



THE ROYAL BANK OF CANADA

HEAD OFFICE, MONTREAL

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(This is Part 2 of a discussion of the British Empire. Last month's Letter dealt with the Dominions, the position of the Crown, and the general philosophy of the Empire.)

THE British Crown encircles not only the ancient glories of a particular people, but the hope and promise of a broadening life for hundreds of millions of others.

An American, Henry J. Taylor, has just published a book, "Man in Motion", in which he refers to the British Empire in this way: "Considering its scope, the British Commonwealth of Nations is the most remarkable political achievement in history. It has overcome more tyranny, supplied more safety, removed more fear, taught more justice, and given more freedom to more people than any other institution on earth. It is not only worth preserving, in the interests of free men, but unless Britain preserves her so-called Empire there will be no freedom for millions upon millions who are now as free as they can safely be . . . Talking about colonial freedom is one thing. Supplying it is quite another. Furthermore, 80 per cent of the colonials of the world could not, or would not, use their freedom to maintain freedom. Eighty per cent of the world's people simply are not ready for what we are talking about."

Colonial administration is a tremendous task. Ignoring the Japanese occupation of many of them, there are 40 units in the British colonies, averaging 47,000 square miles. To govern them has required the setting up of a Colonial Office, with the Secretary of State for the Colonies a member of the Cabinet. In each colony and protectorate there is a governor who is the direct representative of the King. On the civil service staff of the Colonial Office are men with special knowledge of each colony.

Most British colonies were established by private enterprise, and not by government action. They were all equipped with representative bodies having control over legislation and taxation, though the executive power was held in most cases by nominees of the Crown. Virginia, the earliest English colony on this continent, was only 14 years old before it established a representative assembly, the first representative

body which ever existed outside Europe. This precedent was followed in every subsequent colony with encouragement of the home authorities.

The liberality of the British system is best understood in contrast with, say, the French, who employ direct rule, insist on French as the sole language of education, and try to assimilate the native population to the French way of life. The British, on the other hand, encourage indirect rule, use vernacular languages in the early stages of education, and encourage continuance of the native arts, culture and special qualities. The colonies of Britain are all travelling at different speeds, according to their capabilities, along the road toward complete and final self-government. Britain mainly derives benefit from her colonies through the provision of opportunities for young men in the colonial administrative service, and through the opportunities offered to traders and developers, such as engineers. Taxes raised in a colony are spent in that territory, and the United Kingdom supplements local revenue with contributions from its own exchequer, raised by taxes on the people of Britain. The complete fallacy of the loosely-made charges that Britain owns and exploits the colonies is demonstrated by the answer that Britain draws no tribute whatever from them; she enjoys no trading monopoly in them: she enlists from them no fighting forces, beyond what are necessary for defence and police purposes.

Two questions are asked as a part of British development of a territory: (1) how can this area be developed so as to make its resources available to the rest of the world? (2) how can we raise the standard of living of the local people, and so enable them to play their part as markets for the produce of other areas? It is true that Great Britain gives preferences to, and receives preferences from, her colonies, but the absurdity of a theory that there should be any monopoly of colonial products is easily demonstrated. People in the colonies are principally engaged in the production of primary commodities, partly agricultural and partly mineral. Productive capacity of these raw materials is growing throughout the world, with a tendency for the supply to exceed the demand. It is essential, therefore, for countries with colonial raw materials to widen their markets, selling to all-comers, and not to conserve them jealously for their own use. Consequently, countries in the Empire are encouraged to seek markets.

A statement of policy made in the House of Commons last summer rejected the suggestion of internationalization of administration of the colonies, while at the same time welcoming the establishment in certain areas of permanent international commissions made up of all states with major strategic or economic interests in those areas. These commissions, with representatives of the territories themselves, would consult on matters affecting security, transport, economics and social welfare. There are several reasons why international administration would not be satisfactory. The difficulties of administration in backward countries are great enough even with staffs made up of persons of one nation. Lack of experience in handling native problems might cause not only a slowing-up of development but even a dangerous recession. Moreover, many of the colonies are highly developed politically, and are definitely hostile to any form of internationalization. Great Britain governs her colonial territories as a solemn trust, and is in honour bound not to trifle with the loyalty of the colonial peoples as if it were something that can be traded in.

