FRANCE, GREAT BRITAIN, AND THE INTERNATIONAL SUGAR BOUNTY QUESTION, 1895-1902

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PREFACE

Few success stories of the nineteenth century can rival that of the European beet sugar industry. Born at the time of the French Revolutionary and Napoleonic wars, the infant industry was coddled and nursed by anxious governments cut off by the British blockade from traditional colonial supplies. This intimate association between state and industry endured and fostered the latter's stupendous growth. Within seventy-five years beet sugar had broken the tropical monopoly; European nations had become the world's leading sugar exporters.[1]

European society reaped bountiful rewards from the young industry. One renowed scholar exuberantly proclaimed the lowly beet "the greatest agricultural innovation of the nineteenth century."[2] Its advent transformed cereal cultivation and livestock raising. It stimulated the application of science and technology to farming, fostered the machine tool and chemical industries, and provided another incentive for railroad development. Governments found it a lucrative source of tax revenue. Sugar, no longer a luxury, sweetened the daily lives of millions, making their diet more interesting and their teeth more carious.

Yet with the benefits came headaches. From government

promotion arose the bounty system, which strengthened the industry but which also incited overproduction and depressed prices in the world market. After mid-century, governments eyed the system with growing disfavor, but its elimination proved a formidable task. Given the intense competition between the national sugar industries, no government could afford to act alone. The bounty problem could only be solved in concert. The international conference was becoming increasingly popular as a means of dealing with the multitude of new problems engendered by the growing economic interdependence of the world.[3] Between 1863 and 1902 ten such conferences wrestled with the sugar question. Failure followed failure, while the bounty system drove the world sugar trade deeper and deeper into crisis.

Difficulty arose because the sugar industry was a political industry, whose survival and growth were considered vital to the national interest. In every country, farmers, manufacturers, and refiners--the sugar interests--formed an influential lobby. The dual nature of the industry, involving both agriculture and manufacture, drew support from both agrarian and industrial circles. In many respects, it served as a bridge linking the two interests. The industry's beneficial spin-off effects lent weight to the sugar interests' urgent pleas for protection. By the last quarter of the nineteenth century those interests had become so powerful that governments were obliged to weigh carefully the political consequences of revisions in their sugar legislation.

The great depression of the 1880's and '90's struck the beet sugar industry a heavy blow, and its effects were exacerbated by the bounty system, which continued to promote growth and overproduction. A solution appeared increasingly imperative, not only to the European producers but also to Great Britain, the world's largest free sugar market. While her consumers reveled in a flood of cheap sugar, her West Indian colonies and her refining industry withered in the face of subsidized competition. In 1898 she joined the major European producers in a conference at Brussels, but that venture, like its predecessors, proved abortive. After three years of arduous negotiations, another endeavor was crowned with success, the Brussels Sugar Convention of 1902.

This agreement was the most daring attempt yet made to impose order and discipline upon an international commodity market. It set an important precedent for later and more sophisticated attempts at international cooperation and regulation. The convention itself has attracted considerable attention,particularly from political scientists and students of international law.[4] But no one has closely investigated the process of its creation. The existing treatments focus only on the conferences themselves and upon the superficial aspects of the negotiations. None delve into the political and administrative factors underlying the diplomacy. These factors were crucial, for the bounty question was throughout as much a political as an economic question, and its settlement was all the more remarkable

for having occurred during an age of chauvinistic nationalism and escalating international tensions.

Although economic conditions impelled the nations to seek an accord, they do not wholly account for the outcome of their efforts. The convention was also the fruit of propitious political circumstances, which this study will seek to reveal. There are two basic themes. One is the interaction of domestic politics and international relations. The other concerns the intricacies and frustrations of international negotiations. Although the following study is not couched in any theoretical framework, it does reveal a pair of fundamental truths: that policy decisions are the products of conflict and accomodation, and that policies spring from individual men and are shaped by their personalities, biases, aspirations, and their place in the decision-making apparatus. Foreign affairs are not solely the province of impersonal political and economic forces.

Since the bounty question ultimately involved eleven countries, the reader may question the concentration on France and Great Britain. The nature of this project required a narrow definition of the topic, but the selection was by no means arbitrary. France and Great Britain were the key participants. The former had undermined and the latter had destroyed a promising settlement in 1888. No convention was possible without their participation, but their cooperation depended upon substantial departures from popular, long-established policies. The study of

their roles affords the most revealing, though still admittedly partial, view of the tortuous road to a settlement.

NOTES

[1]The origins of the industry have been frequently described. See particularly Noel Deerr, The History of Sugar, Vol. II, and U. S., Department of Agriculture, Report on the Culture of the Sugar Beet and the Manufacture of Sugar therefrom in France and the United States, by William McMurtrie, Special Report No. 28. Shorter summaries may be found in Lewis S. Ware, The Sugar Beet..., and in Roy Gillespie Blakey, The United States Beet-Sugar Industry and the Tariff.

[2]Sir John Harold Clapham, The Economic Development of France and Germany, 1815-1914, 4th ed., p. 25.

[3]Francis Stewart Leland Lyons, Internationalism in Europe, 1815-1914, passim.

[4]The best large-scale treatment of the operation of the convention is Hans Jacobs, Die internationale Zucker-konvention, written eight years after its demise. Numerous brief treatments are available. Lyons, pp. 103-10, gives a concise summary. Kurt Wilk, "The International Sugar Regime," American Political Science Review, XXXIII, No. 5 (1939), 860-78, compares and contrasts the Brussels arrangement with later international sugar accords. Wilhelm Kaufmann, "Les unions internationales de nature économique," The Hague: Academie de droit international Recueil des cours, III(II of 1924), 218-22, and Jules Borel, "L'union sucrière internationale," Revue de droit international, et de législation comparée, 2e ser., XIV (1912), 151-58, are also informative. Francis Bowes Sayre, Experiments in International Administration, sets the convention in the context of other international agreements.

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LIST OF ABBREVIATIONS

ADC	France. Ministère des affaires étrangères. Affaires diverses commerciales.
AN	France. Archives nationales.
AS	France. Statistique générale de la France. Annuaire statistique de la France.
BSLC	France. Ministère des finances. Bulletin de statistique et de législation comparée.
Cab	Great Britain. Public Record Office. Cabinet Papers.
CC	France. Ministère des affaires étrangères. Correspondance commerciale.
CRUS	U. S. Bureau of Foreign Commerce. Commercial Relations of the United States with Foreign Countries.
DC	France. Ministère des affaires étrangères. Direction des consulats.
FO	Great Britain. Public Record Office. Foreign Office Papers.
Hansard	Great Britain. Parliament. House of Commons. The Parliamentary Debates.
HBP	Gloucestershire County Records Office. Private Papers of Sir Michael Hicks-Beach.
JCP	University of Birmingham. Private Papers of Joseph Chamberlain.
JO	Journal officiel de la République francaise. Partie officielle.

SD Sénat, Débats.
CD Chambre, Débats.
DPC Documents parlementaires--Chambre.

LJ France. Ministère des affaires étrangères. Documents diplomatiques. Primes sucrières, 1895-1902. Conférences internationales de 1898 et de 1901-02. Livre jaune No. 214.

MAEB Belgium. Archives du Ministère des affaires étrangères.

PP Great Britain. Parliament. Sessional Papers of the House of Commons.

USCR U. S. Bureau of Foreign Commerce. Consular Reports.

NOTE ON CURRENCIES

During the period 1895-1902 the currencies of the major European countries exchanged with U. S. currency at the following rates:

French franc - $ .193

Belgian franc - $ .193

German mark - $ .238

Austro Hungarian krone - $ .203, florin - $ .406

Russian ruble - $ .514

British pound - $ 4.8665, shilling - $ .243,
pence - $ .02

Source: CRUS

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During the late nineteenth century the world sugar trade suffered from chronic instability and depression, conditions perpetuated and exacerbated by the bounties of the European beet sugar-producing countries. The bounties stimulated production but restricted domestic consumption and thus encouraged dumping, particularly in the free British market. Falling prices seriously injured cane sugar regions, such as the British West Indies, and even squeezed the subsidized European industries. Despite these evils, no government dared to abolish bounties unilaterally for fear of exposing its industry to subsidized competition. The only practical solution was an international agreement.

Between 1863 and 1898 nine international conferences failed. After 1884 France and Great Britain were the principal obstacles. In France powerful agricultural and

industrial interests portrayed the industry as vital to the agricultural economy and resisted any diminution of the indirect premiums granted to sugar manufacturers since 1884. The government favored their cause, particularly after April 1896, when Jules Méline, the protectionist champion, became premier, supported by a Right-Center majority uniting the most protectionist groups in the Chamber. By refusing to relinquish the indirect bounties, Méline's government torpedoed the Conference of 1898. In Great Britain colonial and refining interests had long advocated countervailing duties against bounties, but majority opinion regarded the bounties as a boon to the consumer and considered compensatory duties a violation of the sacrosanct principles of free trade. Since the sugar-producing countries would abolish bounties only if Great Britain agreed to penalize bounty-fed imports, there could be no settlement as long as she refused. The abortive Conference of 1898 once again demonstrated that fact.

In 1902, after nearly forty years of futile negotiations, nine European powers concluded the Brussels Sugar Convention, which abolished the bounty system. Although economic factors inspired the search for a solution, propitious political circumstances rendered an agreement possible. The election of 1898 brought down Méline's Right-Center alliance and strengthened the Left groups, which were hostile to the bounties. The government of Waldeck-Rousseau, based on a Leftist coalition, was not only dispcsed to compromise; its

Minister of Finances, Joseph Caillaux, waged a personal crusade against the costly subsidies. The reorientation of British policy occurred more gradually. Salisbury's government was divided: the Colonial Office under Joseph Chamberlain, supported by the Foreign Office, pressed for countervailing duties to rescue the West Indies, but the Treasury under Sir Michael Hicks-Beach and the Board of Trade rejected penalties on free-trade grounds. This division of opinion along with fear of a hostile parliamentary reaction paralyzed government initiative. As time passed, however, growing sentiment for imperial preference and increasing attacks on free trade fortified Chamberlain's position. Parliament's acquiescence in countervailing duties for India revealed an erosion of Cobdenite strength. On the eve of the Conference of 1901-02, the government finally decided to risk a penal clause.

The negotiations in Brussels testified that the shifts in French and British policy were decisive. Belgium, supported by France and Great Britain, demanded the drastic limitation of customs surtaxes in order to frustrate cartels, a measure resisted by Germany and Austria-Hungary. The French and British were able to overcome their resistance, the former by agreeing to renounce their indirect subsidies and the latter by intimating that penalties might be imposed if the conference failed.

CHAPTER I

THE FRENCH SUGAR INDUSTRY AND ITS RIVALS

The beet sugar industry was the offspring of German science and French technology. The German scientist Carl Sigismund Margraf and his pupil Franz Carl Achard discovered the means of extracting sugar from the beetroot, while the Napoleonic Empire, cut off by the British blockade from colonial supplies, first promoted the industry on a large scale. So closely associated in their infancy, the French and German industries eventually became rivals in a viciously competitive enterprise. Although France held the initial lead, she failed to withstand the German challenge, and in the sugar trade, as in so many other areas, she was outstripped by her Teutonic neighbor.

Subsidized by Napoleon and sheltered from the competition of colonial cane sugar, the nascent industry, both in France and in the German states, functioned successfully despite high production costs. The collapse of the Empire exposed it to the full competition of colonial sugar and, in conjunction with the sharp postwar economic depression, threatened its very survival. Production ceased entirely in the German states. Even in France, where government subsidies had laid a more solid foundation for growth, most establishments failed.

A few nonetheless survived to provide the nucleus for a resurgent industry. Their prospects improved when the Restoration government, sorely in need of funds, imposed a heavy import duty on colonial sugar while allowing the struggling domestic industry to work tax free. The duties on colonial sugar enabled the beet sugar manufacturers to compete. Now that the outlook appeared brighter, the industry began to attract investors again. Following the period of recovery, it grew rapidly. In 1828 eighty-nine factories turned out 2,600 tons. The following year production rose to 4,000 tons. Five years later it had climbed to 20,000 tons. Factory building continued apace: 349 establishments in 1835, 436 in 1836, and 542 in 1837. About 80 per cent of these factories were located in the Nord, at that time the principal beet-growing region. The rest were scattered throughout thirty-six other departments, most of them in the northeast quadrant of the country. The vast majority were tiny and inefficient.[1]

Even though the sugar industry in the German states did not outlast the Napoleonic system, the survival and recovery of the French industry encouraged German landowners and capitalists to venture into the business once again.[2] The first available statistics, for the year 1836-37, show that 122 factories produced 1,408 metric tons of raw sugar from 25,346 metric tons of beets. Just as in France, the industry progressed rapidly, as the following figures indicate:[3]

Year	No. of Factories	Beets Processed (Metric Tons)	Raw Sugar (Metric Tons)
1837	122	25,346	1,408
1838	156	138,197	7,677
1839	159	145,210	8,157
1841	98	241,486	14,205

The rapid technological development of the German industry can be inferred from the fact that production rose swiftly while the number of factories actually declined. Competition led to the consolidation or elimination of many weaker establishments.

During this early period the German beet sugar industry, like its French counterpart, was exempt from taxes and, after the formation of the Zollverein, was protected by a high import duty on cane sugar. Such protection insured its survival and encouraged its growth.

The Zollverein had to deal only with the beet sugar industry, but in France the sugar question was complicated by the fact that the government had to oversee and to adjust the conflicting interests of three competitive branches of the sugar trade: the colonial cane growers, the domestic beet sugar interests, and an old, well-established, and influential refining industry. The brisk expansion of domestic production alarmed colonial sugar interests and their allies, the shipping concerns and the seaport refineries. They viewed the rise of beet sugar as a threat, and they particularly resented its privileged tax status. An acrimonious struggle ensued in the columns of the press and in the chambers of the legislature.

Colonial forces sought nothing less than the complete extermination of their adversary. Recalling the Pacte colonial of the eighteenth century, which had granted them a monopoly in the metropolitan market, they demanded, on the grounds of historical precedent, the restoration of their former privileges.[4]

Although colonial interests failed to eliminate their rival, they did persuade the government that beet sugar should be taxed. In 1837 a tax of 15 francs per 100 kilograms was imposed on raw beet sugar as it left the factory.[5] This excise had no effect on production. Thirty-nine new factories were built the following year, and output leaped from 35,000 to 49,000 metric tons. Unfortunately, this increase provoked a sharp downturn in prices. Numerous marginal establishments failed, and in 1839-40 production sank to 23,000 tons. The reduced supply brought higher prices once again, and the industry recovered. But mortality had been high. Of 581 factories in 1838, only 388 remained in 1841.[6]

The domestic industry had been shaken, but colonial interests could not gloat because they themselves had suffered acutely from the low prices. Hard times only steeled their determination to crush their upstart competitor. Once more they petitioned the government to buy out the beet sugar industry and abolish it.

Beetroot growers and raw sugar manufacturers did not remain passive under such attacks. They argued forcefully that since the government had protected colonial sugar for

generations, it was only reasonable that it grant the young home industry a similar favor. Consumers had benefited from the abolition of the colonial monopoly. The domestic industry had brought prosperity to rural areas. Beet growing had led to a 22 per cent increase in the area under wheat cultivation in thirty-seven departments. It had also given business to coal mines and machine shops and had promoted the development of affiliated industries.[7]

These arguments sufficed to preserve the industry, but they could not prevent additional taxes. In an effort to reach a compromise the government in 1840 adopted a duty of 45 francs on colonial and 25 francs on domestic sugar. The home industry was placed under excise supervision, the tax being calculated on the basis of the quantity and density of the beet juice. Beet sugar's tax advantage, previously around 49.50 francs per 100 kilograms, was thus reduced to 20. Many factories were still so primitive that even that advantage did not permit them to compete. The number of factories continued to fall.[8]

The compromise was short-lived, for colonial interests continued to protest that they were unfairly treated. In January 1843 the government of Louis-Philippe, despairing of ever reconciling the warring interests, bowed to pressure and proposed to buy out the beet sugar industry and to pay compensations totaling 40,000,000 francs to the owners. A blazing parliamentary battle erupted. The advocates of abolition, led by Berryer and Lamartine, clashed with

proponents of the domestic industry marshaled behind Adolphe Thiers. The latter eventually prevailed,[9] but the colonial forces achieved a partial victory. That same year they passed a law raising the tax on beet sugar by 5 francs per year until both colonial and domestic sugars were subject to equal rates.[10]

Although beet sugar was no longer favored, it still received substantial protection from foreign competition, and by now it was well enough established to compete with the colonies. Production rose steadily after 1843, reaching 64,000 metric tons in 1847-48.[11]

In Germany state revenues from sugar were declining as the tax-free domestic commodity captured an increasing share of the market. To offset this trend the states of the Zollverein, when renewing that treaty in 1841, agreed to tax the domestic product. This tax was not assessed according to the actual amount of sugar produced but according to the weight of the roots before processing. At first a light tax of 60 marks per metric quintal of beets, it was periodically raised as the beet sugar industry garnered a larger share of the home market and as imports correspondingly fell off. By 1859 the tax stood at 1.50 marks.[12] Manufacturers pressed the government for tax refunds on sugar they exported, but the government refused, pointing out the possibility that the drawback might give rise to a bounty, since any estimate of the production ratio of beets to sugar could only be at best approximate.[13]

At the time German exports were so miniscule that there was no real need to grant drawbacks.

Meanwhile, another challenger to French supremacy was rising in the east. The development of the sugar industry in Austria paralleled that in France and Germany. Established about 1830, the industry expanded rapidly, fostered by protective tariffs and tax exemptions. Beet sugar was first taxed in 1849, the duty being collected on the actual sugar as it left the factory, but after less than a year the government adopted the German system of taxing the beet-roots.[14] Just as in Germany, this legislation contained the seeds of potential bounties.

The year 1848 was a year of revolution, and the French sugar industry did not escape. The most notable reform affecting the sugar trade was the abolition of slavery in the colonies. In the turmoil following emancipation, colonial production dropped from 100,000 to 15,000 metric tons.[15] At the same time a poor crop led to a sharp decline in beet sugar production, from 64,000 to 39,000 tons, but this drop represented only a temporary reverse, not permanent damage. The following year production recovered, reaching 62,000 tons.[16] Now the relationship between the two branches of the French sugar industry was reversed. The once lowly and despised root now dominated the lordly cane, and it was the colonial industry that sorely needed government favors. The law of 1852 acknowledged this fact by granting a tax discount of 7 francs per 100 kilograms

to colonial sugars.[17] Soon after, as a result of tax frauds on the part of several manufacturers, the government tightened controls on beet sugar factories. All steps of the productive process were carefully monitored and the taxes meticulously calculated. Under such circumstances drawbacks yielded little or no bounty.

Bounties first arose not on raw sugar but on exports of refined sugar. They sprang from inaccuracies in the calculation of drawbacks, owing to defects in the system of perceiving the tax. Instead of taxing refined sugar as it left the refinery in the finished state (refining in bond), governments assessed the tax on the basis of an estimated ratio between raw and refined sugar. Raw sugar came in a variety of grades; therefore, for purposes of evaluation a series of color types, or nuances, was established. Lighter colored sugars were figured to contain fewer impurities than the darker grades. The color-type system was both grossly inaccurate and susceptible to fraud, since unscrupulous refiners could easily darken their raw material artificially. An even more serious disadvantage was its unsuitability for beet sugar evaluation.[18]

Inadequate controls over refining produced similar problems in all the major exporting countries, and the resulting bounties weighed heavily upon their state treasuries. In hopes of solving the problem, France, in company with Belgium, the Netherlands, and Great Britain, engaged in repeated negotiations and conferences, but none

succeeded in hammering out a universally acceptable formula for determining refining yields.[19] The invention of the polariscope and corollary refinements in saccharimetry eventually provided an accurate alternative to the color-type system. In 1875 the French government, though not abandoning the color scale, instituted saccharimetry as a control. Five years later they finally discarded the old color standard, placed all refineries under excise supervision, and installed saccharimetric analysis as the official means of evaluating the ratio between raw and refined sugars.[20] With this act the French bounty disappeared. Since raw sugar factories had long worked under strict controls, neither branch of the domestic sugar industry received a bounty. Under the new legislation the Treasury anticipated more substantial tax harvests, and the government hoped to end the squabbling between raw sugar manufacturers and refiners over the latter's privileged status. If the other major beet sugar countries had followed France's lead, the troublesome bounty question might have been quietly settled, but that did not happen. Before long the pressure of events compelled the French to change their policy.

During the 1870's France lost her ranking as Europe's leading sugar producer to Germany, and Austria-Hungary had also surpassed her by the decade's end. While the French industry grew hardly at all during those years, German output expanded at a prodigious rate, about 220 per cent. By 1884-85 German production had grown almost sixfold, and

that of Austria-Hungary threefold, as the following table reveals.

TABLE 1

RAW SUGAR PRODUCTION IN FRANCE, GERMANY, AND AUSTRIA-HUNGARY, 1871-1885

Year	France	Germany	Austria-Hungary
1871-72	337*	186*	210*
1872-73	408	263	230
1873-74	397	291	240
1874-75	451	256	230
1875-76	462	358	280
1876-77	243	291	290
1877-78	398	381	350
1878-79	433	430	390
1879-80	278	415	420
1880-81	331	573	510
1881-82	393	622	440
1882-83	425	849	490
1883-84	474	961	470
1884-85	294	1,147	650

*Thousands of metric tons.

Source: Helot, p. 209.

Germany's matchless performance in beet sugar production served Frenchmen yet another galling reminder of their relative industrial decline. The foundation of German success in sugar production, as with other industries, was government encouragement, accompanied by the intensive application of science and technology to the productive enterprise. German sugar legislation was consciously and cleverly designed to encourage improvements in cultivation and in manufacture. Since 1841 the Zollverein, and later the Imperial government,

had calculated the tax according to an official estimate of how much raw sugar could be extracted from a given quantity of beetroot. When the manufacturer extracted more sugar than the legally stipulated amount, he paid no tax on the surplus. The system rewarded him with a production bounty. The more tax-free sugar he could produce relative to his entire output, the lower his costs. He was thus encouraged to use the richest possible roots and to modernize his equipment to the greatest possible degree. By periodically raising the legal estimate, the government spurred him to further improvements. In 1861 the Zollverein instituted drawbacks on raw sugar exports. Since the drawbacks were calculated according to the presumed yield, a manufacturer who realized a surplus would upon exporting his sugar be reimbursed as if he had paid tax on the full amount, whereas he had actually paid tax on only a portion. The drawback would thus exceed the excise originally paid, bestowing an indirect export bounty on the manufacturer.

During the 1860's and early '70's this system gave rise to bounties only occasionally, since the average yield of the beets was slightly below the presumed yield. But the stimulus for improvement was present, and the sedulous efforts of growers and manufacturers eventually paid off. In the late '70's and through the '80's the system conferred handsome bounties. Both production and exports increased with amazing speed. Prior to 1875 Germany was a sugar importer; after that date her trade

balance shifted to the export side.

