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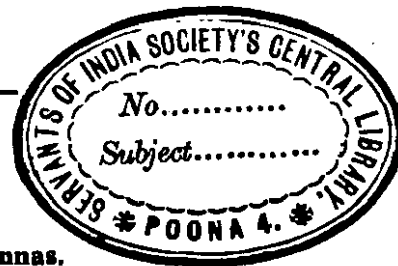
The Ottawa Agreement and India

BY

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APPENDICES

APPENDIX A

INDIA'S TRADE VIEWED AGAINST THE BACKGROUND OF WORLD TRADE

Table I

Percentage Share in the Total Trade
of the World

	1929	1932	1933	1934
U. K.	13.1	13.2	13.6	13.9
Canada	3.7	3.3	2.9	3.2
India	3.0	2.6	2.7	2.6
South Africa	1.3	1.8	1.9	1.9
Australia	1.9	1.7	1.9	1.9
New Zealand	.7	.7	.7	.8
U. S. A.	13.8	—	9.9	9.5
Japan	2.9	2.8	3.1	3.3
France	6.2	7.2	7.6	6.9
Belgium	2.8	3.2	3.3	3.2
Netherlands	2.8	3.2	3.2	3.0
Argentina	2.5	2.4	2.1	2.2
Italy	2.8	2.9	2.9	2.8
Denmark	1.3	1.2	1.5	1.4

Table II

Percentage Share in the Total Export
Trade of the World

	1929	1932	1933	1934
U. K.	10.7	10.0	10.37	10.5
Canada	3.7	3.8	3.6	4.0
India	3.5	2.8	3.0	3.0
South Africa	1.4	2.5	2.5	2.1
Australia	1.8	2.1	2.4	2.1
New Zealand	0.8	0.8	0.9	1.0
New Foundland	0.1	0.2	0.2	0.1
U. S. A.	15.6	12.2	10.9	11.0
Japan	2.9	2.8	3.1	3.3
France	6.05	6.0	6.2	6.2
Belgium	2.7	3.0	3.3	3.3
Netherlands	2.4	2.6	2.5	2.5
Argentina	2.8	2.6	2.4	2.5
Italy	2.4	2.7	2.7	2.4
Denmark	1.3	1.6	1.5	1.4

Table III

Percentage Share in the Total Import
Trade of the World

	1929	1932	1933	1934
U. K.	15.2	16.3	16.6	17.1
Canada	3.7	2.8	2.3	2.6
India	2.6	2.5	2.3	2.4
South Africa	1.2	1.2	1.4	1.7
Australia	2.0	1.3	1.5	1.7
New Zealand	0.7	0.6	0.5	0.6
New Foundland	9.1	0.1	0.1	0.1
U. S. A.	12.2	9.5	9.0	8.1
Japan	2.8	2.8	3.0	3.3
France	6.4	8.4	8.9	7.5
Belgium	2.8	3.2	3.3	3.1
Netherlands	3.1	3.8	3.9	3.5
Argentina				
Italy	3.2	3.0	3.1	3.3
Denmark	1.3	1.5	1.5	1.4

From the tables it will be evident that India's share in the total trade of the world, though marking a very slight improvement on the basis of 1932, has not advanced to any extent that matters. With the exception of a very few countries, all other countries as shown in the tables, have succeeded in considerably improving their trade position much more than India. Besides, it will be found that while all countries, excepting Canada, have more than regained their position in world trade during the pre-depression year, 1929, India's foreign trade still falls far short of her relative position in 1929. This fact is likely to be an effective answer to the question whether the Ottawa Agreement which came into force early in 1933, has proved of real benefit to India.

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APPENDIX B

STATISTICS OF INDIA'S FOREIGN TRADE WITH SOME PRINCIPAL COUNTRIES

Table I
India's Import Trade

	1932 Rs. (in lakhs)	1933 Rs. (in lakhs)	1934 Rs. (in lakhs)	1932-33 Rs. (in lakhs)	1933-34 Rs. (in lakhs)	1934-35 Rs. (in lakhs)
U. K.	48.64	47.54	51.17	48.80	47.59	53.75
Canada	34	52	1.02	34	69	41
Australia	83	1.30	90	1.07	1.03	97
South Africa	19	23	26	19	26	25
Total Br. Empire	59.31	57.78	61.99	59.36	57.71	65.45
Germany	10.44	8.69	9.74	10.39	8.89	10.12
France	2.08	1.55	1.52	2.04	1.51	1.53
Italy	3.95	2.95	3.05	3.95	2.91	3.01
Japan	19.28	16.45	19.64	20.48	16.36	20.80
Netherlands	1.76	1.86	1.31	1.69	1.82	1.29
Belgium	3.23	2.80	2.20	3.42	2.66	2.16
U. S. A.	11.42	7.21	8.49	11.25	7.18	8.40
Total Import :	1,33,66	1,16,04	1,26,43	1,32,58	1,15,38	1,32,25

