

Africa, in the Up-lands of the Transvaal, in the Free State, Natal, and other parts. It is going to be a very great maize-growing country if it can succeed in finding a suitable market. However, I mention this to you just to let you know of one of our great agricultural products there which is a matter of vital importance to South Africa, and to say without going further now that if it is found possible by the British Government to take any action in respect of an article like that, of course, it would be a very great assistance, but at the same time I qualify that by what I have already said, and what I think General Smuts said, that we feel it is not desirable or necessary that we should endeavour to make any revolutionary changes, nor to press you in respect of matters upon which you may find it impossible to take action. That is all I have to say at this stage. I suppose in respect of some of these details we can get the matters inquired into by our Committees.

The Chairman : Please.

Attitude of Irish Free State.

Mr. Fitzgerald : Ireland produces very few of the commodities referred to in your announcement of the British Government's new preferential proposals. Therefore we shall await with interest any subsequent announcement you may make in regard to an extension of the list, which, we trust, will include items that should benefit Irish producers.

Principle of Preference never yet accepted by India.

Mr. Innes : In the discussion of this question India occupies a special position. For most of the countries represented round this table, as you said just now, sir, the principle of preference has been established, and the discussion has turned, so far, not upon the merits of the principle, but mainly on questions whether the application of the principle can be extended. Now, the difference of India's position is that, so far, we have never yet accepted the principle of preference, and no doubt this Conference will wish to know whether India has altered or proposes to alter in any way the position we have hitherto taken up. It is a question which, of course, has often been discussed in India, and some members of the Conference may be familiar with the well-known despatch written by the Government of India on the subject in 1903. The conclusion arrived at in that despatch was that from the economic standpoint, while India had something, but not very much, to offer the Empire, she stood herself to gain very little by preference, and stood to lose or risk much. I do not think it is necessary for me to go into past history of the question in India. What we are concerned with is the present, and I wish to try to place before the Conference what are the main governing factors of the problem as it applies to India now. Those factors are partly economic and partly political, for in India, as I think in all countries, political considerations enter very largely into the decision of economic questions.

Economic Position of India.

On the economic side the position in some respects is very much the same as when the despatch of 1903 was written—that is to say, we still receive a preponderating share of our imports from the British Empire, and we still rely mainly on foreign countries for our export markets, and this, as I said last week, is a factor which we in India have always to keep very much in mind. Again, broadly speaking, we export mainly raw materials and foodstuffs, and it is true, at any rate as a general proposition, that raw materials and foodstuffs stand less in need of preferential assistance than do manufactured goods. Most of our raw materials and foodstuffs, with some exceptions, enter free into most countries.

Recent Increase in Import Duties.

In other respects, however, the position has undergone considerable change. I propose only to mention one of these changes. It is a point to which I drew prominent attention when I made a statement last week at the opening of this Conference. Our financial interests in India have compelled us in recent years very greatly to increase our import duties. They now constitute a very large part of the revenues of the Government of India. Having regard to the circumstances of India the pitch of them is high. The general *ad valorem* rate is 15 per cent., and leaving out of consideration altogether the duty on wine, spirits, cigarettes, and cigars, the rate in the case of some articles is as high as 30 per cent. This fact complicates the problem.

Difficulties in the Way of adopting Imperial Preference : Economic and Political.

If we embarked on a general policy of Imperial preference we should have to carry it into effect in one of two ways, either we should have to reduce our import duties in favour of goods from British countries, or we should have to raise our import duties against goods from foreign countries. We cannot adopt the former course, because we simply cannot afford to sacrifice the revenue. I have already explained to what extremities we have been driven in order to balance our Budget for this year. Nor can we adopt the latter course. I have just said that, considering the circumstances of India, the general level of our duties is high, and if we raise them still higher—that is to say, if we raise our duties on goods coming from foreign countries—we should in some cases stand a considerable risk of setting in motion the law of diminishing returns. Also, we have to consider the Indian consumer. Each concrete proposal would have to be carefully examined from the point of view of his interests, and with special reference to the risk of raising prices against him. This is most important when you are speaking of a country where the people are so poor as they are in India. It is perfectly true that wages, even real wages, have risen very greatly in recent years, but even so they are extremely low in comparison with the level of wages in Western countries and in