Year	Excess of Exports Over Imports
1874-75	-138,000*
1875-76	375,000
1876-77	508,000
1880-81	2,801,000
1883-84	5,922,000 [21]

*Metric quintals

Austro-Hungarian tax legislation after 1865 differed from the German in form but produced similar effects. Rather than base the legal estimate on the ratio of raw sugar to beetroot, the government based it on the capacity of the manufacturing apparatus. As in Germany, raw sugar manufacturers could, by working superior raw material, surpass the legal estimate and obtain a tax-free surplus.[22] The sugar legislation of both countries rewarded, and thereby promoted, innovation. On the other hand, it also encouraged careless, even reckless, expansion. Since the producer could export whatever he could not sell at home, he did not have to fear a glutted domestic market. He could continue to expand his operations, realizing economies of scale while easing his tax burdern. Meanwhile, profits from the bounties provided a constant source of additional capital.[23]

The situation in France contrasted with that in Germany and in Austria-Hungary. Before 1884 French raw sugar factories operated under strict excise supervision;

scarcely a crystal escaped taxation. There was thus no incentive to improve either beetroots or the manufacturing processes. No matter how much he produced, no matter how efficiently, the manufacturer paid the same tax on every kilogram. If he exported his product, he obtained a refund of the taxes he had paid and no more. Since he reaped no extra profit from his exports, he lacked the incentive to increase his output, for there was always the danger of a glutted home market. Not only did French legislation fail to promote innovation, its very changeability engendered an uncertainty that inhibited it.[24]

The French sugar industry stagnated while its German and Austro-Hungarian counterparts forged ahead, both quantitatively and qualitatively, attaining a clear superiority in both the agricultural and the manufacturing aspects of sugar production. Although French farmers surpassed their rivals in beet tonnage per hectare, their advantage was more than offset by the inferiority of the French roots.[25] Nonchalant in their use of fertilizer and inattentive to seed quality, French farmers made little progress before 1884 in improving their crop. At the same time, the Germans were making rapid strides in the development of new varieties of exceptionally rich beets. The following figures compare the average yields in refined sugar of a metric quintal of beets in France and Germany.[26]

Year	France	Germany
1861	2 to 6 kilograms	8.60 kilograms
1882	5.10	9.56
1883	5.03	9.51
1884	5.55	10.54

German superiority could be partially attributed to more favorable soil and climate conditions, but evidence indicates that other factors were involved. As the figures show, the quality of German roots improved steadily, while that of the French did not. This progress was the fruit of selective breeding, painstaking cultivation, and the judicious use of fertilizer, practices fostered by the manufacturers' demand for high-grade raw material. In addition, it was customary for German factories to buy or rent land, hire farm labor, and grow at least part of their own supply. They also commonly sold shares of stock to nearby landholders, at the same time contracting for crops. In this way many establishments obtained up to half of their raw material from those who shared an immediate interest in the prosperity of the business, and they were thus in the position to select seed and to oversee cultivation. Everything possible was done to achieve maximum returns.[27]

No such relationship between cultivators and factories existed in France. Factories purchased their roots in the open market, where they obtained an inferior product at a higher cost than that prevailing in Germany. The system gave the farmer no incentive to improve his crop.[28]

The German advantage carried over into manufacturing.

Large establishments employing the latest innovations became the rule after 1870, whereas in France small, frequently obsolescent sugar mills predominated until the late 1880's, especially in the departments of the Nord and the Pas-de-Calais.[29] Between 1871 and 1875 the average yearly output per factory stood at 804 metric tons in France and at 828 in Germany. Ten years later, during the period 1881-85, the average in France had actually declined to 798 while in Germany it had soared to 2,339, a gain of almost threefold. By 1881 nearly all German factories had installed the new diffusion process for extracting saccharine matter from the beet; in France only 22 per cent were using it. Even by the middle of the decade less than half of the French establishments had adopted it. The rest continued to rely on antiquated and wasteful hydraulic or continuous presses. At the same time, over 100 factories still employed the primitive open kettle method for boiling the sugar juice, whereas in Germany the use of vacuum boiling pans was almost universal.[30]

It became obvious to French sugar interests and to the government that their industry faced defeat in the battle for export markets. French exports had slumped between 1875 and 1883, while those of Germany and Austria-Hungary had burgeoned at an alarming rate. After 1878 French totals fell below 200,000 tons and remained below that figure for a decade. German sugar was driving the French article from the British market, while Austro-Hungarian sugar was displacing

it in the markets of the Middle East, which the French had for years regarded as their own. The proportion of French exports to combined production and imports fell steadily, from 52.4 per cent in 1874-75 to 21.1 per cent in 1883-84.[31] French sugar faced the prospect of being relegated solely to its domestic market. Largely obsolete, lacking the inducements and premiums that strengthened its rivals, the French industry was virtually out of the race.

TABLE 2

EXPORTS, IN TERMS OF RAW SUGAR, OF FRANCE, GERMANY, AND AUSTRIA-HUNGARY, 1875-1883

Year	France	Germany	Austria-Hungary
1875	392*	11*	62*
1876	304	56	109
1877	281	60	115
1878	241	97	167
1879	190	138	196
1880	168	134	226
1881	167	283	317
1882	171	314	227
1883	184	473	290

*Thousands of metric tons.

Source: Helot, p. 213.

A movement was gaining impetus in the Chamber of Deputies, however, to rescue the floundering industry by creating indirect bounties similar to those granted by Germany, Austria-Hungary, Belgium, and the Netherlands. Partisans of the sugar industry averred that bounties were essential if they were to close the ever widening gap between

them and their rivals.

This agitation was merely an aspect of a broad campaign for both industrial and agricultural protection that dated from the beginnings of the Third Republic. The free-trade policy of the Second Empire had never really been popular, and no sooner had the Empire collapsed than efforts were made to restore protection. By 1875 the movement was gathering strength in the legislature and in public opinion. At first directed principally toward industrial protection, it soon enlisted agricultural interests. A poor harvest in 1879 disposed farmers to favor tariffs, although up to that time they had encountered no serious difficulties from foreign competition.[32] But after that year overseas competition, particularly American and Russian grain, steadily undermined European farm prices. Agricultural interests, not only in France but throughout Europe and even in Great Britain, sought a protectionist haven. In France a parliamentary alliance between industry and agriculture put through an upward revision of duties on manufactures and on some livestock products in 1881. This victory did not go far enough. The protectionists were unable to raise duties on wheat or to levy them on other grains. French farmers, particularly wheat growers, remained avidly protectionist, and they found ready support from industrialists interested in furthering protection for their own goods.[34]

The sugar industry, at once an agricultural and an

industrial enterprise, naturally profited from this alliance. Wheat farmers, who bore the brunt of the depression, were also the growers of sugar beets, which they used as a rotation crop. The failure of the sugar industry would deal them a severe blow. Raw sugar manufacturers, for their part, fretted about declining exports. Farmers had produced bumper crops for several years and raw sugar output was rising: 393,000 tons in 1881-82, 425,000 tons in 1882-83, 474,000 tons in 1883-84. But soaring German and Austro-Hungarian exports were depressing world market prices, driving French sugar back onto an oversupplied domestic market. Since her industry was the most primitive of all the major European producers, and since it lacked bounty support as well, France felt the depression more severely than her competitors. Large numbers of the more antiquated, inefficient establishments collapsed,[35] and both farmers and manufacturers clamored for protection.

The protection they sought was twofold: customs duties on foreign imports and bounties to enable them to compete in export markets. The latter request was the more imperative. Farmers reasoned that the sugar industry must increase its exports in order to remain a remunerative market for beetroot. Manufacturers hoped to confront their adversaries on equal terms. When the bottom fell out of the sugar market in 1884 and prices plunged to unprecedented levels, their pleas for protection turned to anguished warnings of impending doom unless something were done.

In response to their remonstrances,the government, headed by Jules Ferry, introduced a bill to revise the tax regime on sugar. It presented two alternatives, to levy the tax on the beets, as in Germany, or to base it on the estimated saccharine content of the beet juice, as in Belgium. Most manufacturers, afraid of the inequities inherent in the beet tax (since the quality of the beets varied greatly depending upon soil, climate, and methods of cultivation), opted for the latter, but the Minister of Finances, Pierre Tirard, was convinced that the beet tax would better serve to promote agricultural improvements. In the end his arguments won out.[36]

The debate in the Chamber lasted two weeks. The most eloquent champion of the measure was Jules Méline, the Minster of Agriculture. The resulting legislation, in fact, was frequently called the "Méline system."[37]

That law, passed on July 29, 1884, abolished manufacturing in bond and substituted a tax on the beets according to a presumed yield.[38] Excise supervision was retained, but it no longer determined the tax to be collected. It was kept only to permit accurate record keeping. The presumed yield was deliberately set below the real average to allow the manufacturer a production bounty. Factories employing the diffusion process were appraised six kilograms of refined sugar for every metric quintal of beet worked up. Establishments equipped with the older hydraulic presses were assessed five kilograms. All sugar produced above these

figures was exempt from taxation.[39] Until 1887 factories could choose to pay the tax on the final product, in which case they could exempt 8 per cent of their output. This provision was designed to allow primitive establishments that might not be able to achieve the legal yield to obtain a bounty until they could modernize, but it only applied for three years. To furnish additional incentives for modernization, the law terminated the discrimination between diffusion factories and those using presses on September 1, 1887. It also established, as of the same year, a scale of gradually increasing legal yields designed to goad producers to increase their output in order to preserve their bounty. Finally, it exempted sugars extracted from molasses, thus encouraging manufacturers to install equipment for this process.[40]

The sugar industry responded immediately to this stimulation. Manufacturers sought the richest possible beets. Growers, perceiving this, took more pains with seed selection and with cultivation. In one year, from 1885 to 1886, the average yield, which had never previously exceeded 6 per cent, jumped from 5.99 to 7.83 per cent, and the following year it rose to 8.86.[41] Soon the tax-free surplus accounted for over 30 per cent of the total production.[42] The sugar industry certainly profited, but tax receipts fell off at a dismaying rate. In 1887 the government endeavored to reconcile the interests of the industry with the requirements of the Treasury by proposing two bills, both

of which passed. The first instituted a surtax of 20 per cent on all taxable sugar and a temporary tax of 10 francs on all output above the presumed yield. Nevertheless, since the full tax was 50 francs per 100 kilograms, the law still afforded a substantial bounty. The second act revised the scale of legal yields upward.[43] The fact that such revisions were necessary reveals the effectiveness of the law of 1884.

Following the passage of that law, the French sugar industry, stagnant for fifteen years, resumed growth. Average yields grew larger; production forged ahead; exports recovered and began to rise once more. The number of factories tended to decrease, as the poorer ones either consolidated or went out of business. The fact that fewer factories were turning out greater quantities indicated that more efficient and remunerative techniques were being utilized. The results are shown by the following table.

TABLE 3

GROWTH OF THE FRENCH SUGAR INDUSTRY
1884-1895

Year	No. of Factories	Percentage Yield	Raw Sugar Production	Exports[a]
1884	483	5.55	294[b]	149[b]
1885	449	5.99	285	84
1886	413	7.83	467	154
1887	391	8.86	375	177
1888	380	9.53	447	172
1889	373	9.76	755	283

TABLE 3 continued.

Year	No. of Factories	Percentage Yield	Raw Sugar Production	Exports[a]
1890	373	10.47	659	361
1891	377	9.46	616	295
1892	368	10.26	555	238
1893	368	9.56	548	285
1894	370	9.80	748	324
1895	368	9.87	660	239

[a]In terms of raw sugar.

[b]Thousands of metric tons.

Source: Helot, pp. 208-09, 213.

While the sugar manufacturers undeniably profited from the law of 1884, it is doubtful that the agricultural sector derived commensurate benefits. The farmer did produce a richer beet, to be sure, but he was forced to use superior, and more expensive,types of seed, to employ more fertilizer, and to cultivate more intensively; all of which raised his costs. Although he received a better price for his beets than previously, he tended to harvest fewer roots per hectare, since the tonnage yield usually varied inversely to the average richness of the beets.[44] Despite the law's ambiguous effects on agriculture, the net result for the industry as a whole was clearly favorable. According to Boizard and Tardieu:

> ...if the law of 1884 had not come about, the sugar industry, and consequently beetroot cultivation, would have probably disappeared from our soil, or at least the farmers would have had to be content with much lower prices than before....It can thus be said that for agriculture as well as for industry, the law of 1884 was a measure of salvation.[45]

The law deliberately scorned the French consumer. The high tax of 50 francs per metric quintal, levied on both raw and refined, hampered consumption because, although the manufacturer ostensibly paid the tax, the burden fell upon the consumer. Average per capita consumption rose hardly at all. In 1882 it totaled 23.7 pounds; in 1895 it stood at 24.8 pounds. Since the French population grew very little during that period, any increase in production was necessarily exported.[46]

By 1890 even the modifications effected in 1887 could not prevent serious tax losses. Again, by means of two laws, one passed in 1890 and the other in 1891, the government stepped in to limit the bounty. When the output of a factory surpassed 7.75 kilograms per 100 kilograms of beets yet did not exceed 10.5 kilograms, a reduced tax of 30 francs (one-half the full tax paid on all sugar up to 7.75 kilograms) was imposed on the surplus. If a factory obtained a yield superior to 10.5, one-half of the excess above that figure was charged the reduced duty while the other half was liable to the full rate. Once more the government granted manufacturers the option of paying their taxes according to the weight of their final products instead of on the basis of a presumed yield, in which case they could exempt 15 per cent of their output from taxes.[47] With the passage of those laws, the French sugar regime was stabilized for several years.

One can see that the beet tax, while it did encourage

agricultural and technological improvements, was also costly in that it allowed considerable quantities of sugar to escape taxation. The more efficiently sugar was produced, the less revenue the state obtained. Governments paid an expensive price to support their sugar industries with indirect bounties. Ironically, not long after France had instituted the beet tax in an effort to encourage the development of her industry, Germany decided it was too expensive and abandoned it.

The extent of the German indirect bounties and the revenue losses they entailed are shown in the following table, which compares the hypothetical tax revenues that would have been collected had there been no bounty with the government's actual income from sugar taxes, including import duties.

TABLE 4

RETURNS OF GERMAN SUGAR TAXES, 1876-1888

Year	Total Duty Liable	Actual Duty Received
1876-77	46,721,464 marks	48,536,000 marks
1878-79	57,072,332	50,545,000
1880-81	54,041,664	46,149,000
1882-83	71,656,788	67,287,000
1883-84	67,065,180	47,789,000
1885-86	62,236,660	24,492,000
1887-88	70,541,117	14,677,000

Source: Martineau, "Statistical Aspect," p. 306

In the first year cited the presumed yield slightly exceeded the actual yield. No bounty resulted; in fact, the Treasury received somewhat more than expected. The next year yields surpassed the estimate, and the industry collected bounties totaling nearly 6,000,000 marks. After 1880 the extraordinary growth and development of the German sugar industry was reflected in declining tax receipts as an ever greater percentage of sugar escaped the duty or was accorded a drawback. By 1887 the situation had become intolerable. The state could not accept a revenue loss of almost 56,000,000 marks a year.

On July 9 of that year the Reichstag, convinced of the need for reform, placed a small consumption tax on sugar, to be paid as the finished product left the factory. The old beet tax was reduced more than 50 per cent.[48] By 1889 this new policy was showing results, as the state lost only about 10,400,000 marks.[49] The energy and ingenuity of German manufacturers was so great, however, that after 1890 tax revenues, which should have been rising, were declining again. The government finally concluded that fiscal prudence demanded the abolition of the beet tax. The industry should not be adversely affected. It had attained a high state of development, held top rank among the beet sugar industries of the world, and was the world's largest exporter.

The law of May 31, 1891, which took effect on August 1, 1892, abolished the beet tax entirely and replaced it with

a consumption tax of 18 marks, to be collected as the sugar left the factory (manufacturing in bond). Sugar intended for export was exempted from the tax, thus eliminating drawbacks and indirect export bounties. Since sugar interests blanched at the prospect of losing all their subsidies at once, the government pacified them with a system of direct bounties, valid for a five-year transition period. From August 1, 1892 to July 31, 1895 exports would receive a bounty of 1.25 marks per 100 kilograms of raw sugar. On August 1, 1895 that bounty would be reduced to 1 mark. After August 1, 1897 it would be discontinued and the German sugar industry would thenceforth receive no governmental support, apart from custom duties.[50]

This concession failed to placate the sugar interests, and events quickly undermined the government's plan. Continuing overproduction on a world-wide scale kept export prices depressed. The sugar interests argued vehemently that they had to have bounties to make a profit on exports. The increasingly protectionist attitude of the United States, one of Germany's best customers, underscored the need for bounties so that exporters could sell more cheaply to American importers. The pro-bounty groups garnered enough votes in June 1895 to pass the so-called Notgesetz, which maintained the direct bounties at 1.25 marks for another year instead of lowering them, as the law of May 31, 1891 had stipulated. Germany had begun to edge away from her declared intention to abolish export subsidies. The pressure

of "national interest," in the face of bounty-fed competition from France, Austria-Hungary and Russia, was too strong to permit her to abolish bounties unilaterally.

France showed no disposition to renounce the basic features of her law of 1884. She refused to sign the Sugar Convention of 1888 largely because she did not want to abandon a system that was just beginning to pay dividends. Her refusal, coupled with Great Britain's failure to ratify, doomed the agreement, and the international sugar crisis dragged on.

By 1895 the bounty system, by encouraging overproduction and stimulating exports, was both perpetuating and exacerbating the chronic malady of the sugar trade, low prices. Germany and Austria-Hungary annually exported more than half their output; the French, a third or more of theirs. Most of this sugar was dumped. All three countries depended principally upon Great Britain to absorb their surpluses. About one-half of all German raw sugar exports were shipped to that country, and the percentage of refined sugar was even greater--75 to 80 per cent. Roughly half of Austria-Hungary's exports also ended up there. France relied even more heavily upon the British market. In 1892, for instance, nearly 90 per cent of French raw sugar exports crossed the Channel. The percentage of refined was not as high but was substantial, between 40 and 50 per cent.[52]

Thus by the middle of the century's final decade the bounty system had rendered the sugar industries of France,

Germany, and Austria-Hungary dependent upon export markets, particularly the free British market. The Belgian, Dutch, and Russian sugar industries faced much the same predicament. Great Britain obtained the true bounty from the bounties. But the system created headaches for her as well, and, given the European industries' reliance on her market, she held the power to strike it down. The question was: would she use that power?

NOTES

[1]Jules Helot, Le sucre de betterave en France de 1800 à 1900: culture de betterave--législation--technologie, pp. 54, 209.

[2]U. S., Treasury Department, Bureau of Statistics, "The World's Sugar Production and Consumption, 1880-1900" (hereinafter referred to as "World's Sugar"), Monthly Summary of Commerce and Finance of the United States, Jan., 1902, H. R. Doc. 15, Pt. 7, 57th Cong., 1st sess., p. 2596.

[3]Helot, pp. 208-09.

[4]"World's Sugar," p. 2604.

[5]Ibid.

[6]Helot, pp. 208-09, 212.

[7]Ibid., p. 52.

[8]Ibid., pp. 52-53, 208.

[9]Yves Guyot, La question des sucres en 1901, p. 3, and Helot pp. 60-61.

[10]Helot, p. 62.

[11]Ibid., p. 209.

[12]"World's Sugar," p. 2596.

[13]Wilhelm Kaufmann, Welt-zuckerindustrie (fiskalische Vorzugsbehandlung, Kartelle) und internationales und koloniales Recht (hereinafter referred to as Welt-zucker-industrie). p. 77.

[14]Ibid., p. 83.

[15]"World's Sugar," p. 2605.

[16]Helot, p. 209.

[17]Ibid., pp. 64-65.

[18]Max Schippel, Zuckerproduktion and Zuckerprämiem bis zur Brusseler Konvention, 1902: eine wirtschaftsgeschichtliche und handelspolitische Darstellung, p. 278.

[19]For more information about these conferences, see Chapter III.

[20]Kaufmann, Welt-zuckerindustrie, p. 73, and Helot, pp. 85, 114.

[21]"World's Sugar," pp. 2591, 2716.

[22]Kaufmann, Welt-zuckerindustrie, p. 83.

[23]George Martineau, "The Statistical Aspect of the Sugar Question" (hereinafter referred to as "Statistical Aspect"), Royal Statistical Society, Journal, LXII (June 30, 1899), 298.

[24]Helot, pp. 82-84.

[25]"World's Sugar," p. 2606, and Helot, p. 208. The first French statistics indicating yield per hectare are for 1882. In that year the French harvested an average of 34,000 kilograms per hectare, while the Germans produced about 28,000. Mere figures, however, are misleading. The French were often more interested in amassing great quantities of beet residues for cattle food than with raising beets of top quality. In this case the system rewarded quantity, not quality.

[26]Helot, p. 208.

[27]"World's Sugar," p. 2597.

[28]Ibid., pp. 2597-98. Austrian manufacturers also obtained their beets in the open market, but since they demanded only roots of top quality Austrian farmers were motivated. to supply a rich product. Ibid., p. 2611.

[29]E. Boizard and H. Tardieu, Histoire de la législation des sucres (1664-1891) suivi d'un résumé général des lois et règlements en vigueur, d'annexes, de tableaux statistiques et d'une table chronologique et analytique des lois, règlements et décrets depuis l'origine, p. 184.

[30]"World's Sugar," p. 2606. One reason the diffusion process caught on comparatively slowly in France was that manufacturers believed it to be advantageous only if one could work beets of exceptional richness. (This notion was erroneous.) Another was that the diffusion pulp, being much more watery than the pressed pulp, was less marketable as cattle feed. Manufacturers were afraid

that if they converted to diffusion they would lose their suppliers (who expected to recover the residues for stock fodder) to competitors who still used presses. Boizard & Tardieu, p. 182n.

[31] "World's Sugar," p. 2714.

[32] Michael Tracy, Agriculture in Western Europe: Crisis and Adaptation since 1880, pp. 65-66.

[33] Eugene Owen Golob, The Méline Tariff: French Agriculture and Nationalist Economic Policy, p. 55.

[34] Tracy, p. 66.

[35] "World's Sugar," p. 2606.

[36] Helot, pp. 119-20.

[37] Ibid., p. 212.

[38] The law can be found in JO (July 30, 1884), pp. 4057-58.

[39] Since the beet tax obviously could not be applied to colonial sugar, raw sugar manufacturers in the colonies were allowed tax exemptions on 12 per cent of their total annual production. Two years later this arrangement was modified to grant colonial manufacturers exemptions equal to the average percentage of tax-free sugar produced by the beet sugar manufacturers during the previous year. (These exemptions applied only to sugars shipped to France.) This legislation forged a common bond between the cane and beet industries by making the welfare of the one dependent upon the welfare of the other and thus laid to rest their long-standing hostility.

[40] Johan, Baron d'Aulnis de Bourouill, Les primes à l'exportation du sucre; exposé de leurs différentes formes, de leur mode d'évaluation et de leur influence sur les prix du marché intérieur et extérieur, suivi de quelques considérations au sujet de leur suppression. p. 37.

[41] Helot, p. 208.

[42] Aulnis de Bourouill, p. 30.

[43] Boizard & Tardieu, p. 218.

[44] Ibid., pp. 204-05.

[45] p. 205.

[46] "World's Sugar," pp. 2607, 2714.

[47]These laws can be found in BSLC, XXVIII, 125-27; XXX, 1-2.

[48]"World's Sugar," p. 2598.

[49]Martineau, "Statistical Aspect," p. 306.

[50]Kaufmann, Welt-zuckerindustrie, pp. 79-80. See also USCR, LI, No. 190, (July 1896), 514.

[51]Kaufmann, Welt-zuckerindustrie, p. 80.

[52]"World's Sugar," pp. 2598, 2611, 2714. In evaluating such figures, one must understand that the quality of French raw sugar was far superior to either the German or the Austrian varieties. Most French raw measured 99 per cent purity, whereas German raw commonly graded 88 per cent. For all practical purposes most French raw sugar could be considered refined; hence, the proportion of French exports fit for immediate consumption was higher than the figures would indicate.

