that certain individual industries were aided by subsidies or other methods of assistance. Some of these industries were subject to Government intervention on account of military and strategical considerations, others in order to alleviate urgent social problems, and a third group, consisting mainly of export industries, were assisted in various ways as a substitute for the tariff protection which was afforded to other industries after the abandonment of free trade in 1931–32, but could not be appropriately applied to them.

All these schemes will be discussed separately, but before individual industries are considered mention must be made of two features of Government policy which apply in the first case to industry as a whole, and in the second case to industry in certain areas. These are the Interest and Loan Guarantees scheme and the Special Areas subsidies.

### 1. Interest and Loan Guarantees

This was a method of indirect intervention to facilitate the undertaking of certain industrial or utility schemes by guaranteeing the interest, and in some cases the principal, of any money invested in them. Such a guarantee by the Government reduced the rate of interest which had to be paid, and in some cases might make possible the raising of loans for purposes which would not otherwise have received sufficient public support.

The reasons for which such intervention was undertaken were in some cases that the Government desired the schemes for which the guarantees were made to be proceeded with, but even more, because of the desire to alleviate unemployment, which had become an important social problem, and one which brought considerable discredit to whatever Government was in power.

The first measure passed to give effect to this policy of indirect intervention was the Trade Facilities Act 1921.[1] The immediate purpose of this Act was to overcome the restrictive effects on investment of the abnormally high post-war interest rates. Parliament authorized the Treasury, on the recommendation of a

[1] 11 and 12 Geo. 5, c. 65 (amended in 1922, 1924, 1925 and 1926).

Committee set up for the purpose, to guarantee the interest or principal, or both, of loans raised, within or without the United Kingdom, for carrying out any capital undertaking or for the purchase of articles manufactured or produced in the United Kingdom, if the loans were calculated to promote employment. The scheme was primarily intended to assist the export industries and, in particular, heavy engineering. In the years of its operation (1921 to March 1927) £72 millions[1] were guaranteed by the Treasury, and by March 1938 loans of £44 millions had been repaid, including £8 millions repaid by the Treasury in fulfilment of guarantees. Assistance was given to many different firms, and each firm did not usually receive it for more than one or two loans. In general the loans were for quite small amounts, the majority of them being less than £100,000. Firms taking advantage of the scheme included transport, shipping and shipbuilding and electric power companies.

After the abandonment of the trade facilities scheme a new plan was brought into operation in 1929 under the Development (Loan Guarantees and Grants) Act[2] of that year. The Act provided for the establishment of the Development (Public Utility) Advisory Committee, which might recommend that assistance should be given to Public Utility Undertakings carried on for profit. Such assistance was to take one of two forms. Guarantees might 'be given in respect of the principal and/or interest of loans raised and applied for the purpose of meeting capital expenditure on the schemes eligible',[3] and any necessary payments would be met from the Consolidated Fund. Alternatively, the Treasury, after consultation with the Committee, might make grants 'for the purpose of assisting any persons carrying on any public utility undertaking in Great Britain in defraying, in whole or in part, during a period not exceeding fifteen years, the interest payable on any loan'[4] raised for development purposes. The Advisory Committee was instructed that assistance was only to be given to schemes that would not otherwise be undertaken in the near future and that the value of the schemes as economic development as well as their employment value was to be taken into

1 House of Commons Paper, No. 104, 1938.
2 20 Geo. 5, c. 13.
3 *Committee on National Expenditure Report*, 1931, Cmd. 3920.
4 20 Geo. 5, c. 7.

account. Grants were given to railways, docks, gas companies and so forth as follows:[1]

| | | | |
|---|---|---|---|
| 1935–36 | £935,000 | 1937–38 | £821,600 |
| 1936–37 | £865,146 | 1938–39 | £750,000[1] |

[1] Estimate.

A new system of Government-guaranteed issues was initiated in July 1935 with a loan for the purpose of electrifying suburban railways in London. The London Electric Transport Finance Corporation and the Railway Finance Corporation were formed in order to encourage investment at a time of depression and to re-lend money to the railways for purposes laid down in the relevant acts—mainly electrification.

In 1936, the British Sugar Corporation[2] was formed. Capital was subscribed by the constituent companies, under the compulsory amalgamation arranged under the Sugar Industry (Reorganization) Act 1936.[3] The fixed assets of the companies were acquired for £5,000,000 in £1 shares and the vendors subscribed to £750,000 2¾ % Treasury-guaranteed debenture stock at 98, to provide working capital. Because the ultimate source of profit is the sugar subsidy, it was provided that ordinary dividends should not normally exceed 7 %.

## 2. Special Areas

The problem of unemployment, which was mainly responsible for the Interest and Loan Guarantees, was serious in most parts of the country, but it became evident that there were certain districts where unemployment was not only very much worse than elsewhere, but where, in the absence of an active policy, the problem would remain permanently. These areas were mainly dependent on the export industries and they came to be known as the 'Special Areas'. The attention of all parties was focused on the gravity of the situation in these areas, and on the acute suffering which prolonged unemployment entailed, and the Government was persuaded to adopt a policy of giving financial assistance to these special areas. It was in 1934 that reports[4] of investigations into the industrial conditions in certain depressed areas, including West Cumberland; Haltwhistle; Durham and Tyneside; South

1 Civil Appropriation Accounts.
2 See p. 127 above.
3 26 Geo. 5 and 1 Edw. 8, c. 18.
4 Cmd. 4728.

Wales and Monmouthshire; and Scotland were published. Following upon these reports, the Government in November 1934 promised that a special grant should be given to the depressed areas.

In 1935 the Special Areas (Development and Improvement) Act[1] was passed. This provided for the appointment of two Commissioners (one for England and Wales and one for Scotland) with wide powers to initiate and organize measures designed to help towards the economic development and social improvement of the depressed areas. The Commissioners were under the 'general control' of the Minister of Labour and the Secretary of State for Scotland and worked in close co-operation with the Unemployment Assistance Board. They were given the power to provide financial assistance for any undertaking carried on with the primary object of providing occupation for the unemployed with a view to making them partially or wholly self-supporting. The Act provided for the establishment of a Special Areas Fund, receiving £2 millions from the Exchequer in that financial year, from which payments could be made by the Commissioners. The Act was to remain in force until 31 March 1937.

By February 1936 schemes involving grants of over £3 millions had already been approved, and dock and navigational improvements and harbour works had been started. Before the end of the year further schemes were initiated, such as the creation of trading estates, financed out of the Special Areas Fund, land cultivation schemes, afforestation plans and some schemes for social improvement.

The administration of a trading estate was carried out by a trading estate company, with a board of directors composed of representative industrialists in the area and an outside member appointed by the Commissioners. The companies were financed by grants from the Commissioners, they did not operate for profit and they 'acquire suitable sites in the Special Areas and equip them with all the requisite facilities such as railway sidings, roads, power and, where necessary, quays'.[2] The estate companies built factories and let them at rentals calculated to cover building costs only.[3] Expenditure on road and railway construction and maintenance and on the installation of water, drainage, gas and elec-

1 25 Geo. 5, c. 1. 2 Cmd. 5090.
3 Building costs are low on account of large-scale buying.

tricity was borne by the trading estate companies out of grants from the Special Areas Fund.

In June 1936 the Special Areas Reconstruction Association was set up to furnish financial assistance for small businesses which were not in a position to borrow from banks in the ordinary way. The Association received annual grants for administrative expenses[1] and was partially guaranteed against capital losses by the Consolidated Fund, which provided £100,000 towards reserves. The loans granted were as follows:[2]

| | No. of loans | Value | Estimated additional employment |
|---|---|---|---|
| June 1936–Aug. 1937 | 67 | £403,450 | 6,777 |
| Sept. 1937–Aug. 1938 | —[1] | £166,700 | —[1] |

[1] Not published.

In 1937 the Special Areas (Amendment) Act[3] was passed to extend the period of operation and the scope of the previous Act. The Commissioners were given power to provide financial assistance for newly established industries in the Special Areas 'by means of contributions towards any sums payable in respect of the undertaking by way of rent, income tax or rates'. They were also empowered to make grants towards road and drainage expenses incurred by local authorities in Special Areas. Under the Act, the Treasury could make loans or subscriptions to share capital (not exceeding one-third of the share capital of the company) to Trading Estate Companies[4] outside the Special Areas, but these loans and the loans to industries in Special Areas could not exceed a total of £2 millions. Loans had to be approved by the Minister of Labour, who had an advisory committee to help him. The factors considered were the general unemployment in the vicinity, the probability of any decrease in unemployment and the dependence of employment on one or two generally depressed industries.

After the passing of the Special Areas (Amendment) Act considerable assistance was given to the depressed areas. Up to 30 September 1938 contributions towards the rates payable by new industries were offered by the Commissioner for England and

1 Grants in 1936–37 and 1937–38 were £10,092 and £14,631.
2 Cmd. 5595 and 5896.
3 1 Edw. 8 and 1 Geo. 6, c. 31.
4 Which do not operate for profit or which have constitutions which forbid 'the payment of any interest or dividend at a rate exceeding such rate as may be for the time being prescribed by the Treasury'.

Wales to sixty factories, which were expected to employ 8,000 workers, and capital assistance of £954,000 was granted by the Treasury.[1] The more important new industries which were attracted to the Special Areas included electrical engineering, woodworking, light metal, motor-body building, paper, textile and leather industries.

In September 1938 the commitments for expenditure in Great Britain on aids to industry, public works and so forth totalled £21 millions and about half of this amount had already been spent.

The distribution of this expenditure, and other statistics relating to the Special Areas, is given in Appendix H.

### 3. Dyestuffs

The experience of the war showed the inadvisability of being dependent on foreign sources for chemical processes, and it was decided to establish a dyestuffs industry in the United Kingdom. The method of protection adopted was the complete restriction of imports except under special licence from the Board of Trade. Under the Dyestuffs (Import Regulation) Act 1920[2] synthetic organic dyestuffs, and organic intermediate products used in the manufacture of any such dyestuffs, could not be imported except under Board of Trade licence. The 1920 Act was to remain in force only for ten years, but at the expiration of that period it was not deemed advisable to allow free importation, and the Act was renewed from time to time until 1934, when it was slightly amended and made permanent.

The reason for the Government intervention in favour of the dyestuffs industry was thus strategical, and, although the method used was very different, the object in view was much the same as in the case of the beet-sugar industry.

### 4. Forestry

Forestry is an industry which can be, and has been, protected by tariffs, but after the war circumstances existed which caused the Government to adopt additional means of assisting it. The material resources of the industry had been greatly used up in order to supply war needs, and if the industry was to be restored to its former dimensions heavy capital expenditure was necessary. It is a feature of afforestation that the capital outlay does not produce

1 Cmd. 5896. 2 10 and 11 Geo. 5, c. 77.

a return for a very long period, and in order to bring about the planting of the required acreage the Government decided to subsidize the industry. This policy may be said to have been adopted in order to repair damage done by the war, and this is the explanation of the subsidies given during the first ten years, from 1919 to 1929.

But from 1929 onwards the grants were increased on account of the effect which afforestation might have in reducing unemployment. This change of policy became still more evident in 1936, when an additional subsidy was given for the acquisition and planting of land in the Special Areas.

The subsidies given to forestry were not in general administered by private individuals, but by a Forestry Commission established for the purpose. Grants were also given to private owners, but in the main the forestry industry has been changed by the subsidy into a Government undertaking, rather than a private industry assisted by the subsidy.

The Forestry Commission was set up in 1919 and the scale of its operations was based on the Acland report,[1] which recommended:

'(1) The maintenance of the existing woodland area, 3 million acres, in a state of productivity.

(2) The afforestation, with conifers, of 1¾ million acres at the rate of 1,180,000 acres in the first 40 years.

(3) The establishment of a Forestry Fund with financial provision for the first decade (1919–29) of £3,500,000 plus working receipts.'[2]

In the first ten years, 1919–29, of the scheme's operation, £3,364,012 was actually spent, in addition to the revenue obtained from sales of forest products. In July 1928 the Government asked Parliament to vote, as grants in aid to the Forestry Fund from 1929 to 1938, the aggregate sum of £5,000,000. This was increased to £9,000,000 in September 1929, on account of the growing unemployment. New acquisition was to proceed at the annual rate of 60,000 acres of plantable land and 2,500 acres of cultivable land, the latter to be used for an additional 3,000 forest-workers' holdings, to provide part-time employment to supplement the labourer's work in the forest.

1 Cd. 881.

2 *Committee on National Expenditure Report*, Cmd. 3920, p. 127.

In 1931, the Committee on National Expenditure recommended a considerable reduction in afforestation schemes and put forward the view that there should be no fresh acquisition of land. The Committee did not consider that afforestation was an attractive investment and thought that timber might not in future be necessary in time of war, on account of the possible development of timber substitutes. It was also of the opinion that afforestation was an unreasonably expensive method of setting unemployed men on the land. The expenditure on the acquisition of land, however, increased in 1932 to over £200,000.

In 1933, 1934 and 1935 considerably less land was purchased than in previous years, but in 1936 there was an increase on account of two main changes in policy. The first was an increase in the annual grant-in-aid, which had remained at £450,000 for several years, to £500,000. The second was the initiation of a scheme of afforestation and forest-workers' holdings in connection with the Special Areas. Within about 15 miles of these areas it was estimated that there were 200,000 acres which might be acquired for afforestation and, as an experiment for three years, the Commissioners were authorized to acquire and begin to plant 100,000 acres. A sum of £200,000 was allotted for the first year, beginning 1 April 1936, thus increasing the total vote to the Forestry Fund to £700,000. Land purchase in most areas proceeded on a substantial scale and a certain number of forest-workers' holdings were completed. Removal expenses of tenants of the holdings were borne by the Ministry of Labour and 'each tenant received by instalments a free grant of £15 for stocking and equipment of the holding. In addition he might also obtain a loan up to a maximum of £30, to be repaid by fortnightly instalments.'[1]

It is to be noticed that most of the Commission's operations were on agricultural land acquired for afforestation and not by way of replanting woodlands stripped during the last war.

Amongst their other activities the Forestry Commissioners took steps to encourage private afforestation. They assisted planting by local authorities and private owners by means of grants and small loans, attempted to stimulate the interest of owners and organized courses for woodmen from private estates.

1 *Eighteenth Annual Report of the Forestry Commissioners*, 1938.

Grants were made by the Commissioners to private planters on the following scales:

(i) Conifers—up to £2 per acre planted and thereafter maintained as a forest crop.

(ii) Hardwoods—for every acre planted and thereafter maintained as an area for the production of hardwoods: up to £4 per acre for oak and ash; £3 per acre for beech, sycamore or chestnut, and £2 per acre for other approved species.

During 1937, 301 schemes were approved and these covered some 4,000 acres.

The Commissioners co-operated with the Ministry of Labour in providing sites for training camps and work for men. The work included fire protection, clearing and road-making, and up to 1937 the Parliamentary votes, given for this purpose, amounted to £8,656,000.

The Forestry Commission made contributions towards education and research. Apprentices' schools were subsidized in order to ensure an adequate supply of supervisors (foresters and foremen) and grants were made to universities to assist the teaching of forestry. Assistance towards research was given to many bodies, such as the Imperial Institute of Entomology, the Forest Products Research Laboratory, the Bureau of Animal Population and so forth. There was also an Advisory Committee on Forest Research and a considerable amount of research was actually organized by the Commission.

Statistics relating to Forestry are given in Appendix I.

## 5. Civil Aviation

Another industry which the Government decided to assist was civil aviation. The Government recognized the great possibilities of air transport in the future, and the importance of encouraging this industry in the United Kingdom. But the initial expenses of organizing such an industry were heavy and the growth of revenue-producing services must be slow. The general public were not anxious to risk the use of new methods of transport until they were proved by experience to be safe, and for the same reason mail and other freight were not readily entrusted to them. The British aviation companies which started regular services in August 1919 between London and Paris, and later between London and

Amsterdam, soon found themselves operating at a loss, and were forced to cease working in February 1921.

The British Government then had the alternatives of allowing other countries to forge ahead in the provision of air services and to monopolize the London-Continental services, including the carrying of air mail, or of themselves subsidizing the initial development of civil aviation. They chose the latter alternative and in March 1921 a temporary subsidy scheme was evolved, but competition between different companies made the plan uneconomical. A division of routes between the various companies was made, but this did not work satisfactorily and, in 1923, the Civil Air Transport Subsidies Committee was appointed to consider the best method of subsidizing air transport.

As a result of the Committee's recommendations the existing companies became merged into Imperial Airways and, in return for running specified services, it was agreed[1] that a subsidy of £137,000 per annum should be paid for the first four years, decreasing later by about £20,000 each year to £32,000 in the tenth year. This was the beginning of a system of subsidies organized on the basis of a series of agreements between the Air Ministry and aviation companies. Each agreement stated that in return for a given grant the company would maintain an efficient service, operating a minimum number of times each week, to and from certain places. Unlike the 'tramp-shipping' subsidy, the grant to civil aviation did not provide a subsidy for all services, and it was possible for a civil aviation company to operate on both subsidized and unsubsidized routes. Another important point is that the Civil Air Transport Subsidies Committee recommended that Imperial Airways should occupy the privileged position of being the only company in receipt of a Government subsidy. This gave it a virtual monopoly until 1935, when the Government made grants to British Airways.

In 1927, the Government decided to concentrate upon developing imperial routes, in particular those from England to India and South Africa, and to restrict operations in Europe to the more remunerative routes. It was also decided that the Civil Aviation vote should be stabilized over a ten-year period at £500,000 per year. In 1929, the subsidy to European air services was increased to £125,000 for the years 1929–30 and 1930–31,

1 For the terms of the Agreement see Cmd. 2010.

decreasing to £110,000 in the next four years and thence to £30,000 in 1938–39.

The Air Transport (Subsidy Agreements) Act 1930[1] authorized 'the President of the Air Council to pay subsidies and furnish facilities to persons maintaining regular services for the carriage by air of passengers, goods and mails'. The Act permitted the President to make subsidy agreements, with the approval of the Treasury, up to £1,000,000 in any financial year, provided that no subsidies should be payable under the agreements after 1 December 1940.

The Government set up a Standing Inter-Departmental Committee in 1935 and the opinion of the Committee was that the Government should support more than one company, that each supported company should have its own delimited sphere of operation and that incentives to expansion should be given by restricted competition and effective Government control. As a result, a service to Scandinavia, run by British Airways, was subsidized and, later, grants were made in respect of some of its other services.

In 1936, the Air Navigation Act[2] was passed. This repealed the 1930 Act and arranged for the transfer of the Air Council's functions, with regard to civil aviation, to the Secretary of State for Air. The Secretary of State, subject to the Treasury's approval, was to make subsidy agreements with aviation companies up to an aggregate of £1,500,000 a year, subsidies being payable up to 31 December 1953. It was a condition attached to all subsidies payable under this Act that one or more of the directors of the aviation company should be nominated by the Secretary of State.

In March 1938, a Committee of Inquiry into Civil Aviation, which had been set up under the chairmanship of Lord Cadman, made its report.[3]

It suggested:

(1) The appointment of an extra Parliamentary Under-Secretary of State to be solely concerned with civil aviation; the strengthening of the higher control of the Department of Civil Aviation to secure more vigour and foresight in future policy; the creation of a Director of Aeronautical Production.

1 20 and 21 Geo. 5, c. 30.
2 26 Geo. 5 and 1 Edw. 8, c. 44. 3 Cmd. 5685.

(2) That first-class air services, subsidized if necessary, should be established between London and all the principal capitals of Europe; that a service to South America should be inaugurated; and that plans should be prepared for the development of other routes for air services, including the West Indies and the Pacific.

(3) That air services in Europe should be developed by British Airways, with the exception of the London–Paris services, where the British Airways and the Imperial Airways interests should be amalgamated under a single company.

(4) That further research work in the field of aviation was necessary.

(5) That the subsidy should be immediately increased as the limit of £1½ millions left little margin, above actual or prospective commitments, for the suggested new developments.

The Government announced its intention to strengthen the permanent staff, but refused to transfer responsibility for research and production from the present Service members of the Air Council. In order to provide financial assistance for the new developments outlined in the Cadman report the Air Navigation (Financial Provisions) Act 1938[1] was passed, which provided that the annual subsidy should be increased to £3 millions a year.

Arising out of the recommendations of the Cadman Committee the London–Paris service was to receive £76,000, the Warsaw service £53,000 and the Budapest service £53,000 for the period 16 April to 7 October. The two latter sums were based upon the assumption that the operating company would secure exemption in the countries concerned from duties on fuel and oil.

Statistics relating to Civil Aviation are given in Appendix J.

## 6. Cinematograph Films

To some extent the reason for intervention in the cinematograph films industry was the same as in the case of civil aviation, for both were infant industries which could not establish themselves on an economic footing without Government aid.

During the early post-war years the U.S.A. obtained a virtual monopoly of the production of films for the British market. There appeared to be no fundamental reason why a substantial proportion of the films shown in the United Kingdom should not be produced in British studios, if such studios could be assured of a

[1] 1 and 2 Geo. 6, c. 33.

market for their product during the first few years of their existence. The large profits and high salaries earned in the film industry in Hollywood accounted for the eagerness to establish the industry in this country, although it is probable that the argument which most impressed the Government was that a successful film industry would reduce imports and possibly provide a new export trade.

It would have been possible to assist the industry by means of a high tariff, or by a straightforward restriction of foreign imports, but it must be remembered that the exhibiting side of the industry was an important and growing factor, and any scheme which might have the effect of reducing the number or quality of films would be drastically opposed both by the exhibitors and by the general public. It would also have been possible to give the industry a direct subsidy, such as that given to civil aviation, but even this might not have brought about the establishment of producing units in face of the competition of the already existing and flourishing U.S.A. industry.

The Government decided to meet the demand for a guaranteed market for British production by introducing a quota scheme which placed upon the renters and exhibitors an obligation to use a certain proportion of British films.

The Cinematograph Films Act 1928[1] laid down separate quotas for renters and exhibitors over a period of ten years. The quotas, which were separated into long films (over 3,000 feet) and short films (under 3,000 feet), made it compulsory for the renters and exhibitors to include in their purchases and programmes a gradually increasing proportion of British films, and inflicted heavy fines for offences against the quota provisions of the Act.

The film quota brought about a gradual increase in the number of British films up to the year ending 31 March 1938, and during this period British production was considerably above the quota minimum. There was not, however, any reduction in the number of foreign films imported, which increased on an average by about 15 a year.

In spite of the progress made by the British film industry under the protection of the quota, it was not felt in 1938, the end of the ten-year period, that the industry was in a sufficiently advanced stage to meet American competition unassisted. The Cinematograph Films Act 1938[2] was therefore passed, which con-

1 17 and 18 Geo. 5, c. 29. 2 1 and 2 Geo. 6, c. 17.

tinued the general principles of the 1928 Act, but attempted to improve the quality of British films by removing some of the anomalies which had arisen. The main change brought about by the 1938 Act was the provision that a picture must cost a minimum sum per foot (£3) in order to be eligible to be included as a quota film, and that films which cost a greater amount per foot should be given additional quota value.

The reason for basing the quota value of a film on its cost of production may appear to be undesirable and likely to lead to a lack of economy, but it was taken as being the nearest obtainable approximation to a standard of quality, and the object in view was to raise the quality of British films. The effect of the Act was to lead to a large fall in the number of British films produced, but it increased the number of first-class films suitable for exportation to the Dominions or the U.S.A.

Details of the quotas and conditions established by the 1938 Act are given in Appendix K.

## 7. Coal

The first of the export industries to be aided by the Government was the coal industry. This industry suffered intensely from the effects of over-expansion during the war, and from the loss of export markets. The consequent depression after the war necessitated drastic wage reductions, and in April 1921 there was a strike. In order to obtain an agreement between miners and colliery owners the Government offered a subsidy of £10 millions. It is therefore obvious that it was social considerations rather than purely industrial ones which prompted the granting of this subsidy. No doubt it was realized that a prolonged coal strike would seriously impair the ability of the industry to regain some of the pre-war export markets, but it cannot be doubted that it was the desire to avoid a serious struggle with Labour that was the determining factor.

The agreement under which the subsidy was granted provided

(1) For the establishment of a National Wages Board and District Boards.

(2) That in no district were wages to be less than 'standard wages' (approximately equal to wages in 1914) plus 20 % thereof.

(3) That the sum to be applied in each district to the payment of wages above the standard was to be 83 % of the surplus of receipts over costs.

(4) That the Government subsidy was to be used to prevent wages falling below the March 1921 rates by 2*s.* per shift in July, 2*s.* 6*d.* per shift in August and 3*s.* per shift in September.

During the year following the 1921 agreement the condition of the coal industry was comparatively satisfactory. In 1923, the occupation of the Ruhr disorganized the Ruhr coal field and in consequence more pits were opened in Great Britain, profits were high and the agreement between employers and miners was revised, 11 % being added to the rates of pay. By the summer of 1924 normal conditions had been restored in the Ruhr, with the result that prices fell and the over-expanded British industry ceased to be remunerative. The Government decided to grant another subsidy to the industry from 1 August 1925 to 30 April 1926, in order to maintain the level of wages and prevent another stoppage while allowing time for a full inquiry to be made into the conditions prevailing in the industry. The Government asked Parliament to authorize the expenditure of £10 millions, indicating that if the amount proved to be insufficient, Parliament would be asked to sanction a further grant.

The Royal Commission on the Coal Industry was appointed in 1925 and made its report[1] in March 1926. The Commission stated that it was not in favour of subsidizing the coal industry at the taxpayers' expense when the level of profits was higher in 1925 than the average pre-war level and coal heavers were earning 76*s.* per week while in unsubsidized industries, ship-wrights, for example, were earning only 56*s.* The Commission feared that, if the subsidy were continued on account of the recent crisis in the trade, a precedent would be created and employees in other trades would strike in order to obtain subsidies. Further, the Commission was not in favour of keeping the uneconomic mines in production by means of subsidies, as the industry was too large in size for the requirements it had to fulfil and it did not appear likely that there would be a substantial increase in the demand for coal in the near future.

Although the Commission put forward the view that the subsidy 'should stop at the end of its authorized time and should never be repeated', the Government said that it would be willing, if a permanent agreement could be reached by 1 May, to consider extending the period of assistance for a further three months. But

1 Cmd. 2600.

the owners were in favour of a reversion to the 1921 minimum wage and a temporary increase in the working day, while the miners would not agree to any wage reduction. Eventually the negotiations broke down and a national strike started on the day following the expiration of the subsidy. By that time the subsidy had cost the country over £23 millions, and from 1 August 1925 to 31 December 1925 it had averaged over 2*s.* 6*d.* per ton of coal or about 17 % of the pit-head price.

In the years when the coal subsidy was in force the sums granted by Parliament were as follows:

| Year | £ (000) | Year | £ (000) |
|---|---|---|---|
| 1921 | 7,049 | 1925 | 19,000 |
| 1922 | 10 | 1926 | 4,199 |
| 1923 | 1 | 1927 | 29 |
| 1924 | — | 1928 | — |

After 1926 the subsidy was never renewed, and no other form of direct assistance was given. Applications for Government grants, such as the application made by the Mineworkers' Federation in 1936, were refused on account of the failure of previous attempts to provide permanent agreement within the industry. The Local Government Act 1929[1] did, however, provide for reduced railway freight charges on exported coal, as described in more detail elsewhere in this study.

Although the Coal Mines Act 1930[2] was an attempt to improve conditions in the industry by internal organization, and was not intended to assist the industry by interfering in any way with external trade, the effects of some of its provisions on coal exports were sufficiently important to merit a discussion of the Act.

Under Part I of the Act a Central Council representative of all coalowners was set up to assess the national requirements of coal for a given period. The country was divided into seventeen districts, and an allocation for each district, which was the maximum output which might be produced, was made from time to time by the Central Council. Each district had an Executive Board elected by the coalowners which fixed standard tonnages for each mine in its district, and then fixed a quota for the district in the form of a percentage of standard tonnage. The quota was an amount calculated to produce the total allocation for the district granted by the Central Council. The standard tonnages were

1 19 and 20 Geo. 5, c. 17. 2 20 and 21 Geo. 5, c. 34.

originally fixed in relation to previous output, but taking into account efficiency and the state of development. Quotas were transferable from one mine to another, but not from one district to another.

Minimum prices were fixed separately by each district Executive Board for the various classes of coal. These minima applied to export markets as well as to the home market. This led to a considerable loss of export trade, owing to the fact that foreign competitors, knowing in advance what the British quotations would be, were able to undercut them by small amounts. Also the British firms had no power to reduce prices in order to obtain large orders.

As a result of the quota scheme it was found that when a demand was made for a particular class of coal for an export market a supply was not always available. This was because the quota had been completely produced and the output sold in the home market, where higher prices could be obtained. Thus the 1930 Act,[1] instead of helping, actually hindered the export of coal, and consequently the Act was amended in 1934,[2] and quotas and allocations were then made separately for the home and export markets in addition to existing allocations and quotas. The danger of quotas intended for export being diverted to the home market and competing with coal from other districts is thereby avoided.

Further quantitative control of coal exports was established by the conclusion of bilateral agreements with some of the Baltic and Scandinavian countries, which reserved given proportions of these markets to the United Kingdom, and by the Anglo-Polish Coal Agreement of 1934 which regulated Polish and British exports according to agreed proportions. These agreements are fully discussed in Chapter XI.

### 8. Shipping

The British shipping industry is divided into two distinct sections, shipbuilding, and shipping, i.e. the carrying of cargo and passengers in ships. These two sections are, of course, very closely connected and were often dealt with in the same legislation, but consideration of the Government's policy towards the two branches must be kept distinct.

The first assistance given by the Government was of an indirect character and was confined to shipbuilding. In 1930 the Board of

1 20 and 21 Geo. 5, c. 34. 2 S.R.O. 1934, 677.

Trade was authorized to insure, against construction and ordinary marine risks, two large passenger vessels which the Cunard Company contemplated constructing for the North Atlantic passenger service. This was not an important change of policy, but was only an exceptional measure to facilitate the finance of two exceptionally costly ships, the insurance of which could not easily be absorbed by the insurance market.

During the depression, work on the first of the two vessels was abandoned and shipbuilding activity in general declined enormously, causing very severe unemployment and distress in those districts which were mainly dependent on this industry. This serious unemployment problem was the chief reason for the Government's decision to facilitate the resumption of work on the Cunard vessel by advancing the necessary money. The North Atlantic Shipping Act 1934[1] permitted the Treasury to make advances up to £9½ millions out of the Consolidated Fund 'on such terms as they think fit', for the construction of vessels for the North Atlantic shipping trade and the provision of working capital. Loans were only to be made on the conditions that the Cunard Company combined its North Atlantic interests with those of the Oceanic Steam Navigation Company, in order to diminish competition between British firms. Here we have an example of how an Act designed to assist shipbuilding is used as an instrument to improve organization in shipping.

The depression in shipping was caused by the general decline in international trade, and also largely by the competition of subsidized foreign shipping. The shipping industry was not only vital to the communications of the Empire, but was also an important means of obtaining foreign exchange, and in addition employment by the shipbuilding industry was dependent largely on the prosperity of British shipping. The decline of British shipping brought about by foreign subsidies was therefore viewed with the greatest concern, and justified a drastic change in the Government's attitude towards private industry. It was in order to enable British firms to compete with foreign subsidized shipping that the Government proposed in 1934 to grant a subsidy to tramp shipping for one year up to a total of £2 millions. This offer was conditional upon the shipowners formulating a satisfactory scheme of reorganization to prevent the dissipation of the subsidy by

1 24 Geo. 5, c. 10.

domestic competition between British ships and to ensure that British shipping would benefit at the expense of foreign shipping. Early in 1935, after such a scheme had been submitted to the Government, the British Shipping (Assistance) Act[1] was passed. The Act provided for a subsidy for one year, which was not to exceed £2 millions and was to be reduced below this amount, on a sliding scale, if the average freight rates for the subsidy year rose above 92 % of the 1929 average. Only certain ships were eligible for this subsidy and these were to register with the Tramp Shipping Subsidy Committee, from whom the subsidy was to be claimed.

At the beginning of 1936, it was decided that the subsidy should be continued for another twelve months and that another grant of £2 millions should be made. The subsidy was given credit for the fact that during the previous eight months British shipping had carried 188,000 tons additional cargo, representing some 57 vessels and the employment of 1500 officers and men.[2] In 1937, the subsidy was again extended for one more year, but it was not actually distributed as the freight rates were well above the 1929 level.

After 1937, the subsidy to tramp shipping lapsed and it was left to the owners to continue co-operation on a voluntary basis. In September 1937, it was suggested that there should be voluntary co-operation in the maintenance of minimum rates, limitation of the amount of shipping going to particular ports and observance of specified wages and conditions of work. These proposals were broadly accepted by the industry in October and further proposals, calculated to even out the fluctuations in prices by a Tramp Shipping Pool, were made in the spring of 1938.

By the end of 1938, British shipping, after a brief period of comparative prosperity, was again depressed.[3] The Government decided that a further grant to the industry would be justifiable, as shipping is vital to the nation in war-time and has to face much foreign subsidized competition. In January 1939, the Chamber of Shipping published proposals for assistance which were drawn up at the Government's invitation and, at the end of March,

1 25 Geo. 5, c. 7.

2 *Economist*, 12 February 1936, p. 357. Report of speech by Dr Burgin.

3 Unemployment in shipping services was 26·8 % and in shipbuilding 22·5 % on 12 December 1938. Freight rates in December fell to 92·8% of the 1929 level.

Mr Oliver Stanley gave a rough outline of a proposed subsidy. He said that the Government was prepared to grant a subsidy to deep-sea and near continental tramps. It was to be limited to £2,750,000 a year, for five years, and the payments would be governed by a sliding scale based on freight rates. The scheme provided for the establishment of an Advisory Committee, for an experimental period of two years, to examine requests for assistance from companies whose services were endangered by foreign competition.

Included in the above Acts were certain measures intended to assist shipbuilding. In the 1935 Act a 'Scrap and Build' scheme, controlled by a Ships Replacement Committee, was formulated. Under this scheme, owners were given rebuilding loans on the condition that they scrapped two tons of shipping for every new ton built and scrapped one ton for every ton of existing shipping modernized. Owners were allowed to purchase and scrap foreign ships in order to qualify for the rebuilding loans, but no loans were to be made after two years from the date upon which the legislation was passed and the loans were not to exceed £10 millions. The 'Scrap and Build' scheme came to an end in February 1937, owing to the lack of scrap tonnage for the owners to buy up. During the operation of the scheme only £3,548,124 was advanced.

