us owing to the deplorable absence of a scientific and statesmanlike policy with regard to the human element in wealth creation. It is not too late to establish a policy of State-aided emigration. Opportunities are plentiful, and the Empire cannot afford to allow its sons to leave her in search of commercial opportunities elsewhere.

The last essential to wealth creation—demand—is the one that, most easy of guidance in the public good, has in consequence received in recent years the largest share of attention at the hands of every nation in the world—except Great Britain. The British Empire affords such unique opportunities in this particular department of wealth production that special attention must be devoted to the same. In the meantime, for the consideration of those who may still believe that any State action in respect of the demand for the products of trade would have to be paid for by trade, and would therefore increase the difficulties of traders, it may be pointed out that State action with reference to labour, materials and capital has also to be paid for, and is now actually so paid for by trade. Yet the commerce of Britain continues to expand. Why should State action in respect to one of the essentials of wealth creation be economically unsound, whilst similar action with regard to the other three essentials be everywhere recognised as admissible and beneficial?

V.—IMPERIAL DEMANDS, ACTUAL AND POTENTIAL: MR. CHAMBERLAIN'S SCHEME FOR THEIR DEVELOPMENT.

> Mr. Chamberlain is right in so far as he says that things are not well in this country. We cannot feed the hungry with statistics of national prosperity, or stop the pangs of famine by reciting the prodigious number of cheques passed through the Clearing House. We have therefore got to propose something better than Mr. Chamberlain (if we can).—MR. LLOYD-GEORGE, M P., 6th January, 1904.

OUR brief review of Great Britain's current commercial policy has shown that present-day advocates of free trade readily recognise the expediency of State action with regard to three of the essentials to wealth production. Labour, materials and capital are all subjects of State care and State use; and that, too, of necessity at the expense of the whole community. The assistance of the State in respect of the fourth essential, demand, must now be considered.

The creation in the human breast of new wants and desires is, as we know, the secret of all progress and civilisation. Grant the existence of a demand, and an effort to satisfy that demand is the inevitable sequence. The vast sums spent by all modern nations on education are an example of State efforts that result not only in increased efficiency so far as the mental and manual labour element is concerned, but in what is of even greater importance—increased wants and desires, increased demand. Translated into the language of trade, this means new and expanding markets—the mainspring and source of all industrial prosperity. State expenditure for the creation of new demand in this way is recognised to be good—even by the most rigid of free traders.

Now if we glance at the total populations of the whole of the British Empire as compared to those of the other leading Powers of the world, we find the position to be as follows:—

The British Empire	402,668,835
The Russian Empire	129,194,297
France and the French Colonies	95,079,685
The United States	70,630,692
The German Empire	73,327,278

These figures make it quite obvious that considering our own resources only, leaving aside those afforded by other Empires, or by peoples not included above, the British Empire already embraces within its own boundaries sufficient human element to produce, if adequately educated, a sum total of demand far in excess of that possessed by any other nation in the world. Were the Empire to limit its State endeavours to nothing beyond the State education of the whole of its 402,000,000, the result would be a world-wide demand without precedent in the history of nations. If, extending this principle of State-aid to the guidance and encouragement of such demand as already exists, Great Britain were also to adopt a system whereby this demand could be so controlled as to focus it on those portions of the Empire best able to satisfy it, the result would be a stimulus to commercial expansion—a rapid access of material wealth, and a general development of our social, economic and political forces—that would carry the British Empire more speedily in the direction of our ideal than any other State policy that can be at present devised.

Fortunately this fact has already been clearly recognised by the peoples of Canada, of Australia, of New Zealand, of South Africa and by the better informed amongst the intelligent millions of India. All the self-governing Colonies have expressed their anxiety to formulate an Imperial scheme based on a recognition of this principle, and most of them have taken the first steps in the required direction. If we may judge by the utterances of such able and far-seeing thinkers as the late Mr. Justice Ranade, the Hon. Dr. Rash Behari Ghose, Mr. Romesh Chunder Dutt, Mr. Subramani Iyer, the Hon. Sir Pherozeshah Mehta, H.H. the Gaekwar of Baroda, the Hon. Maharajah Sir Jotindro Mohan Tagore and others, the people of India are similarly anxious to bring science and the experience of the whole world to aid in the construction of an Imperial commercial policy for India. When we regard the present populations of the British Empire in Africa, America and Australasia, and reflect upon the certainty of these populations being doubled and trebled in the course of a comparatively few years, we see still more cogent reasons for the immediate adoption of a policy of scientific State control with regard to that essential demand, upon the expansion of which it is not an exaggeration to say that the future of our Empire mainly depends. The only stumbling-block at present is a section of the inhabitants of the United Kingdom, who, whilst permitting State action with regard to three of the essentials to wealth creation, and State action up to a certain point with regard to the fourth and most vital essential, at the same time illogically hesitate to accept *in toto* the balance of a principle, seven-eighths of which they are already embracing!

However, the leaven is working. Four years ago England's greatest Colonial Minister put forward a scheme for guiding and controlling British demand, whereby the United Kingdom could be introduced to the necessary change of commercial policy so gently as to be almost imperceptible to the consumers of Britain. This scheme we shall now examine. To make its operation quite clear, it is necessary to recall the method by which Great Britain at present collects the revenue necessary for the maintenance of its Government (an efficient and powerful Government being a condition antecedent to continued and successful wealth creation). The £140,511,955 which the Government services of the United Kingdom cost in 1905-6 was provided approximately from the following sources:—

Customs and Excise Duties - - -	£64,705,000
Property and Income Tax - - -	31,350,000
Various Inland Revenues - - -	23,820,000
Post Office and Sundries, say - - -	20,636,955

Customs and excise duties are collected principally on spirits, beer, tobacco, tea, sugar, wines, etc. Britain's customs duties range from 25 to 300 per cent. *ad valorem*, and the effect of the present tariff is that the inhabitants of the United Kingdom pay 12s. 2d. per head in indirect taxes as compared with 11s. 8d. paid in this way by Americans and 8s. 2d. by Germans.

Thus England's present tariff is in truth very onerous. The other contributions, although not levied directly on articles of trade, are of necessity yielded in the last resource from the surplus earnings of trade. Which means in simple language that British commerce is sufficiently remunerative to permit of over £140,000,000 per annum being withdrawn from its surplus earnings without checking its further development. The distinguishing characteristic of this unique fiscal system is that it is so devised as to yield no other result than the revenues required by Government. As well might the inhabitants of a village on the banks of a mighty stream imagine they had exhausted the uses that the river could serve, when they had drawn their daily drinking supply therefrom. Others with greater knowledge and ingenuity would perceive the value of the river for fishing, transport, irrigation, motive power, etc., all of which could be undertaken without necessarily depriving our villagers of a single drop of their drinking supplies. So, too, with the streams of commerce. They can be utilised to yield not only the revenue necessary for Government, but also for a variety of other ends; and that, too, without diminishing by one jot the magnitude of their volume. As a matter of fact, the people of Britain already employ them a little, as we have seen, for encouraging labour materials and capital. Other nations go further and use them for augmenting the demand for their own home products. It is this last policy that we have now to develop. The means employed is a tariff discriminating between the goods it is advantageous to receive and those against which, in the interests of home producers, it is desirable to raise a certain barrier. Thus can demand be guided and utilised.

Mr. Chamberlain's proposals for the United Kingdom, outlined in a great speech delivered at St. Andrew's Hall, Glasgow, on the 6th October, 1903, are as follows:—

Taxes to be reduced:—

Three-quarters of the duty to be taken off British tea.

Half the duty to be taken off British sugar.

Corresponding reductions on British coffee and cocoa.

A substantial preference for British wines.

New duties to be imposed:—

A low duty, not exceeding two shillings a quarter, on foreign corn.

A corresponding duty on foreign flour.

About 5 per cent. on foreign meat except bacon.

Five per cent. on foreign dairy produce.

An average of 10 per cent. on foreign manufactured goods varying according to the amount of labour expended in the making of the goods.

No duties were contemplated on maize or on any raw materials.