From a world-wide viewpoint there are two considerations about colonization. Colonial peoples must be safeguarded against misgovernment and exploitation, and helped to move forward until they are fit to take their place in advanced civilization. The second point is that all civilized peoples must have fair and equal access to the resources of these regions, with opportunity to share in their development.

To further the advancement of backward people, there is needed an intensified effort to improve health, education and cultural development, and this must be done in such a way as to graft western world techniques and ideas on the native base without disrupting native life. The interrelation of economic and social factors cannot be overstated, and the Colonial Office is steadily progressing in bringing them together into harmonious co-operation. Much stress is being laid upon health, as the basis of all social advancement, but progress is held back by native ignorance, prejudice and superstition, and by climatic environment. A Blue Book on colonial matters issued in 1939 contains an inspiring hundred pages about progress in social services and development.

It is impossible to obtain an idea of individual Empire Governments by studying them in alphabetical or geographical order. Read that way, they seem to spell utter confusion. They run all the way from the South Atlantic Island of Ascension, which was governed by the Navy as a ship until 1922, to Eire, with its constitution of 1937, which calls itself a "sovereign independent state". But all these forms of government, arranged in ascending order of relative local self-government, present a symmetrical series: at the top are the self-governing dominions; at the bottom are such outposts as the Friendly, or Tonga Islands, about 380 square miles in extent, which form a sovereign state under British protection. They have a queen, who is advised by a parliament. The 27,000 natives are not British subjects, but Tonga declared war on Germany in 1939. It is an example

in miniature of the self-government sought for each section of the Empire, as a step toward the most complete autonomy.

Those charged with direction of the Empire believe their supreme duty to be the preparation for freedom of races which cannot as yet govern themselves, and thinking people believe this to be the spiritual end for which the Commonwealth exists. An American Ambassador called the British Empire "a school of government that inevitably leads to self-government." The policy is first to train the backward peoples in the management of local affairs by delegating authority to village and tribal organizations, and gradually to widen this scope. The British are exceedingly practical. The question in mind when a proposition comes up is, "Will it work?". They have not become carried away by theories of government which, however applicable to certain peoples at certain steps of development, may be wholly inapplicable to others at other stages. The form of government must be adapted to the conditions, needs and degrees of political development of each territory. As a result, the British Commonwealth remains faithful to ideas of government founded in responsibility, while many parliamentary institutions planted in unprepared soil are fast disappearing.

A striking problem arising out of the curious nature of the association of countries in the Empire is that of immigration and national status. There is a British subjecthood shared by all citizens of the Empire, distinguished from the purely national citizenship granted to them by the particular member-countries to which they belong. The Dominions are tending to make local status the basis of rights and duties, and to regard the common status as implying merely the consequences of common allegiance to the sovereign, consequences which may be maximized or minimized in law at the discretion of dominion legislatures. British subjects going from one part of the Commonwealth to another find themselves with rights less than those of local citizens but greater than those of aliens. This is not important in law, but it has great importance in sentiment, and some Empire countries would have difficulty in persuading their people to give up the title "British subject" even though offered identical rights and duties under another name. The problems arising out of immigration are not so likely to be as pressing in the immediate future as they were at times in the past. There has been no great migration from one part of the overseas empire to another, and migration from the United Kingdom has fallen to a mere trickle. Britain has become, on balance, an immigrant country since 1930, and, as pointed out in our Letter in January, it is no longer a source of population for overseas countries.

The British Empire is occasionally referred to by Empire Resources orators as having an abundance of every raw material, but in fact the United Kingdom and her dependencies (omitting the self-governing dominions and India) have a net deficiency of every important foodstuff except fresh milk, tropical fruits, vegetable oils, cocoa, tea and coffee. If the dominions' and India's supplies be added, there is an exportable surplus of wheat, and self-sufficiency in rye, rice and potatoes. Even so,

it is partly dependent on foreign sources for maize, beef, pork, bacon, mutton, butter, cheese and sugar. The United Kingdom and the dependent empire have exportable surpluses of tin, manganese, coal, rubber and graphite, and are about self-sufficient in bauxite, vanadium, phosphates, sisal and vegetable oils. If the dominions and India are brought in, the following are added to the list of raw materials of which there is an exportable surplus: lead, nickel, chromium, vanadium, asbestos, platinum, wool, jute and vegetable oils, and there is self-sufficiency in iron, copper, zinc, tungsten, magnesite, phosphates, and timber. The whole Empire remains partly dependent on outside sources for sulphur and cotton, and largely dependent on outside sources for molybdenum, antimony, petroleum, potash, mercury, silk, flax, hemp and manilla. It is readily apparent that the Empire could have no serious policy of building self-sufficiency.

