

once held a distinct superiority other nations now compete on equal terms. In so far, then, as the British manufacturer failed to shift the burden of any duty on food and raw materials on to wages he would be at a disadvantage in the open markets of the world, and the remission in the colonies of part of the duty in his favour would scarcely place him on level terms with his foreign competitor even there.

16. It must not be forgotten, moreover, that at present about one-fourth of the export trade of this country consists of foreign and colonial produce, and that the imposition of duties on foreign produce would involve an enormous immediate outlay for the extension of bonding facilities, and the necessary charges for their use and maintenance. The result would be to place such obstacles in the way of this trade that its transference elsewhere would speedily take place, goods which this country now receives for re-export being sent direct to their market, or through some other *entrepôt* where they would not be subjected to such disabilities. Thus the position of this country as the great market of the world, already threatened, would be destroyed.

17. These changes could not fail to seriously injure our important carrying trade and to react injuriously on every industry in the United Kingdom.

18. On the other hand, the gain to the colonies, whatever it might be, would, even at first, be altogether incommensurate with the loss to the Mother-country. And it is improbable that there would be any permanent gain, for, apart from the general loss of purchasing-power, due to the fall in wages and profits resulting from the imposition of duties, it is obvious that the reduction of our imports from foreign countries would be followed by a reduction in our exports to them, no inconsiderable part of which consists of colonial produce imported in a crude state and more or less manufactured in this country. The demand, therefore, for colonial produce, even with the preferential advantage proposed to be allowed to it, would not be likely to increase, and the price obtained for it would, therefore, not be ultimately enhanced.

19. If the differentiation is to be confined to some specified articles, the difficulties of arriving at an equitable arrangement would be in no way diminished. Some of these difficulties were clearly pointed out by the representatives of New South Wales, Queensland, and New Zealand, in the course of the discussion, and no practical standard was suggested by which the value of the concessions to be made on each side could be tried or adjusted. These would obviously vary according to the number of colonies sharing in the arrangement, and many other circumstances, and, as the people of this country and those of the colonies would approach the consideration of the question from entirely different points of view, a satisfactory agreement would seem almost impossible. To this country it would mean a possible increase of revenue for a period, but at the same time a serious curtailment of trade, with loss of employment and enhanced price of food and other necessities, and it would, in the main, be judged by its effect on our commerce and on the condition of the people.

20. To the colonies, on the other hand, it would in the first instance mainly present itself as a question of revenue. A remission of duty on the bulk of their imports would involve an entire readjustment of their fiscal system, requiring the resort to increased direct taxation or other means; and, though there might be at first an increase in the price of their produce imported into this country, the revenue difficulty would probably appeal to them most strongly.

21. A consideration of these practical difficulties, and of the more immediate results above indicated, of a system of mutual tariff discrimination has convinced Her Majesty's Government that, even if its consequences were confined to the limits of the Empire, and even if it were not followed by changes of fiscal policy on the part of foreign Powers unfavourable to this country, its general economic results would not be beneficial to the Empire. Such duties are really a weapon of commercial war, used as a means of retaliation, and inflicting possibly more loss on the country employing it than on the country against which it is directed, and which would not be likely to view them with indifference.

22. Foreign countries are well aware that the colonies differ in their fiscal policies and systems from the Mother-country and each other, and if a policy