Of the suitability of this scheme to the requirements of the United Kingdom it is not proposed here to enter; suffice to say that Mr. Chamberlain contended that it would not only impose no burden whatever on the poorer classes of Great Britain, but it would probably involve some gain to the revenues of the home country and consequently a possible reduction in taxation.[1]

[1] *Vide* Appendix A.

Whether these latter anticipations are likely to be realised or not, the proposed tariff reform has this special feature to recommend it: whilst yielding the £140,000,000 to £150,000,000 essential for the maintenance of the Government of the United Kingdom, it discriminates between those goods which have their origin in the British Empire and those the production of which gives employment, profit and strength to rival nations. In other words, by encouraging the home "demand" for British products, it completes Great Britain's recognition of the important principle that where powerful rival Powers employ State-aid to augment their commercial progress, it becomes imperative for the whole of the British Empire to do the same. By guiding and stimulating the British demand for British commodities in exactly the same way as we already—directly and indirectly—encourage the growth and efficiency of British labour, British materials and British capital, we shall be adopting in its entirety a wise Imperial policy of a very efficient and far-reaching character.

The Indian commodities that would be affected by the acceptance of Mr. Chamberlain's proposals for the State guidance of British demand are wheat, tea, coffee and certain manufactured goods. Taken altogether these form a substantial portion of India's export trade. It will be convenient to consider forthwith the probable effects of the proposed scheme of tariff reform on British trade in these articles.

VI.—THE PROBABLE RESULTS OF MR. CHAMBERLAIN'S PROPOSALS ON THE TRADE OF INDIA.

By simply abolishing the present duties (in England) on tea and coffee produced within the British Empire, the Government of the United Kingdom could free the British workman's breakfast-table of a tax-burden which would largely compensate for any temporary effect of a duty levied on foreign wheat Any rearrangement (of taxation) on such a compensating basis would have a tendency to increase the food supply from British dominions.—MR. GEORGE E. DRUMMOND (Montreal) at the Sixth Congress of Chambers of Commerce of the Empire, July, 1906.

THE principal Indian industries that would be likely to be affected by the adoption in the United Kingdom of Mr. Chamberlain's proposals of the 6th October, 1903, arranged in the order of their monetary importance to India, are jute manufactures, tea, wheat, coffee and sugar. The following table exhibits the exports of these commodities from India in 1906-7, and the approximate percentages taken by the British Empire and by foreign nations based on information afforded by the Government of India's despatch, No. 324, of the 22nd October, 1903.

	Total Exports, Lakhs of Rupees.	Approximate percentages taken by		
		United Kingdom.	Other British Countries.	Foreigners.
Jute manufactures	1,571	14	32	54
Tea	986	90	5	5
Wheat	984	53	1	46
Coffee	99	61	5	34
Sugar	8	70	25	5

Taking jute manufactures first, the largest buyer of Indian jute fabrics is the United States, who, in consequence of a heavy import duty on bags, take what they require mainly in the form of cloth. As is well known, the jute industries of Scotland have been severely checked by the growth of jute factories in Bengal, and more particularly by the far-seeing commercial policies of foreign nations, who by aid of their scientific tariffs have managed to secure a valuable raw product of which we hold the monopoly, to shut out our products manufactured from this article, and now to supply markets that were once the monopoly of British manufactures with this same product manufactured by themselves! The striking lesson conveyed by this extraordinary development will be referred to hereafter. In the meantime we can proceed with our examination of the position in the United Kingdom, the value of whose imports of jute manufactures for the five years ending 1904 were as under :—

Year.	From India.	From Foreign Rivals.
1900 - - -	£1,979,000	£172,000
1901 - - -	2,071,000	138,000
1902 - - -	1,838,000	157,000
1903 - - -	2,237,000	130,000
1904 - - -	2,063,000	145,000

Were a discriminating duty of 10 per cent. or more levied in the United Kingdom on jute manufactures imported from foreign countries, the result might be to divert some small percentage of trade to British channels. Seeing, however, that so large a proportion of Britain's importations are for the purpose of re-exportation, even this result is open to some doubt. In any case the immediate advantage to the Indian jute industry would be nil, as it would matter but little to Bengal jute interests whether their product was bought by Great Britain or by, say, Germany, Belgium, France or the United States, so long as they were able to find a satisfactory market for their goods.

India's exports of tea in 1906-7 were 233,706,756 lbs., valued at Rs. 986,62,354, the highest figures on record. Of this quantity the United Kingdom took 75 per cent.; Canada, Australia and Ceylon 12 per cent.; and foreign buyers the remaining 13 per cent., of whom the chief was Russia (6 per cent.). The percentage taken by the United Kingdom tends continuously to diminish. At the time of the Government of India's despatch on this subject (22nd October, 1903) India and Ceylon between them divided more than 90 per cent. of the tea imports of the United Kingdom. In face of this fact it was felt that although a reduction in the duty then current, sixpence, would probably stimulate consumption, and so benefit Indian interests, there was very little room for preferential treatment as such. The duty has now been reduced to fivepence. Mr. Chamberlain's proposal involves the abolition of three-quarters of this duty. Such a change would assuredly benefit the Indian and Ceylon tea interests not only by greatly increasing the home demand for British-grown tea, but also by putting the British grower in India and Ceylon in a position of considerable strength for competing with his foreign rivals.

With regard to wheat, the United Kingdom at present draws its main supplies from Russia, Argentina, the United States and India. The United States, which used to be the chief supplier, is steadily dropping to an inferior position in this respect, a larger and larger proportion of American wheat being required for home consumption. The following statement of wheat imports to the United Kingdom is of interest (the figures are millions of hundredweights):—

Source of Supply.	1904.	1905.	1906.
From—			
India	25	23	13
Australia	10	10	8
Canada	6	7	11
	—	—	—
Total British Empire, say	42	40	32
Russia	24	25	12
Argentina	21	23	19
United States	7	6	22
Other Foreigners	4	4	8
	—	—	—
Grand Total	98	98	93

Seeing that so large a proportion of India's wheat is sold to foreign nations, and that the United Kingdom only draws about one-quarter of its supplies from its chief Dependency, there is room for a considerable diversion of Indian wheat to the United Kingdom. A diversion of the export stream from the Continent of Europe to the islands of Britain would, however, be of no benefit to India *per se* unless it was followed by some rise in price not otherwise secured. Now a rise of price consequent upon an import duty of two shillings a quarter on foreign wheat imported into the United Kingdom is very improbable, seeing that competition from all quarters would be as keen as ever and that the duty would be only leviable on about 50 to 55 per cent. of the total supply. Allowing the utmost theoretically possible under the circumstances, the rise could not be more than one-half the duty imposed, that is to say, about one shilling a quarter Although expert evidence leans to the conclusion that the margin created by the proposed duty would be ample to give the Canadian wheat-grower an effective advantage over his American competitor south of the border line, there can be no two opinions that a rise of one shilling a quarter, even if it occurred, would have little or no effect in encouraging the more rapid extension of wheat cultivation of India where the crop, already extremely popular, is expanding as rapidly as local conditions will permit. We are forced to the conclusion, therefore, that so far as wheat is concerned the proposed preference in the United Kingdom would have little or no practical effect on Indian production and export.

We come now to coffee. Of the total exports from

India about one-third is taken by France, and that, too, notwithstanding a high French import duty. A reduction in the English duty might divert some of this trade to the United Kingdom, but the diversion in itself, unless accompanied by some increase in price for India, would be of no direct benefit to the Indian coffee-planter. As in the case of tea, however, lower prices, consequent upon a reduction in import duty, would probably stimulate home consumption, and this would be a distinct advantage to India.

Lastly, we come to sugar. India's export trade in raw sugar was once of considerable dimensions. Uneconomical methods of production in India combined with the competition of bounty-fed beet-sugar from Europe have resulted in the partial collapse of this once great export trade. The removal of one-half of the duty at present levied in the United Kingdom on the inflow of this important article of food would directly or indirectly give a much-required fillip to India's sugar industries, and would therefore be of distinct advantage to British interests in the East, to make no mention of British sugar interests in other parts of the Empire.

Summarising, we find that the immediate results upon the trade of India of the adoption by the United Kingdom of Mr. Chamberlain's scheme of 1903 would be somewhat as follows:—

Indian Industries	Probable Results.
Jute Manufactures.	No effect.
Tea Industry.	A marked encouragement.
Wheat Exports.	Little or no effect.
Coffee Industry.	An encouragement.
Sugar Industries.	A slight encouragement.