Table II
India's Export Trade

	1932 Rs. (in lakhs)	1933 Rs. (in lakhs)	1934 Rs. (in lakhs)	1932-33 Rs. (in lakhs)	1933-34 Rs. (in lakhs)	1934-35 Rs. (in lakhs)
U. K.	36.97	43.57	48.10	36.96	47.21	47.53
Canada	1.62	1.75	1.64	1.63	1.88	1.63
Australia	4.00	3.08	2.64	3.88	2.98	2.71
South Africa	1.26	1.21	1.38	1.24	1.20	1.42
Total Br. Empire	61.70	64.06	68.23	59.79	68.15	68.37
Germany	8.08	8.82	7.60	8.59	9.84	6.99
France	7.93	8.04	5.02	8.08	7.37	5.26
Italy	4.79	5.62	5.58	4.66	5.75	5.73
Japan	11.67	14.00	21.68	13.95	12.01	24.14
Netherlands	4.13	3.88	3.10	4.13	4.21	2.53
Belgium	3.90	4.26	4.09	4.02	4.08	4.23
U. S. A.	10.15	13.35	12.10	9.77	14.07	12.87
Argentina	2.59	2.48	2.59
Total Export :	1,34,63	1,44,05	1,48,00	1,32,41	1,46,31	1,51,24

Table III

Percentage Shares of Countries in the Total
Import Trade of India

	1932	1933	1934	1932-33	1933-34	1934-35
U. K.	36.4	41	40.5	36.8	41.2	40.6
Canada	.3	.4	.8	.3	.6	.7
Australia	.6	1.1	.7	.8	.9	.8
South Africa	.1	.2	.2	.1	.2	.2
Total Br. Empire	44.4	49.9	49	44.8	50	49.4
Germany	7.8	7.4	7.7	7.8	7.7	7.7
France	1.6	1.3	1.2	1.5	1.3	1.1
Italy	2.9	2.5	2.4	3	2.5	2.3
Japan	14.5	14.2	15.6	15.4	14.2	15.7
Netherlands	1.3	1.6	1.04	1.3	1.6	.9
Belgium	2.4	2.4	1.8	2.6	2.3	1.6
U. S. A.	8.6	6.2	6.7	8.5	6.2	6.4

Table IV

Percentage Shares in the Total Export
Trade of India

	1932	1933	1934	1932-33	1933-34	1934-35
U. K.	27.5	29.9	32.5	27.9	32.2	31.4
Canada	1.2	1.2	1.1	2.2	1.3	1.1
Australia	3	2.1	1.8	2.9	2	1.7
South Africa	.9	.8	.9	.9	.8	.9
Total Br. Empire	45.8	44.5	46.1	45.1	46.2	45.2
Germany	6.4	6.1	5.1	6.5	6.5	4.6
France	5.9	5.6	3.4	6.1	4.7	3.5
Italy	3.6	3.5	3.7	3.5	3.9	3.7
Japan	8.7	9.7	14.6	10.5	8.6	16.0
Netherlands	3.1	2.7	2.1	3.1	2.4	1.7
Belgium	3	3	3.4	3	3	2.8
U. S. A.	7.5	9.3	8.4	7.4	9.5	8.5
Argentina	1.9	1.7	1.7

