

OXFORD PAMPHLETS ON WORLD AFFAIRS

No. 7

COLONIES AND RAW MATERIALS

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H. D. HENDERSON

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THIS Pamphlet answers the questions which are set out in the first paragraph (opposite), questions which are now seriously perplexing public opinion. Mr. Henderson is Research Fellow in Economics at All Souls College, Oxford. He was formerly (from 1923-30) editor of the *Nation and Athenaeum*, and afterwards Joint Secretary to the Economic Advisory Council.

He discusses the value of colonial possessions to a metropolitan country, especially as sources of 'raw materials'. He concludes that the industrial peoples of Europe, whether they possess colonies or not, have no reason in a peaceful world to apprehend any difficulty in obtaining tropical raw materials, or indeed raw materials of any kind. One of the problems of world-economics to-day is the excess of supply of 'primary products' over demand. Thus the supply of raw materials of most types is tending to increase more rapidly than before, while the populations of the industrial countries are increasing more slowly than before, and will soon probably decrease.

Oxford Pamphlets 2 (*The British Empire*, by H. V. Hodson), 4 (*Economic Self-sufficiency*, by A. G. B. Fisher), and 10 (*Living-space*, by R. R. Kuczynski, to be published in August) throw further light on colonial and economic questions.

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COLONIES AND RAW MATERIALS

British Perplexities

WHAT benefits does a country derive from colonial possessions? How far does it obtain these benefits at the expense of the well-being of the colonial peoples, by 'exploiting' them, to use a familiar phrase? How far does it obtain them at the expense of other countries which do not possess colonies? How far, in particular, does a lack of colonial possessions make it difficult for an industrial country to obtain the raw materials that it requires? Do colonies really represent, as some totalitarian spokesmen suggest, 'the riches of the earth', which it is imperative to 'redistribute' more equitably among the principal Powers if the basis of a tolerable peace is to be laid? Alternatively, are they indeed a source of riches which are now largely expropriated by capitalist interests in the Imperial countries, but which ought to be left in their full measure to the enjoyment of the colonial populations?

British public opinion is at present seriously perplexed by these questions. They have been brought into especial prominence recently by the active propaganda in Germany and Italy, with its sweeping assertions as to the hardships which result from an absence or insufficiency of colonial possessions. It is easy enough, of course, to reply to these

assertions. Many British writers have pointed out how small was the advantage that Germany derived from the colonies she possessed before the War, and how little reason there is to suppose that she would derive a materially greater benefit from them, if they were restored to her to-day, unless at least she were to administer them with an altogether new ruthlessness. On the more general colonial question, they have been able to quote the conclusion of the Report of the League Committee on Raw Materials in 1937¹ that 'the total present production of all commercially important raw materials in all colonial territories is no more than about 3 per cent. of world production'; so that the distribution of colonies would not appear to have a major bearing on the question of the ability to buy raw materials. They have argued, moreover, with many facts and figures to support them, that the economic value of colonies to the metropolitan Power is far less than is often supposed. But the British public in its present mood is disinclined to be satisfied with such reasoning. For an awkward question at once presents itself: 'If the former German colonies are of such little value, why then persist in clinging to them? If colonial possessions in general are an overrated asset, should you not be the more willing to share them equitably with others who appear to value them more highly?'

¹ League Document A 27, 1937, II B.

The Objections to Colonial Cession

The reasons against a policy of colonial cession are, however, very powerful, though they have nothing to do with the economic value of colonial possessions. First, there are important strategic objections. To hand over to possible enemies territories that could be put to very formidable use against us as submarine or aircraft bases would represent, in the present state of the world, a grave and gratuitous aggravation of the perils to which we are exposed. It would be dangerous not only from the standpoint of trade routes and Imperial communications. The Dominions of South Africa, Australia, and New Zealand are vitally interested in avoiding the re-establishment of potentially aggressive European sovereignties in their neighbourhood. As Mr. L. S. Amery has recently reminded us,¹ the initiative in demanding that Germany should surrender her colonies as part of the terms of peace was taken by these Dominions and mainly for the reason indicated. Secondly, there is the objection that arises from our obligations to the colonial peoples. This objection is often derided as hypocritical; but in truth it is of compelling force. It implies no pretension to exceptional philanthropic zeal to recoil from the prospect of handing over black or coloured peoples, for whose welfare we