Tea and coffee then may be regarded as the only industries that would be likely materially to benefit by the adoption of the particular preferential trade scheme outlined by Mr. Chamberlain four years ago. The values of the exports of these articles were approximately 5·4 per cent. and ·5 per cent. of India's total export trade in 1906-7, so that, on the whole, the probable benefits to India would be extremely small. The fact, however, that these benefits are unaccompanied by any suspicion of disadvantage to India, and that the industries concerned are those which afford employment to Europeans as well as Indians, should decide us to give our undivided support to a scheme, admittedly tentative in character, and obviously so outlined as to satisfy current political conditions in the United Kingdom rather than benefit India, or give full effect to an Imperial policy at present but in embryo. In submitting his sketch plan of October, 1903, Mr. Chamberlain made no reference to India, and indeed with the exception of Sir Roper Lethbridge's recent work, no attempt has yet been made by the advocates of an Imperial trade policy to allot to India her exact position in such a policy. When inviting the views of the Government of India on this subject in his telegram of the 7th August, 1903, Lord George Hamilton specifically restricted the scope of the inquiry to "the point of view of Indian interests". With this limitation before them, it was impossible for the Government of India to take that broad Imperial view of the matter without which any investigation of merely local interests becomes of but small account. This deficiency we now propose to attempt to fill. We shall attack the problem not merely from the point of view of local interests, which are, after all, of necessity subordinate to Imperial requirements, but rather from the aspect of the pilot who, regarding the British Empire as one great whole, is desirous of steering his Imperial vessel safely clear of all dangers threatened by the presence of other powerful and skilful navigators—commanders who may not always perhaps show us the same consideration in our weakness as they will be forced to do in our strength.

VII.—INDIA'S REAL STRENGTH. ITS INTELLIGENT CONTROL FOR IMPERIAL ENDS.

We cannot regulate the sunshine and the shower, the seed-time and the harvest; that is beyond the power of man. But we can control to some extent the disposal of the products of the earth, thereby opening avenues to employment and spreading greater prosperity over the land.—SIR JOHN P. HEWETT at the Industrial Conference (Naini Tal), 19th August, 1907.

IT is now assumed that the vital importance of successful trade in the process of economic and political expansion is recognised; that the inferiority of the physical resources of the islands of Britain for the purpose of trade developments as compared with those of our greatest national rivals is fully admitted; that the inevitable consequences of this inferiority upon the relative magnitude (and *ergo* the national strength and political status) of the United Kingdom in the near future is clearly foreseen; and that the desirability of combining in one organisation or federation the whole of the resources of the British Empire, in order to correct this approaching position of national inferiority, is therefore accepted as beyond question. Perceiving the essential factors of wealth creation to be *demand* acting by aid of *capital* upon *human labour* and *raw materials,* we know that an intelligent cultivation and guidance of not only one or two, but of the whole of these factors, towards the realisation of a definite Imperial ideal, is more likely to achieve the desired end than a policy of mere drift, whereby our destiny as an Empire is left to the outcome of a play of individual forces striving, not for Imperial ends, but simply for private profits.

A brief survey of the area and population of the British Empire in comparison with those of our four most powerful neighbours has satisfied us that we already control resources of sufficient magnitude to place us in a position of undisputed superiority, provided only we organise those resources with the necessary skill and foresight. A comparison of the main divisions of the British Empire will show us that at present India is *facile princeps* in the matter of population, wealth, internal and foreign trade. The following figures speak for themselves :—

	Total Foreign Trade (Millions).	Population.	Area sq. miles.
India	£211·8	294,317,082	1,766,517
Canada	96·5	5,683,396	3,745,574
Australia	95·1	3,875,656	2,946,358
South Africa	60·7	5,786,262	765,783
New Zealand	28·4	888,639	104,751

The above statement makes it quite clear that at present the interests of India rank first in importance of all Great Britain's dependencies. They are in truth only second to those of the United Kingdom itself. It follows that where local interests clash with Imperial interests, and local demands have to be subordinated to Imperial requirements (and no Empire can exist without some such subordination), those of India command the weightiest consideration after those of the United Kingdom. Conversely, as India at present stands to lose more than any other portion of the Empire by any unforeseen catastrophe to British power, it follows that where any local action or sacrifice of local interests may be necessary in order to support or carry forward the supremacy of the Empire as a whole, in no part of the world does Imperial patriotism demand more spontaneous, unselfish and whole-hearted effort than in India. And, it is a satisfaction to add, in no part of the Empire have such efforts in the past been more readily offered and more freely accepted and more thoroughly appreciated by the great minds of the mother land.

In commencing our survey of India as the principal factor in any Imperial commercial policy calculated to affect the welfare of the United Kingdom, we are at once impressed by the mightiness of the resources at our command. We see a vast expanse of naturally rich territory over 1,750,000 square miles in area—larger in fact than the whole of Europe excluding Russia—watered by some of the noblest rivers in the world and supporting roughly 300,000,000 people—more than the population of all Europe excluding Russia, and approximately one-fifth of the whole of the human race. Next we bring before our mind's eye the 109,000 square miles—an area practically as large as Italy—devoted solely to the production of rice; then 50,000 square miles—equal to all England—producing millets (*jowari* and *bajra*); next the 31,000 square miles, say the whole of Portugal, under wheat; the 16,000 square miles (the equivalent of Denmark) given up to the cultivation of cotton; the 4,700 miles under jute; the 4,400 miles under sugar-cane; and so on. Then we recall the many millions sterling that India can command by the sale of these valuable products, and by the disposal of her surplus oil-seeds, her tea and coffee, her hides and skins, her lac, indigo and spices, to make no mention of wool, silk, timber, tobacco and a host of minor commodities everywhere in strong demand. Nor must we forget that she possesses coal and iron in abundance—9,735,010 tons of the former were raised in 1906, whilst the manufacture of the latter is now receiving attention by the brains of some of her most distinguished sons. Gold, too, she possesses in handsome quantities—over 322 lakhs of rupees worth being unearthed in 1906-7. Further, many of her resources are being developed with an energy and success that cannot fail to extort a tribute of admiration even from experienced England. Jute manufactures to the value of over £10,000,000 sterling were exported in 1906-7, whilst nearly £14,000,000 have been already invested in cotton mills, the annual yield of which is now of substantial proportions.

Obviously a territory of this magnitude and natural wealth, peopled by so numerous and industrious a population, and capable of yielding materials of such great value to mankind, is of the very first importance to the British Empire. And if trained intelligence and experience, triumphing over the forces of ignorance and illogical conservatism, at length recognise the expediency of no longer restricting the operations of Government to the encouragement and development of three and a half out of the four essentials to wealth creation, the part which India is able to play in a comprehensive Imperial scheme for the commercial advancement of the British Empire is second only to that of the United Kingdom itself. Fortunately in the Government of India we have a phalanx of some of the ablest of Britain's administrative talent, and being to a certain degree free from the friction and restraint which inappropriate political mechanism at times creates in the working of the supreme Government at home, we see the functions of the State more broadly and intelligently exercised in India than in perhaps any other portion of the Empire. Taking, for example, the four essentials to commercial progress—demand, labour, materials and capital—we find each the object of the special solicitude of Government in India; and although it is not for a moment assumed that we are anywhere within measurable distance of perfection (Can imperfect man be ever so?) or that the actions of Government are beyond criticism, it is an indisputable fact that State activity has in India taken forms which other portions of the Empire might do worse than study. With regard to capital, Government has endeavoured to arouse the interest and energies of the individual to its vital importance by the creation of agricultural banks formed and controlled by the people themselves. In another direction, Government has aided individual concerns by guaranteeing a certain return on private capital invested in commercial operations. Lastly, Government itself has freely employed State capital for the construction of canals and railways and for aiding public bodies to undertake works of public importance, to make no mention of telegraph and postal facilities, wherein most nations act alike. Coming next to materials, the whole irrigation policy of the Government of India is directed incidentally to the increasing of the volume of raw products that India can yield. Further, special departments of Government are devoted to the study of agricultural and mineral matters with the object of affording to the public all the scientific and practical knowledge and assistance possible for augmenting the quality and range of India's material products. With regard to labour—mental and manual—State-aided technical and general education is devised to improve the former, whilst sanitary rules, famine codes and colonisation acts all bear testimony to Government's efforts to preserve and encourage the latter. In the case of demand—the genesis of all progress—the Government of India have taken action to place cheap education in the way of as many as possible (the only defect being that whilst primary education is sadly deficient in quantity, advanced education is unnecessarily excessive in quality). They have, although the mints are closed to the free coinage of silver money, manufactured and afforded to the public ample supplies of rupee currency which is, in fact, the chief instrument of demand in India. They have also, by the imposition of countervailing duties on beet-sugar, and by the exemption of certain commodities from the full operation of the 5 per cent. revenue tariff, fully recognised the expediency of influencing the demands of India's millions with regard to those commodities in response to considerations of superior importance than the unchecked gratification of public demand. In short, the Government of India have approached nearer to the scientific control of wealth creation in the interests of the State as a whole than the Government of the United Kingdom. It only remains to carry the recognition of sound economic principles one step farther, by guiding and controlling the further commercial development of India and the United Kingdom not merely in the interests of India and the Mother Land, but also in the interests of the Empire as a whole, and we shall find ourselves in exact agreement with the State commercial policies of the rest of the British Empire and indeed of the rest of the civilised world. This can be done by means of a scientific tariff operating through the agency of both export and import duties. The consideration of such a tariff for India is the matter to which we must now devote attention.

