grounds, since capacity to buy must depend on ability to sell. The value of Colonial trade to the United Kingdom is shown by the fact that the proportion of United Kingdom exports taken by the Colonial Empire, which amounted to 7 per cent in 1924, has risen in the first quarter of 1932 to 11 per cent. A similar tendency is shown by the figures of the trade between the Colonies and the rest of the Empire. In 1930 the Colonies sold to the United Kingdom goods valued at £39 millions and to the rest of the Empire £20 millions, while during the same year they bought from the United Kingdom £50 millions and from the rest of the Empire £46 millions. It is the desire of the United Kingdom to see trade between the Colonies and the Dominions and India still further increased. We cordially welcome such arrangements as the agreement between Canada and the West Indies which has conferred benefits on both, and we shall hope that our discussions in Ottawa may do much to open up possibilities of mutual trading between the tropical and temperate regions of the Empire.

We have made during the last few months a very intensive examination of the trade of the whole Empire, in the endeavour to find how we can help both ourselves and you, for despite clashes of sectional interest here and there we believe that the prosperity of the United Kingdom and that of all the other parts of the Empire are intimately linked together.

There is one factor, however, which has adversely affected us all, namely, the calamitous fall in the prices of primary commodities and the accompanying fall in production and consumption. Here perhaps I may be allowed to remind you that the countries of the Commonwealth depend upon world prosperity both directly, when they are selling commodities for which a world market is indispensable to them, and also indirectly, when they sell to the United Kingdom, because the purchasing power of the United Kingdom depends upon her ability to sell in a world market, and that in turn depends upon the ability of the world to buy.

In our opinion, this Conference should present us with a valuable opportunity for exchanging views on that subject. We believe that general assent would be given to the view that a recovery in world prices is one of the essential features in the recovery of the world, and it is our policy in the United Kingdom to co-operate in any practical international scheme designed to secure recovery of world prices. There are, however, limits to what even a large group of countries can do to raise their own price level if the trend of prices in the outside world is persistently downwards. Among the factors which should operate towards a restoration of price levels the first place must be assigned to the recovery of confidence by traders and producers. This object can best be achieved by assuring traders of a market for their goods, by the removal or limitation of existing barriers to trade, particularly arbitrary and erratic quota systems and exchange restrictions, by finding a solution of the problem of reparations and war debts, and by lessening the heavy burden of taxation and interest charges. At Lausanne the way was opened to a final settlement of reparations. As regards interest rates, we have just recently made a further step forward by launching our great scheme for converting over £2,000 millions of 5 per cent War Loan to a rate of 3½ per cent. This scheme has been received with the greatest enthusiasm and the progress already made in the actual process of conversion has exceeded all anticipations. We are confident that the success of the operation besides reducing public charges in the United Kingdom, to an important extent, will lead to a lowering of long-term interest rates to the benefit of industry and commerce and to the advantage of the Governments, not only in the United Kingdom but throughout the Empire.

Reverting now to Empire trade, we hope that as a result of this Conference we may be able, not only to maintain existing preferences, but in addition to find ways of increasing them. There are two ways in which increased preference can be given—either by lowering barriers among ourselves or by raising them against others. The choice between these two must be governed largely by local considerations, but subject to that, it seems to us that we should endeavour to follow the first rather than the second course. For however great our resources, we cannot isolate ourselves from the world. No nation or group of nations, however wealthy and populous, can maintain prosperity in a world where depression and impoverishment reign. Let us therefore aim at the lowering rather than the raising of barriers, even if we cannot fully achieve our purpose now, and let us remember that any action we take here is bound to have its reactions elsewhere.

His Majesty's Government in the United Kingdom therefore place before the Conference as its general objective the expansion of Empire trade, brought about as far as possible by the lowering of trade barriers as between the several members of the Empire.