

British Trade Diversion Policy and the 'Colonial Issue' in the 1930s

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As the world economy in the early 1930s deteriorated into what the League of Nations described as 'commercial warfare'¹, Britain adopted a strategy of strengthening its trade ties with the Empire.² Most attention by historians has been put to Britain's relations with the Dominions and with India, but Britain also tried to obtain a larger share of the import markets of its non-self-governing colonies.³ However, not only did this attempt largely backfire, it also exacerbated the 'colonial issue' with the 'have-not' nations, notably Germany and Japan. In public the British government denied that a lack of tropical colonies adversely affected the 'have-not' countries, but this was belied by its attempts to secure trade advantages for itself with its colonies. And in private it conceded that a case could be made out for territorial compensation for Germany and that, if in return, Britain could gain a peace settlement in Europe such territorial transfers were worthwhile. This paper examines Britain's

¹ League of Nations, *The Transition from War to Peace Economy* (Report of the delegation on economic development, part 1, Geneva, 1943), p. 26

² League of Nations, *Memorandum on International Trade and Balances of Payments*, vol. 1, Review of World Trade, 1935, (Geneva, 1936), pp. 63-69; League of Nations, *The Network of World Trade* (Geneva 1942), p. 9; Ian M. Drummond, *British Economic Policy and the Empire 1919-1939* (London, 1972), pp. 89-95; Ian M. Drummond, *Imperial Economic Policy 1917 to 1939: Studies in Expansion and Protection* (London, 1974), pp. 170-186.

³ The British colonial empire comprised in this period those colonies which were non-self-governing and whose administration was the responsibility of the Secretary of State for the Colonies in the British government. It therefore did not include the Dominions (Australia, New Zealand, South Africa and Canada), India (including Burma) nor Southern Rhodesia. Britain's trade relations with the colonial empire has been a neglected topic since F.V. Meyer, *Britain's Colonies in World Trade* (London, 1946). See also, Drummond, *British Economic Policy*, p. 121.

attempts at trade diversion with the colonial empire and the reasons for its lack of success. By comparing patterns of trade in the Gold Standard period (1925-1931) with those of the years following the Ottawa conference (1932-1938) it is possible to estimate the impact which Britain's trade diversion policies had. It is argued that the gains to British exporters from trade diversion were much less than had been hoped for and certainly not worth the encouragement given to the 'have-not' nations to intensify their demands for colonial compensation. Britain's willingness to countenance the transfer of colonial territory to Germany by means of a repartition of tropical Africa undermined its authority in the colonies. This, combined with the effects of the depression on colonial economies, which Britain's trade policies appeared to do little to alleviate, helped create a crisis for British colonialism which proved to be the first step towards eventual decolonisation.

Britain valued its tropical colonies in the inter-war period more as a market than as a source of supply of primary produce. Empire exports of primary commodities generally exceeded Britain's import requirements and even in the 1920s many tropical exports were over-supplied to the world market.⁴ In the 1930s primary products became very cheap in relation to manufactured goods which further removed concerns about the colonies as sources of supply. Indeed British policy aimed at reducing levels of production in a number of commodities where British capital was invested (rubber, tin, tea, sugar) so as to bolster prices.⁵ As far as

⁴ Drummond, *British Economic Policy*, pp. 33-35.

⁵ There are a number of useful works on commodity restriction schemes in the inter-war period. J.W.F. Rowe, *Primary Commodities in World Trade*, (Cambridge, 1965) and P. Lamartine Yates, *Commodity Control: A Study of Primary Products*, (London, 1943) provide an overview. More detailed studies of particular commodities include, for tin, W.L. Holland (ed), *Commodity Control in the Pacific Area*, (London, 1935), pp. 376-398; William Yandell Elliott, *International Control in the Non-Ferrous Metals* (New York, 1937), pp. 277-362, and K.E. Knorr, *Tin under Control*, (Stanford, 1945). For rubber, see: Holland, pp. 399-425, K.E. Knorr, *World Rubber and its Regulation*, (Stanford, 1945), and John Drabble, *Malayan Rubber: the Inter-War Years*, (London, 1991). For a study of the restriction scheme for tea, see: V.D. Wickizer, *Tea under International Regulation*, (Stanford, 1944).

TABLE 1 - Sources of Colonies' Imports 1925-31 and 1932-38 (annual average) Imports from

Colonies	Total £M	UK %	India %	OBC %	Germ. %	Fra. %	Neth. %	Italy %	Japan %	USA %	OFC %
1925-1931											
Med	12.5	19.8	-	6.4	8.6	4.0	-	8.0	-	6.2	47.0
W. Africa	24.2	62.4	-	4.0	9.8	3.5	4.9	0.4	-	10.7	4.3
E. & C. Africa	17.4	40.7	5.4	10.0	4.7	-	4.2	-	5.9	9.5	19.6
Indian Ocean	9.4	16.0	26.2	13.0	-	3.5	-	-	5.4	3.3	32.6
S. & E. Asia	164.0	14.5	12.7	8.5	2.4	0.6	0.7	0.6	4.5	4.3	51.2
Pacific Ocean	2.0	24.3	2.1	60.7	-	-	-	-	1.4	11.4	0.1
C. & S. America	22.0	32.5	-	27.0	-	-	0.3	-	-	28.0	12.2
Total	251.5	22.9	9.7	10.4	3.3	1.1	1.3	0.8	3.5	7.5	39.5
1932 - 1938											
Med	19.0	22.5	-	5.7	10.7	2.0	-	3.7	0.5	6.3	48.6
W. Africa	17.8	57.6	-	7.4	7.8	1.3	2.7	0.9	2.5	8.3	11.5
E. & C. Africa	14.2	35.3	2.5	21.8	5.2	-	1.5	-	13.4	7.3	13.0
Indian Ocean	7.3	16.5	19.6	14.6	-	1.4	-	-	9.7	1.4	36.8
S. & E. Asia	108.3	14.0	10.3	8.0	2.7	0.3	0.5	0.2	6.5	3.9	53.6
Pacific Ocean	1.5	30.2	0.9	51.0	-	-	-	-	3.8	6.6	6.0
C. & S. America	19.3	38.3	-	24.9	-	-	0.2	-	0.3	19.2	17.1
Total	187.4	3.3	6.9	11.2	3.8	0.5	0.7	0.6	5.5	6.3	41.2
Notes:	Mediterranean: Malta, Cyprus, Palestine West Africa: Gambia, Sierra Leone, Gold Coast, Nigeria, Cameroons, St. Helena East and Central Africa: Kenya-Uganda, Tanganyika, Zanzibar, Nyasaland, N. Rhodesia Indian Ocean: Aden, Somaliland, Seychelles, Mauritius South and East Asia: Ceylon, Malaya, Hong Kong Pacific Ocean: Fiji, Tonga, British Solomon Island, W. Samoa Central and South America: Bermuda, Bahamas, Jamaica, Cayman Is., Turks and Caicos Is., British Honduras, St. Lucia, Barbados, St. Vincent, Grenada, Leeward Is., Trinidad, British Guiana, Falkland Is.										
	OBC = Other British countries										
	OFC = Other foreign countries										
Source:	Statistical Abstract for the British Empire 1925-34, 64th No., BPP 1935-36, XXVI, (Cmd. 5016); Statistical Abstract for the British Empire 1929-1938, 68th No., BPP 1939-40, XI, (Cmd. 6140).										

the tropical colonial dependencies were concerned, Britain's main objective at the Imperial Economic Conference held in Ottawa in July 1932 was to increase its access to their markets by the use of discriminatory tariffs. Except for a handful of colonies prevented by international treaty from implementing a discriminatory tariff regime, all colonies were obliged to increase considerably the level of imperial preference given in their import duties.⁶ Most colonies raised the level of their tariff and then granted British and Empire goods a preference of between 25 and 50 per cent.⁷

It is possible to analyse the trade relations between Britain and the colonial empire by comparing the seven years of the Gold Standard (1925-1931) with the seven following years when sterling was devalued and the Ottawa system operated (1932-1938). Table 1 shows the sources of imports purchased by the 39 colonies which made up the dependent empire in these two periods. Overall, Britain did not improve its share of the colonial import market by very much: it had 22.9 per cent in the earlier period and 23.3 per cent in the later and since the total value of colonial imports was diminished by one-quarter, British exporters were hardly better off. Although most colonies accorded much greater levels of tariff preference to British goods after 1932, a few colonial markets remain unprotected. Table 2 compares the sources of imports in a number of colonies where British and Empire goods were not given tariff preference with leading colonial markets where protection to British goods was intensified in the 1932-38 period. The colonies shown in Table 2 are divided into three groups: those which

⁶ Henry J. Richardson, 'Tariffs, Preferences and Other Forms of Protection' in British Association, *Britain in Recovery*, (London, 1938), pp. 125-145; D. Abel, *A History of British Tariffs 1923-1942* (London, 1945); Meyer, pp. 9-61; Drummond, *Imperial Economic Policy*, pp. 219-225; Public Record Office (hereafter PRO) CO 323 1186/90918/1 Trade: Ottawa Conference, 1932.