Over large parts of Northern India, more particularly Sind and the Punjab, deficient rainfall has resulted in vast tracts of country lying waste, barren of vegetation and incapable of supporting either man or beast. In comparison with the green fields, prosperous villages and abundant populations that distinguish the great Gangetic plains farther eastward, the sterile wastes of Sind and the Punjab were hideous blots that sadly disfigured the northern portions of our great Indian Empire. Had our Indian rulers elected to ignore these tracts—after all, Nature's works, not man's—and to confine their attention to other portions of the country that held promise of far more profitable results, these wastes would have remained to this day barren, burning deserts, worthless alike to India and the Empire, and standing testimonies to an unenterprising and unimaginative administration. Fortunately other counsels prevailed.

The fact that great rivers flowed in the neighbourhood of the deserted tracts was sufficient to set men's wits working. Engineers examined the levels, chemists studied the soils. Science and art combined to supply that which Nature lacked. By the sacrifice of much time and forethought, and a liberal outlay of capital on brains, labour and the necessary constructive and executive detail, huge canals with hundreds of branches and minor distributories were designed and successfully carried to completion, so that the invaluable river waters now flow by a thousand channels to nearly every portion of the before uninhabitable wastes, affording everywhere a plentiful supply of fertilising, silt-bearing moisture. And with the result that what was before barren and useless country has now become fertile and valuable in the highest degree, supporting happy and contented populations that run into millions, and yielding valuable crops, some of which (wheat and cotton, for example) are of vital importance to the welfare and well-being of the Mother Land.

The moral is obvious. The commerce of the world, arising in tiny streamlets and from a myriad sources, flows onward in mighty rivers, giving health, strength and happiness to all fortunate enough to understand the navigation. In their progress, if untended, they not infrequently break from their old courses and find new channels, much to the dismay of those unhappy folk left high and dry by the diversion. And just as in the cases of the great rivers of India it has been found possible by human skill and foresight to so control some portion of the stream as to encourage the growth and development of districts hitherto neglected and lacking in population, so, too, with the commerce of the Empire, we can so far influence its course and volume as to encourage not only the growth of those parts of the Empire that, rich in nature's wealth, are at present lacking in the human element, but also those particular kinds and forms of industry which, whilst valuable to the locality concerned, are likely to prove of value in maintaining or augmenting the strength of the Empire as a whole.

And in the £90,000,000 of imports and £121,000,000 of exports that represent the full streams of India's external trade, what mighty rivers are flowing before us! British genius, which has achieved such marvels in the past, can surely find means and methods, without jeopardising in any degree the volume of these great currents, to so train some portion of their flow as to afford direct encouragement and benefit to British and Indian interests, in and out of India, rather than allow the whole to be discharged uncontrolled into that vast commercial ocean of which Great Britain has no special monopoly, and whereon subsidised argosies are already endangering some of our most valued prospects. Let us try.

VIII.—INDIA'S IMPORT STREAM. THE CHIEF CURRENT.

Our great objects can be secured if the country is willing to abandon the superstition that tariffs are only defensible when they contribute to the revenue, and that if it can be shown that a tariff providing the revenue of the country does incidentally assist any industry or encourage the development of our commerce, then it is an immoral thing which we are not entitled to consider. That is a superstition which has been discarded by other great nations of the world. They use their tariffs, scientifically constructed, in order to increase their trade and develop their industries.—MR. CHAMBERLAIN, London, 16th January, 1904.

IN the construction of a scientific tariff it must not be supposed for one moment that the idea is to entirely withhold or exclude any given commodity, any more than the engineer working to utilise the force of the current of a great river expects to entirely check the flow of such river. The idea is to turn the running stream to some account for the attainment of a specific end—irrigation or power transmission. In exactly the same way, our aim in guiding or controlling market demands is not to annihilate those demands but simply to so utilise them as to bring about more rapid, extensive and diversified commercial developments in certain given localities, *i.e.*, within the limits of the British Empire. This is the aim we have in view in critically examining the import and export streams that represent the flow of India's external trade. First we propose to consider the import stream—its nature and volume, its sources, its tributaries and its destination.

For the year 1906-7 the principal commodities imported into India arranged in order of their monetary values were as under (the figures are lakhs of rupees):—

Cotton Manufactures	4,091	Apparel - - -	211
Sugar - - -	873	Woollen Manufactures	205
Iron and Steel - -	755	Silk Manufactures -	182
Machinery & Millwork	579	Spices - - -	143
Railway Material -	415	Copper - - -	139
Hardware and Cutlery	266	Glass and Glassware -	121
Mineral Oil - -	242	Instruments, Apparatus	119
Provisions - -	242	Spirits - - -	98

These were followed by precious stones and pearls, carriages and carts, paper and pasteboard, timber, drugs and medicines, aniline and alizarine dyes, tobacco, chemicals, salt, matches, beer, silk, paints and painters' materials, coal, cotton, horses, stationery, etc., of steadily diminishing values, the last being Rs. 40,40,000.

Of the total imports 66·8 per cent. had their source in the United Kingdom, the other streams coming principally from Germany (with 5·3 per cent.), Belgium (4 per cent.) and ten minor tributaries of a magnitude which can be judged by the following list:—

	Per Cent.		Per Cent.
Austria-Hungary -	2·8	Japan - - -	1·5
Java - -	2·7	China - - -	1·4
Straits Settlements -	2·6	France - - -	1·4
United States - -	2·3	Italy - - -	1·0
Mauritius - -	2·0	Russia - - -	0·1

Including Mauritius we see that 68·8 per cent. of the imports may be regarded as of British, and the balance, 31·2 per cent., of foreign origin. In this latter we have the first rough indication of the proportion of the current which, whilst undoubtedly benefiting the people of India, is at the same time a source of strength and profit to peoples outside the Empire who are by no means so keenly interested in British interests as we. Can we turn this knowledge to account?