In the proposals made by Mr Oliver Stanley in March 1939 it was suggested that a grant, not exceeding £500,000 a year during the next five years, should be paid to owners of tramps and liners and also that Government loans of £10 millions should be made available during the next five years, on favourable terms, to shipowners for the purpose of building tramps and cargo liners. Finally, the scheme included a proposal to spend up to £2 millions on purchasing vessels which, though still capable of service, would otherwise be sold to foreign firms for breaking up.

It is interesting to note that up to 1937 the policy was to reduce the number of ships in existence by scrapping obsolete vessels, but that in the 1939 proposals, owing to the threat of war, this policy was completely reversed and money was provided to purchase vessels which would otherwise have been sold abroad for breaking up.

Statistics relating to Shipping and Shipbuilding are given in Appendix L.

## 9. Steel

Government assistance to the steel industry was of a more indirect character, taking the form of strengthening and giving the force of law to an agreement voluntarily arrived at by the industry itself. The British Iron and Steel Federation came to an agreement with the International Steel Cartel which involved a limitation of imports by quota and a reduction in the tariff on these imports, in return for British participation in the Cartel's export organization. Unlike the agricultural quota schemes discussed above the restriction was not drawn up and compulsorily imposed by the Government, nor are the licences issued by the Board of Trade. The British Iron and Steel Corporation, which was formed in 1935, bought all quota imports and re-sold them to selling agencies in the United Kingdom. Quota Certificates were issued by the Cartel and were recognized by the Commissioners of Customs and Excise as the authority for the admission of the products at the lower rate of duty.

This form of assistance did not involve a direct subsidy, nor did it require an actual reduction of imports: it did prevent a minority of the industry from interfering with the decision of a majority to limit imports in the interests of the industry as a whole, and by so doing it established a state of affairs in which the British Iron and Steel Federation could exploit monopoly powers.

This agreement, concluded on 8 August 1935, was for five years, with either side having the right to terminate on 7 August 1938 on giving six months' notice. The United Kingdom became a provisional member of the Cartel for one year and then a full member for four years. Exports of steel products from the Cartel countries to the United Kingdom were to be limited to 670,000 tons for the year ending August 1936 and 525,000 tons for the next four years. The products to which the agreement applied were semi-finished products, ingots, bar angles, girders, hoops and strip, plates and sheets, and wire products. The general quota was subdivided into special quotas for particular products.

In return for this limitation of imports, the British industry entered into the Cartel's export organization with participation equal to the British share of steel exports in 1934, and the British Government agreed to reduce the tariff on quota imports to 20 %. A system of licensing was introduced in November 1936, and the

Import Duties (Iron and Steel) Regulations were issued. These regulations reduced the rate of duty on steel products when accompanied by a valid quota certificate and a certificate of origin. The imports of steel from countries not belonging to the Cartel were limited to 100 % of the 1934 level.

The agreement had been drawn up at a time when the supply of steel exceeded the demand and the industry in the United Kingdom was working considerably below capacity. The quota of imports was consequently low, and British exports in 1934, the year on which participation in the Cartel was based, were also low. But soon after the conclusion of the agreement demand expanded and the British industry found itself unable to produce sufficient supplies. As early as November 1935 it was decided to allow an extra import quota of 10,000 tons a month, and this was followed by a temporary increase of 33,000 tons in February 1936. This extra quota was confined to the heavier steel products; wire and wire products were admitted strictly according to the quota.

From about September 1936 until the summer of 1937 the demand for steel, both in the United Kingdom and throughout the continent, increased to such an extent that the Cartel countries had difficulty in supplying their quota. Higher prices could be obtained elsewhere and foreign deliveries fell into arrears. The quota was originally fixed to limit imports, but in fact it had the effect of increasing them above the figure they would otherwise have attained. Although the supplying countries delivered much less than the amounts fixed in the scheme, it is probable that if it had not been for the agreement, imports from the continent would have been negligible.

After the summer of 1937 demand in other countries declined and deliveries to the United Kingdom increased. At the beginning of 1938 efforts were made to check imports. Some delay was experienced owing to deliveries being made under old contracts, but by June 1938 a substantial reduction in imports was effected.

The International Steel Cartel with which the agreements were made did not include all the countries which export steel to the United Kingdom market; the most important country not belonging to the Cartel was the U.S.A. The proportion of imports from Cartel countries to total imports varied from 60 to 70 % before the agreement was made. The following figures[1] show the

1 *Economist*, 6 August 1938, p. 296.

average monthly imports from Cartel countries, the total imports, and the proportion, after the agreement came into force:

| | Monthly average 1936 | Monthly average 1937 | January 1938 | March 1938 | June 1938 |
|---|---|---|---|---|---|
| Cartel countries (*a*) | 87,000 | 96,500 | 190,000 | 164,500 | 24,500 |
| Total imports (*b*) | 123,500 | 170,000 | 308,000 | 277,000 | 61,000 |
| Proportion of (*a*) to (*b*) | 71 % | 57 % | 62 % | 60 % | 40 % |

An important part of the scheme was the decision of the Government to give a preferential tariff to quota products. In November 1936 the rate of 50 % was reduced to 20 % for quota products, and to 10 % in March 1937. In June 1937 the general rate was reduced to 12½ % and the quota rate to 2½ %. The quota rate was increased to 10 % in March 1938, and specific duties were put on non-licensed steel products in place of the *ad valorem* duty.

Prices of steel products increased greatly during the years 1936 and 1937. It is difficult to estimate the effect of the quota agreement on prices during this period, but in so far as the scheme maintained imports above the level to which they would otherwise have fallen it is possible that it checked the price boom. When consumption was falling during 1938 prices of steel were maintained at the boom levels while other prices were falling, and this can be largely attributed to the monopoly power which control of imports gave to the British steel industry. Prices were reduced by small amounts early in 1939, but were still considerably higher than the general price level.

## 10. Cotton Spinning

Prior to 1936 the cotton spinning industry was suffering from surplus capacity which seriously impaired its efficiency. The Government recognized the need to purchase and scrap a large number of redundant spindles, but decided to provide financial support for this scheme not by a direct subsidy, but by the indirect method of a loan guarantee on the lines of the Interest and Loan Guarantees scheme.

The Cotton Spinning Industry Act 1936[1] established the Spindles Board, which consisted of a Chairman and two other members appointed by the Board of Trade. The Act also set up an Advisory Committee consisting of six persons appointed after

1 26 Geo. 5 and 1 Edw. 8, c. 21.

consultation between the Board of Trade and the Federation of Master Cotton Spinners' Associations, and other interests in the industry. The function of this Committee was to consult with and advise the Spindles Board.

The Spindles Board was empowered to borrow up to £2 millions within three years of 14 September 1936, the monies borrowed to be repaid with 2½ % interest within fifteen years. The ordinary revenue of the Spindles Board was obtained from an annual levy of 1⅛*d.* on each 'mule equivalent spindle' in existence at the beginning of each year. (A ring-spindle was taken as equivalent to 1½ mule spindles.) A back levy was also imposed on additional spindles acquired after 14 September 1936. The levy was intended to make the Spindles Board self-supporting, but the Government undertook to make good any deficits.

The spindles scheme anticipated the possibility of the Spindles Board buying about 10 million spindles, but in fact the activities of the Spindles Board were on a smaller scale than was expected, largely owing to a considerable but temporary improvement in the industry during 1937. During the first two years of its existence the Spindles Board purchased 4,569,000 'mule equivalent spindles'. The amount borrowed was only £900,000 and the funds raised by the spindles levy have proved amply sufficient. There was thus no deficit and the scheme did not involve a direct Government subsidy.

It will be seen that the policy of the Government was successful in procuring the necessary finance to purchase redundant spindles, but the expenditure involved was borne by the industry itself in the form of a levy. The ultimate liability assumed by the Government, however, enabled the money to be borrowed at a low rate of interest.

### II. Other Export Subsidies

Assistance to the exportation of various commodities was given by indirect methods. One form of subsidy was the granting of drawbacks of excise duty in excess of the duties which were actually paid by exporters of the dutiable goods. This occurred when beer, spirits and tobacco were exported, while a drawback of duty was granted on exported artificial silk waste and its products, even when excise duty was not paid. Full details of the rate of allowances and the methods by which they are administered are given in Appendix C.

Another form of subsidy was the application of specially cheap railway-freight rates to certain commodities when they were transported for export. The goods chiefly concerned were coal, milk and livestock, and the scheme is fully discussed in Chapter XIII.

## 12. Conclusions

From the above analysis of Government intervention in industry it is clear that there was no general policy applied to industry as a whole. But most of the leading export industries, and several other industries which were of strategical importance or were potentially valuable national assets, were aided in one way or another. The methods of assistance employed were very diverse, but in general they were framed so as to deal directly with the problems of the industry concerned. Wherever possible the measures of assistance chosen were such as not to place a direct burden of expenditure on the State, but in the cases of the special areas, shipping, forestry, civil aviation and, for a short period, coal, heavy subsidies were given. The non-subsidy schemes gave rise to some anomalies and complaints, particularly in the coal industry, but in general it may be said that they were cleverly devised and fairly successful in achieving their aims.

It is worthy of note that most of the schemes, both subsidy and non-subsidy, were introduced for a limited period, but with the exception of the coal subsidy all of them had to be either continued indefinitely, or if discontinued, were subsequently revived. Experience proved that it was easier to give assistance than to withdraw it.

# APPENDICES TO PART II

## APPENDIX F. *STATE-AIDED RESEARCH*

The State gave considerable assistance to agriculture and industry in Great Britain by making grants to private research workers and by undertaking research in Government Departments. Most State-aided agricultural and industrial research was controlled by two Committees of the Privy Council, but there were other channels through which it was financed, including the Forestry Commission, the Herring Fishery Board, the Ministry of Transport, the Mines Department, the Board of Trade and so forth. It is impossible to describe all these in detail, so this Appendix is confined to a discussion of the research work carried out under the general direction of the Agricultural Research and Scientific and Industrial Research Committees of the Privy Council.

### (1) Agricultural Research

Agricultural research in Great Britain was organized by a complex group of departments and committees, and before considering the way in which financial assistance was given to research it is necessary to give the names and organizations of the responsible bodies.

*Agricultural Research Committee of the Privy Council*

The Committee of the Privy Council for the Organization and Development of Agricultural Research was created on 28 July 1930, and it was constitutionally the ultimate authority in the case of disputes between the Agricultural Research Council, the Development Commission and the Department of Agriculture. The Committee consisted of:

The Lord President of the Council.
The Secretary of State for Home Affairs.
The Secretary of State for Scotland.
The Minister of Agriculture and Fisheries.
The President of the Board of Education.

*Agricultural Research Council*

The Agricultural Research Council was created in 1931 to direct and co-ordinate agricultural research in Great Britain, under the supervision of the Agricultural Research Committee of the Privy Council. Its main functions were to advise the Development Commission and the central Department of Agriculture about expenditure on agricultural research work. The Council consisted of fifteen members who were appointed by the Privy Council Committee. There are various

standing committees of the Council which covered the whole field of agricultural research. Co-ordination with the Medical Research Council and with the Advisory Council of the Department of Scientific and Industrial Research was maintained by means of conferences, joint committees, etc.

*Development Commission*

The Development Commissioners held office under the Development and Road Improvement Fund Acts 1909 and 1910.[1] Originally they were responsible for agricultural development, the encouragement of afforestation, land drainage, construction and improvement of harbours and inland navigation and fishery development. Many of the original powers of the Commission were delegated to other authorities and its main duty became to give grants from the Development Fund towards agricultural and fishery research, the development of rural industries and the improvement of fishery harbours.

*Government Departments*

The Ministry of Agriculture and Fisheries was the Government Department concerned with agricultural research in England and Wales. It was divided into various sections and the Education and Research Division was responsible for the administration of grants. In Scotland the corresponding functions were performed by the Department of Agriculture for Scotland.

*Finance of Research*

About 80 % of the Government's contribution to agricultural research was defrayed by the Development Fund. This was constituted by the Development and Road Improvement Fund Act 1909, which provided that a lump sum should be paid into the Development Fund from the Consolidated Fund and that the Development Fund should be replenished by annual grants from the Exchequer. The sum of £2,900,000[2] was paid out of the Consolidated Fund into the Development Fund, which also received £9,810,000 from Parliamentary votes.[3]

The Agricultural Departments gave annual grants to provincial advisory centres, local authorities and research institutes,[4] special grants for particular investigations and capital grants towards the provision of new equipment in research institutions. They also directly maintained a few research centres such as the Veterinary Laboratory at Weybridge.

1 9 Edw. 7, c. 47 and 10 Edw. 7, c. 7.

2 *Report of the Development Commissioners*, 1919–20.

3 *Report on Agricultural Research in Great Britain*, P.E.P.

4 There were some twenty-eight institutions where research was the sole or primary consideration, but research was actually carried on in fifty institutions.

The contributions of the Development Fund to agricultural research in 1938–39 were divided up as follows:

| | £ |
|---|---|
| Agricultural Research Council | 61,000 |
| Ministry of Agriculture | 399,715 |
| Development Fund (estimated administration costs) | 10,800 |
| Department of Agriculture, Scotland | 75,000 |
| | £546,515* |

Grants of about £470,000 were also made from the Development Fund towards Agricultural Education.

The United Kingdom's contribution to the Imperial Institutes of Entomology and Mycology and the nine Imperial Bureaux, whose function was to co-ordinate the results of agricultural research throughout the British Empire, was paid by the Dominions Office. In 1938–39 the contribution to Dominions Services was £9015.

A portion of the annual votes made by Parliament to the Departments of Agriculture was spent on agricultural research. In 1938–39, £69,670 was provided by the Ministry of Agriculture and £10,206 by the Department of Agriculture for Scotland in this way. There were also contributions from the Milk Marketing Board, Racehorse Betting Control Board, Land Fertility (Research) Fund and other sources which were appropriated in aid of the votes of the Agricultural Departments and total £10,560.[1]

About 10 %[2] of the total expenditure on agricultural research was contributed by local authorities, marketing boards, private companies and societies. The Milk Marketing Board for England and Wales made grants of over £49,000 since 1935 and many of the other Marketing Boards made smaller contributions to research. The beet-sugar industry gave £49,508 towards research and education between 1927 and 1938 and money for particular purposes was also issued by such bodies as the Herring Industry Board and the Royal Agricultural Society.

## (2) Scientific and Industrial Research

*Committee of the Privy Council for Scientific and Industrial Research*

In July 1915 a Committee of the Privy Council for Scientific and Industrial Research was appointed to advise the Lord President on the expenditure of a sum of money, to be voted annually by Parliament, for the encouragement and organization of research.

The original constitution of the Committee was altered by Order

1 *Report on Agricultural Research in Great Britain*, P.E.P. p. 43.
2 *Report of the Select Committee on Estimates*, 1934 (H.C. 101), Q. 1385.

in Council on 6 February 1928,[1] and it was then composed of the following members:

The Lord President of the Council.
The Secretary of State for the Home Department.
The Secretary of State for Dominion Affairs.
The Secretary of State for the Colonies.
The Secretary of State for Scotland.
The Chancellor of the Exchequer.
The President of the Board of Trade.
The President of the Board of Education.

*The Advisory Council*

The Advisory Council was appointed at the same time as the Privy Council Committee to advise the Committee about all proposals for expenditure on research. Unlike the Committee, which was composed of the holders, for the time being, of certain Government offices, the Council was a permanent body. It was composed of scientific experts, who were appointed by the Lord President of the Privy Council, after consultation with the President of the Royal Society. There are at present thirteen members, including the Chairman, Lord Riverdale. Under its terms of reference the Advisory Council was required to institute specific researches, to establish special institutions for research into industrial problems, and to finance research studentships and fellowships.

*Department of Industrial and Scientific Research*

The Department of Industrial and Scientific Research was formed to administer the decisions of the Advisory Council and to provide a permanent staff. In addition to its other functions the Department organized research stands at exhibitions and sent representatives abroad to attend international scientific conferences.

*Research Boards*

The Advisory Council established various Research Boards to study problems of research which were of national importance and could not be undertaken by other bodies. The Boards include the Food Investigation Board, the Building Research Board and so forth. They usually had about twelve members and each Board had one or more research stations or laboratories towards which the Department contributed money for administrative and general expenditure. Each Board published general reports and special reports on particular investigations.

The National Physical Laboratory, which was established some years

1 *London Gazette*, 10 February 1928.

before the formation of the Advisory Council, was taken over as a Research Board in order that the Council might assume financial responsibility without altering the scientific direction.

*Research Associations*

Considerable Government assistance was given to groups of manufacturers, known as Research Associations, which undertook research for the benefit of industry. The first was formed in 1918 and by 1938 there were twenty-three[1] Associations in existence, of which the two largest, with total incomes of more than £80,000, were the British Cotton Industry Research Association and the British Non-ferrous Metals Research Association. Other Associations, with total incomes of over £20,000 per annum, included those of the electrical and allied industries, the iron and steel industry and the wool industry.

*Finance of Research*

When the Committee of the Privy Council was formed no provision for a capital grant as well as an annual vote from Parliament was made. In 1917 the Research Association scheme was inaugurated and on the recommendation of the Advisory Council a fund of £1 million was voted for this purpose. This capital sum was intended to indicate the limit of Government assistance in this field. Disbursements 'were made in the form of grants paid in proportion to the income subscribed by industry towards the new organizations, in the hope that in a short space of time—five years or so—the value of the Associations would have been so amply demonstrated that the industry then assume the whole burden'.[2] Originally the State grant was equivalent to the subscriptions from the industry, but it was later reduced to 10*s.* for every £1 subscribed. During the year 1932–33 the original £1 million was exhausted, but the Research Associations were still unable to support themselves and it was decided to continue State assistance with money obtained from annual votes.

The total annual expenditure of the Department of Scientific and Industrial Research amounted to about £900,000 in 1938. Over £200,000 was met by receipts for paid services and the rest of the expenditure was defrayed by the State grant. It was estimated that the Government contribution for 1938–39 would be £741,983.[3] The subscriptions from industry to the Research Associations exceeded £250,000 a year.

1 A list of them is given in the Department's *Report for the year* 1937–38, Cmd. 5927.

2 Department of Scientific and Industrial Research, *Report for the Year* 1932–33, Cmd. 4483.

3 Civil Estimates: House of Commons Paper (1938–39), 70–VI.

# APPENDIX G. *STATISTICS RELATING TO THE HERRING INDUSTRY*

## STATE ASSISTANCE

The Parliamentary grants to the herring industry were as follows:

| | 1934–35 £ | 1935–36 £ | 1936–37 £ | 1937–38[1] £ |
|---|---|---|---|---|
| Administration and services | 12,140 | 47,440 | 47,477 | — |
| Advances for loans and purchase of redundant boats | 34,000 | 56,430 | 83,409 | 125,100 |
| Herring Marketing Fund | — | — | 150,000 | 150,000 |

(Loans to Herring Industry Board outstanding 31 March, 1939, £46,061)

*Disposal of total catch* (000 crans)

| | 1932 | 1933 | 1934 | 1935 | 1936 | 1937 |
|---|---|---|---|---|---|---|
| Total export | 1,048 | 891 | 865 | 1,081 | 1,060 | 1,009 |
| Retained home consumption | 396 | 402 | 459 | 491 | 474 | 503 |
| Total | 1,444 | 1,293 | 1,324 | 1,572 | 1,534 | 1,512[2] |

*Home consumption of herrings* (000 crans)

| | 1932 | 1933 | 1934 | 1935 | 1936 | 1937 |
|---|---|---|---|---|---|---|
| British caught | 396 | 402 | 458 | 491 | 474 | 503 |
| Imports | 157 | 152 | 84 | 134 | 107 | 93 |
| Total | 553 | 554 | 542 | 625 | 581[3] | 596[3] |

*Average earnings of English and Scottish steam drifter fleets at the two main herring fisheries*[3]

| | 1934 £ | 1935 £ | 1936 £ | 1937 £ |
|---|---|---|---|---|
| English | 915 | 1,305 | 1,685 | 1,588 |
| Scottish | 1,866 | 2,150 | 2,824 | 2,780 |

*Loans granted by the Board and net expenditure on boats for scrapping*

| | Loans for nets and gear | | Loans for reconditioning | | Redundant ships bought | |
|---|---|---|---|---|---|---|
| | No. | Value £ (000) | No. | Value £ (000) | No. | Net amount spent £ (000) |
| 1935 | 655 | 33 | — | — | — | — |
| 1936 | —[4] | 34 | 11 | 3 | 116 | 7 |
| 1937 | —[4] | 21 | 14 | 4 | 14 | 0·3 |
| Jan.–March 1938 | 29 | 7 | 10 | 2 | —[4] | —[4] |

1 Estimates.
2 Decrease due to shortage of herrings on the Scottish fishing grounds.
3 Decrease partially due to lack of supplies.
4 Figures not published.

# APPENDIX H. *STATISTICS RELATING TO SPECIAL AREAS*

## Total Commitments up to September 30th, 1938

| | £ (000) |
|---|---|
| *England and Wales*[1] | |
| Industrial development | 5,152 |
| Health service and housing | 7,274 |
| Agriculture (drainage, etc.) | 3,260 |
| Social services | 1,084 |
| | 16,770 |
| *Scotland*[2] | |
| Industrial development | 1,138 |
| Public works (including health services) | 2,641 |
| Agriculture | 194 |
| Social services | 228 |
| | 4,201 |

## Special Areas Fund

In the last three years the following sums of money have been voted to the Special Areas Fund:[3]

| | |
|---|---|
| 1935–36 | £2,000,000 |
| 1936–37 | £3,000,000 |
| 1937–38 | £3,500,000 |

## Unemployment in the Special Areas

The following table shows how the unemployed percentage in the Special Areas fell after the various schemes came into operation and gives figures of the unemployment percentage in the whole country, for comparative purposes:

*Percentage of the insured population unemployed* (14 years and over)[4]

| | Insured population July 1937 (16–64) (000) | Unemployed percentages | | | |
|---|---|---|---|---|---|
| | | Dec. 1935 | Dec. 1936 | Dec. 1937 | March 1938 |
| Special Areas | | | | | |
| England and Wales | 962 | 32·7 | 27·9 | 23·1 | 22·9 |
| Scotland | 359[5] | 23·8 | 23·8 | 18·9 | 17·8[6] |
| *England and Wales* | 11,846 | 14·4 | 14·4 | 11·8 | 12·6 |
| *Great Britain* | 13,244 | 15·2 | 15·2 | 12·6 | 13·2 |

1 Cmd. 5896.
2 Cmd. 5905.
3 Civil Appropriation Accounts.
4 Reports of the Commissioners.
5 December 1937: 14–64 years.
6 June 1938, as percentage of insured population in December 1937.

# APPENDIX I. *STATISTICS RELATING TO FORESTRY*

## State Financial Assistance

Receipts from Parliamentary votes were as follows:

| | £ (000) | | £ (000) |
|---|---|---|---|
| 1920–29 | 4,000 | 1934 | 450 |
| 1930 | 937·8 | 1935 | 450 |
| 1931 | 490 | 1936 | 700 |
| 1932 | 399 | 1937 | 800 |
| 1933 | 450 | 1938 | 800 |

The following table[1] shows the main items of expenditure from the Forestry Fund since 1934, and includes payments covered by receipts from forestry operations:

| | Forestry operations | Grants and advances | Education and research | Forest workers holdings, etc. | Total |
|---|---|---|---|---|---|
| | | £ (00) | | | |
| 1934 | 577 | 16 | 19 | 25 | 637 |
| 1935 | 566 | 17 | 22 | 28 | 633 |
| 1936 | 655 | 16 | 23 | 37 | 731 |
| 1937 | 833 | 12 | 27 | 76 | 948 |

*Output of the Timber (Saw Milling) Trade*

| | 1924[2] | | 1930[3] | | 1934[3] | |
|---|---|---|---|---|---|---|
| | Th.cu.ft. | £ (000) | Th.cu.ft. | £ (000) | Th.cu.ft. | £ (000) |
| Sawn hard wood | 13,028 Th. loads | 3,039 | 12,586 Th. loads | 2,831 | 10,327 Th. loads | 2,097 |
| Sawn soft wood | 543 | 3,848 | 601 | 3,508 | 672 | 3,573 |
| Planed or dressed wood | 501 | 3,997 | 720 | 5,280 | 919 | 5,744 |
| Other sawmill products (pit props, sleepers, veneers, paving blocks, etc.) | — | 3,183 | — | 3,233 | — | 1,799 |
| Total | — | 14,067 | — | 14,852 | — | 13,213 |

*Imports of Timber* £ (000)

| | 1930[4] | 1934[4] | 1935[1] | 1936[1] | 1937[1] |
|---|---|---|---|---|---|
| Hewn hard wood | 1,212 | 878 | 613 | 712 | 812 |
| Hewn soft wood | 1,423 | 623 | 535 | 585 | 836 |
| Sawn hard wood | 7,585 | 5,430 | 5,745 | 6,733 | 8,611 |
| Sawn soft wood | 20,663 | 21,716 | 17,380 | 22,537 | 30,921 |
| Planed or dressed wood | 2,865 | — | 4,074 | 5,209 | 6,453 |
| Other sawmill products | 9,027 | 6,395 | 7,169 | 7,742 | 14,212 |
| Total | 42,775 | 35,042 | 35,516 | 43,518 | 61,845 |

1 Annual Reports of the Forestry Commissioners.

2 Census of Production (4th) of the United Kingdom 1930. *Final Report*, Part IV. The 1924 figures include the production of small firms which is valued at £155,000.

3 *Report on Import Duties Act Inquiry* 1934, Part II.

4 *Annual Statement of Trade of the United Kingdom*, vol. II.

# APPENDIX J. *STATISTICS RELATING TO CIVIL AVIATION*

## State Assistance

In recent years the Government's subsidy to civil aviation was as follows:[1]

| | £ (000) | | £ (000) |
|---|---|---|---|
| 1934–35 | 509 | 1937–38 | 1,693 |
| 1935–36 | 419 | 1938–39 | 2,566[2] |
| 1936–37 | 602 | 1939–40 | 4,787[2] |

*Subsidiary and earnings of Imperial Airways*[3]

| | Subsidy[4] £ (000) | Total receipts £ (000) | Subsidy as percentage of total receipts |
|---|---|---|---|
| 1934 | 544 | 1,198 | 45·4 |
| 1935 | 562 | 1,425 | 39·4 |
| 1936 | 427 | 1,539 | 27·7 |
| 1937 | 382 | 1,604 | 23·8 |

## British Civil Aviation[5]

On internal, continental, England–Malay States and Hong Kong, England–Africa and Bermuda–New York Routes.

| | Aircraft mileage (000) | Passengers carried (000) | Tons of cargo carried (000) |
|---|---|---|---|
| 1932 | 1,793 | 48 | 0·7 |
| 1933 | 2,638 | 79 | 0·9 |
| 1934 | 4,557 | 135 | 1·4 |
| 1935 | 8,412 | 200 | 2·6 |
| 1936 | 9,584 | 236 | 3·1 |
| 1937 | 10,773 | 244 | 4·0 |

1 Appropriation Accounts, Air Services. These votes included provision for the upkeep of State-owned airports at Croydon and Lympne, for grants towards ground services for Empire Air Routes and grants to light aeroplane clubs, but these grants were small in comparison with the subsidies to civil aviation companies.

2 Estimates.

3 *Report of Committee of Enquiry into Civil Aviation*, Cmd. 5685.

4 These figures are not comparable with the Government's total subsidy payments given on the previous page, as the Air Ministry had certain moneys obtained from Appropriations in Aid, as well as the Civil Aviation vote, which were available for expenditure on civil aviation. The Appropriations in Aid included miscellaneous receipts from landing fees, contributions from Dominion and Colonial Governments towards imperial service and so forth.

5 *Statistical Abstract for the United Kingdom*, Cmd. 5903.

## APPENDIX K. *CINEMATOGRAPH FILMS*

The Cinematograph Films Act 1938[1] fixed renters' and exhibitors' quotas for a further period of ten years, reducing the renters' quota from 20 to 15 % for the year 1938. The quotas fixed under the Act are as follows:

| | Renters' quota | | Exhibitors' quota | |
|---|---|---|---|---|
| | Long films % | Short films % | Long films % | Short films % |
| 1938 | 15 | 15 | 12½ | 12½ |
| 1939 | 20 | 15 | 15 | 12½ |
| 1940 | 22½ | 17½ | 17½ | 15 |
| 1941 | 22½ | 17½ | 17½ | 15 |
| 1942 | 25 | 20 | 20 | 17½ |
| 1943 | 25 | 20 | 20 | 17½ |
| 1944 | 27½ | 22½ | 22½ | 20 |
| 1945 | 27½ | 22½ | 22½ | 20 |
| 1946 | 30 | 25 | 25 | 22½ |
| 1947 | 30 | 25 | 25 | 22½ |

In order to be eligible to be included as a quota film a picture had to be proved to have cost a minimum of £3 a foot. Cost was reckoned as labour cost. If a film cost a minimum of £22,500 and £9 a foot it could count as 'double quota', i.e. it counted at double its length for quota purposes, and if it cost a minimum of £37,500 and £15 a foot it could count as a 'treble quota' film. Taking the average length of British films as just over 6,800 feet, this meant that a single quota film would cost at least £21,000, a double quota £62,000 and a treble quota film £105,000.

## APPENDIX L. *STATISTICS RELATING TO SHIPPING AND SHIPBUILDING*

### State Assistance to Shipping

The total expenditure on shipping subsidies since 1934 was as follows:

| | £ (000) | | £ (000) |
|---|---|---|---|
| 1934–35 | — | 1937–38 | 4[2] |
| 1935–36 | 1,998 | 1938–39 | — |
| 1936–37 | 2,000 | | |

*Average of the Economist index numbers of shipping freights* (1929=100)

| | | | |
|---|---|---|---|
| 1928 | 102·1 | 1934 | 76·2 |
| 1929 | 100·0 | 1935 | 76·7 |
| 1930 | 81·5 | 1936 | 87·2 |
| 1931 | 82·1 | 1937 | 132·3 |
| 1932 | 77·8 | 1938 | 98·7 |
| 1933 | 74·9 | | |

1 19 and 20 Geo. 5, c. 17.

2 Administrative costs.

## Unemployment in Shipbuilding and Shipping[1]

Figures for the beginning of July:

| | Shipbuilding | | Shipping | |
|---|---|---|---|---|
| | Insured workers (000) | Unemployed percentage | Insured workers (000) | Unemployed percentage |
| 1931 | 195 | 56·6 | 161 | 29·6 |
| 1932 | 182 | 62·9 | 161 | 32·5 |
| 1933 | 169 | 61·1 | 156 | 34·7 |
| 1934 | 159 | 49·7 | 150 | 30·5 |
| 1935 | 157 | 43·6 | 146 | 28·9 |
| 1936 | 162 | 29·6 | 141 | 25·8 |
| 1937 | 173 | 22·3 | 134 | 19·7 |
| 1938 | 175 | 21·1 | 138 | 21·8 |

*Ships built (other than war vessels) in the United Kingdom*[2]

| | Total | | For foreign owners | |
|---|---|---|---|---|
| | No. | Tons (000) | No. | Tons (000) |
| 1930 | 946 | 880 | 170 | 335 |
| 1931 | 428 | 298 | 41 | 81 |
| 1932 | 302 | 113 | 19 | 13 |
| 1933 | 403 | 84 | 8 | 1 |
| 1934 | 629 | 277 | 12 | 8 |
| 1935 | 760 | 312 | 14 | 7 |
| 1936 | 927 | 517 | 21 | 20 |
| 1937 | 793 | 543 | 26 | 24 |

1 *Ministry of Labour Gazette* and *Abstract of Labour Statistics.*
2 *Statistical Abstract for the United Kingdom*, Cmd. 5903.

# PART III. INTERNATIONAL AGREEMENTS

## CHAPTER IX. *BILATERAL COMMERCIAL AGREEMENTS TO* 1931

A list compiled by the Foreign Office[1] shows that there were in force on 1 January 1939 some four hundred bilateral treaties, agreements, etc. to which His Majesty was a party. A number of these agreements did not, however, affect the United Kingdom directly, since they were agreements between a self-governing Dominion and a foreign country; on the other hand, this list does not include agreements between the United Kingdom and the self-governing Dominions, and agreements regarding territories coming under Article 22 of the Covenant of the League of Nations, i.e. mandated territories. In addition, the United Kingdom was a party to some forty international conventions relating to commercial matters. It is clearly impossible within the range of this study to refer to all these agreements individually. Many of them have existed ever since the seventeenth century and have been so amended by subsequent agreements that their original terms are only of historic interest.

### Bilateral Commercial Agreements

Prior to October 1931 the United Kingdom could offer very little to other countries in exchange for tariff concessions, because almost the whole of her own imports were admitted free of duty from all countries.[2] A very large number of bilateral commercial agreements[3] between the United Kingdom and other countries were, however, in existence, but they were all couched in very general terms. They provided that the contracting parties should each accord to goods imported from the other, tariff treatment as favourable as that given to goods from any other countries,

1 S.O. No. 59-53-0-39.

2 For details of the tariff before 1931, see Part I.

3 The term 'agreement' is here used to include treaties, agreements, conventions and exchanges of notes.

except, usually, colonies, contiguous states and states with which customs unions were in force, if special agreements existed between one of the contracting parties and any such countries. British commercial agreements were, in other words, unconditional most-favoured-nation agreements.

In many cases, the agreements related not only to tariffs but also to many other matters, such as the conditions under which citizens of one country might engage in business in the other, treatment of the shipping of either party in the ports of the other, etc.