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APPENDIX C

A NOTE ON TRADE BARRIERS

Some forms of trade barriers, mainly in the nature of tariffs, existed even when the system of free trade was widely prevalent. But the economic depression has led to a marked intensification and diversification of these barriers in recent years. The diminishing trade balances in the case of most countries induced measures of conscious regulation of foreign trade and exchanges with the result that international trade relations of all countries have been disturbed. The forces of economic nationalism have been working all the while and have now joined hands with the governmental measures to regulate imports, so as to turn out an enlarged favourable trade balance. The result has been increasing burdens on international trade. In devising ways and means to ward off the reactions of the economic policies pursued by the various countries, no nation could afford to depend on the inter-play of economic forces, but were compelled to undertake make-shift measures, which only tended to make things worse for them. Mr. S. R. Beale, in his presidential address at a meeting of the Association of British Chambers of Commerce at Norwich, very aptly remarked: "In their struggles to emerge from the period of almost unprecedented slump, the nations of the world, using all sorts of expedients to try to ease their troubles seem to the onlooker largely to have forgotten that while an expedient may tide those in difficulty over immediate troubles, a policy that ignores economic principle, must, sooner or later, bring further trouble in its train." In fact, restrictions on trade imposed in one country led to the adoption of counter-vailing measures in others in self-defence, with the result that no consistent policy aiming at general improvement of the situation could be pursued. The trade barriers which have so far been devised are of many varieties; but they may be classified under three broad categories, namely,

(a) General restrictions on imports or exports;

(b) Quantitative regulation of imports or exports;

and (c) Barter and clearing agreements.

(a) *General Restrictions.*—In this group, the chief instrument is the tariff which is regulated in accordance with the principle whether imports from a particular country or countries have to be discouraged or encouraged. The ideal of economic self-sufficiency has induced almost all countries to raise the tariff, to curtail imports of food stuff and raw materials as far as possible. So there is a general tendency for rising protective tariffs in all countries. Besides, in order to offset the reactions of depreciated currencies, many countries have had to raise tariff walls to protect indigenous industries.

While countries may individually pursue such a policy, there are groups of countries which have agreed to raise tariffs against outsiders in respect of specified commodities for the sake of their own mutual advantage. The scheme of preferences agreed upon at Ottawa partakes of the nature of such a tariff system. France and Italy also are following the same tariff policy in their trade relations with their respective colonies.

Other varieties of tax in the form of monopoly tax, license, *advalorem* primage duty, import certificate, etc., serve also as general restrictions. Germany has imposed a monopoly tax on the exports of rice and oilseeds from India, and they are also subject to license in France and Italy. In Denmark also India's rice, coffee, tea, hides and skins and groundnuts are subjected to license. In Ireland, again, imports of linseed cakes are prohibited except under license.

(b) *Quantitative regulation of imports.*—Quantitative regulation of imports is effected mainly by

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prohibitions, quotas and exchange control. License system also is employed for the purpose, but quotas and exchange control are the most patent methods of quantitative regulation of import trade. Countries with complicated currency troubles usually take to the method of exchange control and in modern days Germany is a remarkable example. In order to strictly regulate imports, Germany devised the system of doling out foreign exchanges to the intending importers, imposing thereby a definite check on imports from foreign countries. This practice may temporarily enable the conomic system to work, but it stores up troubles for the future.

Tariff walls, exchange control and license system no doubt regulate imports to a great extent, but quotas are the most effective weapons for the purpose and this effectiveness explains why it is being widely employed all over the world. Tariffs aim at regulation but quotas fix the exact quantity of imports allowable. But there are certain difficulties which render the quota system not practicable in all countries. A quota system requires elaborate governmental interference with the import trade. If any loopholes remain or if the administrative staff is inefficient, the object of the quota, namely the quantitative regulation of imports is sure to become defeated. One of the main arguments against quota is that it involves expensive governmental control which does not fit in with the administrative organizations of many countries, and indeed, in many cases the adoption of the quotas may render the entire system unworkable. France is the country which has developed the quota system most widely, but a recent report states that the cabinet has come to the conclusion that "the quota system makes extremely difficult the conclusion of commercial agreements conducive to the increase of France's foreign trade," and has, therefore, decided upon the creation of a tariff council on the model of the British Import Duties Advisory Committee, in order to revise the quota system. This goes to show that France has not yet been able to successfully adapt the system to her economy.