CHAPTER II

THE SUGAR QUESTION IN GREAT BRITAIN

Great Britain was the only major European country that did not manufacture beet sugar. Although she possessed a refining trade that had flourished since the seventeenth century, the decline of her agriculture in the nineteenth century and her possession of numerous cane sugar colonies precluded the development of a native sugar industry. Dependent upon imports, she quickly became the prime market of the expanding Continental sugar industries. During the first three-quarters of the nineteenth century she maintained a scale of import duties that favored her colonial producers, but in accordance with the doctrines of free trade, which became the prevailing economic philosophy about mid-century, these duties were progressively reduced and finally abolished in 1874. Subsequently, all sugars, whatever their origin, entered the British market duty free. Her gates thrown open, Great Britain soon became the world's largest sugar market, the principal battlefield of the bitter war for supremacy between cane and beet sugar. In this unequal contest, beet sugar held the advantages. By the century's end cane sugar had been beaten decisively. Great Britain's once-thriving colonies faced imminent disaster; her once-prosperous

refining industry stagnated. But the abundant supplies of bounty-fed beet sugar enabled the poorest classes to gratify their sweet tooth. The British became the world's champion sugar consumers. Though the bounties injured some interests, they incontestably benefited others. For this reason the government found the bounty question quite distressing, especially when it appeared that no effective solution would inevitably contravene revered economic dogmas.

For nearly two centuries cane sugar met no opposition in the British market. Even during the first sixty years of the nineteenth century, the young beet sugar industry appeared to pose little threat. Nevertheless, under various forms of government protection and assistance--especially the bounties--the Continental industries grew with astonishing swiftness. The bounty system encouraged exports, and the most accessible market was Great Britain, where sugar duties, falling rapidly, were soon to disappear. Steadily, relentlessly, beet sugar imports overtook those of cane. The decade of the 1890's witnessed beet's conclusive triumph, when European sugar captured over 75 per cent of the British market. The following table compares imports of cane and beet sugar from 1870 to 1895. The figures represent both raw and refined sugar.

TABLE 5

IMPORTS OF CANE AND BEET SUGAR INTO GREAT BRITAIN

Year	Cane	Beet	Total
1870	559*	166*	725*
1875	721	235	956

TABLE 5 continued.

Year	Cane	Beet	Total
1880	601	400	1,001
1881	628	445	1,073
1882	732	398	1,130
1883	604	577	1,181
1884	635	559	1,194
1885	675	562	1,237
1886	539	586	1,125
1887	478	772	1,250
1888	576	661	1,237
1889	471	855	1,326
1890	298	987	1,285
1891	376	1,001	1,377
1892	388	958	1,346
1893	370	1,009	1,379
1894	325	1,087	1,412
1895	389	1,169	1,558

*Thousands of gross tons

Source: "World's Sugar," p. 2726.

One can see that cane imports after 1882 declined absolutely as well as relatively. Beet sugar, both cheaper and more suited to public tastes, was increasingly preferred. This development dealt a severe blow to the British sugar colonies, especially the West Indies.[1]

Another noticeable trend after 1870 was a shift in the predominant composition of imports from raw to refined sugar.

TABLE 6

COMPOSITION OF BRITISH SUGAR IMPORTS: RAW AND REFINED

Year	Raw	Refined	Per Cent Raw	Per Cent Refined
1870	640*	85*	88.3	11.7
1875	812	144	84.9	15.1

TABLE 6 continued.

Year	Raw	Refined	Per Cent Raw	Per Cent Refined
1880	850	151	84.9	15.1
1885	970	266	78.5	21.5
1890	786	499	61.2	38.8
1895	851	707	54.6	45.4

*Thousands of metric tons.

Source: "World's Sugar," p. 2726.

After 1896 refined comprised the major share of the total, and beet sugar from the continent accounted for the greatest percentage.

The British refining industry had begun to experience adverse effects from bounty-fed competition during the 1850's, but high import duties cushioned it against the full impact of that competition. British refiners themselves often obtained an export bounty as a result of inaccuracies in the estimates of how much refined sugar could be obtained from a given amount of raw.[2] The abolition of sugar duties in 1874, plus the failure of the Convention of 1864 to establish an accurate method of evaluating raw sugars so as to eliminate refiners' bounties, exposed them to increasingly stringent competition. As repeated efforts to achieve an international agreement came to naught, burgeoning supplies of bounty-fed imports, predominately from France and the Netherlands, steadily eroded the foundations of their prosperity.

All refiners did not suffer equally. Their industry was divided into two branches, distinguished by different products. Refined sugar was not the dry, granulated article

we know today. The most common forms were loaf sugar, in which the sugar was hardened into large loaves, and moist sugar, soft, lumpy, and imperfectly granulated. Since most Continental imports consisted of the former, British loaf sugar refiners bore the brunt of the struggle. Of thirty loaf sugar refineries in operation in 1864, only one, Martineau's of London, was at work in 1880, and it had been closed temporarily in 1875.[3]

The crisis became so acute that in 1879 a select committee of Parliament was appointed to make an investigation. One member termed it a "post-mortem inquest." Numerous witnesses testified, many of them refiners already bankrupted by the collapse of their businesses. They concurred in blaming the bounty system for their troubles.[4] Moist sugar refiners, still plentiful in Greenock, Glasgow, Liverpool, and Bristol, claimed that bounty-fed sugar had also injured their trade because British importers, increasingly attracted by its low price, were buying larger and larger quantities, thus depressing prices in the whole market. Since 1874 the average price of refined sugar in London had fallen from 30s 8d to 27s 5d per cwt.[5] Referring to the moist sugar industry, George Martineau, secretary of the British Sugar Refiners' Association, stated:

> It is very close work indeed now. Of course there are one or two prosperous men in it, because the best men always succeed; but taking it as a whole, it is a very close trade.[6]

The witnesses were naturally disposed to take a somber view. By and large, the overall condition of the British moist sugar refining industry was not so grave as they portrayed it. If not as prosperous as twenty years before, it was still able to keep up. While the exigencies of competition did bring about a decrease in the number of refineries, this reduction was accompanied by increases in total output, indicating that the industry was becoming concentrated in larger and more efficient establishments. The Clyde River valley, where the important refining centers Greenock and Glasgow were situated, affords an example. In 1870 there were in operation fifteen refineries producing a total of 196,000 gross tons. Nine years later their number had fallen to ten, but they turned out 246,000 tons. In 1888 there were only seven, but their output was expected to reach 250,000 tons.[7] Up to a point, competition from bounties stimulated refiners to improve their equipment so as to obtain the greatest possible economies. One must never forget, furthermore, that the bounties on raw sugar enabled them to obtain raw material more cheaply. An American consul reported in 1884 that the British refiners "are able to hold their own." [8]

Later that year, however, prices on the London sugar market collapsed, falling from an average of 27s 2d to 20s 11d per cwt for refined.[9] Despite a corresponding drop for raw sugar, many refiners saw their profits vanish. The crisis was the cumulative result of a general depression

throughout the Western world, the pressure of bounties on prices, the creation of indirect bounties by France, and a sudden, heavy influx of refined cane sugar from the United States.[10] But the collapse of 1884 was no temporary slump. It was the beginning of a long, persistent depression in the sugar trade that lasted for the rest of the century. Prices never regained their pre-1884 levels, as revealed by the following table.

TABLE 7

SUGAR PRICES IN THE LONDON MARKET, 1883-1895

Year	Raw	Refined	Year	Raw	Refined
1883	20s 1d*	27s 2d*	1890	12s 6d*	16s 4d*
1884	15 6	20 11	1891	12 10	16 6
1885	13 10	18 2	1892	13 0	17 1
1886	13 0	16 8	1893	14 2	18 4
1887	12 1	15 8	1894	11 5	15 6
1888	13 5	17 6	1895	9 7	13 4
1889	15 5	19 8			

*Per cwt.

Source: "World's Sugar," p. 2727.

After 1884 the refiners were truly hurting, and their situation steadily worsened. The British Sugar Refiners' Association undertook a vociferous campaign to persuade their government to convene yet another conference to deal with the bounty problem, grown more complex than heretofore now that Germany and Austria were granting sizeable indirect bounties. They found ready allies in the West Indian colonial interests, whose livelihood was also endangered by the depression in the sugar trade.

Since the early years of the seventeenth century, the cane sugar industry had flourished in the tropical environment of the British West Indies. The first two hundred years were a period of rapid expansion and bountiful profits. Slave labor, mercantile protection, and assured markets were the foundation of prosperity. These foundations slowly crumbled in the nineteenth century. The first shock came in 1834, when slavery was abolished throughout the empire. The West Indian industry was suddenly deprived of much of its capital and confronted with the unfamiliar conditions of a free labor market. From that time on, the planters never completely solved the problem of securing an adequate labor supply. During that same period the classical school of economics discredited the principles of mercantilism and replaced them with the gospels of laissez-faire and free trade. As these new concepts became institutionalized, imperial protection withered away; the West Indian sugar industry faced the prospect of open and free competition. That prospect was not agreeable. Not only were other areas of the world being opened to sugar cane culture, an even more formidable challenger had appeared: the European beet sugar industry.

During the last three decades of the nineteenth century, the erstwhile trickle of beet sugar into the British market swelled into a stream and then into a torrent. Despite enormous increases in consumption, prices fell precipitously. The West Indian Islands, whose economies depended upon sugar, felt the pinch severely, and the once-thriving

colonies sank into depression. Its severity varied from place to place, according to local agricultural and manufacturing conditions and to the particular colony's reliance on sugar for its livelihood, but the misery was real, and prospects for the future seemed bleak indeed.

The 1860's and early 70's had marked the final years of West Indian prosperity, years in which colonial sugar was protected by the system of import duties maintained by the mother country. Those duties were based upon a graduated scale of color types, the lighter colored sugars paying higher duties than the darker ones. West Indian muscovado sugar,[11] being darker than the partially refined sugars produced in Cuba, Mauritius, and Brazil, paid substantially less duty and could be sold more cheaply in the British market than could finer grades. The tariff advantages accruing to muscovado were so great that colonial manufacturers often deliberately produced low quality sugar in order to evade the higher duties. Under these conditions even the more primitive industries, such as those in the Leeward Islands, which manufactured hardly any type other than crude muscovado, were prospering. Wealthy estates with modern equipment such as vacuum pans[13]--they were located primarily in British Guiana and Trinidad--were reaping lucrative returns.[14] The planters recognized their advantages under the system of preferential duties and viewed with trepidation the day when they would disappear. Some observers predicted that the loss of protection would be fatal to many

small and backward estates.[15]

The blow fell in 1874. West Indian muscovado, admittedly an inferior product, was thrown defenseless into the open market to compete against better grades of sugar, both colonial and European. At first the price of muscovado did not fall very much, but prices of the superior types of sugar, which had formerly paid higher duties, did fall, with the result that consumers, in this case refiners and confectioners, quickly switched to them. Muscovado lost value in relation to other sugars.[16] Of greater long-range significance was the fact that the West Indian planters now had to compete with the expanding Continental beet sugar industries.

By 1875 Austria-Hungary already granted a large indirect bounty to her sugar industry, and before long the German tax legislation would yield substantial premiums.[17] Encouraged by the bounties, Austro-Hungarian and German sugar soon began to pour into the British market in ever increasing quantities: 84,000 tons in 1870, 107,000 in 1875, and 260,000 in 1880.[18] This raw beet sugar depressed the price of muscovado both by increasing the overall supply and by reducing demand for the colonial product. The effect of these imports on prices was revealed in 1877, when the beet crop failed and the price of muscovado quickly rose from 21s 7 1/2d per cwt. to 26s 4 1/4d.[19] When the beet crop recovered the next year, the price of muscovado sank again to its former level.

Despite this competition, the West Indies maintained

their exports to the British market over the decade 1870-1880. In the former year exports totaled 184,000 tons; in the latter they stood at 196,000. But this gain was incommensurate with increases in consumption, which rose from 659,000 to 1,005,000 tons between 1871 and 1881.[20] The colonies' percentage of the market was falling steadily. At the same time, the planters were confronted with a profit squeeze, since their average production costs had remained stationary between 1865 and 1879 while prices had fallen. Colonial interests, like the refiners, began to agitate for government action against bounty-fed sugar.

Testifying before the select committee in 1879, colonial witnesses, like the refiners, were pessimistic, predicting the imminent collapse of sugar culture in the islands. The committee's official report ratified that gloomy assessment.[21] But just like the refiners, the planters had overstated their case. Although sugar production was no longer as remunerative as it had been ten or fifteen years earlier, it still returned a profit. According to Beachey, there was in 1879 "no real evidence of serious distress in the British West Indian sugar industry."[22]

The situation soon changed radically. In 1884 muscovado fell from 20s per cwt to 13s; the average for the year was 15s 6d.[23] This figure of 13s was equal to or less than the cost of production on many West Indian estates, and such prices were fatal to many weaker ones. Some might have survived if the crisis had been brief, but during the

next few years, prices sank to 13s, then to 12s, then as low as 9s per cwt.[24] Distress was now genuine. The primitive muscovado estates simply could not produce sugar cheaply enough to realize a profit from such prices.

The West Indies did not lack the agricultural resources to support a healthy sugar industry. Their principal deficiency lay in their inability to adapt their manufacturing techniques to new competitive conditions.[25] Most West Indian planters clung to methods that had changed little over two centuries and whose "most prominent characteristics ... were wastefulness and slovenliness."[26] Scientific methods of soil analysis and fertilization were unknown; primitive cultivation procedures held on tenaciously.[27] Spoilage and waste were rife, from the collection of the cut cane and its transportation to the mill throughout all stages of the manufacturing process. Losses were greatest during the initial stage: the crushing of the cane to extract the juice. Though the cane normally contained about 87 per cent of its weight as juice, the typical mill failed to extract more than 50 or 60 per cent. Most estates also continued to use the old open-pan process for boiling and clarifying the juice, much the same way as in the seventeenth century. Here again considerable losses occurred, and the sugar could be easily spoiled through faulty controls. On some of the more primitive estates, such as those in Montserrat, for example, overall losses from inefficient harvesting and manufacturing techniques amounted to between 30 and 50 per

cent. In St. Kitts-Nevis muscovado estates required sixteen tons of canes to produce one ton of raw sugar, whereas the one estate equipped with vacuum pans for boiling and clarification needed only 13.9 tons. Some of the central factories in British Guiana, utilizing the latest technology, extracted a ton of sugar from only ten or eleven tons of cane.[28] It was no wonder that muscovado estates were going bankrupt and that the sugar industry was disappearing in the poorer islands.

The beleaguered planters accused the bounties of destroying them. Bounties were certainly part of the problem, but by no means were they the only cause of the colonies' ills. Other factors, such as cost and freight rate differentials, product quality, and agronomical considerations also gave beet sugar a competitive advantage over colonial cane in the British market.

Costs were fundamental. The European beet sugar industry had nearly everywhere attained a high level of technological development and could produce a fine grade of sugar very cheaply. Even though the cane was a far richer source of sugar than the beet, the small, hopelessly outmoded colonial sugar mills could not manufacture sugar cheaply. Sheer size was important, since sugar production admits considerable economies of scale. There were large, modern factories in Trinidad and in British Guiana that could produce sugar at costs equal to or even below those achieved by German manufacturers. In 1895, for example, cane sugar

from Demerara (British Guiana) cost £9 5s per ton, whereas German beet sugar cost an average of £9 12s 4d per ton.[29] Such establishments were exceptional, but they demonstrated what was possible with modern equipment. Given the superiority of the cane as a source of sugar, there was no reason why cane sugar could not be manufactured as cheaply as beet.

Nevertheless, even if all West Indian sugar had been cost-competitive, it still would have been at a disadvantage in the British market simply because European sugar paid lower shipping charges. During the 1890's freight rates from German to British ports stood at about 6s per ton, whereas West Indian sugar paid about £2--over six times as much. In 1895 the price of raw sugar in London was £11 6s per ton. Even if West Indian sugar had been produced at an average cost of £9 5s, it would have barely broken even in London, while German sugar, even without its bounty, obtained a profit of £1 8s per ton, and with the bounty, £2 8s.[30]

Most West Indian mills could not even closely approach such low production costs. And to make matters worse, their product, which still contained large amounts of molasses, usually lost weight by drainage during storage or shipment. For the poorer grades of muscovado, these losses could easily amount to 10 or 15 per cent of the total weight, involving a considerable reduction in the value of the shipment. In 1877, for example,muscovado from Tobago, one of the more backward colonies, commonly lost as much as 16 per cent from leakage during a transatlantic voyage--about 320 pounds from every ton.[31]

As if such handicaps were not enough, muscovado was simply losing favor with British refiners and confectioners. Even refiners who preferred cane sugar came to favor foreign brands, particularly those from Java. Muscovado was poor refining sugar. It continued to suffer losses from shrinkage throughout the refining process. It was often so dirty that it was difficult to refine completely, and the final product had the disconcerting tendency to discolor beverages or foods. Consumers, when offered a choice between the clean, dry, white beet crystals and the moist, dirty "pieces" supplied by British refiners of muscovado, vastly preferred the former.[32] Confectioners and jam makers, as well, quickly rejected muscovado when large supplies of semirefined beet sugar became available. Muscovado was not only inferior in quality; it was messy to handle. George Mathieson, a prominent confectioner, wrote:

> Even the wicked confectioners would use a fair quantity of cane sugar if it came to them fairly refined and in a dry clean state in tidy packages, say linen or paper lined bags or barrels; but no self-respecting confectioner will be bothered with the huge dirty casks and syrupy bags in which cane sugar is mainly exported now. He may buy some of it for special work, but can rarely use it without careful examination and probably filtration.[33]

So little demand existed for muscovado that it was difficult to sell, even at ruinously low prices.[34] This loss of favor was just as important a cause as the bounties for West Indian sugar's exclusion from the British market.

Finally, beet sugar possessed several advantages over cane that derived from the agronomical role of beetroot cultivation. The root had become an important element in the crop rotation system. Its cultivation produced numerous collateral benefits such as deeper plowing, intensive cultivation, and improved fertilization. The beet pulp was a valuable cattle food; hence, the sugar and livestock industries of Europe became interdependent. Railroads and shipping lines gained from hauling beets and sugar. These advantages owed nothing to the bounty system and would alone have served to encourage the industry's growth.

Bounties aside, the West Indian sugar industry had entered a competitive era for which it was ill-prepared and from which there was no reprieve.[35] Not only did it face competition from bounty-fed beet sugar, it also had to reckon with new contestants: the rising cane industries of Hawaii, Natal, Queensland, and Egypt. These new industries employed the latest equipment and were far more cost-competitive than the West Indian muscovado estates. Even though the bounty system bore the main responsibility for the overproduction and low prices that plagued the sugar trade, it was only one of a complex of factors that had undermined the prosperity of the British colonial and refining industries.

Nevertheless, both refiners and planters singled out the bounties as the cause of their distress and stridently warned of their impending doom unless the government took prompt measures to rescue them.

The campaign against bounties originated during the 1850's when the British Sugar Refiners' Association initiated protest against the growing influx of French and Dutch loaf sugar. This agitation prepared the way for British participation in the Convention of 1864. During the succeeding decade, after the abolition of sugar duties had exposed colonial sugars to increasingly severe competition, colonial interests organized the West India Committee, composed of planters, merchants, shippers, bankers, and others connected with the colonial trade. The committee soon became a powerful pressure group. It maintained a permanent office and library in London, from which it published a stream of literature and incessantly petitioned the government for redress.

To forestall accusations of special interest, both the refiners and the colonials sought to enlist working class support. The potential was there, for numerous workers in the refining and allied trades feared for their livelihood.[36] After spending considerable sums to subsidize anti-bounty agitation among the trade unions, the committee in 1878 organized an auxiliary group, the Workmen's National Association for the Abolition of Foreign Sugar Bounties.

The onset of hard times in 1879 spurred these efforts to mobilize public opinion and to influence the government. On September 28, 1880 the National Anti-Bounty League, a coalition of all groups opposed to bounties, was formed. It included the West India Committee, the Sugar Refiners' Association, the Workman's National Association, and numerous trade unions.

At this time the anti-bounty campaign became closely associated with the Fair Trade movement, an effort to restore a measure of protection to British and colonial products. The Fair Trade movement has been characterized as a response to the breakdown of the system of free-trade treaties negotiated during the 1860's and the consequent revival of protection abroad.[37] The stresses of a general depression in the Western economy after 1873 brought about a resurgence of protectionism on the Continent. The acute agricultural crisis of 1879, after which European farmers experienced increasingly severe competition from cheap American foodstuffs, forged strong links between industrial and agricultural protectionists in many European countries. One could expect a similar phenomenon to occur in Great Britain. But the British situation differed sharply from the Continental one. In Europe free trade had been tolerated more than wholeheartedly embraced. In England it had become virtually a religion. Cobden and Bright had taken their places in the British pantheon. Any attempt to overthrow their principles would meet determined resistance.

Nevertheless, there were men who felt uneasy at Britain's declining share of world trade, who worried about the rise of industrial challengers in Germany and in the United States, who were anxious about the onrush of protectionism abroad; and they began to question the wisdom of free trade in an increasingly nationalistic and protectionist world. Some, of course, had never wholly imbibed Cobdenite

orthodoxy. The conclusiveness of free trade's victory had driven opposing sentiments underground but had not eradicated them.

> Like some heresy in ancient times, Protection survived and was handed down as a private creed in many families, even when its members recognized the futility of giving public expression to their convictions.[38]

By 1880 neo-protectionist sentiments were flourishing among many segments of the British public. The Fair Trade League was founded the following year.

Two demands formed the crux of the Fair Trade program: a demand for retaliatory tariffs against the products of countries that imposed high duties on British goods and a demand for preferential duties to promote commerce within the British Empire.[39] The second was particularly dear to colonial sugar interests. Soon the Fair Trade and Anti-Bounty Leagues were working hand in hand. Nevile Lubbock, the chairman of the West India Committee, was closely involved with the Fair Traders and supported them on every important issue.[40] Reciprocally, the Fair Traders backed the anti-bounty forces, whose struggle against foreign subsidies they believed to exemplify the ideals of their movement.

One exception marred this united front. The anti-bounty workers did not associate themselves with the Fair Trade League, which they identified with agricultural interests. Though workers in the sugar and related industries

would readily accept higher sugar prices, they would not countenance general agricultural protection, which could only raise food costs. For this reason, the Fair Trade League never successfully attracted labor support.

Resistance to the Fair Traders and the anti-bounty coalition ranged across a broad spectrum of opinion. The most active pressure group defending free trade was the influential Cobden Club, founded in 1866. An indefatigable lobbying organization, the club had the ear of numerous politicians, particularly members of the Liberal party, with whose ideas the club generally agreed.[42] Through more than two decades the sugar interests and the Cobden Club waged a grim war in the columns of the press, in the halls of Parliament, and above all within the covers of the innumerable books and pamphlets churned out by their respective presses.

The anti-bounty forces' basic argument was simple. The Continental nations were using "unfair" tactics; they were attacking a British industry in its own home market by means of artificial subsidies. The bounties were destroying both the refining trade and the colonial sugar industry and must, therefore, be abolished. The Anti-Bounty League and its component organizations importuned the government to convene an international conference or to attend one if invited, a request that could be satisfied without provoking an uproar. But they further urged the government to impose countervailing duties against bounty-fed

sugar, a policy they believed would topple the bounty system.[43] It was this latter demand that aroused the ire of free traders, who regarded duties for purposes other than revenue as economic heresy.

Attempting to evade objections to countervailing duties, the anti-bounty groups argued that their real intent was to secure free trade, by striking down artificial advantages favoring some competitors over others. They refused to call themselves anything but free traders. This was tactical expediency. Recognizing the strength of Cobdenite doctrine, they realized they could not openly advocate protection; therefore, they sought to prove that their ideas represented genuine free trade and that their opponents' interpretation was specious. What was in reality a struggle between protection and free trade thus took on the aspect of a doctrinal dispute between free traders.

