

# ANGLO-AMERICAN TRADE RELATIONS

Information Department Papers, No. 22

THE ROYAL INSTITUTE OF INTERNATIONAL  
AFFAIRS

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THE ROYAL INSTITUTE OF INTERNATIONAL AFFAIRS  
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## INFORMATION DEPARTMENT PAPERS

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## I. RECENT CHANGES IN BRITISH AND AMERICAN COMMERCIAL POLICY

Up till 1931 the United Kingdom represented practically the only unprotected and (partly for that reason) very much the largest market in the world. Protective duties were not unknown, including the McKenna duties on motor-cars and other luxury goods (originally imposed in 1915), the tariff on dyestuffs (1920), the "safeguarding" duties on certain key products (1921), and the tariffs on silk, rayon, and hops (1925). But these were of relatively negligible significance. In 1930 only 3 per cent of total British imports were affected by protective duties, a further 9 per cent of the total being affected by purely revenue duties.

*British  
Free Trade  
Policy  
until 1931*

The United States, on the other hand, had virtually the highest tariff in the world.<sup>1</sup> The average *ad valorem* rate on dutiable imports in 1935 was 42.9 per cent, although the average rate on all imports was 17.5 per cent, since nearly two-thirds of American imports (mostly raw materials) entered duty free. American duties, already exceptionally high, had been abruptly raised in 1922 and again by the Hawley-Smoot Tariff in 1930. The most striking feature of the Hawley-Smoot Tariff was the rise in average *ad valorem* rates on agricultural products and provisions, from 19.8 per cent to 33.6 per cent.<sup>2</sup> In defence of these increases there could be argued the prolonged depression in American agriculture during the previous decade, but the same argument could hardly be used to justify the increased protection accorded to American industry—notably to woollen and cotton textiles, earthenware, and chemicals. The chief effect of the Hawley-Smoot Tariff of 1930 was to stimulate a remarkable growth of retaliatory tariffs in the British Dominions, Cuba, Mexico, France, Italy, Spain, and elsewhere just at a time when international trade was already beginning to contract.<sup>3</sup>

*American  
high Tariff  
Policy  
until 1934*

In 1931, therefore, the United Kingdom and the United States were the chief representatives of free trade and high protection respectively. But the onset of world depression, resulting in the decline of the world's international trade by 1932 to one-third of its value in 1929, caused a revision of commercial policy in both countries.

In the United Kingdom, the first consequence of the sudden decline in both visible and invisible exports, the growth of the budget deficit, the freezing of British short-term credits in Germany, and the withdrawal of foreign balances, was the abandonment of the goal

*British  
Import  
Duties Act,  
1932*

(1) *Tariff Level Indices* (League of Nations, 1927).

(2) *Comparison of Rates of Duty in the Tariff Act of 1930 and in the Tariff Act of 1922* (Washington, 1930).

(3) cf. *Foreign Reactions to the American Tariff Act*, Foreign Policy Association (New York), October 1, 1930; "The New American Tariff: Europe's Answer," by Percy Wells Bidwell, *Foreign Affairs*, October 1930.

standard in September, 1931. But the depreciation of the pound sterling was considered by the British Government to be insufficient to rectify the deficit in the country's current balance of international payments, and in November, 1931, two interim measures were introduced for the restriction of British imports—the Abnormal Importations Act and the Horticultural Products Act. These were designed to prevent dumping by foreign countries anticipating the introduction of a more permanent tariff. On March 1, 1932, they were replaced by the comprehensive Import Duties Act, which applied a basic tariff of 10 per cent to all British imports, with the two important exceptions that all Empire products (for a provisional six months) and important raw materials and foodstuffs were still admitted free of duty. Authority was given to the Treasury to adjust particular duties in accordance with the recommendations of a non-party Import Duties Advisory Committee—an arrangement which gives the British tariff a valuable flexibility. The general rates for dutiable imports—which constitute approximately three-quarters of total imports—are now approximately 15 per cent for semi-manufactures, 20 per cent for manufactured goods, and 25–30 per cent for luxuries. It is worth noting that the Import Duties Act provides the Exchequer with a valuable new source of revenue, amounting to £25 millions in 1935–6.<sup>1</sup>

*Introduction  
of Imperial  
Preference*

As has already been mentioned, the Import Duties Act granted free entry to Empire products for a provisional six months. The time limit was imposed in order that the consolidation of the principle of Imperial Preference in the British tariff, in return for the preferences granted for more than thirty years to British goods in Empire markets, might be used as a bargaining weapon at the Ottawa Conference in August, 1932. The significance of Ottawa as regards the British tariff was that the United Kingdom confirmed the exemption from duty of Empire goods,<sup>2</sup> and, in the case of a wide range of products, stabilized the margin of Imperial Preference for at least five years, the duration of the Ottawa Agreements. Since these Empire products were admitted free, this amounted to a guarantee not to reduce the duties on the foreign produce concerned.

Ottawa also saw the introduction of the first restrictions on food imports into the United Kingdom since the repeal of the Corn Laws. A preferential duty on wheat was established, whilst tentative arrangements were made for the quantitative regulation of imports of beef, lamb, and mutton, and also of hams and bacon, in the interests of first, British and, secondly, Dominion, farmers.

*Change in  
Direction of  
British Trade*

Since the entry into force of the preferential tariff on March 1, 1932, and of the Ottawa Agreements in October of that year, the direction

(1) The Ottawa Duties provided an additional £8 millions out of a total tax revenue of £713 millions.

(2) Except in the case of the Irish Free State, with whom the United Kingdom did not conclude an agreement at Ottawa.

of British trade has shown an appreciable shift towards Empire countries.

#### BRITISH TRADE WITH EMPIRE AND FOREIGN COUNTRIES

	<i>Imports</i>		<i>Exports</i>	
	1931	1936	1931	1936
	%	%	%	%
Empire countries ..	28.7	39.1	43.8	49.2
Foreign countries ..	71.3	60.9	56.2	50.8

The rise in the proportion of imports supplied by Empire countries from 29 per cent in 1931 to 39 per cent in 1936 is particularly striking. The bulk of the expansion has been gained by Canada, whose share has risen from 3.8 per cent to 8.8 per cent, while Australia's share has increased from 5.3 per cent to 7.2 per cent.<sup>1</sup> It is impossible to say how far these changes are attributable to the introduction of Imperial Preference. Probably more important factors were the development of the sterling *bloc*, and the absence of exchange controls and (for the most part) of quotas in the British Empire.

It is still more difficult to say how far the figures represent a diversion of trade from foreign to Empire countries, and how far simply an expansion of Empire trade unaccompanied by an equivalent expansion of foreign trade. In the case of food imports into the United Kingdom, however, there is fairly conclusive evidence that the chief factor has been diversion. Between 1931 and 1935 total British food imports declined by 12 per cent in volume. But, while imports from foreign countries declined by 30 per cent, imports from Empire countries expanded by 17 per cent.<sup>2</sup>

Whatever the merits or demerits of the British tariff in other respects, one fact is undeniable: it has provided the British Government with a new bargaining weapon which it completely lacked in the days of free trade. Extensive use has been made of this weapon to secure markets for British exports. Since 1932 commercial agreements have been negotiated by the United Kingdom with twenty countries.<sup>3</sup> As in the past, these have been based on the principle of the unconditional most-favoured-nation clause, Imperial Preference constituting a recognized exception to the clause. In some quarters, however—and notably in the United States—it has been suggested that the United Kingdom has secured for herself a privileged position in certain markets which conflicts with the spirit, even though not with the letter, of the clause. Thus, the Scandinavian and Baltic countries have undertaken to take certain minimum proportions of their coal imports from

*British  
Commercial  
Agreements  
since 1932*

(1) For further details see below, p. 16.

(2) *The Planning of Britain's Food Imports*, by Keith Murray and Ruth Cohen.

(3) The Scandinavian and Baltic countries, the U.S.S.R., Germany, France, the Netherlands, Poland, Italy, Yugoslavia, Turkey, Argentina, Uruguay, Peru, and Cuba.

the United Kingdom.<sup>1</sup> Another example of so-called "preferential" treatment is the undertaking by Argentina (and, in the same way, by Uruguay) to make available that part of the sterling exchange derived from Argentine exports to the United Kingdom, which is not required for the service of Argentine public external debts, to "meeting applications for current remittances from Argentina to the United Kingdom." Finally, the U.S.S.R. has undertaken to reduce her favourable balance of payments with the United Kingdom to the ratio of 1.1 : 1.<sup>2</sup>

President  
Roosevelt's  
new Economic  
Policies

Meanwhile in the United States the election of President Roosevelt and a Democratic Congress, and the appointment of Mr Cordell Hull as Secretary of State, led to remarkable changes in American commercial and monetary policy. In the first year of the new régime attention was concentrated on domestic policy, sometimes with disastrous consequences for the outside world. Following the depreciation of the dollar in April, 1933, the President delivered the *coup de grâce* to the World Economic Conference in July by his refusal to discuss such "old fetishes of so-called international bankers" as exchange stabilization; and in October still more uncertainty was caused by the further depreciation of the dollar through the purchase of gold at a higher price. But in January, 1934, the dollar was stabilized at just under 60 per cent of its old value<sup>3</sup>; and a further step was taken in the direction of international economic collaboration by the passage of the Reciprocal Trade Agreements Act in June, 1934, for an original period of three years, later extended to six.

Reciprocal  
Trade  
Agreements  
Act, 1934

The real significance of the Trade Agreements Act lies in the fact that it represents the first experiment by the United States in tariff bargaining on any considerable scale since the abortive Canadian-American Reciprocity Treaty of 1911. Hitherto American import duties had been fixed by Congress without any previous consultation with the foreign countries concerned. But, as a result of the 1934 Act, the President is authorized "for the purpose of expanding foreign markets for the products of the United States" to reduce or raise particular duties by not more than 50 per cent in the course of negotiating commercial agreements with other countries. By contrast, it may be noted that the British Government can, in order to implement a trade agreement, alter any protective duty to any extent at any time. The two countries are, however, at one in insisting upon the inclusion of the unconditional most-favoured-nation clause in all their commercial agreements. In the case of the United Kingdom, Imperial Preference

(1) Incidentally this arrangement has benefited the Durham coalfields at the expense of South Wales, which has met in consequence with intensified competition from Germany and Poland.

(2) She is fulfilling this undertaking by expanding her purchases of British re-exports.

(3) The Gold Reserve Act of January, 1934, required the President to stabilize the dollar at between 50 and 60 per cent of its old gold content. Since January 31, 1934, it has been fixed by Presidential proclamation at 59.06 per cent of its former gold value.

is a recognized exception to the clause. In the case of the United States, preferential treatment is given to Cuban produce; whilst the benefits of most-favoured-nation treatment are not extended to countries which discriminate against American goods—at present, only Germany.<sup>1</sup>

Sixteen agreements have so far been concluded under the Trade Agreements Act. The countries concerned accounted for rather less than half of total American trade in 1937, supplying 40 per cent of imports and taking 34 per cent of exports.