⁷ CO 323 1186/90918/1; Colonial Office, Customs and Tariffs of Non-Self-Governing Colonies, Protectorates and Mandates 1932, Colonial No. 72, London, 1932); Colonial Office, Customs and Tariffs of Non-Self-Governing Colonies, Protectorates and Mandates 1933 (Colonial No.83, London, 1933); Colonial Office, Economic Survey of the Colonial Empire 1936 (Colonial No. 149, London, 1938); Colonial Office, Economic Survey of the Colonial Empire 1937 (Colonial No. 179, London, 1940).

TABLE 2 - Sources of Imports of Protected and Unprotected Colonial Markets, 1925-31 and 1932-38 (annual averages)

Colonies	Total imports £m	1925-31 From UK £m	From UK %	Total imports £m	1932-38 From UK £m	From UK %
Group 1	65.2	11.4	17.5	64.8	10.0	15.5
Group 2	154.8	36.0	23.3	95.1	23.6	24.8
Group 3	31.5	10.1	32.1	27.5	10.2	37.1
All	251.5	57.5	22.9	187.4	43.8	23.4
Groups 1+2	220.0	47.4	40.8	159.9	33.6	40.3

Notes: Group 1: Aden, Palestine, Kenya-Uganda, Zanzibar, Tanganyika, Nyasaland, Hong Kong
 Group 2: Malta, Gambia, Sierra Leone, Gold Coast, Nigeria, St. Helena, Somaliland, Seychelles, Ceylon, Malaya, Tonga, British Solomon Is., W. Samoa
 Group 3: Cyprus, N. Rhodesia, Mauritius, Fiji, Bermuda, Bahamas, Jamaica, Cayman Is., Turks and Caicos Is., British Honduras, St. Lucia, Barbados, St. Vincent, Grenada, Leeward Is., Trinidad and Tobago, British Guiana, Falkland Is.

Source: as for Table 1.

remained unprotected markets throughout the inter-war period (Group 1); those which were unprotected in the years 1925-31 but protected in 1932-38 (Group 2); and those which were protected markets over the whole period. In the earlier period, the United Kingdom's share of the Group 3 markets (32.1 per cent) was almost double its share of Group 1 (17.5 per cent). Moreover, whilst its share of Group 1 declined in the 1932-38 period, it rose to 37.1 per cent in Group 3. The colonies in Group 2 also improved slightly as a market. However, the combined size of the Group 2 and 3 markets declined considerably - by 35 per cent, from £182.2m per annum in 1925-31 to £119.0m per annum, 1932-38, whilst the size of the Group 1 market, despite price falls, remained stable, no doubt as a result of an increased volume of merchandise flowing to these low tariff or free-trade regimes. The decline in the protected markets was particularly acute amongst the Group 2 colonies where trade protection for British imports was imposed for the first time.

These gains for Britain, partly at the expense of India and other British countries, following the imposition of the Ottawa arrangements, appear relatively slight. A more precise picture can be obtained by concentrating on colonial markets for particular imports which Britain specialised in: after all, at least one-third of total colonial imports consisted of basic foodstuffs such as rice, which Britain did not supply at all. What concerned Britain was the colonies as markets for its manufactures.

Throughout the 1920s British colonial policy centred on the importance of developing the colonies as markets for British exports to help reduce unemployment levels in Britain. Indeed, the main point of the major piece of colonial development legislation in the pre-depression era, the 1929 Colonial Development Act, was to achieve exactly that.⁸ In the crisis of the early 1930s even more

⁸ David Meredith, 'The British Government and Colonial Economic Policy 1919-1939', *Economic History Review*, 2nd ser., XXVIII, 3 (1975), pp. 484-499; Stephen Constantine, *The Making of British Colonial Development Policy 1914-1940*, (London, 1984), pp. 163-191; W.R. Garside, *British Unemployment 1919-1939*, (Cambridge, 1990), pp. 196-200.

emphasis was placed on the role which the colonies could play in offsetting falling demand for British goods in the world economy. However, since the colonies were also caught in the trade crisis they could hardly be expected dramatically to lift their purchases of manufactures, especially as the terms of trade turned severely against them.⁹ Therefore the only way in which Britain could enhance its sales in the colonial markets was by increasing its share at the expense of other suppliers.

The most important items of manufacture exported by Britain to its colonies were cotton piece goods and other textiles, followed by iron and steel products, machinery, cement and motor vehicles and parts. The colonies imported cotton goods worth around £20 million per year in the period 1925-31, roughly the same as India's imports. Britain's share of this market was in decline prior to the onset of the depression: it fell from 58 per cent in 1925 to 49 per cent in 1929 and 34 per cent in 1931. It reached its lowest point in 1934 at 26 per cent. Japan was Britain's major rival: Japan's share rose from 15 per cent in 1925 to 42 per cent in 1932 and reached a peak of 60 per cent in 1934. This challenge from Japan in the post-Ottawa years prompted Britain to introduce a cotton textile quota system in 1934 despite protest from Japan and the United States, opposition from nationalist politicians in many colonies and adverse press comment in Britain.¹⁰

⁹ The terms of trade of eight of Britain's colonies with the highest trade values fell to their lowest point as follows (1927-1929= 100):

Gold Coast	53	(1934)
Nigeria	60	(1931)
Kenya-Uganda	76	(1931)
Malaya	45	(1932)
Trinidad	72	(1931)
Ceylon	78	(1930)
Mauritius	78	(1930)
Jamaica	87	(1931)

Calculated from Board of Trade, *Statistical Abstract for the British Empire for Each of the Ten Years 1925 to 1934, sixty-fourth number*, British Parliamentary Papers, 1935-36, XXVI, Cmd. 5016 (London, 1935); Board of Trade, *Statistical Abstract for the British Empire for Each of the Ten Years 1929 to 1939, sixty-eighth number*, British Parliamentary Papers, 1939-40, XI, Cmd. 6140 (London, 1939).

¹⁰ PRO CO 323 1226/11081/19 Commercial relations with Japan, 1933.

The Colonial Office was obliged to use its overriding political power in a number of colonies, notably Ceylon, to obtain acquiescence in the quota policy.¹¹ The quota system raised Britain's share of the colonial import market to 43 per cent in the mid-1930s although it fell back to 33 per cent in 1938. Japan's share declined to 37 per cent before rising in 1938 to 41 per cent. Thus the effect of the anti-Japanese trade discrimination was to reduce Japan's share to roughly the same as Britain's, but it failed to restore the relative positions of the 1920s. Moreover, it had adverse effects on the colonial economies. The shortage of Japanese goods caused their price to the consumer to rise close to that charged for the British product;¹² and the constriction of import volumes reduced colonial government revenue from customs duties.¹³

The cotton textile quota system was disappointing to Britain. Partly this was a result of the inadequacy of the quota system itself, for a number of colonies were prevented from imposing trade discrimination by international treaties entered into by Britain in the XIXth-century. The impact which this problem had can be shown by comparing major colonies where quotas were imposed with those where they were not (Table 3). Quota-1 colonies were those which were unprotected in the 1925-31 period and therefore most vulnerable to Japanese competition. Quota-2 colonies were protected markets for British textiles in the 1920s and became even more protected in the 1930s by quotas. In Quota-1 colonies, Britain held 65 per cent of the import market for cotton piece goods in the 1925-31 period, but its share declined to 51.5 per cent 1932-38, despite the imposition of quotas. Japanese competition, fairly slight in the earlier period, increased to account for over one-quarter of these colonies' imports by the mid-1930s. Only in the most heavily protected Quota-2 colonial markets were British exporters safe,

¹¹ PRO CO 323 1289/31801/23 Circular despatch 13 Apr. 1934; CO 323 1305/31838/3 Textile quotas, Ceylon, 1934.

¹² PRO CO 323 1304/31838 Textile import quotas, 1934.

¹³ For details, see: Board of Trade, *Statistical Abstract for the British Empire for Each of the Ten Years 1928 to 1937, sixty-seventh number*, British Parliamentary Papers, 1937-38, XXVIII, Cmd. 5872 (London, 1938), Table 13.

