

ments with the Colonies, the Colonies should take steps to place each other's products in whole or in part on a more favoured customs basis than is accorded to the like products of foreign countries."

This resolution raises somewhat different issues from the preceding one. At first sight it would appear that this was a matter in which only the Colonies making such arrangements are themselves concerned, and that as Her Majesty's Government have allowed the Colonies full liberty to frame their fiscal systems with the view, if they think fit, of protecting their local industries, there can be no objection to their making arrangements to extend a somewhat similar protection or preference to those of a sister colony.

27. It must be remembered, however, that the primary object of a differential duty is a diversion rather than an increase of trade, and that as the proportion of the external trade of most of the Colonies which is carried on with foreign countries is insignificant compared with that carried on with the Mother Country and other parts of Her Majesty's Dominions it will be difficult for one colony to give a preference in its markets to the trade of another solely at the expense of the foreigner, and without at the same time diverting trade from the Mother Country or from sister Colonies which may not be parties to the arrangement.

28. Serious injury might thus be inflicted on the commerce of a neighbouring colony, and unfriendly feelings generated, which might provoke retaliation, and would in any case estrange the Colonies concerned in a manner which would not conduce to the great aim which the Conference had in view throughout.

29. Any agreement for reciprocal preferential treatment between two colonies will, therefore, require careful consideration in regard to its probable effect on the commerce of the rest of the Empire, and although Her Majesty's Government have the fullest confidence that the loyalty and good feeling happily prevailing between the various parts of the Empire would prevent one colony seeking an advantage to itself which could only be gained at the serious prejudice of other parts of Her Majesty's Dominions, it is impossible for them to relieve themselves of their responsibility in regard to the general interests of the Empire in such a matter.

30. The last part of the resolution, which urges, "That for the purposes of this resolution the South African customs union be considered as part of the territory capable of being brought within the scope of the contemplated trade arrangements," opens, as Lord Jersey has remarked in his report, a prospect of additional complication.

31. The Orange Free State is a party to that arrangement, and if a colony outside South Africa were to extend to the produce of that State preferential terms granted to the produce of the Cape Colony, Her Majesty's Government might, unless the same terms were extended to all countries entitled to most-favoured nation treatment in that colony, be involved in a serious controversy with those countries.

32. Having now indicated generally the views of Her Majesty's Government on the policy advocated by the Conference, I turn to the resolutions which urge the removal of such obstacles, arising from legislation or treaty, as impede the carrying out of that policy.