Instead, the Empire seeks world-wide trade. **World Trade** Britain it was who proved that two merchants of different countries trading together will both become rich, and each makes the balance in his own favour, so they do not get rich out of each other. Britain also found that business in staples is safer than in so-called fancies, such as those produced by Japan, because demand for the latter may vanish at any time. She found, too, the potency of a brand new want. There was no demand for tobacco in the England of Raleigh's time, because tobacco was unknown: then it was introduced and almost immediately became a want: today it is nearer a necessity. One generation acquires 50 wants, and invents 50 ways of satisfying them, but each in turn engenders two new wants. Britain's inventive genius and her large-scale industries with their specialized products have put a new premium on wide markets. By 1870 Britain's trade was \$530 million more than the trade of France and America combined, but such a commanding position could not be maintained in the face of the rapid industrialization of every other modern state. In 1890 her lead was only \$40 million, and at the outbreak of war in 1914 the combined trade of France, the United States, Germany and Japan was more than double that of Britain. Outside Britain, the trade of the Empire grew from \$230 million in 1810 to \$10,805 million in 1926. In 1810 all save a negligible amount was with Britain; by 1926 only \$3,326 million was with Britain, roughly one-third, and in 1938, \$2,900 million.

Before this war, the British Empire was transacting about 28 per cent of the total trade of the world, a decrease from the 36 per cent of 1914. Those who picture the Empire as a closed trading monopoly will find this table illuminating:

UNITED KINGDOM	PROPORTION OF TRADE WITH:		
	British Empire	United States <i>Per cent</i>	Other Countries
Imports from: 1913	24.9	18.4	56.7
1938	40.4	12.8	46.8
Domestic Exports to: 1913	32.9	9.4	57.7
1938	49.9	4.3	45.8

In the last full year before the war, Canada imported \$425 million worth of goods from the United States and \$186 million worth from the British Empire, while she exported \$346 million worth of goods to the United States and \$443 million worth to the Empire.

Britain doubtless gained on throwing open her markets to the whole world in 1846, **The Ottawa Agreements** when she invited other European nations to co-operate in the development of vast lands, to send settlers to live in freedom under the British flag, and to increase the trade of these lands with the rest of the world. There were many intermediate steps between that situation and the Ottawa Conference in 1932, but all were logical. There was a conflict between the political and economic motives for economic co-operation. Fears were driving, and wants leading. The world depression pushed the Empire countries toward a defensive policy. The objective was, in part, to re-establish reasonable prices for the primary products on which the Dominions were so largely dependent, but there were external political as well as economic repercussions. There is no evidence of the establishment of an economic bloc, though much of the outside world believed that such a bloc was in the making, and the ill-will and retaliation thus engendered added to the difficulty of an already tense international situation. Because the Ottawa Agreements have been cited recently as one of the causes leading to war, it is well to examine their true significance. In the first place, why should there not be special economic arrangements among the countries of the Commonwealth? It is a political organization, loose as we have seen, but nevertheless real. It is valuable as a means of preserving peace and order among its members and as a contribution toward peace and order in the world. If that organization could be strengthened by economic or other ties, that would be of value to the whole world. This was especially true in an era when other countries were trying by all means in their power to render themselves self-sufficient, largely from political motives. They abandoned economics in favor of preparing themselves for aggression. There was, as evidenced by breakdown of the World Economic Conference, no chance of success in a frontal attack, so this community of nations decided to take positive action which might be an example to the world. It was the decision of the conference, expressed in its final resolution, that "by the lowering or removal of barriers among themselves the flow of trade between the various countries of the Empire will be facilitated, and that by the consequent increase of the purchasing power of their peoples the trade of the world will also be stimulated or increased."

Jurisdiction in defence matters is no more clear-cut than in economic questions. **Defence** The basic principles of the defence of the Empire are: each part shall provide, as far as it is able, for its own defence, and its forces shall take part in the common defence of the commonwealth when and to the extent its government and legislature so decide. This great Empire was not built up by, nor does it depend upon, the use of military power. No large forces are needed to keep it in subjection. Except in time of war, when armies have to be hastily impro-

vised, the military forces of the Empire are less than those of some European states of second rank. And, be it noted, when the existence of this Empire is threatened, as in the last war and in this, its subjects do not seize the opportunity to revolt, but make generous and spontaneous sacrifices for its defence.