TABLE 3 - Sources of Imports of Cotton Piece Goods, Selected Colonies, 1925-31 and 1938 (annual averages)

Colonies	Total Imports		Imports From UK				Imports from Japan			
	1925-31 yds.mill	1932-38 yds.mill	1925-31 yds.mill	%	1932-38 yds.mill	%	1925-31 yds.mill	%	1932-38 yds.mill	%
Non-quota(a)	346.2	329.0	99.2	28.7	41.6	12.6	122.4	35.4	211.7	64.3
Quota-1(b)	343.5	378.6	222.3	64.7	194.9	51.5	47.4	13.8	101.7	26.9
Quota-2(c)	64.3	69.9	34.5	53.7	47.9	68.5	2.5	3.9	6.9	9.9
Quota-1+2	407.8	448.5	256.8	63.0	242.8	54.1	49.9	12.2	108.6	24.2
Notes:	(a) Aden, Palestine, Kenya-Uganda, Zanzibar, Tanganyika, Nyasaland, Hong Kong (b) Malta, Gambia, Sierra Leone, Gold Coast, Nigeria, Ceylon, Malaya (c) Cyprus, Mauritius, Northern Rhodesia, Jamaica, Trinidad, British Guiana, Barbados.									
Sources:	as for Table 1.									

increasing their share from 54 per cent to 69 per cent, though more at the expense of other suppliers (in the Caribbean, the USA) than to Japan's disadvantage. In the non-quota markets, however, Britain had a smaller share than Japan even in the 1925-31 period and by the later 1930s Japan's share had risen to almost two-thirds and Britain's had shrunk to 13 per cent. In the colonial empire as a whole, total imports of cotton goods were 3 per cent higher in volume on average in the 1932-38 period than in the 1925-31 period, but the U.K.'s share fell by 19.3 per cent. However, its sales to protected colonies fell only by 4.8 per cent while those to unprotected colonial markets declined by 58.2 per cent. Thus although Britain lost ground even in heavily protected colonial markets, the inability to impose quotas in a number of important colonies undermined the effectiveness of the system. It also explained why the Colonial Office went to such lengths to try to overcome the legal and diplomatic obstacles which prevented it from using quotas universally.¹⁴

Two further problems with the quota system emerged. Apart from Japan, Britain's other competitors for cotton textile sales in its colonies were India and the United States. India was a low-cost producer and as a member of the British Empire enjoyed much of the protection available to British goods. Not surprisingly, India managed to increase its share in the main protected markets (from 9.6 per cent to 15.1 per cent) though it declined in unprotected colonial markets from 16.9 per cent to 4.7 per cent. Overall, India supplied 13.1 per cent of the cotton piece goods imported by the colonial empire in 1925-31 and 10.0 per cent in 1932-38. In protected markets India gained while Britain declined, an outcome which highlighted the second major flaw in the quota system - the fact that much of the benefit went to Indian exporters rather than British ones. In unprotected markets India lost as much or more to Japan as did Britain.¹⁵

¹⁴ PRO CO 323 1192/90932 Revision of Anglo-French Treaties, 1932; PRO CO 323 1234/1134 Anglo-French Convention 1898, 1933.; PRO CO 323 1397/31905 Revision of Berlin-Brussels Act and Convention of Germain-en Laye, 1934.

¹⁵ *Statistical Abstracts, 1925-34 and 1929-38*; Meyer, 80; Drummond, *British Economic Policy*, pp. 129-132.

The United States was a significant competitor in the Caribbean markets. All of these markets were protected by Britain with discriminatory tariff regimes and after 1934 by cotton textile quotas. In the 1920s the USA and Britain shared these markets more or less equally (53 per cent to Britain, 45 per cent to USA), but in the era of high imperial preference and quotas the USA's share fell to 18.6 per cent and Britain's climbed to 73.2 per cent. This illustrated a further problem with the quota system: it was more effective against the USA than against the low-cost production of Japan, an outcome which was not intended by Britain and which raised Anglo-American tensions in trade negotiations.¹⁶

The quota system was not as successful as had been anticipated, partly because it was not applied to all colonies and partly because it transferred some of the trade diversion benefits to India. On average the unit value of cotton piece goods imports were one-third higher in protected colonial markets than in unprotected ones in the 1930s, largely because of the restrictions placed on low-cost Japanese goods. This disadvantaged these colonial consumers who became more vocal in their complaints of over-priced British textiles towards the end of the decade. In some cases the differential was much higher: For example, in the Gold Coast, where almost three-quarters of imports of cotton piece goods came from Britain, the average unit value was £25.92 per thousand yards in the period 1932-38, in contrast with, say, Aden, where the average unit value was £11.6 per thousand yards - and where British goods made up barely 6 per cent of imports. As *The Economist* commented in May 1934

...the cheapness of Japanese cotton exports has been doing the world a considerable service by helping the consumer in tropical countries to maintain his purchases. But for the future it appears that among the benefits of British rule the doubtful privilege of buying expensively from Lancashire is to be forced upon the "native" in many corners of the globe.¹⁷

¹⁶ H.W. Arndt, *The Economic Lessons of the Nineteenth-Thirties* (London, 1944), p. 83.

¹⁷ *The Economist*, 12 May 1934, p. 1019.

A few months later the Colonial Office privately conceded that the textile quota system had

...undoubtedly caused certain hardship to the poorer classes - and the poorer classes in some Dependencies are extremely poor - [and]_ in many places, not only in Ceylon but also in Malaya and Grenada, there has been considerable opposition to the scheme, which has only been carried through by the use of official majorities...The Colonies have definitively made certain sacrifices for Lancashire, and Lancashire has...reason to be grateful to them.¹⁸

Despite such acknowledgements, however, the quota scheme remained in force in British colonies until Japan entered the second world war.

In addition to cotton piece goods, British firms found colonial markets for 'other textiles': silk, artificial silk and woollen goods. These imports were worth approximately half cotton piece goods imports during the later 1920s and Britain supplied just over one-quarter. As indicated in Table 4, Japan was responsible for 16.2 per cent and China 17.1 per cent. Imports to the colonies were, on average, 10.8 per cent less in the 1932-38 period, but Britain's share fell by 23.5 per cent. Japan's share increased strongly, and China's slightly. All of the other principal suppliers in the 1920s - India, USA and Germany - became less important in the 1930s. 'Other textiles' were not subject to quotas, but Britain used discriminatory tariffs to protect colonial markets where it could. In these markets, Britain's share of imports remained virtually static while in the unprotected colonial markets it fell steeply. Similarly, Japan's share increased less in the protected markets than in the unprotected ones.

China remained a major supplier in the Asia region, though did not increase its share in the 1930s as much as Japan. Thus, 'other textiles' did not provide any respite for British exporters from low-cost Asian competitors and, as proved the case with cotton piece of goods, tariff protection could blunt Japanese penetration but not repel it.

¹⁸ PRO CO 323 1304/31838

TABLE 4 - Import of Other Textiles to Britain's Colonies, 1925-31 and 1932-38 (annual averages)

Colonies	Total Imports		Imports From UK		Imports From Japan		Imports From China	
	£000	%	£000	%	£000	%	£000	%
1925-1931								
ALL	9087	100.0	2407	26.5	1476	16.2	1556	17.1
Protected	4743	52.2	1426	30.1	1031	21.7	165	3.5
Unprotected ^(a)	4344	47.8	981	22.6	445	10.2	1391	32.0
1932-1938								
ALL	8108	100.0	1842	22.7	2243	27.7	1674	20.7
Protected	3892	48.0	1151	29.6	1279	32.9	109	2.8
Unprotected ^(a)	4216	52.0	691	16.4	964	22.9	1565	37.1
Notes:	(a) Hong Kong, Kenya-Uganda, Palestine, Tanganyika							
Sources:	as for Table 1.							

Although cotton and other textiles were the major commodities Britain exported to its colonies in the inter-war period, concern was shown also by the British authorities to preserve or enhance Britain's share of colonial imports of higher value products such as iron and steel manufactures, cement, machinery and motor vehicles and parts.

Britain enjoyed a dominant position in the supply of iron and steel products, cement and machinery to the colonies in the 1920s, illustrated by Table 5. Despite a decline in Britain's share after 1932, it still supplied 40 to 50 per cent of the colonies' needs, although the average value of total imports fell by 16 per cent. Germany and Japan increased their share whilst the United States declined or remained static as a supplier. Japan in particular emerged as a strong competitor in the supply of cement, all of which was imported by the colonies in this period as none had a domestic cement industry.

Motor vehicles was the one important area of export to the colonies where Britain increased its market share significantly. The volume of motor vehicle imports rose by 3 per cent on average in 1932-38 compared to 1925-31, though declined in value terms by 15.2 per cent. In the 1920s the UK share of the colonies' imports of motor vehicles was quite small, largely as a result of strong United States competition. Even in the West Africa, usually Britain's most loyal colonial market, US auto manufacturers supplied almost two thirds of the imports, to the UK's one quarter.