*Trade Agreements concluded*

AMERICAN TRADE WITH TRADE AGREEMENT COUNTRIES,  
1934-7

	<i>Effective Date of Agreement</i>	<i>Share of U.S. Trade, 1937<sup>2</sup></i>		<i>Percentage Increase 1934-37<sup>2</sup></i>	
		<i>Imports</i>	<i>Exports</i>	<i>Imports</i>	<i>Exports</i>
Cuba .. ..	Sept. 3, 1934	5.1	2.8	141.5	106.5
Belgium .. ..	May 1, 1935	2.6	2.8	222.0	80.0
Haiti .. ..	June 3, 1935	0.1	0.1	100.8	15.4
Sweden .. ..	Aug. 5, 1935	1.8	1.9	78.6	90.8
Brazil .. ..	Jan. 1, 1936	3.8	2.0	33.9	64.5
Canada .. ..	Jan. 1, 1936	13.0	16.0	86.7	70.0
Netherlands and Colonies .. ..	Feb. 1, 1936	6.1	4.6	142.5	100.0
Switzerland .. ..	Feb. 15, 1936	0.8	0.3	75.0	15.0
Honduras .. ..	March 2, 1936	0.2	0.2	-40.7	-7.8
Finland .. ..	March 2, 1936	0.5	0.3	92.2	101.0
Colombia .. ..	May 20, 1936	1.6	1.2	7.2	73.7
Guatemala .. ..	June 15, 1936	0.3	0.2	105.0	86.8
France & Colonies .. ..	June 15, 1936	3.0	5.3	47.3	36.4
Nicaragua .. ..	Oct. 1, 1936	0.2	0.1	100.0	25.0
El Salvador .. ..	May 31, 1937	0.3	0.1	215.0	112.8
Costa Rica .. ..	Aug. 2, 1937	0.1	0.1	115.0	41.7
Total: Trade					
Agreement countries		39.6	38.0	86.6	69.1
Total: Other countries		60.4	62.0	98.0	45.2
Total: All countries		100.0	100.0	93.6	53.5

Of these countries, trade with Canada is of outstanding importance to the United States whilst trade with France, Cuba, the Netherlands, and Brazil is also important. On the other hand, it is noticeable that no agreements have yet been concluded with the United Kingdom, Japan, Germany, Mexico, or South Africa, which represented respectively the first, third, fifth, sixth, and seventh largest markets for American exports in 1936.

The agreements already concluded have nevertheless achieved certain definite reductions of trade barriers. Tariff reductions and liberalization of import quotas have affected about one-third of Ameri-

*Concessions secured for American Exports*

(1) With regard to Australia, see below, p. 35.  
(2) Ten months only.

can agricultural exports to Trade Agreement countries in 1929, while pledges to maintain existing rates or free list status have affected a further third. Still more considerable benefits have been secured for American industrial products—including motor-cars, motor-car engines, tyres, and parts, copper, certain types of steel products, and machinery.

*Modifica-  
tions of  
American  
Tariff*

In return, roughly 60 per cent of 1934 dutiable imports from Trade Agreement countries have been affected by reductions of American duties. One-third of this total is accounted for by Cuban sugar and a further third by whisky and tobacco (from Canada, Cuba, and the Netherlands).<sup>1</sup> Of the 3,200 items in the American tariff, 440 have been reduced, for all countries, while on twenty-five additional items exclusive concessions have been made to Cuba. These items represented about 25 per cent of American dutiable imports in 1935. In addition duties have been bound against increase on twenty-three items, accounting for more than 2 per cent of dutiable imports in that year, and free entry has been guaranteed on seventy-seven items, constituting over 35 per cent of free imports.<sup>2</sup>

It would, however, be easy to exaggerate the significance of these reductions in the American tariff. Reductions have almost entirely been confined to specialities not directly competitive with any American product, to commodities of which imports represent a fraction only of domestic consumption, and to commodities of which the American supply is insufficient. The average *ad valorem* duty on the principal imports of manufactured products (earthenware, glassware, metals, and textiles) has been reduced from 42·4 per cent to 38·6 per cent. The average rate on the principal agricultural imports has fallen still less, from 38·5 per cent to 36·8 per cent.

*Expansion  
of Trade  
since  
Agreements*

The table on page 11 shows the extent to which trade with the countries with which agreements have been concluded has risen since 1934 as compared with trade with other countries. It is impossible to say how far these relative increases are due to the Trade Agreements Act and how far to general recovery in the United States. It is striking that imports from countries with which no agreements have been concluded increased by rather more between 1934 and 1937 than imports from Trade Agreement countries; in the case of exports the increases were 45 and 69 per cent respectively.<sup>3</sup>

The relative unimportance of the reductions in the American tariff helps to explain one surprising feature of the new Trade Agreements

(1) Hearings on H. J. Res. 96 before the Senate Finance Committee (75th Congress) First Session.

(2) "Foreign Trade Policy of the United States," Oscar B. Ryder, *Political Quarterly*, October–December, 1937.

(3) Amongst countries with which no agreements have been concluded, there was an exceptionally great increase in exports to Turkey, Czechoslovakia, the British West Indies, and the U.S.S.R., and in imports from Argentina, the British Dominions, British West Africa, and Poland.

policy—the lack of serious opposition from American interests. The fact of the matter is that the great steel, textile, and chemical industries, and the wool and wheat-growing interests, have scarcely been affected by the concessions granted so far. On the other hand, American industry has gained small but valuable advantages in foreign markets. The great need now is to obtain equivalent gains for agricultural products, which are in many cases particularly dependent on export markets. For, although less than 10 per cent of the total production in the United States is normally sold abroad, even in so depressed a year as 1933 between 25 and 70 per cent of the output of lard, dried and canned fruit, leaf tobacco, raw cotton, and many other commodities, was absorbed by export markets.<sup>1</sup>

*Trade  
Agreements  
not seriously  
opposed*

(1) "Progress of American Tariff Bargaining," *Foreign Policy Reports*, May 22, 1935.

## II. THE SIGNIFICANCE OF ANGLO-AMERICAN TRADE

*British and  
American  
Share of  
World Trade*

The United Kingdom and the United States are the two most important trading countries in the world. Together they represent nearly 30 per cent of the world market, while, if the rest of the British Empire is included, the proportion is over 40 per cent. The following table brings out this point. It also shows that the share of world imports taken by the United Kingdom has grown still larger since 1929, whereas the proportion taken by the United States has declined, her share of world exports having fallen still more. The only countries of comparable importance in world trade are Germany and France; indeed, German exports actually exceeded British in 1930-2. By contrast, Japanese trade was still worth only one-quarter of British and one-third of American trade in 1936, in spite of its remarkable expansion in recent years.

### WORLD TRADE, 1929 TO 1936<sup>1</sup>

	Per cent of world total					
	<i>Imports</i>				<i>Exports</i>	
	1929	1936	1929	1936	1929	1936
British Empire .. ..	29.4	32.2	26.3	29.6	11.1	10.6
United Kingdom .. ..	15.9	18.2	16.2	11.7	10.1	9.3
United States .. ..	12.8	11.2	10.1	9.3	6.2	4.5
Germany .. ..	9.4	7.9	6.2	4.5	3.8	5.0
France .. ..	6.7	7.1	3.0	3.7	49.6	55.2
Canada .. ..	3.8	3.0	3.0	3.7	100.0	100.0
Japan .. ..	2.9	3.6	49.6	55.2	100.0	100.0
Others .. ..	48.5	49.0	100.0	100.0	100.0	100.0
	100.0	100.0	100.0	100.0	100.0	100.0

*Importance  
of British  
and American  
Markets*

Even more striking is the dominance of the British and American markets for certain commodities. The United Kingdom is virtually the only import market for bacon and hams, mutton, and butter, whilst either she or the United States takes 40 per cent, or over, of that part of the supply of many other commodities which enter into international trade. Of the commodities dependent on the British market, several are of direct interest to American exporters—notably bacon and hams, timber, wheat, motor spirit, tobacco, and raw cotton. Similarly, of the commodities dependent on the American market, several vitally affect, not, it is true, the United Kingdom, but certain British colonies—notably rubber, tin, sugar, cocoa, and coffee, whilst wood-pulp and

(1) *Review of World Trade, 1936* (League of Nations). The figures do not include Italy or Spain.

timber are important Canadian exports to the United States. The following table shows the extent to which these and other commodities were dominated by the British and American markets in 1936:

SHARE IN WORLD IMPORTS OF CERTAIN COMMODITIES,  
1936<sup>1</sup>

	Per cent of total	
	<i>United Kingdom</i>	<i>United States</i>
Wheat .. .. .	39	11
Maize .. .. .	38	8
Butter .. .. .	82	1
Eggs .. .. .	58	*
Cheese <sup>2</sup> .. .. .	52	8
Beef <sup>2</sup> .. .. .	76	4
Mutton <sup>2</sup> .. .. .	96	*
Bacon, ham, and pork <sup>2</sup> .. .. .	93	*
Sugar (refined and unrefined) .. .. .	27	32
Coffee (not roasted) .. .. .	1	50
Tea and maté .. .. .	49	8
Cocoa beans .. .. .	16	40
Tobacco (unmanufactured) .. .. .	26	6
Rubber .. .. .	7	53
Wood (sawn or squared) .. .. .	40	6
Wood pulp .. .. .	28	37
Wool .. .. .	35	10
Raw cotton .. .. .	23	1
Raw silk .. .. .	5	75
Motor spirit .. .. .	34	*
Iron and steel <sup>3</sup> .. .. .	37	*
Copper .. .. .	24	13
Tin .. .. .	14	46

The value of trade between the United Kingdom and the United States is greater than that between any other two countries in the world except the United States and Canada—another member of the British Commonwealth. The United Kingdom is the United States' best customer, whilst as a source of supply she is second only to Canada. British Malaya is the fourth largest source of supply, thanks to the enormous American imports of rubber and tin. It is interesting to note that Japan takes the third place in both the export and the import trade of the United States.

*Direction of  
American  
Trade*

(1) Sources: *International Trade in certain Raw Materials and Foodstuffs*, 1936 (League of Nations); *Year Book of Agricultural Statistics*, 1935-7 (International Institute of Agriculture); *Monthly Statistical Bulletin* (International Tin Research and Development Council).

(2) 1935.

(3) Unworked or simply roughed out or bloomed.

\* Negligible.

UNITED STATES: DIRECTION OF TRADE<sup>1</sup>

	<i>Imports</i>			<i>Exports</i>	
	1929	1936		1929	1936
	%	%		%	%
Canada ..	11.5	15.5	United Kingdom	16.2	17.9
United Kingdom ..	7.5	8.3	Canada ..	18.1	15.7
Japan ..	9.8	7.1	Japan ..	4.9	8.3
British Malaya ..	5.4	6.9	France ..	5.1	5.3
Cuba ..	4.7	5.2	Germany ..	7.8	4.1
Brazil ..	4.7	4.2	Mexico ..	2.5	3.1
Philippines ..	2.8	4.1	South Africa ..	1.2	2.9
Germany ..	5.8	3.3	Cuba ..	2.4	2.7
Others ..	47.8	45.4	Others ..	41.8	40.0
Total ..	100.0	100.0	Total ..	100.0	100.0

*Direction of  
British Trade*

In the same way the United States has the largest share of the British market; whilst as a market for British goods she is only exceeded by South Africa, India, and Australia. Yet, in spite of the large exchange of goods which already takes place between the two countries, their mutual trade has fallen relatively to the total trade of the United Kingdom, the American share of British imports having declined from 17 per cent in 1929 to 11 per cent in 1936. On the other hand, in relation to the total trade of the United States, Anglo-American trade has shown a slight expansion.