The present Indian Tariff Act has been officially described as "entirely free from any trace of preference and from any protective intention. With the exception of a very few specially rated articles, of which the chief are petroleum, salt and wines and spirits, its ruling feature is a low duty of 5 per cent. *ad valorem*, which in the case of cotton piece-goods is reduced to 3½ per cent., and in the case of iron and steel to 1 per cent. The free list is not very extensive, but includes the important items of machinery, cotton twist and yarn. In the case of cotton piece-goods and of salt, an excise duty is imposed of an amount equal to the import duty. While we do not deny that, in theory, some minute protective effect may be attributed to our present system, yet we hold that such effect is quite insignificant in practice, firstly, because in the case of the largest article of import and in some minor ones an equivalent excise duty is imposed; secondly, because a large part of the imports consists of articles which, either in kind or quality, India does not produce at all; and thirdly, because our general import duties are on a very low scale, such as would in most continental countries be regarded as merely nominal. . . ." In other words, the Indian Import Tariff Act might not be inappropriately compared to stepping-stones thrown down in the bed of the import stream to enable the Finance Minister to cross safely with his annual Budget. Beyond an almost imperceptible ripple here and there, the course of the waters is in no way interrupted. The little colourless currents of foreign manufactures and the preponderating volume of rich, silt-bearing British-made commodities flow, equally unobstructed, past the several foot-places. True, some of the larger stones are fashioned to cause a little less obstruction than others, notably those of Lancashire workmanship, but speaking broadly, the whole device in no way hinders the general course of the stream and it is thoroughly effective for the object for which it was devised. And, we may also add, in primitive simplicity, in ingenuous disregard for the uses to which the volume of moving waters might advantageously be adapted, it certainly resembles the old stepping-stones which to this day often satisfy the habits, conditions and requirements of certain country folk far removed from the great centres of industrial activity and modern progress and civilisation.

It is no new idea to attempt to control a portion of the flow of a river by the construction of a weir, a dam, or an anicut as it is called in India. In this way the level of the water can be maintained or raised as required, and the current or a part of it utilised to produce electrical power, drive machinery, irrigate the neighbouring land, and generally assist in the creation of wealth that, without its aid, would certainly be unattainable. The works, too, can be made to serve as a bridge that will enable the public to cross just as efficiently and far more safely and comfortably than by means of the old primitive stepping-stones. Do not these facts afford us a striking clue to the policy we should pursue with regard to the import trade of the British Empire? In the case of India the analogy serves admirably, and in considering the possibilities of India's import stream, we shall therefore keep the work of the irrigation engineer constantly in mind.

It has been pointed out in a former chapter that arts and manufactures are more profitable, individually and nationally, than agriculture pure and simple; that all modern nations have recognised this fact; and that no country at the present day can hope to rise to any position of political and commercial eminence which does not possess many and large manufacturing industries. This being so, and remembering, too, the liability to famine to which a large dependence on agriculture already exposes many millions of the people of India, it is only natural and right that efforts should be made to encourage the growth of manufacturing industries in India. The great difficulties in the way of this desideratum are the enervating climate of most of the continent, the ignorance of the masses of the people, widespread caste and religious prejudices, and a general absence of desire for that multiplicity of material adjuncts which we of the West are accustomed to associate with progress and civilisation. These various conditions combine in producing races of countryfolk on whom the prospect of possessing money very often exercises but little effect. To satisfy the cravings of hunger is their chief, and often only, care. This done, nothing will tempt them to long and arduous labour, involving a concentration of mind and effort, within noisy and (compared to the brilliant surroundings of outdoor life in the East) hideous, evil-smelling workshops. These facts make the industrial development of India a slow matter compared to the marvellously rapid evolution we see in more temperate and invigorating latitudes.

When, then, we consider the desirability of erecting a weir to control the flow of that stream of imports with which we are now dealing, we feel at once that even if the general level of the prices of Indian imports were thus slightly raised all round, the resulting stimulus to Indian production would in all probability yield far less result than would the same process applied to, say, Great Britain. Already in India the one cry on all sides at the present moment is labour, more labour. The supply of work-people, notwithstanding the fact that in many parts of India agricultural labour is distinctly in excess of requirements, is everywhere still short of the demand. Indeed, to some extent, industrial progress is checked by the insufficiency of appropriate labour. Then, again, there is the question of capital. The people of India, speaking generally, have not yet grasped the principle of monetary co-operation. Ages of insecurity, the accompaniment of Eastern methods of life and Government, have implanted within them feelings of distrust which a century of British rule is only but slowly eradicating. And with the result that millions of rupees of capital are at this moment probably locked up hidden away in a thousand corners, that could, with wise application, be employed in the development of the natural arts and industries of the country. The aspects of the problem were ably summed up by Sir John Hewett in his eloquent address to the Industrial Conference at Naini Tal in August, 1907, when he said: "We must educate people so as to divert their energies to industrial pursuits other than agricultural. We must educate skilled labour for all our industries. We must develop among our workmen an interest in their work to replace the feeling that the day's work is only done for the day's wage; and we must bring up educated foremen, supervisors and managers. We must encourage research into the potential value of our raw produce. Secondly, we must endeavour to overcome the shyness of capital, and success in this respect cannot be achieved unless the leaders of the people throw themselves enthusiastically into the work. . . ."

Notwithstanding the difficulties which these deficiencies imply, and in spite of the fact that for some years to come Indian manufactures would probably multiply but slowly in consequence of such a course, there can be no doubt, if only Indian interests be considered, a low import tariff of, say, 5 per cent. all round, on all manufactures coming into India (and no excise duties), would prove distinctly beneficial to this country. And in order to distinguish in a rational manner between those manufactures which gave profit to British industries and those from which Britain's rivals derived strength, an additional 10 per cent. should be imposed on all imports coming from sources outside the British Empire. In this way the great principle of Imperial trade preference would receive practical demonstration, and both India and the rest of the Empire would benefit thereby.

This conclusion is based on a consideration of Indian interests only. But there are other interests to be considered, interests which it will be remembered take precedence over those of this important portion of his Majesty's dominions, *viz.*, those of Great Britain and the Empire as a whole. If we recall to mind the nature and composition of the great stream whose waters we now propose to guide, we find that over two-thirds of the imports into India have their source in Great Britain. If, then, we take any step calculated to affect the whole of our import trade, Great Britain might possibly feel two-thirds of the results of that step. Without attempting to determine how far, if at all, such action would in practice be likely to check Great Britain's exports to India, we can say at once that the people of Great Britain, in whose hands the final decision rests, are not likely at present to assent to a measure of this kind. This fact is explicitly set forth in Paragraph 10 of the Government of India's despatch of the 22nd October, of which the following extract is the pith: "All past experience indicates that in the decision of any fiscal question concerning India, powerful sections of the community at home will continue to demand that their interests and not those of India alone shall be allowed consideration. . . . We cannot imagine that the merchants of Lancashire or Dundee, to mention only two interests, would be likely to acquiesce in such a course (*i.e.*, Indian import duties against England) even though it were accompanied by still higher duties against the foreigner, or that it would be accepted by the Home Government. We therefore dismiss this alternative as beyond the range of the present discussion. . . ."

Leaving for others to explain by what mental process the manufacturers of Britain conclude that an Indian import tariff would injure their interests, whilst the import tariffs of the rest of the world have no effect on British trade, it will be wise for us as practical engineers, dealing with materials and circumstances as we find them and not perhaps as we should like them to be, to adopt the same conclusion as Government, and dismiss the further taxing of British goods from our consideration for the present. There still remains roughly a third of the stream on which we can work, say, £27,000,000 per annum. The buyer with £27,000,000 sterling a year to spend is a great power in the world. Can this sum be laid out in such a way as not only to satisfy the people of India but at the same time to further the producing interests of India, of Great Britain and of the Empire as a whole? That is the problem.

IX.—THE IMPORT STREAM—THE MAIN TRIBUTARIES.

The power possessed by the British Empire over foreign nations by its possession of a great market—a market to be opened or closed to some extent or any extent—is little realised (in Great Britain); but the most casual observer must recognise the strength of the Empire's position which is certainly enormous, should all its component parts, combining together, use their power to meet the fiscal attacks of foreign nations upon any portion of the Empire.—The HON. ALFRED DEAKIN Prime Minister of Australia, at the Colonial Conference, 30th April, 1907.