British car makers did not achieve 50 per cent in any colonial market and with an overall share of 21.3 per cent they supplied no greater share than did Canadian firms. The swing to British made motor cars and lorries in the period following the Ottawa Agreements was dramatic and led to Britain's average share in 1932-38 doubling to over 40 per cent. This represented sales of an additional 4,544 vehicles per annum on average compared to the earlier period. Most of this increase was at the expense of United States suppliers whose share of the total British colonial market

TABLE 5 - Import of Iron and Steel, Cement, Machinery, Motor Vehicles and Tyres to the Colonial Empire 1925-31 and 1932-38 (annual averages)

Colonies	Total Imports £000	From UK %	From Germany %	From Japan %	From USA %	From Canada %
1925-31						
Iron and Steel	9328	64.0	9.4	-	4.9	-
Cement	1485	52.1	5.0	13.4	-	-
Machinery	6987	58.4	5.3	-	18.7	-
Motor Vehicles	3902	21.3	-	-	45.7	1.0
Tyres	1144	30.5	4.5	4.4	26.6	5.4
1932-1938						
Iron and Steel	7498	48.5	14.2	-	4.6	-
Cement	759	44.6	4.7	27.8	-	-
Machinery	6687	53.6	9.4	-	17.8	-
Motor Vehicles	3310	40.8	-	-	30.5	19.3
Tyres	650	50.1	1.3	11.1	10.1	10.7
Source:	as for Table 1.					

declined to less than one-third. Some of this success was attributable to the resurgence of the UK motor vehicle industry in the 1930s and the lower prices of British vehicles.¹⁹ In contrast to the situation in textiles or cement, there was no low-cost competitor to undercut the British car makers' position. Britain's increased share was due also to higher levels of imperial preference after Ottawa, as a comparison of protected and unprotected markets in Table 6 shows.²⁰ Even in the 1920s, when levels of protection were relatively low, Britain held over twice as large a share of the car imports in protected markets as in unprotected ones, while the USA's share was approximately the same in both.

With greater levels of protection, Britain's share in protected markets rose to almost one half, though rising only to just over one fifth in the unprotected colonies. By contrast, the United States' share fell in the protected colonial markets but increased slightly in the unprotected. Canada - like India in the case of textiles - appeared to obtain some benefits also from the higher degree of imperial preference. Thus, as occurred in textiles, tariff protection for British motor vehicle exporters to the colonial empire during the 1930s seemed to work chiefly to detriment of the United States.

British colonial trade policy in the inter-war period, then, emphasised the development of colonies as markets for British goods rather than as suppliers of primary produce for Britain's needs.

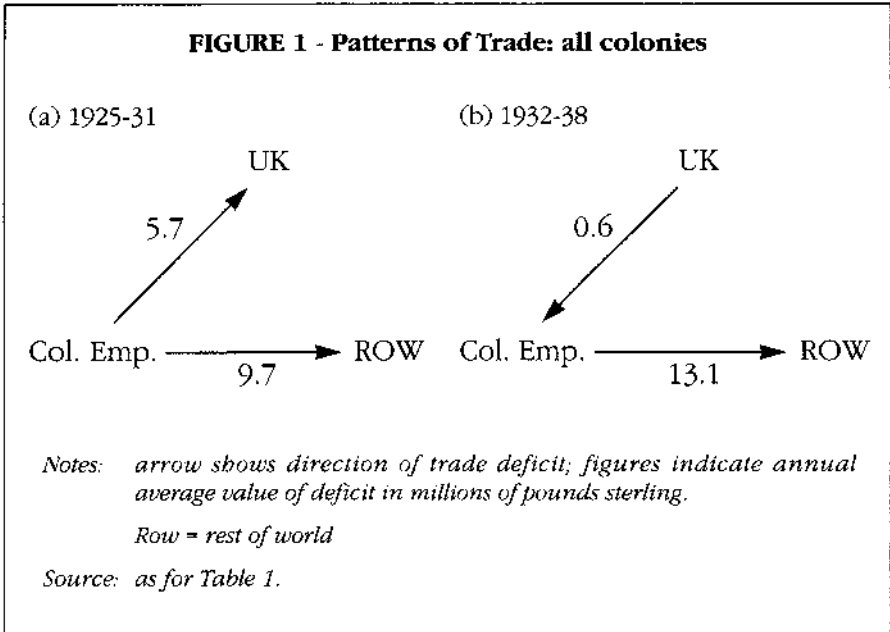
Considerable weight was, therefore, placed on the importance of Britain maintaining an export surplus with its tropical dependencies. In turn, the colonies were expected to run trade surpluses with other countries in order to finance their trade deficit with Britain.

¹⁹ L.F. Duval, 'The Motor Industry', in British Association, *Britain in Recovery*, (London, 1938), pp. 306-309; G. Maxcy and A. Silberston, *The Motor Industry*, (London, 1959), pp. 14-15.

²⁰ PRO CO 852 13/15202/24 Tariffs, Colonies, Preferences on British Motor Cars.

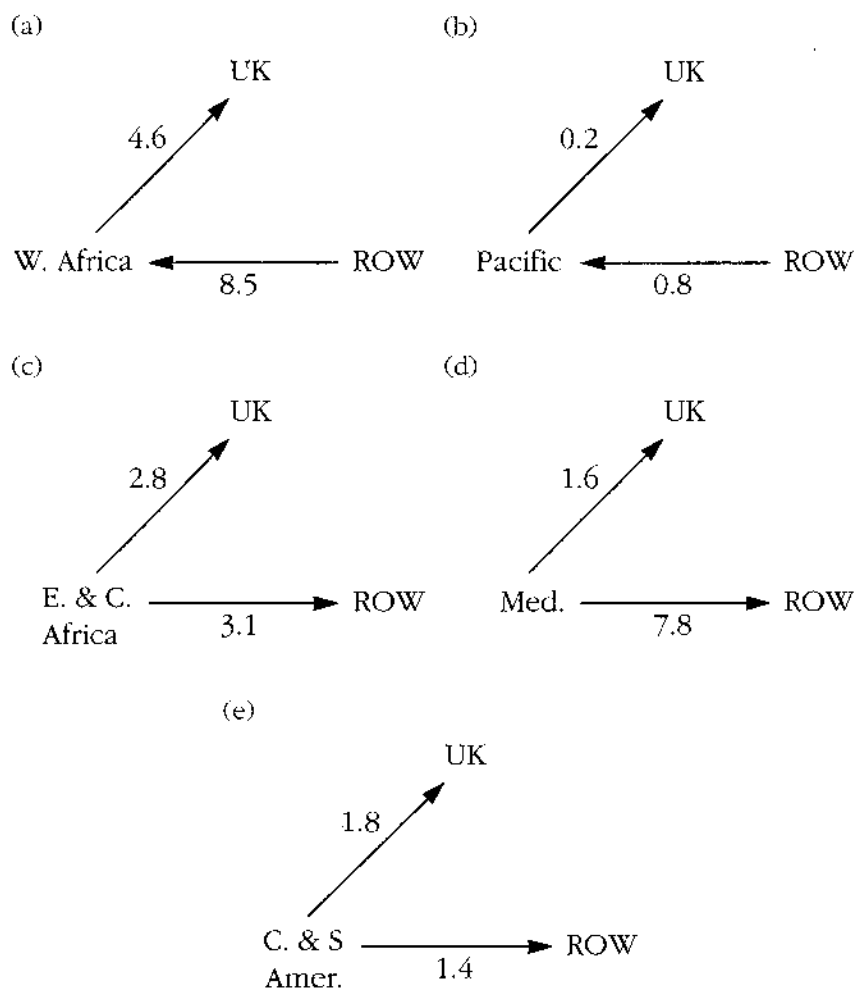
TABLE 6 - Imports of Motor Vehicles, Selected Colonies, 1925-31 and 1932-38 (annual averages)

Colonies	Total Imports of Motor Vehicles		From UK		From Canada		From USA	
	1925-31 No.	1932-38 No.	1925-31 %	1932-38 %	1925-31 %	1932-38 %	1925-31 %	1932-38 %
Protected	17222	15716	25.1	49.2	16.5	18.2	48.1	23.7
Unprotected ^(a)	4670	6843	10.8	22.7	23.6	14.9	49.3	52.9
All	21892	22559	21.3	40.8	21.1	19.3	45.7	30.5
Notes:	(a) Palestine, Tanganyika, Kenya-Uganda, Hong Kong							
Source:	as for table 1.							