 UNITED KINGDOM: DIRECTION OF TRADE<sup>2</sup>

	<i>Imports</i>			<i>Exports</i>	
	1929	1936		1929	1936
	%	%		%	%
United States ..	16.6	11.0	<i>South Africa</i> ..	4.5	8.5
<i>Canada</i> ..	3.9	8.8	<i>India</i> ..	10.7	7.7
<i>Australia</i> ..	4.1	7.2	<i>Australia</i> ..	7.4	7.3
<i>India</i> ..	4.4	6.1	United States ..	6.2	6.3
Argentina ..	7.2	5.3	<i>Canada</i> ..	4.8	5.3
<i>New Zealand</i> ..	3.7	5.1	<i>Irish Free State</i>	4.9	4.8
Denmark ..	5.0	3.9	Germany ..	5.1	4.3
Germany ..	6.0	3.9	France ..	4.3	4.0
France ..	4.8	3.0	<i>New Zealand</i> ..	2.9	3.9
Netherlands ..	3.7	3.0	Argentina ..	4.0	3.5
<i>Irish Free State</i>	4.0	2.4	Denmark ..	1.5	3.4
Others ..	36.6	40.3	Others ..	43.7	41.0
Total ..	100.0	100.0	Total ..	100.0	100.0

Note: British countries in italics.

The foregoing facts and figures should make sufficiently clear the economic significance of any Anglo-American trade agreement. More-

(1) *International Trade Statistics*, 1936 (League of Nations).

(2) *International Trade Statistics*, 1936 (League of Nations).

over, it is important to realize that any tariff concessions granted by the two countries to each other would automatically be extended to practically all the other countries in the world. For, both the United Kingdom and the United States are firm upholders of the unconditional most-favoured-nation clause in all their commercial agreements; and the most-favoured-nation clause guarantees that one party to it secures as favourable treatment in the markets of the other as is accorded to any third country. On the other hand, it is only fair to point out that the practical effect of the most-favoured-nation clause is restricted by the practice usually followed of only granting concessions on items of which the other party is the "principal supplier." But, although it may be doubted whether the direct economic benefits to other countries of an Anglo-American agreement would be far-reaching, their indirect benefits from a stimulation of trade between the two greatest trading countries in the world might be considerable.

*Significance  
of Most-  
Favoured-  
Nation  
Clause*

### III. THE BALANCE OF PAYMENTS BETWEEN THE UNITED STATES & THE BRITISH EMPIRE

*Anglo-  
American  
Trade*

The visible balance of trade between the United Kingdom and the United States is heavily in favour of the latter country. Even including British re-exports, the United States sells nearly three times as much to this country as she buys from her. The gulf narrowed slightly in 1936. But, even in that year, against imports from the United States of £93·3 millions, there could only be set British exports of £27·7 millions and re-exports of £9·2 millions.

These figures refer, however, only to merchandise trade; and one-third of the British visible import surplus is counterbalanced by the surplus of American payments on account of interest and dividends, insurance, shipping, and tourist expenditure.

*American  
Trade with  
British  
Colonies*

This still leaves a surplus to the United States, according to the American figures, of about £30 millions. On the other hand, it is illogical to exclude from the account the Crown Colonies, whose tariff policies are determined by the British Government and whose preferences favour British goods.

The inclusion of these territories balances the picture, for the United States has a very heavy import surplus with the British colonies, pre-eminently British Malaya. Indeed, her imports from that territory in 1936 were over thirty times as great as her exports. Moreover, the American deficit with the British Colonies is still further increased by the addition of invisible items—notably tourist expenditure in the West Indies.

In fact, although her merchandise balance with the United Kingdom and the British Colonial Empire is favourable to the United States, when the invisible items are added the balance becomes actually unfavourable to her, at least in the past year or two. On the other hand, it is by no means certain that this is always the case; the balance has undoubtedly fluctuated very much in recent years.

*American  
Trade with  
Dominions  
and India*

In view of the links provided by Imperial Preference, it is interesting to extend the survey to include the British Dominions, in spite of their political and economic independence. When this is done, the picture becomes dominated by the commercial relations of the United States and Canada. Here the visible trade is slightly favourable to the United States, but the very large American receipts of interests and dividends from Canada are almost entirely counterbalanced by American tourist expenditure in that country.

With the other Dominions and India the United States has a visible export surplus amounting to about £15 millions. Her balance with India is unfavourable, but her balances with South Africa and Australia are very favourable. Against the export surplus with South Africa must

certainly be set the continued American purchases of South African gold via London even at a time when the American Government's desire to avoid an expansion of credit has necessitated the "sterilization" of surplus gold at its own expense. It might be added that it is largely because of the gold policy of the United States that South Africa has become the best customer for British goods.

The following table is compiled from official American statistics together with some estimates made by *The Economist* on the basis of those statistics. The figures are not entirely complete. In particular, a large part of the American income from film royalties, which amounted to \$110 millions in 1936, was probably paid by the British Empire.

#### ANGLO-AMERICAN BALANCE OF PAYMENTS, 1936<sup>1</sup>

(In \$ millions; a plus sign indicates a net balance to the credit, a minus sign a net balance to the debit of the United States.)

	<i>United Kingdom</i>	<i>Crown Colonies</i>	<i>Total Cols. (1) and (2)</i>	<i>Canada &amp; Newfoundland (2)</i>	<i>Other Dominions &amp; India (5)</i>	<i>Total British Empire (6)</i>
	(1)	(2)	(3)	(4)	(5)	(6)
Merchandise	+240	-185	+55	+10	+67	+132
Freights and shipping ..	-20		-20	-8		-28
Tourists ..	-12	-30	-42	-147	-2	-191
Immigrants' remittances					-11	-11
Insurance ..	-28		-28	+1		-27
Interest and dividends ..	-32		-32	+168		+136
Total invisible items ..	-92	-30	-122	+14	-13	-121
Total merchandise and invisibles ..	+148	-215	-67	+24	+54	+11
Silver ..	-53	-3	-56	-8	-3	-67
U.S. paper ..	-3		-3			-3
Total all above Items ..	+92	-218	-126	+16	+51	-59
Gold ..	-174	-9	-183	-73	-101	-357
Total .. ..	-82	-227	-309	-57	-50	-416

The commercial relations of the United States with the world as a whole are as nearly balanced as her relations with the British Empire. In view of the common impression to the contrary, it is worth pointing out that the former considerable export surplus of the United States with the rest of the world has practically disappeared in recent years.

*American Trade Balance*

(1) *The Economist*, September 25, 1937, quoting *The Balance of International Payments of the United States in 1936* (U.S. Department of Commerce, 1937).

## AMERICAN TRADE

(\$ millions)

	<i>Imports</i>	<i>Exports</i>	<i>Balance</i>
1929	4,339	5,157	+818
1934	1,636	2,100	+464
1935	2,038	2,243	+205
1936	2,421	2,416	-5
1937	2,808 <sup>1</sup>	2,981 <sup>1</sup>	+173

Moreover, the balance of "invisible" current items is even more unfavourable, the receipts from interest and dividends being more than counterbalanced by outgoing payments on account of tourist expenditure, immigrants' remittances, and shipping freights. In fact, the enormous American imports of gold in the past few years are due, not to any export surplus in visible or invisible trade, but to the wholesale influx of foreign capital, both long- and short-term, which the United States Government has done its best to discourage.

The table below shows the trade of the United States with the various parts of the British Empire; her trade with Canada is by far the most important. American exports to and imports from Canada almost exactly balanced in 1936. This is a striking change from the average of the years 1927-31, when American exports to Canada were nearly double imports from her. Since 1931 American imports from Canada have not changed very much in value, while American exports have declined very considerably. This may be partly due to the Canadian reprisals (e.g. counter-veiling duties) adopted in answer to the Hawley-Smoot Tariff in 1930, and partly to the Ottawa Agreements.

In the first nine months of 1937 American trade with all the Dominions and Colonies increased by about 40 per cent, as against the corresponding period of 1936. The most notable increases in imports were from Australia and New Zealand—in each case more than double the figures for the previous year—and from India. Exports increased chiefly to Canada and India. The table opposite shows the trade of the United States with British Empire countries in 1927-31 and in 1936, in the order of their commercial importance to the United States in the latter year.

(1) 11 months.

AMERICAN TRADE WITH BRITISH EMPIRE COUNTRIES

(Value in million \$)

	<i>Imports into the U.S.</i>		<i>Exports from the U.S.</i>	
	1927-31 <i>Average</i>	1936	1927-31 <i>Average</i>	1936
Canada .. .. .	427.3	377.6	751.1	384.0
United Kingdom .. .. .	276.3	199.3	733.9	440.0
British Malaya .. .. .	189.7	168.0	10.9	5.0
India .. .. .	118.4	70.7	50.8	26.8
Australia .. .. .	26.4	22.9	110.8	58.5
Union of South Africa .. .. .	7.5 <sup>1</sup>	5.9	46.1 <sup>1</sup>	70.1
New Zealand .. .. .	13.9	11.8	36.2	19.5
British West Africa .. .. .	21.8	18.2	16.8	7.5
British West Indies .. .. .	19.8	7.6	23.8	15.1
Hong Kong .. .. .	11.0	8.5	18.6	8.6
Ceylon .. .. .	27.1	14.0	2.3	1.3
Newfoundland & Labrador	10.3	4.8	9.7	7.2
Irish Free State .. .. .	3.0	1.0	11.8	7.4
British East Africa .. .. .	2.2	5.0	4.3	3.0
Palestine .. .. .	0.2 <sup>2</sup>	0.1	1.2 <sup>2</sup>	3.2
Others .. .. .	11.0	4.3	16.2	3.9
TOTAL BRITISH .. .. .	1,165.9	919.7	1,844.5	1,061.1
TOTAL ALL COUNTRIES	3,565.4	2,421.0	4,300.5	2,453.5
British Trade as percent- age of Total .. .. .	32.7	38.0	42.8	43.3

(1) Average, 1928-31.

(2) Average, 1930-1.

#### IV. ANGLO-AMERICAN TRADE, 1929-37<sup>1</sup>

Table I summarizes the leading items in British trade with the United States in 1929 and 1937. 1929 is chosen as the base year, since it shows trade prior to the Hawley-Smoot Tariff and the Ottawa Agreements.

*Leading  
British  
Imports  
from the  
United  
States*

Total British imports from the United States in 1937 were little more than half their value in 1929. The American share of the British market fell from 17 per cent in 1929 to 11 per cent in 1936. Among the imports from the United States, five chief commodities—raw cotton, tobacco, machinery, mineral oils, and wheat—accounted for just under half the total in both 1929 and 1937. Imports of wheat from the United States have practically disappeared. This is due pre-eminently to drought and to crop restriction in the United States, which has actually become a net importer of wheat, although there are signs that she may become a heavy exporter again in 1938. The fact that, since Ottawa, wheat has been purchased direct from Canada instead of via the United States has been a minor factor, as has the British preferential tariff—Argentina has maintained her position in the British wheat market when her supplies have been sufficient. The absolute level of raw cotton imports from the United States has roughly halved since 1929, but the American share of total imports has hardly changed since 1931; there is no Imperial Preference for raw cotton, which is allowed in free from all sources. Imports of tobacco and machinery from the United States have been well maintained in spite of the wide margin of preference on tobacco and the preferential duty on machinery. Imports of mineral oils have dropped very much, both absolutely and proportionately, but the Empire is of very minor significance as a producer of petroleum, and there is no Imperial Preference, although the (revenue) duty is very high; the fall in imports from the United States is counter-balanced for the most part by an increase in imports from Iran and the Netherlands West Indies (where crude petroleum from Venezuela in particular is refined).

