It is generally agreed that the development of manufacturing industry in the colonial empire was very limited. A recent study of colonial development describes progress before independence as derisory. Joseph Chamberlain spoke of the colonies as a great underdeveloped estate that must be developed with imperial assistance for the sake of the local population and also for the benefit of the whole world. Similar sentiments were expressed by Lord Lugard, Lord Milner, Leopold Amery and many others. But development was seen primarily as the expanded production of foodstuffs, raw materials and minerals. Colonial governments encouraged the production of cash crops for export and built the roads, railways and harbours to transport produce to markets overseas, but they were unwilling to spend their limited tax revenues to assist the establishment of local industries. The attitude of the British government was that the colonies were essentially agricultural and producers of primary commodities in a complementary partnership with the industrialised nations, chiefly the United Kingdom. The artificial encouragement of manufacturing was contrary to the prevailing ideology of free trade and the belief that the state should not intervene to distort the free play of economic forces. Expatriate trading firms were interested in the profits to be made from exports and imports rather than the processing of primary products or manufacturing for the local market. Indigenous businessmen were few and faced formidable obstacles such as the small size of the local market, unskilled and untrained labour, lack of access to long-term credit from foreign banks and competition from established imports from the metropolis. It is said that the industrial development of the colonies was deliberately restrained by the British government, which was unduly deferential to commercial interests who objected to local manufacture displacing exports from Britain. It has also been claimed that colonial governors were reluctant to put forward schemes for industrial development because they believed they should act as trustees for the native peoples and avoid the disruption of traditional society by the social effects of industrialisation.
There is one exception to these generalisations, a deviant case which has never been analysed by the economists who deplore the underdevelopment of the colonial empire. The amazing economic growth of Hong Kong since its liberation from the Japanese occupation in 1945 is well known, but it is widely assumed that before the war the Hong Kong economy was almost entirely based upon the entrepôt trade transporting goods to and from China and that its transformation from a trading mart to a manufacturing centre began with the post-war arrival of industrialists from Shanghai fleeing from the chaos of China's civil war. In fact the development of industry had begun in the nineteenth century and by 1939 Hong Kong had built up a flourishing export trade in manufactured goods to China and neighbouring Asian countries and was even successfully competing with British firms in a few items in the British home market. The growth of Hong Kong industry was accelerated in the 1930s by decisions taken at the Imperial Economic Conference which met at Ottawa in August 1932. The conference was called to find ways of combating the worldwide economic depression by stimulating trade between the countries of the empire after the British government had decided to abandon its long-standing commitment to free trade and to impose a ten per cent tariff on foreign imports. The conference was mainly occupied with bargaining between Britain and the dominions over the terms on which agricultural products from the dominions would enter the British market and the access of British manufactured goods to the dominions. The ministers meeting at Ottawa also decided to impose stringent restrictions by tariffs and specific duties on imports of textiles and other goods from Japan which were beginning to penetrate empire markets displacing British and Canadian manufactures. Chinese businessmen in Hong Kong took advantage of this attempt to exclude Japanese goods from dominion and colonial markets to export large quantities of cheap footwear and textiles to the empire. This provoked indignant complaints from industrialists in Britain and Canada who demanded that restrictions should be placed on the supercompetitive Hong Kong manufactures. Hong Kong’s successful penetration of empire markets forced the British government for the first time to consider what its policy should be towards the industrial development of the colonial empire. Two interdepartmental committees of civil servants were set up in 1933 and 1937 but no authoritative decision was reached by the cabinet before the outbreak of war in 1939. Officials at the Colonial Office defended the right of the colonies to diversify their economies by moving into manufacturing but the Board of Trade and the Treasury were generally unenthusiastic about such schemes where they might result in a reduction of British exports.
Before 1932 a number of small factories had been established in the colonies. Cotton ginning factories, sugar cane crushing mills, fibre decorticating plants, tobacco grading and packing factories, saw mills and tin smelters had been constructed to reduce the bulk of primary products and make them more convenient for export. Other industries were started for the purpose of import substitution. In almost all the sugar producing colonies sugar refineries had been set up. Edible oil, lard and soap factories were established using local produce in Nigeria, Ceylon, Nyasaland, Trinidad, Jamaica, British Guiana, British Honduras and Fiji. Breweries had been established in the Gold Coast, Kenya, Cyprus, Malta, Jamaica and the Straits Settlements; match factories in British Guiana, Jamaica and Trinidad; a canned pineapple factory in Malaya. This is by no means an exhaustive list of industrial enterprises in the colonial empire in 1932. All these factories had been set up to serve the local market and had taken advantage of tariffs which had originally been imposed by colonial governments for revenue purposes. In some cases this level of protection was sufficient to make the factory viable. In other cases the company contemplating investment asked the governor for the tariff to be increased so as to exclude competitive imports or asked for a guarantee that no excise duty would be imposed or that any excise duty would be levied at a reduced rate. Colonial governors showed no reluctance to grant these concessions in order to encourage the establishment of local industries in spite of the loss of customs revenue and the increased prices paid by the consumer for goods previously imported. Often governors neglected to seek specific permission from the Colonial Office to make such changes to the schedules of their customs ordinances. In a number of cases the Colonial Office heard of the new protective duties only when British manufacturers complained that they were being excluded from the colonial market. When an industrial project was referred to London governors used various arguments to support the protection of infant industries in their colonies: that the proposal was a legitimate development of local resources; that it would relieve unemployment; that a pledge of protection had already been given by government to the promoters; or that the proposals had the support of the unofficial members of the executive and legislative councils. Normally the Colonial Office did not refuse to sanction the grant of assistance to the new local enterprise. For example, in 1927 the legislative council of Jamaica passed an ordinance to increase the tariff on biscuits, soap, edible oils, cordage and matches and to remove the excise duty on soap, edible oils and matches in order to protect local industries. The Colonial Office sanctioned this ordinance without any adverse comment. Once an ordinance had been passed by a colony’s legislature and had received the governor’s assent it
could be nullified only by the use of the crown prerogative of disallowance. The Colonial Office was most reluctant to exercise this power except in extreme circumstances since it might cause the governor public embarrassment. There are only three cases to be found in the files before 1933 where the Colonial Office was consulted about a project and imposed its veto.9