From the standpoint of consumers, it is stated that the quota system does not tend to raise the price so much as the tariff, for unless the quota is quite drastic, it directly cuts down the imports without entailing a burden on the producers and necessarily on the consumers. A tariff, on the other hand, tends to raise the price of the imported commodity or commodities by the higher margin of the duty. It is to be, however, admitted that as far as the interest of the consumers is concerned, a low import duty is better than a drastic quota which may not only lead to the deterioration of economic efficiency within the country, but also may provoke counter measures in other countries against the exports of the country adopting the quota system. Mr. Clucas, the President of the Manchester Chamber of Commerce observed in course of his address at the last half-yearly meeting that "it (quota) has not been accompanied by disadvantage to the consumers to anything like the extent which its critics foretold, and indeed the consumers will benefit from it in the long run. It has certainly been of great benefit to the Lancashire industry at a time of crisis." England has, under the 1933 Marketing Act, adopted the system of quota with regard to hops, milk, pigs, bacon and potatoes. If England has benefitted by the measure, as indicated by Mr. Clucas, it is because, England has not developed the system to such great lengths as France has done. The case for quotas is, therefore, that it may conduce to advantage to trade, if it is employed judiciously and to some extent sparingly. If other countries adopt the system widely, it is necessary that India should also participate in the system and obtain as much advantage from it as is possible, in consonance with the interests of her national economy.

Many commodities of India's export are subject to quota restrictions in foreign countries. For instances, all commodities are subject to quota regulation in Spain, oilseeds and gums and resins in France, hides in Italy, tea in Turkey and cotton goods and tea in Persia. India may not stand, at present, in great need of imposing quota restrictions on certain imports, but it is desirable on her part to seek quota

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preferences in those markets which offer possibilities for her manufactures.

(c) *Barter and Clearing Agreements.*—These forms of trade restrictions aim at direct exchange of commodities between two countries. Financial liabilities which can not be discharged in the usual course of mutual trade are sought to be met by special clearing agreements. Germany has had to make such arrangements on account of her liabilities with a number of countries. The barter principle is, of course, the basis of such arrangements. The Indo-Japanese Trade Agreement is the only instance in which India has adopted the barter principle.

The foregoing consideration of the main forms of trade restrictions drives home one important point and that is the desirability of adopting such measures as are necessary to offset the reactions of the economic policies of other countries on India's foreign trade. Many of the restrictions which are hampering India's exports abroad may have been adopted by the respective countries under the pressure of circumstances and not as retaliatory measures provoked by the Ottawa Agreement; but there is no doubt that the Agreement has provided a good plea for stiffening the attitude of many countries and for actually undertaking measures exercising a restrictive influence on India's exports.

APPENDIX D

"EMPIRE TRADE BEFORE AND AFTER"

(*Empire Trade Supplement of the "Economist," November 3, 1934.*)

Sir George Schuster, ex-Finance Member of the Government of India, contributed some time ago a valuable article under the caption: "Empire Trade Before and After", as a supplement to the "Economist" of the 3rd November, 1934. This study of Empire trade as a whole, is significant at the present hour, in view of the growing interest that is being evinced in the working of the Ottawa Agreement. Sir George has taken a very long period view of Empire trade and compressed in his study the "trends" and tendencies of the trade of each principal country within the Empire, analysing them with the help of a mass of data that has indeed rendered the study very interesting and at the same time illuminating.

Sir George Schuster has himself admitted that the study was undertaken with only "a modest purpose" and that "it did not set out to defend any particular thesis or to reach final conclusions." Yet, against a wide back-ground he has set the picture of Empire

trade and drawn certain conclusions. I propose here to consider some of his conclusions—both with regard to their contents and the methods whereby those conclusions were reached.

The main conclusions, as far as India is concerned, emerging from his detailed study, are the following:—

1. For the Empire countries, the U. K. has proved to be the steadiest export market. So "the more a country has been dependent on foreign markets, more acutely has it felt the depression and the slower is its recovery proving".
2. "The Ottawa preferences have been of direct and immediate benefit to India."
3. Rationalization of Empire production is likely to conduce to the substantial advantage of Empire countries.

1. The first of these has been based on the following statistics:

India's Foreign Trade. (in £ millions.)

	From or to the United Kingdm		From or to other Empire Countries		From or to the Foreign Countries	
	Imports	Exports	Imports	Exports	Imports	Exports.
1913	83.39	38.93	7.27	24.06	36.88	103.02
1924-29 (Average)	91.98	59.14	14.54	37.44	81.59	164.15
1931	35.99	33.64	9.02	20.07	52.96	67.19
1933	35.99	34.93	7.67	15.76	43.42	59.03

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The foregoing consideration of the main forms of trade restrictions drives home one important point and that is the desirability of adopting such measures as are necessary to offset the reactions of the economic policies of other countries on India's foreign trade. Many of the restrictions which are hampering India's exports abroad may have been adopted by the respective countries under the pressure of circumstances and not as retaliatory measures provoked by the Ottawa Agreement; but there is no doubt that the Agreement has provided a good plea for stiffening the attitude of many countries and for actually undertaking measures exercising a restrictive influence on India's exports.