¹ *Germany's Colonial Claim*. By the Rt. Hon. L. S. Amery, M.P. Chambers. 1s. 6d.

have assumed a direct responsibility, to such a régime as that of Nazi Germany, with its *Weltanschauung* of ruthlessness and racial intolerance. Indeed, if we were to do such a thing, it is difficult to see how we could escape a much graver charge than that of hypocrisy—the charge of callous treachery.

The more closely that these objections are examined, the more cogent do they become. Their force is indeed so overwhelming that it would probably be wise for us to make it quite clear that the transfer of either colonial or mandated territory cannot be considered, instead of encouraging dangerous expectations by an ambiguous attitude. But the conscience of the British public, or of certain sensitive sections of it, remains uneasy. We know that we are accused by other nations of complacency, of smugness, of an exceptional proneness to self-deception. If it be true that we derive from our colonial empire large selfish advantages which cannot easily be justified upon their merits, does it not savour of smugness and complacency to plead high strategic considerations, and still more so, to plead the interests of native peoples, as reasons for holding fast to our privileged position? If we seek to minimize the advantages of our colonial possessions, and claim that they are neither large nor selfish, may this not perhaps be an example of our capacity for self-deception? This vague discomfort is intensi-

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fied by other circumstances. Until a few years ago we maintained throughout our colonial empire the principle of the Open Door: that is to say, we allowed other countries to trade with our colonies on the same terms, and subject to the same tariff obstacles, as ourselves. We know that we have now departed from that principle, presumably with the object of securing special advantages for British trade. In various parts of the colonial empire, moreover, disorders have occurred in recent years, indicating widespread discontent, and constituting a reproach to our colonial administration.

This state of mind is awakening a new interest in colonial problems, which is greatly to be welcomed. For problems there are, new and difficult problems of economic development and social policy, which need careful thought and sympathetic attention if they are to be wisely handled. But in order to understand these problems aright, we must approach them in a truly objective spirit. We must escape, so far as we can, from the atmosphere of controversy or self-criticism engendered by the German and Italian claims, and consider the problems of colonial policy against a different and a wider background.

What Colonies are and what they do

To avoid possible misapprehension it may be convenient first to make clear what is meant

nowadays by the word 'colony'. A generation ago when we spoke of the British colonies we used to mean all the territories outside the British Isles which acknowledged the sovereignty of the British Crown, and we had the great self-governing Dominions in the forefront of our minds. But this is not true to-day. We have learnt to draw a clear distinction between the Dominions and the Colonies; and the distinction has been underlined by a separation of the Government offices concerned with their affairs. By the British colonies to-day we mean those territories which are under the control of the Colonial Office. They include three possessions in the Mediterranean, namely Gibraltar, Malta, and Cyprus, the first two of which are of exclusively strategical significance. The remainder are inhabited mainly by peoples of non-European stock, who, widely as they differ from one another in their degree of civilization, are none of them regarded as fit at present for self-government. These peoples are mainly engaged in agricultural pursuits. Widely scattered though they are among the several continents, they are all situated in tropical or sub-tropical regions; that is to say, they lie within 20° of the equator, or nearly so. In the spacious late-Victorian days of Imperialist glorification, rhetoricians used to speak of the British Empire as a realm 'on which the sun never sets'. It would be more illuminating to describe our colonial empire as

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consisting of lands on which the sun sets at nearly the same hour throughout the year.