The progress of industrialisation in Hong Kong was completely different from all other British colonies where factories could be established only with the aid of protective tariffs and other government assistance and manufactured goods were sold only in the local market. Hong Kong island was originally occupied because it had the best deep-sea harbour between Shanghai and Indo-China. It served as a base for the British navy and a place where merchants could store their goods and transfer them from ocean-going vessels to smaller ships to trade at ports along the China coast and inland waterways. About 80 per cent of the goods passing through the harbour consisted of re-exports destined for South China from overseas or from North China, or exports from China being transhipped in Hong Kong. Since the principal reason for Hong Kong's existence was to be an entrepôt for trade with China it has always been a free port with no customs duties on imports or exports. Industries were established early in the colony's history to provide for the needs of the port and to process primary products for local consumption and export to China.10 Shipbuilding and ship repairing yards were established soon after Hong Kong island was occupied in 1841, followed by a rope-making factory in 1851, a flour mill in 1859, a sugar refinery in 1870, a distillery in 1871, tobacco and cigarettes in 1880, a cement factory in 1897, and a cotton spinning and weaving company in 1899.11 In 1911 the Hong Kong General Chamber of Commerce carried out a survey of all European, American and British Indian firms in the colony engaged in import, export and manufacturing. The survey listed 38 trading companies which had also set up factories.12 The 1931 census found that about a quarter of the working population (112,133 out of 470,794) were employed in manufacturing industries. The 1930 Blue Book listed 3,164 factories and workshops under 102 categories ranging from 124 boat builders to 116 tin beaters and 14 weaving factories. Most of these establishments were very small, situated in the back streets and tenements of the urban area. In 1932 only 586 were registered under the new Factories and Workshops Ordinance which regulated firms which employed at least 20 persons.13 It is difficult to quantify the size of the manufacturing sector in the absence of detailed statistics of local consumption but it appears that domestic exports of manufactured goods in 1932 totalled at least HK$36 million (about £2,500,000).14 The main items exported were cement, refined sugar, preserved ginger, lard, knitted singlets and hosiery, electric torches
and batteries, canvas and rubber footwear, rattan furniture, trunks, suitcases, umbrellas and rope. Almost all these exports went to China and the nearby states of the Philippines, Netherlands East Indies, Malaya, Siam, French Indo-China, Burma and India. The only significant exports to Britain were 268 tons of lard valued at £7,000 and £50,000 of preserved ginger.

In the 1930s exports to China were badly affected by a steep rise in import duties. Under the treaties imposed on China in the nineteenth century tariffs were limited to five per cent, but over the period 1926 to 1933 China achieved full tariff autonomy and soon raised its duties to gain additional revenue, and also to protect its own industries and substitute local manufactures for foreign imports. For example, the duty on rubber-soled shoes remained at five per cent until 1931 when it was raised to 17 per cent and then to 30 per cent in 1933. Similar protectionist moves were made by neighbouring countries in an attempt to combat the world depression of the 1930s. The Philippines raised its tariff on rubber shoes from 25 per cent to 100 per cent in 1933.13 This escalation in tariff barriers affected Hong Kong's trade and economic prosperity in two ways: the entrepôt trade through Hong Kong was reduced since China was deliberately seeking to curtail foreign imports; and Hong Kong's domestic exports of manufactured goods to China were also affected. A number of factories were forced to close having lost their markets in China.16 The value of imports and exports passing through the harbour dropped by 40 per cent between 1931 and 1934.17 Hong Kong's economy was saved from ruin by the amazing growth in its exports of manufactured goods to empire markets. This was an unintended consequence of the decisions taken at Ottawa to erect trade barriers to exclude Japanese exports.

II

When the colonies of European settlement had advanced to internal self-government it was no longer politically possible for Britain to exercise control over their trade and tariff policies. The dominions wished to protect their infant industries against imported manufactures, including imports from Britain. At imperial conferences the dominion premiers offered to grant a preferential rate of duty to British goods and asked that Britain should reciprocate by granting a tariff preference to empire produce over foreign goods. Britain refused this offer and remained committed to free trade. The dominions then acted unilaterally to make Britain a beneficiary of their tariff policies. Canada was the first to grant tariff preferences to Britain in 1897, followed by South Africa, New Zealand and Australia.18 In 1907 the preferences granted to Britain by Canada were extended to the West Indian colonies, South Africa, New Zealand, India, Ceylon and the
Straits Settlements, but not to Hong Kong. The governor protested to the Colonial Office at Hong Kong's exclusion in 1907, 1910 and 1912 but the Canadian government refused to include Hong Kong within its preferential tariff on the grounds that goods from China might be shipped through Hong Kong’s open port and fraudulently obtain the benefit of Canada’s preferential tariff. So Hong Kong’s exports of cement and refined sugar were taxed at the highest rate and soon lost their market in Canada. In 1912 a trade agreement was negotiated between Canada and the West Indian colonies whereby Canadian exports were granted preferential tariffs in return for Canadian preferences on Caribbean cane sugar, cocoa beans and lime juice. The West Indian colonies negotiated this trade agreement directly with Canada and the secretary of state for the colonies raised no objection. These preferences were increased by a new trade agreement in 1920 and were generalised to benefit goods from all empire sources. The Colonial Office invited all colonies and protectorates to consider the practicability of introducing preferential rates of duty for goods of imperial origin. But most of the colonial empire was prevented by international treaties from imposing discriminatory tariffs. Northern Rhodesia, Kenya and Uganda, being part of the Congo Basin, were forbidden to discriminate by the Convention of St. Germain (1919); Nigeria and the Gold Coast by the Anglo-French treaty of 1898; and Tanganyika, Togoland, Cameroons and Palestine were mandated territories of the League of Nations which prohibited discrimination. By 1932 the only colonies which were free to adopt imperial preference but had not done so were Somaliland, Ceylon, the Straits Settlements, Hong Kong and certain islands in the Pacific. Canada and New Zealand were the only dominions which granted any preferences to the colonial empire before 1932. Australia, South Africa, Newfoundland, Southern Rhodesia and India granted none.

The world trade depression which began in 1929 convinced British politicians that the liberal principles of free trade which had been followed for the past 70 years must be abandoned. The National government elected in 1931 quickly passed the Import Duties Act which imposed a general duty of 10 per cent ad valorem on all imports. Section 5 of the act granted an entire exemption from the general duty to imports from all colonies, protectorates and mandated territories, provided that at least 25 per cent of the value was derived from materials grown or produced or from work done within a part of the empire. Imports from the dominions and India were exempted from duty only until November pending the outcome of an Imperial Economic Conference. A circular despatch was sent by the Colonial Office to all colonies and protectorates drawing attention to the great advantages extended to the colonies by the Import Duties Act and inviting them to give similar preferences to United Kingdom manufactures.
where the territory was not debarred from doing so by treaty. In preparation for the negotiations at Ottawa the colonies were also asked to consider what preferences might be accorded them by the dominions and what preferences they might give to the dominions in return on the lines of the Canada-West Indies agreement.24

The governor, Sir William Peel, discussed Hong Kong’s position while visiting the Colonial Office in June 1932. Officials agreed with him that Hong Kong’s status as a free port made it impossible to impose anything like a general tariff. ‘Any such tariff would ruin the entrepôt trade which was vital to Hong Kong’s existence and no practicable means could be devised of landing goods in bond for re-export without involving so much inconvenience as to drive the entrepôt trade to other neighbouring ports. Peel was prepared as a gesture to give a preference to empire products on articles such as spirits and tobacco which were subject to excise duty and to impose a higher rate of first registration tax on foreign motor cars than on cars imported from Britain and Canada. He did not ask for any preference from the dominions in return since in his view ‘the bulk of Hong Kong exports consists of foreign goods the proportion of the cost of which, due to treatment in Hong Kong was not large enough to secure a preference’.25 This showed a surprising ignorance of Hong Kong’s growing trade in domestic manufactures which were largely exported to neighbouring Asian countries.

