

12. It must not be forgotten that, as I have pointed out in my other despatch of this date,* whilst the grant of preferential tariff treatment is a friendly act to the country receiving it, it is an unfriendly act to countries or places excluded from it, and Her Majesty's Government are satisfied that the bonds which unite the various parts of the Empire together require that every colony should accord to the rest at least as favourable terms as it grants to any foreign country. If a colony were to grant preferential treatment to the produce of a foreign country and were to refuse to extend the benefit of that treatment to the Mother Country and the other Colonies, or some of them, such a step could not fail to isolate and alienate that colony from the rest of the Empire, and attract it politically as well as commercially towards the favoured power. Her Majesty's Government are convinced that the Colonies will agree that such a result would be fraught with danger to the interests of the Empire as a whole, and that they will also agree that it would be impossible for Her Majesty's Government to assent to any such arrangement.

13. In regard to the other side of the question, namely as to the terms which a colony seeks from a foreign power, the considerations mentioned appear to require that a colony should not endeavour in such a negotiation to obtain an advantage at the expense of other parts of Her Majesty's Dominions. In the case, therefore, of preference being sought by or offered to the colony in respect of any article in which it competed seriously with other colonies or with the Mother Country, Her Majesty's Government would feel it to be their duty to use every effort to obtain the extension of the concession to the rest of the Empire, and in any case to ascertain as far as possible whether the other colonies affected would wish to be made a party to the arrangement. In the event of this being impossible, and of the result to the trade of the excluded portions of the Empire being seriously prejudicial, it would be necessary to consider whether it was desirable, in the common interests, to proceed with the negotiation.

14. Her Majesty's Government recognise, of course, that in the present state of opinion among foreign powers and many of the Colonies as to differential duties, and in a matter which, to some extent, would affect only a particular colony, they would not feel justified in objecting to a proposal merely on the ground that it was inconsistent in this respect with the commercial and financial policy of this country.

But the guardianship of the common interests of the Empire rests with them, any they could not in any way be parties to, or assist in, any arrangements detrimental to these interests as a whole. In the performance of this duty it may sometimes be necessary to require apparent sacrifices on the part of the colony, but Her Majesty's Government are confident that their general policy in regard to matters in which colonial interests are involved is sufficient to satisfy the Colonies that they will not, without good reason, place difficulties in the way of any arrangements which a colony may regard as likely to be beneficial to it.

I have, &c.,

RIPON.

* No. 1.