THE two foreign manufactured commodities upon which India spends more of the £27,000,000 per annum than on any other are oil and sugar—both in large demand by the peoples of India, and both largely produced by their fellow British peoples within the boundaries of the British Empire. Taking oil first, mainly mineral oil, we know that the consumption in India is at least 114,000,000 gallons per annum, costing some 415 lakhs of rupees. We know that every drop of this oil is useful, and that every rupee spent thereon yields some profit or satisfaction to the purchaser. What is not always so clearly realised is that every rupee received therefor also yields satisfaction, profit and strength to the *seller* of the oil; and that consequently if the whole were or could be obtained from British sources, *two*

British subjects would benefit where only *one* would gain if it were all purchased from foreign nations. It is quite possible that the British Empire cannot at present supply all the oil that India requires, and that we are, therefore, compelled to go abroad for what we want or do without some of it. Even so, our best policy is obviously to regulate the stream so as to give every possible encouragement to the development of such resources as the Empire may possess. Mineral oil it will be remembered has been found all over the world in many countries in vast quantities. The largest sources of supply at present are in the United States of America and Russia; but continental Europe, China, Japan, Java, Sumatra, Borneo and many other localities possess oil in valuable quantities. Within the British Empire, Canada and Burma have been perhaps our best assets so far, but oil is reported in the West Indies, in Assam, Kashmir, Beluchistan and the Punjab; also in Egypt. Our great African Empire, too, must assuredly possess valuable oil supplies which further investigation will no doubt reveal. We are not, therefore, without resources of considerable value. Whilst it may be argued that a margin of 5 or even 10 per cent. in price in our favour would not be likely to have very much effect in promoting the discovery of new oil reservoirs within the Empire, or even of encouraging successful competition with the abundant and favourably located supplies of Southern Russia, the Eastern States of America, or the Dutch possessions in the neighbourhood of the Straits Settlements, the fact remains that it would undoubtedly have some effect: probably, in competition with current supplies from foreign sources, a very considerable effect. And this being so, the wisdom of adopting this preferential trade policy—already the guiding principle of all our Colonies and every one of our national competitors—seems unquestionable.

Turning from theory and generalities to the more concrete facts of the Indian oil trade, the first thing we notice in examining the sources of our foreign supply is that we grant practically the whole of our favours—nearly a million sterling in 1906-7—to Russia and the United States, two of the most highly protected of our national competitors and the two, moreover, who levy the heaviest tolls on British products entering their dominions! In the five years ending 1902-3 the average importations of Russian and American oils into India were valued at £1,727,000 and £436,000 respectively, as compared with £102,000 derived from British sources. Last year, 1906-7, India procured her kerosene oil (80 per cent. of the whole) as under:—

	Gallons.	Value.
From Burma (coastwise)	61,834,000	Rs. 219,50,000
,, United States	28,835,000	121,87,000
,, Sumatra	10,796,000	33,86,000
,, Straits Settlements	6,213,000	16,13,000
,, Various Foreigners	3,519,000	11,51,000
,, Russia [1]	2,249,000	9,24,000
,, Borneo	1,423,000	3,56,000

Excluding Burma's unascertainable local consumption, India last year absorbed over 114,000,000 gallons, of which nearly 54 per cent. was raised within the

[1] Internal troubles have temporarily greatly reduced Russia's productive powers.

country (*i.e.*, in Burma). The demand is yearly increasing and with it the percentage of Burma oil consumed. In addition to the above kerosene oil, 10,152,200 gallons of other mineral oils, mainly lubricating, were imported in 1906-7, of which Burma supplied 3,006,900 gallons. Obviously this inflow of oil affords an excellent opportunity for initiating India's adherence to the principle of preferential trade within the Empire. Assuming a general tariff of one anna per gallon, or of 5 per cent. *ad valorem* for revenue purposes to be necessary, at least 5 per cent. additional duty should be levied on oils derived from foreign sources. True, the consequence of such a preferential tariff might be a rise of some 1 or 2 per cent. in the price of all oils throughout India; but, even so, the advantages to Burma, to India, and indeed to the whole Empire, would more than compensate for the almost imperceptible extra contribution paid by Indian consumers. Apart from the fact that a large portion of this contribution would flow back automatically into the pockets of Indian producers, there would be as before explained the encouragement to oil discovery and manufacture within the Empire and, what is perhaps most important of all, an instrument in the hands of Government that might enable them to secure better tariff terms (*i.e.*, enlarged markets or demands) for British products entering Russian and American territories. This last possibility is one that has been fully recognised by India's late Finance Minister—Sir Edward Law (*vide* his Minute of 31st August, 1903, attached to the Government of India's despatch of 22nd October, 1903).

Leaving to the consideration of the reader the question of vegetable and essential oils, and the great possibilities of manufacturing the same in India from the identical oil-seeds and raw materials which India produces in such abundance but at present ships to Europe for others to manufacture, let us now glance briefly at the sugar problem. Here we find the clearest possible testimony of what a scientific regulation of the great currents of commerce can accomplish. We all know how the continental nations of Europe, realising the impossibility of competing unaided with the sugar-producing members of the British Empire, or with the British sugar refiner of the United Kingdom, proceeded to make self-sacrifices in the shape of protective tariffs and bounties, all paid out of their own pockets, with the object of building up sugar-producing and sugar-manufacturing industries that could successfully compete with those of Great and Greater Britain. Every device that art, science or national action could evolve to benefit the continental sugar-producing interests has been utilised, including the open markets of the British Empire whereon surplus production has been conveniently and profitably dumped whenever necessary. And with the result, as we all know, that the growth of cane-sugar throughout the Empire, and indeed the whole world, was for some years seriously checked, and continental beet-sugar secured a position that enabled it to successfully compete with, and in many cases demolish, the industry of those simpler-minded folk who, relying mainly upon the lands, appliances and legislation left them by their forefathers, delayed to recognise the nature and consequences of the world-wide developments that had taken place around them.

Exactly how much sugar India consumes nobody can say. The importation for 1906-7 was 486,000 tons, and this is probably not a tenth of what the cane grown in the country could yield if scientifically dealt with, seeing that 3,600 to 4,000 square miles are now devoted to sugar-cane cultivation every year. (The annual average for the ten years ending 1899-1900, before bounty-fed beet-sugar began to compete, was 4,400 square miles.) The sources of India's supply for the last three years are indicated below:—

	1904-5. Tons.	1905-6. Tons.	1906-7. Tons.
Java (Cane)	104,000	84,000	165,000
Mauritius (Cane)	91,000	100,000	115,000
Germany (Beet)	8,000	35,000	100,000
Austria-Hungary (Beet)	72,000	117,000	80,000
Various (Cane and Beet)	19,000	18,000	10,000
United Kingdom (do.)	5,000	13,000	8,000
The Straits (Cane)	10,000	7,000	2,000
Total Tons	309,000	374,000	480,000

Applying the line between British and foreign supplies, and taking only the year 1906-7, we get:—

From British sources	125,000 Tons.
,, Foreign sources	355,000 ,,

In other words, about three-quarters of the sugar imported last year into India gave profit and strength to foreign nations, some of whom are direct competitors of the British Empire. For the five years ending 1902-3 the proportion was only £1,361,000 from foreign countries and £1,713,000 from British sources, so that in the interval we have elected, by our worship of the god "CHEAP," to give less support to our own kith and kin and more support to our formidable opponents. Is this a policy by aid of which we can expect to build up our Empire and maintain that national wealth and strength necessary to resist the pressure of world-wide competition?