The Ottawa conference convened in July 1932. The British delegation was led by Stanley Baldwin, the former prime minister, and four other cabinet ministers. Canada, Southern Rhodesia and Newfoundland were represented by their prime ministers; Australia and New Zealand by former prime ministers; South Africa and the Irish Free State by their finance and trade ministers. India, which had been given the freedom to establish protective duties in 1923, was represented by Sir Atul Chatterjee and other members of the Viceroy’s Council. The interests of the colonial empire were safeguarded by the secretary of state for the colonies, Sir Philip Cunliffe-Lister and one civil servant from the Colonial Office, G.L.M. Claason.

The conclusions of the conference were embodied in agreements between the United Kingdom government and the governments of the dominions and India.26 Britain consented to continue the free entry of goods grown, produced or manufactured in any part of the empire, and to impose additional duties on specified foreign goods which would give empire produce a preferential margin higher than the 10 per cent tariff already imposed by the Import Duties Act. Britain also agreed to ‘invite’ the non-self-governing colonies and protectorates to extend to all the dominions any preference at present extended to any part of the empire, and to increase the margin of preference or impose specific duties on a long list of items requested by the dominions. In return the dominions confirmed the existing
preferences granted to British goods, to increase the margin of preference on a few specific items and to review the level of existing tariffs which protected dominion manufactures against British goods. The dominions approved tariff preferences on specified colonial goods, mostly tropical agricultural products, asphalt, rum and cigars. Each dominion offered a different list of concessions to the colonies and not all were equally generous. South Africa granted preferences only on raw coffee and asphalt. Canada gave little more than the preferences already embodied in the 1920 trade agreement with the West Indian colonies. New Zealand was the only dominion which agreed to grant preferences at the same rates as were accorded to Britain to all the colonies and protectorates. The agreements with the dominions provided that the preferences accorded to British goods might be extended to the colonies, protectorates and mandated territories ‘if His Majesty’s Government in the United Kingdom so request’. All these preferences were for British manufactured goods. The development of manufacturing industry in the colonies was not anticipated by the governments represented at Ottawa. If it had been foreseen it is probable that the dominion governments would have raised strong objections to admitting goods manufactured under oriental conditions to their markets under a tariff designed to benefit British manufacturers.

After the Ottawa conference a circular despatch was sent to all colonies and dependent territories setting out the tariff preferences which would be granted by the dominions to colonial exports of foodstuffs and raw materials. These preferences would give the dependencies a reasonable prospect of replacing foreign imports by imports from empire sources in the dominion markets concerned. In return the dependent territories were ‘invited’ to grant to the dominions the preferences which the colonial secretary had negotiated at Ottawa. Cunliffe-Lister made clear that it was a matter of the highest importance that the Ottawa settlement should be put into effect as an integral whole.

I should feel that I had been guilty of a breach of faith if the legislature concerned refused to grant the preference in question, unless I could put to the dominion government concerned clear evidence that there were really substantial reasons for not granting the proposed preference. It would not be an adequate ground of objection to say that the desired preference might increase the local cost of living, so long as the increase was only moderate and did not cause hardship to a particularly poor class of the community.

Governors prepared the necessary legislation for introduction into the colonial legislatures, but a number warned the Colonial Office that they
faced serious opposition from the unofficial members. Except in the case of Ceylon, where the elected unofficials had a majority in the legislature, governors were able to ensure the enactment of the new customs schedules by the votes of the officials and the nominated unofficial members, but they were reluctant to do so against popular opposition. The Colonial Office warned the recalcitrant colonies that if legislation were to be delayed or amended the dominions might refuse to implement the new preferences agreed at Ottawa or withdraw existing preferences: the British parliament might also withdraw the preferences granted to the colony under the 1932 Import Duties Act.30 So the legislation was eventually passed in all the colonies in spite of great popular opposition. In the Leeward Islands there were shouts of ‘What happened to Judas?’ at the end of the meeting, and the residence of a nominated unofficial member who voted for the bill was destroyed by fire.31

In the West Indian colonies opposition focused on the clause in the United Kingdom-Canada agreement which obliged the colonies to impose a duty of one shilling per pair on rubber boots and shoes and rubber-soled canvas boots and shoes in additional to the general preferential ad valorem rate. Hosiery of cotton or artificial silk (rayon) was to be charged an additional duty of sixpence a pair and silk hosiery an additional duty of ninepence a pair. These massive tariff increases were designed to exclude Japanese competition from a market which had been a Canadian monopoly until 1929. The governor of Barbados protested that Japanese shoes were sold at one shilling and eightpence a pair with the result that many were now shod who had previously gone barefooted, reducing the incidence of ankylostomiasis (hookworm infestation); if a specific duty of one shilling were imposed the resultant price would be beyond the reach of the poor, while being still much below the price at which Canada could supply footwear.32 The governor of the Windward Islands protested that stockings from Japan cost only fourpence a pair and would rise threefold to 13 pence a pair if the new tariffs were imposed.33 Other governors of the West Indian colonies made similar complaints, but the Colonial Office was obdurate that the preferences granted to the colonies by the dominions on their exports of primary products were conditional on the full implementation of the Ottawa agreements by the colonies.

III

The swingeing increases in duty on Japanese canvas and rubber footwear did not achieve their intended effect of restricting the market to Canadian manufacturers. Within months of the implementation of the Ottawa agreements, canvas shoes with rubber soles produced by a factory in
Singapore were being exported to the West Indian colonies. In November 1932 a Canadian manufacturer of rubber shoes complained to the Canadian minister of trade and commerce that in the last two months 15,000 pairs of rubber shoes had been imported into Barbados from Singapore at prices far below that of shoes produced in Canada. The Canadian minister wrote directly to Cunliffe-Lister asking for his help. He expressed the fear that unless something was done additional factories would be erected in Singapore and Hong Kong to take advantage of the new tariff and cheap Asiatic labour. The colonial secretary replied that it would be impossible to introduce in any colony legislation discriminating against goods produced in another colony; this would cut across the principle of solidarity between various parts of the empire which had been accepted at Ottawa and would inevitably cause a serious revulsion of feeling in these colonies.

