

Sir JAMES MACKAY : We are very much obliged to you for it. It would be very difficult for this country to press China to observe this undertaking, if, in the English market, Chinese teas were penalised. And, gentlemen, what reason is there for discriminating against China? She buys from this country no less than 17 millions' worth of goods, while the value of our purchases from her are something less than 3 millions sterling. A reduction of the present duty in favour of all teas imported into the United Kingdom, without discrimination, would no doubt, be of some importance to the Indian trade; but that would have no connection with a scheme of preferential tariffs. Whatever benefit might accrue to India and Ceylon from a reduction in their favour, would be obtained, to an almost equal extent, from a reduction to the same amount made on all teas in accordance with the existing policy of the United Kingdom of remitting taxation when no longer required for revenue purposes. The same remark applies practically to tobacco. The present specific duty falls heavily on Indian tobacco, because that is of much lower value than the other tobaccos ordinarily consumed, the duty being a specific duty; but any alteration in the duty on cheap Indian tobacco would be an ordinary adjustment of the tax, which could be fairly granted without any departure from the present fiscal policy of the United Kingdom.

Turning now to the other aspect of the question, namely, what advantages India can offer to the rest of the Empire under a preferential scheme, there is no doubt that she has more to give than she could possibly receive. Not only do the exports of India consist chiefly of commodities which are not likely to receive a preference in the tariff arrangements of the United Kingdom, but they go for the most part to foreign countries. On the other hand, three-fifths of the total import trade of India is the produce of the United Kingdom, and the goods belong to classes to which a discriminating tariff could be effectively applied. It is estimated that a third of the goods which the United Kingdom sends to India are exposed to the competition of foreign countries. India, therefore, has obviously more to give under a preferential scheme, than she can receive under such an arrangement. But the risks—and I say deliberately—and sacrifices which this would involve, are greater than India is prepared to accept.

There is another matter connected with the subject, namely, the question as to what bearing the adoption by the United Kingdom of a scheme of preferential tariffs would have on the excise duty which is now imposed on cotton piece goods manufactured in India, and on the exemption of cotton twist and yarn from the customs duty levied on other classes of cotton manufactures. These exceptional measures were adopted when, under financial stress, as his lordship knows, the import duties were re-imposed in order to prevent them from protecting the Indian cotton industry in the smallest degree; and they were defended on the ground that the policy of the British Parliament and the Government of India was one of strict Free Trade. If that policy were modified, the matter would assume an entirely new phase.

It has been suggested that India might join a preferential tariff scheme, with liberty to impose duties of a protective character against imports from the British Empire, if accompanied by still heavier duties against foreign imports—something the same as you propose to have in Australia. There is no doubt that, if a preferential policy were adopted which admitted of the establishment of protective tariffs by Great Britain, proposals in this direction would be put forward and pressed by Indian manufacturers. They would claim the same right to protect their manufactures as the Colonies enjoy, and it would be difficult to offer a logical opposition to such a demand. I should like to add here, gentlemen, that a preferential arrangement clogged by a clause against ships manned by natives of India, subjects of the King as

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PREFERENTIAL
TRADE.