The anti-bounty side benefited from the fact that free trade doctrine was far from clear and could be interpreted many ways.[44] Free trade conceived as "duties for revenue purposes only" had manifestly failed to secure true free trade they argued, and the bounty problem testified to its failure.[45] They preferred to interpret free trade as the movement of commerce through natural channels at its natural price (i.e., the direction and price it would assume in the absence of all outside constraints). The bounties obviously interfered with these natural movements. Countervailing duties, by removing them, would restore equal competition and, therefore, freedom of trade.

This argument was sophisticated enough to confuse many free traders, but perceptive ones refused to be taken in. Sir Thomas Henry Farrer, permanent undersecretary at the Board of Trade and the Cobden Club's most able spokesman, wrote:

> The accident of bounties on foreign sugar, themselves an undoubted outrage on economic laws, gives to the Protectionists an opportunity of masquerading as Free Traders in assailing bounties, and under this guise they seek, whilst advocating Retaliation, to betray an outpost of Free Trade where they dare not attack the citadel.[46]

Farrer's position, and that of the Cobden Club, was clear: "... while bounties are an abomination, countervailing duties are a much greater abomination."[47] The bounty system was "one of the most striking instances of human folly into which false theories and the pressure of particular interests have ever led intelligent peoples."[48] But since this asinine policy on the part of foreign countries has bestowed the precious gift of cheap sugar on the British consumer, British policy should be "to let them [foreign governments] stew in their own juice."[49] If the Continental nations were to recognize their foolishness and cease giving bounties, Britain should applaud, but any attempt to remove the bounties by countervailing duties would open the door to protection and would deprive the consumer of a unique advantage.

Farrer here touched a fact that greatly complicated the task of the anti-bounty forces: the existence of other

influential interests who benefited rather than suffered from low sugar prices. Even the poorest classes could now afford sugar, and they had made it a staple of their diet. The Franchise Bill of 1884 had made these people voters, and their interests would have to be considered. Perhaps even more important, cheap sugar was a boon to a multitude of fast-growing industries, the jam and marmalade, confectionary, biscuit, cocoa, aerated water, medicine, brewing, and distilling trades. While export of British refined sugar declined, exports of their products increased. Here was a classic case of conflicting interest groups, each attempting to convince the government that its interests were paramount. Colonists and refiners versus the confectionery trades and consumers, the former advocating a thinly veiled protectionism, the latter manning the bastions of free trade. The battle once joined, the conflict would be swept up in the larger controversy over free trade and imperial preference that dominated British politics at the turn of the century.

Free traders were justified in pointing to consumption statistics as an indicator of how the nation as a whole profited from the bounty system. In 1888-89 the British consumed 73.2 pounds of sugar per capita each year, 34.9 pounds more than the Danish, their nearest European competitors. In contrast, consumption figures in the leading bounty-giving states were much lower: 25.3 pounds in France, 21.2 in Belgium, 19.6 in Austria, 17.9 in the Netherlands, and 11.7 in Germany. Throughout the final years of the century, as sugar prices

fell, British consumption totals climbed:

TABLE 8

BRITISH SUGAR CONSUMPTION PER CAPITA, 1889-1900

Year	Amount	Year	Amount
1889-90	77.8*	1895-96	87.5*
1890-91	78.7	1896-97	86.1
1891-92	80.7	1897-98	91.3
1892-93	77.4	1898-99	88.4
1893-94	84.8	1899-1900	91.6
1894-95	79.1		

*Pounds

Source: "World's Sugar," p. 2762.

Sugar exhibited considerable elasticity of demand. For each drop in price, barring other circumstances, there was a corresponding increase in consumption. By the end of the century sugar was so cheap that it was even being used as a cattle food.

The anti-bounty forces had to admit that the British consumer profited from inexpensive sugar, but lest they betray their argument they professed to see cheap sugar as a Trojan horse. Cheapness, they asserted, was only temporary. Once the bounties had destroyed the West Indian sugar industry and had driven domestic refiners out of business, the Continental industries would have the British consumer at their mercy. Then, they warned, Britain will rue the day she accepted the lure of cheap sugar.[51]

It was true that Farrer and other free traders often

sounded as if they considered cheapness the overriding criterion, a viewpoint the Anti-Bounty League derisively called the "smuggling doctrine of Free Trade."[52] Their opponents were fond of quoting Richard Cobden:

> We do not seek Free Trade in corn primarily for the purpose of purchasing it at a cheaper money rate; we require it at the natural price of the world's market, whether it becomes dearer with a Free Trade... or whether it is cheaper, it matters not to us, provided the people of this country have it at its natural price, and every source of supply is freely opened, as nature and nature's God intended it to be.[53]

From this platform they charged Farrer and the Cobden Club with perverting Cobden's original doctrine. The giant who had struck down the Corn Laws would never have tolerated the depredations inflicted upon British industries by the bounties. Again the ambiguity of Cobdenite principles allowed anti-bounty forces considerable latitude in their assertions.

Essentially the point at issue concerned divergent views of national interest. The free traders placed the welfare of the consumer foremost. They believed free trade had profited the British people, and such considerations certainly took precedence over a moribund domestic industry and a few backward colonies, relics of a slaveholding past loathsome to the liberal mind. Their opponents, on the other hand, regarded the maintenance of a long-established home trade and of a venerable portion of the empire as of

utmost importance, well worth imposing a burden on the consumer (which they insisted would not amount to much). As one anonymous correspondent wrote to The Financial Times:

> The whole weight of the Cobden Club would be thrown into the scale in favor of cheap lollipops as against the prosperity of some half a dozen Crown colonies. Staunch believers as we are in Free Trade... we do not believe that to tax an article of luxury so as to save the destinies of integral portions of the Empire would be a grave breach of our fixed fiscal policy.[54]

Free traders contemptuously dismissed the colonists' remonstrances, and on this score their arguments were hardly fair. They refused to recognize that many of the islands' difficulties stemmed from conditions beyond their control. They insisted on portraying the sugar question as a morality play, in which the West Indian planters represented the vices. Armed with the self-righteous dogmas of Social Darwinism and "muscular morality," they flayed the planters for their lethargy and for their failure to remain competitive in a world in which only the fittest survive. The colonists were "charmingly lazy and charmingly corrupt."[55] Unwilling to make the necessary sacrifices themselves, the West Indians were trying to foist the responsibility for their survival on to the British taxpayer and consumer. The planters lacked backbone. "... they always look for ... protection when any crisis supervenes, the same as Frenchmen or Germans, instead of trusting, like Englishmen, to their

own strength."[56] Even an ordinarily staunch supporter of the colonists such as Joseph Chamberlain could write in exasperation, "Americans say that hereditary West Indians appear to have been born tired, in which opinion there is a good deal of truth."[57] When not decrying the moral capacity of the colonists, commentators like the American economist John Franklin Crowell criticized their lack of business acumen: "... it is generally true that the business ability to be found there has proved itself incapable of utilizing the economic resorces at its command and for that very reason cannot command capital, nor control labor nor organize its wealth of agricultural resources."[58] Technological backwardness and human inertia certainly contributed to the colonies' misfortunes, but the root causes of their failure to progress were economic. The crushing burden of heavy mortgages prevented many planters, especially in depression times, from amassing the requisite capital for modernization. "Throughout the depression years more than one sugar planter voiced his belief that, but for interest and debt, he could make headway and make capital improvements."[59] Absentee ownership also inhibited change. Proprietors and mortgage holders residing in England frequently looked askance at projected innovations, preferring to secure even a small return on their investment rather than to risk precious capital. Often unfamiliar with economic conditions in the islands, they failed to realize that improvements were their only hope of preserving their

investments. Finally, the weight of past experience impeded change. For two hundred years, the old muscovado process had remained profitable; hence, there was little incentive to modify it. The crisis had broken upon the West Indies with relative suddenness. When their profits vanished, muscovado producers were reluctant to jeopardize the small incomes remaining to them on costly improvements of uncertain result.[60] In sum, the fundamental difficulty was a shortage of capital. The depressed condition of the world sugar market aggravated the problem by making investors less willing to venture funds in an industry whose prospects appeared so dim. In this way, by inciting overproduction and perpetuating low prices, the bounties injured the West Indies.

In spite of counterattacks by free traders, the alliance between planters and refiners won a notable victory in 1879 when their agitation prompted the government to appoint a select committee to investigate the depression in the sugar trade. They were jubilant when the committee indicted the bounty system for their misfortune and recommended its abolition by means of an international conference. The committee also supported the sugar interests in calling for countervailing duties, which it affirmed were not a violation of free trade.[61]

Backed by the committee report, anti-bounty agitation reached a crescendo in 1880-81. The Anti-Bounty League was founded; trade unions and the Workmen's National Association

were heavily subsidized. Numerous large public demonstrations took place, capped by a rally of 4,000 workers in the East End of London on March 29, 1881. The movement lost steam when word leaked out of the subsidies being paid to working men's groups, and the resulting publicity discredited both the Anti-Bounty League and the Workmen's National Association. Joseph Chamberlain, then Secretary of the Board of Trade, contemptuously dismissed the latter as a "sham association with precious little workmen about it, and got up and paid by a few West Indian planters who want to make a profit out of an increased price of sugar."[62]

The anti-bounty forces revived with the advent of the Conservative Salisbury government in 1886. Under their urging, the new cabinet agreed to call a conference, and, much to their delight, the conference concluded an international convention containing a penal clause binding the contracting powers to countervail or to prohibit bounty-fed imports. Victory was snatched from their grasp, however, when the convention ran into heavy opposition from free traders in Parliament and had to be withdrawn.[63]

Following this setback a pall settled over both the struggling refining industry and the West Indies. Bounty-fed competition intensified; European exporters dumped sugar onto the British market at prices below the cost of production. Even efficient and well-equipped refineries found it difficult to withstand such competition. Refiners, just like the colonial planters, were confronted with changing

public tastes. Moist sugar was losing favor; consumers preferred the dry, granulated product to the "filthy 'pieces' that turned black in the teacup."[64] In a period of declining prices, the hard-pressed refiners had to alter their processes, a task requiring extensive capital outlays that were not easily borne.

The 1870's had witnessed the extinction of the loaf sugar industry. During the late 1880's and the 1890's moist sugar refiners began to succumb. Of five refineries operating in London in 1888, only two were in business in 1895. In Liverpool there were ten refineries in 1888. By 1896 only five remained. Of nine refineries at work in Greenock in 1884, only four were operating in 1896.[65] By 1898 the once thriving industry of Greenock was moribund. The American consul observed:

> The sugar-refining industry, which has heretofore been carried on very extensively at Greenock, is practically at a standstill, and where, in former years, trade with the United States amounted to many thousands of dollars' worth a year, during the past year there have been no consignments whatever. The depressed condition of the industry here is due entirely to the practice of giving bounties that prevails on the Continent.[66]

Beset by low prices, falling demand, and intense competition from bounty-fed rivals, the British refining industry and the West Indian colonies stumbled through the century's final years, hoping against hope that their entreaties would be heard and that the deus ex machina of an international conference would intervene to rescue them

from their seemingly inevitable doom. They saw in the abolition of the bounty system a panacea. Unfortunately for them other powerful interests, whose viewpoint was supported by the official ideology of free trade, considered cheap sugar advantageous. To secure their aims, the anti-bounty forces would not only have to overcome opposing interest groups; they would also have to combat an idea and reverse a long-standing policy of their government.

NOTES

[1]Other British colonies with large sugar industries were Queensland, Mauritius, Natal, and Egypt.

[2]Schippel, pp. 271-72.

[3]PP, 1878-79, XIII, Select Committee on Sugar Industries, "Report," p. 2.

[4]Ibid., passim.

[5]"World's Sugar," p. 2727.

[6]PP, 1878-79, XIII, Select Committee on Sugar Industries, "Report," p. 294.

[7]Ibid., 1889, LXXII, "Copy of Report to the Board of Trade Entitled 'Progress of the Sugar Trade,'" p. 442.

[8]USCR, XI, No. 38 (Feb. 1884), 668.

[9]"World's Sugar," p. 2727.

[10]As a result of an American bounty, British imports of refined cane (from all sources) jumped from 7,000 tons in 1883 to 53,000 tons in 1884 and to 114,000 tons in 1885. In 1887 the United States government corrected the drawback, and imports dropped to 2,000 tons the following year. Ibid., pp. 2627, 2726.

[11]The term muscovado refers to raw cane sugar that has undergone no refining process.

[12]R. W. Beachey, The British West Indies Sugar Industry in the Late 19th Century, p. 45. I have relied heavily on this excellent monograph.

[13]For boiling and clarifying the cane juice.

[14]Beachey, pp. 41-42.

[15]Ibid., p. 45.

[16]Ibid., pp. 46-47.

[17]In 1875-76 Austro-Hungarian bounties were so large that the state actually ran a deficit on sugar taxes. Kaufmann, Welt-zuckerindustrie, p. 83.

[18]"World's Sugar," p. 2726.

[19]Beachey, pp. 51-52.

[20]"World's Sugar," pp. 2726-27.

[21]PP, 1880, XII, Select Committee on Sugar Industries, "Report" (Aug. 4, 1880), pp. 531-35.

[22]p. 57

[23]"World's Sugar," p. 2727.

[24]Ibid.

[25]This was the judgement of the contemporary American economist John Franklin Crowell in his article "The Sugar Situation in the British West Indies" (hereinafter referred to as "British West Indies"), Yale Review, IX (Aug. 1900), 191-215.

[26]Beachey, p. 61.

[27]See ibid., pp. 87-98, for a detailed treatment of sugar cane cultivation in the West Indies.

[28]Crowell, "British West Indies," p. 206.

[29]Beachey, p. 143.

[30]Ibid.

[31]Ibid., p. 71. In contrast, beet sugar lost no weight in transit.

[32]Ibid., pp. 144-45.

[33]Should Sugar Be Shackled? p. 8.

[34]Beachey, p. 144.

[35]Ibid., p. 174.

[36]Benjamin H. Brown, The Tariff Reform Movement in Great Britain, 1881-95, p. 47.

[37]Sydney H. Zebel, "Fair Trade: An English Reaction to the Breakdown of the Cobden Treaty System," Journal of Modern History, XII (June 1940), 161-85.

[38]L. S. Amery, "Mr. Chamberlain and Fiscal Policy, Pt. II," in Life of Joseph Chamberlain, by Rt. Hon. Viscount Milner, J. A. Spender, Sir Henry Lucy, J. Ramsey Macdonald, Harold Cox, and L. S. Amery, p. 265.

[39]Witt Bowden, Michael Karpovich, and Abbot Payson Usher, An Economic History of Europe Since 1750, p. 627.

[40]Brown, p. 41.

[41]Ibid., pp. 54-55.

[42]Tracy, p. 56.

[43]They advocated this policy whether or not a conference took place. If a conference could not be gathered otherwise, countervailing duties might either coerce the powers into attending one or might compel them to renounce their bounties individually. In the event of an international convention, such duties would be necessary to insure that no non-signatory power could obtain an advantage in the British market.

[44]Carl Johannes Fuchs, The Trade Policy of Great Britain and Her Colonies Since 1860, trans. by Constance H. M. Archibald, p. 90.

[45]George Martineau, A Short History of Sugar, 1856-1916. A Warning (hereinafter referred to as Short History), pp. 5-9. Martineau was one of the foremost polemicists in the campaign against bounties.

[46]Free Trade versus Fair Trade, 3rd ed., p. 246.

[47]Lord Thomas Henry Farrer, Bounties on Sugar and Dangers Ahead, Cobden Club Leaflet No. CX (Dec. 1897).

[48]Lord Thomas Henry Farrer, What is a Bounty? p. 27.

[49]Ibid., p. 49.

[50]"World's Sugar," p. 2627.

[51]Martineau, Short History, pp. 23-25. This argument ignored completely the fact that in the absence of international cartelization the European sugar industries would still be in competiton with each other and thus would be in no position to fix prices. It also overlooked the fact that by the late 1880's West Indian sugar and British refined were no longer serious competitors of the European beet sugar industries.

[52]Sir Mayson Moss Beeton, The Truth about the Foreign Sugar Bounties: The Case for Abolition, p. 12. Beeton was, for years, secretary of the Anti-Bounty League.

[53]Quoted in Fuchs, pp. 90-91.

[54]Dec. 2, 1896, clipping in F083/1712.

[55]Harold Cox, The West Indian Agitation, Cobden Club Leaflet No CXII (April 1898).

[56]Mathieson, p. 6.

[57]Quoted in Beachey, p. 151.

[58]"British West Indies," p. 212.

[59]Beachey, pp. 78-79.

[60]Ibid., p. 79.

[61]PP, 1880, XII, Select Committee on Sugar Industries, "Report," (Aug. 4, 1880), pp. 537-40.

[62]The Times, Nov. 13, 1885, quoted in Beachey, p. 138.

[63]See Chapter IV.

[64]Mathieson, p. 12.

[65]PP, 1889, LXXIII, "Copy of Report to the Board of Trade Entitled 'Progress of the Sugar Trade,'" pp. 448-49; CRUS, 1894-95, II, 568; "World's Sugar," p. 2627.

[66]CRUS, 1898, II, 836.

CHAPTER III

THE EARLIER SUGAR CONFERENCES

Bounties on exports of refined sugar became an international problem during the 1840's and '50's. By 1850 revenue losses had aroused concern in several capitals, and the following year the governments of Belgium, the Netherlands, France, and Great Britain began consultations. Although nothing came of those initial discussions, it became apparent that an international agreement offered the only hope of a solution. No government wished to deprive its refiners of premiums unless the others did likewise.

A decade later bounties had become sufficiently burdensome to prod the governments into action. France first broached the idea of a conference in 1861 during negotiations for a trade treaty with Belgium, who in turn approached Great Britain the following year. These tentative proposals bore fruit in the spring of 1863, when official representatives of France, the Netherlands, Great Britain, and Belgium met in Paris. From the outset it was evident that no accord could be reached. The first three powers argued for the differential taxation of raw sugars by grade, but Belgium clung to her system of a single duty on all raw sugars irrespective of quality. Unable to agree on

this fundamental point, the conference broke up.

The French pursued negotiations through diplomatic channels and eventually persuaded the Belgians to accede to a duty scale with a small number of classes. In September 1864 representatives of the four powers reassembled in Paris.

Now that each government had accepted the principle of differential taxation, the conference sought to institute a common method of evaluating raw sugar, hopefully precise enough to avoid excess drawbacks. After several weeks of technical negotiations, the participants concluded the Convention of November 8, 1864. They agreed to divide raw sugars into four classes based on color typing and to set estimated yields for each class. The estimates were provisional. Realizing their probable inaccuracy, the powers commissioned a team of chemists to ascertain the average yields of the color grades as precisely as possible. The results of their investigations would replace the original figures.

The experiments, carried out in Cologne between September 1865 and August 1866, uncovered serious defects in the estimates. The revisions were incorporated in the Supplementary Act of November 1866.

Despite the modifications, the agreement quickly proved ineffectual owing both to the inherent inaccuracies in the color-type system and to its susceptibility to fraud. French raw sugar manufacturers, on contract with refiners,

became adept at producing raw sugar that graded class III but that actually belonged to the superior class II. By using such disguised raw material, refiners obtained healthy tax-free surpluses and indirect bounties.[2] Yet even if the color scale had been accurate, even if there had been no abuses, the crude four-class system would have proved inadequate. Since there were several color nuances in each class (the legal yield being merely an average), refiners could invariably exceed the estimate by using only the top grades in each category. These inequities affected refiners in the various countries differently, depending upon the level of their taxes, upon the types of raw sugar they employed, and upon the importance of their export trade.[3]

The deficiencies of the convention soon became manifest. Minor conferences were held in 1868 and again in 1869 in an effort to rectify them, but the convention was in trouble. British loaf sugar refiners were growing increasingly dissatisfied with it. They were especially irked by France's reluctance to implement the agreement fully. They sent a delegation to Brussels and to the Hague to confer with their Belgian and Dutch counterparts, after which refiners from all three nations urged their governments to convene another conference. In April 1871 delegates of the four nations assembled in Brussels. The deliberations reached no definite accord, but the powers did acknowledge the need for a thorough restructuring of the international agreement.

The disgruntled British refiners found useful allies in the French raw sugar manufacturers. French refiners, protected by high customs duties on foreign sugars, firmly controlled the domestic outlets for raw and could command low prices from manufacturers, whose only means of escape was to export. Since British refiners were their best customers, the French raw sugar producers wished them to remain prosperous.[4] Furthermore, the manufacturers worked under excise supervision and received no bounty. They were meeting ever greater competition from bounty-fed German and Austro-Hungarian sugars, and they resented the privileged status of the refiners. They hoped to eliminate bounties by discarding the nuance system in favor either of saccharimetric evaluation or of refining in bond. Either would dispense with estimated yields, but both the British and the French preferred the latter,[5] which the last conference had also proposed as a possible solution. In France representatives of the Comité central des fabricants du sucre testified before a committee of the Conseil supérieur de commerce that refining in bond was the simplest, most efficacious means of extinguishing bounties. The refiners, of course, reproved their arguments, stressing the cost of surveillance and accounting that the state would have to assume. They won out when the committee reported in favor of maintaining the color standard and the existing classifications of raw sugar, but the report also recommended continuous saccharimetric evaluation in order to insure

accuracy.[6] The Conseil superieur, while accepting that judgment, agreed with the manufacturers that refining in bond still offered the best way out of the bounty morass.[7] But the French government was very reluctant to take such a step unilaterally.

Another conference met in London in July 1872. The British proposed refining in bond but encountered heavy opposition from the Dutch and Belgians. The French proposed a compromise based on the recent committee report--retention of the nuance system, with saccharimetric controls. The British were in a quandry. They could not sway the other delegations to their point of view, but they could not accept the French proposal without betraying the refiners on whose behalf they had called the conference in the first place. Having reached an impasse, the conference adjourned. The Convention of 1864 still had three years to run.

The French sponsored yet another conference the following April. Joined by the Belgians and the Dutch, they reaffirmed their allegiance to the type system with saccharimetric controls. The British delegation, just as stubbornly, insisted upon refining in bond. Overruled again, they finally accepted, with strong reservations, a protocol embodying the majority formula, but London disavowed it. Despairing of concluding an agreement on their terms, the British refused to send delegates to a proposed conference in Brussels the following year. In

1874 they solved their drawback problem by abolishing all taxes and import duties on sugar, but in so doing they created new difficulties. They exposed their home and colonial sugar industries to the full weight of foreign competition. They also disarmed themselves diplomatically, for they no longer held anything with which to bargain.[8]

French raw sugar manufacturers continued their campaign against refining bounties, and their arguments were gaining adherents. The aftermath of the war with Prussia had left the government sorely pressed for funds. Many regarded the bounties as extravagances that could no longer be tolerated. On March 21, 1874 the National Assembly voted by a large majority to establish refining in bond after July 1, 1875, the date the Convention of 1864 was to expire. The Conseil supérieur de commerce recommended, however, that the Assembly reconsider if the other powers failed to agree to a new international arrangement on that basis. In March 1875 the French invited Great Britain, Belgium, and the Netherlands to reopen negotiations.

The conference met at Brussels on May 24. The French proposed refining in bond. The British, and this time the Dutch, rallied to their side, but the Belgians refused to abandon the color standard. The latter proposed to reduce their drawbacks by raising their legal estimates and by lowering their excise taxes, but the other delegations did not consider these concessions equivalent to refining in bond.

The conference dissolved. After further negotiations through diplomatic channels, the French persuaded the Belgians to reduce their taxes by one-half. The other powers accepted this compromise, and the four governments signed a convention at Brussels on August 11, 1875.