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2. "The Ottawa preferences have been of direct and immediate benefit to India."
3. Rationalization of Empire production is likely to conduce to the substantial advantage of Empire countries.

1. The first of these has been based on the following statistics:

India's Foreign Trade. (in £ millions.)

	From or to the United Kingdom		From or to other Empire Countries		From or to the Foreign Countries	
	Imports	Exports	Imports	Exports	Imports	Exports
1913	83.39	38.93	7.27	24.06	36.88	103.02
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Apparently, Sir George's thesis is corroborated by the above statistics, but it should be pointed out at the same time that its validity depends entirely on the assumption that the mutual trade relations between India and the U. K. were allowed to grow under the influence of unhindered economic forces of world trade and commerce. The real fact is, however, that for a very long period, India's political affiliation with Great Britain has always materially influenced economic relations between the two countries. Besides, through the policy of raising heavy loans in the U. K. for India, India's obligations to England have been always encouraged to increase and in order to meet these obligations, India could not but send more and more goods to the U. K. As Sir George Schuster himself admits, "there is one very important piece of machinery on which the development of trade throughout the world has in the past greatly depended—the machinery of finance working through the granting of loans from the highly developed to the less developed countries. As such, the comparative steadiness of the U. K. as an export market for India, is not a measure of the reliability of the U. K. in the export trade of India, but of the extent of economic interdependence that has grown up between the two countries as a result of the political connexion. Were the foreign trade of India allowed to proceed along the channels as determined by the inter-play of economic forces, it is difficult to ascertain what tendencies it would evince. In the circumstances, it is not quite safe to conclude that the U. K. has proved the steadiest export market for India, for this steadiness as indicated by Sir George's statistics denote the existence of regulation which was absent in the case of India's commercial relations with other countries and so may have in some way or other exercised a prejudicial influence on that portion of the trade shared by these countries. No wonder, therefore, that India's trade relations with such countries have undergone surprising changes. And more changes are likely to ensue unless India undertakes measures to regulate her commercial relations with non-Empire countries on scientific lines so that the regulations which influence her trade with the U. K.

which constitutes almost 39 per cent. of her entire foreign trade, may not affect the remaining portion.

Further, the collateral conclusion that reliance on non-Empire markets has aggravated depression, does not well fit in with the first. For, if the U. K. as an export market for India has remained steady enough, then the argument that India's reliance on foreign countries has meant for her worst sufferings under the depression does not carry force. On the contrary it shows that the U. K. and Empire countries, most of which are agricultural and as such competitive with India, were not economically fitted to absorb all the exports of India's raw products. If India's economic depression has been acute, it has been mainly due to the intense depression in her customer countries importing raw materials. As was revealed by the World Economic Survey by Mr. J. B. Condliffe, all countries exporting raw materials have been the worst sufferers in the depression.

Considered from another point of view, the argument of Sir George Schuster involves by implications, a charge against the economic policy of the Government of India. For, while the Government of India have been solicitous enough to regulate the trading relations of India with the U. K. in such a way that the latter country may reap distinct advantages, they have so far hardly made a constructive attempt to regulate India's foreign trade with the foreign countries in her best interests. The result has been that in the throes of the economic crisis, India's foreign trade has been allowed to languish, uncared for and unregulated. In a world where regulation of trade, commerce and industry has been the main instrument of combating the depression, India's *laissez faire* policy has naturally contributed to her sufferings. So, while Sir George's conclusion is factually true, the basis of his conclusion is wide off the mark. As he himself said: "It may of course be said, in answer to this presentation of the case, that the better position of Canada, Australia and New Zealand is due not so much to their greater reliance on the United Kingdom market as to the

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nature of the goods which they export, inasmuch as they rely to a greater extent than India on the export of foodstuffs, which have had a comparatively good market throughout the slump, especially in England, where the policy of unemployment relief has resulted in a remarkable maintenance of the standard of living. But to the extent that this is true, it merely serves to bring out one of the chief factors of stability in the U. K. market." So the steadiness of the U. K. market, as admitted by Sir George himself, is not so much the result of any general absorbing capacity of the U. K. as of the specific commodities she imports from the Empire countries. This explains, in reality, the whole argument of Sir George and as such can not be a fresh argument for the intensification of the Ottawa Agreement.