Exports of rubber boots and shoes to the West Indian colonies continued to increase at an alarming rate throughout 1933. They even penetrated the Canadian home market. Factories in Hong Kong which had previously exported their boots and shoes to China and the Philippines found themselves priced out of these markets by new protective tariffs and turned to export their products to the West Indies and Britain. Canadian and British footwear manufacturers faced with the loss of markets which they had formerly monopolised claimed that the Singapore factory was owned by Japanese interests who were seeking to evade heavy duties by setting up factories within the empire. In fact all the factories in Singapore and Hong Kong were owned and managed by Chinese businessmen. The empire content of the shoes was over 90 per cent since they were made from Malayan rubber and British canvas by British subjects working in a British colony and carried to Britain in British ships. There were no grounds for denying imperial preference to Hong Kong products in accordance with the Ottawa agreements. The Canadian prime minister, R.B. Bennett, complained to Cunliffe-Lister that the importation of rubber shoes was utterly demoralising the Canadian industry; thousands of workers would lose their jobs unless action was taken to prevent the continuation of this destructive and unfair competition. The colonial secretary replied that it would obviously not be politically possible to invite the legislative council of the Straits Settlements to pass legislation prohibiting the manufacture of rubber shoes in Singapore or their export to markets overseas.

Meanwhile another industry long established in Hong Kong was causing embarrassment to the Colonial Office. The governor sent a telegram to London complaining that the Hong Kong and Whampoa Dock Company had tendered to build a 500 ton coaster for Australia but had discovered that it was liable to a 15 per cent duty and could not claim exemption since imperial preference was granted only to ships built in Britain. The governor
asked that Britain should approach Australia to secure for Hong Kong the same tariff preference as Britain enjoyed, in accordance with article 15 of the Ottawa agreement. He pointed out that Hong Kong had granted Australian brandy a preference in the excise duty of three dollars a gallon and had received nothing in return.  

Cunliffe-Lister refused to take any action minuting that he was not prepared to press for equal treatment in the dominions for British and colonial industries like shipbuilding in which owing to different standards of living the levels of cost were necessarily different. This attitude shocked the civil servants in the Colonial Office. One senior official minuted, 'I have always assumed that the Secretary of State would be the advocate of colonial interests.'  

The matter was not allowed to rest there in spite of the views expressed by Cunliffe-Lister. Officials consulted the Board of Trade and when that department raised no objection a letter was sent to the Australian High Commission asking for the grant of preference. The Australian government was most unwilling to extend preference to a territory with oriental wages even though it was part of the empire, but eventually granted all the colonies preference at the same rate as Britain in respect of vessels over 500 tons only.

In 1933 Hong Kong manufacturers followed the lead of the Singapore factory in vigorously expanding their exports. Sales to Britain grew from HK$16,190 in 1930 to HK$454,252 in 1933 and to HK$1,823,874 in 1934. British manufacturers protested to the Board of Trade about this competition in their home market and the Board of Trade passed on their complaints to the Colonial Office. Cunliffe-Lister suggested that Britain should confine its preference to primary products and that entry free of duty should be refused to colonial manufactured goods which could compete with an efficient British industry. This proposal did not find favour with the civil service. Instead officials proposed that an interdepartmental committee should be set up to consider the whole question of the industrial development of the colonial empire. The committee was composed of officials from the Board of Trade, the Department of Overseas Trade, the Dominions Office and the Colonial Office. The first meeting was held in January 1934. R.V. Vernon of the Colonial Office was the chairman and was said to have been largely instrumental in drafting the committee’s report.

The committee concluded that industrial development in the colonial empire was an inevitable contingency which could not be prohibited or indefinitely retarded; but the committee saw no reason why a conscious policy of the artificial encouragement of industry should be undertaken by the institution of a tariff high enough to protect the products of local industry from imports from Britain or elsewhere. The interests of British manufacturers and of colonial consumers who would have to pay a higher price for products previously imported should also be considered. So the
creation of protected local industries could be justified only where the colony had natural advantages for the development of an industry and where it was likely eventually to be profitable without protection. However, regard should also be paid to the principle of trusteeship and where the commercial interests of Britain and the general economic well-being of the colony were in conflict, colonial interests should prevail. These ambiguous recommendations gave the Colonial Office a considerable area of discretion to determine whether or not a colony should be allowed to institute a protective tariff or provide other assistance to a proposed new industry.

These recommendations did not affect the situation in Hong Kong and Singapore, where Chinese entrepreneurs were successfully exporting shoes and other goods manufactured from imported raw materials without the assistance of any protective tariff. Their home market was small compared to their export markets and they could easily undercut any foreign competitors. The committee regarded the invasion of the British and dominion markets by cheap rubber shoes produced by oriental labour as an evil, but it opposed the imposition of import duties on colonial manufactures since the Ottawa agreements had granted entry free of tariffs to all imports from the dominions and India; discrimination against colonial products would undermine the principle of free trade within the empire and call into question the preferences and privileges which the colonies had extended to imports from Britain. Instead of tariffs on colonial manufactures the committee recommended that efforts should be pursued to assimilate conditions of employment and factory and workshop regulations to those in force in Britain by the adoption of the International Labour Conventions by the colonies. The committee also suggested the encouragement of negotiations between manufacturers in Britain and in the colonies to divide the market by the assignment of quotas between them.

Cunliffe-Lister welcomed the report in spite of the rejection of his idea of protection for British manufactures against colonial competition. The report was circulated to the cabinet for the information of ministers but objections were unexpectedly raised by the secretary of state for India and the chancellor of the exchequer. The main doubt was whether the report went far enough in recommending the discouragement of new industries in the colonies. So the report was remitted for further consideration by another committee, but nothing was done for three years. In the meantime the Colonial Office proceeded to act on the principles recommended in the report. Instructions were sent to all colonies that any proposal to protect a local industry must be referred to London at the earliest possible stage and no bill to impose or increase a protective tariff should be introduced into the legislative council without prior authorisation by the colonial secretary. Telegrams were sent to the governors of Singapore and Hong Kong asking
them to call a meeting of the manufacturers and seek a voluntary agreement to limit their exports to Britain as the committee had recommended.\textsuperscript{47} This was not an easy matter. If the industry in Hong Kong had been established by Jardine Matheson, Swire or one of the other leading British trading firms, the governor could have spoken personally to the directors and appealed for restraint; but the rubber shoe manufacturers were small Chinese firms which were most reluctant to co-operate.\textsuperscript{48} Before they would agree to limit their exports they demanded guarantees that the quota would be large enough to keep their factories operating at a profit; that no new footwear firms should be allowed to open in Hong Kong; and that there should be a comprehensive agreement between Canadian, British, Singapore and Hong Kong manufacturers to divide up the British market and exclude any new entrants from India or elsewhere. The British manufacturers suggested a quota for Hong Kong of 1,500,000 pairs. Hong Kong said this was far below the current rate of exports to Britain, and asked for at least 2,500,000 pairs. Negotiations between the British and Canadian manufacturers to divide up the British and Canadian markets between them broke down when one of the largest firms, Bata, refused to join the cartel.\textsuperscript{49}