Much the same things are true of the colonial territories of other countries, of France, Belgium, Italy, Portugal, and the United States. It is true of colonies in general, subject to a few partial exceptions, that their climatic conditions are unsuitable for outdoor labour by people of European stock. Most colonies, moreover, are already fairly densely peopled, in relation to their natural resources and economic opportunities; the rapid growth of their populations is indeed one of the factors in the difficulties which will shortly be examined. For these reasons, colonies, nowadays, do not offer possible outlets for large-scale immigration from Europe, and are useless as means of relieving a pressure of population, if such exists, in the metropolitan country. No one has recognized this more clearly than Herr Hitler did in *Mein Kampf*, when he contrasted the 'colonial and trade' policy of pre-War times with the 'land policy of the future'.

The inhabitants of colonial territories are engaged almost entirely in the production of primary commodities, mainly agricultural commodities, and partly minerals. Their chief products under the category of minerals are tin, copper, petroleum, gold, and phosphates. Over half the world's tin comes from colonial territories, and about a quarter of the world's copper. They account, however, for

only a small proportion of the world's output of petroleum and of gold. Under the category of agricultural products, one commodity stands out in importance, namely rubber, an essential industrial raw material, of which colonial territories in Asia, mainly British and Dutch, produce practically the whole of the present world supply. Colonial territories again are responsible for most of the world's production of palm-oil and palm-kernels, though these form only one of many competing sources of vegetable oils. Other important agricultural commodities that are largely produced in colonies are tea, cocoa, sugar, bananas, coffee, oranges, and grape-fruit. There is also a fairly considerable colonial production of cotton.

Reference has already been made to the estimate of a League of Nations inquiry that the total production of all colonies only amounts to about 3 per cent. of the total world output of all commercially important raw materials. This low percentage is a reflection of the fact that colonies contribute little or nothing to the production of most of the principal raw materials, such as wheat, meat, and wool among agricultural commodities, and coal and iron ore among non-agricultural. But in the case of some commodities, it will be observed, notably tin and copper, they hold a position of great importance, and in the case of rubber, a commanding one.

Advantages of Colonies

What economic benefits do the metropolitan countries derive from this position? None of them gives any favours to its own citizens in the purchase of colonial raw materials; foreigners are free to buy them on exactly the same terms as the nationals of the metropolitan Powers. It is significant that this holds true not only of the British but of other colonial empires with different commercial traditions. France, for example, has long maintained in many of her colonies a system of import duties designed to secure their markets so far as possible for French manufacturers. But she makes no attempt to deny her colonial raw materials to foreign purchasers; nor does any other colonial Power. For this forbearance there is a very good reason, the far-reaching importance of which will soon become apparent. For nearly all colonial raw materials there is a large and growing surplus of productive capacity throughout the world; there is a prevailing tendency for the world supply to exceed the world demand. In these circumstances, countries with colonial raw materials at their disposal are naturally anxious to sell them readily to all-comers, not to conserve them jealously for their own exclusive use.

The production of many colonial products, however, is, or has been, highly profitable, and has

provided advantageous openings for the investment of capital. The development of rubber-growing a generation ago gave rise to one of the most spectacular of Stock Exchange booms. Copper, tin, tea, and sugar represent enterprises in which much British and other European capital has been invested, and in which at one time or another large profits have been earned. It is indeed in providing profitable outlets for investment that the chief economic advantage of colonial possessions has hitherto lain. This advantage has been, of course, by no means of an exclusive character. Foreign nationals have been free to share most of the opportunities and risks of investing money in British colonial enterprises; and if the capital invested there has in fact been mainly British, this is largely because the British public has been the one most given to investing its money abroad, whether inside or outside the Empire. Before the War, indeed, the question of territorial sovereignty meant comparatively little to the British investor. He was just as ready to risk his money in oilfields in Persia or Mexico as in rubber plantations in Malaya. It was the prospects of the commodity, not the area in which it was to be produced, that chiefly interested him.