Much to the dismay of the French and the British, the upper chamber of the Dutch States General, erroneously assuming that the convention would prevent their abolishing sugar taxes altogether, rejected it.[9] One month later, realizing their mistake, the States General called on their government to reopen negotiations on the basis of the recent convention, under the condition that the Netherlands reserve the right to abolish sugar taxes at any time.

Unfortunately, the French had in the meantime rescinded their law of 1874 and reimposed a graduated scale of duties with saccharimetric control. They hesitated to attend another conference. Their sugar regime had been in a state of uncertainty for several years. Having just established new legislation, they were reluctant to make further abrupt changes. Eventually they reconsidered, and another conference met at Paris in July 1876.

Again the British, joined by the Dutch, proposed refining in bond, but this time the French demurred. The Dutch delegation insisted upon their country's right to abolish sugar taxes. Since Great Britain no longer levied sugar taxes, and Belgium insisted upon retaining a modified version of her old system, if France accepted refining in bond she would probably bear the cost of it alone.

Further complications arose when the French raised the question of defensive measures against bounty-fed competition from outside the convention. They were thinking primarily of Austria-Hungary, which at that very moment was experiencing a treasury deficit as a result of extravagant raw sugar bounties. Already encountering heavy Austro-Hungarian competition in the Levant, the French feared for their English market; hence, they proposed an obligatory penal clause, requiring the participating countries to impose countervailing duties against bounty-fed imports.[10] Free-trade sentiment prevented the British from accepting it.

Hoping to persuade their respective governments to compromise, the delegates adjourned, but they made plans to meet again in Paris within a year. They resolved to invite Italy, Austria-Hungary, and Germany to any future sessions.

The inconclusive conference of 1876 reanimated the anti-bounty forces in the French Chamber of Deputies. About one hundred deputies petitioned the Ministry of Commerce in support of refining in bond. They also urged that future delegates be authorized to accept equivalents, such as the abolition of taxes.[11]

When the four powers reassembled in February 1877 (Germany, Austria-Hungary, and Italy having declined invitations), the delegations concluded a draft convention that put French and Dutch factories and refineries under bond and lowered Belgian taxes and drawbacks. But the British government again refused to accept the penalty

provisions of the treaty, and the Dutch had second thoughts about allowing Belgium such substantial advantages.[12] The convention became a dead letter.

The failure of yet another conference dismayed British sugar interests. They were particularly aggrieved by their government's obstinate refusal to agree to a penal clause. At this point the struggle between the sugar interests and the guardians of free trade intensified. At the same time, French raw sugar manufacturers continued to combat the bounties. Representatives of both the British and the French industries were in frequent contact, and in December 1879 they jointly submitted a draft convention, also endorsed by Belgian and Dutch manufacturers' organizations, to the British Select Committee on Sugar Industries. The proposed convention rested on two fundamental points: 1) manufacturing and refining in bond, and 2) countervailing duties against bounty-fed sugars. The committee was impressed by the arguments and in its official report urged the government to call a conference based on the draft program.[13]

Before the committee's report could be published, the anti-bounty cause received a setback when the Conservative Disraeli government fell and was replaced by a Liberal cabinet under Gladstone. Though not approving the report, the new government did sound France, Belgium, the Netherlands, Austria-Hungary, and Germany about another conference. The reaction was lukewarm. The French insisted in advance on a penal clause, a condition the British Board of Trade, a

Cobdenite bastion under Joseph Chamberlain and Thomas Farrer, refused to countenance. In May 1881 the Board advised the government to drop the idea of a conference, and their advice was heeded.[14]

No international sugar conferences met during the decade after 1877. The powers instead sought to strengthen their sugar industries and to protect them in the increasingly competitive world market.

During the 1880's sugar bounties became a major world economic problem. Previously the difficulty had been limited to refined sugar, but raw sugar exports were growing rapidly; consequently, indirect production bounties began to attract greater attention. In 1880 the select committee warned that "no settlement of the question can now take place which does not deal with the bounties on raw as well as on refined sugar."[15]

In that same year France unilaterally established refining in bond and became the only producer without bounties.[16] Before long, however, their industry's inability to compete convinced French sugar interests that, in the absence of an international agreement, they must have bounties in order to survive. They eventually passed the law of July 29, 1884, establishing a system of indirect production bounties on the German model. Although beneficial from the standpoint of the French sugar industry, the new bounties only exacerbated the world sugar problem. In that same year prices collapsed and depression gripped the world market.

The slump drove British anti-bounty forces to more resolute efforts. They took succor from the return of the Conservatives to power under Lord Salisbury in 1886, for the Tories were more amenable to their crypto-protectionist ideas than the Liberals. Although the new government's initial response to pleas for another conference was cool, it could not ignore the rapidly deteriorating situation in the West Indies and the plight of the refiners. It relented in the summer of 1887 and issued invitations to a conference in London.

The fact that Great Britain invited eleven additional countries testified both to the increasing complexity of the bounty question and to her hope of insuring stability in the world market by binding as many nations as possible.[17] All except Rumania, Portugal, and the United States accepted, but France, whose industry had begun to respond to the encouragement of the law of 1884, announced her intention to preserve full freedom of action.

The conference convened in London on November 24, 1887.[18] After issuing a unanimous declaration condemning the bounty system, the conference settled down to business. Discussions opened with an Anglo-Dutch proposal for manufacturing and refining in bond. A committee appointed to study the plan reported favorably, but the Belgians, as usual objected. In an alternative they offered once more to raise their legal estimate, but the Dutch protested that no system employing an estimate could prevent the

possibility of a bounty. The French concurred and several other delegations expressed reservations.

Rather than provoke an immediate rupture, the conference shifted to other, but no less thorny, matters. The French were particularly disturbed by the United States' refusal to participate. The sugar industry was growing rapidly in America. How could the convention guarantee that the United States, or some other country, would not give bounties someday? How would the contracting powers protect themselves? The Spanish delegation proposed a penal clause obliging the signatories either to impose countervailing duties against bounty-fed imports or to prohibit them outright. Of course, this suggestion raised the oft-debated question of whether or not such treatment could be reconciled with the most-favored-nation clause.

The Dutch injected another potentially troublesome issue when they pointed out that excessively high import surtaxes[19] could foster exports by enabling refiners to command high prices domestically and to sell at reduced prices abroad. They reminded the delegates that previous conferences, such as the one in 1864, had considered open markets indispensable. The conference must decide whether to level all customs barriers on sugar or whether merely to secure equal treatment for all sugars in neutral markets, leaving to each country the right to reserve its domestic market to itself by means of limited surtaxes.

Lacking necessary instructions, most of the delegates

did not wish to deal with such issues at that time. They spent the last sittings of the first session sketching out a draft convention to furnish a basis for subsequent discussions. The draft declared that the powers were prepared to abolish all bounties, whether open or disguised, by means of manufacturing and refining in bond, although it did permit Belgium to retain her existing system under certain restrictions.[20] France, joined by Germany, Austria-Hungary, Spain, Italy, the Netherlands, and Russia, expressed reservations about this concession. There was unease as well over the role of the autonomous British colonies, but the British delegation, headed by Baron Henry de Worms, president of the conference, replied that their government would make every effort to obtain the colonies' adherence. Their initial tasks completed, the delegates returned home for Christmas.

The second session opened in April 1888. Brazil and Sweden did not return delegates, though they announced their intention to sign the final instrument. The United States again refused to participate formally. Inevitably the question once more arose as to what effect the abstention of a major sugar-producing country would have on the convention. Baron de Worms declared that all British colonies would join, thus allaying the fears of nations that possessed colonial sugar industries. But the primary concern was the United States. The French were anxious that she not gain control of the Latin American sugar trade, since Argentina

provided one of their better markets. They insisted on firm guarantees.[21] They were not likely to get them.

The prospect that one or more important countries might not join the convention did underscore the need for defensive measures. The penal clause once again came up for discussion. Germany, Austria-Hungary, Russia, Spain, and France[22] supported it; the Netherlands, Belgium, and Denmark argued that it violated the most-favored-nation clause. The British faced a dilemma. Aware of their country's commitment to free trade they were also aware that without sanctions the convention would never work. Baron de Worms was a steadfast proponent of countervailing duties, and he at last convinced the cabinet. They gave him permission to accept the penal clause, and with Britain's acceptance the conference adopted the controversial measure.[23]

But it had still not agreed on a common fiscal system. Manufacturing and refining in bond were earnestly reexamined, and, after prolonged negotiations, the delegations provisionally agreed to place both forms of production under bond. The issue remained doubtful because the French were under severe pressure from their sugar interests to reject the measure, which threatened the law of 1884.

On the question of controls, the Germans, in concert with several other delegations, proposed the creation of a permanent international commission to oversee the operation of the convention. With British support, this plan was adopted.

The Dutch raised the surtax issue once again, but the other participants shied away from infringements upon the right of sovereign states to determine customs rates, and the matter was dropped.

The British suggested that the convention take effect no later than August 1, 1890. They believed it imperative to begin operation as soon as possible, in light of the hardships being suffered by their colonial and refining interests. The French, on the other hand, proposed August 1, 1892. They wanted time to renegotiate the most-favored-nation clauses in their commercial treaties to avoid conflicts over the penal arrangements. The conference eventually adopted the British motion. The duration of the agreement was fixed at ten years, but any member could withdraw after two, five, or eight years.

On May 12, 1888 the conference adjourned to submit the draft convention to their respective governments. The powers agreed to return plenipotentiaries to London in mid-August for the signing.

The outcome remained dubious. The French, in particular, were reluctant to accept a draft convention that would compel them to relinquish their indirect production bounties. The French sugar industry had just begun to reap the benefits of the new system. The Germans and the Austro-Hungarians, now that their industries had matured and flourished under similar regimes, were ready to curtail or to abolish the expensive subsidies. But the French, painfully cognizant

of their relative inferiority, considered the bounties essential if they were to regain a competitive position.[24]

French agricultural and industrial societies, as well as the electoral bodies of the sugar-producing regions, waged a relentless struggle against the convention and in defense of the law of 1884. Others, unconnected with the sugar trade, objected to the convention's threat to fiscal sovereignty. They feared the permanent control commission would become merely a tool of British interests. Even the free-trade economist Léon Say, a long-time opponent of the bounties, proclaimed, "to be sure, I want us to change our laws when we find them bad, but by no means do I want our laws made by the English Parliament."[25] Such arguments found a warm reception in a Chamber disposed toward protection and economic nationalism.

The British government hoped to overcome French recalcitrance by announcing their support for a penal clause. The French were unperturbed. They doubted, in view of Britain's commitment to free trade, that Salisbury's government could carry out such a policy.[26]

The conference of plenipotentiaries met as scheduled on August 16, 1888. Rather than brusquely refusing to sign, the French delegation announced that they would adhere only on the following terms:

1) that all legislative clauses for the abolition of bounties (i.e., those establishing manufacturing and refining in bond) be removed from the convention,

since those clauses were not based on a prior examination of the legislative systems of the various countries;

2) that the convention take effect on September 1, 1891;

3) that the convention be ratified by all sugar-producing and exporting countries;[27]

The French knew full well their conditions would not be met. The other powers did yield on the date, but they could neither admit the first condition nor could they guarantee the third. When the United States replied that it would not, for the time being, sign the convention, the French obtained the pretext they had sought for withholding their signature.

The withdrawal of France seriously weakened the treaty by undermining confidence in its viability. Austria-Hungary agreed to sign, but declared her adherence would not be binding unless all major European sugar-producing states had ratified by the time the convention was due to take effect. Her ultimate participation thus became contingent upon a change in French policy. Brazil and Sweden also reserved their signatures pending further developments. Denmark declared herself unable to accept the agreement because the penal clause conflicted with her most-favored-nation treaties. The remaining delegates--the plenipotentiaries of Great Britain, Germany, Austria-Hungary, Belgium, Spain, the Netherlands, and Russia--signed on August 30, 1888.

Despite the withdrawal of several powers, the

Salisbury government hoped to fulfill the convention, and it duly submitted a bill to close British ports to bounty-fed sugar. The bill passed the first reading, but the debate provoked a furious opposition, directed not only against the penal clause but also against the very principle of the convention itself. Free traders, led by Sir Thomas Farrer and the Cobden Club rallied to the standard of the "free breakfast table" and charged the government with serving a special interest at the expense of the consumer. Jam and confectionery manufacturers complained bitterly. Although the colonial and refining industries strove mightily to save the convention, their efforts were vain. In the face of vociferous parliamentary opposition, comprising virtually the entire Liberal party and a substantial number of Conservatives, the government withdrew the bill rather than risk an embarrassing defeat.[28] The date for ratification came and went without government action. The convention was dead.

Eight conferences and twenty-seven years of frustration had preceded the 1888 convention, but events had proved that the times were not yet ripe for a settlement. The bounty question remained one of the world's most intractable economic problems. Its sheer complexity, involving intricate tax legislation in numerous countries, thwarted a solution. Each nation stuggled to balance its financial requirements with the needs of its sugar industry. To adjust such contradictory interests in one country was difficult enough; to attempt it

in several was Herculean. The fact that the sugar question was a lively political issue, bound up with party conflicts and with interest group rivalries, raised another obstacle. The vicissitudes of parliamentary politics cast a pall of uncertainly, since one government might prove amenable to a settlement that its successor might repudiate. Finally, governments proved reluctant to relinquish their fiscal freedom.

Despite such obstacles, by 1889, Germany, Austria-Hungary, Belgium and the Netherlands had affirmed their willingness to accept bounty abolition in some form. France and Great Britain remained the two greatest barriers. As long as the French clung to their law of 1884; as long as the authority of free trade prevented the British from imposing sanctions on bounty-fed imports, there was little chance of an international agreement. Given the growing strength of protectionism and economic nationalism in France and in view of the defeat of the Fair Trade League and the Conservatives in the British elections of 1892, no one who longed for a speedy end to the bounty system had any cause for optimism.

NOTES

[1]The sequence of conferences has been discussed by numerous authors. The most detailed treatment, based on the published procès-verbaux, is that of Boizard and Tardieu. Other readily available surveys are the previously cited works by Jacobs, Schippel, and Kaufmann. Briefer discussions can be found in Fuchs and in J. Charles-Roux, "La question des sucres," Revue politique et parlementaire, II (Nov. 1894), 246-72.

[2]Leone Levi, The History of British Commerce and of the Economic Progress of the British Nation, 1763-1878, 2nd ed., p. 525. See also Schippel, p. 281.

[3]Schippel, p. 280.

[4]Charles-Roux, pp. 253-54.

[5]PP, 1880, XII, Select Committee on Sugar Industries, "Report (Aug. 4, 1880), p. 521.

[6]In September 1871 France adopted saccharimetry to evaluate raw sugars consumed domestically.

[7]Boizard & Tardieu, pp. 141-43.

[8]Fuchs, p. 83.

[9]PP, 1880, XII, Select Committee on Sugar Industries, "Report" (Aug. 4, 1880), p. 522.

[10]This was not a radically new proposal. Article XIX of the 1864 convention had provided for such action, though it had not required it. Boizard & Tardieu, p. 161.

[11]PP, 1880, XII, Select Committee on Sugar Industries, "Report" (Aug. 4, 1880), p. 523.

[12]Boizard & Tardieu, pp. 164-65.

[13]PP. 1880, XII, Select Committee on Sugar Industries, "Report" (March 9, 1880), pp. 503-09.

[14]Schippel, pp. 292-93.

[15]PP, 1880, XII, Select Committee on Sugar Industries "Report" (Aug. 4, 1880), p. 523.

[16]Boizard & Tardieu, p. 178.

[17]The eleven were Germany, Austria-Hungary, Italy, Denmark, Spain, Portugal, the United States, Brazil, Russia, Rumania, and Sweden.

[18]The discussion which follows is based on Boizard & Tardieu, pp. 241-59.

[19]A surtax was the difference between the import duty and the total domestic tax on a given item. If the domestic tax were 60 francs and the import duty 67 francs, there would be a surtax of 7 francs.

[20]She was to lower her excise tax from 45 francs to 25 francs per quintal and to raise her estimated raw sugar yield from 1,500 to 1,700 grams per liter of beet juice. Boizard & Tardieu, p. 244.

[21]The American observer had already reserved his government's right to align its legislation at a later date with the regulations adopted by the conference. This open-ended declaration failed to satisfy the French.

[22]The French maintained, however, that they would not sign unless the agreement encompassed all sugar-producing countries.

[23]Jacobs, p. 21.

[24]Schippel, p. 305.

[25]Quoted in ibid.

[26]Boizard & Tardieu, p. 258.

[27]Ibid., p. 259.

[28]Ibid., p. 264; Fuchs, pp. 98-99.

CHAPTER IV

THE QUESTION REOPENED: FRANCE

The failure of France and Great Britain to ratify the 1888 convention doomed the most ambitious effort yet made to solve the bounty problem by international conference. After two decades of repeated failures, an agreement seemed illusory. It is not surprising that after 1889 the European powers abandoned attempts to deal with the problem on the international plane.[1] Several of them instead acted individually to mitigate the objectionable effects of the bounties. In 1888 Austria-Hungary replaced her indirect subsidies with direct ones, the total annual amount of which was limited by law to 5,000,000 florins.[2] The French reduced their indirect premiums arising from the law of 1884, and the Germans converted their indirect bounties into direct ones, with the stipulation that they be abolished by 1897. All these measures aimed to minimize treasury losses. Only the German legislation looked forward to an end to the bounty system. Nevertheless, since the major sugar-producing nations appeared to be reducing their subsidies, optimists could assert that the system was dying and that international action was no longer necessary.[3]

Events soon proved such forecasts wrong. Despite

efforts to palliate them, the problems engendered by the bounty system--high consumer prices, overproduction, low export prices, and revenue losses--worsened. Relentless competition, coupled with the persistent depression in agricultural commodities, drove sugar interests everywhere to press their governments for more protection and subsidies.

The turning point came in late 1893. The general price level, relatively stable since 1889, dropped sharply and continued to fall.[4] Concommitantly, sugar prices, which had risen slightly over the previous four years, fell precipitately. Within a year, the price of white No. 3 raw sugar in Paris, less taxes and duties, plunged from 42.50 francs to 32.50 francs per metric quintal.[5] In London prices of 88° raw and for refined sugar sank from 14s 2d and 18s 4d to 11s 5d and 15s 6d per cwt respectively.[6] The next year, 1895, brought even worse news. A bumper beet crop led to enormous increases in production. The combined raw sugar output of France, Germany, and Austria-Hungary surpassed that of the previous year by almost 1,000,000 metric tons.[7]

Year	France	Germany	Austria-Hungary
1893-94	548,000*	1,336,000*	834,000*
1894-95	748,000	1,828,000	1,045,000

*Metric tons.

When this flood struck the already saturated world market, prices collapsed. Raw sugar dropped to 9s 7d in London, lower than ever before. For many Continental manufacturers

export prices had fallen below the cost of production.

Sugar interests everywhere clamored for relief. In Germany the outcome of their demands was especially consequential. Agrarians in that country had never been happy with the law of 1891, which provided for the abolition of bounties. Now that the sugar industry was beset by the most severe crisis in its history, these influential groups insisted that bounties be not only preserved but raised. On February 25, 1895 a group of deputies led by Hermann Paasche, a parliamentary champion of the sugar industry, submitted to the Reichstag a bill to meet the sugar crisis by sharply raising import duties and by virtually doubling the existing direct bounties.[8] This action revived the sugar question as an international issue.

The news from Germany alarmed French sugar interests, and before long worried letters and petitions from agricultural societies and chambers of commerce began to reach the several departments of state concerned.

Five ministries of the French government dealt with the sugar question. Since the bounty issue was at once a financial, commercial, industrial, and agricultural question, the three ministries of Finances, Commerce and Industry, and Agriculture shared the primary responsibility for the formulation of policy. Colonial aspects were, of course, the province of the Ministry of Colonies. To the Quai d'Orsay fell the task of coordinating the views of the domestic departments and of implementing on the international level

the policy that emerged from interministerial accomodations. In a system of cabinet government, policy-making almost inevitably entails the reconciliation of divergent views. The more opinions to be taken into account, the greater the difficulty of reaching agreement, particularly if the issue at stake involves conflicting interests. The sugar question was such an issue. Policy-making was complicated by fundamental differences in outlook between departments.

To the Ministry of Agriculture the bounty question appeared primarily an agricultural issue. The beetroot was not only a beneficial rotation and fodder crop but also a lucrative cash crop, especially valuable to farmers hard pressed by the depression in grain prices. The profitability of beet cultivation depended upon the prosperity of the sugar industry. Cutbacks in sugar production, for whatever reason, would reduce the demand for beetroot, thus threatening the farmer's income and depriving him of the beneficial side effects of beet growing. Thousands of farmers, particularly the large grain farmers of the northeast,opposed any reduction in the protection and encouragement of the sugar industry. Through great proprietary organizations, such as the Société des agriculteurs de France and the Société nationale d'encouragement à l'agriculture, and through the Conseil supérieur de l'agriculture, these groups enjoyed access to the ears and minds of the permanent staff of the Ministry of Agriculture. Not surprisingly, that department represented their interests in intracabinet debates and

showed the most resistance to the abolition of the bounties.

The Ministry of Finances, on the other hand, most consistently favored reducing subsidies to the sugar industry. From the Louvre the bounty question appeared primarily a financial matter. The bounties were costly. Every year millions of francs in potential revenue flowed into the pockets of a small number of sugar manufacturers. Meanwhile consumers paid nearly three times the free-market price. Since sugar provided a valuable source of state revenues, Finances hoped to avoid substantial reductions in production, but at the same time it sought to cut treasury losses. An international accord abolishing the wasteful bounty system offered the best means of accomplishing this dual aim; hence, the Ministry of Finances usually took the most favorable view of compromise with other nations.[9]

Between these contrary viewpoints stood the Ministry of Commerce and Industry. More than the others, it was subject to contradictory influences. Manufacturers, conscious of their inferiority to their German rivals, sought protection, but the department continually confronted evidence of the deplorable economic effects of the bounties. For this reason it was most disposed to play the role of compromiser. The Ministry of Foreign Affairs took a similar position. Without accomodation no policy was possible; without a policy the Quai d'Orsay could do nothing. The outlook of the foreign ministry was determined, of course, by the exigencies of international negotiations. But in regard to the sugar question, which was not only an inter-

national question but a highly charged domestic controversy as well, its viewpoint remained subordinate. Its principal policy-making function was to encourage agreement among the other departments.

In addition to the inherent differences of perspective between departments, the views of the cabinet ministers also influenced policy decisions. Under the executive system of the Third Republic, the influence of the minister over the administrative operations of his department varied from infinitesimal to considerable. Much depended upon his personality, his length of tenure, and his technical competence. But since the cabinet was always responsible for broad questions of policy, the opinions and biases of the ministers must be taken into account. It will be shown that the composition of the cabinet decisively affected policy on the bounty question.

French sugar interests were fortunate in the winter and spring of 1895 because the government was predisposed to respond sympathetically to their complaints. The President of the Council and Minister of Finances was none other than Alexandre Ribot, a deputy from the Pas-de-Calais, one of the most important sugar regions of the country. A convinced protectionist, Ribot had long defended the sugar industry. He had reported on the bill which later became the law of 1884 and had become almost as closely identified with that legislation as had Méline. Later he had fought alongside Méline during the campaign for agricultural

protection. His colleague at Agriculture, Antoine Gadaud, shared his views.[10] The Ministry of Commerce was headed by a newcomer to cabinet office, André Lebon, deputy from Deux-Sevres. Finally, Gabriel Hanotaux held the portfolio of Foreign Affairs. A former director of consular and commercial affairs at the Quai d'Orsay, he had acquired considerable practical experience in dealing with commercial issues. He was acquainted with the bounty question.