This failure left Hong Kong manufacturers free to expand their exports to Britain without a limit. The largest manufacturer in Singapore went bankrupt in 1935, enabling Hong Kong firms to penetrate further the British market. They exported 2,403,900 pairs of canvas and rubber shoes to Britain in 1935, 3,309,088 pairs in 1936, 4,849,324 pairs in 1937 and 7,007,604 pairs in 1938. These figures do not include exports to British colonies, which were also substantial. In 1939 a representative of the British manufacturers went out to Hong Kong to negotiate directly with the Chinese firms before going on to Canada. Agreement was reached for Hong Kong to have a quota of 6,600,000 pairs in the British market provided that the colony agreed to raise its prices to British levels. The Hong Kong government foresaw considerable administrative difficulties in implementing such an agreement. Legislation would need to be enacted to licence factories and to regulate exports, which would be extremely unpopular. The outbreak of war in September 1939 caused the agreement to be suspended indefinitely.\textsuperscript{50}

\textbf{IV}

The imperial preferences agreed at Ottawa and the additional specific duties on footwear, hosiery and textiles failed to achieve their intended objective of excluding Japanese competition and leaving the colonial markets free for British and Canadian textile manufacturers. The Japanese had little difficulty in absorbing these additional costs and undercutting British and
Canadian products. To counter this competition the British government in 1934 instructed the colonies to institute a system of quotas for ‘piece goods containing 50 per cent or more of cotton or of artificial silk, or of cotton and artificial silk combined’. The annual quota allowed in any colony should be the average imports over the years 1927 to 1931. This covered the period before Japanese textiles began to flood into colonial markets. British textiles and empire textiles were excluded from quota, provided that they had 50 per cent imperial content. This measure aroused considerable opposition in many colonies since the poorest customers would be deprived of their only source of cheap clothing for the benefit of the British textile industry. The official majority was used to carry the bill through the colonial legislatures in the face of opposition from the unofficial members. In Ceylon, where elected unofficials had a majority in the legislative council, quotas were imposed by an Order in Council issued by the British government. In spite of its long history as a free port Singapore agreed to impose quotas on imports retained in the colony. Hong Kong refused because of possible damage to its entrepôt trade, much to the annoyance of the colonial secretary, Cunliffe-Lister.

In 1936 the Colonial Office asked for reports from all colonies on the effects of the quotas imposed two years earlier. The replies from governors indicated that quotas had been generally successful in excluding Japanese and foreign textiles, but this had had very little effect in increasing the trade of Britain and Canada. As happened when discriminatory duties were imposed on rubber shoes the chief beneficiary was Hong Kong. Imports of shirts, singlets and hosiery from Hong Kong had made their appearance for the first time and were now the dominant supplier at the cheaper end of the market. The governor of Jamaica complained that imports of ready-made apparel were driving the local garment industry out of business and suggested specific duties or quotas on Hong Kong textiles on the same lines as the restrictions against Japan.

After the Ottawa conference other Hong Kong goods besides rubber footwear began to appear in the British market. The Import Duties Act 1932 had allowed free entry into Britain to imports provided that at least 25 per cent of their value was derived from materials grown or produced or from work done within a part of the empire. This provision enabled a number of small manufacturers in Hong Kong who had previously exported their products to China and Asian countries to turn their attention to the British market. Exports of wearing apparel to Britain increased from HK$2,000 in 1932 to HK$498,000 in 1933, and HK$1,169,000 in 1935. Exports of electric torches went up from none in 1932 to HK$30,000 in 1933, HK$128,000 in 1934, and HK$131,000 in 1935. The Board of Trade feared that foreign manufacturers such as Japan were shipping goods substantially
manufactured in foreign countries to factories situated in the empire for the completion of the manufacturing process in order to become eligible for imperial preference. So in 1933 new regulations were issued which required most manufactured goods to show 50 per cent empire content of materials and labour in order to qualify for preference. A circular despatch was sent to all colonies requiring them to do the same and a model ordinance to effect this was enclosed. The 15 torch factories in Hong Kong used foreign brass to make the torch casing since it was cheaper than brass exported from Britain. The British Customs and Excise Department ruled that since brass constituted at least 40 per cent of the value of the finished product, unless British brass was used, torches should be classed as foreign and so be ineligible for admission to Britain free of duty. In 1935 the British Customs imposed a specific duty of 14 pence per pound on flashlight torches. This roughly doubled the cost of Hong Kong torches making it difficult for them to compete in the British market. Protests were made, but the British Customs refused to trust the costings supplied by Hong Kong showing a 50 per cent empire content and suggested that the factories should use empire brass exclusively for certain months of the year; if this was satisfactorily authenticated by an accountant's certificate Customs were prepared to allow Hong Kong torches to enter free of duty. Such arrangements were too complicated and expensive for most of the Chinese workshops involved, so they decided to do without imperial preference. Exports to Britain constituted less than 6 per cent of their total production.

These and other moves to limit Hong Kong's manufacturing exports provoked the governor to make a strong plea in unusually forthright terms to the Colonial Office for favourable treatment on the ground of Britain's imperial interests.

We are a tiny place and have no sufficient home market to support industrialization on any large scale. Between us and China there is a customs barrier and I do not see (with the rising tide of Chinese nationalism) any chance of their lowering the barrier for Hong Kong products. So if there is to be future for industrialization in Hong Kong its market must be a cheap and distant one, a protected market within our colonial empire. From an imperial point of view the question boils down to this. Is Hong Kong to be left just as a fortress port with a dwindling entrepot business or is it to be allowed to make up for what it loses on the entrepot swings by its takings on the industrial roundabout? Hong Kong has (except in the case of rubber) no near or cheap source of empire raw material, and so the empire content of its products will generally not greatly exceed the percentage which the cost of manufacture bears to the cost of material. If this is not
sufficient to qualify for preference in colonial 'native' markets then it is a very bad outlook for us as I cannot see how the growing population of Victoria and Kowloon are going to find employment without industrial development.