Agreements relating only to specific problems covered such diverse subjects as false indications of origin on goods, legal proceedings in civil and commercial matters, treatment of commercial travellers and samples, estates of deceased seamen, surrender of seamen deserters, the legal position of joint-stock companies, consular fees on certificates of origin, relief of distressed seamen, trademarks in China, load-line certificates, etc. These agreements need not be considered here. More important, however, from the point of view of this study are the most-favoured-nation agreements between the United Kingdom and other countries, and it is instructive to discuss one of these at some length. This will give an indication of their scope, because they usually differed from one another only in minor details. For this purpose the Treaty of Commerce and Navigation with Roumania, 6 August 1930, may be taken as an example.[1]

After defining the territories to which this treaty applied and the meaning of certain terms it was agreed that the subjects of either party might reside or travel in the territory of the other provided that they observed the regulations applicable to all foreigners (Art. 4), and that taxes, fees, etc. paid by the citizens of either party to the other should not be greater than those paid by the citizens of any other country (Art. 5). It was further agreed that in all matters relating to commerce, navigation and industry the subjects of either party should enjoy in the territories of the other the same privileges, etc. as the citizens of any other country (Art. 6) and that they should have the same rights to buy or sell property, etc. as the citizens of any other country (Art. 7). The subjects of either party should have the same rights of access to the courts of the other as its own citizens (Art. 8) and they should

1 Cmd. 3945.

be exempt from compulsory military service (Art. 9). Companies of either party should enjoy the same rights and privileges in the territory of the other as its own companies (Art. 10). Articles produced or manufactured in either country should be admitted as imports into the other on terms not less favourable than those applicable to the goods of any other country (Art. 11). But the provisions regarding most-favoured-nation treatment did not apply to privileges granted with a view to facilitating frontier traffic between either party and another country with territory contiguous to it, special arrangements regarding imports by the Roumanian government for use in state enterprises in pursuance of the financial settlements resulting from the war, or rights or privileges granted to adjacent states with a view to the conclusion of a customs union (Art. 12). Duties imposed by either party on exports to the other should not be greater than those imposed on similar exports to other countries (Art. 13).

Prohibitions on the importation or exportation of goods from or to the other party should not be imposed by either party, unless similar prohibitions applied to goods coming from or going to all other countries: this did not apply to prohibitions imposed in the interests of public security, on arms or munitions of war, for the protection of public health, or for the prevention of animal and plant diseases (Art. 14). In the event of licences being required by either party for the import or export of any goods, the conditions under which licences are issued should be clearly and publicly stated, the method of issue should be as simple as possible and should be subject to the least possible delay, that the system of issuing licences should be designed to prevent any traffic in licences, and that if quotas for imports were fixed they should be allocated in an equitable manner. Licences controlling trade between the parties should be granted under as favourable conditions as those governing the trade between the party imposing the regulations and any other country (Art. 15). These provisions did not apply to the trade in opium (Art. 16).

Internal duties or taxes levied by either party on goods the produce or manufacture of the other should not be other or greater than duties or taxes levied on similar goods of national origin or from any other country (Art. 17). The treatment accorded by either party to commercial travellers and their samples from the other party should be in accordance with the terms of the Inter-

national Convention relating to the Simplification of Customs Formalities 1932,[1] and it should be as favourable as that granted to travellers from any other country (Art. 18). Neither party should take any discriminatory action likely to discourage or impede transit traffic through its territories by any means of transport (Art. 19).

Each party should allow the vessels of the other to carry goods and passengers to and from its ports and should not impose any restrictions upon their activities which were not imposed on similar vessels of other nationality (Art. 20). Most-favoured-nation treatment should also apply to the facilities provided in docks, harbours, etc. (Art. 21) and in regard to all dues, fees, etc. the treatment accorded by either party to the vessels of the other shall be as favourable as that granted to national vessels (Art. 22). The provisions of the preceding articles relating to the mutual concession of national treatment should not apply to vessels engaged in the coasting trade, but most-favoured-nation treatment should be granted to such vessels (Art. 23). The provisions of the previous articles should not apply to vessels of either party fishing within the territorial waters of the other, special measures for the encouragement of national shipping by subsidies or other means, privileges granted to nautical sports clubs or the provision of pilotage or port services (Art. 24). Notwithstanding the provisions of this treaty, neither party should be bound to permit vessels of the other to enter non-internationalized inland waterways, so long as such waterways were not open to the vessels of other non-limitrophe countries (Art. 25). Vessels of either party in distress or stranded on the coast of the other should be at liberty to refit, or, if stranded, the vessel and its cargo should remain the property of its owners, under the same conditions as if it were a national vessel (Art. 26).

Each party might appoint consuls, etc. in the territory of the other and they should enjoy all the rights, privileges, etc. granted to similar officials appointed by other countries (Art. 27). These consular officers shall have the same rights and privileges as are granted to the officers of other countries in respect of the estates of deceased persons (Art. 28) and seamen deserters (Art. 29).

Subjects and companies of either party should have the same rights as nationals in the territory of the other in regard to trade

[1] Cmd. 2347.

marks, copyrights, patents, etc. (Art. 30): Each party would attempt to protect goods manufactured or produced in the other from all forms of unfair competition, in particular from goods bearing false indications of origin (Art. 31).

The parties agreed in their relations with one another to give effect to the international conventions and statutes respecting freedom of transport and inland waterways of international concern,[1] customs formalities,[2] and railways[3] (Art. 32).

The parties agreed that any dispute between them concerning the interpretation or application of this treaty should be submitted to the Permanent Court of International Justice, or if urgent, to a special arbitral tribunal (Art. 33).

The United Kingdom might give notice that the treaty should apply to any British colony, protectorate or mandated territory and it should then so apply until the application was terminated by either party after six months' notice (Art. 34).[4] The treaty might, by mutual agreement and with any modifications agreed upon, be extended so as to apply to any British Dominion or India by an exchange of notes between the Roumanian Government and the government of any such Dominion or India; but after the expiration of two and half years from the coming into force of the treaty any such application might be terminated by either party on six months' notice (Art. 35), so long as any of the territories mentioned in Articles 34 and 35, not being bound by the treaty, accorded most-favoured-nation treatment in Roumania; but Roumania might terminate the operation of this Article at any time by giving six months' notice (Art. 36).

1 Cmd. 1992 and 1993. 2 Cmd. 2347.
3 Cmd. 2418.
4 Notice was given on 12 May 1931 extending the application of the treaty to:

Bahamas
Barbados
Bermuda
British Guiana
Cyprus
Falkland Islands and Dependencies
Gold Coast
(*a*) Colony
(*b*) Ashanti
(*c*) Northern Territories
(*d*) Togoland under British mandate
Jamaica (including Turks and Caicos Islands and the Cayman Islands)
North Borneo, State of
St Helena and Ascension
Sarawak
Sierra Leone (Colony and Protectorate)
Straits Settlements
Tanganyika Territory
Trinidad and Tobago

The treaty should be ratified as soon as possible,[1] and should remain in force for three years from the date of ratification and thereafter until terminated by either party upon giving six months' notice (Art. 37).

To the treaty were attached two protocols. The first provided for the extension of the provisions of the treaty to Iraq. The second stated: 'Notwithstanding anything in Article 37 of the Treaty, His Majesty the King of Roumania shall have the right of terminating the said Treaty at any time after the expiration of twelve months from the date on which ratifications are exchanged by giving six months' previous notice, if, at any time, owing to a change of the Customs system now in force in the United Kingdom of Great Britain and Northern Ireland, the agricultural products of Roumania are subjected to any taxes whatsoever, on their importation into the United Kingdom.'

It will be seen that this treaty, which is typical of many others,[2]

1 Ratifications were exchanged on 12 May 1931.

2 Similar agreements were in force between the United Kingdom and the following countries in 1931. (In the case of countries marked *, the agreements were somewhat less comprehensive.)

| | | | |
|---|---|---|---|
| Afghanistan | 1921 and 1923) | Italy | (1883) |
| Albania* | (1925) | Japan | (1911 and 1925) |
| Argentina | (1825) | Latvia | (1923) |
| Austria | (1924) | Liberia | (1848) |
| Belgium* | (1898) | Lithuania* | (1922) |
| Bolivia | (1911) | Morocco | (1856) |
| Bulgaria* | (1925) | Netherlands | (1837 and 1851) |
| Chile* | (1931) | Nicaragua | (1905) |
| China | (1842 et seq.) | Norway | (1824 and 1826) |
| Colombia | (1866) | Panama | (1928) |
| Costa Rica | (1849) | Peru | (1850) |
| Czechoslovakia | (1923) | Poland | (1923) |
| Danzig | (1923) | Portugal | (1914) |
| Denmark | (1660 et seq.) | Roumania | (1930) |
| Estonia | (1926) | Salvador* | (1931) |
| Ethiopia | (1897) | Siam | (1925) |
| Finland | (1923) | Spain | (1667 et seq.) |
| France | (1882) | Sweden | (1654 et seq.) |
| Germany | (1924) | Switzerland | (1855) |
| Greece | (1926) | Turkey | (1930) |
| Hayti* | (1928) | United States | (1815 et seq.) |
| Honduras | (1926) | Venezuela | (1825 and 1834) |
| Iran | (1856) | Yugoslavia | (1927) |

Details of all agreements in force before 1931 may be found in the *Handbook of Commercial Treaties, etc. with Foreign Powers*, 59-6-0-31.

provided not only for most-favoured-nation treatment in respect of tariffs, but also for similar treatment of almost all the commercial activities of the nationals of the countries concerned.

The dominant feature of the treaty was equality of treatment: the United Kingdom offered no special advantages to the other party, and received none. All that was required was an assurance on both sides that the contracting parties would be treated as favourably as any other country in regard to all the matters which were the subject of the agreement.

It will be readily understood that when this type of treaty is extended, as it was by the United Kingdom in 1931, to more than forty countries, an active policy of trade bargaining is difficult. The policy of the most-favoured-nation treaty was eminently suitable to a Free Trade nation such as the United Kingdom prior to 1931, for the simple reason that such a nation has no advantages to offer in return for tariff or other concessions, and its main interest must be confined to preventing discrimination against itself.

But we have seen in Parts I and II that the year 1931 marked a change in the commercial policy of the United Kingdom, and that tariffs and quotas were adopted in order to protect industry and agriculture. We also saw the efforts of the Government to expand the export trade, and it is natural that this change of commercial policy should lead to a parallel development in the type of treaty which the British Government sought to conclude. The passive policy of equality of treatment no longer sufficed, for the United Kingdom now possessed both the power and desire to demand special concessions for British exports.

Nevertheless the change in policy was not so complete as to necessitate the denunciation of the most-favoured-nation principle. After 1932 the treaty policy of the British Government appeared to be to obtain the maximum concessions for the export industries, particularly coal, of the United Kingdom, whilst still keeping to the letter, even if not to the spirit, of its most-favoured-nation obligations. It is against this background that subsequent treaties must be judged.

## CHAPTER X. *SUMMARY OF COMMERCIAL AGREEMENTS SINCE* 1932

The treaties concluded since 1932 may conveniently be divided into groups as follows:

I. Agreements with Empire countries.

II. Agreements with suppliers of agricultural produce to the United Kingdom.

III. Agreements with industrial countries exploiting the industrial tariff.

IV. Agreements of the former most-favoured-nation type.

V. Clearing and payment agreements concluded mainly in order to regulate trade.

VI. Miscellaneous agreements.

It is intended to give a brief summary of the characteristic features of each of the groups before proceeding to analyse the agreements in detail.

### GROUP I. AGREEMENTS WITH EMPIRE COUNTRIES

The series of agreements signed at Ottawa in 1932 established a system of Imperial Preference which had long been contemplated. It had been stated publicly for many years that the British Dominions and Colonies would be given preferential treatment in the United Kingdom tariff whenever it became possible to do so, and it has already been shown in Part I of this study that the 'Ottawa system' began many years before the Imperial Economic Conference of 1932, and was, indeed, fully fledged when that Conference met. But the title 'Ottawa' has been given to the system, because it was at this Ottawa Conference of 1932 that the representatives of the British Commonwealth of Nations solemnly recorded in the most formal manner their intention of strengthening and extending the system of imperial preference and signed agreements giving effect to these resolutions.

The agreements to which the United Kingdom was a party at the Ottawa Conference of 1932 were seven in number. They were very similar in many respects, and a summary of their provisions is given on pp. 186–88 below. In addition to mutual preferences on

existing tariffs the United Kingdom undertook to impose new duties on certain foreign goods, including wheat, eggs and dairy produce, and to arrange quantitative regulation of foreign imports of bacon and hams, beef, mutton and lamb.

The basis on which the whole system was founded was the assumption that the countries belonging to the British Empire formed a single economic group within which the trade relations of the several countries could be freely determined. Because the countries of the British Empire were not regarded as foreign countries preference given to them could not be considered as a breach of most-favoured-nation treaties and the interests of foreign countries did not need to be taken into account.

At the same time the Conference refused to recognize regional agreements between foreign countries as a valid excuse for the abrogation of most-favoured-nation treatment accorded to British countries. The policy of the Conference on these points is clearly shown by the following extract from the official report of their proceedings:[1]

> The Conference considered two broad groups of questions affecting the commercial relations of the several members of the Commonwealth with foreign countries.
>
> In the first place, the Conference discussed the general question of the relationship between inter-Commonwealth preferences and the most-favoured-nation clause in commercial treaties with foreign Powers. Each Government will determine its particular policy in dealing with this matter, but the representatives of the various Governments on the Committee stated that it was their policy that no treaty obligations into which they might enter in the future should be allowed to interfere with any mutual preferences which Governments of the Commonwealth might decide to accord to each other, and that they would free themselves from existing treaties, if any, which might so interfere. They would, in fact, take all the steps necessary to implement and safeguard whatever preferences might be so granted.
>
> In the second place, attention was drawn to recent tendencies in foreign countries to conclude regional agreements between themselves for the mutual accord of preferences which were designed as being exclusive, and not to be extended to countries which were not parties to, or did not adhere to the agreements. On this point, there was a general agreement that foreign countries which had existing treaty obligations to grant most-favoured-nation treatment to the products of particular parts of the Commonwealth could not be allowed to over-

1 Cmd. 4174, p. 10.

ride such obligations by regional agreements of the character in question. Particular reference was made in regard to which preferential treatment was in contemplation for the cereal exports of the States concerned—exports which constitute a substantial proportion of the exports of the cereals in question. The Conference was, however, informed that in the discussion which took place at Lausanne on the matter, the rights of third countries had, at the instance of the United Kingdom, been expressly reserved.

The Conference recognized that the fact that rights are accorded by most-favoured-nation treatment does not preclude a foreign country from seeking the consent of the various Governments of the British Commonwealth to the waiver of their rights in particular cases, and that these Governments must be guided by consideration of their individual interests in deciding whether or not to meet the wishes of the foreign country concerned, so long, however, as the general principle that rights of this kind cannot be arbitrarily withdrawn is fully and carefully preserved.

The Conference would, however, recommend that where two or more Commonwealth Governments share a common interest in any proposal for the waiver of particular treaty rights, they should consult together with a view to arriving, in so far as possible, at a common policy.

It must be admitted that foreign countries did not share the view that the 'Ottawa system' was not contrary to the unconditional most-favoured-nation principle, and it was regarded by some as a flagrant violation of this principle which had always been a corner-stone of British tariff policy.

## Group II. Agreements with Suppliers of Agricultural Produce to the United Kingdom

This group consists of agreements concluded with the Scandinavian countries, Denmark, Norway and Sweden, the Baltic countries, Estonia, Latvia, Lithuania and Finland, and with Argentina, Poland and Iceland. All these agreements were alike in many respects, but there was especial similarity between those concluded with all the *Scandinavian and Baltic Countries*, which can conveniently be considered together.

The terms of these agreements[1] can best be examined under five headings, as follows:

(1) A guarantee by the United Kingdom of fair treatment in the regulation of quantitative control.

1 See below, pp. 192–200.

(2) A 'coal clause' which guaranteed that a given proportion of the foreign country's coal imports would be taken from the United Kingdom.

(3) Both countries fixed maximum duties on selected goods.

(4) Both countries 'took note' of private selling agreements.

(5) An agreement by the foreign country to make regulations designed to facilitate the sale of British goods.

(1) The United Kingdom agricultural market, especially that in bacon and hams, was of great importance to all the Scandinavian and Baltic countries, some of which had developed industries almost exclusively in order to supply the United Kingdom demand. The decision to impose a quota on certain products, which was made at the Ottawa Conference and the application of which was fully discussed in Part II of this study, caused great concern to these countries, and it was a powerful bargaining weapon in the negotiation of the agreements.

The anxiety of the agricultural suppliers to retain their portion of the United Kingdom market was met by a promise to extend most-favoured-nation treatment to quantitative regulation. This was generally interpreted as an agreement to, e.g., 'take into consideration the position which Finland has held in recent years as a supplier of these products to the United Kingdom market'. In some of the earlier agreements a guarantee was given that the United Kingdom would not impose quantitative regulations except in connection with an internal marketing scheme.

The point at which interference with the trade of a foreign country becomes a breach of the most-favoured-nation principle cannot be precisely defined, but if one of the countries had not concluded an agreement, and as a result the imports into the United Kingdom from that country had been prohibited or drastically reduced, this certainly would have been such a breach. In fact, however, all the countries which had previously supplied these products did conclude an agreement, and quotas were fixed approximately in accordance with the proportions previously imported from each. It seems, therefore, that in the matter of agricultural quotas the principle of the most-favoured-nation was observed, but it must be noted that it was what amounted to a threat of a violation of the principle that was used as a bargaining weapon.

(2) We have seen in Part II, Chapter II above that the prosperity of the export industries was regarded as of the greatest importance. International agreements were used as an additional means of assisting these industries, and the strong bargaining position in which, as we have just seen, the introduction of quotas placed the United Kingdom was used to force the foreign countries to take a larger proportion of their imports from Great Britain. It was particularly desired to increase exports of coal, and this was a commodity which was imported by the Scandinavian and Baltic countries. The United Kingdom therefore insisted that the foreign country should take a certain specified proportion of its coal imports from Great Britain, and reserved the right to terminate the agreement if this 'coal clause' was not observed. The proportion of total imports which must be taken from great Britain varied from 47 % in the case of Sweden to 85 % in the case of Estonia, and in most cases the figure agreed upon constituted a considerable increase over the proportion previously imported. The coal industry was by far the most important industry treated in this way, but some of the agreements also provided for increases in other United Kingdom exports, particularly herrings.

The main purpose of the agreements from the British point of view was, therefore, the increase of British exports at the expense of her competitors. This demand was definitely contrary to the most-favoured-nation principle, and it is interesting to note the device used to justify it. The 'coal clause' was not part of the text of the agreement, but was included in a protocol. It could therefore be said that the agreement was based on the maintenance of most-favoured-nation treatment, even though the protocols prevent the other parties from extending such treatment to third countries. There has been much bitter controversy over this point, and it has been said that these protocols are typical examples of British hypocrisy, but the United Kingdom Government continues officially to maintain that there has been no breach of the principle of unconditional most-favoured-nation treatment.

(3) All the agreements provided for the fixing of either maximum or specified rates of duty on various goods imported into the two countries. The goods chosen varied considerably, and were selected with the object of safeguarding the exporting country against a sudden increase in duties on goods which form an important item in the trade with the other party to the agreement.

The main items of imports into the United Kingdom on which maximum duties were fixed were bacon and hams, eggs, dairy produce, fish and timber.

The maximum rates of duty fixed in respect of the various goods were the same in all the agreements, and therefore were strictly in accordance with the most-favoured-nation principle.

(4) Some of the agreements 'took note' of private selling agreements between individual firms in the two countries. These private agreements, which were generally concluded for a period of three years, were for the mutual exchange of specified goods between the firms. Their recognition by the two Governments guaranteed their continued enforcement for the period of their validity. It was another method of securing a minimum amount of trade between the two countries.

(5) The balance of trade with the Baltic countries was very unfavourable to the United Kingdom, and as a result the Governments of these countries undertook to attempt to readjust the balance by promoting the sale of United Kingdom goods. This clause is generally included in the protocol.

It is clear that the clauses described under (4) and (5) obtained special facilities or opportunities for the sale of British goods in foreign countries. While the clauses might not be contrary to the letter of any treaty, they certainly did not conform to the spirit of equality of treatment, and their inclusion in the protocols instead of in the text of the agreements points to the probability that this was realized by the Governments concerned.

The agreements concluded with Argentina, Poland and Iceland followed the same main lines as those discussed above, but differed in certain respects because the most important items of trade were different.

*Argentina.*[1] Two agreements were made with Argentina in 1933 and 1936, the most important provisions of which guaranteed favourable treatment to the United Kingdom on the matter of foreign exchange control in return for fixed minimum quotas of Argentinian meat imported into the United Kingdom, and an undertaking that quantitative regulation would not be applied to the importation of cereals. The 'coal clause' provided only for consultation in the event of the market for British coal not being maintained, and the Argentine also promised benevolent treatment to British capital.

1 See pp. 197–98 below.

The system of exchange control which had been in force in Argentina had led to the accumulation of British commercial debts which the British Government was anxious to liquidate, and consequently the imposition or threat of imposition of quotas on Argentina's two most important exports to the United Kingdom was used as a bargaining weapon to obtain especially favourable treatment in the allocation of foreign exchange and the treatment of British capital.

*Poland.*[1] The agreement with Poland signed in 1935 was similar to those concluded with the Baltic and Scandinavian countries, except that the concessions to the British coal industry were replaced by concessions to the textile industry. This was because Poland did not require to import coal, but, on the contrary, was an important competitor in export markets. The concessions to the textile industry took the form of reductions in duties, and were therefore in accordance with the most-favoured-nation principle. Poland agreed not to enforce regulations regarding 'compensation trade' as long as the balance of trade between Poland and the United Kingdom and British colonies remained favourable to Poland. There was also an agreement concerning the rights of British shipping and, in the protocol, the two countries 'took note' of private arrangements made by shipping firms.

*Iceland.*[2] In return for most-favoured-nation treatment in the allocation of quotas, and the fixing of a maximum duty of 10 % on imports of fish into the United Kingdom, Iceland fixed maximum rates of duty on certain goods, mainly textiles, and there was also a protocol containing the usual 'coal clause'.

## Group III. Agreements with Industrial Countries

This group consists of treaties with Germany, Peru, the United States of America, and France.

The object of the United Kingdom was in all cases the same as in the last group, i.e. to increase British exports, particularly coal. But industrial countries could not be made to grant important concessions by the threat of unfavourable agricultural quotas, and differential reductions or increases in tariff rates were not possible without a definite denunciation of the most-favoured-nation principle.

1 See p. 199 below. 2 See pp. 199–200 below.

The only means by which it was possible to use the new tariff to obtain concessions for British exports in industrial countries was to lower the rates of duty on particular goods which were of special importance to the other party to an agreement. Industrial countries were not generally so dependent on the United Kingdom market for their exports as were the agricultural suppliers, and they were able to threaten the United Kingdom with increased duties on her principal exports to them: therefore the bargaining position was not so one-sided as was the case with the last group of agreements. Consequently the United Kingdom was obliged to make sacrifices in import duties in order to increase exports.

*Germany.*[1] On account of the fact that considerable commercial debts were outstanding, it was not possible to conclude any far-reaching agreement with Germany, but two agreements covering only a few items were made in 1933. Under one of them the United Kingdom reduced import duties on certain German goods, in return for which Germany agreed to import a minimum monthly quantity of British coal. The other agreement was of minor importance and related to the treatment of German fish imported into the United Kingdom.

In 1938, following the incorporation of Austria in the German Reich, certain treaties between the United Kingdom and Austria were replaced by corresponding treaties between the United Kingdom and Germany.[2] This did not, however, involve any new tariff concessions by either party.

*Peru.* The agreement[3] concluded in 1936 followed the main lines of this group as set out above. The United Kingdom agreed not to claim benefits accorded exclusively to Chile, and Peru agreed to give benevolent treatment to British-owned undertakings.

*United States of America.* By far the most important treaty of this group was that concluded between the United Kingdom and the United States in 1938.[4] Maximum rates of duty again formed the most important feature of the agreement, and many of these represented considerable reductions of rates. It was agreed that quantitative regulation of imports should not be imposed on any goods mentioned in the agreement except in connection with a Government measure to raise the domestic price or labour costs of the article. Certain other exceptions were also made.

1 See p. 200 below.
2 Cmd. 5888.
3 See p. 200 below.
4 See pp. 201–203 below.

Some of the concessions granted by the United Kingdom involved a reduction in Empire preferences, and the agreement was only possible because the Dominions and India were willing to forgo some of their rights under previous agreements. The Canadian Government particularly was interested in the agreement, and was itself engaged at the same time in the negotiation of a trade agreement with the United States. In order to facilitate the Anglo-American agreement the United Kingdom granted certain concessions to Canada in place of the lower preference margins on Canadian imports into the United Kingdom. Thus the Anglo-American agreement became to some extent triangular.

The agreement included a provision which is common in the United States but had never previously appeared in a United Kingdom agreement. It was to the effect that if any other foreign country obtained the major benefit of a concession and thereby endangered the position of domestic producers, the concession might be withdrawn. In other words the most-favoured-nation principle was not to be allowed to lead to a large increase in the trade of particular articles except between the two parties to the agreement.

*France.* The agreement with France signed in 1934[1] was of a rather different type to those discussed above; it was concluded mainly to end a trade war which had developed after Great Britain had abandoned the gold standard in 1931. The depreciation of sterling had altered the terms of trade between the two countries, and in order to protect themselves the French imposed import quotas on a wide range of goods. The United Kingdom held that these quotas discriminated against herself, and imposed retaliatory duties, in reply to which the French Government further reduced the quotas allotted to Great Britain and also gave notice of denunciation of the most-favoured-nation treaties of 1826 and 1882. It was, however, subsequently agreed that these treaties should remain in force.

The agreement of 1934 exempted certain goods from most-favoured-nation treatment, and also exempted any goods which might be the subject of export subsidies in any form. France agreed to increase quotas on imports from the United Kingdom, but did not guarantee most-favoured-nation treatment in the allotment of quotas. The United Kingdom removed the

1 See pp. 203–204 below.

surtax on French imports and fixed certain maximum rates of duties.

The interesting feature of this agreement was the deliberate abandonment of most-favoured-nation treatment in respect of certain goods and the 'anti-dumping' provisions.

### Group IV. Clearing and Payments Agreements

British exporters often experienced difficulty in obtaining payment for their exports on account of a shortage of free exchange in certain foreign countries. In many cases this led to arrears of debt due to the United Kingdom, and it was with the object of liquidating these debts and preventing their recurrence in the future that the British Government concluded clearing and payments agreements.

Some of these agreements provided for the allocation of a given percentage of the sterling obtained from the foreign country's exports to the United Kingdom to pay for the imports from the United Kingdom. Others contained some undertaking that a certain quantity of free exchange would be allocated to payments to the United Kingdom.

Clearing and payments agreements of this type were concluded with Brazil, Germany, Hungary, Italy, Spain, Turkey, Uruguay and Yugoslavia, and details of them are given on pp. 204–208 below. Payments agreements were also concluded with Argentina, Germany and Roumania which were wholly or mainly financial in character and are therefore not relevant to this study. The whole of the Argentine agreement, and the financial provisions of those with Germany and Roumania, have been omitted, but a full list of all Payments, Clearings, etc. agreements concluded between 1931 and 1938 is given in Appendix N.

### Group V. Most-favoured-nation Agreements

Although the most-favoured-nation treaties, which were such an important part of the commercial policy of the United Kingdom before 1931, have to some extent been modified by the new types of agreement described above, the policy of having a most-favoured-nation treaty with nearly all foreign countries has not been abandoned, and several more treaties of this type have been concluded since 1931.

These agreements may be divided as follows: (1) Agreements with countries which have not previously concluded agreements with the United Kingdom. (2) Replacing or renewing former agreements. (3) Extending former agreements to cover additional matters.

(1) This comprises agreements made with Uruguay[1] in 1935 and with Cuba[2] in 1937. (The latter also fixed maximum rates of duties.)

(2) The agreement with Chile[3] made in 1937 renewed the provisional agreement signed in October 1931, and the agreements signed with Siam[4] in 1937 first renewed and then replaced two treaties of 1925.

(3) An agreement made with Poland in 1933[5] extended most-favoured-nation treatment to commercial travellers and their samples, an agreement with the Netherlands in 1934[6] extended such treatment to the allotment of import quotas, and a convention with Yugoslavia regarding legal proceedings in civil and commercial matters in the usual form was signed in 1936.[7] In the same year an exchange of notes with Brazil[8] provided for the extension of most-favoured-nation treatment to include quotas, prohibitions and exchange regulations.

## Group VI. Miscellaneous Agreements

Agreements concluded with the Soviet Union, Italy, Turkey and Switzerland cannot be classified in any of the preceding groups and must be considered individually.

*Soviet Union.* The temporary agreement reached in 1934 provided for reciprocal most-favoured-nation treatment under certain conditions, regulated the balance of payments between the two countries, and granted diplomatic status to the Russian trade representatives.

In the clauses dealing with most-favoured-nation treatment there were some important provisions. Any article might be excepted which either party had reason to believe was being subsidized in any way by the Government of the other. This was an 'anti-dumping' provision similar to that already mentioned on

1 See p. 208 below.
2 See p. 208 below.
3 Cmd. 5867.
4 Cmds. 5607 and 5731.
5 Cmd. 4829.
6 Cmd. 4703.
7 Cmd. 5542.
8 Cmd. 5267.

p. 178 above in connection with the French agreement. Any claim to British imperial preferences or to special concessions made by Russia to its border states were excluded.

The most important part of the agreement was that which attempted to alter the balance of payments, which had been very adverse to Great Britain. Russia undertook to make payments in the United Kingdom in each year bearing specific ratios to the proceeds of U.S.S.R. trade in the United Kingdom. After 1937 the ratio was to be 1 : 1·1. This part of the agreement, although it incorporated a new method of trade regulation, did not really involve any new policy on the part of the United Kingdom. It was merely another method of assisting British exports, only in this case it was the total volume of trade and not any particular commodity with which the agreement was concerned.

In 1936 a further agreement was made which provided for the guarantee of £10 millions by the Export Credit Guarantee Department, the proceeds of which were to be used for payment to British exporters to Russia.

Further details of these agreements are given on pp. 209–210 below.

*Italy.*[1] In 1935 an agreement was signed which provided for the admittance into Italy of British goods up to 80 % of the amount imported in the previous year. This agreement did not remain in force long because of the imposition of sanctions, but after they had been withdrawn a new agreement was made in 1936 which established quotas on certain British goods imported into Italy. This was replaced by a new agreement in 1938 which fixed new quotas.

The reason for these agreements was the system of import licences used by Italy.

*Turkey.*[2] The agreement made in 1935 was a combination of the agricultural and industrial types. The United Kingdom guaranteed most-favoured-nation treatment in the allocation of agricultural quotas and also fixed maximum duties on certain Turkish goods. In return Turkey fixed minimum quotas on certain British goods and also agreed that a long list of goods should not be subject to quota regulation. The agreement, which was not of much importance from the point of view of British trade, was renewed and amended in 1936.

1 See p. 210 below. 2 See p. 211 below.

In 1938 an export credits guarantee agreement was signed, similar in some respects to that with Russia described above, and also an agreement granting Turkey a loan for the purchase of munitions from Great Britain. These agreements were concluded for political rather than economic considerations.

*Switzerland.* An agreement for the reciprocal exemption from taxation of profits or gains arising through an agency was signed in 1931[1] and an agreement for the reciprocal exemption of aircraft from duties on fuel and lubricants was signed in 1938.[2]

1 Cmd. 4030. 2 Cmd. 5846.

# CHAPTER XI. *MACHINERY AND PROVISIONS OF COMMERCIAL AGREEMENTS SINCE* 1932

## 1. MACHINERY

When the British Government or a foreign government wishes to enter into discussions on any matter of mutual interest the first contact is made through the Foreign Office in the case of a foreign country, or through the Dominions, Colonial, or India Offices in the case of a country belonging to the British Empire. Contact having been established through the appropriate department, the actual work of negotiating the trade agreement is then handed over to the Board of Trade. A special department of the Board of Trade known as the Commercial Relations and Treaties Department exists for the purpose of negotiating with foreign Governments on commercial matters, and settling the terms of any treaties, conventions, exchanges of notes, etc. The Department may, during the course of negotiations, call to its assistance any other Departments of the Government which may be interested, any Committees, either permanent or *ad hoc*, which may be established to deal with particular interests such as the Federation of British Industries. An undertaking has been given that no treaty will be signed without consultation with every industry concerned. The individuals carrying out the actual negotiations are almost always Civil Servants, although, in some cases, as, for example, at the Ottawa Conference in 1932, Cabinet Ministers may intervene.

The agreements when concluded are normally signed by a Cabinet Minister, either the Secretary of State for Foreign Affairs or the President of the Board of Trade, but if the signature is made abroad an agreement is usually signed by a Foreign Office representative, either the Minister, Ambassador or Consul in the country concerned. Sometimes the agreements are also signed by a Civil Servant who has been prominent in its negotiation.

The agreement, when signed, must in most cases be ratified. This does not involve submission to Parliament, but an agreement is usually laid upon the table of the House of Commons and some opportunity is given to Parliament to discuss it if it is considered to be of major importance. If, however, the agreement involves

changes in rates of duty or any other changes in the law or in the financial obligations assumed by the Government an Act must be passed through Parliament in the normal way authorizing these changes. In some cases changes in rates of duty, however, may be authorized by the Treasury without an Act of Parliament, although the Orders of the Treasury changing the duty must be laid before Parliament and a resolution approving them must be passed within a certain period of time.

All the agreements differ as to the method by which changes may be made, but in most cases minor changes are effected simply by an exchange of notes between the two Governments concerned. Major changes may sometimes only be possible if the agreement is terminated or if one Government threatens to terminate the agreement in accordance with the rules laid down therein regarding the method of termination. If this happens negotiations will have to be begun anew as in the case of new agreements.

In most of the agreements which have been considered above the details of the new duties and quotas agreed upon have been strictly defined in the agreement, but, in some cases, especially in regard to quotas, considerable discretion is left to the country imposing the quota, although this may be limited by a clause which states that the details of the new regulations shall be agreed upon between the two Governments before they finally come into operation, In this case new regulations are usually agreed upon informally between the Governments and there may not even be a formal exchange of notes on the subject.

In the Ottawa Agreements an attempt was made to limit the power of the Dominion Governments to alter their tariffs by including a condition that changes should be approved by independent Tariff Boards and by laying down the principles upon which new duties should be based. In practice this provision has not worked at all well and has now been abandoned in fact, though not always in law.

Apart from such provisions setting up or delegating to Special Committees certain duties under the agreement, the bodies responsible for administering the agreements are those which normally administer tariffs, quotas and other matters concerned. Thus, for example, the Commissioners of Customs and Excise would be notified of any changes in duties arising out of an agree-

ment, and the date on which they come into force, and would act accordingly.

*Provisions of Commercial Agreements*

In the summary of commercial agreements which has just been given the detailed provisions were mentioned only in so far as this was necessary in order to explain the general policy or to discuss whether particular articles of an agreement were in accordance with this policy. The remaining pages of this Part of the study will be devoted to a factual exposition of the more important details of the agreements, which will be arranged in the same groups and order as they were in the summary.