In the eyes of the government the beet growers and sugar manufacturers had legitimate cause for alarm. The depression, not only in sugar but in many other agricultural commodities as well, had reached critical proportions. Fresh German bounties would inevitably drive world-market prices even lower, forcing other countries to raise their subsidies in turn and further exacerbating the crisis. The cabinet's first impulse was to sound foreign governments about possible concerted action to forestall such a move by Germany.[11] They found scant support. French representatives in the Netherlands, Spain, and Russia reported little concern on the part of those governments. And even though the Belgians and the Austro-Hungarians were apprehensive and hoped to avoid a round of bounty increases, the latter did not wish to antagonize their political ally by joining a coalition against her. The French let the matter drop.[12]

In mid-March the Bundesrat, concluding that "it appears impossible to combat the sugar crisis on the international plane," reluctantly reported in favor of raising

bounties. It argued that higher bounties were necessary to bolster domestic prices by clearing the home market of surplus stocks; nevertheless, it recognized the dangers of such a course and urged simultaneous measures to curb production.[13]

French sugar interests were not alone in feeling menaced by news from Germany. In March representatives of the Austro-Hungarian raw sugar manufacturers presented to their government a long petition entitled "Sugar Crisis," which strongly condemned the Paasche bill. In it they outlined the abuses of the bounty system and, although they demanded subsidies as long as their competitors received them, declared their readiness to renounce their premiums if an international agreement could be obtained. They recognized the calamitous consequences of higher bounties and urged their government to negotiate with Germany in hopes of preventing such increases. Having ruled out any threatening gestures toward its ally, the Imperial and Royal government could only share the manufacturers' view that international negotiations, whatever the obstacles, offered the only reasonable alternative. It had no intention, however, of limiting its contacts to Germany. An approach to Berlin would carry more weight if supported by Paris.

On April 8 the Austro-Hungarian ambassador, Count Wolkenstein-Trostburg, wrote to Hanotaux requesting a confidential interview and inquiring whether the French government agreed that an international settlement of the

bounty question would be profitable to all parties concerned.[14] The Council of Ministers, committed to the defense of the French sugar industry, saw no harm in hearing his proposals. They too preferred not to burden the Treasury further unless absolutely necessary. At the moment the prospect of a conference seemed to offer more benefits than liabilities. As André Lebon noted, "... it will undoubtedly fail, but at least it might serve to gain time and perhaps to avoid an absurd and ruinous bounty war."[15] Hanotaux granted the ambassador his interview.

During that discussion the Austrian affirmed his government's desire to settle the bounty question once and for all at a conference similar to the one held in 1887-88. Hanotaux replied that since his government would be compelled to raise both customs duties and bounties if the German plan went through, it too would be amenable to a conference.[16] The ambassador went away satisfied.

Despite the confidential nature of the Austro-Hungarian approach, the French were naturally curious as to how other governments would respond to the idea of a conference. The Quai d'Orsay instructed its ambassadors in Berlin, St. Petersburg, and London to find out. They reported a lack of enthusiasm. According to Herbette, the Germans had greeted the Austro-Hungarian proposal skeptically, but they would probably attend a conference if it met.[17] The Russians seemed agreeable but refused to commit themselves without prior knowledge of the proposed agenda.[18] The

British replied that they were not optimistic about the chances of success, but asked to be kept informed of further developments.[19]

Through the spring and summer of 1895, while the major sugar-producing states tentatively felt one another out, German sugar interests pressed their campaign. In June the Reichstag passed the Notgesetz, abrogating the provisions of the law of May 31, 1891 that had provided for the reduction of the bounties. By this act the government tacitly acknowledged that the bounty question could not be solved unilaterally.[20] From this moment it followed a dual policy: support for the agrarians and sugar interests at home and anti-bounty negotiations abroad. At the request of the sugar interests, it sponsored as a substitute for the Paasche bill a measure of similar effect. At the same time, to placate domestic anti-bounty opinion, government spokesmen such as Count Posadowsky, the Secretary of Finances, and Baron von Hammerstein, Prussian Minister of Agriculture, publicly revealed that negotiations were under way to reduce or to abolish bounties and confidently predicted success. Privately they were more pessimistic. The Minister of Foreign Affairs, Baron von Marschall, stressed to Baron Greindl, the Belgian ambassador, that his government continued to desire an end to the bounties. Certainly it was absurd to pay high premiums so that Englishmen and Americans could enjoy cheap sugar, but Germany had no choice if other countries persisted in giving subsidies. Experience had shown that one could not

put too much faith in international conferences, and Marschall doubted that the current talks would come to anything.[20]

Nevertheless, the Germans had nothing to lose by pursuing negotiations. In late June they sent a team of technical delegates to Vienna to examine possible bases for a conference. Both governments declared their support for bounty abolition and, after several weeks of discussions, drew up a program to submit to the other powers.

The French had followed these negotiations with keen interest, hoping that they would not only prevent further bounty increases but also lead to the elimination of the German and Austro-Hungarian premiums. Lebon and Hanotaux waxed enthusiastic over the prospect of an end to "that deplorable policy.[22] For several years German exports to Great Britain had been increasing at the expense of the French, while at the same time French sugars had been waging a losing struggle with the Austrian article in the markets of North Africa and the Middle East. Confident that their product was superior, French exporters hoped to recapture those markets once Germany and Austria-Hungary had ceased giving bounties.[23] So far, the Ribot government had discerned no threat to French interests in the negotiations. On the contrary, it hoped to benefit from them.

On September 4 Wolkenstein-Trostburg personally delivered his government's proposals to the Quai d'Orsay. The program contained five points:

1) Invitations to be extended to Germany, Austria-Hungary, Belgium, France, the Netherlands, and Russia.

2) The abolition of all bounties, both direct and indirect.

3) Manufacturing in bond, to guard against the appearance of an indirect production bounty.

4) Enforcement for a period of five years, to begin on September 1, 1897.

5) The reservation by each government of the right to levy taxes and duties on sugar as it saw fit.

It would permit an exception to working in bond if a government raised "insurmountable" objections, but only on the condition that the alternate system eliminate bounties. It would also allow a two year transitional period during which a country could reduce its bounties before finally suppressing them.[24]

The Austro-German program reversed the Ribot cabinet's opinion of the negotiations. As long as they had pictured a conference as a means of reducing German and Austro-Hungarian competition at no cost to themselves, they had welcomed it, though not with a great degree of optimism. But they recoiled when they saw that the program would exact heavy sacrifices from them. The difficulty lay in the third point, which would extinguish the advantages provided by the law of 1884. French sugar interests retained a powerful attachment to their "law of salvation," which in their eyes merely compensated them for the cost advantages enjoyed by their rivals. One could expect them to resist strenuously any attempt to abrogate it. The government had to weigh the political as well as the economic realities. Hanotaux, for one, argued that in view of the baleful consequences of a

bounty war, the government should accept the program.[25] But the decision did not lie in the hands of the Quai d'Orsay. The ministries of Commerce, Finances, and Agriculture would determine French policy.

All three ministers conceded that France must participate in a conference if invited, but they posed grave objections to the Austro-German program. Lebon warned that the London conference had demonstrated the "almost insurmountable difficulty" of securing agreement for a rigid program of bounty abolition. The new formula repeated that error.[26] Gadaud feared that manufacturing in bond would in the long run injure French agriculture. To attend a conference on the proposed basis was to run a serious risk.[27] The government must take utmost care to safeguard farming interests. Ribot shared that opinion. Although he held the portfolio of Finances, he looked at the question from an agricultural viewpoint. The defense of the sugar growers preceded fiscal considerations. For this reason he delegated to Agriculture the primary responsibility for the decision.[28]

That decision was never made. Before the cabinet could draw up a reply to the Austro-German proposals, it fell from power, the victim of a minor financial scandal concerning a bankrupt railroad in southern France. Though President Félix Faure offered Ribot the chance to reconstitute his government, he declined.

The Radicals had led the attack on the Ribot government.

In fact, opposition from the Left had undermined five moderate cabinets since 1893. In desperation Faure sought to temper their contrariness by giving them responsibility. His choice for President of the Council fell upon a deputy from the Marne, Léon Bourgeois, the most moderate of the Radicals.[29] Bourgeois preferred a coalition with the Progressists, the moderate Republicans, but they had spurned his advances in the past. This time he constructed a homogeneous Radical cabinet, the first of its kind, and took the Ministry of the Interior for himself. Gustave Mesureur went to Commerce, Paul Doumer moved into the Louvre, and Albert Viger became Minister of Agriculture for the fifth time. Marcellin Berthelot, the noted organic chemist, replaced Hanotaux at the Quai d'Orsay.

The advent of the Radicals held considerable potential significance for the future course of the bounty controversy because the sugar question was a question of politics as well as of economic interest. One analyst of French politics during this period had trenchently observed that

> every point of policy found its precise place somewhere in the political hemicycle from the extreme right to the extreme left.... Sometimes, it is true, a proposal found support in diverse sectors of the Chambers; such proposals were, however, most often ones involving not policies of government but in interests of groups or deputies as such...."[30]

Paradoxically, both aspects of this observation apply to the bounty question. Protection found most of its proponents

on the Right and in the Center and most of its opponents on the Left. Yet protection was obviously a question of special interests. Whatever their affiliation, deputies were under pressure to defend the interests of their constituents. Consequently, the lines of division rarely corresponded with those of faction.[31]

As an illustration let us look briefly at the pattern of support for agricultural protectionism. There were two agricultural groups in the Chamber, one based firmly on the Right, the other on the moderate Republican Center. They reflected the same political antagonisms that divided the two great agrarian interest groups, the Société des agriculteurs de France and the Société nationale d'encouragement à l'agriculture.[32] Despite their disagreements over constitutional and religious questions, they worked hand in hand to defend rural interests. As Albert Viger remarked:

> Amid the ardent party struggles both in the parliament and in the country at large, there is one sentiment that unites us all--the sacred love of our national soil. Thus, when the interest of agriculture is invoked in the Chambers, it seems that one has spoken a magic word that calms political passions.[33]

Together the two groups formed a powerful bloc, whose numbers increased with the swelling tide of protectionist sentiment. Both were instrumental in the passage of the Méline tariff.[34] Yet they never could claim all the Right and Center deputies, while, on the other hand, some members of the Left joined their ranks. The factional identification, though generally valid, was never absolute.

Protectionist sentiment weakened as one moved to the left of the Chamber, but the Left, like its opponents, failed to exhibit homogeneity. The Radicals were torn between considerations of principle and considerations of interest. Since they courted the "little man" as opposed to the large businessman or proprietor, one might expect them to attack consistently any policy that increased consumer prices while protecting business profits. When the campaign for protection was just beginning, this was true. Not a single Radical candidate supported tariffs during the elections of 1881. But as agricultural protection became more popular, some Radicals, either in hopes of attracting rural support or of retaining the allegiance of their constituents, moved into the protectionist camp. Twenty of them declared for higher duties in 1885. Four years later thirty-five did so, and in 1893 seventy-one elected Radicals, over one-third of their total number, ran on protectionist platforms. At the same time, however, the majority remained true to their tradition, fought stubbornly against measures that led to la vie chère, and consistently defended urban interests.[35]

The bounties, of course, were a special form of protection, based not on tariffs but on consumption taxes.[36] Opposition to this form of taxation, which bore most heavily on the lower classes, was a consistent feature of Radical programs.[37] Radicals were apt to consider the bounties a particularly obnoxious form of indirect tax that squeezed the consumer to the profit of the capitalist and of the

foreigner. Most Socialists shared this view. The Left was thus less prone to be swayed by the arguments of the sugar interests, especially since those interests were intimately associated with their parliamentary opponents.

When the Bourgeois government took office, the Austro-Hungarian and German governments were still awaiting a reply to their proposals. For the first time the Radicals had the opportunity to move against the bounties. But they did nothing. There were several reasons. First of all, the Council of Ministers was deeply divided. While Mesureur, the Minister of Commerce, strongly opposed both protective duties and consumption taxes, the Minister of Agriculture, Viger, was a fervent protectionist, whose reputation in agricultural circles ranked with those of Méline and Ribot.[38] Secondly, political conditions were far from propitious for the Radicals. A minority in the Chamber, they were able to stay in office only because of factionalism and quarreling among the moderate Republicans.[39] To accept the Austro-German formula, especially the proposal to negotiate on the basis of manufacturing in bond, would inevitably unite both Right and Center agricultural groups against the cabinet. Despite his personal sympathies, Mesureur recognized this fact. "I do not believe," he wrote, "that it is possible to get Parliament to abandon completely the tax system established in France by the law of July 29, 1884, which has forged a common bond between agriculture and manufacture." Like his predecessor, he suggested that France

could attend a conference only if she reserved "full freedom of action."[40] Finally, the government's own priorities kept it from commiting itself. Upon taking office, the new cabinet revealed its intention to submit an income tax bill. Since tax reform was certain to provoke fierce opposition from conservative and moderate groups, the government preferred to concentrate its energies on that measure, which it considered indispensable for a truly democratic society, rather than risk defeat on a lesser issue. Some concessions must be made to the majority. At the outset, therefore, Bourgeois pledged not to tamper with the régime économique.[41]

Unfortunately, the government's failure to reply to the Austro-German proposals allowed Berlin to portray France as the obstacle to a general bounty settlement and to pin the blame for further bounty increases on her.[47] Somehow the German press had gotten wind of a plan drawn up by the French Ministry of Commerce at the time of the Paasche bill's introduction to the Reichstag. The scheme entailed raising the French customs surtax on refined sugar from 7 to 11 francs per 100 kilos. Although it contemplated no additional subsidies,[43] the German press and government spokesmen repeatedly referred to it as an impending act of economic aggression that compelled Germany to defend herself. The French indignantly denied any hostile intentions.[44] Berthelot, however, recognized that his government shared some of the blame for the turn of affairs. By procrastinating they

had convinced Germany and Austria-Hungary that they desired no international agreement. Might it not be close to the truth, Berthelot wondered, that France "secretly cherished" the hope of preserving her sugar regime intact and thus of profiting from an agreement between her rivals?[45] He urged the cabinet to agree quickly on a reply.

It was never made. The cabinet became engrossed in its campaign for the income tax. Although they adroitly steered their bill through the Chamber of Deputies, they ran into dogged opposition in the Senate. The upper house rejected the measure and eventually forced the resignation of the government. The brief Radical experiment was over. It had not affected the course of the bounty question. But its fall paved the way for a government that would determine French sugar policy for more than two years. For the sugar interests, fortune could not have smiled more broadly. The new cabinet was headed by Jules Méline.

Alone of the ministers who had occupied the offices in the rue de Varennes, Méline had become a celebrity. To contemporaries his name signified agriculture itself, and many assumed that his political horizons were bounded by agricultural concerns. As one journalist caustically wrote, "his heart beats only for cereals."[46] Such assertions were exaggerated. Méline was first and foremost a nationalist and a protectionist. During his early political career he was not identified with agriculture at all. The product of an urban upbringing, he knew nothing of farming or of the rural life.[47] He had built a reputation as an industrial

protectionist by his efforts on behalf of the textile industry in his native department of the Vosges.[48] His first exposure to agrarian concerns occurred when he was given the portfolio of Agriculture in the second Jules Ferry cabinet.

A conscientious adminstrator, Méline immediately set out to overcome his ignorance. He diligently studied the work of his predecessor, Francois de Mahy, a champion of agricultural interests. He plowed through the voluminous reports of regional agricultural competitions and of the meetings of farmers' organizations. He read widely in agricultural journals. In the process he became deeply conscious of the overwhelming significance of agriculture in French national life and extended his protectionist outlook to encompass agriculture as well as industry.[49]

In those years French agriculture was reeling from the phylloxera infestation and from the impact of foreign competition and low prices. Tariff protection could alleviate some of its ills, but long range remedies depended upon modernization. "Our agriculture must improve its methods, perfect its processes; it must become scientific," Méline declared.[50] Since the national interest was at stake, the government was responsible for encouraging such improvements.[51] The plight of the faltering sugar industry gave him the opportunity to translate his ideas into practice. For some time the Société des agriculteurs de France had campaigned energetically for a reform of sugar legislation,[52] which then accorded no subsidies or incentives.

Their arguments convinced Méline, and he threw his support behind them. The result was the law of July 29, 1884, the first step toward agricultural protection.[53] The law epitomized Méline's economic philosophy: his conception of government's obligation to foster development and his view of the community of interests between industry and agriculture, ideas that would underlie his later campaign for tariff revision. Although it is doubtful that the farmers received as many benefits from the law as the manufacturers did, Méline received the accolades of the agrarians. The law laid the foundation for his subsequent reputation. One must assume that he took pride in it. Certainly he retained a warm sympathy for the sugar industry. The beet growers, manufacturers, and refiners could count themselves lucky.

Not only did sugar interests enjoy the support of the President of the Council, political circumstances assured them maximum influence in the Chamber of Deputies. Méline's government rested on the support of the most protectionist groups. He had first attempted to construct a coalition with the radicals, but when they turned a deaf ear he drew his entire cabinet from the Republican Center. Significantly, although he sought no alliance with the Right, a majority of conservatives came to support his government. The spirit of Ralliement was in the air. Catholic conservatives found it relatively easy to accept a republican government headed by a man like Méline, whom they trusted. Many of them had followed him in the tariff campaign. His protectionist and orthodox financial views appealed to them. Certainly his

government was preferable to one dominated by Radicals and supported by Socialists. The result was a phenomenon unprecedented in the Third Republic. A Republican ministry depended upon the cooperation of the Right, in opposition to other republicans.[54] The Right-Center alliance that had carried the tariff of 1892 was recreated as a governing majority. It proved solid and durable, and the incessant attacks of the Left only strengthened it. With both the cabinet and the Chamber firmly controlled by protectionists, the sugar interests were in an enviable position. Their champions were in charge of French sugar policy. For the next two years, their country's response to the bounty question would reflect this fact.

When the Méline cabinet took office on April 29, 1896, the sugar question was approaching a decisive juncture. International negotiations had stalled, and the German government, under strong pressure from agrarians, was proceeding with its plan to raise bounties. On May 27, after a stormy debate described by an American consul as "one of the longest and most determined battles of recent years,"[55] the Reichstag approved the measure, thereby almost doubling the direct export bounties on the three classes of sugar.[56] The act set no definite term to the new schedule, and the Imperial government left the way open for a resumption of negotiations. During the debate, government spokesmen reiterated their desire to see the bounty system abolished.[57] They even argued that the new law was intended

to "force a fight" with Germany's competitors in order to expedite a settlement.[58]

If they meant to provoke a reaction, they succeeded admirably. On July 5 the Austro-Hungarian government increased its domestic consumption tax on all sugars from 11 to 13 florins per metric quintal and raised the annual bounty allotment from 5,000,000 to 9,000,000 florins.[59]

French sugar interests were also alarmed and anxiously called for protective measures.[60] Méline lost little time in coming to their defense. No sooner had the German sugar law passed than the ministers concerned--Méline, Henry Boucher at Commerce, and Georges Cochery at Finances[61]--began to prepare countermeasures. The industry would need higher customs duties to protect the home market and additional bounties to enable it to meet foreign competition in third markets. On July 9 they submitted a bill. It provided for an increase in the customs surtax from 7 to 10.50 francs on raw and from 8 to 12 francs on refined.[62] It also proposed a scale of direct bounties, to be funded by a 10 franc surtax on sugars liable to the reduced duty. This additional tax would lower the indirect advantage from 30 to 20 francs per 100 kilograms. Agricultural interests quickly objected. They feared a reduction in the indirect bounty would furnish manufacturers a pretext to pay lower prices for beetroot.[63]

The bill never reached the floor. A backlog of business prevented the Chamber from taking it up right away,

and on July 26, sensing the urgency of the situation, the government invoked emergency powers to raise customs duties by decree. During the ensuing weeks the administrations formulated an alternative bounty scheme in hopes of satisfying the agrarians.

Meanwhile, neither the German nor the Austro-Hungarian government had renounced its goal of an international settlement. German sugar interests quickly became disillusioned with the law they had fought so hard to pass. The higher bounties had prompted heavier sowings of beets and the expansion of numerous factories. The 1896-97 crop promised to break all records.[64] Other countries were retaliating. An American consul observed:

> The situation is, on the whole, so menacing that, according to definite reports, a majority of the German sugar manufacturers and beet growers would gladly go back, if such a thing were possible, to the conditions which existed prior to the enactment of last May.[65]

In mid-September the Association of Raw Sugar Manufacturers of the German Empire passed a resolution (by 223 to 152) condemning the law of 1896. "...it is urgently desirable in the interests of agriculture and industry that the gradual abolition both of avowed and covert bounties on exportation should be brought about by internationalagreement."[66]

By this time both the German and the Austro-Hungarian governments were convinced that an anti-bounty agreement was imperative. But it must include France. By mid-October

the two empires had hammered out another formula, which the Austrian chargé d'affaires in Paris presented to Hanotaux on the twenty-second. Two days later the foreign minister received a note from Count von Munster, the German ambassador, supporting the Austro-Hungarian proposals and calling for a reply. After informing the French that the two imperial governments "consider the bounty system harmful, from a fiscal as well as from an economic point of view," the document stated:

> It having been recognized that the immediate abolition of the bounties is impossible, it has been concluded that a transition period is necessary to protect the interests involved.
>
> Therefore, it is proposed to abolish the bounties in three successive stages.
>
> The first reduction of one-third will take place on August 1, 1897; the second, of equal amount, will take effect on August 1, 1898, and the last reduction will be made on August 1, 1899, at which time the bounty system will have ceased to exist.
>
> The contracting parties pledge, moreover, not to grant any open or concealed bounty whatsoever to their sugars for a five year period beginning August 1, 1899.
>
> On the other hand, each state will preserve full liberty to adjust its import duties and taxes on all types of sugars as it may see fit, both during the triennial transitional period and during the subsequent five years. Austria-Hungary only reserves the right to bring up, during the course of the negotiations, certain considerations that speak in favor of a temporary advantage to be conceded to the Austrian industry on a few points of secondary importance.[67]

This program differed from the previous one in several

respects. It substituted the gradual elimination of the bounties for immediate abolition, thereby reflecting the wishes of the German sugar interests. It also replaced specific proposals such as manufacturing in bond with a general anti-bounty pledge, obviously an attempt to sidestep French objections. Finally, it envisioned a privileged status for Austria-Hungary, but one which, as the Austrians hastily assured the French, meant only to equalize the transport costs of Austrian and German exporters.[68]

Like the Ribot cabinet, the Méline government readily concluded that France could not refuse to attend a conference. They likewise recognized the dangers. Even though the new Austro-German formula did not specifically mention manufacturing in bond, the French production bounties would certainly be discussed, and the other powers would most likely insist on their abolition. To Méline and his agrarian supporters, the abrogation of the law of 1884 was unthinkable, and its defense became their primary objective. In the meantime, the cabinet determined to arm the sugar industry with adequate weapons to meet the challenge from its rivals. Unwilling to negotiate from a position of weakness, they stalled for time, refusing to commit themselves until the parliament "reestablished the equilibrium upset by the measures recently taken... in Germany and in Austria-Hungary."[69]

On October 29, 1896 Méline, Boucher, Lebon (the Minister of Colonies), and Cochery laid their second sugar bill before the Chamber. It incorporated some features of the

earlier one; for instance, it stipulated that the surtax increases put into effect by decree in July would be converted into law. It also proposed direct export bounties of 1.60 francs per metric quintal for raw sugar between 65 and 98 per cent purity and of 2.50 francs for refined. Since agrarian interests had objected to an increase in the reduced duty, the government proposed to fund the new subsidies by means of a 2.50 franc surtax on all sugars, including those entitled to the reduced duty.[70] This would increase the consumption tax from 60 to 62.50 francs, while the reduced duty would rise from 30 to 32.50 francs. The indirect advantage of 30 francs would be preserved. The consumer, of course, would ultimately shoulder the burden.