I therefore consider it as politically important as it is, from our point of view, economically advantageous to give the Hong Kong Chinese a commercial attachment to the empire. Our military and naval defences are designed against external aggression, but if relations with China ever became antagonistic there would be an enemy totalling over one million within the fortress gates, unless their bread is liberally spread with Empire butter.

The governor’s plea for Hong Kong’s manufacturing industry was warmly supported by all the Colonial Office officials who wrote minutes on this despatch. It was quickly passed up to the colonial secretary, W. Ormsby-Gore, who endorsed it as ‘an admirable letter’ and gave instructions for copies to be sent to the Foreign Office and the Board of Trade. Officials made frequent use of Caldecott’s argument of imperial interests when attempting to repulse proposals from the Board of Trade and other departments to place further restrictions on Hong Kong’s manufactures in the years that followed.

British textile manufacturers continued to protest that they were suffering from unfair competition in the British and colonial markets and demanded that Hong Kong exports should be excluded by tariffs or quantitative restrictions. In order to fend off these pressures the Colonial Office suggested to the governor of Hong Kong that all cotton and artificial silk piece goods exported to Britain and the colonies should be accompanied by a certificate that they had been made from cloth which had been spun, woven and finished within the empire. This proposal posed difficulties for Hong Kong. There were no spinning mills in the colony and more than half the cotton yarn used in the production of piece goods and hosiery was imported from Japan and Shanghai. In order to continue to enjoy the benefits of imperial preference, the Hong Kong General Chamber of Commerce secured the manufacturers’ agreement to switch their purchases of yarn from China and Japan to cotton mills in India which were within the empire. But the manufacturers of goods made from artificial silk protested strongly that the only alternative to yarn from Japan was British yarn which was double the price ($1.70c a pound compared to 85c). This would destroy their competitiveness with Japanese products in British Malaya, the African colonies and the West Indies and drive them to bankruptcy. The Colonial Office put its case to the Board of Trade which refused to compromise, asserting that if Hong Kong was to continue to enjoy the advantages of the
quota system which kept out their Japanese competitors they must pay the same price as British textile manufacturers and use British-made rayon yarn. So from June 1937 the ‘spun, woven and finished within the empire’ requirement was enforced for all cotton and artificial silk garments if they wished to qualify for preference as empire products.

Apart from boots and shoes, torches, cotton and artificial silk clothing and hosiery there were many other Hong Kong manufactured products exported to the colonial empire which were able to claim the benefits of the imperial preferential tariff. They included hats, umbrellas, leather bags and purses, suitcases, furniture, mats, lamps, rope, firecrackers, paper, books, cigarettes, perfumes, medicines, condiments, sauces, biscuits, preserved foods and refined sugar. Complaints of the abuse of this privilege continued. In June 1938 the Colonial Office issued instructions that Hong Kong goods should be admitted to preference only if the suppliers’ declaration that the article had a 50 per cent empire content was supported by a detailed statement of costings certified by a chartered accountant and countersigned by an officer of the Hong Kong government. It cannot have been easy for a workshop in the back streets of Kowloon to afford the fees of a chartered accountant and get all the paperwork in order. Many justifiable claims to imperial preference must have gone by default. The Colonial Office was under pressure from the Board of Trade active on behalf of British manufacturers who found their trade threatened by Hong Kong’s success. It sought to defend the principle that all parts of the empire should be treated equally. It could not stop the self-governing dominions from discriminating against Hong Kong, but it prevented the colonial territories from doing the same. The price it had to pay was the elaborate documentation required to prove that Hong Kong goods were genuinely made in the colony and were not products transhipped from China or Japan.

In 1937 manufacturing industry in Hong Kong received an unexpected stimulus from the Japanese invasion of China. Industrialists transferred production from Shanghai to Hong Kong when their factories were attacked by the Japanese. When Japan blockaded the Yangtse river and seized all the coastal ports in East China, Hong Kong became a vital entry point for military supplies. Factories were quickly established to provide clothing and equipment to the Nationalist forces. Factories were set up to produce steel helmets, gas masks, mess tins, webbing and military uniforms. Parts for lorries, trucks and even aircraft were imported and assembled in Hong Kong. The Commercial Press moved from Shanghai and began printing currency notes for the Chinese government. The number of factories employing more than 20 workers went up from 642 in 1936 to 864 in 1938, 925 in 1939 and 1,143 in 1940. Domestic exports of manufactured goods in 1938 totalled at least HK$91,610,000 (about £6,000,000).
Though the 1934 interdepartmental committee report had not been officially approved by the cabinet, the Colonial Office regarded it as an authoritative guide to policy. Governors were instructed to refer all proposals for industrial development to London before any changes to tariffs or excise duty were submitted to legislative councils, or any promises of financial or other assistance were made to the promoters of the project. Entrepreneurs also approached the Colonial Office directly with their own schemes for industrial development. Officials examined the proposal to see if it was economically sound. Normally the Board of Trade was consulted for advice as to whether British exports would be adversely affected. Expert advice was sometimes obtained from outside government. If the colony was receiving a grant from Britain to balance its budget the views of the Treasury were sought. The general attitude of the Colonial Office was an exceedingly cautious one but if the project appeared to be economically viable officials did not feel justified in preventing its development.

When a proposal was rejected by the Colonial Office a governor could still protest at the decision arguing that the special circumstances of his colony should be taken into account. Governors often submitted counterproposals suggesting a lower protective tariff or a different mix of financial incentives to enable the project to go ahead. Governors were insistent on the need for industrial development and the Colonial Office was always very reluctant to overrule a governor who persisted in pressing his views on what was in the best interests of his colony. In 1936 the colonial secretary wrote to the chancellor of the exchequer suggesting that the cabinet should reconsider the 1934 Report, so that when writing to governors he could refer to the principles laid down in the report as having the authority of the whole government. The Federation of British Industries had also written to the Treasury complaining about competition from dominion and colonial manufacturers which enjoyed free entry into the British market. Treasury officials believed that the Colonial Office was too ready to sanction the establishment of industries in the colonies which might adversely affect British exports, ignoring the fact that Britain bore the whole cost and responsibility for the Royal Navy and colonial defence.

A new committee was set up which unlike the 1933 committee included representatives from the Treasury and the Bank of England. It met for the first time in February 1937. The committee tried to formulate general principles but found that in every case they examined special considerations could be adduced to justify the new industrial development. For example, a brewery in the Gold Coast which competed with imported British beer was defended by the governor as a means to turn the natives away from gin and neat drinks to (cheaper) beer; the capital investment of £250,000 would be
very useful in the depression, and the factory would provide employment for 100 Africans. Hong Kong was also seen as a special case where the decline of the entrepôt trade with China justified the policy of fostering industrial development. After much discussion the only specific recommendation made by the committee was that when a protective tariff was granted an excise duty equivalent to the import duty should always be imposed. The final report of the committee was never published and apparently was never considered by the cabinet.