*British  
Agricultural  
Imports  
from the  
United  
States*

The United States is not likely to press for concessions on any of these five leading items except wheat, which is the only serious case of diversion to the Empire. Her chief grievances concern timber, bacon and hams, apples and other fruits. Canada has gained very heavily at the expense of the United States in the British timber market. Senator McNary of Oregon recently complained that, as a result of the British discriminatory tariffs, the American share of the British market for North Pacific lumber had fallen from 74½ per cent in 1929 to 6 per cent in 1936. Some part of this decline may be due to fluctuations and restriction of output, but the main cause is undeniably the British pre-

(1) This chapter owes much to Professor Percy W. Bidwell's informative article on "Prospects of a Trade Agreement with England" in the October, 1937, issue of *Foreign Affairs*.

ference enjoyed by Canada. Imports of bacon and hams have been restricted by quota since Ottawa; bacon imports from the United States have nearly disappeared, whilst imports of hams have also shrunk. Here, as in the case of wheat, the chief explanation is drought, which has prevented the United States from supplying the full quota allotted to her. Amongst fruits, both fresh and preserved, the most striking

### BRITISH TRADE WITH THE UNITED STATES

		(Value in £ millions)			
<i>Imports</i>		1929	1937	<i>Exports</i>	
Wheat .. ..	11.7	1.7	Spirits .. ..	*	6.6
Barley .. ..	2.2	1.3	Coal .. ..	0.5	0.2
Bacon .. ..	2.9	0.01	Clay .. ..	0.8	0.4
Hams .. ..	4.5	1.5	Raw wool .. ..	1.2	1.0
Apples .. ..	3.9	1.2	Wool noils .. ..	0.7	0.5
Grapefruit .. ..	0.7	0.03	Seeds for oils .. ..	1.1	0.8
Oranges .. ..	1.4	0.03	Pottery, glass, etc.	1.0	0.5
Pears .. ..	0.5	0.7	Tin .. ..	2.8	1.5
Plums, prunes, and raisins .. ..	1.3	1.3	Machinery .. ..	1.1	1.2
Fruit, preserved with sugar .. ..	4.6	3.1	Cotton yarn .. ..	0.6	0.3
Salmon (canned) ..	1.3	1.1	Cotton piece-goods	2.2	0.7
Lard .. ..	6.7	1.8	Wool textiles .. ..	3.9	1.8
Tobacco (unmanufd.)	15.0	14.1	Linen (manufctd.)	1.8	1.6
Sawn hard woods ..	4.7	2.9	Jute (manufctd.)	1.6	0.7
Sawn soft woods ..	2.1	1.2	Apparel .. ..	1.9	1.0
Raw cotton .. ..	37.9	19.6	Chemicals .. ..	1.6	1.2
Furs, not rabbit ..	2.7	2.2	Leather .. ..	2.7	1.4
Iron and steel .. ..	2.0	3.1	Books .. ..	0.8	0.5
Copper (electrolytic)	4.2	2.9	Curios .. ..	2.5	0.7
Lead .. ..	1.6	0.05	TOTAL (ALL ITEMS)	45.6	31.4
Zinc .. ..	0.5	0.001			
Cutlery, hardware, etc.	3.3	2.0			
Electrical goods ..	1.1	1.0			
Machinery .. ..	9.7	11.7			
Wood and timber manufactures .. ..	1.7	0.6			
Apparel .. ..	1.0	0.9	<i>Re-Exports</i>	1929	1937
Leather .. ..	2.4	0.6	Tea .. ..	1.4	1.0
Chemicals .. ..	3.0	2.7	Raw cotton .. ..	2.2	0.5
Mineral oils .. ..	19.1	8.3	Raw wool .. ..	2.3	0.7
Turpentine .. ..	0.8	0.5	Fur skins .. ..	3.1	5.5
Paraffin wax .. ..	0.7	0.4	Other hides and skins (undressed)	1.6	0.4
Books .. ..	0.6	0.7	Rubber .. ..	0.5	0.04
Paper .. ..	0.6	0.6	Tin .. ..	0.8	0.2
Vehicles .. ..	6.4	3.8	TOTAL (ALL ITEMS)	16.5	10.9
TOTAL (ALL ITEMS)	196.0	114.2			

\* Negligible.

diversion has occurred in apples (chiefly in favour of Canada), grapefruit (South Africa),<sup>1</sup> and fruit preserved without sugar—of which the latter two are relatively unimportant. Apples are yet another case in which the American export surplus varies immensely from year to year according to the crop.

Other items showing diversion in favour of the Empire are barley (Canada and Australia), rice (India and Burma), lard (Canada and foreign countries), salmon (Canada), honey, condensed milk, lead (Australia and Canada), and zinc (Canada). The American share of British lard imports fell from 81 per cent in 1931 to 40 per cent in 1936. There has been a 10 per cent duty on foreign lard since March, 1932, but here again a contributory factor to the American decline has been drought. Imports from the United States of condensed milk (unsweetened) were negligible in 1936 as compared with 40 per cent of the total in 1931. The disappearance of American imports has roughly corresponded with the fall in total imports, so that no other country has gained appreciably in absolute imports. The decline in imports of American copper is explained by the development of the Rhodesian fields, as there is no import duty in force.

*British  
Industrial  
Imports  
from the  
United  
States*

The British preferential tariff affects American industrial as well as agricultural exports. The chief industrial exports affected are motor-cars, electrical apparatus, refrigerating machinery, machine-tools, and typewriters. But, in the case of most industrial products, the greater maturity of the American industries and the established reputation of their specialities has more than offset the handicap of preferential tariffs. Moreover, branches of American motor-car, food-canning, silk stocking, and many other industries established in Canada enjoy Imperial Preference throughout the Empire provided that their "Empire content" is sufficiently high. The American requests for British concessions are, therefore, likely to be chiefly concentrated on certain agricultural products. This is especially likely since the recent United States trade agreements, notably with Canada, have been primarily with agricultural countries and of assistance to American industrial exports.

*The  
Significance  
of Ottawa*

The distinction in Appendix I between commodities that are and are not affected by Ottawa may be misleading, since most of those not affected were given Imperial Preference by the Import Duties Act of 1932. The distinction is, however, useful in that it shows for which of the commodities Great Britain is committed to the Dominions to maintain the Preference. This should naturally not be regarded as an irrevocable commitment, but any alterations would involve the co-operation of the Dominions. Imperial Preference on motor-cars dates from the McKenna Duties of 1915 and on tobacco from 1919.

Turning from British imports to British exports, it at once appears

(1) The chief gain has been on the part of Palestine, which, being an A Mandate, does not benefit from the preference.

that there is no British export to the United States, with the single exception of whisky, which compares in importance with the leading American exports to the United Kingdom. As regards whisky, the United Kingdom has already benefited under the most-favoured-nation clause, from the Canadian-American Trade Agreement of January 1, 1936. Total British exports to the United States were roughly halved between 1929 and 1936. Exports of whisky showed an exceptional rise owing to the removal of prohibition, while exports of linen manufactures, machinery, and raw wool were well maintained. Exports of cotton and wool textiles, jute manufactures, and leather fell very considerably.

*Leading  
British  
Exports to  
the United  
States*

Owing to the generalization of any concessions through the most-favoured-nation clause, the American Government tends to confine her Trade Agreement concessions to commodities which are already taken primarily from the country concerned. Among the dutiable American imports from the United Kingdom, there are rather over sixty items of which the United Kingdom is the "principal supplier."<sup>1</sup> These include certain woollen and worsted, linen, jute, and cotton goods, anthracite coal, and linoleum. Some of the British specialities are the products of the least prosperous of our industries (e.g. cotton goods) and some have been hit very severely by the American tariffs. Table damask and handkerchief linens (chiefly from Northern Ireland), fine English yarns mule-spun from Egyptian cotton, certain types of cotton cloth, high grade worsteds and woollens, jute manufactures and flax are British specialities which are not directly competitive with any American product. Total imports of other British specialities such as inlaid linoleum, anthracite coal, pig-iron, tin plate, linen yarns, thread, and twine supply only a small proportion (under 5 per cent) of American consumption. The British share of the American market for ferro-manganese, ferro-alloys, iron and steel, wire and pipes, golf balls, and carpets has declined very much since 1928. On the items of all these three groups, concessions might be made without arousing serious opposition from American industry, as also on machine-made cotton laces, raw wool, wool wastes, heavy woollens, and earthenware, which pay a duty of 90 per cent or more *ad valorem*.

*American  
Imports  
principally  
supplied by  
the United  
Kingdom*

The United States has a single tariff for all countries except for her colonies and Cuba, whose exports are practically entirely agricultural. The decline in the British share of American imports cannot, therefore, be attributed to anything comparable in the way of trade diversion with British Imperial Preference. The absolute falls in British exports may well be due to the absolute height of the American tariff (which is in most cases extremely high), but diversion to other countries must be due to more "natural" economic factors, although a high *ad valorem* rate may have affected particular British products more seriously than cheaper competitive goods from other sources.

*How far has  
British share  
of American  
Imports  
fallen?*

(1) See Appendix II.

For the sixty dutiable commodities, of which the United Kingdom has been recently the principal supplier, imports from the United Kingdom have fallen since 1928 by an average of 73·5 per cent. Imports of cotton yarns and cotton manufactures, raw flax and flax handkerchiefs, wool wastes and worsteds, wool carpets, rough tanned leather, ferro-manganese, nickel and alloys, herrings, china and porcelain wares, have fallen both absolutely and as a percentage of the total since 1928. There is, on the other hand, a large group of commodities where the fall in imports from the United Kingdom is only in accordance with or proportionately less than the general fall. This group includes raw wool and wool noils and rags, wool hosiery and woollens, and most classes of leather. Some relatively unimportant items, such as textile machinery, inlaid linoleum, tissue and similar paper, show a marked rise in the proportion taken from the United Kingdom.

The above analysis shows an impressive list of items on which reductions of the American tariff might be hoped for. There are, however, reasons why the value of possible concessions must be estimated with caution. First, some of the items listed are unimportant as exports to the United States—for example, inlaid linoleum, machine-made cotton laces and anthracite coal. Secondly, the duties are in some cases so high that even a 50 per cent reduction might leave them extremely high. Thirdly, many of the commodities are high-grade specialities for which the American demand may be inelastic. Fourthly, organized American industry, which has the right to be consulted about any concessions, may make it difficult for the United States Government to grant really valuable concessions. Finally, it may be doubted whether the limitations imposed by the system of Imperial Preference will allow the United Kingdom to pay a sufficiently high price for really important concessions.

Appendix II shows the imports into the United States in 1928 and 1935 of about sixty British specialities, given by value and as a percentage of total imports.

## V. AMERICAN TRADE WITH THE BRITISH COLONIES AND NEWFOUNDLAND

In his formal announcement of the intention to negotiate a trade agreement with the United Kingdom, Mr Cordell Hull said that the agreement would also be with that Government on behalf of the British Colonies and Newfoundland.

The United States has an adverse balance of trade with all the Colonies except the British West Indies (where American invisible imports in the form of tourist expenditure are important). It is, however, important to note that American trade with the British Colonies is relatively unimportant, except in the case of British Malaya. The United States is primarily concerned at the extension of the principle of Imperial Preference in the British dependencies since 1932. It should, however, be remembered that in about half the British Colonies and mandated territories British goods are given little or no preference. The Open Door is maintained by the terms of the mandate in British Togoland and the British Cameroons, by the Congo Basin Treaties in Kenya and Uganda, and by both in Tanganyika. It is also maintained in Nigeria and the Gold Coast, in spite of the lapse of the Anglo-French Convention guaranteeing this in 1936.

On the other hand, it should be pointed out that an appreciable proportion of any British Colony's or mandate's imports is purchased by the Crown Agents for the Colonies, who are likely to prefer British goods even when these are more expensive.