## 2. Provisions of Agreements in Group I

*Agreements with Empire Countries*

The agreements concluded at Ottawa consisted of eleven bilateral agreements between the Dominions and the United Kingdom and of a series of agreed resolutions on various matters of common concern. The general resolutions[1] referred to such subjects as the determination of 'Empire content' and the eligibility of goods for preferential treatment, agreement to abolish export bounties and anti-dumping duties as soon as possible, recommendations regarding the simplification of customs procedure, consultation and co-operation between representatives of the industries concerned, standardization of specifications and grading and packing requirements, and the development of film industries within the Empire and of intra-Empire wireless broadcasting facilities. The Conference also adopted agreed resolutions on monetary and financial questions. The substance of this was:

(i) That a rise in the general level of wholesale prices was in the highest degree desirable.

(ii) That Empire countries were most willing to co-operate with other countries to bring about such a rise.

(iii) That a 'cheap money' policy would be a useful means to this end.

(iv) That a further contribution to better conditions could be made by ensuring stability of exchange rates between national currencies.

1 Only the general resolutions and the agreements to which the United Kingdom was a party were published by the British Government (Cmd. 4174 and 4175); for a complete record of the Conference, reference must be made to the Canadian Government publications.

(v) That 'the ultimate aim of monetary policy should be the restoration of a satisfactory international monetary standard'.

(vi) That such a standard could only be established if world prices rose relatively to costs.

(vii) That the establishment and maintenance of such a standard required international co-operation and that the countries of the Empire were willing to take part in such co-operation.

On the whole, these resolutions, except the one quoted on p. 172 above, do not seriously affect the relations of the United Kingdom and the Dominions with foreign countries. The series of bilateral agreements which were concluded at the Conference, however, did have important international repercussions.[1] This study is concerned only with those agreements to which the United Kingdom was a party and it does not, therefore, analyse the agreements made by other parts of the Empire *inter se*. It should be remembered, however, that the United Kingdom acted at the Conference as the representative of the non-self-governing colonies (except Southern Rhodesia) and that agreements between the United Kingdom and the Dominions, therefore, also concerned these colonies. These agreements, seven in number, were very similar in many respects, and it is therefore possible to give a summary of all of them together, noting where necessary provisions peculiar to only one or two agreements.

The principal provisions of the agreements may be summarized as follows:

1. The United Kingdom guaranteed continued free entry for Dominion goods entering the United Kingdom free of duty at the date of the agreement. As regards eggs, poultry, butter, cheese and other milk products, however, the United Kingdom guaranteed free entry for three years only, and reserved to itself the right to impose preferential duties on such goods after that period or to subject them to a system of quantitative regulation in consultation with the Dominion Governments.

1 Agreements were concluded at the Conference between the United Kingdom and Australia, the Union of South Africa, New Zealand, India, Newfoundland, Southern Rhodesia and Canada; between Canada and the Irish Free State (Eire), the Union of South Africa and Southern Rhodesia; and between the Union of South Africa and the Irish Free State. Although not strictly 'Ottawa' agreements, those between Canada and Australia, New Zealand and the British West Indies should also be mentioned as they were concluded only a few weeks before the Conference met.

2. The United Kingdom consented to impose agreed import duties on certain foreign goods; these included wheat, eggs, dairy products, certain fruits, honey, raw copper, maize, cod-liver oil, chilled or frozen salmon, rice, certain vegetable oils, linseed and magnesium chloride.

3. The United Kingdom guaranteed that the general *ad valorem* duty of 10 % on certain foreign goods should not be reduced without the consent of the Dominion Governments. The commodities specified included timber, fish, asbestos, zinc, lead, leather, tallow, wheat flour, barley, casein, sausage casings, wattle bark, certain dried fruits, certain gums, preserved fruit, etc. (In the case of India, it was the existing margin of preference on certain goods which was guaranteed.)

4. The United Kingdom Government guaranteed to South African and Australian wine a margin of preference of 2*s.* per gallon over foreign wines.

5. It was agreed that the duty on either wheat in grain, copper, zinc or lead, as provided in the agreement, might be removed if at any time Empire producers of these commodities were unwilling or unable to offer them in the United Kingdom at prices not exceeding the world prices and in quantities sufficient to supply the requirements of United Kingdom consumers.

6. The United Kingdom agreed to modify the regulations regarding the importation of live cattle from Canada and arrangements were made regarding the quantitative regulation of bacon and hams and of beef, mutton and lamb imported into the United Kingdom.

7. The United Kingdom guaranteed for ten years a minimum margin of preference for Empire tobacco of 2*s.* 0½*d.* per lb.

8. The United Kingdom agreed to invite the Governments of the non-self-governing colonies and protectorates to grant to the Dominions and India any preferences granted to other parts of the Empire and to grant new or additional preferences on a considerable range of specified commodities. (This did not apply to any preferences accorded by Northern Rhodesia to the Union of South Africa, Southern Rhodesia and the Territories of the South African High Commission by virtue of the Customs Agreement of 1930.)

9. The Dominions agreed to accord to a wide range of United Kingdom goods specified margins of preference.

10. The Dominions agreed to grant certain preferences on the products of the non-self-governing colonies and protectorates, provided that such colonies, etc. granted preferences to the Dominions. (But the Dominions and colonies might continue certain special agreements between themselves, and the benefits of such agreements need not be extended to other Empire countries.)

11. The Dominions agreed that United Kingdom producers should be given 'full opportunity of reasonable competition on the basis of the relative cost of economical and efficient production', and that protection should only be given to those industries 'which are reasonably

assured of sound opportunities for success'. They agreed further that special duties on United Kingdom goods would be reduced or abolished as soon as possible and that when changes in their tariff were made in future they would (in *most* cases) be guided by independent tariff boards.

12. In the Canada-United Kingdom agreement the following Article was inserted:

'This Agreement is made on the express condition that, if either Government is satisfied that any preference hereby granted in respect of any particular class of commodities are likely to be frustrated in whole or in part by reason of the creation or maintenance directly or indirectly of prices for such class of commodities through State action on the part of any foreign country, that Government hereby declares that it will exercise the powers which it now has or will hereafter take to prohibit the entry from such foreign country directly or indirectly of such commodities into its country for such time as may be necessary to make effective and to maintain the preference hereby granted by it.'

13. The agreements—except the India-United Kingdom agreement—were for an initial period of five years, and they would remain in force thereafter until denounced by either party after six months' notice. The Indian agreement could be denounced at any time after six months' notice.

These agreements came into force in the United Kingdom in November 1932; but the results of the policy of Imperial preference were seen in the British trade statistics even before this date. The change wrought in the trend of British trade in four years is shown by the following table:

TRADE OF THE UNITED KINGDOM (£ MILLIONS)

| | 1930 | % | 1931 | % | 1932 | % | 1933 | % |
|---|---|---|---|---|---|---|---|---|
| Retained imports: total | 957 | — | 797 | — | 651 | — | 626 | — |
| From British countries | 259 | 27·1 | 216 | 27·1 | 221 | 33·9 | 222 | 35·5 |
| Domestic exports: total | 571 | — | 391 | — | 365 | — | 368 | — |
| To British countries | 248 | 43·4 | 171 | 43·7 | 166 | 45·5 | 164 | 44·6 |

The decline in United Kingdom imports from Empire countries was arrested, and there was even some slight recovery (although total imports continued to fall). Imports from British countries thus formed 27 % of the total in 1930 and 1931, 34 % in 1932 and 35 % in 1933. A similar change, however, did not take place in United Kingdom exports, because in this case the preferences granted at Ottawa extended only slightly preferences which had already been granted for some time. In fact, the fall in exports

to Empire countries continued even after total exports had begun to recover. The proportion taken by the Empire were 43½ % in 1930 and 45½ and 44½ % in 1932 and 1933, respectively.

After the lapse of a few years further agreements were made amending or supplementing the Ottawa agreements.

*India.* The operation of the Ottawa Agreement with India had given rise to considerable dissatisfaction both in India and in the United Kingdom, and in March 1933 it was denounced by India, but it was agreed to continue it in force subject to three months' notice. Negotiations for a change in the agreement were begun in 1934 and continued for several months; at the same time a British trade mission went out to India. Finally, a supplementary agreement was signed in January 1935.

This agreement[1] laid down the principles upon which Indian protective duties should be imposed on British goods. The Ottawa Agreement had dealt only with 'revenue' duties. The British Government now recognized that 'revenue' duties must be imposed in accordance with the needs of India, and the Indian Government agreed that 'protective' duties on British goods should not be higher than 'is necessary to equate the prices of imports of United Kingdom goods with the fair selling price of goods produced in India'. Further, British producers were to be allowed to state their case before the Indian Tariff Board. There was no immediate reduction of duties on British goods in India, but certain surcharges—especially on cotton goods—were to be removed when this became financially possible. Britain agreed to continue its efforts to promote the sale of Indian raw cotton and other raw materials in the United Kingdom, and guaranteed continued free entry for Indian pig iron.

This agreement is noteworthy chiefly for its attempt to continue the 'Ottawa principle' regarding the imposition of 'protective' duties (see p. 170 above)—a principle which the Canadian Tariff Board had just abandoned as unworkable. Similarly, the value of the concession that British producers can state their case to the Tariff Board is of doubtful value, since the same concession has meant practically nothing in the case of the Canadian and Australian Boards. It did not make trade relations between India and the United Kingdom much more satisfactory and there was almost continuous discussion until a new agreement was signed in March 1939.

1 Agreement supplementary to the Ottawa Agreement of 20 August 1932, 9 January 1935, Cmd. 4779.

*Canada.* The Ottawa Agreement with Canada was due to expire in 1937 and in anticipation of this a new agreement was signed in February of that year.[1]

This agreement provided for certain tariff changes; but its most interesting feature was the abandonment of attempts to construct a 'scientific tariff' and to prevent State-aided dumping. It contained new clauses defining the qualification of British goods for preferential treatment (Empire content 50 %) and the application of Canadian anti-dumping duties to United Kingdom goods, and there was a new attempt to prevent monopolies. This read: 'Each Government reserves the right to suspend or modify the preferential margin specified in respect of any item. . . if, after inquiry, it appears to that Government that a predominating share in the trade in such item is controlled by any organization or combine of exporters and that by virtue of the guaranteed margin that organization or combine is exercising this control to the prejudice of consumers or users of the goods in question.'

As was mentioned above on p. 178 Canada and the United Kingdom made mutual concessions in connection with the Anglo-American agreement in 1938. These mutual concessions are summarized in an exchange of letters bearing the same date as the Anglo-American agreement.[2]

According to these the Canadian Government agreed to diminished margins of preference in the United Kingdom for wheat and certain other agricultural products in return for the concession by the United Kingdom of smaller margins of preference in Canada on certain chemicals, steel manufactures, internal combustion engines and one or two other items. Further, the United Kingdom agreed to waive its rights to impose duties (or quantitative regulations except in special circumstances) on imports of Canadian eggs, poultry and dairy products, until 20 August 1940.

*Australia.* Representatives of the United Kingdom and Australian Governments met in London during the summer of 1938 to discuss the question of amending the Ottawa Agreement. No final decision was reached on this point, but an agreed memorandum[3] was published which stated the different interests and viewpoints of the two Governments, and the Australian representatives agreed that their Government should explore the possibility of making an agreement which fixed maximum rates on imports

1 Trade Agreement, 23 February 1939, Cmd. 5382.
2 Exchange of Letters, 16 November 1938, Cmd. 5897.
3 Cmd. 5805.

from the United Kingdom, instead of minimum margins of preference.

*Eire.* Eire has always been a member of the British Empire, but owing to a dispute between the Governments of the United Kingdom and Eire in 1932 over the question of Land Annuities a trade war developed.[1] The result was that as far as trade was concerned Eire was no longer treated as an Empire country and did not take part in the Ottawa Conference.

The dispute was finally settled in 1938, and a Trade Pact[2] was concluded at the same time. This followed the same general lines as the Ottawa Agreements, and granted full imperial preference to Eire. The provisions of the agreement included:

(*a*) Free entry into United Kingdom of goods from Eire which are admitted free from any other Empire country.

(*b*) Minimum preferences on certain agricultural products imported into United Kingdom from Eire.

(*c*) Consultation and equitable treatment in the event of quantitative regulation by the United Kingdom of agricultural produce (including fish and fishing products).

(*d*) Control by Eire of egg and poultry exports to the United Kingdom if necessary to maintain stability of the United Kingdom market.

(*e*) Free entry into Eire of a wide range of United Kingdom goods (including iron and steel manufactures, other metal manufactures, tools, hardware, machinery and chemicals).

(*f*) Reduction or abolition of certain other charges on United Kingdom goods imported into Eire.

(*g*) Establishment of a normal preference of 10 % for Empire goods entering Eire.

(*h*) Revision of protective duties by Eire so as to give United Kingdom producers opportunities for reasonable competition.

(*i*) Free entry for United Kingdom agricultural produce (but Eire retained right to impose quantitative regulations if necessary).

(*j*) Normal duties on certain United Kingdom goods in Eire were not to be increased (e.g. jams, biscuits, confectionery, linen goods, shirts, wearing apparel, blankets, paper bags, boxes, stationery, woollen tissues, boots and shoes, soap and candles).

(*k*) Retention of existing preferences granted to United Kingdom goods in Eire.

(*l*) Minimum rates of duty in Eire for certain foreign goods, including silk and artificial silk piece goods.

(*m*) Minimum preferences under new duties to be equal to one-third of Empire rate of 10 % *ad valorem*, whichever was greater.

1 See Part I, pp. 27–28. 2 Cmd. 5728.

(*n*) Reciprocal rights to impose anti-dumping duties.

(*o*) Withdrawal of export subsidies to Eire goods except in special cases.

(*p*) United Kingdom coal, coke and manufactured fuel imports into Eire not to be reduced below 1937 level; abolition of control of imports; free entry for United Kingdom products; and minimum duty on foreign product of 3*s*. per ton.

(*q*) No quantitative regulation of imports into Eire of certain motor-car, etc. parts manufactured in the United Kingdom.

## 3. Provisions of Agreements in Group II

### *Agreements with Suppliers of Agricultural Produce to the United Kingdom*

*Denmark.* A British trade exhibition was held in September and October 1932 and negotiations for a trade agreement were opened in November. These resulted in an agreement which was signed in April 1933.[1]

Under this agreement Denmark agreed to impose specified duties on a wide range of British goods, and there was provision for consultation between the governments if there were any serious decline in the British share of the Danish market for certain textiles. The United Kingdom agreed to certain duties on a number of Danish goods, including internal combustion engines, certain electrical machines, dairy machinery, pig products, eggs, dairy products, fish, etc.

The United Kingdom agreed that quantitative regulation of imports of Danish agricultural products should be imposed only in connection with internal marketing schemes. In allotting quotas, the United Kingdom would 'take into consideration the position which Denmark has held in recent years' as a supplier of the products concerned to the United Kingdom market. Quotas were fixed at 62 % of the total permitted imports from foreign countries in the case of bacon and hams,[2] 2,300,000 cwt. per year of butter, and 5½ millions great hundreds or 38 % of the total permitted imports from foreign countries, whichever was the greater, in the case of eggs.

The agreement proper contained a number of other provisions of minor importance; but the terms of the protocol were more interesting and more important. The two Governments 'take note' of private arrangements which had been or were being concluded regarding increased sales in Denmark of steel, jute cloth wrappers for bacon and hams, salt and saltpetre for curing purposes, and parchment paper

1 Agreements and protocol relating to Trade and Commerce, 24 April 1933, Cmd. 4424.

2 In November 1933 this was reduced to 47 % by the action of the United Kingdom Government and without Denmark's consent (S.R.O. 1933, 1050).

for butter wrappers of United Kingdom origin. And they agreed that the United Kingdom might terminate the agreement if Danish imports of British coal did not amount in any year to at least 80 % of the total of Danish imports of coal.

This agreement was renewed in June 1936[1] and continued in force subject to four months' notice by either party.

*Norway.* An agreement signed in May 1933[2] provided for maximum duties on imports into Norway of certain British goods, including some cotton goods, spirits, china clay, rubber goods, textile machinery, tin, iron and steel, coal and coke, coal tar, woollen goods, etc.: and maximum rates of duties on imports into the United Kingdom of certain Norwegian goods, including calcium compounds, ferro-alloys, wood and wood pulp, paper, iron and steel, whale oil, granite, aluminium, zinc, iodine, fish, bacon, hams, butter, eggs, etc. The United Kingdom agreed to certain minimum quotas for Norwegian fish imports in the event of quantitative regulation and agreed that no quota should be imposed on imports from Norway of bacon, hams, butter, eggs and poultry unless there was a substantial increase in such imports. The protocol included a 'coal clause' which fixed the United Kingdom share of Norwegian coal imports at 70 %.

*Sweden.* A trade agreement was concluded in May 1933[3] and was signed on the same day as the agreement with Norway, which it closely resembled.

The agreement provided for maximum rates of duties on imports into Sweden of a long list of British goods, including fish, whisky, certain chemicals, leather, rubber goods, electro-technical apparatus, motor vehicles, aircraft, etc.; and for maximum rates of duties on imports into the United Kingdom of a large number of Swedish goods, including bacon, hams, eggs, grass seeds, certain chemicals, wood and timber, paper, iron and steel, agricultural and electrical machinery and ball bearings.

The United Kingdom guaranteed most-favoured-nation treatment to Sweden in the matter of agricultural quotas, and minimum quotas were fixed for imports of Swedish butter and fish. No specified quota for Swedish bacon and hams was mentioned, but notes annexed to the treaty contained a promise that no contractual quota would be given to any foreign country except Denmark.

The agreement had a protocol with the usual 'coal clause' which fixed the British share of Swedish coal imports at 47 % of the total.

The agreement was slightly amended in 1935,[4] when the duties on weldless steel tubes were made specific instead of *ad valorem*.

1 Cmd. 5400. 2 Cmd. 4500. 3 Cmd. 4736. 4 Cmd. 5022.

*Estonia.* A provisional agreement was made in July 1933[1] by an exchange of notes which provided that the United Kingdom should not impose quantitative regulations on imports of bacon, hams, butter or eggs from Estonia except in connection with an internal marketing scheme, and that if such limitations were imposed Estonia would be given an equitable share of the permitted imports of these commodities from foreign countries. For its part, Estonia agreed that, apart from a duty of Ekr. 0·022 per kilogramme, herrings salted or cured in the United Kingdom should receive the same treatment in Estonia as herrings of national origin and there should be no quantitative limitation of imports.

Further, it should be noted that there appeared in these notes the reference to the balance of trade position which became common practice in agreements with countries with which the United Kingdom had a favourable balance. This paragraph reads: 'Both Governments undertake to keep in view the balance of trade between the United Kingdom and Estonia, and the Estonian Government recognize that it is in the interest of both countries that the present disparity in that balance should be readjusted as far as possible by the increase of the sales in Estonia of goods the produce or manufacture of the United Kingdom.'

This agreement was extended by a supplementary agreement in July 1934,[2] which provided for maximum rates of duties on imports into Estonia of a wide range of British goods, including whisky, coal, fish, iron and steel and other metals, motor cars and textile products; and for maximum rates of duty on imports into the United Kingdom of certain Estonian goods, including butter, bacon, hams, eggs, cream, berries, fish, wood and timber.

The United Kingdom promised to give most-favoured-nation treatment to Estonia in the quantitative regulation of imports of agricultural products. Further, in the protocol, the United Kingdom agreed that if imports of butter were so regulated 'the Government of the United Kingdom would do their best to see that when allocations were being decided due weight was given to the special importance of the butter trade to Estonia and to the extent to which it might have been affected by restrictions in other markets'.

Also in the protocol, the Estonian Government agreed, 'having regard to the proportion of Estonian exports imported into the United Kingdom' to 'encourage and promote by all means at their disposal' the sale of British goods in Estonia and the increased utilization of British shipping in trade between the two countries. The two Governments also 'took note' of private arrangements for facilitating the sale in Estonia of certain British products, viz. iron and steel goods, commercial motor vehicles, machinery, chemicals, wool yarn, cotton thread, salt and saltpetre.

1 Cmd. 4392. 2 Cmd. 4736.

Finally, the United Kingdom was given the right in a 'coal clause' to denounce the agreement unless 85 % of Estonian coal imports came from the United Kingdom.

*Latvia.* An exchange of notes in July 1933[1] resulted in a temporary agreement which provided that in exchange for the British promise to accord most-favoured-nation treatment to Latvia in the event of the quantitative regulation of imports of bacon, hams, butter or eggs, Latvia agreed to make certain concessions regarding the importation of herrings from Great Britain. Latvia also agreed to attempt to readjust the balance of trade between the two countries by the promotion of sales of British goods in Latvia.

In July 1934[2] a more far-reaching agreement was concluded which provided for maximum rates of duties on imports into Latvia of certain British goods, including whisky, herrings, coal, coke, creosote, rubber tyres, iron and steel and manufactures thereof, tools and machinery, motor vehicles, cotton and wool yarns and fabrics, etc.; and for maximum rates of duties on imports into the United Kingdom of certain Latvian goods, including bacon and hams, butter, eggs, canned fish, berries, flax, wood pulp, paper and cardboard, wood and timber, gypsum, etc.

Latvia agreed to a minimum quota for British herrings imported into Latvia, and the United Kingdom guaranteed most-favoured-nation treatment to Latvia in respect of quotas on agricultural produce.

As usual some of the most important provisions of the agreement were in the protocol. The two Governments 'took note' of private arrangements for facilitating the sale in Latvia of certain British goods, including iron and steel, commercial motor vehicles, wood-working tools and machinery, coal tar, fine chemicals and pharmaceutical products, agricultural machinery, salt, saltpetre, jute wrappers, and creosote. Latvia agreed to take 70 % of her coal imports from Britain, and the United Kingdom agreed that the operation of the promised most-favoured-nation treatment in the allocation of quotas for butter should not be allowed to reduce Latvia's share to less than 3 % of the total allotted to foreign countries or to 113,000 cwt., whichever was the greater.

*Lithuania.* The agreement concluded in July 1934[3] included provisions for reciprocal most-favoured-nation treatment; for maximum rates of duty on imports into Lithuania of certain British goods, including salt, herrings, superphosphates and other phosphatic fertilizers, cement, coal, coke, rubber tyres, coated iron and steel sheets, tin, motor vehicles, yarns and tissues of cotton, wool, artificial silk or jute, etc.; and for maximum rates of duty on imports into the United Kingdom of certain Lithuanian goods, including bacon, hams, butter, eggs, clover seed, wood pulp, plywood and timber. The United Kingdom

1 Cmd. 4384. 2 Cmd. 4753.
3 Cmd. 4680.

also guaranteed most-favoured-nation treatment to Lithuania in the quantitative regulation of imports of agricultural produce.

In the protocol to the agreement Lithuania agreed to foster sales of British goods so far as possible, and the Governments took note of private agreements concerning the sale in Lithuania of British salt, saltpetre, jute wrappers, iron and steel, superphosphates, woodworking tools and machinery, cement, refined sugar and certain textiles. The Lithuanian government agreed to take no action likely prejudicially to affect British shipping companies engaged in trade between the two countries, so long as existing freight rates and services were substantially maintained.

The 'coal clause' was rather wider than in other similar agreements. It provided that the agreement might be denounced by Britain if (*a*) imports into Lithuania of United Kingdom coal amounted to less than 80 % of her total imports, or (*b*) such imports amounted to less than 178,000 metric tons in any year, or (*c*) imports into Lithuania of United Kingdom coke amounted to less than 50 % of her total imports.

*Finland.* The agreement concluded in September 1933[1] provided for maximum rates of duties on imports into Finland of a wide range of British goods, the chief items being coal and coke, textiles, iron and steel products, machinery, vehicles and whisky. Finland agreed to admit certain quantities of British herrings at reduced rates of duty, i.e. a tariff-quota. The United Kingdom agreed to certain rates of duties on a number of Finnish goods, including bacon and hams, news print, pit props and wood pulp (free), and butter, eggs, granite, soft wood and paper; and further agreed to impose quantitative limitations on imports of agricultural products from Finland only if it was necessary in connection with an internal marketing scheme.

This agreement included an attempt to apply most-favoured-nation treatment to quotas, viz. 'The Government of the United Kingdom will . . . in making allocation (of quotas) to Finland, take into consideration the position which Finland has held in recent years as a supplier of these products to the United Kingdom market. Allocation to Finland will be made on the same basis as, and on conditions not less favourable than, allocations to any other foreign country.'

The protocol to this agreement contained some of its most important provisions. The Finnish Government undertook, in view of the balance of trade position, to 'promote by all means at their disposal' the sale of British goods in Finland. The contracting Governments 'took note' of private arrangements to foster the sale in Finland of British goods, viz. wheaten flour, creosote, iron and steel, commercial vehicles, woodworking tools and machinery, jute wrappers for bacon and hams, and salt. There was also a 'coal clause' providing that the United Kingdom could terminate the agreement unless Finland took 75 % of her coal

1 Cmd. 4472.

imports from Great Britain. The Finnish Government agreed to make regulations designed to facilitate the sale of British goods regarding whisky and gin and the labelling of whisky, and agreed to modify the regulations regarding the importation of sole leather. Finally, the two Governments agreed that they would not impose any quantitative restrictions on imports which would have the effect of nullifying any of the concessions made in the agreement.

This agreement was modified in April 1937[1] by the introduction of a tariff quota on imports of British wheaten flour into Finland.

The effect of the change was that importations up to 19,850 metric tons per annum (i.e. the average imports of British flour in 1935 and 1936) would be charged the general duty on grain plus 0·60 Finnish mark per kilogram, and that importations in excess of this amount would be charged these duties plus 0·40 Finnish mark per kilogram.

The 1933 agreement was designed to improve the balance of trade, which was heavily unfavourable to the United Kingdom. In 1933 the United Kingdom had an import surplus of about £10 millions, but by 1937, instead of diminishing, this surplus had increased to more than £16 millions, and in 1938 it was nearly £14 millions. This continued adverse balance prompted certain measures taken in 1938 and early 1939 to foster British exports to Finland, but no new official arrangements have been made.

*Argentina.* In the two agreements which were signed in May and September 1933[2] the United Kingdom agreed that quantitative restrictions on imports of Argentine beef would not reduce the imports from that source in any quarter of a year below the corresponding quarter of the period 1 July 1931 to 30 June 1932 *unless, and then only so far as, it appeared to the Government of the United Kingdom, after consulting and exchanging all relevant information with the Argentine Government, to be necessary in order to secure a remunerative level of prices in the United Kingdom market.* The Convention also established the conditions under which the quota might be reduced below the 1931–32 level, and the United Kingdom agreed in such an event to reduce by a similar proportion imports from all other, including British, countries. Article 2 of the Convention provided that whenever a system of exchange control was in operation in Argentina, the amount of sterling available for remittances from Argentina to the United Kingdom should be as large as the amount made available by Argentine exports to the United Kingdom 'after deduction of a reasonable sum annually towards the payment of the service of the Argentine public external debts (national, provincial

1 Cmd. 5515. 2 Cmds. 4492 and 4494.

and municipal) payable in countries other than the United Kingdom'. Provision was also made for the gradual liquidation of 'peso' balances awaiting on 1 May 1933 sterling exchange for remittance to the United Kingdom; these were to receive most-favoured-nation treatment in the allotment of exchange. A protocol to the Convention contained the paragraph:

1. That the Argentine Government, fully appreciating the benefits rendered by the collaboration of British capital in public utility and other undertakings, whether State, municipal or private, carrying on business in Argentina, and following their traditional policy of friendship, hereby declare their intention to accord to those undertakings, as far as lies within their constitutional sphere of action, such benevolent treatment as may conduce to the further economic development of the country, and to the due and legitimate protection of the interests concerned in their operation.

The Supplementary Agreement provided maximum rates of duty and valuations for duty purposes of about 300 items when imported into Argentina from the United Kingdom, and that the Argentine should not levy any duty on coal, coke, or any article admitted free of duty from the United Kingdom on or after 1 May 1933. The Argentine further agreed that internal taxes levied on United Kingdom whisky should be the same on similar spirits of national or any other origin. The United Kingdom agreed that maize and meat (not extracts, essences, or meat preserved in air-tight containers) should be admitted free of duty from the Argentine, and that the duty on other sorts of meat, linseed and quebracho extract should be 10 % *ad valorem*, and on wheat in grain, 2*s*. per quarter. Further, no quantitative limitations should be imposed on imports from Argentina of certain cereals and one or two other commodities. In the event of quantitative limitations on the import of any other articles being imposed, Argentina should receive equitable treatment. The protocol to the supplementary agreement provided that no new or increased charges should be charged in Argentina on British coal, etc., and that the two Governments should consult together if the Argentine market for British coal, coke, etc. was not maintained. These agreements remained in force for three years, and were replaced and amended in December 1936.[1] This agreement fixed minimum annual quantities and proportions of total permitted imports from foreign countries for imports from Argentina of fresh, chilled or frozen beef, mutton, lamb and pork and canned beef. Certain changes in the lists of goods (and the rates of duties) on which agreed duties were imposed by the two countries were also made, but these were not of major importance.

This agreement was not ratified, but was provisionally in force subject to three months' notice by either party.

1 Cmd. 5324.

*Poland.* A very comprehensive agreement was reached in 1935 by which Poland made certain concessions in textile duties in exchange for fixed quotas on imports of agricultural produce into Great Britain.

The agreement[1] provided for maximum rates of duty on imports into Poland of a long list of British goods and certain goods produced in British colonies. Poland agreed that so long as the balance of trade between Poland and the United Kingdom and British colonies was favourable to Poland, Polish regulations regarding 'compensation trade' would not be enforced in respect of those countries, and they should be given most-favoured-nation treatment. The United Kingdom agreed that certain Polish goods should be subject only to agreed rates of duty on importation into the United Kingdom.

Both countries agreed to grant reciprocal most-favoured-nation treatment in the matter of internal taxes and the allocation of quotas. The United Kingdom further agreed to give Poland a minimum bacon quota of 41·4 % of imports from Poland in 1932; to give Poland a quota for eggs equal to 13½ % of the total permitted imports from foreign countries; and that imports of Polish butter should not be regulated in 1935 so long as such imports did not exceed the corresponding imports in 1929 *and* 1·8 % of the total of British imports of butter from foreign countries in that year. Poland was also to receive most-favoured-nation treatment in the allocation of quotas by British colonies.

There was agreement concerning the rights of British shipping companies to carry Polish emigrants and the conditions under which they might do so.

The agreement might be denounced by Poland if her exports to the United Kingdom were seriously reduced as the result of regulations imposed by the British Government.

The protocol and notes attached to the agreement further expanded some of the items in the schedules to the agreement and contained also a recognition by both Governments of private arrangements concluded between trading and shipping interests in Poland and the United Kingdom. There was also agreement regarding certain British regulations made for reasons of health or safety.

This agreement was slightly modified by two agreements concluded in 1937 in regard to the customs classification of certain pneumatic tyres[2] and the duty on certain chemicals,[3] respectively.

*Iceland.* British trade relations with Iceland prior to 1933 were governed by a series of treaties and agreements with Denmark beginning in 1660, but in 1933 an agreement was made directly with Iceland.

1 Cmd. 4984. 2 Cmd. 5644. 3 Cmd. 5599.

This agreement[1] provided for maximum rates of duty on certain goods—mainly textiles—imported into Iceland from the United Kingdom, and for the admission into the United Kingdom of fish from Iceland at a rate of duty of 10 % *ad valorem* and a minimum quota in the event of British regulation of fish imports. The United Kingdom also agreed to give Iceland most-favoured-nation treatment in the allocation of quotas for imports of mutton and lamb.

The agreement also contained a 'coal clause' protocol in the usual form. This specified 77 % as the British share of Iceland's coal imports.

## 4. Provisions of Agreements in Group III

*Agreements with Industrial Countries*

*Germany.* Two agreements covering only a few items were concluded in 1933.

The first[2] provided that the United Kingdom would make certain concessions of import duties on certain German goods, including toys, Christmas tree decorations, musical instruments, gramophones, clocks, jewellery, enamelled hollow ware and safety-razor blades. In return, Germany agreed to give the United Kingdom a minimum coal quota of 180,000 metric tons per month.

The second[3] agreement covered the position which would arise if the United Kingdom were to impose quantitative restrictions upon imports of fish. It established a quota for German fish to be applied in such an event, and included provisions for drawback of duty to be granted on the export of fish caught by German vessels and salted and dried in the United Kingdom.

In 1938 an agreement[4] was signed to apply certain Anglo-German treaties to Austria, and to suspend former agreements with Austria owing to its incorporation in the German Reich.

*Peru.* A definitive commercial agreement was signed in October 1936[5] which provided for mutual unconditional most-favoured-nation treatment of imports and exports. The agreement covered all forms of trade control; but the United Kingdom would not claim benefits granted by Peru exclusively to Chile.

Maximum rates of duties and no new or increased surcharges were conceded by Peru on certain British goods, including cotton, woollen,

1 Cmd. 4331. 2 Cmd. 4319.
3 Cmd. 4378. 4 Cmd. 5888.
5 Agreement relating to Commerce and Navigation, 6 October 1936, Cmd. 5288. (This agreement was not ratified by the British Government; the most important parts of it were, however, in force provisionally pending ratification, subject to three months' notice by either party.)

jute, linen and artificial silk goods, iron and steel and manufactures thereof, tools, machinery, vehicles, rubber goods, chemicals and linoleum. In return, the United Kingdom fixed maximum duties on certain Peruvian goods, including cinchona bark, raw balata, tara, guano, wool and raw cotton.

Reciprocal most-favoured-nation treatment in regard to internal taxes, treatment of aliens, personal taxation, patents, copyright, goods bearing false indications of origin, and merchant shipping was agreed upon; and the Peruvian Government agreed to accord benevolent treatment to British-owned undertakings and to take steps to regulate the marking of whisky of British origin.

*United States of America.* An agreement signed on 17 November 1938[1] provided for mutual unconditional most-favoured-nation treatment in respect of duties levied on imports or exports, internal taxation, prohibitions, quotas, monopolies under Government control and the award of public works contracts.

The United Kingdom agreed to maximum rates of duties on imports of a long list of United States goods (subject to certain reservations regarding dumping and export subsidies) and also on imports into certain colonies of a further long list of United States goods. The United States agreed to maximum rates of duty on imports of a long list of United Kingdom and British colonial goods.