The British Empire has more to lose and less to gain from war than any human organization ever formed. It seeks above all the peaceful conduct of world trade, and the steady development of colonies. For Britain this war is not a question of conquest of territory, or of the rectification of frontiers, but defence of a whole conception of life and of government. And what organization on a world scale could have been tested as searchingly in its inner loyalties, and so triumphed in the test, as the Empire in 1940? From the greatest and the smallest, from the strongest and the weakest, from the most advanced and the most simple, there flowed into London assurances that Empire countries would go down or come through together. The fact that they are coming through together is one of the facts that matter most in world politics.

When the war is won, what part will this Empire play in the world? The exhaustion and paralysis of certain sections are so great that restoration must be a slow process and will be extremely difficult. Britain has declared her willingness and eagerness to participate with like-minded nations in an effort to help build in the world a security it has not heretofore known, and this spirit was confirmed at the recent conference in London. Perhaps UNRRA is a step toward this objective, as the first international sharing of a major task with post-war implications. The signatories to that agreement are bound to work for rehabilitation of peoples occupying distressed countries. It is a new conception of co-operation of all the free world for the good of all mankind. And yet, is it so new? The British Empire, after much experiment, adopted this method of mutual co-operation to solve its problems, and proved that difficulties can be solved by discussion where they certainly could never have been settled by force. All parts of the commonwealth have accepted the principles of the collective system for regulation of international relations. The British Empire now assures justice and liberty to one-fourth of the world's population, and would, if it could, bring them peace and contentment also.

Since August 1942 Canada has been providing 15,000 tons of cereals a month to Greece, and a representative of the Red Cross who was in charge of administration of relief in that country said these free gifts represent the difference between starvation and survival for half the population of Greece. The goodwill engendered by such acts is being extended through UNRRA. The President of this bank said last January: "I personally believe that large outright gifts of food, raw material, finished goods and machinery to backward and devastated countries will in the long run, and even from the most selfish point

of view, not only contribute most to human welfare, but both in the short and long run be in the best interests of those nations which can afford to make the gifts." Out of such co-operation may grow a new conception of world affairs, in which even the least idealistic nations may be compelled to take their place, seeking world welfare rather than individual aggrandisement.

Foremost among collaborators must, in the nature of things, be the British Empire and the United States. The community of friendship between these two world organizations is founded upon community of language, ideas and ideals. It is a good thing to concentrate upon points of agreement, of which there are many more than points of difference. It is, said Prime Minister Churchill in April, practical to aspire to a closer functional unity within the Empire while at the same time retaining association with the United States and others. "I have never conceived that fraternal association with the United States would militate in any way against the unity of the British Commonwealth and Empire," he said, "or breed ill-feeling with our great Russian ally with whom we are bound by a 20-years treaty." On another occasion Mr. Churchill declared the Empire seeks no narrow or selfish combination. "The tremendous and awe-inspiring fact stares the British and American democracies between the eyes, that acting together we can help all nations safely into harbour, and that, if we divide, all will toss and drift for a long time on dark and stormy seas."

This war is not likely to end in the dominance of a supreme state or a group of supreme states. The experience of the Empire, detailed earlier in this Letter, indicates the futility of such a plan. Progress for individual states, and for the world, will result from more intimate collaboration. To this the prime ministers of the dominions, and the prime minister of the United Kingdom, have pledged their support. The Empire they represent is far from perfect, but it is being constantly improved because of the criticism of its own people through their press, parliaments and institutions. Throughout all its affairs blows the cleansing wind of democracy, based on freedom of speech, of religion, of the press, and of association. These are the fundamentals of the British Empire way of life. The members of the Empire have faced every question affecting race, religion and status, and by long experience the Empire's statesmen have acquired both the habit and spirit of toleration and just treatment.

These are some of the reasons why the Empire stands. As Churchill phrased it: "How are all these communities and races joined together? Why is it they wend their way along the stony uphill road in company? There is only one answer to that: it is because they want to. In fact, they want to very much. If it were not so, there is no means to compel them. But they want to. They want to not only in the piping times of peace, but even more closely they draw together in the most horrible shocks and agonies of war."