In order to show the stability of the U. K. market, Sir George has further quoted certain figures as follows. In comparison with 1913, India showed in 1933 a loss of only £4 millions to the U. K., while the loss of India's export trade with foreign countries has on the same basis been £44 millions. Or, making the comparison with the period of post-War prosperity, India has lost £105 millions of trade to foreign countries, as compared with a drop of only £24 millions in her exports to the United Kingdom. Obviously such comparisons on the basis of monetary value are extremely deceptive and in order to strengthen the thesis, the author's citation of such statistics is quite surprising. In such cases, comparison on the basis of percentages would be a rational attempt from the statistician's standpoint. On a percentage basis, we find that while the off-take of India's merchandise by the U. K. has advanced from 23.5 per cent. in 1913 to 31.8 per cent. in 1933-34, the off-take by the foreign countries has declined from 62 per cent. to 53.7 per cent. during the same period. The percentage comparison does not show such a large disparity as the comparison on the basis of monetary value.

2. With regard to the second conclusion of Sir George Schuster that the Ottawa Agreement has proved of direct and immediate benefit to India, it has already been demonstrated in great details to what

extent and in what manner the Agreement has affected India's foreign trade. I need not go over the same details again. But the methods by which Sir George has reached the conclusion are open to certain criticisms. The relevant statistics from which he has derived his conclusion are as follows:

Trade of India :

Percentage distribution. (Excluding Gold)

	Imports from the U.K.	Exports to the U.K.
1913	65.4	23.5
1924-29		
(Average)	48.9	22.7
1931	36.7	27.8
1932	37.3*	27.5*
1933	41.2	31.8
	40.8*	29.9*

* Excluding treasures.

The argument of Sir George runs thus: "In the case of India the percentage of her imports from the U. K. has gone up from 36.7 per cent. to 41.2 per cent. and of her exports to the United Kingdom from 22.8 per cent. to 31.8 per cent." From his presentation of the figures, it appears that while India's off-take of British exports has advanced by 4.5 per cent., the share of the U. K. in India's exports has advanced by as much as 9 per cent. Evidently the two periods compared are 1931 and 1933, but what strikes one most is that this basis of comparison has not been uniform in both the cases. While the export trade of the U. K. with India has been compared on the basis of 1931, the export trade of India with the U. K. has been compared on the basis of 1924-29 (average). This is admittedly an unscientific way of comparing things. Where the basis of comparison is not the same, the conclusion must necessarily be vitiated. Besides, in evaluating the effects of the Ottawa Agreement, the selection of 1931 as the basis of comparison does not appear quite happy, inasmuch as this year has hardly any proximate relation with the Ottawa Trade Agreement which commenced operation only from the beginning of 1933. The year 1932,

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therefore, just preceding the commencement of the Ottawa Agreement, should have been the right basis for an appraisal of its effects. The major economic crisis beginning from 1930 persisted throughout the period till 1933, since when world conditions have begun to evince signs of trade recovery. If during the year 1933 the foreign trade of India has undergone certain important developments, these are, to a great extent, to be attributed to the Ottawa Agreement. The Ottawa Agreement being concluded in 1932 and coming into operation in January, 1933, the year just preceding the latter period, is the right basis of calculation. Further, the 1924-29 average also can not serve as a basis of comparison, for a correlation between two isolated and distant periods like the 1924-29 and 1933 is not justified in view of the fact that the great depression intervening between the periods has very rudely disturbed normal commercial relations.

Accordingly, if we compare the results of the Ottawa Agreement on the basis of 1932, we find that, while the share of the U. K. in India's exports, has increased in 1933 by 2.4 per cent., the share of the U. K. in India's import trade has advanced by as much as 4.6 per cent. If we, again institute a comparison between the pre-Ottawa and post-Ottawa fiscal years namely, 1932-33 and 1933-34, the same conclusions present themselves with perhaps greater force. The share of the U. K. in India's imports has advanced by 4.4 per cent. in 1933-34, while India's exports to the U. K. in percentage share, have increased by 4.3 per cent. during the same period. These results are further corroborated by the trade figures for 1934-35. This disproportionate increase in the export trades of the two countries is indeed significant and argues against the conclusion of Sir George Schuster.