Regarding quantitative regulations of imports, it was agreed that no such restrictions should be imposed on imports of any of the goods specifically mentioned in the agreement; but 'the foregoing provision shall not apply to quantitative regulations, in whatever form, which may hereafter be imposed by either High Contracting Party on the importation or sale of any article, the growth, produce or manufacture of the territories of the other, in conjunction with governmental measures or measures under governmental authority

(*a*) operating to regulate or control the production, market supply, quality or price of the like article of domestic growth, production or manufacture; or

(*b*) operating to increase the labour costs of production of the like article of domestic growth, production or manufacture;

provided, however, that the High Contracting Party proposing to impose any such quantitative regulation is satisfied, in the case of measures described in sub-paragraph (*a*) of this paragraph, that such quantitative regulation is necessary to secure the effective operation of such measures, and, in the case of measures described in sub-paragraph (*b*), that such measures are causing the domestic production of the article concerned to be injuriously affected by imports which constitute an abnormal proportion of the total consumption of such

1 Trade Agreement, 17 November 1938, Cmd. 5882. (This agreement has not yet been ratified, but is provisionally in force.)

article in relation to the proportion supplied in the past by foreign countries'.

Further exceptions were made in the case of prohibitions or restrictions:

'(*a*) imposed for the protection of public health or on moral or humanitarian grounds;

(*b*) imposed for the protection of animals or plants, including measures for protection against disease, degeneration or extinction as well as measures taken against harmful seeds, plants and animals;

(*c*) imposed by either High Contracting Party in pursuance of obligations under international agreements in force on the day of the signature of this Agreement by which that High Contracting Party is bound;

(*d*) relating to the importation or exportation of gold or silver;

(*e*) relating to the control of traffic in arms, ammunition or implements of war, and, in exceptional circumstances, all other military supplies;

(*f*) relating to neutrality or to public security;

(*g*) imposed by either High Contracting Party should that High Contracting Party be engaged in hostilities or war.'

The agreement might be terminated by either party if there were wide variations in the rate of exchange between the two currencies.

Then followed a provision which is common form in recent United States agreements, but which had never previously appeared in a United Kingdom agreement. It reads:

'Each High Contracting Party reserves the right to withdraw or to modify any concession granted in any territory of that High Contracting Party on any article enumerated and described, or specified, in any of the Schedules annexed to this Agreement, or to impose quantitative regulation on the importation of any such article into that territory, if, as the result of the extension of such concession to other foreign countries, any such country obtains the major benefit of the concession, and if in consequence imports of the article concerned increase to such an extent as to threaten serious injury to producers in the territories of that High Contracting Party; provided that, before any action authorized by this Article is taken, the High Contracting Party proposing to take such action shall give the other thirty days' notice thereof in writing and shall consult with that High Contracting Party concerning the proposed action.'

The United States might grant more favourable terms to its territories and possessions, the Panama Canal Zone and the Republic of Cuba than to the United Kingdom and British colonies; and the United Kingdom might grant more favourable terms to territories under the sovereignty of His Majesty or his protection or suzerainty than to the United States. Palestine might grant more favourable terms to any

territory which was part of Asiatic Turkey in 1914 than to the United States.

Finally, notes attached to the agreement covered such matters as access to raw materials, anti-dumping and countervailing duties, British preferences to mandated territories, treatment of United States goods in 'open-door' colonies, export restrictions on rubber plants, marketing schemes for apples, citrous fruits, beef and veal, and the method of valuation of imports for duty purposes.

The principal concessions by the United Kingdom were as follows: the United Kingdom duty on foreign wheat was abolished, the United States quota for hams increased, the duty on lard abolished and the duties on soft woods, apples, pears and various types of tinned fruits lowered. There was no change in the United Kingdom duties on tobacco or motor cars; but the British Government agreed that the duty on cars of 25 horse-power and over would not be increased.

The principal concessions made by the United States related to textiles. Duties on cotton piece goods were reduced by 20 to 30 %, on high grade woollen goods the duties were reduced from 60 to 35 % *ad valorem*, and on linen goods from 35 to 20 % *ad valorem*. The duty on whisky (the largest single British export to the United States) was guaranteed at its present level, and duties on china and china clay, leather, boots and shoes, paper, and books were lowered.

*France.* An agreement was signed in June 1934,[1] but was not ratified by the British Government. It was in force provisionally pending ratification from July 1934.

In tariff matters the two countries agreed to grant each other most-favoured-nation treatment, *except on certain goods*. The exceptions included, in the case of British imports, soya cake, soya oil, coconuts, raw coconut fibre, haddock, caviare, ginger, beer, cocoa-butter, shale oil, ozokerit, ice, coal tar and safety matches; and in the case of French imports, silk in cocoons, floss silk in the mass, preserved sardines, lemons, almonds, dates, figs, soya beans, cork, brandy and unrefined sulphur. Further, it was specifically stated that most-favoured-nation treatment did not mean treatment as favourable as that granted by either country to its Dominions, colonies, protectorates or mandated territories; to contiguous countries, in respect of frontier traffic; or to countries with which special arrangements had been made. Nor could the provisions regarding most-favoured-nation treatment be invoked

1 Cmd. 4632.

in respect of 'measures taken by one contracting Government with a view to counteracting governmental measures taken by the other and intended to stimulate exports, whether directly or indirectly, by abnormal and artificial means'.

In the matter of quotas, France agreed to restore the British quota to the full amount based on the proportion of imports from Britain in the base period. Most-favoured-nation treatment in the allotment of quotas was not, however, guaranteed, although it was guaranteed in respect of the administration of the quotas. In regard to coal, France guaranteed only the existing quota. (This was 49·5 % of the 'normal' quota, which was 58·5 % of the average imports, based on the actual figures for the period 1928–30.)

The United Kingdom agreed to remove the 20 % surtax on imports from France and fixed maximum duties for brandy and sparkling wines and for certain cut flowers and vegetables (the duties being slightly reduced for the latter products). More important were the concessions made in duties on raw silk and artificial silk yarns, which were reduced by 50 %.

The contracting parties 'took note' of a private arrangement for the exchange of coal for pit-props between the two countries. Finally, it was agreed that the agreement might be denounced by either party in the event of any large variation in the rate of exchange between the two currencies.

The real concessions made were those by France in regard to quotas and the abandonment of the 20 % surtax by Britain.

In 1937 two further agreements of minor importance were concluded.

The first[1] provided for the free entry of raw raffia of French colonial origin into the United Kingdom in exchange for the abolition by France of the 'surtaxe d'entrepôt' on British East African coffee and New Zealand kauri gum re-exported to France from the United Kingdom.

The second[2] provided for the continuance on a reciprocal basis of British commercial relations with Tunis. These included most-favoured-nation treatment in trade matters, the treatment of aliens and of foreign joint-stock companies.

## 5. Provisions of Agreements in Group IV

*Clearing and Payments Agreements*

*Brazil.* By an agreement dated 27 March 1935[3] arrangements were made with Brazil for the liquidation of arrears of commercial debts by the issue of sterling stock and by the provision of free exchange. Free exchange was to be allotted for the liquidation of 40 % of the

1 Cmd. 5558. 2 Cmd. 5622. 3 Cmd. 4911.

debts due for the period from 11 September 1934 to 11 February 1935, and for future imports.

*Germany.* Some of the payments and transfer agreements concluded with Germany were concerned wholly or partly with financial debts, but only those agreements or sections of them dealing with commercial matters are given below.

Under an agreement made in August 1934[1] German importers of British goods were to pay their debts into a special account at the Reichsbank and the balance in this account was to be used by the Bank of England to pay for German exports to the United Kingdom. The operation of the scheme would be suspended if the balance in the special account exceeded 5 million Reichsmarks. There was no compulsion on British importers to use the scheme.

This arrangement was unsatisfactory in many respects and was replaced by a payments agreement on 1 November 1934.[2] This provided:

(*a*) That Germany should provide foreign exchange to pay for imports from the United Kingdom to an amount equal to 55 % of the value of German exports to Britain.

(*b*) For the liquidation of outstanding debts an immediate payment of £400,000 was provided and further allocations would be made so as to complete liquidation of all outstanding debts within twelve months.

(*c*) The August arrangement would cease, and balances remaining in the special account would be liquidated within three months.

Under the threat by Germany to repudiate Austrian debts, a new agreement was signed on 1 July 1938.[3] This provided that the foreign exchange made available to pay for German imports of British goods was to be determined on a sliding scale and not as a fixed percentage of British imports from Germany as formerly. A basic allotment of £4½ millions a quarter would be made, but if the value of British imports during the preceding quarter 'exceeds or falls short of £7½ millions, then the amount of £4½ millions shall be increased or decreased by nine-tenths of the excess or deficiency on the said amount of £7½ millions'. The effect of this complicated formula was that British exports to Germany would be greater than under the previous arrangement, so long as British imports from Germany exceeded £25·8 millions per annum.

*Hungary.* A payments agreement with Hungary was concluded on 1 February 1936.[4] This provided for the allocation of £6,000 a month for the liquidation of arrears of commercial debts and for the allotment of a basic quota of sterling to pay for Hungarian imports of 60 % of the sterling obtained in the previous month by sales of Hungarian goods in the United Kingdom.

1 Cmd. 4702.
2 Cmd. 4963.
3 Cmd. 5881.
4 S.O. Code, No. 51, 9999.

*Italy.* A provisional agreement with Italy was signed on 18 March 1935[1] which provided for the admission into Italy of United Kingdom goods up to a value of 80 % of the imports in 1934. These were to be paid for by deposit of lire in a blocked account which would be liquidated from the proceeds of the sale of Italian goods in the United Kingdom. The whole of the sterling exchange so arising was to be used to pay for Italian imports of British goods. This agreement was renewed and extended to cover freight charges and Italian imports of fish from Newfoundland on 27 April 1935.[2]

The working of this arrangement was seriously affected by the imposition of sanctions against Italy and by the 'counter-sanctions' imposed by Italy. The latter continued after the sanctions policy had been abandoned by the United Kingdom, and Britain found it necessary to impose clearings on trade with Italy in July 1936.[3]

A new and more comprehensive agreement was signed on 6 November 1936.[4] This was a clearing agreement. It provided for the continuation of clearing systems in both countries. The terms of the agreement were complicated, but may be summarized briefly as follows:

Commercial debts due from Italy were divided into three classes. Class (A) covered debts for goods and freight received between 17 March 1935 and 18 November 1935—the period covered by the previous agreement. Class (B) covered similar debts arising before 18 March 1935 and those arising during the sanctions period, 18 November 1935 to 14 July 1936. All debts arising after 14 July 1936 were considered as 'new trade'. In Italy special 'lire arrears accounts A, B and C' were established and these corresponded to similar 'sterling arrears accounts'. There were also a 'lire new account' and a 'sterling new account' which obtained funds from new trade. Finally, there was a 'sterling general account'. All sums due by Italians were paid into the appropriate lire account, and all sums due by British importers etc. were paid into the sterling general account. The funds in this account were then allotted as follows:

18 % to sterling arrears account A,
9 % to sterling arrears account B,
3 % to sterling arrears account C,
70 % to sterling new account.

At the end of every quarter a balance was struck between the sterling new account and the lire new account. This would represent Italy's export surplus for the quarter and would be re-allocated as follows:

60 % to sterling arrears account A,
30 % to sterling arrears account B,
10 % to sterling arrears account C.

1 Cmd. 4883. 2 Cmd. 4960.
3 S.R. and O. 1936, 696. 4 Cmd. 5346.

A year later, in December 1937, there was an insufficiency of funds in the sterling arrears account C and the sterling new account and arrangements were made for the transfer to these accounts of certain sums from the sterling arrears accounts A and B.[1]

This agreement was further amended in March 1938.[2] The amending agreement provided for the division of the lire new account and the sterling new account into a 'lire coal sub-account' and a 'lire sub-account D', and a 'sterling coal sub-account' and a 'sterling sub-account D', respectively. The lire coal sub-account was to be credited with sums received in respect of imports of British coal and the lire sub-account D was to be credited with sums received in respect of imports of all other British goods. The lire arrears account B and the sterling arrears account B were wound up and the sums credited to the sterling general account were now to be allocated as follows:

6½ % to the sterling arrears account A,
6½ % to the sterling arrears account C,
46 % to the sterling coal sub-account,
41 % to the sterling sub-account D.

*Roumania.* The payments agreements with Roumania were mainly concerned with the allocation of the sterling exchange obtained from exports to the United Kingdom, and, therefore, need not be considered in this study. But the first agreement, which was signed in February 1935,[3] provided that Roumania might restrict imports of British goods in any quarter to 55 % of the value of Roumanian exports to Britain in the preceding quarter. The second agreement, signed in August 1935,[4] provided for the sale of 50,000 tons of wheat and 30,000 tons of barley in the United Kingdom in order to provide payment for past debts.

*Spain.* Owing to delays in payments for British exports, a clearing agreement was signed with Spain on 6 January 1936.[5] This provided for compulsory two-way clearing. Debts arising from exports of goods (and for freight and passengers carried in British ships)[6] were given priority of payment under the agreement. The war in Spain prevented the proper working of this system and it was suspended on 17 December 1936.[7]

*Turkey.* By a trade and payments agreement signed on 4 June 1935[8] a clearing system was set up between the United Kingdom and Turkey. This was not compulsory on the British side. It provided that 70 % of the sterling proceeds of Turkish exports to Britain should be used to pay for British exports to Turkey and that the remainder should be at the free disposal of the Central Bank of Turkey.

1 Cmd. 5669.
2 Cmd. 5695.
3 Cmd. 4802.
4 Cmd. 4976.
5 Cmd. 5097 and S.R. and O. 1936, 2.
6 Cmd. 5250 and S.R. and O. 1936, 557.
7 S.R. and O. 1936, 1305.
8 Cmd. 5037.

A new agreement was signed on 2 September 1936.[1] The main provisions of the clearing arrangement remained unchanged, but it was now compulsory for British importers to use the clearing system.[2]

As the result of the signature of an export credits guarantee agreement[3] and an armaments credit agreement[4] on 27 May 1938 it became necessary to amend the clearing agreement.[5] No substantial changes in method were, however, involved.

*Uruguay.* An agreement signed on 26 June 1935 between the United Kingdom and Uruguay[6] provided for the liquidation of outstanding commercial debts and for the allotment of sterling to pay for Uruguayan imports from Britain to an amount equal in any month to at least 80 % of their value in that year.

*Yugoslavia.* By an agreement dated 27 November 1936[7] Yugoslavia agreed to permit sterling to be obtained in payment of all permitted imports of British goods, the amount of permitted imports to depend on the amount of Yugoslav exports to Britain.

## 6. Provisions of Agreements in Group V

*Most-Favoured-Nation Agreements*

*Uruguay.* The agreement concluded in 1935[8] provided for the mutual accord of most-favoured-nation treatment to imports from each country. This applied to import duties, quotas, exchange allocation, etc. Arrangements were made for the payment of commercial debts due to Britain and for the service of Uruguayan public debt held in the United Kingdom, and, in the protocol, the two Governments agreed to negotiate a definitive trade agreement as soon as possible. Finally, Uruguay agreed to assist British interests (including shipping) in Uruguay as far as possible.

*Cuba.* The agreement signed in February 1937[9] provided for the most-favoured-nation treatment of imports and exports by both countries. Cuba fixed maximum rates of duties on imports of British linen and woollen piece goods, agreed not to impose further restrictions on British insurance companies operating in Cuba, to consider sympathetically the position of the United Railways of Havana, to permit the employment of reasonable numbers of foreigners by British firms in Cuba, and to grant British shipping treatment as favourable as that given to national or any other shipping. The agreement might be terminated by the United Kingdom if the preferences granted by Cuba to United States goods were increased, and it might be terminated by Cuba if the preferences granted by the United Kingdom on sugar and tobacco produced by Empire countries were increased.

1 Cmd. 5274. 2 S.R. and O. 1936, 858 and 1251. 3 Cmd. 5754.
4 Cmd. 5755. 5 Cmd. 5756. 6 Cmd. 5343.
7 Cmd. 5540. 8 Cmd. 5343. 9 Cmd. 5867.

## 7. Provisions of Agreements in Group VI

*Miscellaneous Agreements*

*Soviet Union.* In view of the unusual provisions of the 1934 agreement with Russia a short account of Anglo-Soviet trade relations after 1930 and of the effect of the agreement is given. The 'Temporary Commercial Agreement' of 1930,[1] which was denounced by the United Kingdom in 1932, provided for reciprocal most-favoured-nation treatment in trade and navigation and for the special recognition and the diplomatic status of Soviet trade representatives in Great Britain. It was expected that this agreement would bring about a considerable increase in British exports to Russia and it was announced that contracts to the value of £20 millions would be placed in Britain during 1930. Although these expectations were not entirely fulfilled, British exports increased considerably, the figures being, in millions of pounds, 1929, 3·7; 1930, 6·8; 1931, 7·3; 1932, 9·2. The whole of the face value of the contracts actually given was guaranteed by the Export Credits Guarantee Department of the Board of Trade.

In the agreement with Canada signed in 1932, the United Kingdom undertook to take certain measures to prevent dumping in the British market of goods produced by State-controlled industries.[2] Relying on this clause, Canadian timber interests renewed their complaints about Russian dumping of wood and timber in the United Kingdom and the British Government was constrained to denounce the agreement in October 1932.

A new 'temporary' agreement was concluded in February 1934.[3] This renewed the previous agreement regarding reciprocal most-favoured-nation treatment and the diplomatic status of Russian trade representatives in the United Kingdom. It also contained an attempt to regulate the balance of payments between the two countries.

It was agreed that 'The payments of the Union of Soviet Socialist Republics in the United Kingdom...shall bear to the proceeds of the Union of Soviet Socialist Republics in the United Kingdom...the following proportions:

In the year ending 31 December 1934, 1 : 1·7.
In the year ending 31 December 1935, 1 : 1·5.
In the year ending 31 December 1936, 1 : 1·4.
In the year ending 31 December 1937, 1 : 1·2.

Thereafter an approximate balance of payments measured by the ratio 1 : 1·1 shall be maintained.'

There followed an elaborate definition of the method by which the balance of payments was to be calculated for the purposes of the agreement. In short, the items to be included were gross imports, less goods

1 Cmd. 3552. 2 See above, p. 180. 3 Cmd. 4567.

shipped in bond, and exports and re-exports, shipping services, and the repayment of credits by Russia.

It is not possible to calculate from the published material the exact position of the balance of payments between the two countries as defined in this agreement, but the following table shows the balance of trade:

UNITED KINGDOM WITH RUSSIA (£ millions)

| | Gross imports | Domestic exports | Re-exports | Balance |
|---|---|---|---|---|
| 1930 | 34·2 | 6·8 | 2·5 | −24·9 |
| 1931 | 32·3 | 7·3 | 1·9 | −23·1 |
| 1932 | 19·6 | 9·2 | 1·4 | − 9·0 |
| 1933 | 17·5 | 3·3 | 1·0 | −13·2 |
| 1934 | 17·3 | 3·6 | 3·9 | − 9·8 |
| 1935 | 21·8 | 3·5 | 6·2 | −12·1 |
| 1936 | 18·9 | 3·5 | 9·8 | − 5·6 |
| 1937 | 29·1 | 3·1 | 16·4 | − 9·6 |

These figures seem to show that it is very doubtful if the agreed balance of payments has been reached. In any case, the adverse balance to Britain has been reduced not by selling less to the United Kingdom or by buying more British goods, but by an increase in Russian imports of other countries' goods purchased through the United Kingdom. It is British entrepot trade which has benefited. The principal commodities which Russia purchased in this way in 1937 were certain raw materials, viz. raw rubber (£2·7 millions), unwrought copper (£5·1 millions), lead (£1·1 millions), nickel (£1·9 millions) and tin (£3·2 millions). The value of these items amounted to £14·0 millions out of the total of £16·4 millions of British re-exports to Russia in that year.

The agreement of 1936[1] was not between the two Governments, but was an exchange of letters between the General Manager of the Export Credits Guarantee Department of the Board of Trade and the Trade Representative of the U.S.S.R. in the United Kingdom. The substance of the agreement, which is dated 28 July 1936, is that the Export Credits Guarantee Department will guarantee Soviet Promissory Notes to a value of £10 millions, the proceeds of which are to be used for payment to British exporters to Russia. Details of the method of payment are included in the agreement.

*Italy.* The 1935[2] agreement with Italy provided that British goods were to be admitted to Italy up to 80 % of the amount imported in the previous year and that payment should be made into a blocked account from which transfers were to be made whenever sterling was available. This agreement was replaced in 1936[3] by a new agreement which provided for quotas on certain British (and Newfoundland) goods imported into Italy. The goods mentioned include certain sorts of fish,

1 Cmd. 5253. 2 Cmd. 4883. 3 Cmd. 5345.

wool and manufactures thereof, iron and steel and their products, machinery, china, clay, coal and coke,[1] pharmaceutical preparations, cotton, linen, hemp and jute tissues, etc.

In 1938[2] new quotas were fixed for Italian imports of all the British goods mentioned in the 1936 agreement with the exception of coal and coke. Ferro alloys were added to the list.

*Turkey.* In the 1935[3] agreement Turkey agreed that a long list of British goods should not be subject to quotas when imported into Turkey and minimum annual quotas were fixed for certain other British goods. Britain agreed to give Turkey most-favoured-nation treatment in the allocation of quotas on agricultural products and fixed maximum rates of duty for certain Turkish goods, viz. figs and fig cake, valonia, raw mohair and hazel nuts. The agreement also provided for machinery for the payment of debts due to British exporters—and, finally, it was agreed that private compensation agreements might be made providing for the exchange of certain Turkish goods against any British goods. The permitted Turkish goods included carpets and kilims, dried vegetables, eggs, fresh fruit, gum tragacanth, opium, tobacco, vegetable colouring materials, and wines and spirits.

Two agreements with Turkey were signed in May 1938.

The first[4] was somewhat similar to the 1936 agreement with Russia,[5] but differed from it in several important respects. The total amount of the credit was £10 millions, the goods on which it might be spent must not be munitions and at least 50 % of the sale price must be derived from expenditure in respect of materials grown or produced or work done in the United Kingdom. The method of payment was also different from that provided for in the Russian agreement. Further, the agreement provided for the establishment of a company to be called Anglo-Turkish Commodities, Ltd. which was to be responsible for the sale of Turkish goods in the United Kingdom—the proceeds from these sales to be used to repay the credits granted in respect of British exports.

The second agreement[6] provided for loans from the British Government to a total of £6 millions for the purchase by Turkey of munitions, etc. in the United Kingdom.

1 The quota for coal and coke is a c.i.f. value of 43,500 lire (then about £620) per quarter.

2 Cmd. 5694. 3 Cmd. 5037. 4 Cmd. 5754.

5 See above, p. 210. 6 Cmd. 5755.

## APPENDIX M. *UNITED KINGDOM: TRADE WITH CERTAIN COUNTRIES WITH WHICH TRADE, CLEARING, PAYMENTS, ETC. AGREEMENTS HAVE BEEN MADE SINCE* 1931

(Special trade, merchandise only, Value in £ millions and as a percentage of total imports and exports)

| | | Retained imports | | | | | | Exports of domestic produce | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Annual average: | | 1910–12 | 1923–25 | 1927–29 | 1930–32 | 1933–35 | 1936–37 | 1910–12 | 1923–25 | 1927–29 | 1930–32 | 1933–35 | 1936–37 |
| Argentina | £ | 31·1 | 67·4 | 75·8 | 51·3 | 42·8 | 50·6 | 19·4 | 28·2 | 29·1 | 16·9 | 14·3 | 17·7 |
| | % | 5·2 | 6·2 | 6·9 | 6·4 | 6·4 | 5·8 | 4·2 | 3·6 | 4·0 | 3·8 | 3·6 | 3·7 |
| Australia | £ | 25·2 | 41·1 | 42·4 | 40·2 | 45·9 | 60·6 | 31·1 | 59·5 | 57·0 | 22·1 | 25·6 | 34·9 |
| | % | 4·2 | 3·8 | 3·9 | 5·0 | 6·9 | 7·0 | 6·8 | 7·6 | 7·9 | 5·0 | 6·5 | 7·3 |
| Brazil | £ | 4·4 | 3·9 | 4·8 | 5·5 | 6·4 | 8·8 | 13·7 | 13·6 | 14·6 | 5·6 | 5·6 | 5·9 |
| | % | 0·7 | 0·4 | 0·4 | 0·7 | 1·0 | 1·0 | 3·0 | 1·7 | 2·0 | 1·3 | 1·4 | 1·2 |
| Canada | £ | 24·7 | 60·3 | 50·1 | 35·7 | 48·2 | 77·4 | 21·0 | 27·7 | 32·9 | 21·7 | 19·5 | 25·4 |
| | % | 4·1 | 5·5 | 4·6 | 4·5 | 7·2 | 8·9 | 4·6 | 3·5 | 4·6 | 4·9 | 4·9 | 5·3 |
| Chile | £ | 4·0 | 8·2 | 7·4 | 4·1 | 3·5 | 6·0 | 5·9 | 6·0 | 6·5 | 2·2 | 1·4 | 1·8 |
| | % | 0·7 | 0·7 | 0·7 | 0·5 | 0·5 | 0·7 | 1·3 | 0·8 | 0·9 | 0·5 | 0·4 | 0·4 |
| Denmark | £ | 20·6 | 47·7 | 52·7 | 46·7 | 33·2 | 34·8 | 5·6 | 12·4 | 10·2 | 9·6 | 13·0 | 15·9 |
| | % | 3·5 | 4·4 | 4·8 | 5·8 | 5·0 | 4·0 | 1·2 | 1·6 | 1·4 | 2·2 | 3·3 | 3·3 |
| Eire | £ | — | 41·7 | 43·4 | 34·5 | 17·3 | 19·9 | — | 37·4 | 35·8 | 30·3 | 19·6 | 21·3 |
| | % | — | 3·8 | 4·0 | 4·3 | 2·6 | 2·3 | — | 4·8 | 5·0 | 6·8 | 4·9 | 4·4 |
| Finland | £ | — | 13·2 | 14·5 | 11·9 | 14·2 | 20·2 | — | 4·2 | 3·4 | 2·1 | 3·5 | 5·1 |
| | % | — | 1·2 | 1·3 | 1·5 | 2·1 | 2·3 | — | 0·5 | 0·5 | 0·5 | 0·9 | 1·1 |
| France | £ | 38·3 | 56·9 | 56·3 | 34·3 | 18·9 | 24·5 | 24·1 | 40·7 | 26·8 | 23·6 | 17·2 | 19·6 |
| | % | 6·4 | 5·2 | 5·1 | 4·3 | 2·8 | 2·8 | 5·3 | 5·2 | 3·7 | 5·3 | 4·3 | 4·1 |

| | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Germany | £ | 61·7 | 38·7 | 61·8 | 51·7 | 29·2 | 33·3 | 38·9 | 43·1 | 39·9 | 19·9 | 15·9 | 20·3 |
| | % | 10·3 | 3·5 | 5·6 | 6·4 | 4·4 | 3·8 | 8·5 | 5·5 | 5·5 | 4·5 | 4·0 | 4·2 |
| India | £ | 35·6 | 62·0 | 50·5 | 31·8 | 34·8 | 48·2 | 52·0 | 87·6 | 82·4 | 39·8 | 36·0 | 35·0 |
| | % | 6·0 | 5·7 | 4·6 | 4·0 | 5·2 | 5·5 | 11·4 | 11·2 | 11·4 | 9·0 | 9·1 | 7·3 |
| Italy | £ | 6·4 | 16·2 | 15·5 | 12·9 | 8·1 | 4·7 | 13·3 | 18·6 | 14·6 | 10·6 | 8·7 | 2·7 |
| | % | 1·1 | 1·5 | 1·4 | 1·6 | 1·2 | 0·5 | 2·9 | 2·4 | 2·0 | 2·4 | 2·2 | 0·6 |
| Netherlands | £ | 19·0 | 41·1 | 42·3 | 31·7 | 20·4 | 27·5 | 13·4 | 26·5 | 21·6 | 14·9 | 12·0 | 13·7 |
| | % | 3·2 | 3·8 | 3·9 | 3·9 | 3·0 | 3·2 | 2·9 | 3·4 | 3·0 | 3·4 | 3·0 | 2·8 |
| New Zealand | £ | 15·9 | 40·4 | 39·7 | 35·7 | 33·7 | 41·0 | 9·6 | 21·4 | 20·1 | 13·1 | 11·4 | 18·8 |
| | % | 2·7 | 3·7 | 3·6 | 4·5 | 5·0 | 4·7 | 2·1 | 2·7 | 2·8 | 3·0 | 2·9 | 3·9 |
| Norway | £ | 6·0 | 11·7 | 12·5 | 9·3 | 7·6 | 9·8 | 4·8 | 8·5 | 8·4 | 8·8 | 6·2 | 8·0 |
| | % | 1·0 | 1·1 | 1·1 | 1·2 | 1·1 | 1·1 | 1·1 | 1·1 | 1·2 | 2·0 | 1·6 | 1·7 |
| Peru | £ | 2·8 | 8·5 | 6·6 | 3·8 | 4·2 | 4·6 | 1·4 | 2·5 | 2·0 | 0·9 | 1·0 | 1·1 |
| | % | 0·5 | 0·8 | 0·6 | 0·5 | 0·6 | 0·5 | 0·3 | 0·3 | 0·3 | 0·2 | 0·3 | 0·2 |
| Roumania | £ | 4·3 | 2·2 | 2·3 | 3·8 | 3·5 | 5·2 | 2·5 | 2·9 | 2·7 | 1·7 | 2·1 | 1·5 |
| | % | 0·7 | 0·2 | 0·2 | 0·5 | 0·5 | 0·6 | 0·5 | 0·4 | 0·4 | 0·4 | 0·5 | 0·3 |
| South Africa | £ | 4·9 | 10·5 | 12·7 | 10·2 | 9·3 | 11·8 | 20·4 | 29·5 | 31·5 | 22·1 | 29·1 | 39·5 |
| | % | 0·8 | 1·0 | 1·2 | 1·3 | 1·4 | 1·4 | 4·5 | 3·8 | 4·4 | 5·0 | 7·3 | 8·2 |
| Spain | £ | 13·1 | 18·7 | 17·9 | 13·8 | 10·7 | 8·8 | 5·8 | 10·4 | 10·7 | 6·6 | 4·9 | 2·7 |
| | % | 2·2 | 1·7 | 1·6 | 1·7 | 1·6 | 1·0 | 1·3 | 1·3 | 1·5 | 1·5 | 1·2 | 0·6 |
| Sweden | £ | 11·9 | 21·5 | 24·0 | 17·5 | 16·8 | 23·1 | 6·7 | 13·1 | 10·0 | 8·2 | 8·7 | 11·7 |
| | % | 2·0 | 2·0 | 2·2 | 2·2 | 2·5 | 2·7 | 1·5 | 1·7 | 1·4 | 1·9 | 2·2 | 2·4 |
| United States of America | £ | 113·5 | 216·1 | 183·6 | 106·7 | 76·4 | 96·6 | 29·7 | 55·3 | 45·9 | 20·7 | 19·9 | 29·5 |
| | % | 19·0 | 20·0 | 16·8 | 13·3 | 11·4 | 11·1 | 6·5 | 7·1 | 6·4 | 4·7 | 5·0 | 6·1 |
| U.S.S.R. | £ | 40·6 | 13·5 | 19·3 | 25·5 | 16·7 | 20·7 | 13·2 | 4·2 | 3·7 | 7·8 | 3·5 | 3·3 |
| | % | 6·8 | 1·2 | 1·8 | 3·2 | 2·5 | 2·4 | 2·9 | 0·5 | 0·5 | 1·8 | 0·9 | 0·7 |
| Yugoslavia | £ | — | 0·5 | 0·6 | 0·6 | 0·9 | 2·1 | — | 1·1 | 1·4 | 1·1 | 0·8 | 0·9 |
| | % | — | 0·1 | 0·1 | 0·1 | 0·1 | 0·2 | — | 0·1 | 0·2 | 0·3 | 0·2 | 9·2 |

## APPENDIX N. *UNITED KINGDOM: PAYMENTS, CLEARINGS, ETC. AGREEMENTS IN FORCE 1931 TO 1938*

| Country | Subject | Date of signature | Document |
|---|---|---|---|
| Argentina | Trade and Commerce: Convention | 1. v. 33 | Cmd. 4492 |
| | Supplementary Agreement | 26. ix. 33 | Cmd. 4494 |
| | Agreement | 1. xii. 36 | Cmd. 5324 |
| Brazil | Commercial Payments: Agreement | 27. iii. 35 | Cmd. 4911 |
| Germany | Commercial Relations: Exchange of Notes | 13. iv. 33 | Cmd. 4297 |
| | Transfer Moratorium: Papers | 15/20. vi. 34 | Cmd. 4620 |
| | Transfer Agreement | 4. vii. 34 | Cmd. 4640 |
| | Commercial Payments: Exchange Agreement | 10. viii. 34 | Cmd. 4702 |
| | Payments Agreement | 1. xi. 34 | Cmd. 4963 |
| | Payments (Amendment) Agreement | 1. vii. 38 | Cmd. 5881 |
| | Transfer Agreement | 1. vii. 38 | Cmd. 5880 |
| | Transfer Agreement: Supplementary Agreement | 13. viii. 38 | Cmd. 5885 |
| Hungary | Payments Agreement | 1. ii. 36 | S.O. No. 51–9999 |
| Italy | Imports from the United Kingdom into Italy: Provisional Agreement | 18. iii. 35 | Cmd. 4883 |
| | Trade and Payments: Exchanges of Notes | 27. iv. 35 | Cmd. 4960 |
| | Clearing Office: Order | 10. vii. 36 | S.R.O. 1936, 696 |
| | Commercial Agreement | 6. xi. 36 | Cmd. 5345 |
| | Commercial Exchanges and Payments: Agreement | 6. xi. 36 | Cmd. 5346 |
| | Clearing Office Amendment: Order | 11. xi. 36 | S.R.O. 1936, 1193 |
| | Commercial Exchanges and Payments: Exchange of Notes | 24. xii. 37 | Cmd. 5669 |
| | Commercial Agreement | 18. iii. 38 | Cmd. 5694 |
| | Commercial Exchanges and Payments: Agreement | 18. iii. 38 | Cmd. 5695 |
| | Clearing Office Amendment: Order | 28. iii. 38 | S.R.O. 1938, 234 |

| | | | |
|---|---|---|---|
| Roumania | Payments Agreement | 8. ii. 35 | Cmd. 4802 |
| | Payments Agreement | 3. viii. 35 | Cmd. 4976 (out of print) |
| | Commercial Payments: Agreement | 2. v. 36 | Cmd. 5587 |
| | Payments (Supplementary) Agreement | 28. v. 36 | Cmd. 5187 |
| | Clearing Office: Order | 28. v. 36 | S.R.O. 1936, 427 |
| | Payments (Supplementary) Agreement | 5. xii. 36 | Cmd. 5470 |
| | Clearing Office Amendment: Order | 17. xii. 36 | S.R.O. 1936, 1306 |
| | Payments (Supplementary) Agreement | 27. v. 36 | Cmd. 5588 |
| | Payments Technical (Amendment) Agreement | 27. v. 36 | Cmd. 5471 |
| | Clearing Office Amendment: Order | 1. vi. 37 | S.R.O. 1937, 510 |
| | Payments (Amendment) Agreement: Exchange of Notes | 12. xi. 37 | Cmd. 5613 |
| | Payments (Supplementary) Agreement | 25. ii. 38 | Cmd. 5718 |
| | Clearing Office Amendment: Order | 28. iii. 38 | S.R.O. 1938, 235 |
| | Payments (Supplementary) Agreement | 11. vi. 38 | Cmd. 5797 |
| | Commercial Payments: Agreement | 2. ix. 38 | Cmd. 5840 |
| | Clearing Office Amendment: Order | 9. ix. 38 | S.R.O. 1938, 908 |
| | Modification of Annex to Agreement of 2. ix. 38 | 23. xii. 38 | — |
| Soviet Union | Temporary Commercial Agreement | 16. ii. 34 | Cmd. 4567 |
| | Export Credits Guarantee Department: Agreement | 28. vii. 36 | Cmd. 5253 |
| Spain | Payments Agreement | 6. i. 36 | Cmd. 5097 |
| | Clearing Office: Order | 9. i. 36 | S.R.O. 1936, 2 |
| | Payments (Amendment) Agreement | 6. vi. 36 | Cmd. 5250 |
| | Clearing Office Amendment: Order | 8. vi. 36 | S.R.O. 1936, 557 |
| | Clearing Office Amendment No. 2: Order | 17. xii. 36 | S.R.O. 1936, 1305 |
| Turkey | Trade and Payments: Agreement | 4. vi. 35 | Cmd. 5037 |
| | Trade and Clearing: Agreement | 2. ix. 36 | Cmd. 5274 |
| | Clearing Office: Order | 8. ix. 36 | S.R.O. 1936, 1251 |
| | Clearing Office No. 2: Order | 27. xi. 36 | S.R.O. 1936, 1251 |
| | Guarantee Agreement | 27. v. 38 | Cmd. 5754 |
| | Trade and Clearing: Agreement | 27. v. 38 | Cmd. 5756 |
| | Armaments Credit: Agreement | 27. v. 38 | Cmd. 5755 |
| | Clearing Office Amendment: Order | 15. vi. 38 | S.R.O. 1938, 580 |
| Uruguay | Trade and Payments: Agreement | 26. vi. 35 | Cmd. 5343 |
| Yugoslavia | Trade and Payments: Agreement | 27. xi. 36 | Cmd. 5540 |

## APPENDIX O. *MULTILATERAL COMMERCIAL TREATIES, AGREEMENTS, ETC. IN FORCE BETWEEN THE UNITED KINGDOM AND FOREIGN COUNTRIES, 1 JANUARY* 1939

*Notes.* (*a*) The countries named include those which adhere to the agreement only with reservations.