American exports to the British Colonies consist chiefly of motor-cars, machinery, and petroleum. Motor-cars generally have a moderate preferential rate of about 10 per cent, but a high general rate of 25 or 30 per cent. In British West Africa, American exports of motor-cars to Nigeria have increased greatly since 1929 at the expense of the United Kingdom, whilst in the Gold Coast they have increased since 1931, although not since 1929. In Kenya and Uganda, the United Kingdom and the United States have both increased their exports of motor-cars since 1929, both at the expense of Canada. In British Malaya, on the other hand (where there is a preference) motor-cars provide a clear case of diversion from the United States to the United Kingdom. The same is true of Ceylon, Jamaica, and Tanganyika (the latter being a case where diversion has occurred even with the Open Door). It is thus impossible to say that American exports of motor-cars have in all cases suffered diversion where there is Imperial Preference, and have not suffered where there is no discrimination.

There is a preferential tariff on machinery in some of the Colonies, including Ceylon and Trinidad. In Ceylon, the United Kingdom has always supplied a very large percentage of total machinery imports, and her share has not changed very much since 1929; in Trinidad, the

*Colonial  
Imports of  
Motor-cars*

*Colonial  
Imports of  
Machinery*

DIRECTION OF TRADE OF THE CHIEF BRITISH COLONIES  
AND MANDATED TERRITORIES<sup>1</sup>

	Imports			Exports			
	1929 %	1931 %	1936 %	1929 %	1931 %	1936 %	
BRITISH MALAYA							
Netherlands							
East Indies	30.4	37.9	31.7	United States	42.2	31.2	46.4
Siam .. ..	11.0	11.5	15.1	U.K. .. ..	14.3	15.1	8.8
U.K. .. ..	16.5	13.7	15.1	Japan .. ..	4.2	11.6	7.6
United States	3.7	2.5	1.9				
CEYLON							
India & Burma	38.0	39.9	36.7	U.K. .. ..	39.7	45.3	48.0
U.K. .. ..	21.1	18.0	21.1	United States	19.3	11.3	16.2
United States	3.1	4.0	2.2	India & Burma	7.5	11.0	7.0
NIGERIA							
U.K. .. ..	69.9	70.3	64.2	U.K. .. ..	44.6	48.1	43.1
Germany ..	9.9	8.9	7.5	Germany ..	19.1	20.1	21.9
India .. ..	0.1	1.1	5.3	France .. ..	8.1	8.8	9.1
United States	7.5	8.9	4.7	Netherlands	8.0	7.6	8.7
				United States	14.2	9.2	7.2
GOLD COAST							
U.K. .. ..	48.0	54.3	54.3	U.K. .. ..	22.8	28.1	32.0
United States	16.6	17.3	10.0	United States	31.8	21.4	30.9
Germany ..	11.8	7.9	7.0	Germany ..	18.0	18.2	17.8
TRINIDAD							
U.K. .. ..	31.4	35.2	38.9	U.K. .. ..	31.3	19.6	48.6
United States	25.2	18.4	16.3	United States	35.1	25.4	8.0
Canada .. ..	16.7	16.8	12.1	Canada .. ..	9.9	17.7	12.1
JAMAICA							
U.K. .. ..	25.2	28.5	37.0	U.K. .. ..	18.0	32.4	54.0
United States	29.8	28.9	16.4	United States	34.1	31.4	7.2
Canada .. ..	17.4	16.8	15.9	Canada .. ..	23.9	26.2	29.6
KENYA AND UGANDA							
U.K. .. ..	42.2	43.7	36.9	U.K. .. ..	37.0	36.4	25.2
Japan .. ..	5.0	8.7	15.7	India .. ..	28.7	32.7	22.4
United States	11.0	9.1	8.4	Japan .. ..	10.7	3.3	16.8
				United States	2.3	4.7	7.5
TANGANYIKA							
U.K. .. ..	34.2	36.3	27.2	U.K. .. ..	15.3	11.4	24.9
Japan .. ..	6.0	10.6	23.2	Kenya and			
Germany ..	12.2	6.1	14.1	Uganda ..	21.3	24.3	18.0
United States	8.0	6.6	6.5	Belgium ..	29.0	35.0	14.3
				United States	4.2	2.2	7.7
NORTHERN RHODESIA							
S. Africa and				U.K. .. ..	55.4	29.8	53.2
S. Rhodesia	23.8	26.8	37.8	Germany ..	7.9	7.8	23.4
U.K. .. ..	42.5	44.2	35.0	Italy .. ..	2.6	1.7	12.1
United States	15.7	13.5	9.8	United States	0.6	40.3	0.4

(1) Sources: *International Trade Statistics*, 1936 (League of Nations); *Statistical Abstract for the British Empire*, 1936.

United Kingdom has gained at the expense of the United States since 1929. In West Africa, machinery has always been taken chiefly from the United Kingdom. British Malayan imports of machinery from the United States have fallen very much since 1929, but only in accordance with a general fall.

The United States exports considerable quantities of petroleum to the British Colonies, especially to East and West Africa, Ceylon, the West Indies, and Malaya. In almost all cases American exports of petroleum have fallen considerably since 1929. The fall has been most marked in exports to British Malaya. In most cases there is no preferential tariff for petroleum, and the fall in the American share of imports has generally been accompanied by a rise in the share of the Netherlands East Indies, the Netherlands West Indies, or Iran. In Sierra Leone, however, there is a preference for British petroleum, and imports from the British West Indies have expanded.

*Colonial  
Imports of  
Petroleum*

It is noticeable that American exports to British Colonies of textiles are not important, whereas the United Kingdom is particularly interested in this field. American exports of cotton piece-goods are only important in the case of Kenya and Uganda and the British West Indies. In Kenya and Uganda the Open Door is maintained by the Congo Basin Treaties, and the fall in American exports of cotton piece-goods is due primarily to the rise in imports from Japan. It is really only in the West Indies (notably Bermuda and Jamaica) that the United States has lost to the United Kingdom as a result partly of the preference on British textiles, and partly of the rise in American costs of production caused by processing taxes.

*United States  
little inter-  
ested in  
Textiles*

Apart from motor-cars, machinery, petroleum, and cotton piece-goods, the chief American exports to the British Colonies consist of wood and timber to the West Indies and Northern Rhodesia, rubber tyres to Kenya and Uganda, meat to the West Indies, and flour and tobacco to British West Africa. Exports of rubber tyres to Kenya and Uganda have increased very much recently. The United States has lost ground to the United Kingdom, Canada, and Argentina in the British West Indian meat market, where there is a preference on British meat in Barbados and Trinidad but not in Jamaica or Bermuda.

*Other  
American  
Exports to  
Colonies*

In connection with the subject of British colonial markets, it is worth recalling the United Kingdom Government's recent offer to consider specific proposals for relaxing colonial preferences<sup>1</sup>:

*British Offer  
to modify  
Colonial  
Preferences*

“As part of the efforts now being made [Mr Eden said] to effect economic and political appeasement and to increase international trade—but without prejudice to the principle of colonial preference—we are ready to enter into discussion with any Powers which may approach the United Kingdom Government for an abatement of particular preferences in non-self-governing colonial territories where these can be shown to place undue restriction on international trade. This offer must, of course, be

(1) In Mr Eden's speech to the League Assembly, September 21, 1937.

made subject to such reservations as may be necessary to secure reciprocal advantages to colonial products and to meet the competition of excessively low-cost producers."

*American Imports from British Colonies*

As regards American imports from the British Colonies, trade with British Malaya is outstandingly important. As a source of American supply, British Malaya is exceeded only by Canada, the United Kingdom, and Japan. American imports from Malaya consist almost entirely of rubber and tin, and although these are lower in value than in 1929 they are still extremely important. The United States also imports rubber from Ceylon. Approximately one-third of the world supply of rubber is used in American motor tyres. American imports from the British West Indies, West Africa, and East Africa are fairly similar in character, consisting chiefly of coffee, cocoa, hides and skins, vegetable oils and copra, wattle bark, tropical fruits and vegetables, spices, hemp and sponge, sisal fibre and tow, spirits, petroleum (Trinidad), and manganese ore (Gold Coast). The United States also imports copper from Northern Rhodesia, tungsten ore and tin from Hong Kong, and copra from Fiji and the Gilbert and Ellice Islands. Imports of copra from these islands have increased since 1931, whereas imports of palm oil from Nigeria have decreased very considerably. Imports of cocoa have increased from the Gold Coast and Nigeria, as have imports of coffee from Kenya and Uganda.

The most important American imports from the British Colonies are, therefore, rubber and tin. These are already on the free list, but the United States might guarantee to continue free entry during the lifetime of the agreement. Probably the third largest item consists of vegetable oils. Here some expansion of American purchases may be hoped for, but it should not be overlooked that the interests of American producers of cotton-seed oil were an important factor contributing to the "disannexation" of the Philippines, as a means of protection against Philippine copra.

*American Trade with Newfoundland*

Newfoundland is dealt with separately, first because it is not a colony—its status being really that of a "non-self-governing Dominion"—and, secondly, because economically it has far more in common with the Dominions than with the Colonies, which are mostly tropical territories. The great bulk of Newfoundland's trade is conducted with the United States, the United Kingdom, and Canada.

#### NEWFOUNDLAND : DIRECTION OF TRADE

<i>Imports</i>	1929	1931	1936	<i>Exports</i>	1929	1931	1936
Canada ..	40.4	40.4	37.0	United Kingdom	21.8	29.7	39.6
United States ..	33.9	37.9	36.0	United States ..	31.8	32.9	31.4
United Kingdom	21.3	17.1	25.4	Canada ..	7.9	6.2	9.3

The most notable decrease in Newfoundland's imports from the United States between 1929 and 1935 was in the case of machinery, which fell to one-fifth of its former value, there being some diversion to

Canada and the United Kingdom. Apart from machinery, the United Kingdom gained relatively to the United States in cotton manufactures and iron and steel. As regards items not affected by Ottawa, the United States lost ground in the case of petroleum and meat. In the case of sugar, however, the United States gained at the expense of Canada, whilst she has always supplied the bulk of Newfoundland's tobacco.

Newfoundland's exports to the United States consist almost entirely of paper, which constitutes over 80 per cent of the total. Total exports (and paper accordingly) have fallen very heavily since 1929.

NEWFOUNDLAND: TRADE WITH THE UNITED STATES  
(in million Newfoundland dollars)

	<i>Imports</i>			<i>Exports</i>	
	1929-30	1934-5		1929-30	1934-5
TOTAL ..	12,103	5,700	TOTAL ..	11,307	5,090
Sugar ..	28	186	Herrings ..	174	201
Beef, salted ..	798	503	Paper ..	9,123	4,159
Pork, salted ..	594	312	Blueberries	294	154
Wheat flour ..	532	327	Cod oil ..	468	138
Fruit and nuts	248	215	Lead concen- trates ..	122 <sup>1</sup>	113
Tobacco ..	284	197			
Cotton manu- factures ..	869	354			
Clothing ..	445	378			
Iron and steel	268	173			
Machinery ..	2,047	441			
Automobiles	334	175			

(1) 1930-1.

## VI. AMERICAN TRADE WITH THE BRITISH DOMINIONS

If the United States is to expand her agricultural and timber exports to the United Kingdom, either British imports must be expanded or the share of other countries in the British market will have to diminish. Now that the United Kingdom is committed to a policy of agricultural protection, the first course is more or less out of the question. Concessions to the United States will, therefore, have in the main to be made at the expense of the countries which have displaced her in recent years—notably Canada and Australia. But Canada and Australia can hardly be expected to make such sacrifices unless they are given some tangible compensation in return. Canada is in a particularly strong position to demand this, since her recent Agreement with the United Kingdom has guaranteed her position in the British market until 1940. The natural form for such compensation to take is that of concessions to Canadian and Australian products in the American market. The possibility of such action would naturally be all the greater if these Dominions themselves made certain concessions to American products. This in its turn would be facilitated by a modification of the preferences accorded to British products in Dominion markets—a possibility to which the Federation of British Industries has drawn attention.