Subsequent events, however, suggest that the British investor was unwise in his indifference to the question of sovereignty. British investments in

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foreign countries compare badly to-day with investments in the overseas Empire. Mr. Ralph Assheton, M.P., in a letter appearing in *The Times* on 22 June 1939, has called attention to the fact that the present market valuation of foreign stocks, bonds, and railway securities (excluding those of the United States) appearing in the Stock Exchange lists is less than one-fifth of their nominal value; while in the case of the Government stocks and railway securities of the Dominions and Colonies, the proportion is nearly 90 per cent. This comparison relates mainly to fixed-interest investments. The contrast would be much less marked in the case of investments in commercial undertakings, where indeed fair comparison is rendered difficult by the diverse fortunes of the different types of enterprise concerned. But many developments in recent years suggest that, other things being equal, the British investor is likely to do better, even in this field, if he invests under the British flag. Under fair-weather conditions the difference may be negligible. But when things go badly in a debtor country, when its economic life is impoverished and its governmental finances are deranged, the foreign bondholder and the foreign-controlled company are apt to become targets for adverse discrimination. If only by safeguarding against this danger, the control exercised by the British Government over the colonial empire has been of great benefit to British investors.

The Plight of the Primary Producer

But the reader should note why it is that this benefit has now become manifest. It is because fair-weather conditions no longer prevail in most of the debtor countries, that is to say in the countries which are mainly engaged in producing raw materials. It is because the business of primary production is no longer as profitable as it was. In the case of most colonial raw materials, as has been pointed out above, there is a large excess of productive capacity throughout the world. This is true not only of colonial raw materials but of practically the whole range of agricultural commodities that enter into world trade. It is hardly less true of the majority of metallic raw materials, or at least it would be true of them, if it were not for the large, and we may hope transient, increase in the demand for many metals that has arisen from the present concentration of the principal countries of the world on huge armament programmes.

This excess of productive capacity entails an important consequence. There is a prevailing tendency towards low or unremunerative prices for most primary products. The relation between the prices of primary goods on the one hand and of what are called secondary goods on the other has undergone, in modern times, a radical change to the disadvantage of the former. For most agricultural

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commodities that enter into world trade, the sterling price received by the agriculturist is well below the pre-War level, although the general purchasing-power of sterling is only about two-thirds of what it was then.

To some extent, it is true, the agriculturist is in a position to sustain lower prices for his products; for the substantial improvement that has taken place in the technique of agriculture, while it has played a large part in creating the condition of excess capacity, has served to reduce his costs of production. But this is only a partial compensation. Under the pressure of a persistent tendency towards over-supply, the position of the agriculturist producing for world markets has become an increasingly unfavourable, in some cases an almost desperate one. The position of the producers of many raw materials in the mineral category was, a few years ago, almost equally disadvantageous. The real problem of raw materials is not that of enabling industrial countries to secure adequate supplies at reasonable prices; in no previous period of history could they be obtained in such abundance at such low prices. The real problem is that of securing a square deal for the primary producer.

The Fundamental Causes

It cannot reasonably be supposed that this problem will prove a passing one. For it springs

from some of the most significant and fundamental of the social changes of our age. It is true that it has been greatly aggravated, so far at least as agriculture is concerned, by a factor that might conceivably prove transient, namely the autarkic economic policies of the totalitarian countries, and their attempts to produce substitute materials.¹ But the main factors are of a different kind. First, there is the rapid progress that is now being made in the technique of agricultural production, and also of mining. For many generations the triumphs of science and invention, which gave rise to the phenomenon described by economic historians as the Industrial Revolution, were chiefly won, as that name implies, in the field of manufacturing industry. But this is no longer true. In the post-War period, the biologist, the chemist, and the engineer have all contributed to cause an immense improvement in agricultural technique, which has certainly not yet reached its end. As a result, there is a constant tendency towards an increase in the supply of agricultural raw materials obtainable from a given acreage of land. The supply of minerals is subject to an equally marked tendency towards expansion.

The second main factor is the change in the population trends of the industrial countries which

¹ See Oxford Pamphlet No. 4, *Economic Self-sufficiency*, by A. G. B. Fisher.