(*b*) References marked 'H.B.' are to pages in the Foreign Office *Handbook of Commercial Treaties*, 1931.

(*c*) Agreements between Government *departments* are not included, e.g. postal and broadcasting conventions, tripartite monetary agreements, etc.

### I. *Dealing with Navigation and Transport*

1. 1888, October 29. Convention, Suez Canal Navigation. H.B. 751.

| | | | |
|---|---|---|---|
| France | Hungary | Netherlands | Spain |
| Germany | Italy | Soviet Union | Turkey |

2*a*. 1921, April 20. Convention, Navigable Waterways of International Concern. H.B. 837.

2*b*. 1921, April 20. Additional Protocol, Navigable Waterways of International Concern. H.B. 846.

| | | | |
|---|---|---|---|
| Albania | Danzig | Hungary | Roumania |
| Bulgaria[1] | Finland | Italy[1] | Siam |
| Chile | France[1] | Luxemburg | Sweden |
| Cuba | Greece | Norway | Turkey |

3. 1921, April 20. Convention, Freedom of Transit. H.B. 849.

| | | | |
|---|---|---|---|
| Albania | Finland | Japan | Spain |
| Belgium | France | Latvia | Sweden |
| Bulgaria | Germany | Luxemburg | Switzerland |
| Chile | Greece | Netherlands | Turkey |
| Czecho-slovakia | Hungary | Norway | Yugoslavia |
| Danzig | Iran | Poland | |
| Denmark | Iraq | Roumania | |
| Estonia | Italy | Siam | |

4. 1921, April 20. Declaration, Right to a flag of States having no sea coast. H.B. 854.

Same as (3) *except* Iran, Luxemburg and *plus* Mexico, Soviet Union.

[1] 2*a* only.

5. 1921, July 23. Convention, Definitive Statute of the Danube. H.B. 856.

| | | | |
|---|---|---|---|
| Belgium | France | Hungary | Yugoslavia |
| Bulgaria | Germany | Italy | |
| Czecho-slovakia | Greece | Roumania | |

6*a*. 1922, February 22. Convention. Statute of Navigation of the Elbe. Cmd. 2091.

6*b*. 1923, January 27. Supplementary Convention. Statute of Navigation of the Elbe. Cmd. 2091.

| | | | |
|---|---|---|---|
| Belgium | France | Germany | Italy |
| Czecho-slovakia | | | |

7*a*. 1923, July 24. General Convention, Regime of the Straits. H.B. 887.

| | |
|---|---|
| Italy | Japan |

7*b*. 1936, July 20. Convention and Protocol. Regime of the Straits. Cmd. 5551.

| | | | |
|---|---|---|---|
| Bulgaria | Greece | Roumania | Turkey |
| France | Italy | Soviet Union | Yugoslavia |

8. 1923, December 9. Convention International Regime of Railways. H.B. 913.

| | | | |
|---|---|---|---|
| Argentina | Germany | Netherlands | Sweden |
| Danzig | Greece | Norway | Switzerland |
| Denmark | Hungary | Poland | Yugoslavia |
| Estonia | Italy | Roumania | |
| Finland | Japan | Siam | |
| France | Latvia | Spain | |

9. 1923, December 9. Convention, International Regime of Maritime Ports. H.B. 926.

As in 8 *except* Danzig, Finland, Latvia, Spain and *plus* Czechoslovakia, Iraq, Mexico.

10. 1929, May 31. Convention, Safety of Life at Sea. Cmd. 4198.

| | | | |
|---|---|---|---|
| Argentina | Egypt | Iceland | Portugal |
| Belgium | Estonia | Italy | Roumania |
| Brazil | Finland | Japan | Soviet Union |
| Bulgaria | France | Netherlands | Spain |
| China | Germany | Norway | Sweden |
| Danzig | Greece | Panama | United States |
| Denmark | Hungary | Poland | |

11*a*. 1930, July 5. Convention, Load Lines. Cmd. 4199.

11*b*. 1938, August 23rd. Declaration, Load Lines. Cmd. 5930.

| | | | |
|---|---|---|---|
| Argentina | Egypt | Japan | Roumania |
| Belgium | Estonia | Latvia | Siam |
| Brazil | Finland | Mexico | Soviet Union |
| Bulgaria | France | Netherlands | Spain |
| Chile | Germany | Norway | Sweden |
| China | Greece | Panama | United States |
| Cuba | Hungary | Peru | Yugoslavia |
| Danzig | Iceland | Poland | |
| Denmark | Italy | Portugal | |

## II. *Concerning Imports, Exports and Customs*

12. 1890, July 5. Convention, Publication of Customs Tariffs. H.B. 754.

| | | | |
|---|---|---|---|
| Albania | Dominican Rep. | Italy | Portugal |
| Argentina | Ecuador | Japan | Roumania |
| Belgium | Egypt | Latvia | Salvador |
| Bolivia | Estonia | Lithuania | Siam |
| Brazil | Finland | Luxemburg | Soviet Union |
| Bulgaria | France | Mexico | Spain |
| Chile | Germany | Netherlands | Sweden |
| China | Greece | Nicaragua | Switzerland |
| Colombia | Guatemala | Norway | Turkey |
| Costa Rica | Hayti | Panama | United States |
| Cuba | Honduras | Paraguay | Uruguay |
| Czecho-slovakia | Hungary | Peru | Venezuela |
| Denmark | Iran | Poland | Yugoslavia |

13*a*. 1911, June 2. Agreement, False Indications of Origin on Goods. H.B. 808.

Cuba

13*b*. 1925, November 6. Agreement, False indications of Origin on goods. H.B. 963.

| | | | |
|---|---|---|---|
| Brazil | Germany | Poland | Switzerland |
| Czecho-slovakia | Hungary | Roumania | Turkey |
| Danzig | Liechtenstein | Spain | |
| France | Mexico | Sweden | |

13*c*. 1934, June 2. Agreement, False Indications of Origin on Goods. Cmd. 5832.

Germany

14*a*. 1911, June 2. Convention, Industrial Property. H.B. 800.

| | | | |
|---|---|---|---|
| Bulgaria | Denmark | Finland | Luxemburg |
| Cuba | Dominican Rep. | Greece | Norway |
| Danzig | Estonia | Latvia | Roumania |

14*b*. 1925, November 6. Convention, Industrial Property. H.B. 952.

| | | | |
|---|---|---|---|
| Belgium | Hungary | Norway | Turkey |
| Brazil | Italy | Poland | United States |
| Czecho-slovakia | Japan | Portugal | Yugoslavia |
| Denmark | Liechtenstein | Spain | |
| France | Mexico | Sweden | |
| Germany | Netherlands | Switzerland | |

14*c*. 1934, June 2. Convention, Industrial Property. Cmd. 5833.

| | | | |
|---|---|---|---|
| Denmark | Japan | Norway | United States |
| Germany | | | |

15. 1923, November 3. Convention, Simplification of Customs Formalities. H.B. 897.

| | | | |
|---|---|---|---|
| Belgium | Estonia | Iraq | Roumania |
| Brazil | Finland | Italy | Siam |
| Bulgaria | France | Latvia | Sweden |
| China | Germany | Luxemburg | Switzerland |
| Czecho-slovakia | Greece | Netherlands | Yugoslavia |
| Denmark | Hungary | Norway | |
| Egypt | Iran | Poland | |

16. 1924, August 25. Convention, Bills of Lading. Cmd. 3806.

| | | | |
|---|---|---|---|
| Belgium | Italy | Poland | Roumania |
| France | Monaco | Portugal | Spain |
| Hungary | | | |

17. 1928, July 11. Agreement and Protocol, Exportation of Bones. H.B. 998.

| | | | |
|---|---|---|---|
| Belgium | France | Luxemburg | Roumania |
| Czecho-slovakia | Germany | Netherlands | Sweden |
| Denmark | Hungary | Norway | Switzerland |
| Finland | Italy | Poland | Yugoslavia |

18. 1928, July 11. Agreement and Protocol, Exportation of Hides and Skins. H.B. 1004.

Same signatories as 17

19. 1928, December 14. Convention, Economic Statistics. H.B. 1018.

| | | | |
|---|---|---|---|
| Bulgaria | Egypt | Latvia | Portugal |
| Chile | Finland | Lithuania | Roumania |
| Cuba | France | Netherlands | Sweden |
| Czecho-slovakia | Greece | Norway | Switzerland |
| Denmark | Italy | Poland | |

20*a*. 1934, May 7. Agreement, Rubber Production and Export. Cmd. 4583.

20*b*. 1935, June 27. Protocol, Amendment of 20*a*. Cmd. 5236.

20*c*. 1936, May 22. Protocol, Amendment of 20*a*. Cmd. 5236.

20*d*. 1937, February 5. Protocol, Amendment of 20*a*. Cmd. 5384.

20*e*. 1938, October 6. Declaration, Rubber Production and Export. Cmd. 5901.

France, Netherlands, Siam. Signatories of all the above.

21. 1933, August 25. Final Act. Wheat Conference. Cmd. 4449.

| | | | |
|---|---|---|---|
| Argentina | Germany | Roumania | United States |
| Belgium | Greece | Soviet Union | Yugoslavia |
| Bulgaria | Hungary | Spain | |
| Czecho-slovakia | Italy | Sweden | |
| France | Poland | Switzerland | |

22*a*. 1908, November 13. Convention, Copyright. H.B. 791.

| | | | |
|---|---|---|---|
| Estonia | Hayti | Portugal | Siam |

22*b*. 1914, March 20. Additional Protocol, Copyright. H.B. 823.

| | |
|---|---|
| Estonia | Siam |

22*c*. 1928, June 2. Convention, Copyright. H.B. 984.

| | | | |
|---|---|---|---|
| Belgium | France | Liechtenstein | Roumania |
| Brazil | Germany | Luxemburg | Spain |
| Bulgaria | Greece | Monaco | Sweden |
| Czecho-slovakia | Hungary | Netherlands | Switzerland |
| Danzig | Italy | Norway | Vatican |
| Denmark | Japan | Poland | Yugoslavia |
| Finland | Latvia | Portugal | |

23*a*. 1923, September 24. Protocol, Arbitration Clauses. H.B. 894.

| | | | |
|---|---|---|---|
| Albania | Finland | Luxemburg | Siam |
| Belgium | France | Monaco | Spain |
| Brazil | Germany | Netherlands | Sweden |
| Czecho-slovakia | Greece | Norway | Switzerland |
| Danzig | Iraq | Poland | |
| Denmark | Italy | Portugal | |
| Estonia | Japan | Roumania | |

23*b*. 1927, September 26. Convention, Execution of Foreign Arbitral Awards. H.B. 965.

| | | | |
|---|---|---|---|
| Belgium | Finland | Luxemburg | Spain |
| Czecho-slovakia | France | Netherlands | Sweden |
| Danzig | Germany | Portugal | Switzerland |
| Denmark | Greece | Roumania | |
| Estonia | Italy | Siam | |

## III. *Concerning the Status of Certain Territories*

24. 1906, April 7. Act, Algeciras Conference, Affairs of Morocco. H.B. 762.

| | | | |
|---|---|---|---|
| Belgium | Hungary | Netherlands | Spain |
| France | Italy | Portugal | Sweden |
| Germany | Morocco | Soviet Union | United States |

25. 1906, December 13. Agreement respecting Ethiopia. H.B. 787.

| | |
|---|---|
| France | Italy |

26. 1919, September 10. Convention, Revision of General Act of Berlin, 1885 and General Act and Declaration of Brussels, 1890. Africa. H.B. 825.

| | | | |
|---|---|---|---|
| Belgium | Italy | Portugal | United States |
| France | Japan | | |

27. 1920, February 9. Status of Spitsbergen. H.B. 830.

| | | | |
|---|---|---|---|
| Afghanistan | Dominican Rep. | Japan | Spain |
| Albania | Ecuador | Monaco | Sweden |
| Argentina | Estonia | Netherlands | Switzerland |
| Belgium | Finland | Norway | United States |
| Bulgaria | France | Poland | Venezuela |
| Chile | Germany | Portugal | Yugoslavia |
| China | Greece | Roumania | |
| Czecho-slovakia | Hungary | Saudi Arabia | |
| Denmark | Italy | Soviet Union | |

28*a*. 1922, February 6. Treaty, Principles and Policies in China. H.B. 868.

28*b*. 1922, February 6. Treaty, Chinese Customs Tariff. H.B. 871.

| | | | |
|---|---|---|---|
| Belgium | France | Netherlands | Sweden |
| Bolivia[1] | Italy | Norway | United States |
| China | Japan | Portugal | |
| Denmark | Mexico[1] | Spain[2] | |

29*a*. 1923, December 18. Convention. Statute of the Tangier Zone. H.B. 936.

29*b*. 1928, July 25. Final Protocol, Agreements and Exchanges of Notes. Amendment of Tangier Statute, 1923. H.B. 1009.

| | | | |
|---|---|---|---|
| Belgium | Italy | Portugal | Sweden |
| France | Netherlands | Spain | |

1 28*a* only. 2 28*b* only.

# PART IV. INCIDENTAL PROTECTION

## CHAPTER XII. *SUMMARY OF PRACTICES AFFORDING INCIDENTAL PROTECTION*

In the first three Parts of this study analysis was made of all the measures, such as tariffs, quotas, marketing schemes and trade treaties, by means of which the Government sought to protect or assist British industry or agriculture. All these measures were found to affect, directly or indirectly, the course or volume of foreign trade.

We now have to consider those measures and regulations which have the effect of protecting industry or of interfering with foreign trade, although they were not imposed with that object in view. These restrictions or interferences arose either from the necessities of customs administration or were the result of some non-protective aspect of Government policy.

The main features of the Customs Practice of the United Kingdom have been in existence since the latter half of the nineteenth century. The primary business of the Customs authorities is the collection and management of duties, and in spite of the increasing complexity of the tariff, the increase in the number of goods subject to duty, the varying rates and the different methods of assessing duties, the main requirements of the Customs in relation to importing and exporting have remained essentially the same. It is true that the amount of information required in order adequately to identify goods and establish the rates of duty to which they were liable increased considerably in the years following the 1914–18 war, and that there has been a consequential increase in the number of documents required in respect of imports of particular goods, or goods from particular countries. But the broad lines of Customs administration have not been changed. It cannot be said that the development of the policy of protection after the last war, and particularly after 1931, was accompanied by a corresponding increase in the difficulties placed in the way of traders by Customs formalities, except in so far as the actual tariff laws necessitated the collection of additional information.

The same may be said of the bonding, transhipment and drawback systems, the purpose of which was to exempt entrepôt trade from import duties. The main features of the procedure were not altered after 1876, but the imposition of a general tariff and imperial preferences added greatly to the complexities of its execution and required a multitude of different rates of drawback, for the application of which more information and more documents were necessary. In so far as this increase in the formalities to be complied with deterred traders from making use of the available facilities it acted as a restriction on trade, but it affected exports as much as imports, and was not, therefore, only protective in its effects.

Regulations imposed for reasons of Public Health prohibited, restricted or controlled the importation of certain goods and required the inspection and, if necessary, the isolation, of incoming ships or aircraft and their passengers or cargo in order to prevent the occurrence or spread of infectious diseases. Among the commodities covered by these regulations were such goods as dangerous drugs, food and drink, hair and wool, white phosphorus matches, parrots, shaving brushes, tea, therapeutic substances, various animals and plants, carcasses and fodder. These restrictions were imposed purely for the purpose of preventing disease or improving health, but they could in certain circumstances be used for furthering a protectionist policy. Some of these regulations were applied to particular countries only, as, for example, the prohibition of the importation of shaving brushes from Japan and the restrictions on the importation of hair and wool from Egypt, and goat hair from India, but such discriminations were due to the greater possibility of infection from goods imported from these countries.

The other regulations were mainly concerned with the administration of the Public Health laws in ports. These were applied to passengers and cargo irrespective of their country of origin, but special precautions were taken in the case of those arriving from infected ports. It cannot be said that Health Regulations were used as a deliberate means of indirect protection or of favouring one country rather than another, but they appear sometimes to have had that result.

The Shipping Regulations were long and technical, but there was little about them which is of interest as far as commercial

policy is concerned. That part of the regulations concerned with the carriage of imports and exports was really intended as a further method of preventing the unlawful importation or exportation of goods, and may be regarded as an extension of Customs formalities. They applied equally to British and foreign ships. The provisions dealing with safety were mainly the result of international agreement and applied equally to most other countries. The special regulations on particular commodities also applied to other countries. In so far as the provisions governing health and the employment of seamen affected British industry they had an adverse effect on our competitive power, because the rates of pay and the conditions as to accommodation, feeding and medical attendance increased the cost of shipping service compared with most other countries. There were no restrictions on the employment of foreign vessels and no important restrictions on the employment of foreign personnel, and it therefore cannot be said that the shipping regulations were used as a method of indirect protection.

Customs and regulations governing the placing of public and semi-public contracts resulted in a considerable measure of indirect protection for British producers. Although public bodies were seldom legally compelled to place their contracts in Great Britain, custom and the pressure of public opinion did in fact result in the home producer being favoured at the expense of the foreign producer, even when a considerably higher price had to be paid. Also when orders were placed abroad Empire countries were favoured in preference to foreign countries, and any country with which England did not have friendly political or economic relations at the moment was unlikely to obtain an order. Although this policy had been in force for many years, it is likely that it was particularly effective after 1931, when public opinion was focused by the depression on the need to stimulate home and Empire trade.

Publicity campaigns were only undertaken to an important extent during the years 1926 to 1932, when considerable funds were put at the disposal of the Empire Marketing Board to encourage the purchase of nationally produced goods, or Empire goods, rather than foreign goods. The campaign was greatly intensified at the end of 1931 on account of the financial crisis, but, owing to the need for economy, expenditure on publicity was

stopped shortly afterwards, and subsequent Government expenditure for this purpose was small, although a part of the cost of exhibitions at home and abroad was borne by public funds.

In addition to the restrictions imposed for reasons of public health which have just been noted, the importation of certain goods was prohibited or restricted for other reasons of public policy. These regulations included such goods as coffee, tobacco and spirits, arms, ammunitions and explosives, coins, lottery advertisements and merchandise bearing a forged trade-mark or false trade description. Restrictions were placed temporarily on goods imported from Eire, Russia and Italy, and the exportation of certain goods was also subject to restriction or prohibition.

# CHAPTER XIII. *REGULATIONS AND SYSTEMS WHICH PROVIDE PROTECTION*

## 1. Customs Formalities

(*Note.* Numbers in brackets refer to Customs' Sale Forms)

*Importing.* An importer is defined as an 'owner or other person for the time being possessed of, or beneficially interested in, any goods at and from the time of their importation until the same are duly delivered out of the charge of the Officer of Customs'. In order to obtain possession and clearance of merchandise an importer had to make Entry of the goods within fourteen working days of the arrival of the importing ship. If the Entry was not made by the importer himself his agent had to be given written authority to act on his behalf.

The description of all goods on the Entry had to be in accordance with the *Import and Export List*, and with the tariff designations and denominations. Values had to be given and net quantities stated in terms of the unit prescribed by the List, and the trade names also had to be given. Any goods falling within a general description of goods covered by the Merchandise Marks Act 1926[1] also had to be described in accordance therewith, even if exemption from marking was claimed. The country of consignment also had to be shown.

The Form of Entry, when approved by the Customs Officer, constituted the warrant for landing and delivery of the goods. It had therefore to be made before the goods were landed, except in the case of perishable goods, which could be landed (but if dutiable not delivered) before Entry was made if a special request was made on the appropriate document.

In addition to the Form of Entry other documents might be required. In the case of goods liable to *ad valorem* duty the original invoice for the goods with translation, where necessary, was to be produced. The Invoice had to be supported by a declaration signed by the importer or someone specifically authorized by him, giving particulars of the nature of the transaction, and stating *inter alia* whether the importer was the agent of the exporter, or

1 16 and 17 Geo. 5, c. 53.

whether he was purchasing from an independent firm. This declaration had normally to be made at the time of Entry, but in the case of urgent traffic it could be accepted up to fourteen days afterwards. Where the invoice did not give full details, packing lists giving particulars of the contents of packages had to be produced, and bills of lading and freight notes might also be required.

Additional information was needed for certain goods. For example, the importer of silk or artificial silk goods had to make a declaration stating the proportionate value of the silk and artificial silk in relation to the other materials of which the goods were composed, and if the goods were liable to specific duty a statement of the net weight in pounds and ounces of the contents of each individual package in the consignment had to be given. In the case of beer a declaration was required as to the specific gravity of the worts from which the beer was brewed. Additional information was also required for spirits and commodities containing sugar. Where imperial preference was claimed this was to be done at the time of Entry, and full evidence given of the country of origin of the goods produced.

If an importer was unable, through lack of information, to make a perfect Entry, he could temporarily enter the goods by a bill of sight, which enabled the goods to be landed. If this bill of sight was not completed by perfect Entry within three days, or such longer period as might be allowed, the goods were liable to be removed to the King's Warehouse. If perfect Entry was not made within a month of landing, the goods could be sold by the Customs.

All goods had to be entered with the Customs, except diamonds of a kind not liable to duty, bullion and coin, lobsters and fresh fish of British taking, and passengers' baggage and private effects which could be landed without Entry. Information had to be provided on the forms officially printed, though in certain circumstances the use of privately printed forms were allowed on application, provided that they corresponded in colour, shape, size, quality of paper and print with the official forms. Entry had normally to be made in duplicate, but in some cases in triplicate.

Any package could be examined and sampled at the discretion of the Officer of Customs. Examination was usually carried out at the quays or in transit sheds. Exception was made in special

cases when written application was made, and on security being given and a special fee paid an Officer of Customs might attend at private premises.

Any duty payable had to be paid in current coin or notes of the United Kingdom, Public Revenue transfers, bankers' drafts payable at sight, or cheques guaranteed by a banking business in the United Kingdom. Unguaranteed cheques were not finally accepted until they had been cleared.

*Exporting.* All goods exported from the United Kingdom had to be declared on specifications, which had to be delivered within six days after the final clearance outwards of the exporting ship. Goods had to be declared in the specifications in accordance with the *Import and Export List.* The place or country of origin of the goods had to be shown.

The exportation of certain classes of goods was prohibited or restricted. Such restricted goods, and also transhipment goods, goods exported from bonded premises, and goods exported on drawback, had to be pre-entered before exportation.

Pre-entry was also required for the following classes of goods: goods liable to Excise duty exported without payment of duty, unregistered British-built ships and aircraft departing on their first voyage, goods exported by aircraft, goods returned as being damaged or not in accordance with contract, goods re-exported after undergoing a process in the United Kingdom, and dutiable goods intended to be re-imported on which re-admission free of duty or at a reduced rate would be claimed. In the case of goods which are pre-entered the exporter or shipper had to deliver a shipping bill giving particulars of the goods. The goods in most cases had to be produced to the Customs before exportation.

Goods could be exported only from duly appointed wharfs, and in the presence or with the authority of an Officer of Customs. They could not be exported on Sundays or Public Holidays, or on a ship of less than 40 tons.

Certificates of origin of exported goods could generally be obtained on request. There was a wide variation in the requirements of foreign Customs authorities, and consequently there was a large range of certificates, but when no special form existed a certificate in manuscript could be issued. Applications for certificates had to be accompanied by a declaration by the exporter stating the country of origin of the goods.

*Complexity of Procedure.* The principal Act governing Customs formalities and procedure was the Customs Consolidation Act of 1876,[1] but later measures, such as the Import Duties Act 1932,[2] and the Ottawa Agreements Act 1932,[3] added considerably to the information and documents required. Detailed regulations were laid down governing procedure for the Entry, landing or shipment examination, payment of duty, bonding and warehousing, transhipment, etc. of imports and exports. The great complexity of procedure and the number of formalities with which merchants and shippers had to comply do not appear to be due to the necessity of ensuring that all the rules and regulations concerning the payment of duty or other restrictions were observed. Indeed some of the regulations dealing with bonded and transit and drawback goods were made with the deliberate intention of facilitating the re-export trade.

The procedure was the same for imports from and exports to all countries, except in so far as the Customs authorities of other countries required different information from British exporters. It has already been pointed out that additional information was required for certain commodities, particularly beer and silk or artificial silk goods, and for goods on which imperial preference was claimed, but it cannot be said that Customs formalities as such discriminated against any countries or classes of commodities.

*Publication of Regulations and Changes.* The *Customs and Excise Tariff*, published every six months by the Stationery Office, consisted of a statement showing the duties of Customs and Excise then in operation in the United Kingdom. Fuller information was given in 'Public Notices', which could be obtained from the Customs House.

A collection of Statutory Rules and Orders was published annually by the Stationery Office, from which copies of individual Rules and Orders could also be obtained. There was also a general survey and summary of regulations in the *Customs Regulations and Procedure*, published by the Stationery Office.

The *Import and Export List*, published annually by the Stationery Office, indicated the basis on which goods were classified for the purposes of Import and Export Trade Statistics. Notes were provided to facilitate the correct entry of goods.

1 39 and 40 Vict. c. 36. 2 22 Geo. 5, c. 8.
3 22 Geo. 5, c. 53.

Changes in regulations were issued in the *Board of Trade Journal*, published weekly by the Board of Trade. Information could also be obtained from the Customs House.

*Documents required.* There were about 100 Customs sale forms issued in connection with Customs formalities. In addition, many other documents were required. A short description of the most important of these forms and documents is given below.

(*a*) *For Importation*

*Entry Forms* were provided for the compulsory use of merchants in advising Customs officials of details concerning goods imported. They contained the name of the port and dock of arrival, name of ship, date when the captain's report on berthing was made to the Customs, description of the goods, details of marks, number, weight or quantity and value, and the name of the place whence the goods were consigned. There were separate Entry Forms for Free Goods (23 and 24), Free Goods in Transit (15), Warehousing goods liable to *ad valorem* duty (108 and 109) and not liable to *ad valorem* duty (46 and 46*a*), Home Use, ex ship of Dutiable Goods not liable to *ad valorem* duty (22) and liable to *ad valorem* duty (107). Entry Forms had to be made out at least in duplicate, but in some ports in triplicate. The duplicate copy was called the Warrant.

*Landing Order.* A Landing Order (44) was required in London, only; it had to be signed by a Customs House official.

*Bill of Sight.* Where the importer had not sufficient information available to fill up a 'perfect Entry' he had to use the Bill of Sight (21), which served as a warrant for provisional landing, but he could not deliver the goods until he had made 'perfect' entry, unless they were perishable, in which case he had to make a 'Request to Land Perishable Goods' (53).

*Certificate of Origin.* These were required when an application was made for the payment of a lower rate of duty by reason of the source of origin of the goods, e.g. for the application for imperial preference. There were different forms for goods grown or produced in the British Empire (119), goods manufactured in the British Empire (120), composite goods containing a proportion of dutiable materials of Empire origin (121) and an additional certificate by the manufacturer of composite goods (122).

*Transhipment Forms.* When dutiable goods were imported for immediate transhipment the importer had to prepare a Tranship-

ment Bond Note (48), signed and stamped by the Customs. When the goods were to be exported from a different dock or port to that of importation a Transhipment Delivery Order (50) was necessary. This Order, signed by the Customs Officer after the bond had been signed, authorized the delivery of the goods for conveyance.

For goods of British origin being re-imported a *Bill of Store* (141) was necessary in order to obtain admission of the goods free of duty. Special documents were required for the importation of certain commodities, for example, a Manifest (41) was required for cattle, and Statutory Declaration (56) for plate.

(*b*) *For Exportation*

*Specifications.* An exporter had to enter details of merchandise on a specification form. There were forms for British and North Irish Textile goods (29*a*), other goods (29*b*), Foreign and Colonial Merchandise (30) and a New Unregistered Ship or Aircraft (5). Pre-entry of exported goods was required for goods temporarily exported for repair or process, for watches or clocks on Form 110 and other goods on Form 117.

*Certificates of Origin.* These were not required by the British Customs, but if the goods were to be exported to a country which gave preference to British goods they would be required by the consignee. Therefore British Customs Forms were issued for an English Declaration by the Producer or Manufacturer (11) or his Agent (12). There was also a Merchant's Declaration (14) and, if both a Producer's or Manufacturer's Declaration and a Merchant's Declaration were required the former had to be made on a special form (13).

*Consular Invoices* were required for goods sent to U.S.A., and certain South American countries. This was an ordinary Export Invoice corrected or certified by a consul so as to ensure that the correct customs duty would be paid.

The above were the main documents required by an importer or exporter. Documents relating to transit, bonding, warehousing, and documents required of the ship's master or owner, have not been included, and are treated separately. In addition to the specific documents mentioned above, normal commercial documents, such as invoices and freight notes, were often required to furnish details of quantity, value, etc.

*Samples.* Reciprocal arrangements were made between the United Kingdom and most other countries for the granting of special facilities for the temporary importation and exportation of commercial travellers' samples.

Articles liable to Customs duty (with the exception of motor cars or motor-car chassis or motor cycles) could be temporarily admitted without payment of duty subject to the following conditions:

(1) The amount of the duty had to be deposited in cash or secured by a bond given by a person resident in, or a limited company registered in, the United Kingdom.

(2) A list containing a detailed description of the samples, and, if they were liable to *ad valorem* duty, a statement of their value had to be given. The list and statement had to be attested by the proper authority in the country of exportation, and in the case of samples from the U.S.A. by the British Consular authorities. If no such list was available, one might be compiled at the port of importation if documentary evidence of value of those samples liable to *ad valorem* duty could be produced.

Specially detailed particulars were required for watches.

(3) The samples had to be clearly identifiable by marks, seals, or stamps. These could be affixed by the Customs if it had not already been done.

(4) The list of samples had to be signed and dated by the Customs, and a statement attached showing the port of importation, amount of duty chargeable and whether deposit or bond had been given, the marks applied to the samples, and the time within which the samples were to be re-exported or placed in bond. The maximum time allowed was one year.

(5) In order to obtain refund of the deposit or release from bond the samples and the list and statement of value had to be produced and re-exported from an approved port. A second statement was required stating that the goods had not been used in the United Kingdom for any purpose other than commercial travellers' samples.

Special conditions were laid down for the importation of cinematograph films, gold or silver watches or plate liable to assay.

Commercial travellers proceeding abroad could have their samples sealed, and a list thereof certified before exportation. The samples and a list in duplicate giving full details of quantity

and value had to be produced, together with a declaration that the values given were accurate. The list had to be prepared in accordance with the regulations of the importing country.

The samples could be re-imported at any port on production of the list, without payment of duty.

Examination and sealing of samples before exportation might be made at private premises if the expenses were paid.

*Disputes.* The Customs Consolidation Act 1876[1] and subsequent amendments provided for recourse to the Courts of Law in the case of disputes arising between traders and the Customs. Any dispute arising as to the seizure or detention of goods might be determined by the Commissioners of Customs and Excise as they deemed just, and if the merchant was still dissatisfied he could state his case personally at a Public Enquiry before the Commissioners. In the case of a dispute as to the proper rate of duty the goods might be released on payment of a deposit by the importer on the duty demanded, and if the amount of duty ultimately determined was less than this deposit a refund would be made to the importer. The dispute was referred to a Referee who could not be a member of a Government Department and whose decision was final.

Disputes on the valuation of goods subject to the McKenna duties were also referred to a Referee, and the Safeguarding of Industries Act 1921[2] provided that disputes as to the improper inclusion or exclusion of goods in the Board of Trade lists should be referred to a Referee, but this was modified in 1926,[3] when a panel of persons possessing special scientific knowledge was appointed from whom two persons were to be selected to sit with the Referee on a tribunal.