As in the case of mineral oil, it is possible that the British Empire cannot at present produce sufficient sugar-cane or beet for Indian needs, in which case we must of course for the time being satisfy some of our requirements abroad, preferably, however, from the friends who treat us generously rather than from those who squeeze the uttermost farthing from us by heavy duties on Indian and English manufactured products. Let us see how we stand. Assuming our annual Indian consumption to be 3,500,000 tons (including what is eaten when chewing cane), of which 3,000,000 tons are grown in the country and say 500,000 tons imported, can we so regulate this half a million inflow as to encourage sugar growth and manufacture not only in India itself but also in other parts of the British Empire? Apart from foreign sources of supply, we have, first, India and then the following family relations, the West Indies, Australia, Mauritius, Egypt, Natal and the United Kingdom, all of whom (together with our own vast local resources) could unquestionably in time give to the people of India as much sugar as they required. By imposing, then, in addition to the present 5 per cent. *ad valorem*, a further 5 per cent. on all sugar flowing into India from countries other than Great Britain and her Colonies and dependencies, we could erect a weir that whilst but very slightly raising the level of sugar prices in India, would at the same time not only benefit the homeland, Mauritius, Egypt, Australia and possibly other British possessions, but also encourage the cultivation and manufacture of more sugar in India itself. The desirability of doing something of this nature has been already clearly recognised in the imposition of countervailing duties against the bounty-fed sugar of the Continent of Europe—legislation that quickly proved its wisdom and value. Foreign nations having been forced by a combination of circumstances to abandon the bounty form of State-aid to their own commerce, the production of cane-sugar is once more resuming its former position of superiority, to the great relief and benefit of all British sugar-producers throughout the world. We need now only to carry the wise policy of the Government of India to its logical conclusion by discriminating between the cane-sugar produced within the Empire and that other sugar the purchase of which by India gives wealth and strength to the producers of rival nations. Five per cent. would do it. Why should we hesitate? Duties of this character, whether they be levied on sugar, or oil, or any other commodity produced by a foreign nation, simply mean a shifting of some portion of the burden of taxation from Indian to foreign shoulders. The proceeds of an Indian import duty on foreign sugar or foreign oil, for example, could be utilised towards a reduction of, say, the present salt tax, or the income tax, or some other tax which at present is paid wholly and solely by Indian or British interests. In this way not only would Indian and British producers directly benefit, but the general weight of Indian taxation would at the same time be materially reduced. If foreign nations desire to reap the advantage of finding buyers for the products of their industry in British markets, they ought in fairness to contribute something towards British taxes just as British merchants are obliged to do, and be it noted just as British manufactured goods are compelled to do before they are permitted to pass into the territories of foreign competitors. What is fair for one is fair for both. India, under the guidance of Sir Edward Law and Lord Curzon, has already taken a step in the right direction. The logical development of this policy is what is now required.

X.—THE IMPORT STREAM—MINOR CURRENTS.

The people of no nation in history has ever permanently prospered under a policy which neglected its home industries to build up and develop the resources and give employment to the labour of foreign States.—The late PRESIDENT McKINLEY.

OIL and sugar form roughly one-quarter to one-third of the whole of the commodities that India purchases outside the Empire. The balance is made up of some fifty or sixty different classes of articles (practically all manufactures), the chief of which in order of their values are cotton and silk goods, steel, apparel, dyeing and tanning materials, glass and glassware, jewellery and silver and gold plate, iron, provisions, woollen goods, hardware and cutlery, liquors, raw silk, raw cotton, matches, copper, german "silver," paper and pasteboard. Other notable items are salt, tobacco, clocks and watches, cotton twist and yarn, machinery and mill work, paints, toys and stationery. All these minor currents are perhaps in themselves insignificant. Their total even is by no means imposing in comparison with the majestic flow of Great Britain's export trade to India. At the same time, just as a straw will show how the wind blows, so these little coloured streaks in the great river of Indian imports are of considerable service to the economist and statesman as indicating facts, tendencies and probabilities from which he can deduct conclusions of great moment to national welfare.

In glancing through the above list of commodities purchased by India from foreign nations, we notice at once that nearly every item is the product of some *manufacturing* industry. Salt, coal, silk and cotton are in truth about the only raw products that India has bought from the foreigner. The fact that even these few things have been procured outside the Empire conveys a lesson, and special encouragement for the cultivation or production within British limits of the exact article in demand is the remedy and policy indicated. With resources such as we possess there is no necessity to go to Germany for salt or to Japan for coal; whilst so far as silk and cotton are concerned the efforts now being made to cultivate in India itself the exact qualities required, will no doubt yield success if persisted in with the necessary skill and determination. The significance of the imports of foreign *manufactured* goods is a matter on which we must specially ponder Seeing that the result of Great Britain's free import policy of the last sixty years has been to produce a mother land which now depends for its continued health and strength mainly on the success with which it can manufacture and sell the raw material it imports from abroad, it is of the greatest importance that its own children should, as far as they can, support its industries; and that India, its largest buyer, should not be tempted by a temporary cheapness to go elsewhere. Which being so, what are we to think when we see India spending millions abroad on such articles as iron and steel, cotton and woollen goods, hardware and cutlery, glass and glassware, matches, paper, twist and yarn, earthenware and porcelain, machinery and mill work, and many other commodities in the production of which the United Kingdom ought to be able to beat all competitors? Many of these come from the Continents of Europe and America and yield employment and profit to our most formidable rivals. True, the amounts individually are very trifling, but small as they are, can we afford to allow our rivals to retain and to work up these minor sources of strength as they are now doing? Allowing that India in 1906-7 purchased, say, 70 per cent. of her imports from British sources, still 30 per cent. went to outsiders, and 30 per cent. of £90,000,000 is £27,000,000. Is it wise to spend £27,000,000 sterling per annum without a thought as to results in the future in encouraging the development —more particularly the manufacturing capacities and developments—of rival nations some of whom are in direct competition with ourselves and none of whom will freely purchase our manufactured goods in return?

Possibly it may be said—Great Britain is doing well; so is India; we can well afford to spend our money as we like and buy from whom we please. The reply is—Whether we can now afford it or not, it is not sound for us to look only at the immediate present, and altogether neglect the future. Manufacturing industries are admittedly of considerable value and advantage, nationally. India must therefore think twice before spending £20,000,000 to £30,000,000 a year on foreign manufacturers, unless those foreigners will buy our manufactured products equally freely. Otherwise we must inevitably be forced into the position of merely supplying raw products for them to work up and from which they derive strength, whilst we are permanently handicapped and held back. Indeed this is the actual position of India at the present day. Fortunately we have the remedy in our own hands. The same device, by aid of which the main stream of foreign imports can be utilised to yield revenue and encourage British industrial developments, can be brought into operation with regard to most of the minor streams. But just as in the case of the various irrigation systems of Northern and Southern India different devices have been adopted to meet different local requirements, so, too, in the case of the little streams of foreign imports into India, our tariff machinery must be carefully constructed with the object of securing a separate and special result in each case. Thus, whilst the general principle may be embodied in the proposal to erect an import tariff of about 10 per cent. to 15 per cent. *ad valorem* on all foreign imports—especially manufactured imports—in working out the details, it may be desirable to allow such articles as raw silk and cotton, agricultural and mill machinery, dyeing and tanning materials, etc., to flow in entirely free of duty. At the same time, seeing that India buys more steel, more silk manufactures, more glass and glassware, more jewellery, and more clocks and watches from foreign sources than from British suppliers, and that, too, in spite of the fact that Great Britain is very expert in the manufacture of such goods, the situation seems to call for a considerably higher duty than even 10 or 15 per cent. in these instances, not only in the hope of stimulating Indian production, but also with the object of allowing a marked preference for, and so effectively encouraging the manufacture of, such goods in the United Kingdom. Each other class of India's importations from foreign countries should be dealt with in the same way, the idea being, whilst raising revenue for the purposes of general administration, to afford a certain encouragement to the creation and development of British industries in India as well as other parts of the Empire.

Our general conclusions with regard to the import trade of India can now be summed up in a few sentences. Although moderate import duties of say 5 per cent. on British and 10 to 15 per cent. on foreign manufactured goods would be the best way of collecting a portion of the revenue required by the Indian Government, in that it would give a gentle stimulus to the development of Indian arts and industries and at the same time exhibit a rational preference for the manufactures of the United Kingdom, the complete adoption of such a policy is at the moment probably impracticable owing to the preponderating influence and importance of the manufacturing interests of Great Britain. This, however, should not prove an obstacle to the adoption of a special mutual preference tariff designed to discriminate between products of British labour and those of Britain's competitors. This might be superimposed on the structure of the present Indian Tariff Act. Though yielding but very little additional revenue to Government and a similarly small measure of encouragement to the industries of India, it would indicate an intelligent recognition of that principle of mutual aid which is at the bottom of all social, national and Imperial progress, and it would give as much stimulus to Indian arts as the present conditions in India demand. It is urgently called for, too, in view of the fact that Great Britain's manufacturers are not holding their own with regard to the demands of India. Comparing the figures for the twenty years ending 1901-2, we find that India's total imports have increased in that period by 76 per cent. Of this advance all the leading manufacturing nations of the world have secured a proportion, but whereas Germany, Belgium and Austria-Hungary have multiplied their once small export trade to India by thirteen to thirty-eight times, Great Britain has not been able even to double her figures of 1881-82. Only in the last five years Germany has managed to increase her percentage of India's total purchases from her from 2·7 per cent. to 5·3 per cent., *i.e.*, she has doubled her sales of manufactured goods; and although the percentage is in one way small, to ignore its significance would be to throw away the warning which the falling barometer always gives to the experienced navigator. Germany is doing best in woollen goods, hardware and cutlery and cotton manufactures. Great Britain was once first in all the world in manufactures of these classes. Why should she not retain the whole of this trade?