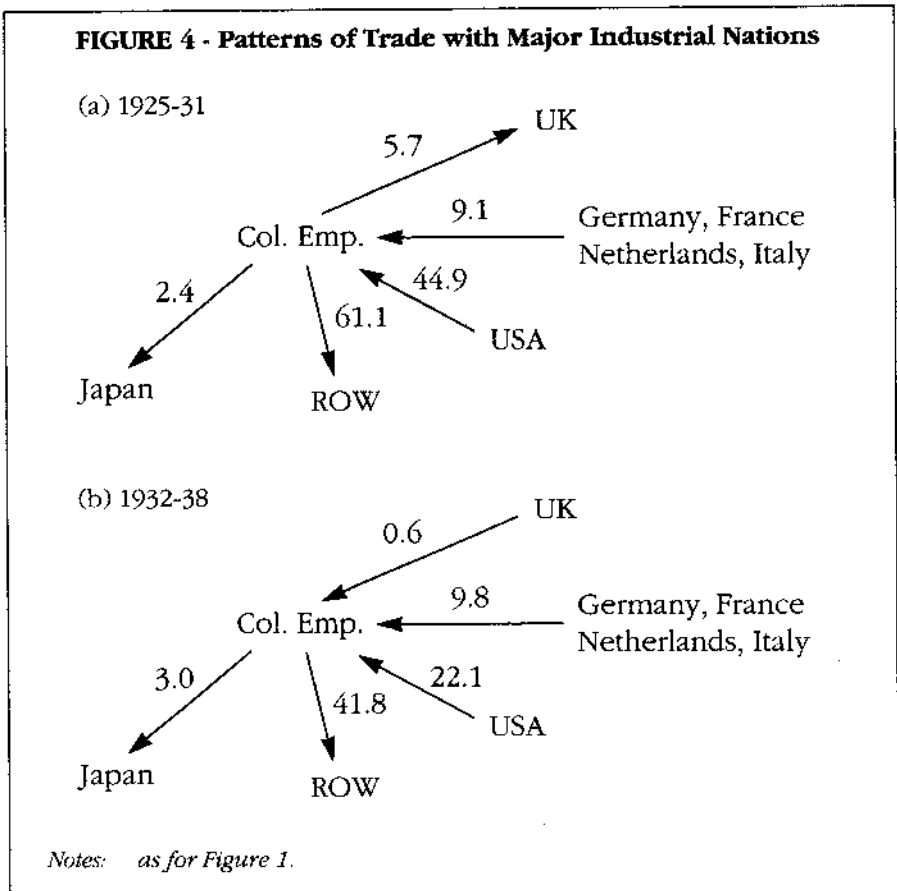
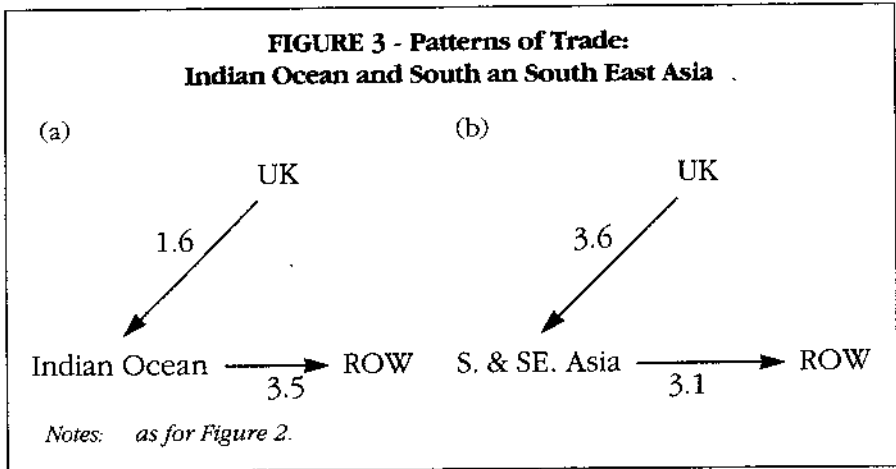
The patterns of trade varied in the 1920s, as illustrated by Figures 1, 2 and 3. The Colonial Empire as a whole ran a total trade deficit of £15.4 million per annum in the years 1925-31 which was financed by invisible export earnings and net capital inflows. Three regional patterns emerged. First, West Africa and the Pacific, shown in Fig. 2(a) and (b). Here an export surplus with the rest of the world financed an excess of imports from Britain in 'classic' colonial fashion. Second, the pattern in East and Central Africa, the Mediterranean and Central and South American colonies, Fig. 2(c), (d) and (e). These colonies maintained an overall trade surplus financed by services exports - for example, tourism in the Caribbean, defence bases in the Mediterranean - and net capital transfers, particularly to the settler economies in the West Indies and East Africa and for mining investment in Northern Rhodesia. A third pattern developed in the external trade of the Indian Ocean colonies and those in South and South East Asia, illustrated in Fig. 3(a) and (b). Mauritius, Ceylon (and to a lesser extent, Malaya) maintained a high level of imports from India consisting chiefly of rice but also including handicrafts,

FIGURE 2 - Patterns of Trade: regional groups, 1925 - 31



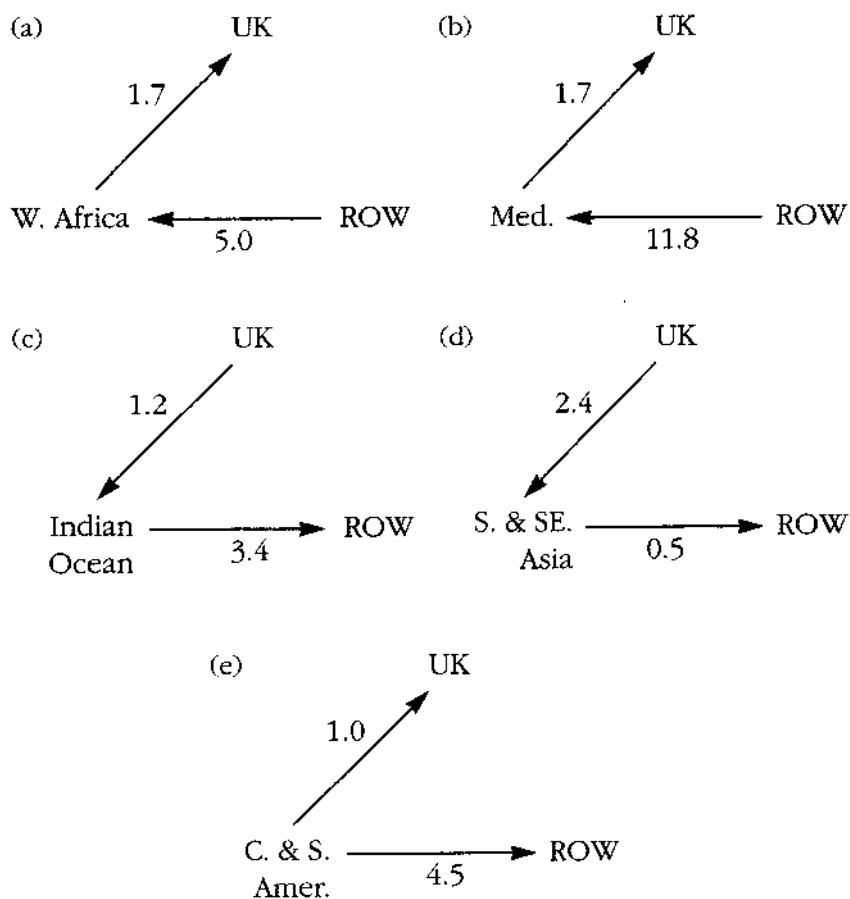
Notes: as for Figure 1. Colonial regional groups same as Table 1.

whilst Britain was the major purchaser of sugar, tea and rubber. This produced a pattern in which Britain had a trade deficit with these colonies while they ran a deficit with the rest of the world, the complete opposite of the West Africa/Pacific pattern.