The new bill also proposed to modify the regime on cane sugar imports. Customs duties would be extended to raw sugar from non-European countries. Some French refineries, particularly those located in southern and southwestern port cities, had long obtained a significant percentage of their raw material from tropical regions. This raw cane sugar was charged no import duty, a concession granted to the seaport refiners to equalize competitive conditions between them and the inland refineries of the northeast, which enjoyed lower transport costs as a result of their proximity to their source of raw material. The bill aimed to reserve the seacoast trade to the domestic industry and to French colonial producers. Accordingly, while it imposed duties on foreign cane sugar, it allowed rebates (dètaxes) on both colonial

and domestic sugars bound for seaport refineries if such sugars were ultimately to be exported. Those from the French Atlantic colonies would receive a rebate of 1.75 francs, while other colonial and all domestic sugars would recover 2 francs per metric quintal. The government thus hoped to preserve the equilibrium between the inland and the port refiners while expanding the domestic market for French sugars.

The new policy promised to be expensive, and the government, despite its secure majority, girded for a stiff fight. It planned to mollify the opposition as much as possible by portraying the measure both as a necessary, albeit unpleasant, expedient forced upon France by foreign powers and as a prerequisite for effective international negotiations.

The exposé des motifs recounted the steep rise in German and Austro-Hungarian exports over the previous five years, warning that such competition threatened to drive French sugars off the English market. As proof it cited statistics of declining French exports.

> In spite of these reductions, the French sugar industry asked for no new measure. It was content to rely on the salutary law of 1884, a law of salvation and progress for our national agriculture. The new provisions made by our competitors have necessarily changed the situation. One must acknowledge that an industry that produces more than is consumed is fated to perish if it cannot export. The burden of surplus commodities on the domestic market will inevitably have depressing effects on both beet culture and on manufacture.
>
> We are therefore obligated to follow the same course as our competitors.[71]

The government went on to affirm that the bill's primary intent was to defend "the national agriculture." Any prolonged decline in French exports below roughly 300,000 tons a year will "necessarily lead to a corresponding decline in beet cultivation, which concerns at the highest about twenty-five French departments, where that crop has remained almost the only remunerative one for an agricultural population sorely tried by low prices for other produce." Resolute measures must be taken to prevent such a calamity. The government "regretted" that, owing to budget stringencies, consumption taxes would have to be raised. To placate anti-bounty opinion, both domestic and foreign, they concluded by declaring:

> We firmly hope that, in all sugar-producing countries, experience will soon demonstrate the futility of exorbitant increases in bounties, since these increases must inevitably lead to overproduction and a further decline in prices.
>
> When the drawbacks of the system become clear to the countries that took the initiative in this matter, the government of the Republic will be ready to abolish the bounties that the current necessities of international competition compel her to establish by means of this bill.[72]

The importance of this declaration lay more in what was omitted than in what was expressed. The Méline government offered no more than to abolish bounties they did not yet have in exchange for the total abolition of the German and Austro-Hungarian subsidies. They made no reference to the

production bounties because they regarded them as non-negotiable.

The bill was sent to the Committee on Customs, which studied it for more than a month. The committee objected to several features, particularly the method of funding and the amount of the bounties. They proposed to add a manufacturing tax of 1 franc per quintal of raw and 2 francs per quintal of refined to the 2.50 franc surcharge. The additional revenue would support higher subsidies than originally contemplated. The committee proposed the following scale:

Raw sugar of less than 98 per cent purity for beet sugar, 97 per cent for cane	4 francs per 100 kilograms
Refined sugars in blocks, sticks, and loaves, and candies	4.50 francs
Refined sugars in crystals	4 francs

The detaxes would also be raised.

Sugars from the Atlantic colonies	2.25 francs per 100 kilograms
Sugars from other French colonies	2.50 francs
Domestic beet sugar	2 francs

The government accepted the modifications, observing that they "would place in their [the government's] hands a more effective instrument for negotiations... at an international conference.[74] Higher French bounties would encourage foreign powers to make concessions in order to remove them.

On December 10 Georges Graux reported on the modified bill.[75] The measure, he declared frankly, was "in

retaliation" for the German "war bounties." France had no choice. "The defenders of the sugar industry have never ceased to agree unanimously on the need to grant bounties to French sugar exports as long as other countries have not abolished theirs." Nevertheless, he stressed, the act was intended to be temporary. The government planned to attend an international conference, which hopefully would suppress export bounties once and for all, but before doing so it must insure France's ability to participate on even terms.

> Should France go to this conference to demand of other countries sacrifices for which she will have nothing to offer in compensation? Should she not instead begin to place her industry on the same footing as foreign industries, so that she can say; I am ready to renounce my export bounties if you renounce yours?[76]

The debate in the Chamber began on January 19 and ran through February 4, taking up twelve sittings. The principal spokesmen for the government side were Ferdinand Lepez, Rose, Graux, Viger, and Méline. The opposition was led by Jules Siegfried, a former Minister of Commerce; the free trader from Marseilles, Charles-Roux; Paulin-Méry, the former Boulangist from Paris; René Goblet, ex-Minister of Foreign Affairs; and the two leaders of French socialism, Jean Jaurès and Jules Guesde.

The debate, "characterized throughout by a violence unusual in the discussion of economic questions,"[77] revealed that the sugar question was far more than an economic issue.

It was infused with political implications and with nationalistic overtones that often transcended technical economic problems. It illustrated, for example, the antagonism between urban and rural France. Urban interests resented the government's solicitude for agriculture at the expense of the consuming public. To the Socialists, in particular, the President of the Council would always be "Méline pain-cher." The protectionist issue had not been laid to rest by the tariff of 1892. The battle lines were forming again. The debate marked the opening of a vigorous anti-protectionist campaign spearheaded by free traders with the support of the Left. It also coincided with an independent Socialist attack on Méline's agricultural program.[78] Above all, it demonstrated the equivocal nature of that ultimate principle of foreign policy--the "national interest."

In defending the bill, government supporters adhered to the arguments adumbrated in the exposé des motifs and in the report of the Committee on Customs. As Ribot put it, the issue transcended the welfare of a single industry; it was an agricultural question of the first order.[79] Beet cultivation was essential to the welfare of the grain-farming regions, both as a cash crop and as a stimulus to wheat yields. At the same time, the sugar industry provided employment for thousands of workers and generated demand for industrial products, such as machine tools, fertilizers, and chemicals. These corollary benefits depended upon high production levels, and, since taxes restricted home consumption,

the industry must export to maintain its output. French sugar must, therefore, be able to compete abroad with the products of Germany and Austria-Hungary, even at the cost of further burdening the consumer.

The sugar interests did have cause for worry. Their exports had fallen off rapidly since 1894.

Year	Exports in Terms of Raw Sugar	Value of Exports
1894	323,778 metric tons	99,658,868 francs
1895	238,657	64,556,718
1896	119,093	34,120,144[80]

The price of beetroot had also dropped from 26.43 francs per ton in 1895-96 to 24.30 francs in 1896-97.[81] Although it could not be known if these trends were short term ones or not, the agrarians and the sugar manufacturers, disturbed by the new foreign bounties, were inclined to accentuate the negative to dramatize their need for higher subsidies.

Opponents of the bill struck hard at its effects on consumer prices. Jules Siegfried pointed out that the French housewife paid 1.05 francs for a kilogram of sugar while her English counterpart paid only 30 centimes.[82] The tax was already about twice as great as the world-market price. The new bounties would send prices yet higher, restraining consumption and rendering the industry still more dependent upon exports. Several speakers followed Paulin-Méry in recommending a reduction in the consumption tax to encourage

domestic consumption. If the tax were reduced enough, the increased demand should compensate for the loss of export markets.[83] Defenders of the bounties disagreed. Rose argued that the government would have to abolish all sugar taxes before the home market could absorb the total output. This was unfeasible because sugar provided a valuable source of revenue.[84] If the government must continue to tax sugar, taxes must be raised to provide bounties. Lepez reasoned that consumer prices were bound to increase irrespective of whether or not the Chamber granted further subsidies. Without them, the French sugar industry would be crippled,its production would fall, and the resulting decrease in supply would drive prices up.[85] This was an unconvincing argument. If the industry were excluded from the world market, its output could be expected to reach an equilibrium with domestic demand. Taxes and customs duties were the variables that exercised a direct influence on consumption.

At bottom, the controversy pivoted on the question of national interest. Critics of the bill asserted that the consumers represented the nation's true interest. Their adversaries retorted that the welfare of agriculture took priority. Nationalist economic ideas underlay most French protectionist thinking. From this viewpoint the national interest could not be equated with that of individuals. As Golob remarked:

> Commencing with the nation as an economic entity, nationalist economic theory

> distinguishes between short run individual and long run national advantage. The latter is not to be measured in terms of profit and loss, but rather in terms of the development of diverse productive facilities which insure national security....[86]

The protectionists regarded a large and healthy agricultural sector as vital to French cultural life and to national security. Such reasoning had fueled the campaign for the tariff of 1892, and the leaders of that campaign stood in the forefront of the fight for higher bounties. In their sight, France was engaged in a grim and fateful economic struggle with powerful adversaries. Just as soldiers must sacrifice themselves in wartime, so the consumers should accept sacrifices in the national interest. Government forces thus relied more on nationalistic arguments than upon purely economic ones. Ribot called the German bounty of 1896 "a deliberate act of economic aggression."[87] Méline went so far as to declare that "it is more than an economic question; I do not hesitate to say that it is almost a question of national defense.[88] By playing upon the suspicion, resentment, and fear of Germany that had gnawed at patriotic Frenchmen's hearts since 1871, the government and its supporters hoped to sway deputies and citizens who might have reservations about the economic wisdom of the measure. Higher taxes might be made more tolerable if presented in the guise of a defense against German aggression. Rose's speech on the first day of the debate affords an excellent example.

> If you refuse to support us [the sugar industry], do you believe that Germany will withdraw from the economic struggle which she has waged against us with all her well-known avidity? Do you believe that she will not, on the contrary, be encouraged to continue, since her efforts will have been crowned with success? Once our industry destroyed, once our factories abandoned, once German superiority indisputably established, with the support, as the case may be, of her political ally, Austria-Hungary, she will bring her full effort to bear on another French industry, on another of our exports.... One would have to be blind not to see the peril before us, which does not threaten our sugar exports alone. For a long time, Germany has not been satisfied with the military superiority she secured on the battle-field in 1870; for a long time, she has sought to carry out the program outlined for her by M. Bismarck on the morrow of our disaster. After having led us to Sedan, she is about to drive us to economic ruin.[88]

Opponents of the bill scoffed at such scare tactics. Siegfried pointed out that the German law of 1896 authorized the government to abolish bounties at any time if other powers would do the same. The consequences of that law had not been happy, and growing sentiment in Germany favored ending the bounty system, not a continuation of economic warfare. "Let us take advantage of this fact," he urged, "and go to the conference that has been proposed...."[90] Other opposition speakers sought to turn the nationalistic argument against the government. It was a strange patriotism, mocked Guesde, that lay behind "this so-called national protection that protects nothing but foreign consumption while placing heavier and heavier burdens on domestic

consumption."[91] Repeatedly they hammered away at the point that only the British benefited from the bounties; the French consumer and the French Treasury suffered. Why then grant even higher subsidies? But the protectionists were impervious to their arguments. That Englishmen enjoyed cheap sugar at the expense of Frenchmen was regrettable, but it was a necessary evil. The "national endeavor" must be protected.

The government avowed that the proposed bounties were only intended to provide France with ammunition at the coming conference. During the course of the debate, they clearly outlined their strategy. France ran a risk in attending a conference because other powers could use the occasion to attack her system of indirect bounties; therefore, she must have direct premiums to sacrifice in return for the abolition of foreign bounties. She must be able to render concessions while preserving her 1884 regime intact.[92]

The question arose as to the proper interpretation of the law of 1884. Both Méline and Viger denied that its advantages could be in any way construed as an export bounty. "The law of 1884," according to the President of the Council, "has no other aim than to encourage the farmer to produce a richer beet, and it gives him no reward unless he does produce it."[93] The law only compensated for the cost inequalities between the French industry and its competitors. Unless the Chamber granted the government the means of forestalling foreign attacks, Méline warned, "we cannot go to an international conference at all."

On the subject of the conference, the protectionist Radical, Albert Viger, parted company with Méline. He did not believe that France should attend. The history of the sugar question gave little cause for optimism, and "I am much afraid that we are going to an international conference for nothing but to listen to impossible proposals...." It would probably fail, but even if it succeeded France would lose because she would have placed her fiscal legislation in the hands of the English.[94] Some opponents were also skeptical of the government's intentions. They suspected the cabinet of using the prospect of a conference to dupe the opposition. Jaurès queried:

> What is it that you expect from an international conference on the sugar question? There have been many already; they have all failed. The next will fail too.... Governments have only spoken of a sugar conference in order to get their parliaments and their public opinion to accept more readily the additional charges demanded of them by making such burdens appear temporary. The announcement of an international sugar conference is nothing but a baited trap.

Since the government has already declared its intention to preserve the law of 1884, he continued, "one had best warn the country that it [the conference] has absolutely no chance of success."[95]

In addition to attacking the protectionists' arguments, the Socialists harassed the government by proposing contrary measures and amendments. For instance, on January 18 Beaudin and several colleagues submitted a <u>contreprojet</u> to

nationalize the refining industry. Such a scheme had been anticipated by Alexandre Millerand in his Saint-Mandé speech of May 1896, in which he declared the refining industry "incontestably ripe now for social appropriation."[96] As expected, the Committee on Customs reported against it, and the Chamber rejected it overwhelmingly, 439 to 82.[97] During the discussion of the articles, the Socialists proposed numerous amendments tying the bounty question to social and labor issues. Among others, they submitted a plan to divide bounty payments in thirds, one-third to go to the exporters, one-third to the farm and factory workers involved, and one-third to help finance family assistance. It was defeated 331 to 85. Next they proposed to grant export bounties and rebates only to manufacturers who established the eight-hour workday and the forty-eight-hour week and who also granted their employees cost-of-living contracts guaranteeing them a living wage. It was voted down 381 to 76.[98] Of course, the Socialists did not expect such proposals to pass. They sought to demonstrate that the government cared only for the wealthy beet growers and manufacturers. Guesde taunted the protectionists by suggesting that Socialists might have been willing to agree to temporary bounties, with a conference in view, if at the same time concessions had been made to the workers, farm laborers, and consumers. But the Chamber had in effect declared nothing for the workers, nothing for the consumers. It would instead dispense millions of francs "to the millionaires

born of your law of 1884." The Socialists, he thundered, will vote no.[99] The Socialists' tactics, however, were but an annoyance to the majority, who were concerned with devising a workable system of funding the bounties that would impose the lightest possible burden on the public.

Discussions of the separate articles consumed many days, and it would be tedious to summarize them here. In the end only a few significant changes were effected. The customs surtax on raw sugar was reduced from 10.50 to 9 francs and that on refined from 12 to 10 francs. Premiums for the other categories remained the same, and the rebates were kept at their prescribed level. Heavy opposition eliminated the 2.50 franc consumption surcharge. In compensation, the refining tax was raised from 2 to 4 francs, while the 1 franc tax on manufacturing was maintained. To minimize the burden on the Treasury, it was provided that whenever the bounties exceeded revenue from the manufacturing and refining taxes, the next year's premiums would be reduced proportionally to allow the Treasury to recover the difference.[100]

On February 4, 1897 the Chamber proceeded to vote on the entire bill as amended. The government had a safe majority but not an overwhelming one. When the final count was in, the measure had passed by 272 to 228. Much of the opposition derived not from disagreement with the concept of bounties per se but with particular features of the bill that bore on local interests; nevertheless, the size of the negative vote indicated widespread dissatisfaction with the government's sugar policy.

Four days after the Chamber had passed the bill, it went to the Senate, where it finally reached the floor on March 29. The debate was neither as long nor as complex as that in the Chamber, nor did the bill meet such heavy resistance. The opposing sides employed the same arguments heard in the Palais Bourbon. From the beginning the government obviously had sufficient votes to pass some form of bounty legislation. The opposition's strategy was, therefore, not to attack the principle of bounties outright but to attempt to reduce their amount as much as possible. All their proposed amendments were rejected by comfortable majorities. On April 5, the Senate approved the bill without modification by a vote of 148 to 85.[101]

The Méline government had won a resounding victory. Not only did the votes imply majority support for the notion of direct bounties, they also indicated support for the government's avowed aim in requesting them: to provide France with a bargaining weapon at the impending conference. The tenor of the debates left little doubt that a vote for direct subsidies was in reality a vote for the indirect ones.

It has already been asserted that the Chamber of 1893, especially the Méline government's majority, constituted an environment favorable to the sugar interests. A brief look at the voting pattern on two crucial ballots will illustrate this point.

At the time of the bounty debate the groups in the

Chamber were represented approximately as follows:

Right	54 deputies
Rallies	37
Republicans (Progressists)	299
Radicals	100
Radical-Socialists	35
Socialists	41
All Groups	566

The Right and Center groups, upon which Méline's government rested, held about 176 more seats than the various Left groups. As long as the Right and Center cooperated this was a very secure majority, as the unusually long duration of that government attested.

Protectionist sentiment, as previously mentioned, was concentrated in those very Right and Center groups. This had been true in 1892; it remained true in 1897. As one moved to the left of the Chamber, one found less and less support for the bounties. For example, on January 28 the deputies were asked to vote on the first statement of Article I.

> From the date on which this law is promulgated, bounties, the amounts of which are fixed as follows, will be granted on exports to foreign countries and to French colonies not covered by the metropolitan customs tariff.[103]

The division should be expected to reveal the extent of support for and opposition to the core issue: whether or not

France should give direct bounties. The Chamber voted as follows:

	For	Against	Abstaining	Absent
Right	39	8	5	2
Ralliés	28	3	5	1
Republicans (Progressists)	179	70	30	20
Radicals	37	51	6	6
Radical-Socialists	9	23	2	1
Socialists	2	38	1	0
Totals	294	193	49	30

The voting percentages ran:

	For	Against	Abstaining or Absent	Total
Right	72.2	14.8	13	100
Ralliés	75.7	8.1	16.2	100
Republicans	59.9	23.4	16.7	100
Radicals	37	51	12	100
Radical-Socialists	25.7	65.7	8.6	100
Socialists	4.9	92.7	2.4	100

The opposition of the Left was even more pronounced in the vote on the entire bill, which took place on February 4. This vote indicated the degree of acceptance or rejection of the government's whole sugar policy.

	For	Against	Abstaining	Absent
Right	37	10	4	3
Ralliés	25	5	4	3
Republicans	176	80	26	17

	For	Against	Abstaining	Absent
Radicals	28	63	3	6
Radical-Socialists	4	31	0	0
Socialists	2	39	0	0
Totals	272	228	37	29

Here are the percentages:

	For	Against	Abstaining or Absent	Total
Right	68.5	18.5	13	100
Ralliés	67.6	13.5	18.9	100
Republicans	58.7	26.8	14.5	100
Radicals	28	63	9	100
Radical-Socialists	11.4	88.6	0	100
Socialists	4.9	95.1	0	100

The opposition of the Left if clearly discernable.

Of course, the issue was not wholly political. Economic considerations influenced the voting. Most affirmative votes on the Left were cast by representatives of sugar-producing regions, where economic interests outweighed political considerations. Opposition was strong in major urban centers, such as Paris, Lyons, and Marseilles, principally because of the measure's effect on consumer prices. Parisian deputies, for example, voted against the bill by forty to three, with two abstentions, and the departments of Rhône and Bouches-du-Rhône, the sites of Lyons and Marseilles respectively, also rejected it by large majorities.[104] Although in most cases it is difficult to

untangle the political and economic motives behind the voting, one fact remains clear: the composition of both cabinet and Chamber guaranteed that the government would defend the viewpoint of the sugar industry in the bounty imbroglio.

Both the sugar industry and the cabinet could be pleased with the outcome. Beet growers, manufacturers, and refiners had obtained additional protection. In fact, after 1897 the French sugar industry was the most favored in Europe. Not only did it enjoy higher direct bounties than any competitor, it retained the substantial advantages conferred by the law of 1884. At the same time the government had won a victory that could only strengthen its reputation with the agrarians.

Méline and his ministers were reconciled to a conference, but they were not prepared to compromise the indirect bounties. They hoped the new direct subsidies would enable the French delegation to obtain the abolition of all direct bounties while retaining France's internal regime. Such a policy, if successful, would preserve an advantage for French sugar and earn the government yet more kudos from the agrarians. On the other hand, it threatened to torpedo the conference, since other governments persisted in regarding the law of 1884 as an encouragement to overproduction and exportation. Méline preferred to see the conference fail rather than to tamper with a popular piece of legislation. Even if he had opposed that law, the nature of his majority would have debarred him from proposing its

abolition. With such a government in Paris, the prospects for a solution to the bounty problem did not seem bright. One country alone could cut the Gordian knot: Great Britain.

NOTES

[1]There are only two documents concerning the bounty question between 1889 and 1895 in the files of the Quai d'Orsay Both refer to the Conference of 1887-88. See ADC,A/53Q/1. A similar paucity exists in the British Foreign Office papers. See F083/1711.

[2]Martineau, "Statistical Aspect," p. 310.

[3]For example, the British Board of Trade, in reply to a Foreign Office query about the possibility of renewed international discussions, argued that "no useful purpose would be served by re-opening the question in all its complications at the present time, especially in view of the fact... that the bounties in the chief European countries have been and are still being reduced without international effort." June 18, 1891, F083/1711.

[4]Sir Walter T. Layton and Geoffrey Crowther, An Introduction to the Study of Prices, 3rd ed., Table I, pp. 273-74.

[5]"World's Sugar," p. 2609. The figures are yearly averages. The degree symbol indicates the percentage of saccharine matter. Raw sugar of 88° would be 88 per cent pure.

[6]Ibid., p. 2727.

[7]Helot, p. 209.

[8]Louis-Maurice Bompard, Director of Consular and Commercial Affairs, Quai d'Orsay, to André Lebon, Minister of Commerce, Feb. 28, 1895, AN, F12 6976.

[9]According to Michel Augé-Laribé, friction between the Ministry of Agriculture and the Ministry of Finances was a continuing fact of French administration. See La politique agricole de la France de 1880 à 1940, p. 9.

[10]Gadaud was a moderate Republican senator from the Dordogne. See Alphonse Bertrand, Le Sénat de 1894: biographie des 300 sénateurs...., pp. 143-44.

[11]Hanotaux to Jules Herbette, French ambassador to Germany, Feb. 28, 1895, LJ, p. 5.

[12]Marquis de Reverseaux, French ambassador to Spain, to Hanotaux, Feb. 26, 1895; Count de Montebello, French ambassador to Russia, to Hanotaux, March 2, 1895; L. Legrand, French minister to the Netherlands, to Hanotaux, March 2, 1895; F. A. Bourée, French minister to Belgium, to Hanotaux, March 1, 1895; Henri-Auguste Lozé, French ambassador to Austria-Hungary, to Hanotaux, March 2, 1895, ibid., pp. 4-7.

[13]Clipping from the Reichsanzeiger, March 14, 1895, enclosure in Bompard to Lebon, March 19, 1895, AN, F12 6976.

[14]ADC, A/53Q/1.