*Penalties.* The Customs Consolidation Act 1876[4] and later amendments laid down innumerable penalties applying to the infringement of the various laws and regulations. These penalties generally consisted of forfeiture of the goods and fines or imprisonment, the severity of which varied according to the importance of the offence and the degree of fraud involved. The penalties given were in all cases the maximum penalty, and the Commissioners of Customs and Excise had power to mitigate any penalties imposed, and to return goods which had been forfeited.

1 39 and 40 Vict. c. 36.
2 11 and 12 Geo. 5, c. 47.
3 16 and 17 Geo. 5, c. 47.
4 39 and 40 Vict. c. 36.

The following are some of the penalties:

(1) Failing to comply with Entry regulations: forfeiture of goods and a fine not exceeding £20.

(2) Failing to comply with the requirements as to specifications and the production of documents relating to goods for exportation: fine not exceeding £5.

(3) Presenting a fraudulent entry of imported goods: forfeiture, and a fine not exceeding £100 or treble the value of the goods.

(4) Presenting a false Declaration: a fine not exceeding £500 and imprisonment up to two years.

*Fees and Charges.* In general no fees or other charges were levied by the Customs beyond the duty prescribed by the Tariff. There were, however, charges for special services. A charge was made for attendance of an Officer of Customs on a Sunday or Public Holiday or at any time outside business hours. A fee was charged for the examination or sealing of goods or samples at private premises.

All expenses incurred in preparing goods for examination, bringing them to the proper place, opening, unpacking, repacking, bulking, sorting, lotting, marking and numbering had to be borne by the importer or exporter.

The cost of Customs Forms was not an important item. The prices varied, but were generally about one or two shillings for fifty. A charge of five shillings for Certificates of Origin of exported goods was made in certain cases, and a charge of two shillings and sixpence was sometimes made for witnessing Declarations of Exporters.

*Marks of Origin.* The Merchandise Marks Act 1887[1] prohibited the importation of foreign goods bearing a name or trade mark purporting to be the name or trade mark of a manufacturer or dealer in the United Kingdom unless the country of origin was definitely indicated. This Act and an amendment made in 1911[2] were designed to prevent fraudulent misrepresentation, but the Merchandise Marks Act 1926[3] went much further than this. It gave power to a Committee appointed for the purpose to require an indication of origin on goods of any class or description. An application had to be made to the Committee by interested parties

1 50 and 51 Vict. c. 28.
2 192 Geo. 5, c. 31.
3 16 and 17 Geo. 5, c. 53.

in the United Kingdom requesting that an Order should be made applying to certain goods, and if the Committee was satisfied that it was desirable that such an Order should be made an Order in Council was published. The Committee might subsequently grant exemption from all or any of the goods to which an Order in Council had been applied.

A large number of Orders and several Exemption Directions were made under the 1926 Act, affecting many different classes of goods. The necessity of establishing whether or not certain goods were covered by any Order under the Merchandise Marks Act undoubtedly added considerably to the difficulties of importers, and in so far as the knowledge that goods were of foreign origin restricted the demand for them the Act was a further obstacle to foreign trade.

To sum up, in order to import merchandise all consignments of goods had to be entered on an Entry Form within fourteen days of arrival, unless they were entered temporarily on a Bill of Sight. Full information had always to be provided, either on the Entry Form or in other documents, to enable the Customs Officers to assess the duty payable, and to determine whether or not the importation of the goods was prohibited or restricted. Duty had always to be paid before the goods were cleared unless they were to be transhipped in bond or warehoused, in which case bond had to be provided.

Exported goods had to be declared on a specification form, and certain classes of goods had also to be pre-entered. In the latter case particulars of the goods had to be given in a shipping bill.

All goods imported or exported were liable to be inspected by Customs Officers, and full descriptions of the goods had to be given. Heavy penalties could be imposed for breaking regulations, and disputes could be settled by a Referee or by recourse to law.

### 2. Goods in Bond and on Drawback

The position of Great Britain as a centre for international commerce and the importance of London in the world's insurance and financial markets led to the development of a large re-export trade. It was always the policy of the Government to foster this

trade, and in consequence various methods were adopted for facilitating the re-exportation of imported dutiable goods. These methods were:

(1) direct transhipment in bond from one port or wharf to another;

(2) deposit in bonded warehouses (goods so deposited were not regarded as being imported until they were withdrawn from the warehouse for home consumption);

(3) the repayment of some or all of the duty paid on imported goods by means of 'Drawbacks'.

There was a long series of regulations dealing with these systems.

*Transhipment.* Free goods imported on through bills of lading were entered on a special Entry Form (15), and a special Specification (16) was also used. No further specification was needed if the goods were to be exported in one ship, but if in more than one ship a separate specification for each exporting vessel was required.

Dutiable goods transhipped under Bond were exempted from duty if duly exported. A Transhipment Bond Note (48), giving a full description of the quantities and value of the goods in accordance with the Import and Export List, had to be signed and stamped by the Customs at the port of importation. A Transhipment Delivery Order (5) also had to be obtained to authorize the delivery of the goods for conveyance.

If the goods were to be removed immediately to an Export Ship they had to be stored in a Transhipment or Transit Shed, which was a 'secure place' approved by the Commissioners and secured by Crown locks. If the goods were to be transhipped within the same port they had to be secured by Crown locks or accompanied by a Customs Watcher whilst in transit, and in London only lightermen or carmen licensed by the Commissioners could convey the goods. A transhipment Lighter Note or Cart Note was issued and taken with the goods to the export ship. Goods transhipped to another port might be conveyed by rail, or by road if carried by approved Bond Carriers. The trucks or vehicles had to be secured by Crown locks, unless each package had been weighed and sealed or officially examined at the port of importation.

Transhipment goods could be renumbered, remarked and repacked and home-produced goods could be packed with them for export. In such cases particulars of the new, as well as of the former marks and numbers, had to be given on the Transhipment Bond Note and other documents. The provisions of the Merchandise Marks Act could not, of course, be infringed.

*Warehousing.* Dutiable goods might be stored free of duty in bonded premises, but goods liable to Key Industry duty only, except chemicals, could not be so stored. Bonded premises were not the property of the Crown, but they had to be approved by the Commissioners of Custom and Excise. This approval was only given in ports and places appointed by the Treasury. A list of approved premises was issued by the Stationery Office. Elaborate conditions were laid down as to the conduct and keeping of records of the warehouse. These, however, were the concern of the warehousekeeper rather than the trader.

Imported goods intended for storage in a warehouse had to be entered on special forms according to whether they were liable to *ad valorem* (108) or specific (46) duty. There were also special forms for goods to be warehoused at some place other than that of importation (109 and 46*a*). The regulations as to transhipment goods apply in general to goods in course of removal to a warehouse, whether at the place of importation or elsewhere. Goods could not be stored in a warehouse for more than six months without special permission.

Certain operations might be performed in warehouses, such as sorting, repacking, etc. Manufacturing processes were in general not allowed, but extensive operations were permitted in the case of wine, spirits, tobacco, lime juice, sugar, coffee, chicory and cocoa. For example, wine might be bottled, racked, blended, fortified with spirit, and rendered sparkling: tobacco, including Cavendish and Negrohead, might be manufactured in bond: spirits might be racked and bottled, and spirits of the same kind might be vatted, and crude oil might be refined in bonded refineries. Coffee and chicory could be removed from a warehouse under bond for roasting, grinding, sizing and packing, and in the case of coffee, for dehusking.

Merchants were normally allowed to take samples for trade purposes of warehoused goods, but in some cases there were limitations on the size of such samples.

*Process Goods.* Special facilities existed for the temporary importation, free of duty, of certain goods, including motor cars, musical instruments, clocks and watches, and silk and artificial silk goods imported solely with a view to re-exportation after undergoing a process in the United Kingdom which would not change their form or character. Security had to be given for their re-exportation immediately after the process had been completed, and conditions had to be observed to ensure that the goods can be identified when re-exported.

*Exportation.* All Bonded goods, whether in Transit or ex Warehouse, had to be entered before shipment. Entry was made by a shipping bill, of which many different varieties existed for the various classes of goods. The shipping bill for Transhipment goods was Form 38, and such goods were not ordinarily subject to Customs examination before exportation.

In order to remove goods from a warehouse the appropriate Warrant had to be used. There were about fourteen alternative forms of Warrant, varying with the type of duty to which the goods were liable, and the purpose for which removal was required. If the goods were to be removed for home consumption, duty had to be paid before removal, if for re-warehousing or exportation bond was required to cover the removal. If the goods were to be exported, a shipping bill (63) bearing the Warehouse Officer's signature had to be produced with the goods for certification of shipment.

*Drawback.* The Drawback system was an alternative to that of Bonded Warehouses, and enabled certain goods temporarily imported into the United Kingdom to escape the incidence of the Customs duties. In this case the full duties were paid on importation, and a claim was made for the repayment of the duty when the goods were re-exported. Drawback could also be claimed on home-produced goods on which Excise duty had been paid, and imported goods which had undergone certain processes of manufacture not permitted in bonded warehouses could also obtain drawback, but the formalities to be observed in order to obtain it were considerable.

Drawback was payable on certain goods if it was proved to the satisfaction of the Commissioners of Customs that duty had been paid on the importation of the goods on which drawback was claimed, and that the goods had not been used in the United

Kingdom. Drawback was also payable when goods were repacked without undergoing any change, and when the articles were built into other articles without undergoing any change, e.g. a lens fitted into a telescope.

Articles liable to drawback were classified as either 'Identifiable', i.e. articles bearing an indelible distinguishing mark or serial number which had been recorded on the import invoice and entry, or 'Unidentifiable', i.e. articles not so distinguished, such as chemicals or gramophone springs.

In either case the exporter had to enter into a bond for each transaction, or a general bond for a series of transactions, for the exportation of the goods, and had to produce a shipping bill on the appropriate form describing the goods, and a declaration made in the presence of a Customs Officer that the goods on which the drawback was claimed were those described on the shipping bill, that duty had been paid on them and that they had not been used in the United Kingdom. If the exporter had assigned the drawback to the supplier and was unable to furnish all the information to complete the shipping bill, he had to give the name of the supplier, fill in Part A of Form C and E 78, and forward the former to the supplier, who had to give the required information in Part B.

There were about fifteen different forms of shipping bills for various classes of goods.

In the case of identifiable goods the exporter also had to produce either the originally stamped invoice or an extract from it applying to the goods on which drawback was claimed, certified by the Officer as correct after comparison with the original. If the exporter was not the same person as the importer he could produce instead of the above a written statement from the importer giving complete particulars of the goods and the transaction, and a written statement from any intermediate vendor identifying the goods. The exporter had to note on the above documents that drawback had been claimed. Verification of claims would be facilitated if the Officer of Customs were given access to stock accounts.

In the case of unidentifiable goods the exporter, in addition to producing the above documents, had to give a written undertaking to comply with certain conditions. These conditions were concerned with the keeping of stock accounts and the storing and

packing of the goods, and of goods on which duty had been, or had not been paid. When goods of a similar description to those on which drawback was claimed were imported free of duty, as under imperial preference, intimation had to be given in writing to the Customs Officer, and these goods had to be stored separately. Access had to be given to a Customs Officer to inspect all accounts, statements, and documents affecting the goods and to check stocks. If the goods were to be packed in the trader's premises, twenty-four hours' notice had to be given, and packages had to be properly secured and sealed by a Customs Officer. Drawback was paid quarterly in one sum instead of in respect of each consignment.

Arrangements could generally be made for goods to be inspected at the trader's premises. Application had to be made to the Collector of Customs, specifying the probable frequency and duration of attendances. In most cases a fee was charged and had to be deposited in advance. Twenty-four hours' notice had to be given and the shipping bill and other documents delivered.

Drawback was paid by means of debentures, which were prepared by the Customs House Export Branch as soon as possible after exportation had been certified.

The sections of the Customs and Excise Tariff dealing with the Drawback system are summarized in Part I, Appendix G of this study.

### 3. Health Regulations

Prohibitions and restrictions on the importation of certain commodities in order to protect human, animal or plant life is more fully dealt with in section 8 below. In some cases the regulations prohibiting or restricting importation were made by the Ministry of Health, in others by the Ministry of Agriculture and Fisheries, but in either case the restrictions were published in the Customs and Excise Tariff, and the administration and enforcement was transferred to the Customs and Excise Department. The regulations became part of the Tariff, and the methods of control and inspection were governed by Customs laws and procedure.

For administrative purposes the coastline of England and Wales was divided into Port and Riparian Health Districts. The Minister of Health was empowered to constitute a Port health district by order, and also to constitute a Riparian authority or a joint com-

mittee of two or more Riparian authorities to be the port health authority for a district. There were sixty-two Port Health Districts on 31 March 1938.

A port health authority had jurisdiction over the waters within its area, and the rights and liabilities of a local authority. One of the main functions of the port health authority was the enforcement of the Port Sanitary Regulations 1933[1] which related to the control of conditions likely to lead to the spread of infectious diseases from or to ships in ports. These regulations included provisions for giving effect to the International Sanitary Convention of Paris 1926[2] and certain of the sanitary measures prescribed were precisely as laid down in the Convention.

Under the regulations the master of a foreign-going ship approaching a port in the United Kingdom was required to ascertain the state of health of all persons on board and to fill in and sign a declaration of health on the prescribed form. If any person on board was not in good health it was the duty of the master to notify the port health authority, unless he was satisfied that the spread of infectious disease was not involved. This regulation did not apply to ships trading between ports in Great Britain and ports on the continent of Europe between the River Elbe and Brest.

The port health authority was required to establish, with the concurrence of the customs officer and harbour master, one or more mooring stations within the docks where ships in quarantine could be isolated. Vessels with infectious diseases on board had to proceed to these mooring stations, but some landing exemptions were made in the case of minor infectious diseases. There were further regulations in regard to the transmission by wireless of information to the port health authority, and of the flags and signal lights to be shown as indications of the health conditions on board.

A list of infected ports was kept by the Medical Officer of Health and supplied to pilots and Customs Officers. A Customs Officer on boarding a ship had to inspect the declaration of health, and if he found that the ship had sailed from an infected port, or that the health conditions required investigation, he detained the ship until persons on board had been medically inspected, and 'practique', i.e. free communication with the shore, was not to be granted until permission had been obtained from the Medical Officer of Health.

1 S.R.O. 1933, 38. 2 Cd. 3207.

The Medical Officer of Health might examine any person proposing to embark on a ship whom he suspected to be suffering from an infectious disease, and could prohibit the embarkation of persons who were contacts with infectious diseases.

Other regulations affecting port health authorities related to the cleansing and disinfection of ships, the destruction of rats and mice on ships, and the enforcement and execution of the regulations concerning the examination of imported food, the prohibition of the sale of shell fish likely to cause danger to the public health, the prohibition of the importation of parrots, and the supply of Dangerous Drugs to foreign ships. The Medical Inspection of Aliens was also undertaken in certain cases by the port health authorities, and such inspection was only allowed at ports approved by the Ministry of Health.

The Public Health (Aircraft) Regulations issued in 1938[1] established Sanitary Aerodromes. The regulations were similar to those governing Ports.

The actual inspection of ships and the enforcement of the regulations referred to above was carried out by Sanitary Inspectors appointed by the port health authority, who were under the control of the Medical Officer of Health for the district. There was close contact between the Customs authorities who were responsible for entering and identifying restricted imports and the port health authorities who were responsible for their inspection.

## 4. Railway Rates

During the last war the railways of Great Britain were controlled by the Government, and it was not until the Railways Act of 1921[2] that the railway companies resumed full control. This 1921 Act drastically reorganized the ownership, organization and conditions of operation of the railways, but it did not change the principle on which freight rates were charged.

The 1921 Act effected an amalgamation of all the railway companies into four large joint-stock companies, as follows:

(1) The London Midland and Scottish.
(2) The London and North-Eastern.
(3) The Southern.
(4) The Great Western.

1 S.R.O. 1938, 299. 2 11 and 12 Geo. 5, c. 55.

These four companies owned almost all the railways in the country and were responsible for the maintenance of the permanent way, rolling stock and other equipment, and for the provision of all railway services. Lines not controlled by these companies included those owned by the London Passenger Transport Board and certain local lines in various parts of the country. There were also some lines which were owned by joint committees of the different companies.

The Government agreed to pay the four companies the sum of £60 millions as compensation for any claims arising from the use of the railways by the Government during the 1914–18 war. Apart from this one grant the railways did not receive any direct assistance from the Government. The only indirect assistance was:

(1) The establishment of the Railways Freights Rebate Fund under the Local Government Act 1929.[1] Under this scheme the railways were relieved of 75 % of their local rates, which were paid into the Rates Rebate Fund. This Fund was used to reduce the consignment charges on certain commodities. From 1929 to 1937 the most important commodities were milk, livestock, coal, coke and patent fuel for export or for delivery to iron and steel works, and iron and steel. Coal, however, obtained the greater part of the Fund's resources. In 1936 a legal decision considerably reduced the amount of rates which the railways had to pay to the local authorities. As the rebate on these rates was still maintained at 75 % the resources of the fund were correspondingly reduced. Consequently a new scheme was inaugurated in 1937 which restricted the number of commodities benefiting to milk, livestock and coal for export. Between 1930 and 1936 the annual rebate on coal freights varied between £2,400,000 and £3,300,000, and the percentage reduction in freights between 25 and 41 %. The corresponding figures for agriculture were £700,000 to £865,000, and 10 to 16 %.[2]

(2) The formation of the London Electric Transport Finance Corporation and the Railway Finance Corporation in 1935 and 1936, respectively. The former issued £32 millions 2½ % debentures and the latter £27 millions 2½ % debentures and the former

1 19 and 20 Geo. 5, c. 17.

2 It was estimated that in the year ending 30 September 1938 the rebates allowed to coal for export would amount to £1,300,000 and to agriculture £300,000.

made a further issue of £9·65 millions in 1937. These loans were guaranteed by the Government, thereby enabling a much lower rate of interest to be paid than would otherwise have been possible. The object of the corporations was to finance the Railway Companies for electrification or other purposes by relending the funds raised by the loans.

With the exception of the reduction of rates on coal for export referred to above, no preferential treatment was given to imported or exported goods as compared with similar goods internally traded, and the question of compensation to the railways in respect of goods carried at preferential rates did not, therefore, arise.

Every railway company had to make arrangements for the carriage of mails, and obey all the reasonable regulations of the Postmaster-General for conveying, delivering and leaving mails, guards and postal officers. A mail guard could accompany mail bags on the same terms as any ordinary passenger travelling in a passenger train.

The remuneration paid to the railway company was fixed by agreement, or in default of agreement by the Railway and Canal Commission. For parcels the remuneration was two-fifths of the gross receipts from parcels carried by the railways. For mails the charge was the ordinary parcel rate, excluding any benefit from a through rate, and subject to certain deductions. When special trains were run the cost, together with a fair profit, was paid, and allowances were also given for altering the times and stopping-places of ordinary trains. For special vans the company was allowed a percentage of the cost of construction and a mileage rate for hauling.

Special reduced fares and rates were laid down for conveying officers and men of the fighting and police forces and their luggage, public baggage, stores, arms and ammunition.

### 5. Shipping Regulations

*Carriage of Imports and Exports.* The master of a ship arriving from abroad had to present a written Report within twenty-four hours of arrival. This report (Forms 1–3) gave details of the ship's cargo, describing separately the consignments to be landed at that port and those which were to remain on board for discharge at other ports, and the destinations of the goods so remaining on board. Failure to make a report made the master liable to a

penalty of £100. All vessels had to comply with this regulation except ships which put into a United Kingdom port purely for purposes of provisioning, bunkering, or refuge, and which stayed less than twenty-four hours.

A list of dutiable stores had to be kept on board, and the stores might be inspected and checked with the list by a Customs Officer. The stores had to be sealed when the ship was in port.

The owner or master of a ship proceeding abroad had to deliver a manifest within six days after clearance. This was a list of goods on board, with the descriptions and the names of the consigners. The manifest could be delivered through agents, and a declaration that the manifest was a true account of all the cargo on the ship had to be made.

The master of a ship sailing from a United Kingdom port had to clear his vessel outwards before loading cargo (25). He also had to sign a Declaration of Stores Content in respect of any stores held in bond, or on which drawback had been claimed, and had to sign the appropriate shipping bills for the consignments of cargo which were to be loaded.

The above regulations applied *equally* to foreign and to British ships, and to all commodities. The regulations, which were part of the Customs laws and not of the Merchant Shipping laws, applied to all classes of ships, but exportation was prohibited in ships of less than 40 tons. There were no regulations concerning the carriage of goods under licence.

One important respect in which the Merchant Shipping laws were concerned with the carriage of goods was in regard to Bills of Lading. A Bill of Lading was a document signed by the shipowner which stated that certain specified goods had been shipped on a particular ship, and set out the terms on which these goods had been delivered to and received by the ship. In practice the Bill of Lading was nearly always signed by the master of the ship. After signature it was handed to the shipper, who might either retain it or transfer it. The Bill of Lading was an acknowledgement of the receipt of the goods, and was the symbol of the right to the goods.

When the goods were delivered to the ship the shipper was usually handed a receipt called a 'mate's receipt', which was prima facie evidence of delivery, and the possession of which was prima facie evidence of ownership, entitling the holder to receive a Bill of Lading.

Where the goods were carried a portion of their journey by land it was the practice for the shipowner to charge an inclusive rate, and to issue to the shipper a 'through bill of lading'.

The above provisions were found mainly in the Carriage of Goods by Sea Act 1924.[1]

The provisions of the Merchant Shipping Acts were so varied in character that general rules for their application to ships of foreign countries can only be formulated subject to qualifications required by the particular case. In general, however, it can be said that provisions relating to the carriage of deck cargo, inspection and regulation of emigrant ships, and regulations for the prevention of collisions, applied to foreign ships equally with British ships. Except for the special regulations applying to grain, timber and dangerous goods all commodities were affected equally by the safety regulations.

*Departments concerned.* The general authority for all matters relating to Merchant Shipping was the Board of Trade, which had power to make regulations under the Merchant Shipping Acts. The Board appointed Surveyors and Inspectors, whose duties were to survey ships and inspect accidents according to the various provisions of the regulations.

Other authorities subsidiary to the Board of Trade but not directly controlled by it were:

(1) Local Marine Boards, which were established by the Board of Trade at important ports for the purpose of carrying into effect provisions of the Acts. Their chief duties were to appoint and control medical inspectors of seamen, to enquire into the conduct of officers, and to compile a list of persons with nautical and engineering experience.

(2) Superintendents, whose main duties were to afford facilities for engaging seamen by keeping a register, to superintend and facilitate the engagement and discharge of seamen, to ascertain that seamen's agreements complied with the regulations, to arrange for the apprenticing of seamen, and various other duties connected with the employment of seamen.

(3) The General Register and Record Office of Seamen kept a record of all persons who served in ships, and particulars concerning them. To enable this to be done lists were transmitted to the Office by the Superintendents.

1 14 and 15 Geo. 5, c. 22.

*Seaworthiness and Emergency Precautions.* Regulations dealing with seaworthiness and emergency precautions were made under the Merchant Shipping (Safety and Load Line Conventions) Act 1932,[1] which was passed to put into effect international Conventions which had been signed on these subjects.

Every British ship over 1,600 tons proceeding to sea had to carry a safety certificate and a wireless telegraphy certificate or exemption certificate. Considerable safety equipment had to be carried, including compasses, fire hoses and other fire appliances, line-throwing appliances, signalling lamps, life-buoys and life-boats. Regulations dealing with all these matters were given in great detail and in most cases the quantity and quality of the equipment was prescribed. Different standards were laid down for various classes of ships, and the requirements for passenger ships and emigrant ships were much more severe than for cargo ships.

The Load Line Rules 1932[1] were long and very technical in character. The rules applied to all classes of ships, except certain classes under 80 tons engaged purely in the coasting trade. They applied not only to British ships, but also to ships of the other countries which had signed the Load Line Convention.

The Assigning Authorities were the Board of Trade, Lloyds Register of Shipping, the British Corporation of Shipping and Aircraft, and the British Committee of the Bureau Veritas. All applications for the granting or renewal of a Load Line certificate had to be made to one of these authorities, which had the ship surveyed in order to be satisfied that the hull was in good condition and that the ship complied with the conditions of assignment. On receiving a favourable report from the surveyor the Assigning Authority assigned freeboards to the ship, and notified the owners of the position in which the load and deck lines were to be marked. Ships had to be surveyed annually.

Many technical conditions of assignment and rules for the marking of load lines on ships were laid down. When the Assigning Authority was satisfied that the lines had been correctly marked on the ship a certificate was sent to the owner, a certified copy of which had to be forwarded to the Board of Trade. A fee had to be paid for the survey before the certificate was granted, the amount of which varied according to the size of the ship and the extent of the survey. The minimum fee was £3, the maximum £20.

1 S.R.O. 1932, 96.

The Merchant Shipping (Wireless Telegraphy) Rules 1932[1] laid down that every cargo ship over 1,600 tons and every passenger ship should carry a wireless telegraphy installation of a type approved by the Board of Trade. The standards of capability of the installations, the number and qualifications of the operators which were to be carried, and other matters relating to wireless telegraphy were laid down for the various classes of ships.

Special Regulations[2] existed for the carrying of deck timber cargo, and necessary precautions had to be taken against the shifting of a grain cargo. Dangerous goods had to be distinctly marked as such, and notice given to the owner or master before shipment. Masters could refuse packages suspected of containing dangerous goods. The carriage of explosives in emigrant ships was forbidden.

All Load Line ships, whether British or not, were liable to inspection at any time while they were within a United Kingdom port. The Board of Trade had power to detain a ship suspected of being unsafe or not complying with any of the regulations. A British ship could not be so loaded as to submerge the appropriate load line on each side in salt water when the ship had no list. The draught of a ship and the extent of her free board had to be recorded and produced to an Officer of Customs on demand.

*Seamen.* Manning Instructions were issued in 1936[3] laying down the minimum number of efficient deckhands which had to be carried by ships of different tonnages.

Certificates were granted to Officers by the Board of Trade subject to their passing the appropriate examinations and fulfilling the other requirements. These certificates had to be produced on certain occasions.

Restriction on the employment of aliens in British ships was removed in 1853.[4] During the last war, however, they were reimposed, and in 1919 the Aliens Restriction Act[5] prohibited the employment of former enemy aliens (i.e. citizens of Germany, Austria, Hungary, Bulgaria and Turkey) as a master officer or member of the crew of a British ship. These provisions were repealed in 1925 and there were then no restrictions on the employment of aliens as such, but no seaman could be engaged in any

1 S.R.O. 1932, 897. 2 S.R.O. 1932, 110.
3 Board of Trade Circular, 1936, No. 1707.
4 16 and 17 Vict. c. 131. 5 9 and 10 Geo. 5, c. 92.

British port, or any port on the continent of Europe between the river Elbe and Brest, unless he had a sufficient knowledge of the English language to understand necessary orders. This did not apply to lascars, or to British subjects. There was also the Special Restriction (Coloured Alien Seamen) Order 1925, which laid down special requirements as to the registration of coloured alien seamen.

No child under 14 could be employed on ships, and a young person between the ages of 14 and 18 could not ordinarily be employed unless a medical certificate had been obtained by the master certifying that he was fit for the employment. No person under 18 could ordinarily be employed as a trimmer or stoker. A special record of young persons employed, with the dates of their birth, had to be kept.

Agreements between the master and seamen as to the terms of employment had to be drawn up in a form approved by the Board of Trade. They contained particulars of the nature and probable duration of the voyage, the number of the crew which it was intended to carry, and the payment of wages. Agreements had to be certified and produced to a superintendent before leaving port, and delivered to a superintendent within forty-eight hours of arrival at the destination of the ship or of the discharge of the crew, whichever took place first. A full account of the wages paid to a seaman, drawn up in a form approved by the Board of Trade, had to be delivered to the seaman, or to the superintendent who was supervising his discharge, at least twenty-four hours before the discharge. Wages had to be paid and a full settlement reached within two days after the termination of the agreement or the discharge of the seaman. When the settlement was completed the seaman gave a 'release' on an approved form.

*Minimum Rates of Pay.* These were not subject to legal regulation, but were the result of agreements reached between the shipping companies and the seamen's trade unions. There were, however, legal provisions concerning the imposition of fines for misconduct, and for extra pay.

*Health.* During the currency of an agreement the master was under a legal obligation to furnish provisions according to a statutory scale.

Every ship sailing from a British port had to carry a supply of medicines and medical stores according to a scale laid down

by the Board of Trade. A supply of anti-scorbutics had to be carried on all foreign-going ships except ships sailing to European or Mediterranean ports only, or certain ports on the east coast of North America. These anti-scorbutics had to be distributed to all the crew at regular intervals, and the names of any persons refusing to take them were noted in the log.

Every foreign-going ship having one hundred or more persons on board had to carry a qualified medical practitioner. Every ship of more than 300 tons built in or after 1907 had to provide a space of not less than 120 cubic feet and 15 superficial feet for each seaman.

All provisions and water supply might be inspected at any time when the ship was in a United Kingdom port.

The above health provisions applied to British registered ships only.

*Coastal Trade.* Foreign ships were admitted to the coastal trade by an Act in 1854,[1] and no alteration was made after that date. There were no special provisions for the control of foreign ships.

*Quarantine Regulations.* There was nothing in the Merchant Shipping laws concerning quarantine or the precautions which were to be taken by ships approaching or remaining in port. These regulations were made under the Public Health laws, and are therefore dealt with under section 3 above.

## 6. Public Contracts

There was no organization in Great Britain for the co-ordination of orders for supplies given by the central Government. Each Department acted independently subject to Parliamentary control and to a general supervision exercised by the Treasury. All Departments except Defence Departments had to submit the proposed contracts to the Treasury before final acceptance in order to determine whether the Treasury allowance would be exceeded. Contracts were generally put up for tender.

There were no laws or regulations confining the placing of contracts to British firms, and foreign firms did on occasion receive orders when competing with British tenders. But public opinion and parliamentary pressure had a strong effect in pre-

1 17 and 18 Vict. c. 5.

venting the placing of orders abroad when such orders could be filled in Great Britain. Questions were asked in Parliament concerning Departments which had placed orders abroad. It can be concluded that, although there was no legal necessity, public contracts were, whenever possible, placed in this country. There were some exceptions as, for example, the purchase of aeroplanes in the United States in 1938.

Where it was not possible to place orders in Great Britain it had long been the policy of the Government to restrict its orders to the Empire. A resolution was passed at the Colonial Conference 1902 that for 'all Government contracts, whether in the case of the Colonial or the Imperial Governments, it is desirable that as far as practicable the products of the Empire should be preferred to the products of foreign countries'.[1] It was further resolved that the fullest possible notice of the requirements and conditions of tender should be circulated through official channels. Mention was made of public contracts in the Anglo-American Trade Agreement 1938,[2] in which both countries promised not to discriminate against the articles of the other country in awarding contracts for public works and in purchasing supplies.

Contracts for the transport of mails and troops were made direct with the shipping companies or air services. They were confined to British lines whenever this was possible.

For Local Government contracts the publication of a notice of intention to enter into the contract and an invitation to send in tenders was required by law. There was no legal requirement to place contracts in this or any specified country, but it may be noted that in a circular letter to Local Authorities in 1925 the Ministry of Health recommended 'that goods made and materials produced within the Empire should be given an effective preference, but subject to the policy that contracts should be placed in this country'. It is probable that local public opinion and Government pressure succeeded in confining orders to this country in the majority of cases, and indeed there is no doubt that with some authorities it was the policy to place orders within the district rather than to accept lower tenders from other parts of this country. There were, however, instances where Local Authorities placed orders abroad, and protests were made by representatives of the British industries concerned.

1 Cmd. 1299. 2 Cmd. 5882.

The semi-public companies in the British Isles, such as the British Broadcasting Company, the Central Electricity Board, and the London Passenger Transport Board, were indirectly under the control of the Government. The constitution of these bodies varied considerably, but the Government was generally ultimately responsible for the general policy pursued. It was, however, the declared policy of the Government not to interfere with the administration of these bodies, and there are two instances where this policy was specifically applied to the letting of contract. In reply to a question in the House of Commons in 1926 as to the placing of a contract abroad by the B.B.C. the Postmaster-General replied that there was 'no interference with the letting of contracts',[1] and when the Minister of Transport was asked if he would require the C.E.B. to buy British steel he replied that he had 'no control in the matter'.[2]

It appears, therefore, that no pressure was brought to bear on these bodies to place their orders in this or any other country, but nevertheless, it is probable that their position had some influence in causing them to place their contracts in this country whenever possible.

A notable exception, however, was the British Sugar Corporation, which was set up by the Sugar Industry (Reorganization) Act 1936.[3] Under this Act the Government undertook to make a payment for sugar manufactured by the corporation on condition that no equipment, machinery, plant, material or other article not wholly manufactured in the United Kingdom had been installed in the factory in which the sugar was manufactured.[4]

## 7. Publicity and Advertising

The Empire Marketing Board was established in 1926 for furthering the sale in this country of Empire produce, and a considerable proportion of its expenditure was on publicity campaigns. At first the Board was financed indirectly by the Government through the Empire Marketing Fund, the expenditure of which was authorized

1 204 *H.C. Deb.* 55 (1927). 2 202 *H.C. Deb.* 55 (1927).

3 26 Geo. 5 and 1 Edw. 8, c. 18.

4 The Herring Industry Board made regulations under which it would give loans or grants for the construction of fishing vessels only in respect of boats and engines built in the United Kingdom.

solely by the Secretary of State for the Dominions, who was Chairman of the Board. In 1929 this system was altered, and Parliament voted direct to the Board the sum which it was anticipated would be required. Until 1931–32 the activities of the Board were limited not by the funds available, but by the limited scope of its work. In 1931–32, however, the amount available was drastically reduced owing to the financial crisis, and in 1932 the Board was dissolved, after which no official organization existed for the purpose of undertaking publicity campaigns.

The expenditure of the Board on publicity from 1926 to 1930 was between £200,000 and £300,000 a year, and the activities of its campaign were as follows:

(1) Participation in exhibitions and shipping weeks and other organizations, including the British Industries Fair.

(2) Press campaigns, in which press advertisements relating to exhibitions, etc. were inserted mainly in local papers, and a few special advertisements were put in trade papers.

(3) Poster campaigns were undertaken in nearly 500 towns, and reproductions of posters were issued to schools. Bills, cards and window strips were issued for display in shops.