The present chapter, therefore, examines briefly the nature of American trade with Canada and Australia, with a view to showing where the most important mutual concessions might be looked for. American trade with New Zealand, South Africa, and India is not examined, since these countries do not compete on any serious scale with the United States in the British market, except as regards Indian rice and tobacco, and South African and New Zealand fruit. Indian cotton is of a lower grade than American and is taken more by Japan than by the United Kingdom. Nevertheless, for the sake of completeness, the table opposite shows the share of the United States in the trade of these countries as well as of Canada and Australia. The United States exports motor-cars, machinery, and oil to them, and takes jute from India.

The share of the United States in the import trade of Canada, Australia, and New Zealand has declined since 1929, but this tendency was apparent by 1931 and does not appear to have been accentuated since Ottawa. Her share of the import trade of South Africa has increased very much since 1931. The United States took roughly the same proportion of the Dominions' export trade in 1936 as in 1929. South Africa and New Zealand both sent over 80 per cent of their exports to the United Kingdom in 1936, but the United Kingdom has always been an extremely important market for them. The United

States and the United Kingdom dominate the trade of the Dominions to a very great extent, the only other outstandingly important country being Japan, particularly in the case of India and Australia.

#### DIRECTION OF TRADE OF THE BRITISH DOMINIONS AND INDIA<sup>1</sup>

	<i>Imports</i>			<i>Exports</i>		
	% of Total			% of Total		
	1929	1931	1936	1929	1931	1936
<i>Canada</i> <sup>2</sup>						
U.S.A. ..	68.8	60.8	58.2	U.K. ..	24.6	30.2
U.K. ..	15.0	18.4	19.4	U.S.A. ...	44.2	40.8
<i>Australia</i> <sup>3</sup>						
U.K. ..	39.7	39.4	40.7	U.K. ..	36.8	50.7
U.S.A. ..	24.6	19.3	16.7	Japan ..	8.1	9.1
Japan ..	3.3	4.0	6.0	U.S.A. ...	4.1	2.8
<i>New Zealand</i>						
U.K. ..	48.7	51.1	49.5	U.K. ..	73.7	88.0
U.S.A. ..	18.6	14.9	12.5	U.S.A. ...	6.6	2.6
Australia ..	7.4	10.8	11.2			
<i>South Africa</i>						
U.K. ..	43.1	44.6	46.3	U.K. ..	65.8	77.4
U.S.A. ..	18.0	13.3	18.7	U.S.A. ...	1.7	1.1
<i>India</i> ..						
U.K. ..	42.4	34.2	39.0	U.K. ..	21.2	26.8
Japan ..	9.2	10.2	17.2	Japan ..	10.6	10.8
Germany ..	6.3	8.3	9.8	U.S.A. ...	12.0	9.0
U.S.A. ..	7.3	10.6	6.6			

Total Canadian imports from the United States have fallen by more than half since 1928-9. There has been considerable diversion from the United States to the United Kingdom in the Canadian market for iron and steel, cotton manufactures, and coal. This is probably due to the preferences on British goods, which have been in existence for many years but which were raised at Ottawa. On the other hand, for machinery, farm implements, gasoline, motor vehicles, and timber, the fall in Canadian imports from the United States has been merely in accordance with a fall in imports from all countries. By the United States-Canadian Trade Agreement of January 1, 1936, Canada accorded the United States most-favoured-nation treatment for all imports and duty reductions on about 180 items, including fresh fruits, machinery, and electrical equipment. Since then, total imports and especially imports of machinery, electrical equipment, and iron and steel have increased considerably, but it is impossible to tell how far this is due to the effect of the Agreement and how far to the general recovery in American business before the present recession.

*American  
Trade with  
Canada*

- (1) *International Trade Statistics* (League of Nations).
- (2) Years beginning April 1.
- (3) Years ending June 30.

Total Canadian exports to the United States fell slightly between 1928-9 and 1936-7. Exports of timber, copper, and newsprint paper (by far the most important item) fell very considerably. The chief increases were in wheat, fine nickel, and gold and silver bullion. By the United States-Canadian Trade Agreement of 1936, the United States agreed to keep newsprint paper, nickel, and certain classes of timber on the free list, and to lower the duties on other classes of timber and on whisky. Canada hopes for further concessions from the United States on certain types of timber, especially if the United States is to be given concessions in the United Kingdom timber market at the expense of Canada. As American and Canadian timber are partly of different

### CANADIAN TRADE WITH THE UNITED STATES

(Canadian Statistics)  
(Value in \$ millions)

<i>Imports</i>	1928-9	1936-7	<i>Exports</i>	1928-9	1936-7
TOTAL ..	868.0	394.4	TOTAL ..	499.6	435.0
Fresh fruits ..	24.7	13.2	Cattle .. ..	14.5	11.0
Cotton (raw, including linters)	29.0	19.3	Milk and products ..	8.5	1.7
Silk (raw) ..	4.5	4.1	Meat .. ..	10.4	3.0
Cotton manufactures (including yarns) ..	17.2	3.1	Fish (fresh or frozen) ..	10.8	10.1
Wood (crude and manufactured)	26.5	8.5	Wheat .. ..	12.4	21.7
Rubber (unmanufactured) ..	16.4	1.9	Whisky .. ..	18.1	21.4
Coal .. ..	51.4	26.4	Furs and skins	13.1	7.5
Petroleum (crude)	24.8	31.4	Wood (crude or semi-manufactured) ..	72.3	34.0
Gasoline ..	18.0	2.8	Wood-pulp ..	36.9	28.6
Iron and steel ..	99.3	40.9	Newsprint paper	123.1	89.2
Machinery (except agricultural) .. ..	60.9	27.4	Copper and products ..	23.1	3.1
Automobiles and trucks ..	42.6	9.6	Fine nickel ..	11.2	21.1
Automobile parts	34.0	27.2	Chemicals ..	10.8	8.7
Automobile engines ..	11.7	4.5	Silver bullion ..	1.8	4.5
Chemicals ..	26.2	19.4	Refined gold bullion ..	36.9 <sup>1</sup>	74.8 <sup>2</sup>
Books and printed matter ..	13.4	9.6			
Farm implements and machinery	39.8	10.1			
Electrical apparatus ..	24.7	10.3			

- (1) Includes gold, silver, and copper coins. Not included in the total.  
(2) Not included in the total.

kinds, it might be possible to increase total trade by putting it on a more triangular basis. Canada also wants some modification of the Hawley-Smoot Tariff on cattle and an expansion of her sales of milk and cream and fish to the United States.

Australian imports from the United States fell by about two-thirds between 1928-9 and 1934-5. Wood and manufactures, mineral oils, machinery, and motor vehicles, showed the greatest falls. The fall in the American share of the Australian market has been balanced not so much by an increase in the United Kingdom's share as by the increasing proportions supplied by Canada, the Netherlands East Indies, and Japan. In the Australian timber market the United States has been almost completely ousted by Canada, largely owing to the Australian preference on Canadian timber. The same is true of motor-chassis, although here the United Kingdom has also benefited. At Ottawa, Australia agreed to reduce both the preferential and general tariff rates on most classes of machinery; the United Kingdom gained slightly at the expense of the United States; total Australian imports of machinery fell greatly by 1934-5 but increased again in 1935-6. The United States has lost to the Netherlands East Indies and Iran in the Australian petroleum market.

*American  
Trade with  
Australia*

In May, 1936, the Australian Government embarked upon a policy of trade diversion, i.e. diversion of imports to countries with which it had a favourable balance of trade. The scheme was aimed especially against American and Canadian motor-chassis. As a consequence of this discrimination Australia was deprived of most-favoured-nation treatment in the American market. Steps are, however, now being taken by Australia to modify her trade diversion policy, and on January 28, 1938, Australia was removed from the American "black list."

Wool, rabbit- and sheepskins and other hides and skins dominate the Australian exports to the United States. On this trade the depression had a serious effect, which was greatly aggravated by the Hawley-Smoot Tariff of 1930, which raised the duty on wool, sheepskins, and cattle hides to extremely high levels. Australian exports of wool to the United States fell by nearly 85 per cent between 1928-9 and 1934-5, but rose again in 1935-6 almost to the pre-depression level.

Australia made a move for a trade agreement with the United States in 1936, but it was rejected because the United States wished to conclude other agreements before negotiating with Australia. Any such trade agreement would necessarily involve a reduction of the crushing American duty on wool; Australia also wants to increase her exports to the United States of wine and spirits and fresh fruit (whose season does not coincide with the American season), and, if possible, to gain entry to the American meat market.

AUSTRALIAN TRADE WITH THE UNITED STATES

(Australian Statistics)

(in \$ millions)

<i>Imports</i>		1928-9	1935-6	<i>Exports</i>		1928-9	1935-6
TOTAL	..	171.8	55.6	TOTAL	..	28.8	37.4
Sausage casings		1.0	0.8	Sausage casings		1.5	0.8
Tobacco, raw	..	8.9	5.9	Tallow, unrefined		?	0.6
Wood and manu- factures	..	11.5 <sup>1</sup>	1.4	Rabbit and hare skins	..	6.2	6.2
Gasoline, naphtha		15.8	4.3	Sheepskins with wool	..	3.0	1.3
Kerosene	..	4.5	0.4	Other hides and skins	..	3.0	1.5
Lubricating oil	..	6.3	2.7	Wool, greasy	..	8.6	8.2
Machinery	..	26.5	8.2	Ores and con- centrates	..	0.2	1.6
Automobiles	..	27.9	} 10.5				
Automobile parts		7.0					
Motion picture films	.. ..	0.8	1.2				
Chemicals, drugs, fertilizers	..	4.5	2.5				

(1) Timber only.

## VII. POSSIBILITIES AND LIMITATIONS OF AN ANGLO-AMERICAN AGREEMENT

The analysis in the previous three chapters has shown in what directions an expansion of Anglo-American trade may be looked for. The United States hopes for some modification of the British tariff, and especially of the Imperial Preference<sup>1</sup> established in 1932 on British imports of wheat, timber, hams, fruit, and certain other agricultural products. In return she offers to modify the extremely high American tariff on British manufactured goods, particularly on items of which the United Kingdom is already the principal supplier, including certain high quality cotton and woollen textiles. It will also be necessary to compensate Canada and Australia for any modification of Imperial Preference. This might be done partly by a reduction of the high American tariff on their typical products, notably on Australian wool, and partly by a modification of the preference accorded to United Kingdom products in Dominion markets.

*The Scope  
of an  
Agreement*

The chief obstacles to such an Agreement are obviously provided by the interests of Dominion farmers dependent on the British preferences, and of American and British manufacturers enjoying the protection of their domestic markets. It is the Dominion producer who is particularly affected, since the British Government is unlikely either to modify its new policy of agricultural protection or to increase the difficulties of foreign agricultural countries, such as Argentina, in which large amounts of British capital are invested.

*Obstacles  
to Agreement*

There are signs that the interests of the Empire producers affected by Imperial Preference in the British market may prove a less formidable obstacle than was at first feared. The countries concerned are almost exclusively Canada and Australia; Indian rice and tobacco and South African and New Zealand fruit are the only other important commodities affected. The United States has little interest as an exporter in the other goods which the United Kingdom takes from South Africa (gold, diamonds, wool, and sugar), New Zealand (mutton, wool, butter, cheese, and beef), India (tea, cotton—of a lower grade than the American—gums and resins, jute, leather, flax-seeds, and wool), and the Colonies (rubber, tea, sugar, cocoa, vegetable oils, and tin). But she competes directly with Canada in timber, wheat, barley, bacon, hams, apples, lard, and salmon, and with Australia in fruit (both fresh and canned), wheat, and barley.