In contrast to the trade deficits most colonies ran with Britain were their trade surpluses with the main industrial countries of western Europe and north America, indicated in Fig. 4(a). Britain's colonies, as exporters of tropical agricultural raw materials and foodstuffs and minerals found their main export markets in the industrial countries of western Europe and north America, while, on the whole, buying most of their imports from Britain. An

FIGURE 5 - Patterns of Trade: regional groups, 1932 - 38



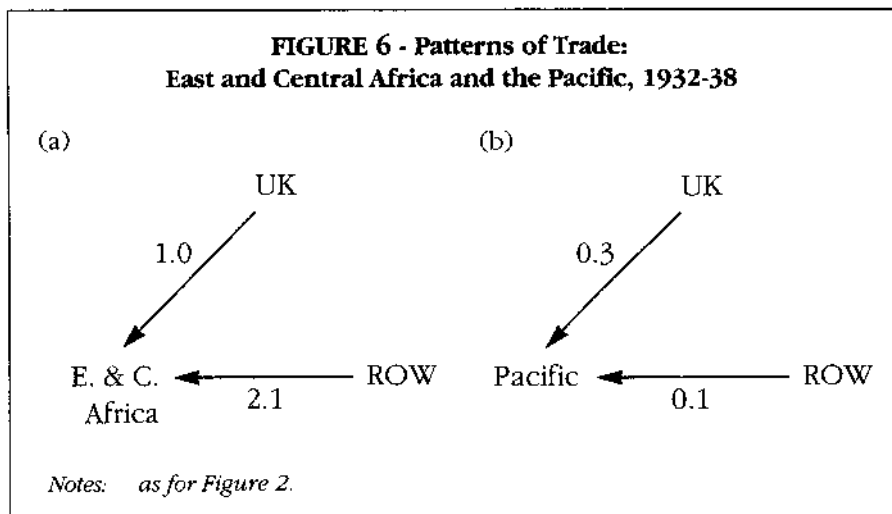
Notes: as for Figure 1.

important exception was Japan which, like Britain itself, maintained a trade surplus with the British tropical colonies, regarding them as growing markets for its manufactured exports but not usually as significant sources of supply.²¹

Following Ottawa, Britain's trade with its tropical colonies intensified, but the patterns established earlier often continued. Figure 5 shows the regions where the pattern remained the same. West Africa (Fig. 5(a)) continued to run a trade deficit with Britain, a surplus with the rest of the world and an overall surplus as these colonies exported capital to meet debt payments to British lenders. The Mediterranean colonies (Fig. 5 (b)) continued their deficit with Britain but had a larger overall trade deficit as Britain increased its defence spending in Malta and Palestine. In South and South East Asia there was also no change in the trade patterns (Fig. 3 (b) and 5 (d)) although the levels were much smaller in the 1930s. However, these colonies' overall trade surplus increased (from an annual average of £0.5 million to one of £1.9 million) as they exported capital back to the UK. Central and South American colonies ran even larger overall trade deficits, reflecting increased invisible earnings from British and US defence spending and, at the end of the decade, higher levels of British aid transfers (Fig. 5(e)).

In two regions the trade pattern changed, shown in Figure 6. In East and Central Africa (6 (a)) the earlier trade deficit with the United Kingdom turned into a surplus as did the earlier deficit with the rest of the world. Overall, these colonies moved from an annual average trade deficit of £5.9 million to a surplus of £3.1 million. These changes reflected the inroads made by Japan into this region's import markets, a repatriation of private and public capital to Britain and the strong growth of Northern Rhodesian copper exports to Britain in the later 1930s. The change in the Pacific colonies' trade pattern was the result of capital repatriation.

²¹ League of Nations, *Network*, pp. 61-63.



For the colonial empire as a whole, Figure 1 (b), the 1920s trade deficit with Britain became a trade surplus in the 1930s as the direction of capital flows reversed. In some areas increased UK defence expenditures (and to a much lesser extent, aid transfers) offset these flows. Nearly everywhere, however, private capital took flight and public external debt servicing became more onerous as trade values collapsed in the depression.²²

This brief analysis of trade balances supports the contention that in the post-Ottawa period the UK improved as a market for the colonies looking for purchasers of their severely depressed exports to a greater extent than the colonies became better markets for UK exports, mainly because purchasing power in the colonies was so reduced. The colonies sent more of their export produce to Britain as they repaid loans made previously and as private capital retreated. Their trade surplus with the USA declined (Fig. 4(b)) but their surplus with western Europe increased slightly, while their deficit with Japan rose mirroring the Japanese 'export invasion'.

²² By the mid-1930s, debt servicing costs absorbed over 20 per cent of government expenditures in a number of colonies (Kenya, Tanganyika, Nyasaland, Gold Coast, Nigeria, British Guiana); for details, see: Board of Trade, *Statistical Abstract 1928-1937*, p. 12-16, 310.

The intention of British trade protectionism in the 1930s was to enhance the colonies as markets for British exports, but instead of Britain maintaining its long-established trade surplus with its tropical dependencies, it ran a trade deficit as colonial exporters sought refuge in the UK market, but did not, or could not, reciprocate to the same degree in purchasing British imports.

Germany was the most persistent critic of Britain's policies and linked complaints of British colonial trade practices to demands for the return of some of its former colonies. Germany's argument centred on the value of colonies as sources of supply of tropical raw materials and foodstuffs rather than their usefulness as markets for manufactured goods. It was Germany's assertion - put forward notably by Hjalmar Schacht, the Nazi Finance Minister - that Germany was locked out of British colonies and was unable to purchase all the colonial produce Germany required.²³ Table 7 shows the main commodities where German demand was significant. Clearly there were a number of commodities where sales to Germany were smaller in volume and represented a smaller share of total exports in the Ottawa period of 1932-38 than in the Gold Standard years, 1925-31: asbestos, groundnuts, palm kernels (except from Nigeria), palm oil, coir fibre, copra from the Gold Coast and Ceylon but not from Malaya, wild rubber from west Africa and zinc from Northern Rhodesia. Against these declines could be set the fact that Germany purchased almost three-quarters of Cyprus' copper and over one-third of that of Northern Rhodesia; raised the volume of its purchases of cocoa from west Africa in the years 1932-38 by more than one-fifth; more than trebled its purchases of Tanganyika sisal and increased by over 40 per cent its shipments of plantation rubber from Malaya and Ceylon. Germany's access during the 1930s to a newly-developed colonial source of a strategic raw material - Northern Rhodesia's copper - was striking as the details in Table 8 show: it would be difficult to argue that Germany's access was restricted in the light of these trade statistics.

²³ H. Schacht, 'Germany's Colonial Demands', *Foreign Affairs*, 15, 2 (1937), pp. 223-234.

**TABLE 7 - Exports from British Colonies to Germany,
Selected Commodities 1925-31 and 1932-38 (annual averages)**

Colony	Commodity	Exports 1925-31		To Germany 1925-31		Exports 1932-38		To Germany 1932-38	
					%				%
Cyprus	Asbestos	7839	tons	1944	24.8	6866	tons	291	4.2
	Copper(a)	-	-	-	-	89824	tons	65271	72.7
Gambia	Groundnuts	63059	tons	11967	19.0	55062	tons	7493	13.6
	Palm Kernels	696	tons	249	35.8	672	tons	238	35.2
Sierra Leone	Palm Kernels	61726	tons	29248	47.4	73281	tons	25906	35.4
	Piassava Fibre	2379	tons	1759	73.9	3459	tons	795	23.0
Gold Coast	Cocoa	222000	tons	50000	22.5	254000	tons	59000	23.1
	Palm Kernels	6152	tons	3658	59.5	6421	tons	3518	54.8
	Copra	1280	tons	718	56.1	1495	tons	428	28.6
	Rubber (wild)	744	000 lbs	181	24.4	604	000 lbs	32	5.3
Nigeria	Groundnuts	128714	tons	55143	42.8	220857	tons	29000	13.1
	Palm Kernels	255857	tons	115714	45.2	315286	tons	116143	36.8
	Palm oil	123857	tons	10286	8.3	131429	tons	9000	6.8
	Cocoa	47507	tons	10629	22.4	82686	tons	15393	18.6
	Raw Cotton	13349	000 lbs	285	2.1	15590	000 lbs	3167	20.3
	Rubber (wild)	4099	000 lbs	1970	48.1	4290	000 lbs	1291	30.1
N. Rhodesia	Copper	3221(b)	tons	256(b)	7.9	127406	tons	44602	35.0
	Zinc	12863(c)	tons	3102(c)	24.1	13940	tons	1074	7.7

The decline in Germany's purchases from Britain's colonial empire in the post 1931 era was largely confined to west African vegetable oils. It was certainly true that Britain restricted foreign imports to its colonies and, therefore, by reducing Germany's sales to Britain's colonies reduced Germany's purchasing power. This need not have been a problem if Germany had been willing to use foreign exchange earned elsewhere to purchase colonial produce, but this was precluded by the Nazi regime's strict exchange controls.²⁴

Germany's trade deficit with the British colonial empire declined by about one fifth in the 1932-38 period compared with 1925-31, particularly in West Africa where Britain's import restrictions were most effective and East and Central Africa where Germany stepped up its purchases from Northern Rhodesia and its former colony, Tanganyika.

Germany's claims of lack of access to British colonial raw materials seemed somewhat dubious and the statistical evidence was inconclusive: yet there was sufficient sign of a decline in some export commodities and a reduction in German sales in the colonies, together with a potential threat of export restriction schemes - actual in the cases of rubber, tin and tea - for Germany's complaints to obtain widespread publicity and some international support for fairer colonial trade policies.²⁵ Despite Britain's position that Germany could not prove any serious lack of access to colonial raw materials and the maintenance of the argument that it was Germany's uncompromising exchange controls which were really at the root of whatever problems Germany had in international trade, Germany's demands for colonial territorial redistribution were taken very seriously by the British government.