XI.—THE EXPORT STREAM—ITS MAGNITUDE AND COMPOSITION.

What is pertinent in this connection is Sir Edward Law's study of both export and import trade (in his Memorandum accompanying the Government of India's despatch of 22nd October, 1903). That represents a business-like way of disposing of questions of this kind. That Memorandum exhibits exactly the methods in which we in the Commonwealth endeavour to approach proposals of this kind.—The Hon. Alfred Deakin, Prime Minister of Australia, at the Colonial Conference, 30th April, 1907.

We now come to a consideration of the most important portion of our subject—the possibility of turning to still greater account than is already done that magnificent stream of exports upon the continuation and growth of which India's advancing prosperity mainly depends. If the streams of imports that flow into India, and the fiscal treatment of some small portion thereof, suggested in the previous chapters, be likened to, say, the Cauvery, the Kistna or the Godavari rivers with their several deltaic systems of artificial irrigation, then the vast exports of India's raw products—wonderful in their variety, certain in their flow, and of truly unequalled volume and value—can only be compared to the greater rivers of the north—the sacred Ganges and the Jumna, or the mighty Indus with its five wonderful tributaries. These magnificent arteries are not only the life-source of a very large portion of the population of upper India, but in the projects for drawing and distributing their waters over hundreds of square miles of neighbouring lands we possess the largest and most successful irrigation schemes that the enterprise and ingenuity of man have yet succeeded in accomplishing. And may it not be possible to utilise in their flow some portions of India's vast export trade to augment Indian and British prosperity, just as the officers of Government have done in the case of the Jumna, or the Ganges, or the great rivers of the Punjab? We have before us the largest, most valuable and most powerful currents outside those of the United Kingdom, running, in one sense, largely to waste. Is it beyond the wit of man to harness some of this spare energy for the benefit of the Empire?

The principal articles of export from India arranged in order of their values for 1906-7 are as under:—

	Lakhs	Percentage of Total Exports.		Lakhs	Percentage of Total Exports.
	Rs			Rs.	
Jute - - -	2,683	14·7	Wool - -	242	1·3
Cotton - -	2,196	12·1	Pulses, Millets and Cereals -	128	·7
Rice - -	1,852	10·1	Coffee - -	99	·5
Jute Goods -	1,571	8·6	Wood - -	83	·4
Hides, Skins -	1,534	8·4	Indigo - -	70	·3
Seeds - -	1,301	7·1	Manganese Ore	70	·3
Cotton, Yarn and Cloth -	1,216	6·6	Oils - - -	69	·3
Tea - - -	986	5·4	Silk - - -	68	·3
Opium - -	930	5·1	Provisions -	65	·3
Wheat, Flour -	784	4·3	Spices - -	60	·3
Lac - - -	349	1·9	Myrobalams -	44	·2

Minor articles of export in order of their value are fodder, bran and cattle food, manures, saltpetre, coal and coke, coir, apparel, drugs and medicines, horns, metals, woollen goods, bristles, caoutchouc, tobacco, fruits and vegetables, mica, silk goods, unrefined sugar, gold, etc.

The total value of the export stream in 1906-7 was £121,516,349. Were the whole of this mighty volume discharged within the limits of the British Empire, the maximum benefit to British interests would result. Indian sellers would secure due recompense and profit on the whole of their sells; British buyers would find a similar satisfaction and profit in paying for and obtaining what they required. Thirty or forty years ago India's export trade did yield these double advantages to the Empire. With the desire of foreign nations to create manufacturing industries of their own (whether they were favourably situated for such industries or not), and with the adoption by them of a commercial policy hostile to British manufactures, a diversion of the lower reaches of the great Indian export river has been successfully effected, and with the result that many of India's most valuable raw products are now drawn off by our national rivals, converted by them into completely manufactured commodities, and then sold as such not only to Great Britain's former customers, but also to the people of the United Kingdom themselves. In this way, whilst India may not have suffered —except indirectly by the loss of British manufacturing prestige and its resulting wealth and power—Great Britain, in the supposed best interests of India, has quietly permitted rival nations to utilise some of her most valuable resources, and to build up, partly by the aid thereof, powerful industries that are now able to successfully compete with her in the markets of the world. Never before in the history of mankind has so amazing a policy—or absence of policy—been exhibited by an Empire with any pretension to statesmanlike foresight. How much of the current has been successfully diverted and utilised by foreign nations—some of them dangerous rivals to British supremacy—the following figures show :—

DISTRIBUTION OF INDIA'S EXPORT TRADE IN 1905-6.

	Per cent.		Per cent.
To United Kingdom	26·9	To China - -	10·9
,, Germany - -	11·0	,, Japan - -	4·1
,, United States -	9·0	,, Straits - -	3·8
,, France - -	6·4	,, Ceylon - -	3·7
,, Belgium - -	4·1	,, Austria-Hungary	3·3
,, Italy, etc. - -	3·3	,, Egypt, etc. -	2·4

It will be seen from the above that instead of practically the whole, Great Britain now takes advantage of only a little over one-quarter of India's exports. In her natural function of chief market for Indian commodities the United Kingdom has very seriously lost ground. As a matter of fact, Germany is now buying over 30 per cent., and the United States nearly 50 per cent. *more* from India *than they were doing only five years ago!* To the shortsighted, this may appear good business for India;

but it must not be forgotten that, in every normal commercial transaction, the buyer as well as the seller makes a profit, and the more Germany and the United States can buy from India the more profit *they* make out of the business. *Per contra* the less Great Britain buys, the less she makes. And where, as in the case in point, these purchases from India consist of valuable raw produce secured for the special purpose of being manufactured and again resold, the gain to Germany and the United States is multiplied several times; for the work of manufacture employs foreign brains, capital and labour (each earning their own recompense), whilst the sale of the manufactured product means satisfactory profits for all the various distributing departments of commerce. These several processes obviously augment our rivals' national wealth and strength and, relatively, diminish Great Britain's position of economic (and therefore political) supremacy.

Fortunately it happens that the nature of the great Indian export current, apart from its huge volume, is still a source of the greatest strength to the Empire. A glance through the list of its chief components reveals several products in which India practically enjoys a monopoly, *viz.*, jute, jute manufactures, til seed, lac, teak wood, myrobalams, mowra, etc., whilst in several others we possess advantages of the nature of a modified monopoly owing to their limited production in but few countries. Then, again, the remarkable cheapness of those other articles (such as wheat, seeds, hides, skins, etc.), in which India competes with outside producers, places us in a particularly strong position; so that, altogether, we can rest assured that not only shall we always be able to find buyers for everything we have to sell, but that in many important branches of commerce outside nations will be forced to come to India, whether (for political reasons) they wish to or not, in order to obtain the raw materials and other products necessary to keep their own peoples occupied and their own industries prosperous.

We are now in a position to commence our practical work of devising methods whereby the vast stream of India's exports can be utilised to forward Imperial interests. It will not be necessary as before pointed out to attempt the intercepting or blocking of any considerable position of the volume at first, any more than the development of any individual scheme of power transmission or irrigation calls for the complete carrying or diversion of the whole or of even a greater portion of the waters of, say, the Ganges or the Indus. The most we can hope to accomplish is by constructing favourable tariff channels to lead a little of the current here or there and to regulate the supply according to the exigencies of the moment. If necessary, we shall not hesitate to recommend a dam or weir across one or other tributary in order to ensure a permanent flow along a given route, or to so raise price levels as to afford some industry opportunities for development that without such mechanical means could never exist. All these advices are everyday matters to the irrigation engineer, and are everywhere recognised to be well worth the risk, trouble and expense involved. Nor need we be in the least afraid that by the construction of such works the volume of the main stream is likely to be so affected so that those who are lower down the