*Attitude of  
Canada and  
Australia*

In both Canada and Australia official circles have become very much less unfavourable to a modification of Imperial Preference in the United Kingdom market since the General Elections in those countries

(1) "The English rates . . . are of concern to our exporters and producers not because of the absolute amount of the duties but because competing producers in Canada, Australia, South Africa, and elsewhere in the British Empire pay either lower duties or no duties." Bidwell, *op. cit.*, p. 110.

in the autumns of 1935 and 1937 respectively. In Canada the Liberal Government of Mr Mackenzie King came into power pledged to a modification of the high tariffs erected by Mr Bennett's Conservative Government, and has already concluded commercial agreements with the United States (January 1, 1936) and the United Kingdom (March, 1937). The Agreement with the United States involved a wide range of concessions by both parties. The Agreement with the United Kingdom was less extensive, but was notable for the substitution in many cases by Canada of an undertaking not to raise the preferential duty above a given maximum, in place of a guarantee of a fixed margin of preference. The objection to the latter is that, where the preferential duty is *nil*, a fixed margin of preference precludes a reduction of the general duty. The attitude of the Canadian Government to an Anglo-American Agreement was recently enunciated by the Minister of Public Works as follows: "The Liberal Party will protect the interests of the consumer and the manufacturer, but if we have to make a few sacrifices to bring these two great nations together, to assure understanding and bring about world peace, I do not hesitate to say that I am ready as a French-Canadian to make some sacrifice to bring about this ideal."<sup>1</sup>

The position of the Australian Government has been very much strengthened by its success at the recent General Election. On January 13, Dr Earle Page, the Minister of Commerce, declared that, quite apart from world trade considerations, there might be advantages in an Australian-American trade treaty which would more than compensate for any whittling away of Ottawa as a result of the proposed Anglo-American Trade Agreement. It may be recalled that Australia only applied trade diversion measures against the United States in 1936 after the latter had refused Australian requests for the negotiation of a commercial treaty; moreover, she has recently modified this policy as a gesture to the United States.

On the other hand, it would be a mistake to ignore the strength of the sectional interests which stand to lose through an Anglo-American Agreement. The timber and fruit producers of British Columbia and Nova Scotia are securing strong support from Mr Bennett,<sup>2</sup> while the tone of leading articles in such papers as the Melbourne *Age* makes it clear that any concessions will have to be negotiated in the face of strong opposition. Even if Canada and Australia as a whole secure compensation in the form of reduced American duties on such products as milk, cheese, and wool, these will not assist the interests directly affected.

The Federation of British Industries has indicated its attitude in a

(1) *Daily Telegraph*, December 8, 1937.

(2) It is, however, interesting to note that a recent by-election in British Columbia in a certain constituency was won by the Liberal Party for the first time in thirty years. *The Times*, December 1, 1937.

published statement.<sup>1</sup> The Federation considers it inadvisable to stabilize British duties at a time when temporary shortages of certain goods, due partly to rearmament, have resulted in "reduction of United Kingdom duties in some cases and a postponement of applications for increases in others." It considers that the recession of trade in the United States may tempt American manufacturers to resort to dumping abroad. Moreover, concessions made to the United States would automatically be extended to Germany and Japan under the most-favoured-nation clause. The Federation argues that the first step should be a reduction of the exceptionally high American tariff, which has become so prohibitive that American imports from this country are only one-third of American exports, and that such reductions should not be confined to high quality goods for which the American demand is inelastic. It is pointed out that concessions to American agricultural products at the expense of the Dominions may result in a whittling away of the preferences enjoyed by United Kingdom manufacturers in Dominion markets. It is further argued that "the dollar to-day may be regarded as an inherently unstable currency . . . To attempt to stabilize the dollar-sterling relation at the present moment would appear equally perilous so long as the United States continues to demand gold instead of goods to pay for her exports, and her long range financial and commercial policies continue to be in a state of flux." The Federation concludes that "from the purely industrial point of view" it would be "inadvisable to enter into any agreement involving a reduction or stabilization of British tariff rates at the present time."<sup>2</sup>

The Federation's statement implies that the United States is pressing for concessions in the British tariff as regards industrial products, whereas it would seem that the United States is primarily concerned with her agricultural and timber exports to the United Kingdom. On January 24, the President of the Board of Trade described the idea that British industries are to be sacrificed for a political agreement as "complete nonsense." British industry, as distinct from agriculture, would appear likely to gain more than it loses by an Anglo-American Agreement. The Joint Committee of Cotton Trade Organizations has pointed out that the United States forms the largest market for cotton goods in the world, and that, if her import duties are suitably adjusted, there is no reason why the Lancashire cotton industry should not develop an export trade to that market more comparable to the trade which used to be enjoyed ten to fifteen years ago. The quantities involved would still be too small to have any detrimental effect on the United States industry.<sup>3</sup>

(1) *The Times*, December 10, 1937.

(2) For criticisms of the F.B.I. statement, see *inter alia* the *Economist*, December 18, 1937; *Financial News*, December 11, 1937; and *Daily Telegraph*, December 11, 1937.

(3) *Manchester Guardian*, December 18, 1937.

Arguments not unlike those used by the Federation of British Industries may be expected from the American interests affected by any concessions on British products. The recent negotiations for a trade agreement between the United States and Czechoslovakia have aroused considerable opposition to serious American concessions. Meanwhile it is interesting to note that the State Department is undertaking an extensive broadcasting and lecturing campaign to win popular support for an Anglo-American Agreement.

*American  
Procedure  
of Negotia-  
tion*

It is worth noting the procedure required on the American side by the Trade Agreements Act. On November 18, 1937, it was announced that negotiations for an Anglo-American Trade Agreement were "contemplated." There followed a statutory interval during which industries that might be affected were entitled to make suggestions. On January 8, 1938, Mr Hull announced his "intention" to negotiate, and issued a list of over 400 categories in the American tariff which might be affected,<sup>1</sup> indicating that supplemental lists might be issued.<sup>2</sup> It was stated that concessions would not be granted on any other articles, and that "some of the items listed may not be the subject of any concessions under the agreement." The industries affected were given until February 19 to submit written memoranda to the State Department. Next, as from March 14, three weeks were set aside for public hearing of cases where it is considered that oral evidence is justified. Finally, two weeks are required for the amendment of schedules as a result of written and oral evidence.

This procedure effectively prevents any final negotiations between the British and American Governments taking place before April at the earliest, although informal discussions have, of course, been taking place over the past year or more, and may reach an advanced stage before formal negotiations are opened.

*British  
Procedure  
of Negotia-  
tion*

On the British side there are no comparable legal provisions regarding the procedure of negotiation. In spite of very strong representations from the Federation of British Industries, the National Union of Manufacturers, and the Association of British Chambers of Commerce, the President of the Board of Trade has stated that, while he is always ready to consider representation from trade organizations who think that their interests may be affected, it is not the practice of the British Government in trade negotiations to communicate to trade interests the list of commodities in respect of which concessions from the United Kingdom have been sought. On the other hand, as regards concessions to be sought from the other party to the negotiations, the British Government follow the practice of comprehensive and detailed consultation with trade interests.<sup>3</sup>

(1) This list is reproduced in the Board of Trade Journal, January 20, 1938.

(2) A supplementary list of about fifty items was issued on January 24, 1938.

(3) See letters from the President of the Board of Trade to the Association of British Chambers of Commerce and the National Union of Manufacturers, *Manchester Guardian*, December 24, 1937.

Beyond the purely economic aspect of a Trade Agreement there is a wider bearing to which Mr Cordell Hull and the United States Government attach an importance at least equal to its commercial purpose. Indeed, it would be hardly too much to say that the motive which has animated the American Secretary of State in all his commercial agreements, and which is especially visible in his attitude to the present negotiations, is his belief that "trade disarmament," as it has been called, will lead to political appeasement, and that association in economic affairs with other democracies will not only strengthen the influence of the democracies themselves in the present world crisis, but will particularly enable the public of the United States to see that something more than economic co-operation is required. In some of the approaches to the present trade negotiations on both sides of the Atlantic somewhat excessive emphasis has been laid upon this aspect of the question, but the picture of the whole matter as seen in America would be incomplete without special reference to the importance of this motive in the mind of the United States Government.<sup>1</sup>

*Chatham House,  
February 3, 1938*

(1) The wider aspects of Anglo-American trade relations are discussed in *Together we Stand*, by Leonard J. Reid (Cassell, 1937).

APPENDIX I(a)

COMPARISON OF BRITISH TARIFFS ON AMERICAN GOODS AND GOODS OF EMPIRE ORIGIN<sup>1</sup>

Group A Commodities affected by Ottawa Agreements	Rates of Duty		On Empire Goods
	On American Goods	On Empire Goods	
Hams (Imports restricted by quota)	..	..	Free
Wheat ..	..	..	Free
Wheat flour and meal ..	..	..	Free
Barley ..	..	..	Free
Rice ..	..	..	Free
Milk, condensed, unsweetened	..	..	Free
Apples, fresh ..	..	..	Free
Grapefruit, raw ..	..	..	Free
Oranges, raw ..	..	..	Free
Pears, raw ..	..	..	Free
Salmon, fresh or frozen ..	..	..	Free
Other fish, canned ..	..	..	Free
Fruit, canned without sugar ..	..	..	Free
Fruit, dried (plums, prunes, etc.)	..	..	Free
Raisins ..	..	..	Free
Fruit, canned with sugar ..	..	..	Free
Honey ..	..	..	Free
Tobacco, unmanufactured ..	..	..	Free
Hard wood and timber, sawn	..	..	Free
Soft wood, sawn ..	..	..	Free
Lead in pigs ..	..	..	Free
Patent leather ..	..	..	Free

(1) Source: Customs and Excise Tariff of the United Kingdom of Great Britain and Northern Ireland in Operation on January 1, 1938.

APPENDIX I(b)  
IMPORTS INTO THE UNITED KINGDOM OF COMMODITIES  
ON WHICH IMPERIAL PREFERENCE WAS BOUND BY  
OTTAWA

	<i>Imported from the U.S.</i>		<i>Imported from British Countries</i>		<i>Total Value of all Imports</i>	
	1931 %	1936 %	1931 %	1936 %	1931 £000	1936 £000
Hams (restricted by quota) .. ..	74.0	50.2	12.0	44.6	3,217	2,990
Wheat .. ..	9.9	0.05	45.7	85.6	30,376	37,938
Wheat, flour and meal	22.4	1.3	62.9	83.2	4,036	3,844
Barley .. ..	31.2	22.0	9.9	15.9	4,136	5,051
Rice, whole, cleaned	30.1	7.3	19.4	80.0	1,040	663
Milk, condensed, un- sweetened .. ..	38.9	*	6.5	49.2	1,084	364
Apples, fresh .. ..	50.2	26.8	45.3	73.3	7,879	5,644
Grapefruit, raw .. ..	62.1	23.0	16.9	62.5	1,234	1,078
Oranges, raw <sup>1</sup> .. ..	10.0	7.0	27.3	47.2	9,548	7,321
Pears, raw .. ..	64.4	47.8	34.5	42.2	1,308	1,504
Salmon, fresh or frozen <sup>2</sup> .. ..	15.3	7.4	72.0	79.7	693	547
Other fish, canned ..	24.2	24.7	32.3	4.8	817	427
Fruit, canned without sugar .. ..	70.0	24.9	8.8	20.6	297	509
Fruit, dried (plums, prunes, etc.) .. ..	85.0	70.9	12.5	27.9	658	697
Raisins .. ..	31.2	24.3	36.6	39.9	2,487	2,318
Fruits, canned with sugar <sup>3</sup> .. ..	63.9	49.4	26.0	33.3	3,947	4,539
Honey .. ..	23.3	10.0	52.3	78.0	176	125
Raw tobacco .. ..	80.2	84.4	17.9	13.5	10,397	17,143
Hardwood and timber, sawn <sup>4</sup> .. ..	42.1	29.7	31.6	36.4	2,191	2,914
Softwood, sawn .. ..		n o t	c o m p a r a b l e			
Lead in pigs .. ..	18.3	0.3	66.4	98.7	3,913	6,300
Patent leather .. ..	55.7	11.5	19.8	76.3	1,194	333

(1) Dutiable from April 1 to November 30.