So the Colonial Office continued to vet proposals for new industries according to the guidelines laid down in the 1934 Report, that manufacturing should not be ‘artificially encouraged’. Officials were concerned to safeguard colonial revenues at a time when most colonies were in financial difficulties as a result of the world depression. The Colonial Office insisted that budgets must be balanced, to avoid the need for a grant from the British government and the consequent Treasury control of the colony’s finances. The Colonial Office had no money available in its own account to subsidise ingenious schemes, such as a project put forward by an entrepreneur from Trinidad to produce newsprint paper from bagasse and to power the factory with anhydrous alcohol distilled from sugar cane juice. Governors could apply for funds from the Colonial Development Advisory Committee which provided £36,500,000 for development assistance from 1929 to 1939. But this fund was originally set up to alleviate unemployment in Britain and no application for industrial development would be entertained which would be likely to compete with British industry. Officials believed that by discouraging uneconomic industrial development they were acting in the best interests of the native inhabitants. An assistant secretary minuted, ‘Manufacturing industry, which can be established in a colony only at the price of a monopoly protected by a high tariff, ends in producing a locally manufactured article which is too expensive for the primary agricultural producers to buy.’ Governors were more suspicious of the motives of Colonial Office officials. The governor of Sierra Leone complained that any industrial project was approached from the standpoint that British trade interests must rank first, dominions’ interests second and those of the colonies last. Perhaps the fairest summary of Colonial Office policy was made by a junior official: ‘Generally speaking we do not want to encourage industrial development in the colonial empire, but we are reluctant to go so far as actually to prohibit it.’

Why then was it that Hong Kong was able to develop a flourishing export-oriented industry without any subsidy or assistance from the colonial government whatsoever when in all the other dependent territories the development of manufacturing industry was derisory, and the few factories that were established were heavily dependent on protective tariffs, special
tax incentives and other government assistance? Apart from its superb harbour Hong Kong had no natural advantages. Almost all the raw materials for industry had to be imported. The population (840,000 at the 1931 census) was wretchedly poor and could not provide the purchasing power to support large-scale industry. But Hong Kong was well-placed to export cheap manufactured goods to the vast market of China and the neighbouring countries of Asia where until the 1930s tariffs on imports were low. The world depression led China and other Asian countries to erect high tariff barriers which threatened to cripple Hong Kong’s burgeoning industry. The colony was saved by the decisions taken at the Ottawa conference to adopt the policy of imperial preference. This handicapped its main competitor, Japan, by imposing high tariffs and later quotas designed to exclude Japanese manufactures from markets in the British empire. This created a vast imperial free trade area embracing Britain, its colonial territories and New Zealand. Traders and businessmen in the African or Caribbean colonies could have seized the opportunity to exploit it, but it was only the energetic and adaptable Chinese entrepreneurs of Hong Kong who did so.

The decisions taken at Ottawa which were designed to help industry in the dominions gave an unintended boost to Chinese factory owners in the back streets of Kowloon.

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NOTES


2. Leo Amery in 1926, quoted by Meredith, 495.

3. Meredith, 494. The only supporting evidence for this theory in the Colonial Office files is a letter from the governor of Uganda, 22 Dec. 1934, who warned that any large-scale industrial development which caused rural depopulation would result in a serious increase in sleeping sickness. CO 323/1298/10, Public Record Office, London (PRO).


6. According to D.J. Morgan, The Origins of British Aid Policy 1924–1945 (New Jersey, 1979), 9, the proportion of general revenue in the colonies derived from customs duties in 1933 was:
7. For example Nyasaland in 1929 raised the duty on imported soap from 5 shillings to 7 shillings to protect a newly established factory. In 1931 the duty was increased to 8 shillings a cwt. The Colonial Office first heard of these increases in 1932 when Unilever complained. Memo IDC (37) No.7, T 160/763/F 14811/2.


9. In 1931 a local company proposed to establish a cement factory in Kenya which required a protective tariff and a guarantee that a very high anti-dumping duty would be imposed on Japanese cement which dominated the market. The Colonial Office refused the request for protection on the advice of the Board of Trade because the local factory if successful would take over government orders, depriving British cement manufacturers of the last remnant of the market. CO 533/417/18. In 1933 the Colonial Office rejected a scheme to erect a cotton spinning and weaving factory in East Africa which required a capital subscription of £500,000 from the governments of Kenya, Uganda and Tanganyika. IDC (37) No.8, T 160/763/F 14811/2. A proposal for a soap factory in the Windward Islands was disallowed because it involved the colony being given a preference over the UK in other colonies from which the copra was to be exported. IDC (37) No.7, T 160/763/F 14811/2.

10. Hong Kong Blue Book 1846 (PRO, CO 133/3), 226, stated ‘A large number of Chinese are employed in their respective shops and houses in the exercise of industrial trades and manufactures and there are scarcely any ordinary wants of the inhabitants which do not meet with a ready supply within the town.’

11. These dates are taken from the Return of Manufactures, Mines and Factories in the Blue Books compiled every year for submission to the Colonial Office. Not all the manufacturing enterprises were successful: the cotton spinning factory closed in 1914 and removed its machinery to Shanghai. But new manufacturing ventures soon took their place. Sir William Robinson (governor 1891–98) in his first address to the legislative council spoke of the advantages that would accrue from a further encouragement of local industries. ‘The community may rely upon my aid and assistance in fostering in every legitimate way the development of such enterprises.’ Hong Kong Legislative Council Debates, 25 Jan. 1892, 97. This was done by selling public land by private treaty at a discount for industrial development, H.K. LegCo. Deb., 4 Dec. 1893, 1–2.


13. Hong Kong Blue Book 1930; Blue Book 1932. The largest factory was that of the Green Island Cement Company which could employ 1,470 men when working at full capacity.

14. Statistics on imports and exports were first collected in 1918. Publication was discontinued in 1925 and resumed in 1931, but no distinction was made between re-exports and domestic exports until 1959. Estimates of gross domestic product were not made by government statisticians until 1961. Domestic exports have been calculated from Hong Kong Trade Returns 1932, compiled by the Imports and Exports Department (Hong Kong, 1933), CO 133/103, by identifying all categories where exports exceeded imports, on the assumption that the surplus must represent Hong Kong domestic production. This calculation certainly understates local production since it does not take account of manufactures consumed locally. Also the trade figures do not include the very large volume of goods smuggled into China to avoid payment of customs duty.