(4) Films for commercial distribution were made by the Board's film unit, which also prepared a library of films for use by schools and other organizations, and arranged displays of films.

(5) Lectures and miscellaneous activities.

In November 1931 an important 'Buy British' campaign, which was organized by the Empire Marketing Board, was inaugurated by the speeches broadcast by the Prince of Wales and the Secretary of State for the Dominions. Features of this campaign were the distribution of four million copies of two special posters, a press campaign in which 15,000 advertisements were inserted, the broadcasting of propaganda in speeches and in the B.B.C. news, a special film shown in 1,000 cinemas to 12,000,000 people, and the erection of a large illuminated 'Buy British' sign in Trafalgar Square.

After the Empire Marketing Board was dissolved in 1932, little was done in the way of direct publicity in the United Kingdom, except that the Department of Overseas Trade continued to support the British Industries Fair. After 1934, the annual amount spent out of public funds for this purpose remained fairly constant at between £115,000 and £120,000.

The Department of Overseas Trade continued to finance British participation in International Exhibitions. The amounts spent varied greatly from year to year. In 1933–34 it was only £4,000; in 1936–37, £60,000; in 1937–38, £154,000. The estimates for 1938–39 and 1939–40 were £343,000 and £248,000, respectively. The increase in the grants for the last three periods as compared with earlier years was due to the large expenditure required for the Paris International Exhibition, 1937, the Empire Exhibition, Scotland, 1938, and the New York World's Fair, 1939.

The Department of Overseas Trade also made grants out of public funds to the Travel and Industrial Development Association of Great Britain and Ireland and to the Imperial Institute. The former varied from £4,000 to £6,500 between 1933–34 and 1937–38 and the estimates for 1938–39 and 1939–40 were £15,000 and £21,000 constant at about £16,000.

The estimates for 1939–40 provided for expenditure of £8,500 for the preparation and distribution overseas of United Kingdom industrial information.

## 8. Prohibitions and Restrictions

The system of prohibitions and restrictions on imports and exports in the British Tariff may be said to date from the Customs Consolidation Act 1876.[1] Although individual restrictions, such as those relating to copyrights, existed before that date, this Act did for the first time collect and assemble all the provisions relating to Tariff and Customs matters, and section 42 contained a complete list of goods the importation of which was prohibited or restricted. Most of the restrictions then imposed were still in force at the outbreak of war in 1939; in addition there were a large number of Acts after 1876 which prohibited or restricted the importation of certain goods, and almost all of these Acts contained a clause providing that the goods concerned should be deemed to be included in the list of prohibitions and restrictions in section 42 of the Customs Consolidation Act 1876.[1]

The restrictions imposed on the importation or exportation of goods differed in character according to the purpose for which they were introduced. In some cases, as, for example, with saccharin and spirits, the minimum size of the packages or con-

1 39 and 40 Vict. c. 36.

tainers which could be imported were laid down, or the contents of the containers had to be marked in a certain manner; in other cases the goods could only be imported if subjected to official examination, or assay. The importation of some goods was prohibited altogether, mainly for reasons of public health, and others, for example, shaving brushes from Japan, could not be imported from specified countries. Reasons of public health were also responsible for the requirements that wool and hair should be disinfected by special methods, and animals should be kept in quarantine for a certain period.

At various times the importation of certain goods from Eire, from Russia, and from Italy, and the exportation of certain goods to Italy, was prohibited. These measures were taken as a result of political disputes with these countries and were a form of economic sanctions against them.

Some goods could only be imported under a licence issued by the appropriate Department of State. These included arms and ammunition, explosives, dangerous drugs and plumage. Licences were also required for the importation of agricultural products and fish which were subject to import quotas, and for dyestuffs. These regulations were, however, imposed for protective reasons and were fully discussed in Part II of this study.

As has already been mentioned the legal authority for almost all the prohibitions and restrictions was the Customs Consolidated Act 1876.[1] Some Acts, however, provided that restrictions should be imposed by Orders. In these cases, Orders were issued by the Department concerned and the provisions of the 1876 Act then applied to goods specified. The effect was the same as if the restrictions had been imposed by the Act, but more elasticity as to the amendment of details was obtained. The ultimate authority still remained the Customs Consolidation Act 1876,[1] but the detailed conditions were laid down by the Department of State instead of by Parliament. The date when the prohibitions or restrictions came into force was laid down by the Acts of Parliament or the Orders issued under the Acts, as the case might be. In almost all cases the prohibitions or restrictions were imposed until further notice and their removal was obtained only by the repeal of the Act or the issue of new Orders replacing the former ones.

1 39 and 40 Vict. c. 36.

There were four Departments responsible for the issue of licences for importation or exportation; they were the Board of Trade, the Home Office, the Ministry of Health and the Ministry of Agriculture and Fisheries. Application had to be made to the appropriate Department for the issue of a licence; for some goods a general licence could be issued, but in the majority of cases a specific licence for each consignment was required. The conditions under which a licence was issued varied for each commodity and no general rules can be stated. A licence could be issued for importation for special purposes (e.g. therapeutic substances for the purpose of scientific research); for importation up to a maximum quality, or for certain approved persons. Licences were required for some commodities only from certain countries.

The administration of the regulations was carried out by Customs Officers in accordance with the procedure and formalities given in section 2 above. These Officers were in all cases responsible for the detection of goods which were being imported or exported contrary to the regulations, but in certain cases the examination of goods was the duty of the inspectors appointed by the sanitary authority, by the Ministry of Agriculture and Fisheries, or by the Local Authorities. The Customs authorities could refuse clearance to any goods which were being imported in a manner which infringed the restrictions: the conditions of appeal were the same as those given in section 1 above. The penalty for an infringement of the prohibitions or restrictions was a fine not exceeding £100, or treble the value of the goods.

The reasons for the prohibitions or restrictions were seldom given either in the Acts or in the Orders. The purpose could sometimes be learned from the title of the Act, e.g. Diseases of Animals Act, but normally the only indication, other than speeches of Ministers, was the Department of State which was responsible for issuing Orders or for granting licences. In general it may be said that the Ministry of Health and the Ministry of Agriculture and Fisheries controlled the administration of restrictions imposed for the purpose of protecting human, animal or plant life, the Board of Trade was concerned with the protection of home industry, trade bargaining and international agreements, and the Home Office with the Safety of the Realm.

A detailed description of the prohibitions and restrictions now in force, together with the Acts and Orders by which they were

authorized and the dates when they were instituted, is given in Appendices P–S. Appendix P deals with goods the importation of which was prohibited or restricted for reasons of health. Appendix Q deals with all other goods the importation of which was prohibited or restricted. (Restrictions on goods subject to import quotas, and dyestuffs, are included for the sake of completeness in spite of the fact that they are not relevant to this Part of the study.) Appendix R is concerned with restrictions on trade with particular countries, and Appendix S deals with prohibitions and restriction on exportation.

## APPENDIX P. *PROHIBITIONS AND RESTRICTIONS ON IMPORTATION FOR REASONS OF HEALTH*

### 1. Protection of Human Health

*Dangerous Drugs.* The principal act governing the importation of dangerous drugs was the Dangerous Drugs Act 1920,[1] as amended in 1932.[2] Under this Act:

(1) The importation of prepared opium was absolutely prohibited.

(2) The importation of raw opium, coco leaves, Indian hemp, and all resins obtainable therefrom, and all preparations of which such resins form the base, could only be imported under a licence obtained from the Home Office, and through approved ports.

(3) Other specified drugs, including medicinal opium, cocaine and morphine, could only be imported under a Home Office licence, but were not confined to approved ports.

*Food and Drink.* The Acts controlling the importation of foods and drinks were the Public Health (Regulations as to Food) Act 1907[3] and the Food and Drugs (Adulteration) Act 1928.[4] The regulations in force under these Acts were the Public Health (Imported Food) Regulations 1925[5] and amending regulations of 1933,[6] and the special Milk Regulations, 1926.[7]

It was unlawful to import for sale for human consumption any article of food which had been examined by a competent authority and found to be unfit for human consumption, or food in the manufacture or preparation of which any such article had been used. Also any 'conditionally admissible' meat (which consisted of certain parts and products of the pig) could not be imported without an official certificate, nor could any prohibited meat be imported.

It was unlawful to land from a prohibited country any meat or offals which were packed or wrapped in cloths, bags, sacking or similar material which were not made of special materials.

The 1926 milk regulations required that all imported milk, including skimmed milk, should not contain more than 100,000 bacteria per c.c. and should be free of tubercle bacilli.

Imported food could not contain any preservatives or colouring matter except those specified in the regulations. Cream could not contain any thickening substance. Butter and margarine containing more than 16 % of water, margarine or milk-blended butter containing a prohibited preservative could not be imported. Certain milk products could only be imported in packages labelled in a prescribed manner.

1 10 and 11 Geo. 5, c. 46. 2 22 Geo. 5, c. 15.
3 7 Edw. 7, c. 32. 4 18 and 19 Geo. 5, c. 31.
5 S.R.O. 1925, 273. 6 S.R.O. 1933, 347. 7 S.R.O. 1926, 820.

The Medical Officer of Health of a sanitary authority could examine any article of food which had been landed or was about to be landed. He could take a sample of imported food and forbid the removal of food for a period up to forty-eight hours. He could seize any food found to be diseased or unwholesome and apply for a condemnation order. The Minister of Health had the power to determine differences referred to him by all the parties affected.

*Hair and Wool.* The importation of all goat hair produced in or exported from India, and all wool and animal hair produced in or exported from Egypt, including the Sudan, was restricted to the port of Liverpool and was subject to the conditions that they should be clearly marked as to their description and as to the country of origin, that they should be kept apart from other goods and delivered to the Government Wool Disinfecting Station and removed from there within two days of a Certificate of Disinfection being issued. The expenses of removal and disinfection were paid by the importer.

These provisions were made under the Anthrax Prevention Act 1919[1] by Orders issued in 1921.[2]

*Matches.* In order to give effect to an international agreement the importation of white phosphorus matches was prohibited by the White Phosphorus Matches Prohibition Act 1908.[3] For the purposes of the Act white phosphorus was deemed to include yellow phosphorus.

*Parrots.* The importation of parrots was prohibited by an Order made in 1930[4] under the Public Health Act 1875[5] to prevent the spread of psittacosis. Parrots imported for the purpose of medical or veterinary research or consigned to the Zoological Society of London were exempted.

*Shaving Brushes.* The importation of shaving brushes manufactured in or exported from Japan was prohibited by an Order made in 1920[6] under the Anthrax Prevention Act 1919.[1]

*Tea.* Under the Sale of Food and Drugs Act 1875[7] all tea imported was subject to examination, and a sample could be taken for analysis. If it was found that the tea was mixed with other substances, or was exhausted tea, or was unfit for human food, it could not be imported. ('Exhausted' tea is tea deprived of its proper quality, strength, or virtue, by steeping, infusion or other means.)

*Therapeutic Substances.* By the Therapeutic Substances Act 1925,[8] which came into force in 1927, certain therapeutic substances could not be imported unless they were consigned to licensed persons. The licensing authority was the Ministry of Health. The main substances concerned included vaccines, sera, toxins, antitoxins and antigens, insulin and surgical catgut.

1 9 and 10 Geo. 5, c. 23. 2 S.R.O. 1921, 352. 3 8 Edw. 7, c. 42.
4 S.R.O. 1930, 299. 5 38 and 39 Vict. c. 55. 6 S.R.O. 1920, 253.
7 38 and 39 Vict. c. 63. 8 15 and 16 Geo. 5, c. 60.

Licences could be obtained for specified substances for purposes other than scientific research, and for all substances for purposes of scientific research, and were valid for two years.

Licences would otherwise be issued only if it was proved to the satisfaction of the Ministry that the substances complied with prescribed standards of strength, quality and purity.

The Act excluded substances which were intended solely for veterinary purposes, and were labelled with a full description of the nature of the substance and the place and country in which it was prepared.

## 2. Protection of Animal Health

The Diseases of Animals Act 1894[1] was the first and principal Act which was passed with the intention of improving the health of animals by restricting the importation of animals or goods likely to spread infection. This and subsequent acts resulted in the Ministry of Agriculture being empowered to prohibit the importation of animals, carcasses, fodder and fertilizers, or to make conditions as to their importation, to require the slaughter of imported animals at the place of landing, and to restrict importation to special ports. The regulations in force under this series of Acts at the outbreak of war in 1939 were as follows:

*Cattle, etc.* The importation of ruminating animals and swine was prohibited except at special ports. At these ports authorized markets and slaughter-houses were set up, and the animals had to be slaughtered without removal within ten days of landing. Orders issued in 1930[2] under the Importation of Animals Act 1922,[3] and the Ottawa Agreements Act 1932,[4] however, relaxed these restrictions in the case of certain countries, and, subject to a licence being obtained from a veterinary inspector, cattle could be retained alive if imported from a non-prohibited country. The list of non-prohibited countries was as follows: Ireland, Channel Islands, Isle of Man, Canada, Australia, New Zealand, the United States of America, Iceland and the Faroe Islands.

*Carcasses, Fodder, etc.* The following provisions were in force:

(1) The importation of carcasses from European countries was prohibited, with the exception of cured, preserved or treated articles. These provisions were instituted in 1926,[5] 1927[6] and 1928.[7]

(2) The importation of hay and straw was prohibited except from certain countries, the list of non-prohibited countries varied from time to time according to the prevalence of Foot and Mouth Disease. It normally included: the Channel Islands, Isle of Man, Australia, Canada, South Africa, New Zealand, and the United States of America. At the end of 1938 the whole of the continent of Europe was prohibited.

1 57 and 58 Vict. c. 57. 2 S.R.O. 1930, 922.
3 13 Geo. 5, c. 5. 4 22 Geo. 5, c. 53.
5 S.R.O. 1926, 1043. 6 S.R.O. 1927, 112. 7 S.R.O. 1928, 169.

(3) Containers in which raw tongues were imported from certain countries had to be destroyed. These provisions were instituted in 1913.[1]

(4) Packing materials, meat wrappings and swill containing meat or bone were controlled and could be ordered to be destroyed.

*Dogs and Cats.* Under the Importation of Dogs and Cats Order 1928[2] all canines and felines might be imported only if authorized by a licence issued on application to the Ministry of Agriculture and Fisheries. The licence would normally only be issued on condition that the animals were kept in quarantine for six months under the control of a veterinary surgeon approved by the Ministry.

*Horses, Asses and Mules.* The importation of these animals was prohibited from all countries except Ireland, Channel Islands, and the Isle of Man unless they were accompanied by a veterinary certificate. The animals could also be tested on arrival and destroyed if necessary. These provisions were instituted in 1921[3] and 1922.[4]

*Pedigree Animals.* Pedigree cattle, sheep and goats could be imported from the Dominions where reciprocal arrangements were in force, as provided by the Pedigree Animals Act 1925.[5]

*Poultry.* Orders made in 1936[6] prohibited the importation of live poultry, other than day-old chicks, except under licence from the Ministry of Agriculture and Fisheries. The prohibition did not apply to poultry exported from Eire, the Channel Islands, or the Isle of Man, or to any consignment not exceeding twenty-one birds which was accompanied by a certificate signed by a veterinary officer of the Government of the country of origin. Day-old chicks and eggs for hatching were also prohibited unless accompanied by a certificate.

*Freshwater Fish.* The importation of live freshwater fish and live eggs of fish of the salmon family was prohibited by the Diseases of Fish Act 1937.[7]

### 3. Protection of Plant Life

The Destructive Insects and Pests Acts were passed in 1877,[8] 1907[9] and 1927[10] with the object of protecting plant life. The 1877 Act dealt purely with the Colorado beetle, which had caused great damage to the potato crops, and the later Acts extended the provision to other insects and to other crops. Under these Acts the Ministry of Agriculture and Fisheries had power to make orders to prevent the introduction of the insects and to prohibit and regulate the landing of potatoes or their stalks or leaves, and other vegetables.

The regulations in force under these Acts were the Importation of Plants Order 1933,[11] which prohibited the landing of plants, including

1 S.R.O. 1913, 449. 2 S.R.O. 1928, 922.
3 S.R.O. 1921, 1222. 4 S.R.O. 1922, 1073.
5 15 and 16 Geo. 5, c. 30. 6 S.R.O. 1936, 1298.
7 1 Edw. 8 and 1 Geo. 6, c. 33. 8 40 and 41 Vict. c. 68.
9 7 Edw. 7, c. 4. 10 17 and 18 Geo. 5, c. 32. 11 S.R.O. 1933, 558.

trees and shrubs, and parts thereof, potatoes grown in the United States of America, Canada, and European France, and raw vegetables grown in European France between 15 March and 14 October, unless they were accompanied by a prescribed certificate.

By another Order in 1933[1] the importation of elm trees and conifers was prohibited.

In the years immediately preceding 1932 a plague of musk rats did great damage to crops. The Destructive Imported Animals Act 1932[2] was therefore passed, and Orders issued under this Act by the Minister of Agriculture prohibited absolutely the importation of musk rats.

The Act could also be extended by Order to other destructive animals, and this was done in 1937, when an Order[3] was made prohibiting the importation of grey squirrels.

## APPENDIX Q. *OTHER PROHIBITIONS AND RESTRICTIONS ON IMPORTATION*

Importation of the following goods was prohibited absolutely.

*Chicory, Coffee and Tobacco.* Extracts, essences, or other concentrations of these commodities or any admixture thereof could not be imported except as transit goods, or if they were to be warehoused for exportation only. Tea was also included in the Customs Consolidation Act 1876,[4] but was subsequently excluded.

*Coins.* The importation of coin or silver of the Realm, or any money purporting to be such, not of standard weight or fineness was prohibited by the Customs Consolidation Act 1876.[4] Imitation coin, false money and counterfeit sterling, unless for the purpose of exhibition, or for knowledge or art, was prohibited in 1889,[5] and by an Order made in 1919[6] foreign coins, other than gold and silver, were prohibited. The object of these prohibitions was to ensure that the currency in circulation should be of standard quality.

*Copyright.* Although copyright works were included in the list of prohibitions in section 42 of the Customs Consolidation Act 1876[4] the law was subsequently amended by the Copyright Act 1911[7] which was passed in order to give effect to an International Agreement. The importation of any work on which copyright existed in the United Kingdom and which if made in the United Kingdom would be an infringement of such copyright was prohibited. Copyright endured for the life of the owner plus fifty years, or in the case of joint owners for the life of the owner who died first plus fifty years, or the life of the owner who died last, whichever was the longer period.

1 S.R.O. 1933, 1011.
2 22 Geo. 5, c. 12.
3 S.R.O. 1937, 478.
4 39 and 40 Vict. c. 36.
5 52 and 53 Vict. c. 42.
6 S.R.O. 1919, 38.
7 1 and 2 Geo. 5, c. 46.

In order to prevent the importation of copyright works the owner of the copyright had to give notice to the Commissioners of Customs and Excise that he was desirous that copies of the work should not be imported. The notice could either be general or refer to a particular consignment which was anticipated, but in the latter case the importer might be required to make a deposit to cover the cost of examination, and to enter into a bond to defray the cost of any prosecution which the Commissioners made as a result of his complaint.

*Government Guarantees.* Under the Customs and Inland Revenue Act 1897[1] any article bearing any stamp name or other device implying any sanction or guarantee by the Customs, or by any other Government Department, could not be imported.

*Indecent or Obscene Articles.* The importation of indecent or obscene prints, paintings, photographs, books, cards, lithographic or other engravings, or any other indecent or obscene articles, was prohibited by the Customs Consolidation Act 1876.[2]

*Lottery Advertisements.* The importation of any advertisement or other notice of, or relating to, the drawing of any lottery intended for publication in the United Kingdom was prohibited by the Revenue Act 1898.[3] This prohibition was imposed in accordance with the Government's general attitude towards lotteries.

*Merchandise Marks.* Merchandise bearing a forged trade mark or false trade description could not be imported; foreign merchandise bearing a name or trade mark being, or purporting to be, that of a manufacturer, dealer, or trader in the United Kingdom could not be imported unless the name or trade mark was accompanied by an indication of the country in which the goods were made or produced.

*Metal Articles.* Under the Customs Consolidation Act 1876[2] the importation of metal articles, including clocks and watches, impressed with any mark or stamp representing, or in imitation of any legal British assay, mark or stamp, or purporting to be manufactured in the United Kingdom was prohibited.

*Peat Moss.* Peat moss litter won or cut in Europe could not be imported into Northern Ireland.

*Plate.* Plate of gold or silver not of standard quality could not be imported. The Revenue Act 1883[4] provided that all imported gold and silver plate had to be taken to an assay office. If it was found to be not of standard quality it could be sent to a warehouse from which it had to be exported within one month, or it could be defaced by the Customs and returned to the importer. The reason for the restriction on plate, metal articles and falsely marked merchandise may be said to be the protection of commercial interests by preventing the sale of foreign goods under false pretences.

1 42 and 43 Vict. c. 21.
2 39 and 40 Vict. c. 36.
3 61 and 62 Vict. c. 46.
4 46 and 47 Vict. c. 10.

*Prison-Made Goods.* The Foreign Prison-Made Goods Act 1897[1] prohibited the importation of all goods partly or wholly produced in a foreign prison, except goods in transit, or goods not imported for the purposes of trade, or of a description not manufactured in the United Kingdom.

*Seal Skins.* The Seal Fisheries (North Pacific) Acts 1895[2] and 1912[3] prohibited the importation of skins of certain kinds of seals belonging to the American, Russian, or Japanese herds, unless they had been taken under the authority of these powers. These Acts were passed to give effect to an international agreement for the preservation of the species.

*Stamps.* The importation of fictitious postage stamps and dies, plates, instruments and materials for making such stamps was prohibited by the Revenue Act 1898.[4]

Importation of the following goods was restricted in a variety of ways:

*Matches.* Matches in containers could only be imported when the minimum or the average contents of the containers was marked on them. This provision was included in the Customs Consolidation Act 1876.[5]

*Merchandise Marks.* The importation of certain foreign merchandise was subject to marking as provided by the Orders issued under the Merchandise Marks Act 1926.[6] Further information on this subject was given above in section 1.

*Quails.* The Quails Protection Act 1938[7] prohibited the importation of live quails of the variety *Coturnix* between 14 February and 1 July.

*Saccharin.* Regulations made under the Finance Act 1901[8] prohibited the importation of saccharin except into special ports. It had to be packed in packages containing not less than 11 lb., and when imported had to be warehoused. It could not be packed with other goods.

*Spirits.* The Customs Consolidation Act 1876[5] as amended in 1896[9] prohibited the importation of spirits in ships (except yachts) of under 40 tons. Liqueurs and cordials, and perfumed or medicinal spirits, were not included in this prohibition. Spirits could not be imported in casks containing less than 9 gallons, but could be imported in bottles stored in cases.

*Tobacco.* Cigars, cigarettes, tobacco and snuff could not be imported in ships of less than 120 tons, except when specially licensed by the Customs. They could only be imported into special ports, and in packages of the gross weight of not less than 30 lb., and they could not be packed with other goods. Some of the provisions were laid down in the Customs Consolidation Act 1876,[5] others were laid down in the Finance Act 1896[9] and the Revenue Act 1906.[10] Tobacco cut and

1 60 and 61 Vict. c. 63.
2 58 and 59 Vict. c. 21.
3 2 and 3 Geo. 5, c. 10.
4 61 and 62 Vict. c. 46.
5 39 and 40 Vict. c. 36.
6 16 and 17 Geo. 5, c. 53.
7 1 and 2 Geo. 6, c. 5.
8 1 Edw. 7, c. 7.
9 59 and 60 Vict. c. 28.
10 6 Edw. 7, c. 20.

compressed by mechanical and other means was prohibited from being imported by the Revenue Act 1889.[1] Extracts, etc. of tobacco have been dealt with above under the heading of Chicory, Coffee and Tobacco.

*Tobacco Stalks, tobacco stalk flour and snuff work.* The importation of these was prohibited by the Customs Consolidation Act 1876,[2] but this was modified in 1896[3] and they could then be imported if the special permission of the Commissioners of Customs and Excise was obtained.

*Wine* in cask could only be imported into special ports.

The following articles could only be imported if a licence was obtained from the appropriate Department:

*Arms and Ammunition.* Section 43 of the Customs Consolidation Act 1876[2] gave power to the Government to prohibit the importation of arms and ammunition by Order. These powers were extensively used during the last war, and in 1921[4] comprehensive regulations were issued prohibiting the importation, except under licence issued by the Board of Trade, of all arms and ammunition except smooth-bore shot guns, air guns, air rifles, and ammunition thereof. The prohibition did not apply to goods in transit, but transit through Ireland was not permitted.

*Explosives.* The importation of explosives was governed by the Explosives Act 1875[5] and Orders issued under this Act. The terms 'explosive' and 'explosive substance' were carefully defined, and Orders were issued from time to time extending the definitions.

The importation of explosives, with the exception of gunpowder, safety cartridges, percussion caps, fog signals and safety fuses for blasting, was prohibited except under licence. The licence was issued by the Home Office, which could attach to it conditions as to the composition and quality of the substances, and their unloading, landing and conveyance. The conditions imposed usually included provisions requiring a consignment to be stored in one place and prohibiting its distribution until it had been examined and released by a Government inspector. The Home Office was empowered to refuse a licence for the importation of specially dangerous explosives.

*Plumage.* The Importation of Plumage (Prohibition) Act 1921[6] prohibited the importation of the plumage (or skins or bodies) of birds except under licence issued by the Board of Trade; certain exceptions were made, and the plumage of live birds, birds commonly used as food, and plumage used in the wearing apparel of a passenger were not included in the prohibition.

*Agricultural Marketing.* The Agricultural Marketing Act 1933[7] gave power to the Board of Trade to restrict the imports of any agricultural

1 52 and 53 Vict. c. 42.
2 39 and 40 Vict. c. 36.
3 59 and 60 Vict. c. 28.
4 S.R.O. 1921, 374.
5 38 and 39 Vict. c. 17.
6 11 and 12 Geo. 5, c. 16.
7 23 and 24 Geo. 5, c. 31.

products for which a marketing scheme was in force or in course of preparation. Under this Act the following regulations were made:

(i) The Bacon (Import Regulations) Order 1933[1] prohibited the importation, except under licence from the Board of Trade, of any bacon produced in a foreign country specifically named. The countries named were Argentine, Denmark, Estonia, Finland, Latvia, Lithuania, Netherlands, Poland, Danzig, Sweden, United States of America and the Union of Soviet Socialist Republics. These regulations did not apply to transit goods.

(ii) The Pork (Import Regulations) Order 1935[2] prohibited the importation of pork from any foreign country except under licence from the Board of Trade, or under a certificate issued by an association licensed by the Board of Trade. Pork was defined as the carcass of a pig or any part thereof other than the head, feet, rind or offals, but did not include pig products in air-tight containers, or bacon.

(iii) The Potato (Import Regulations) Order 1934[3] prohibited the importation of potatoes grown in (*a*) all countries not under the sovereignty of His Majesty, or under His Majesty's sovereignty, protection or mandate, and (*b*) Eire, except under licence by the Board of Trade, or under a certificate issued by an Association licensed by the Board of Trade.

*Dyestuffs.* Under the Dyestuffs (Import Regulations) Act 1920[4] as amended in 1934 synthetic organic dyestuffs, certain compound preparations and articles manufactured from any such dyestuffs, and organic intermediate products used in the manufacture of any such dyestuffs, could not be imported except under Board of Trade licence, which might be a general licence or for a particular consignment. The prohibition did not apply to transit goods.

The 1920 Act was to remain in force only for ten years, but was continued from time to time until 1934, when it was slightly amended and made permanent.

*Fish.* The Sea Fishing Act 1933[5] was passed with the same object as the Agricultural Marketing Acts, i.e. the protection of home industry. Under regulations made under this Act the landing of sea fish, except certain kinds, taken by fishing boats, not registered in the United Kingdom, Isle of Man or Channel Islands, was prohibited except under licence issued by the Board of Trade or on their behalf by the Ministry of Agriculture.

The Trawling in Prohibited Areas Act 1909[6] prohibited the landing of fish caught by beam or other trawling in prohibited areas, and in 1933[7] regulations were made prohibiting the landing of certain kinds

1 S.R.O. 1933, 683.
2 S.R.O. 1936, 160.
3 S.R.O. 1934, 1160.
4 23 and 24 Geo. 5, c. 45.
5 10 and 11 Geo. 5, c. 46.
6 9 Edw. 7, c. 8.
7 S.R.O. 1933, 770.

of fish caught within certain areas of the North Sea during June, July and August.

*Meat.* By Order issued under the Ottawa Agreements Act 1932[1] frozen mutton, frozen lamb, frozen beef (carcasses and boned beef) and chilled beef not produced in any part of the British Empire could not be imported except under licence issued by the Board of Trade.

## APPENDIX R. *RESTRICTIONS ON TRADE WITH PARTICULAR COUNTRIES*

*Eire.* The Irish Free State Special Duties Act 1932,[2] in addition to imposing extra duties on Irish goods, also limited by quota the number of cattle which might be imported into the United Kingdom from the Irish Free State, and prohibited the importation of beef and veal. The prohibition provisions were as follows:

*Cattle.* Fat cattle, store cattle, bulls showing permanent incisor teeth, and dry cows were prohibited except under Board of Trade licence.

*Beef.* Veal and edible beef and veal offals were prohibited. These prohibitions were removed by the treaty with Eire in 1937.[3]

*Italy.* In 1935, under the Peace Treaties Act 1919,[4] all imports from Italy were prohibited except gold and silver, bullion, newspapers, books and maps.

The exportation to Italy of arms, ammunition and explosives, certain metals, and alloys, rubber and transport animals was also prohibited.

The reason for these restrictions, which were revoked in 1936, was the decision of the British Government to give effect to a policy of sanctions against Italy.

*Russia.* The Russian Goods (Import Prohibition) Act 1933[5] gave power to prohibit by Proclamation the importation of any goods grown, produced or manufactured within the Union of Soviet Socialist Republics. These proclamations were to be effective for three months, but could be renewed by Parliament. The Board of Trade was also given power to license the importation of goods or classes of goods.

A Proclamation was made in April 1933[6] prohibiting the importation of certain goods from Russia. The most important commodities affected were timber, petroleum, butter, wheat and barley. The prohibitions were only in force for two months, being revoked in July 1933.[7] The reason for the passing of this Act and Proclamation was a political dispute with Russia over the imprisonment of certain British nationals, and the prohibitions were therefore economic sanctions imposed for political motives.

1 22 Geo. 5, c. 53. 2 22 Geo. 5, c. 22. 3 See Part III, p. 163.
4 9 and 10 Geo. 5, c. 33. 5 23 Geo. 5, c. 10.
6 S.R.O. 1933, 386. 7 S.R.O. 1933, 657.

## APPENDIX S. *EXPORT PROHIBITIONS AND RESTRICTIONS*

*Arms, Ammunition and Explosives.* The exportation of arms, ammunition, gunpowder and military and naval stores was prohibited by the Customs and Inland Revenue Act 1879.[1] This was extended by the Finance Act 1921 to include weapons and munitions of war and firearms of every description and their ammunition. Power was also given to prohibit their shipment as ships' stores, and the Exportation of Arms Act 1900[2] gave power to the Board of Trade to prohibit by Proclamation the export of arms to particular countries.

An Order[3] made in 1931 under these Acts prohibited exportation of explosives of every description, and many types of arms and ammunition, except under licence from the Board of Trade. The Merchant Shipping (Carriage of Munitions to Spain) Act 1936[4] prohibited the carriage to Spain of any articles prohibited under the Arms and Ammunitions Acts, and also gave power for additional goods to be prohibited by Order.

*Dangerous Drugs.* The regulations for the exportation of dangerous drugs, imposed by the Dangerous Drugs Act 1920[5] and 1932,[6] were the same as those for their importation, but in addition conditions could be attached to a licence to export from the United Kingdom. If the importation of raw opium was prohibited or restricted by a foreign country conditions were attached to the United Kingdom export licence designed to prevent or restrict the exportation in accordance with the laws of the foreign country. This provision was imposed in order to give effect to the Hague International Opium Convention of 1912.[7]

*Horses, Asses and Mules.* These animals could only be exported if shipped from certain authorized ports and after veterinary inspection unless accompanied by a Jockey Club certificate or a permit issued by the Ministry of Agriculture and Fisheries. Under the Exportation of Horses Act 1937[8] they could not be exported unless they were not more than eight years old and were capable of working without suffering. There were also provisions as to the minimum value of the various classes of animals. These prohibitions did not apply to horses exported for the purposes of breeding or exhibition if they were registered in recognized stud books, nor to their foals at foot.

*Salmon and Trout.* Under the Freshwater Fisheries Act 1923[9] the export of unclean salmon and trout was forbidden at all times. Salmon

1 42 and 43 Vict. c. 21.
2 63 and 74 Vict. c. 44.
3 S.R.O. 1931.
4 1 Edw. 8, c. 1.
5 10 and 11 Geo. 5, c. 46.
6 22 Geo. 5, c. 15.
7 Cmd. 153.
8 1 Edw. 8 and 1 Geo. 6, c. 42.
9 13 and 14 Geo. 5, c. 16.

or trout caught during the time when their sale was prohibited in the district in which they were caught could not be exported. All salmon or trout intended for exportation between 31 August and 1 May following had to be entered with a Customs Officer at the place of exportation, and any package containing salmon or trout might be detained until it was proved that the fish could legally be exported.

*Ships.* Pending legislation the Government in April 1939 requested shipowners not to sell ships to foreign powers without previously offering them to the Government of the United Kingdom. No power existed to enforce this request, except the pressure of public opinion and the threat of withdrawal of subsidy in the future.

*Spirits.* British and Northern Irish spirits could not be exported in casks of less than 9 gallons capacity, as laid down by the Customs Consolidation Act 1876.[1]

*Tobacco.* Tobacco could only be exported as merchandise from ports where importation was permitted, but it could be shipped as stores at any port. Minimum sizes of the packages in which tobacco could be exported were laid down; these were for merchandise: cigarettes 8 lb., cigars 12 lb., other tobacco 20 lb.; for stores: cigarettes, cigars and snuff 2 lb., other tobacco 7 lb. Regulations as to the export of tobacco were first introduced by the Tobacco Act 1863[2] and provisions in force in 1939 were made under the Customs Consolidation Act 1876[1] and the Finance Act 1906.[3]

1 39 and 40 Vict. c. 36. 2 26 and 27 Vict.
3 6 Edw. 7, c. 8.

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