(2) Tariff rate is bound only for chilled and foreign salmon; imports include fresh salmon as well.

(3) Fruits, preserved in sugar, tinned or bottled in syrup, not including apricots or peaches.

(4) Other than mahogany, walnut, oak, and teak.

\* Negligible.

APPENDIX I(c)  
 IMPORTS INTO THE UNITED KINGDOM OF SELECTED  
 COMMODITIES NOT AFFECTED BY THE OTTAWA AGREEMENTS

	<i>Imports from the U.S.</i>		<i>Imports from British Countries</i>		<i>Total Imports</i>	
	1931	1936	1931	1936	1931	1936
	%	%	%	%	£000	£000
<i>Free of Duty</i>						
Raw cotton .. ..	38.0	38.1	11.7	20.8	26,271	44,263
Cotton waste .. ..	32.9	23.8	15.8	27.5	821	943
Skins and fur skins, undressed .. ..	19.4	16.3	60.6	46.5	8,371	14,235
<i>Dutiable at 10% ad valorem<sup>1</sup></i> (Free if of Empire origin) ..						
Cotton seed, cake & meal .. ..	5.9	*	2.6	4.8	932	880
Linseed cake & meal	26.4	15.4	34.1	76.3	639	512
Paraffin wax .. ..	35.7	42.8	50.0	39.1	1,123	847
Lard, refined .. ..	80.9	39.9	10.8	25.0	5,911	3,937
Beef tongues, canned	13.8	17.5	0.8	3.5	754	773
Typewriters <sup>2</sup> .. ..	94.1	83.8	0.0	7.1	629	721
Zinc cakes, slabs, blocks .. ..	8.2	0.5	66.6	82.0	1,846	2,717
Salmon, canned .. ..	23.3	30.6	21.6	18.3	3,808	4,186
<i>Dutiable at 15%</i> (Free if of Empire origin) <sup>3</sup>						
Electrical machinery <sup>2</sup>	60.2	37.0	1.7	5.4	664	352
Agricultural machinery	45.7	54.5	55.6	24.8	762	881
<i>Dutiable at 20%</i> (Free if of Empire origin)						
Electrical goods and apparatus .. ..	20.4	28.2	1.0	5.0	6,240	3,677
Machine tools, metal working <sup>2</sup> .. ..	59.9	58.8	0.3	0.3	1,598	3,602
Hosiery & knitting machines <sup>2</sup> .. ..	47.3	14.6	0.0	0.1	535	744
Refrigerating machines <sup>2</sup>	76.6	87.3	4.6	2.2	368	961
Hand-pumping machines <sup>2</sup> .. ..	62.8	94.8	2.7	0.1	148	108
Printing & bookbind- ing machines <sup>2</sup> .. ..	33.3	48.3	0.6	0.8	162	1,087
Shoe machinery <sup>2</sup> .. ..	47.1	44.7	0.0	0.8	104	104

(1) Empire goods either free or dutiable at Preferential rates.

(2) May be imported free under licence if of a kind not made in the U.K.

(3) In part dutiable at 20 per cent.

\* Negligible.

IMPORTS INTO THE UNITED KINGDOM OF SELECTED COMMODITIES NOT  
AFFECTED BY THE OTTAWA AGREEMENTS—*continued*

	<i>Imports from the U.S.</i>		<i>Imports from British Countries</i>		<i>Total Imports</i>	
	1931 %	1936 %	1931 %	1936 %	1931 £000	1936 £000
<i>Dutiable at 33½%</i> (22½% if of Empire origin)						
Passenger automobiles	48.2	64.0	2.7	28.3	446	2,111
Chassis for autos & trucks .. ..	55.5	92.4	12.9	1.7	380	375
Engines for auto- mobiles .. ..	44.4	—	0.0	—	36	—
<i>Dutiable at specific rates</i> (8d. per gallon for U.S. & Empire ex- cept lubricating oil on which duty is 1d.)						
Gasoline .. ..	42.4	11.8	3.9	9.1	13,671	19,982
Lubricating oil, re- fined .. ..	74.4	69.8	0.1	0.4	4,018	4,079
Kerosene .. ..	32.3	14.1	0.5	2.3	3,500	2,461

APPENDIX II — Continued

*Values of Imports<sup>1</sup>  
from United Kingdom  
(\$ thousands)*

<i>Commodities</i>	<i>Goods from all Countries</i>		<i>Decline in Imports from United Kingdom Per cent</i>	<i>Tariff Rate: Per cent of Foreign Value</i>		
	<i>1928</i>	<i>1935</i>				
<i>Wool and Manufactures—cont.:</i>						
Worsted, not over 4 oz. . . . .	1,454	57	79.8	37.3	96.1	81.0
Worsted, over 4 oz. . . . .	2,520	721	80.7	94.9	71.4	84.7
Carpets . . . . .	1,636	143	7.6	2.0	91.3	68.1
Hosiery . . . . .	1,959	465	77.4	96.3	76.3	69.2
Woolens over 4 oz. . . . .	10,512	3,353	74.2	86.8	68.1	90.6
<i>Leather and Manufactures:</i>						
Sole leather . . . . .	1,204	289	28.3	61.6	76.0	12.5
Upper and lining leather . . . . .	8,926	1,445	33.3	40.5	83.8	15.0
Rough tanned leather . . . . .	4,640	101	65.9	32.3	97.8	15.0
Boots and shoes . . . . .	1,847	508	22.4	21.8	72.5	19.7
<i>Metals and Manufactures:</i>						
Tin plate, etc. . . . .	134	45	87.6	91.8	66.4	8.5
Pig iron . . . . .	858	220	38.4	11.1	74.4	74.2
Iron and steel pipes . . . . .	943	45	22.9	2.5	95.2	24.1
Round iron and steel pipes . . . . .	488	48	72.6	9.3	90.2	23.5
Card clothing . . . . .	368	228	87.0	89.8	38.0	45.0
Razors and parts . . . . .	395	97	65.6	56.1	75.4	41.7
Ferromanganese, etc. . . . .	1,208	0	25.1	0.0	100.0	54.1
Nickel and alloys . . . . .	2,175	231	17.6	1.6	89.4	6.9
Textile machinery, cotton . . . . .	204	68	39.9	93.2	66.7	40.0
Textile machinery, wool . . . . .	278	51	61.9	52.6	81.7	40.0
<i>Foods and Food Products:</i>						
Herring, pickled or salted . . . . .	1,583	521	51.8	29.2	67.1	15.0
Mustard, ground or prepared . . . . .	1,098	586	98.3	98.8	46.6	17.0

(1) Imports for consumption.

APPENDIX II  
SELECTED DUTIABLE AMERICAN IMPORTS FROM THE UNITED KINGDOM

	Values of Imports <sup>1</sup> from United Kingdom (\$ thousands)		Per cent of Total Imports of Similar Goods from all Countries		Decline in Imports from United Kingdom		Tariff Rate: Per cent of Foreign Value
	1928	1935	1928	1935	Per cent	Per cent	
<i>Commodities</i>							
<i>Cotton and Manufactures:</i>							
Cotton yarn and warps .. .. .	3,191	1,638	96.4	95.7	48.7		32.0 <sup>a</sup>
Cotton cloth .. .. .	10,003	2,160	63.1	30.6	78.4		33.5 <sup>a</sup>
Cotton velvets and velveteens .. .. .	1,846	18	67.1	5.6	99.0		49.1
Cotton handkerchiefs .. .. .	526	118	28.9	24.8	77.6		31.0-57.5
Cotton laces, machine made .. .. .	283	492	6.4	21.6	73.9 <sup>a</sup>		90.0
<i>Flax and Manufactures:</i>							
Flax, unmanufactured .. .. .	1,870	98	48.3	16.5	94.8		8.4
Fabrics, plain woven .. .. .	3,914	4,194	80.8	89.4	7.2 <sup>a</sup>		35.0
Single yarns .. .. .	1,028	723	84.5	84.7	29.7		33.7
Thread and twine .. .. .	424	207	90.2	77.2	51.2		40.0
Table damask .. .. .	2,873	1,176	46.5	60.7	59.1		45.0
Table and bed linen .. .. .	1,925	1,356	60.6	50.5	29.6		42.1
Handkerchiefs .. .. .	3,698	632	63.8	18.5	82.9		43.5
<i>Jute Manufactures:</i>							
Jute burlap .. .. .	6,882	2,936	8.6	8.9	57.3		11.1
Jute woven fabrics .. .. .	447	368	72.7	74.5	17.7		50.0
<i>Wool and Manufactures:</i>							
Clothing wool .. .. .	1,202	536	14.9	54.0	55.4		91.1
Combing wool .. .. .	6,318	957	19.9	18.8	84.9		95.2
Notils .. .. .	5,476	1,599	86.5	88.3	70.8		52.0
Rags, flocks, mungo .. .. .	4,903	389	73.7	67.8	92.1		52.5
Wastes .. .. .	1,685	0	62.5	0.0	100.0		95.2

(1) Imports for consumption.

(2) Estimates.

(3) Increase.

APPENDIX II — continued

	Values of Imports <sup>1</sup> from United Kingdom (\$ thousands)		Per cent of Total Imports of Similar Goods from all Countries		Decline in Imports from United Kingdom Per cent	Tariff Rate: Per cent of Foreign Value
	1928	1935	1928	1935		
<i>Commodities</i>						
<i>Clay and Clay Products:</i>						
Kaolin, china, and paper clay ..	2,868	925	96.8	96.4	67.7	30.0
China and porcelain wares ..	1,005	248	9.4	6.2	75.3	70.3
Earthenware, crockery, etc. ..	2,831	1,129	38.9	31.4	60.1	98.4
<i>Precious and semi-precious stones:</i>						
Diamonds, cut but not set ..	1,835	46	4.3	0.3	97.5	10.0
Pearls, not strung or set ..	2,672	29	37.3	4.4	98.9	10.0
Other stones, cut but not set ..	1,318	137	22.7	11.1	89.6	10.0
<i>Miscellaneous:</i>						
Linoleum, inlaid ..	480	260	87.1	99.2	45.8	42.0
Furniture of wood ..	997	144	19.7	13.7	85.6	40.0
Golf balls ..	1,042	91	99.9	100.0	91.3	30.0
Books and printed matter ..	2,593	53	55.8	18.2	98.0	25.0
Anthracite coal ..	2,394	0	92.0	0.0	100.0	33.0 <sup>2</sup>
Total of items listed ..	122,959	31,881			74.1	
Total dutiable imports ..	176,735	84,035			47.5	

(1) Imports for consumption.

(2) Estimates.

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