16. Report of the Commission appointed by the Governor to Enquire into the Causes and Effects of the Present Trade Depression in Hong Kong, February 1935 (Hong Kong, 1935), 88–89, CO 129/554/5.

17. Trade Depression Report, 75.


22. The requirement of an empire content of 25 per cent to qualify for preference was set in consultation with the Board of Trade, which pointed out that some British manufacturers using foreign sources of raw material would not qualify for preference if the empire content was set at 50 per cent. CO 323/1192/11.


24. Secretary of State to all colonies and protectorates, 4 Feb. 1932, DO 35/242/4, PRO.


26. The texts of the agreements are in *Imperial Economic Conference at Ottawa* Cmd 4175 (London, 1932), 19–76.

27. Canada agreed to extend to the colonies and protectorates the preferences accorded to Britain, but in practice raised objections when requested to do so by the British government. See for example CO 323/1099/16, CO 852/51/9 and CO 852/251/10. Cunliffe-Lister minute, 22 Oct 1933, CO 323/1232/8, ‘Canada has done less than nothing to implement the most essential part of the Ottawa accords.’

28. See the comments in paragraphs 18 and 30 of the Report of the Interdepartmental Committee.


30. Secretary of State to Governor of Ceylon, 27 Sept. 1932; S. of S. to High Commissioner, Federated Malay States, 30 Sept. 1932; S. of S. to Barbados, 24 Oct. 1932; S. of S. to Jamaica, 10 Oct. 1932; S. of S. to Windward Islands, 24 Oct. 1932, CO 323/1188/5. A clause was drafted for inclusion in the 1933 Finance Bill to allow Britain to withdraw preferences from any colony if it did not grant the Ottawa preferences to empire products, CO 323/1230/3.

31. Officer Administering Government, Leeward Islands to Secretary of State, 19 Oct. 1932, CO 323/1188/5.

32. Governor Barbados to Secretary of State, 17 Oct. 1932, CO 323/1188/5.

33. Governor Windward Islands to Secretary of State, 21 Oct. 1932, CO 323/1188/5.

34. Stevens to Cunliffe-Lister, 17 Nov. 1932, CO 323/1193/11.


36. *Hong Kong Trade Returns* show exports of rubber shoes to the British West Indies as follows: 1932 – HK£4,894; 1933 – 116,670; 1934 – 643,337; 1935 – 574,376; 1936 – 1,071,932; 1937 – 1,427,634.


39. Peel to Cunliffe-Lister, 13 Nov. 1933, CO 323/1231/16.

40. Minute by Vernon, 21 Dec. 1933, CO 323/1231/16. R.V. Vernon was an Assistant Secretary who joined the Colonial Office in 1900. He had previously expressed his disapproval when Cunliffe-Lister refused to approach India and South Africa to ask for imperial preference for Hong Kong’s rubber shoes: ‘The Secretary of State is placed practically in the position of a trustee who is bound to act with the sole regard to the interests of the colonies and is not at liberty to abstain from any claim on the account of the interests of U.K. industry or the susceptibilities of dominion industrial interests.’ Minute, 9 Nov. 1933, CO 323/1232/3. The attitude of Cunliffe-Lister may be contrasted with that of Alan Lennox-Boyd (Colonial Secretary 1954–59) who threatened to resign if Hong Kong was forced to accept a limitation on its textile exports to Britain. Harold Macmillan, *Riding the Storm, 1954–1959* (London, 1971), 739–43.

41. CO 323/1294/3.

42. *Hong Kong Trade Returns* 1932, 1933, 1934.

43. Minute by Cunliffe-Lister, 7 June 1933, CO 323/1232/8.

44. Edgcumbe (Department of Overseas Trade) to Eastwood (Colonial Office), 18 April 1936, CO 323/1298/10.
45. Cabinet Minutes, 6 June 1934, 23(34)6, 13 June 1934, 24(34)6, 3 Oct. 1934, 33(34)5, CAB 23/79, PRO.
46. Confidential Circular Despatch, June 1934, CO 323/1298/10 and CO 854/175.
47. Colonial Office to Governor Hong Kong, 6 April 1934, CO 323/1298/11.
49. CO 323/1298/11. CO 852/16/10.
50. CO 852/219/13.
51. Circular Despatches, 13 April 1934, and 15 May 1934, CO 854/175.
52. Havinden and Meredith, 188–90. Governor Hong Kong to Colonial Office, 2 May 1934, CO 323/1290/6.
56. Circular Despatch, 13 March 1933, CO 323/1230/11.
58. In 1936 exports of electric flashlight torches totalled HK$2,930,000, including India HK$595,000, Netherlands East Indies HK$379,000, and Britain HK$167,000. Hong Kong Trade Returns 1936.
59. Minutes on Caldecott to Clauson, 15 Oct. 1936, CO 852/51/9. Clauson commented: 'It is all too seldom we get from a colonial governor so thoughtful and comprehensive a review of the future of the colony he governs.'
60. Officer Administering Government, Hong Kong to Colonial Office, 30 Sept. 1937, with enclosures, CO 853/109/5. King (Board of Trade) to Eastwood (Colonial Office), 13 Nov. 1937, CO 852/109/5.
62. Memorandum by Hamilton (Superintendent of Imports and Exports Hong Kong), 22 April 1937 852/106/19. Hong Kong Trade Returns 1937.
65. Hong Kong Blue Book 1936, 1938, 1939, 1940.
66. Calculations made as in note 5 from Hong Kong Trade Returns 1938 omitting all raw materials, unprocessed agricultural products and exports of banknotes (valued at HK$36,000,000).
67. Clausen described the policy of the Colonial Office in these words when speaking at a meeting of the Overseas Trade Development Council, 31 July 1935, CO 852/16/7.
69. Minutes of the second meeting of the committee, 23 April 1937, T 160/763/F 14811/1.
70. CO 852/16/13. The inventor approached the Colonial Office directly and officials referred the project to the governor of Trinidad. The governor appointed a committee which doubted if the project was feasible. The Colonial Office received a number of similar proposals in the 1930s. Often the entrepreneur was eager to set up a factory provided that he was granted a high protective tariff, an exclusive license, part of the capital costs, subsidised freight rates and other financial privileges. In effect the businessman was asking the colonial government to bear all the risks while he would enjoy the profits if the project was successful. See for example CO 852/16/9, a proposal to set up a factory in Nyasaland to process sisal into binder twine. An official commented that this was a last desperate attempt by a bankrupt farmer to keep his own sisal estates going.
71. On the CDAC fund see Meredith, 486–94. Only £80,000 was made available in grants and loans for the establishment of local industry. 23 schemes were assisted, almost all for some form of food processing including canning. Minute by Cunliffe-Lister, 1 April 1935, CO/1298/10.