²⁴ Arndt, pp. 176-206; League of Nations, *International Currency Experience: Lessons of the Inter-War Period* (Geneva, 1944), pp. 27-46; William Adams Brown, *The International Gold Standard Reinterpreted 1914-34*, (New York, 1940), pp. 342-346.

²⁵ Wolfe Schmolke, *Dreams of Empire: German Colonialism 1919-1945* (New Haven, 1964).

II

The British Government responded to Germany's claims in two, contradictory, ways. Publicly it took the line that Germany's demands were 'economic rather than political and territorial' and that these economic arguments were flawed.²⁶ In September 1935 Britain raised the prospect of a League of Nations inquiry into the problem of international access to raw materials in colonies. The following year the British Prime Minister and Foreign Secretary repeated this option on a number of occasions. In September 1936 the League agreed to establish a Committee of Inquiry which began work early in 1937 and reported in September of that year.²⁷ Meanwhile the Royal Institute of International Affairs took up the question in earnest and produced a report, *Raw Materials and Colonies* in April 1936 which placed the blame squarely on the failure of world trade to revive and the high level of protectionism for any difficulty experienced by the 'have-not' powers in obtaining access to colonial raw materials.²⁸ The RIIA followed this up with a major survey, *The Colonial Problem* published in 1937.²⁹ In the next two years it issued three further reports: *Germany's claim to Colonies* in May 1938, an updated version in February 1939 and in August 1939, *Raw Materials*, a revised edition of its 1936 report.³⁰ The League's Report was published in September 1937. It concluded, unsurprisingly, that 'the only general and permanent solution of the problem of commercial access to raw materials is to be found in a restoration of international exchanges on the widest basis'.³¹ These authoritative works were buttressed by a flurry of

²⁶ Royal Institute of International Affairs, *Germany's Claim to Colonies*, (Information Department Paper No.23, London, 1938), p. 46.

²⁷ League of Nations, *Report of the Committee for the Study of the Problem of Raw Materials*, (No. A.27. IIB, Geneva, 1937).

²⁸ Royal Institute of International Affairs, *Raw Materials and Colonies* (Information Department Paper No.18, London, 1936).

²⁹ Royal Institute of International Affairs, *The Colonial Problem*, (London, 1937).

³⁰ Royal Institute of International Affairs, *Raw Materials* (Information Department Paper No.18 A, London, 1939).

³¹ League of Nations. *Report*, 30

more popular books by prominent writers who drew heavily on the RIIA and League of Nations material, such as Norman Angell, *This Have and Have-not Business: Political Fantasy and Economic Fact* (1936), Eugene Staley, *Raw Materials in Peace and War*, (1937) and Leo Amery, *The German Colonial Claim* (1939). In Paris in June 1937, the International Institute of Intellectual Co-operation discussed the colonial question at a conference on 'Peaceful Change' and subsequently issued two weighty reports, *The Colonial Question, Raw Materials and Markets* (1938) and *Peaceful Change: Colonial Questions and Peace* (1939).³² In introducing the latter, released in August, the editor commented: 'Seldom will a book have seemed so hopelessly out of date on the day of publication as the present volume on the colonial aspects of the problem of Peaceful Change'.³³ These volumes thoroughly examined the German claim and confirmed the findings of the Royal Institute of International Affairs and the League that 'an examination of the available statistics clearly indicates the difficulty of substantiating the view that the return of the ex-colonies would make Germany a "satisfied" Power'.³⁴

In spite of these public statements and analyses, however, secretly the British government was prepared, during the four years prior to the outbreak of war, to consider a redistribution of colonial territory to Germany. This possibility first came up in March 1935 when Hitler raised the colonial question with Sir John Simon, British Foreign Secretary and Anthony Eden, Lord Privy Seal.³⁵ In Hitler's view, Germany's lack of colonies was a symbol of the stigma of inferiority imposed on it at Versailles. Germany would only return to membership of the League of Nations (from which it had withdrawn in October 1933) when its former colonies were

³² International Institute of Intellectual Co-operation, *Peaceful Change: Procedures, Population, Raw Materials, Colonies* (Paris, 1938); Emanuel Moresco, *Peaceful Change: Colonial Questions and Peace*, (Paris, 1939)

³³ Moresco, p. 13.

³⁴ Moresco, p. 286.

³⁵ A.R. Peters, *Anthony Eden at the Foreign Office 1931-1938*, (Aldershot, 1986), pp. 89-90; Earl of Avon, *Facing the Dictators: the Eden Memoirs*, (London, 1962), p. 137.

TABLE 8 - Exports of Copper from Northern Rhodesia to Germany and the United Kingdom 1931 - 1938

Year	Total Exports Tons	To Germany		To UK	
		Tons	%	Tons	%
1931	3221	256	7.9	1409	43.7
1932	72423	28411	39.2	18684	25.8
1933	103066	34418	33.4	30941	30.0
1934	129555	34960	27.0	57834	44.6
1935	119394	41522	34.8	62728	52.5
1936	113903	40119	35.2	64330	56.5
1937	168813	55119	32.7	88143	52.2
1938	184687	77668	42.1	77372	41.9

Source: as for Table 1.

restored. When Germany brought the colonial question up again, in March 1936, following its successful reoccupation of the Rhineland, the British Foreign Office recognised that concessions might have to be made to Germany, somewhere, either in Europe or in Africa, and of the two, the Foreign Office '...would prefer it to be in Africa, in regions with which we were well able to dispense'.³⁶ To determine which regions these might be, the Cabinet set up a sub-committee of the Committee of Imperial Defence, in March 1936, to consider the 'Transfer of a Colonial Mandate or Mandates to Germany'. It issued a detailed report which canvassed a wide cross-section of official views.³⁷ The report concluded that there was no British territory in Africa which could be given up and that asking the Dominions to transfer their colonial mandates to Germany was out of question. Reflecting the Foreign Office view, however, the sub-committee conceded that

if the transfer of territory has to be considered, the least objectionable course would be for France to join with us in the surrender of the whole or part of Togoland or the Cameroons or both. In this case our contribution would be much smaller than that of France, who would no doubt expect us to make contributions, perhaps not necessarily by the transfer of territory, to equalise the sacrifice.³⁸

The return of the former German colonies of Togoland and the Cameroons, incorporated in French and British West Africa after the First World War, appealed to the German Finance Minister. Schacht discussed the prospect with Leon Blum, the French Prime Minister in August 1936 and with Sir Frederick Leith-Ross, Chief Economic Adviser to the British Government, the following February.³⁹ He

³⁶ Keith Middlemas, *Diplomacy of Illusion: The British Government and Germany 1937-39* (London, 1972), p. 111; Royal Institute of International Affairs, *Documents on International Affairs 1937*, (London, 1939), p. 214ff.

³⁷ A. E. Ekoko, 'The British Attitude Towards Germany's Colonial Irredentism in Africa in the Inter-War Period', *Journal of Contemporary History*, 14 (1979), pp. 287-307.

³⁸ PRO CAB 16/145-146, Committee of Imperial Defence, 'Transfer of A Colonial Mandate or Mandates to Germany', p. 36.

³⁹ Great Britain, Foreign Office, *Documents on British Foreign Policy 1919-1939*, second series, XVII (London, 1979), 286-290.

told Leith-Ross: 'Germany must have some Colonies - particularly the Cameroons and Togoland - which she could use her resources and energies to develop. Otherwise she had the feeling of being strangled'.⁴⁰ The Colonial Office expressed strong opposition to the transfer of any colonial territory,⁴¹ but support for the idea came from Neville Chamberlain (Chancellor of the Exchequer) who wanted to urge on France the restoration to Germany of Togo and the Cameroons. In return, Britain would provide Germany with greater access to British colonial markets. Chamberlain was supported by Viscount Halifax, (Lord Privy Seal) who suggested a meeting of European colonial powers to 'see whether it might not be possible to have some repartition of Africa in which Germany could find a place'⁴². Others in the Cabinet, while not opposing the idea of territorial transfer if it guaranteed peace in Europe, were concerned that concessions in Britain's colonial markets to Germany would inevitably flow on to Japan: 'to concede the "open door" in Africa to the whole world,' argued the President of the Board of Trade, 'would mean in practice giving Japan a virtual monopoly of the trade of tropical Africa...the "open door"...meant handing over the Lancashire textile trade to Japan'.⁴³ Chamberlain continued to press his case in Cabinet, brushing aside the argument that the indigenous population of the colonies would be badly treated by German rule:

he did not share the view that when Germany had possessed colonies she had maltreated and exploited the native population. He thought that in this matter the German colonial administration had been unjustly maligned.⁴⁴

Despite Anthony Eden's doubts that Hitler was serious about a general European settlement, with or without a return of former

⁴⁰ Great Britain, Foreign Office, *Documents on British Foreign Policy 1919-1939*, second series, XVIII (London, 1980), pp. 112-114, 191.