3. In Sir George Schuster's strong advocacy of a closer economic co-operation within the Empire, is set forth the plea that rationalization of Empire production will confer distinct advantage on the Empire countries. Obviously he means that "from the

generally complementary nature of their activities, there are special grounds for hoping that such a policy" (co-operation between the complementary economic activities of the countries) will lead to the creation of "an oasis of economic sanity" in the midst of the general movement for economic insularity as started by all countries. While credit is to be given to Sir George for the rational view he has taken of the future of inter-Imperial trade, it is to be said that he has perhaps missed some aspects of the real situation. He has not, for instance, taken into adequate consideration the implications of the fact that the economic activities of the various countries within the Empire are not entirely complementary, and that the special requirements of the different countries may not be reconciled with such a policy. Sir Francis Joseph, president of the Federation of British Industries, observed in his recent address at a luncheon party of the Manchester District Branch of the Federation, that an "Imperial trade unit is not possible of attainment to-day." He aptly remarked: "We have seen throughout the Dominions a growth of production of primary commodities so great that we are unable to absorb them, and they must seek expression for a considerable quantity of that production outside the British Empire. We have also seen a great development in their secondary industries. We could not live by Empire trade alone. Our trade has been built up not merely within the Empire but throughout the world, and that must continue. Neither can the Dominions exist without trade with countries outside the Empire." As far as India is concerned, it is doubtful whether in view of her underdeveloped industries and undeveloped resources, she will stand to gain by binding herself to an agreement which is likely to impose definite limitations to her industrial progress. Already, under the alluring name of industrial co-operation within the Empire, India has been persuaded to acquiesce in the Supplementary Steel Agreement, which though presenting for the present, certain advantages, imposes, nonetheless, certain obvious limitations on the possibilities of developing those varieties of steel in India, such as are now imported from the

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U. K., enjoying preference in Indian market. If this principle is further extended to some other industries, it will doubtless seriously jeopardise India's industrial progress. Needless to say that within the Empire, industrial co-operation of this description would not confer any real advantage on India. India's industrial aspirations will not brook any interference on this account. Even as a producer of raw materials India has to reckon with serious competition from Australia, New Zealand and several other countries of the Empire. This is not, however, to suggest that the existence of this competition necessarily precludes a course of action which may ensure closer co-operation among the members of the Empire. As Sir George rightly observes, "there is still a very wide field which can—given a broad outlook and a common purpose—be preserved for complementary activity in a way which will benefit the main interests of both sides. It is only, if trade within the British commonwealth can be developed in a way which leads to the greater prosperity of its members, that its encouragement by special measures can be justified, and on that condition each of its members will be the better able to trade with the rest of the world, for in the long run all countries are better for the prosperity of their neighbours." If these principles can be translated in to a constructive scheme, there will be hardly any thing to speak against a policy of rationalization of Empire production. But the difficulty lies in the very task of devising suitable schemes for giving effect to the theories suggested. This is particularly true of instances in which economic interests of entire nations clash. Still, a country of economic importance like India will not be slow to take her due share in the inter-Imperial economic co-operation, if it appears to her that her own interests will not suffer or at least her gains will not be offset by her losses. The consideration of India's major part of foreign trade

which is shared by non-Empire countries will no doubt be given due weightage in any negotiation of the nature just referred to; but the criterion which should guide her actions, as much as those of every other country in the Empire, should be an adequate *quid pro quo*.

As a principle, a closer inter-Imperial economic co-operation is to be welcomed, for, in the existing conditions of world trade and commerce, such a regional grouping for mutual trade has certain obvious advantages. But in the determination of such relations, she should be given free choice and the furtherance of her own interests should be the primary consideration.

In discussing the effects of the Ottawa Agreement on the export trade of India, I have shown how India's exports have had to give way to the competition of Empire countries. In every case where India had to compete with one or other countries of the Empire, she has inevitably been the loser. For instance, in the U. K. market India's exports of lead, coir yarn, hides undressed, coffee, groundnuts, coconut oil, etc., are steadily losing ground before the competition of the products of other Empire countries. In the circumstances, it will be better both for India and other Empire countries to come to some sort of understanding, with a view to minimise the competition amongst themselves which is proving so harmful both within and outside the Empire.

Sir George has done well to emphasise this aspect of the inter-Empire trade. His suggestion for a periodical survey of the Empire trade relations proposed to be made for forecasting or checking the probable reactions of any particular policy within the Empire will undoubtedly be approved by all, interested in inter-Imperial trade.