⁴¹ *Documents*, XVIII, p. 434.

⁴² PRO CAB 27/623 Cabinet Committee on Foreign Policy, 24. Jan. 1938.

⁴³ Cabinet Committee, 24. Jan. 1938.

⁴⁴ Cabinet Committee, 24. Jan. 1938.

colonies, the British government approached the French government on the question. Blum agreed that as a last resort and with great reluctance France would be willing to hand Togo and the Cameroons over to Germany.⁴⁵ A few months later Halifax reported, following a meeting with Hitler at Berchtesgaden, that 'it will be difficult to make any progress unless we are prepared to make concrete proposals in the one matter that directly arises between us: viz. the colonial issue'.⁴⁶ Chamberlain (now Prime Minister) seized on Halifax's report to draw up a plan for a repartition of tropical Africa (shown in Fig.7) which was put to the Cabinet in January 1938:

two lines should be drawn across Africa, the northern line running roughly to the South of the Sahara, the Anglo-Egyptian Sudan, Abyssinia and Italian Somaliland, and the southern line running roughly to the south of Portuguese West Africa, the Belgian Congo, Tanganyika and Portuguese East Africa.⁴⁷

A general agreement should be reached whereby Germany 'would be given a territory of her own' and all the colonial powers (including Germany) would administer their colonies in this region in accordance with a set of agreed guidelines. Opposition to Chamberlain's plan came from the Colonial Secretary who, while agreeing that 'Germany must have some colony where she could fly her flag and where her scientists could carry on research and similar work', argued that the original idea of the transfer of West African territory would be preferable.⁴⁸ If Germany would not be satisfied with Togo and the Cameroons it could be given the northern Gold Coast and north-west Nigeria from Britain, and part of the Congo from Belgium. If France required compensation, perhaps this could be given by transfer of British territory in the Pacific and/or the Caribbean. The Cabinet, however, endorsed the

⁴⁵ *Documents*, XVIII, pp. 702, 737.

⁴⁶ Lord Halifax, *Fulness of Days* (London, 1957), pp. 184, 190; Earl of Birkenhead, *Halifax: The Life of Lord Halifax* (London, 1965), p. 365; Middlemas, pp. 115-116.

⁴⁷ Cabinet Committee, 24. Jan. 1938.

⁴⁸ Cabinet Committee, 24. Jan. 1938.

Prime Minister's plan which was duly presented to the German government in March 1938.⁴⁹ As the European crisis deepened the colonial issue faded and the promised reply from Germany on Britain's initiative never came, though hopes that a colonial territorial redistribution could be part of a general European peace process continued to be held by the British government up to the outbreak of war.⁵⁰

III

The economic policies pursued by Britain in the 1930s left its tropical colonies in a permanent state of economic stagnation. Their terms of trade collapsed and the cost of external debt servicing imposed constraints on government expenditure already curtailed by falling customs revenues. Many colonies experienced a serious balance of payments crisis and in all colonies real living standards fell. Trade diversion measures and import restrictions were widely resented by the colonial populations who felt their restricted access to low cost manufactures imports contributed to the decline in standards of living. It was not surprising that these disastrous economic conditions were reflected in political and social tensions, particularly in those colonies where capitalist relations had advanced most vigorously in the previous decades and where wage-labour had developed extensively. Strikes, riots, hold-ups and general 'disturbances' in the tropical colonies became more common during the 1930s,⁵¹ although they remained sporadic

⁴⁹ Sir Neville Henderson, *Failure of a Mission: Berlin 1937-1939* (London, 1940), 114.

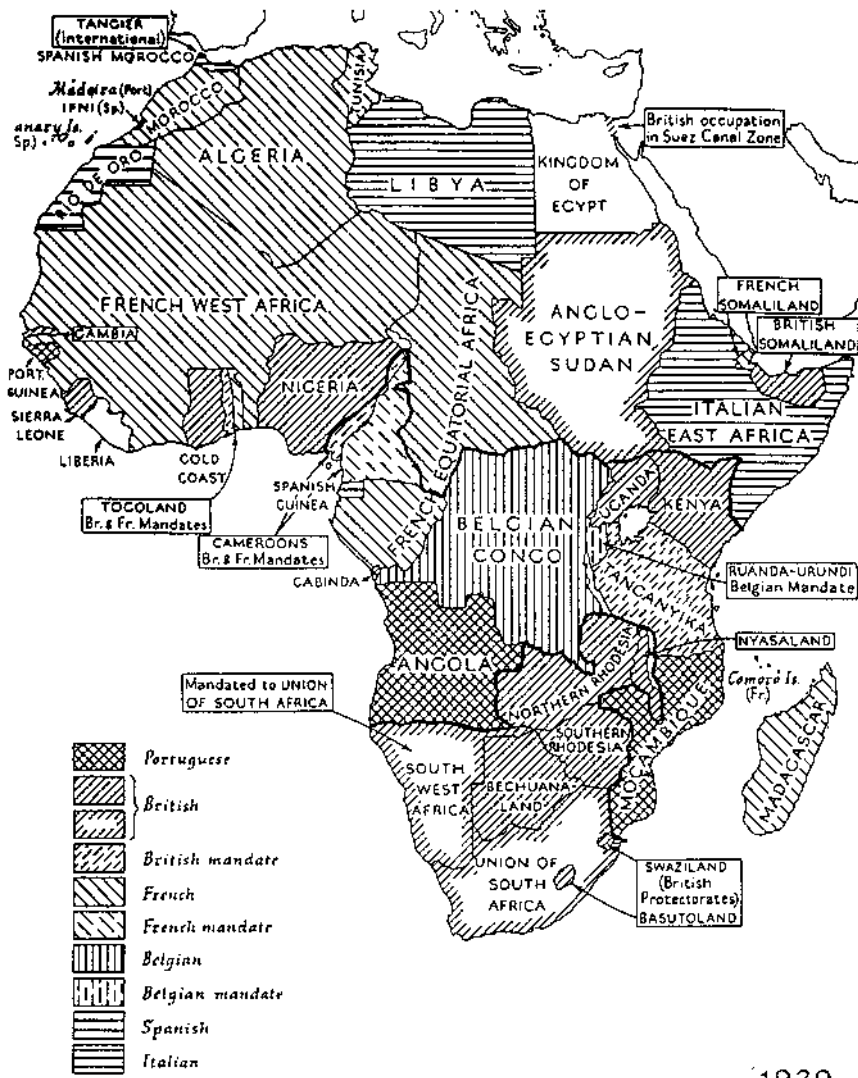
⁵⁰ Middlemas, 447; Martin Gilbert and Richard Gott, *The Appeasers*, (London, 1963), 220; P.S. Gupta, *Imperialism and the British Labour Movement 1914-1964*, (London, 1975), 237-243; Schmokel, 125.

⁵¹ Colonial Office, *Report of a Commission Appointed To Enquire Into The Disturbances in the Copperbelt of Northern Rhodesia*, British Parliamentary Papers, 1934-35, VII, Cmd. 5009; Colonial Office, *Trinidad and Tobago Disturbances, 1937, Report of a Commission*, British Parliamentary Papers, 1937-38, XV, Cmd. 5641; Colonial Office, *Report of the Commission on the Marketing of West African Cocoa*, British Parliamentary Papers, 1937-38, IX, Cmd. 5845; Colonial Office, *West India Royal Commission Report*, British Parliamentary Papers, 1944-45, X, Cmd. 6607.

and not sufficiently intense immediately to threaten British control.⁵² This paper has shown that Britain's attempts to solve its own trade problems by increasing its exports to the tropical colonies were mostly unsuccessful and often counterproductive. The small gains obtained from trade diversion were insignificant when compared to the way in which these policies exacerbated Britain's relations with other countries and stimulated growing nationalist sentiment in the colonies. Britain's colonial trade policies in the 1930s ended in failure, undermining its claims of enlightened trusteeship and beginning the political process which ended ultimately with decolonisation.

⁵² This is discussed more fully in David Meredith, 'The Colonial Office, British Business Interests and the Reform of Cocoa marketing in West Africa', *Journal of African History*, 29 (1988), 285-300 and in Michael Havinden and David Meredith, *Colonialism and Development: Britain and Its Tropical Colonies 1850-1960*, (London, 1993), chap. 9.

FIGURE 7 - Approximate area of colonial Africa to be included in Chamberlain's proposal for a repartition of tropical Africa, Jan. 1938



1939

Source: CAB 27/623 (map from J.D. Fage and M. Verity, *An Atlas of African History*, second edn., London, 1978, map 58.