[15]Note attached to copy of letter from Wolkenstein-Trostburg to Hanotaux, April 8, 1895, ibid.

[16]Hanotaux to Lozé, April 24, 1895, LJ, pp. 10-11.

[17]Dispatch to Hanotaux, April 17, 1895, ibid., p. 10.

[18]Montebello to Hanotaux, May 17, 1895, ibid., p. 12.

[19]Count de St.-Genys, French chargé d'affaires in London, to Hanotaux, May 20, 1895, ibid., p. 13.

[20]Baron Jules Greindl, Belgian ambassador to Germany to Count Mérode Westerloo, Belgian Minister of Foreign Affairs, May 18, 1895, MAEB, 3.191/1.

[21]Greindl to Mérode Westerloo, May 22, 1895,ibid.

[22]Lebon to Hanotaux, June 13, 1895, ADC, A/53Q/1.

[23]Eugène-Marie Bernard, French consul in Trieste, to Hanotaux. Aug. 2, 1895, ADC, A/53Q/9.

[24]Hanotaux to Lebon, Sept. 4, 1895, AN, F12 6976.

[25]Hanotaux to Lebon, Ribot, and Gadaud, Oct. 4, 1895, ADC, A/53Q/1.

[26]Lebon to Hanotaux, Oct. 12, 1895, AN, F12 6976.

[27]Gadaud to Hanotaux, Oct. 24, 1895, ADC, A/53Q/1.

[28]Ribot to Hanotaux, Oct. 28, 1895, ibid.

[29]Jacques Kayser, Les grandes batailles du radicalisme: des origines aux portes du pouvoir, 1820-1901 (hereinafter referred to as Radicalisme), p. 222.

[30] Rudolph Binion, Defeated Leaders: The Political Fate of Caillaux, Jouvenel, and Tardieu, p. 10.

[31] Not that the groups in the Chamber could be clearly distinguished. True political parties--structured, institutionalized aggregations organized with a common purpose--did not yet exist. There were only groups, loose associations of individual deputies of similar views. Deputies frequently belonged to more than one group or to no group at all. Very often, only through an analysis of a deputy's voting record on a series of key "politicized" issues could one gain an approximate notion of his position in the political spectrum. This was the approach used by A. Salles in his important article, "Les députés sortants (1893-1898): votes et groupements," Revue politique et parlementaire, XVI (April, 1898) 33-79. But no attempt to identify the boundaries of the various groups can hope to be more than approximate. For this reason many students of French politics, following Francois Goguel-Nyegaard, ignore factional labels and concentrate on the interplay between what they regard as the two fundamental tendencies of French political life; those of Established Order and Movement, corresponding to Right and Left. (See La politique des partis sous la IIIe République.) By the late nineteenth century, the forces of movement had split. The old Republican Left had been pushed to the Right by the rise of new groups further Leftward, the Radicals and the Socialists. In this paper the following labels will be used: Right, referring to both the monarchists of various sorts and to the Ralliés; Center, denoting the Liberals and moderate Republicans (Progressists), often referred to by contemporaries as Républicains du gouvernement; and Left, encompassing the Radicals, Radical-Socialists, and the several Socialists factions.

[32] Founded in 1867, the Société des agriculteurs boasted 11,000 members in 1894. Most of them were "distinguished landowners,members of the old nobility, or conservative upper bourgeoisie who had acquired estates." The organization had cooperated smoothly with conservative governments during its first decade of existence, but after the Republican victory of 1877 its relations with the state had acerbated. Republican ministers resented its lobbying suspecting that it sought to strengthen conservative influence in the countryside. Accusing the Société des agriculteurs of having become "an engine of war to batter down the Republic," Léon Gambetta founded in 1880 the Société nationale, "inspired by the dual wish to serve both the interests of agriculture and those of democracy."

It aimed to link support for agriculture with Republican politics in hopes of winning the peasants to the new regime. However, despite its claim to represent small cultivators, it too came to be dominated by large proprietors. See Pierre Barral, Les agrariens francais de Méline à Pisani, (hereinafter referred to as Agrariens), pp. 79-81, and Golob, p. 43.

[33]Speech at Lyons, Sept. 4, 1898, JO (Sept. 6, 1898), p. 5667.

[34]Golob, pp. 170-71, 210.

[35]Kayser, Radicalisme, p. 250n.

[36]An economist would point out that the effect on the consumer was the same.

[37]Kayser, Radicalisme, see particularly the Comparative Table of Radical Programs, 1849-1898, bound at the end of the volume. In their Manifesto of July 28, 1893, issued before the elections of that year, the Radical deputies had called specifically for a reform of consumption taxes. They preferred the proportional income tax, which they considered more remunerative and socially just.

[38]Alphonse Bertrand, La Chambre de 1893: biographies de 581 députes... (hereinafter referred to as Chambre de 1893), pp. 475-76, 281-82.

[39]Georges Lachapelle, Le ministère Méline: deux années de politique intérieure et extérieure, 1896-1897, p. 16.

[40]Mesureur to Berthelot, Dec. 18, 1895, ADC, A/53Q/1.

[41]Bourgeois' ministerial declaration can be found in Emile Simond, Histoire de la troisième République de 1894 à 1896. Presidence de M. Casimir-Pèrier; Presidence de M. Félix Faure, pp. 139-40.

[42]Greindl to Burlet, Belgian Minister of Foreign Affairs, Nov. 30, 1895, MAEB, 3.178/1; Bompard to Mesureur, Dec. 21, 1895, AN, F12 6976.

[43]Mesureur to Berthelot, Dec. 18, 1895, ADC, A/53Q/1.

[44]Ibid.

[45]Berthelot to Mesureur, Dec. 6, 1895, AN, F12 6976.

[46]Quoted in Guy Chapman, The Dreyfus Case: A Reassessment, p. 115, The Rightist historian Jacques Bainville wrote of Méline: "With him, agriculture...governed France. All that he could do by means of wheat and hay, he did." La

troisième République, avec un complement sur les annees 1936-1940 par Jean Ratinaud, p. 189.

[47]Augé-Laribé, p. 71. According to his granddaughter, he could not tell "a stalk of wheat from a stalk of rye." Nicole Heber-Suffrin-Lévêque, "Méline, ministre de l'agriculture (1883-1885)," Annales de l'Est, 5e ser., XVI, No. 4 (1964), p. 353.

[48]Heber-Suffrin-Lévêque, p. 349.

[49]Augé-Laribé, p. 71, suggested that Méline became an agricultural protectionist through the influence of Henry Sagnier, a frequent contributor to the Journal d'agriculture pratique, a publication devoted to technical studies and statistics. This journal undoubtedly influenced Méline; he often cited it in his speeches. But he never referred to Sagnier by name. See Heber-Suffrin-Lévêque, p. 353.

[50]Quoted in Barral, Agrariens, p. 88.

[51]Heber-Suffrin-Lévêque, pp. 354-55.

[52]Ibid., p. 361.

[53]Ibid., p. 362.

[54]Jacques Chastenet, Histoire de la troisième République, Vol. III: La République triomphante, 1893-1906, p. 94.

[55]USCR, LI, No. 190 (July 1896), p. 510.

[56]Ibid., pp. 512-13. The bounties per metric quintal were raised as follows:

Class A	(raw sugar of at least 90 per cent purity, and partially refined sugars between 90 and 98 per cent purity.)	From 1.25 marks	To 2.50 marks
Class B	(candies and sugars in white, full, hard loaves, blocks plates, sticks, crystals, and other sugars of at least 99 1/2 per cent purity)	From 2.00 marks	To 3.55 marks

Class C	(all other sugars of at least 98 per cent purity.)	From 1.65 marks	To 3.00 marks

[57]Greindl to Paul de Favereau, Belgian Minister of Foreign Affairs, May 23, 1898, MAEB, 3.178/1.

[58]USCR, LI, No. 190. (July 1896), p. 514.

[59]Ibid., LII, No. 193 (Oct. 1896), p. 294.

[60]See, for example the petitions from the chambers of commerce of Cambrai and of Amiens, ADC, A/53Q/1.

[61]Boucher, like Méline,sat as deputy for the Vosges. He was a paper manufacturer by trade and a protectionist by faith. Cochery, a deputy from Loiret, was a former colleague of Méline in the second Ferry cabinet. A solid moderate Republican, he had acquired wide civil service experience and was a frequent participant in debates on financial and economic subjects. Bertrand, Chambre de 1893, pp. 285-86, 603-04.

[62]JO, DPC (1896), Annexe No. 2161, p. 1524.

[63]Ibid., Annexe No. 2079, p. 1396.

[64]Actually, it fell just short of the bumper crop of 1894-95. Helot, p. 209.

[65]USCR, LIII, No. 197 (Feb. 1897), p. 169.

[66]Kölnische Zeitung, Sept. 17, 1896, clipping in F083/1712.

[67]Count von Münster to Hanotaux, Oct. 24, 1896, copy to Commerce, AN, F12 6976.

[68]Hanotaux to Boucher, Oct. 26, 1896, ibid.

[69]Cochery to Hanotaux, Dec. 15, 1896, ADC, A/53Q/1.

[70]The bill can be found in JO, DPC (1896), Annexe no. 2079, p. 1397.

[71]Ibid.

[72] Ibid.

[73] Ibid., Annexe No. 2161, p. 1533.

[74] Ibid., p. 1525.

[75] Graux, the chairman of the Committee on Customs, represented the Pas-de-Calais. He was a dedicated agrarian protectionist and a long-time ally of Méline. Bertrand, Chambre de 1893, pp. 395-97.

[76] JO, DPC, (1896), Annexe No. 2161, pp. 1523-24.

[77] Sir Edmund Monson, British ambassador to France, to Salisbury, Feb. 5, 1897, F083/1712.

[78] Augé-Laribé, p. 248; Harvey Goldberg, The Life of Jean Jaurès, p. 187.

[79] JO, CD (Jan. 19, 1897), p. 50.

[80] Helot, p. 213.

[81] BSLC, XLII, 53.

[82] JO, CD (Jan. 19, 1897), p. 49.

[83] Ibid., p. 53.

[84] In 1896 overall French tax revenues amounted to 2,727,206,600 francs, of which 185,183,000 francs were collected on sugar: about 6.5 per cent of the total. This was a substantial share. BSLC, XLI, 45.

[85] JO, CD (Jan. 19, 1897), pp. 44-45.

[86] p. 146.

[87] JO, CD (Jan. 19, 1897), p. 50.

[88] Ibid., (Jan. 22, 1897), p. 89.

[89]Ibid. (Jan. 19, 1897), p. 47.

[90]Ibid., p. 49.

[91]Ibid. (Jan. 28, 1897), p. 154.

[92]See the speech by Graux, ibid. (Jan. 22, 1897), p. 86.

[93]Ibid., p. 90. This argument, true as far as it went, ignored the fact that the law fostered expansion and high production while restricting consumption in the home market. Inevitably, the industry was forced to seek foreign outlets for the surplus. For Viger's speech see ibid. (Jan. 21, 1897), p. 65.

[94]Ibid. (Jan. 21, 1897), p. 69.

[95]Ibid. (Jan. 23, 1897), p. 97.

[96]See Robert Charles Kirkwood Ensor, ed., Modern Socialism, as Set Forth by Socialists in Their Speeches, Writings, and Programmes, p. 51.

[97]JO, CD(Jan. 25, 1897), p. 119.

[98]Ibid. (Jan. 29, 1897), p. 179; (Feb. 4, 1897), p. 261.

[99]Ibid. (Jan. 28, 1897), pp. 155, 158.

[100]The text of the law can be found in BSLC, XLI, 383-87.

[101]JO, SD(April 5, 1897), p. 747.

[102]These figures, which, as previously explained, cannot be precise, are based upon the aforementioned works of A. Salles and Alphonse Bertrand, upon the little handbook by A. Grenier, Nos députés, 1893-1898: biographies et portraits, and upon three works dealing with the Right: David Shapiro, "The Ralliement in the Politics of the 1890's," in The Right in France, 1890-1919: Three Studies, ed. by David Shapiro; Alexander Sedgwick, The Ralliement in French Politics, 1890-1898; and Jean-Marie Mayeur, "Droites et ralliés à la Chambre des Députés au début de 1894," Revue d'histoire moderne, XII (April-June 1966), 117-35. These figures, while not identical, correspond roughly to those in Peter Campbell, French Electoral Systems and Elections, 1789-1957, p. 82, and in Kayser, Radicalisme, p. 367. According to the former, the Left comprised 32.6 per cent of the Chamber (184 out of 566). The latter assigned them an even lower figure--28 per cent. By my reckoning, 31 per cent of the deputies belonged to the three Left groups. Many individual deputies fit into no definite category; their placement thus depends upon the criteria of the classifier. For example, by 1895 a significant faction of the Progressists had

concluded a tacit alliance with the Radicals, voting with them on questions of social reform and church-state relations. (See L. Arthur Minnich, Jr., "The Third Force, 1870-1896," in Modern France: Problems of the Third and Fourth Republics, ed. by Edward Mead Earle, p. 118.) Hence Salles, who classified deputies on the basis of their voting records, assigned the Left a much larger percentage of the Chamber, roughly 40.8 per cent.

[103]JO, CD(Jan. 29, 1897), p. 161.

[104]The same pattern had appeared five years earlier in the vote on the Méline tariff. Golob, pp. 205-06.

CHAPTER V

THE QUESTION REOPENED: GREAT BRITAIN

British refiners and West Indian planters had staked their hopes on the great conference called by the Salisbury government in 1887. Although disappointed by France's defection, they still believed that the penalties embodied in the convention would quickly bring her to heel. But their hopes were shattered when the enabling bill came before Parliament. Predictably, free trade forces, led by the Cobden Club and its indefatigable champion, Thomas Farrer, launched an all-out attack on the measure. Their agitation, modeled on the Anti-Corn Law campaign of the 1840's, was skillfully and energetically pressed, and though the anti-bounty forces, led by George Martineau, struggled manfully to salvage the convention, their arguments were swept aside by the defenders of the "free breakfast table." Although the bill passed the first reading in the House of Commons, the Salisbury government, dismayed by the tempest it had provoked, quietly withdrew it. The bounty system emerged unscathed.

The refiners and colonists were the victims of political circumstances remote from the sugar question. Just as in France, the bounty controversy transcended

economics. It was primarily a political issue and could not be dealt with apart from considerations of party. For the anti-bounty cause to succeed, one of the parties would have to incorporate it in its program. The more likely candidate was the Conservative party. The Tories had never embraced Cobdenism to the same extent as the Liberals, and during the 1880's, as the Fair Trade movement gained strength, protectionists and tariff reformers flocked to their banner.[1] Although many Tory MP's espoused Fair Trade ideas, the party itself shunned formal adherence to such controversial doctrines. One need not look far to discover the reason.

At the time, the Irish home rule issue dominated British politics and distorted party relationships. It had riven the Liberals in 1886, when Joseph Chamberlain, a determined opponent of home rule, broke with Gladstone and carried a substantial portion of the party with him. Salisbury's government, which rose to power on the wreckage of the Liberals, depended upon the cooperation of Chamberlain's faction, known as the Liberal Unionists. Most of these renegade Liberals preserved their allegiance to Cobdenism, and to avoid alienating them the Conservatives muted protectionist views. The foremost reason behind the government's pusillanimous response to free trade opposition on the sugar issue was its fear of antagonizing its Liberal Unionist allies.

Anti-bounty agitation died down after the demise

of the 1888 convention. Both the West Indies and the home refining industry continued to deteriorate, but political circumstances once again thwarted efforts to revive the sugar issue, even though at first the future looked promising to all who desired a revision of British commercial policy. Again the Irish question played a major role. The O'Shea divorce scandal confounded the Liberals and temporarily freed the Conservatives from their dependence on the Liberal Unionists. In 1891 the new American tariff, the McKinley Act, spurred a fresh surge of protectionist agitation. Sudden and severe repercussions were felt throughout not only the home economy but that of the empire as well. Talk of imperial preference and even of commercial federation, which had been heard for some years, increased in volume. The tide seemed to be running in a protectionist direction, and even before the McKinley bombshell protectionists like Howard Vincent, MP from Sheffield, were warning the Prime Minister that "the volume of opinion is fast growing, and in a large proportion of the constituencies the balance of political power lies in the hands of the resolute men of independent views." Freed of dependence on the Liberal Unionists on the Irish question, Lord Salisbury, who had long been "scornfully critical of the lofty claims of Cobdenite orthodoxy," was increasingly tempted to enlist the issue in the Conservative cause. Further encouragement was soon forthcoming. In September 1891 the Associated Chambers of Commerce declared their support for a commercial union of

the empire, and in November the Conservative party conference threw caution to the winds, voted to endorse Vincent's scheme of imperial preference, and called on the government publicly to declare its support.[2] In May 1892, shortly before initiating the electoral campaign, Salisbury openly embraced protectionism. Though he adroitly evaded the sensitive issue of food duties, thereby ignoring the claims of the sugar interests, opponents of the bounties, especially West Indian interests, took heart. Any reorientation in imperial commercial policy would improve their chances of achieving their aims.

For protectionists, the election of July 1892 was a disaster. The Liberals recovered from their confusion and in league with their Irish allies secured a majority. In August a vote of no confidence ousted the Salisbury government, and the venerable Gladstone took office for the last time. It is difficult to assess the importance of tariff reform in the election. Home rule and Church disestablishment were the principal issues, and it is unlikely that more than a handful of seats were decided on the fiscal question.[3] The outcome, nevertheless, deflated the protectionist movement. Even though the Conservative party reaffirmed in December 1892 its endorsement of fiscal reform, during the following years protectionist sentiments were hushed up. The Conservatives and Liberal Unionists were moving toward a formal alliance, and both parties were anxious to deemphasize divisive issues.[4] Since

tariff reformers could expect little succor from the Liberals, their movement, deprived of party backing, petered out.

The Liberal tenure, from mid-1892 to mid-1895, was a lean period for both colonial and refining interests. The government adhered to the hoary principle of non-intervention in the affairs of private interests. The Colonial Office remained skeptical of the legitimacy of colonial complaints. Decades of griping and importuning had virtually immunized the Colonial Office staff against West Indian entreaties.[5] Lord Ripon, the colonial secretary, rebuffed every plea for assistance.[6] During those years, of course, the bounty question lay dormant. But even after the Paasche bill revived it early in 1895, the Rosebery government evinced slight confidence in a solution. When the French chargé d'affaires, the Count de St. Genys, informed the Foreign Office that Austria-Hungary, Germany, and France were in contact once again on the question of a bounty conference, the office replied that "having in view the difficulties which arose in 1889, Her Majesty's Government are not sanguine that any solutions can be found...." But it did request to be informed of any proposals that were made.[7] Only a month later,however, the Liberals were felled by an adverse vote on a military procurement question. The return of Lord Salisbury and the Conservatives once more opened the possibility of anti-bounty action. Much to their pleasure, the sugar interests quickly found that they had a champion within the cabinet. He was Joseph Chamberlain.

In 1895 Chamberlain was no stranger to the sugar question, but his views had undergone a complete reversal since his younger days. His conversion on the sugar question paralleled and reflected his conversion on the larger issues of free trade and empire.[8] One consistent theme running through his career renders this reorientation explicable: his devotion to reform. He began his career as a Radical and quickly rose to prominence as an exponent of democracy, free public education, disestablishment, "gas and water" socialism, and tax relief for the poor. His first contact with the sugar question came in the early 1870's, when he campaigned vigorously to ease the burden on the working classes by eliminating import duties on tea, coffee, and sugar. He was gratified when in 1874 the government abolished sugar duties.[9] That measure exposed the West Indies and the refiners to the ruinous competition of bounty-fed beet sugar and marked the beginning of their "time of troubles." It was ironic that Chamberlain should later emerge as the champion of those very interests he had earlier subverted.

During the following years Chamberlain's star climbed rapidly in the Liberal constellation, and in 1880 Gladstone awarded him the presidency of the Board of Trade. Once again he confronted the sugar question. The Board, dominated by its permanent undersecretary, Sir Thomas Farrer, was virtually "a departmental incarnation of the Cobden Club,"[10] and the inexperienced Chamberlain fell naturally under the

sway of the permanent staff.[11] Not that his views were incompatible with those of Farrer. As a Radical, a follower of Richard Cobden and John Bright, Chamberlain subscribed wholeheartedly to free trade. Not surprisingly, in August 1881, when the Fair Trader W. Farrer Ecroyd and his colleague C. T. Ritchie, the representative of a sugar-refining district, submitted a bill to impose countervailing duties on bounty-fed sugars, Chamberlain resolutely fought the measure, which was soundly defeated, 153 to 80.[12] The sugar interests considered Chamberlain one of their arch opponents.

But during his tenure at the Board of Trade Chamberlain's commercial views began to deviate from the rigid, doctrinaire positions of the Cobden Club. One of the Board's functions was to compile statistics on the volume and flow of trade, and the president was daily confronted with evidence of Britain's declining fortunes and of the rise of energetic competitors in Germany and the United States. The system of commercial treaties concluded during the 1860's was breaking down, and Continental countries were reverting to protection. Not only did British traders face rising tariff barriers, they met increasingly stringent competition in neutral markets from more innovative and aggressive rivals.[13] Businessmen could not help but see that their American and German counterparts benefited from combinations, public financing, tariffs, transport rebates, drawbacks, and bounties:

advantages unavailable in free trade Britain. Prices were falling; there was a high level of unemployment; a generally pessimistic mood gripped the commercial community.[14] In such an atmosphere protectionist notions flourished. Despite his Radical background, Chamberlain was not immune. He had always been an ardent nationalist. Evidence of his country's decline now brought his nationalism into conflict with the cosmopolitan ideals of free trade. The changing views of his constituents also probably encouraged him to reexamine his position. Fair Trade was penetrating his native Birmingham. In 1885 the chamber of commerce of that city testified before the Royal Commission on the Depression in Trade and Industry that businessmen had suffered from competition with protectionist countries. The chamber advocated an imperial customs union. To Chamberlain such a plan appeared to offer a way of reconciling nationalism and free trade.[15] Although he continued to adhere in his official capacity to orthodox free trade, he found it increasingly difficult to combat Fair Trade ideas,[16] and his doubts continued to grow. Farrer became more and more suspicious of his chief's commitment to free trade.[17]

It is generally agreed that the decisive factor in Chamberlain's conversion from free trade to protection was his estrangement from the Liberal party in 1886. The split cost him his political base for effecting Radical reforms and drove him to cooperate with the Conservatives, the party more closely identified with imperialism.

Consequently, his attention shifted from domestic to imperial issues. Yet he did not abandon his reformist inclinations; he merely diverted them to colonial affairs. Increasingly he saw the empire as a panacea for Britain's social and economic ills. The colonies and dominions would provide ample raw materials and foodstuffs as well as free markets for British manufactured goods, assuring the future growth and prosperity of the country. He feared that free trade would inevitably condemn her to a grim future of economic contraction and social misery. Already socialist doctrines were gaining currency, and the trend disturbed him. Though a staunch defender of working-class interests, Chamberlain preserved his commitment to free enterprise and individualism. The antidote to collectivism was prosperity, and this could come only from economic growth. Imperialism would insure that growth.[18] Such notions did not originate with Chamberlain. The 1880's and '90's witnessed an upsurge of imperial sentiment, fed in large part by growing pessimism about Britain's economic position in the world.[19]

By 1895 Chamberlain had become an enthusiastic imperialist with bold plans for imperial expansion and development. But he had to achieve power to effectuate his schemes. His break with Gladstone had probably cost him the leadership of the Liberals. In some respects he had lost little, since the Conservative outlook was more compatible with his new concerns. During the Liberal interlude between 1892 and 1895, he led his Liberal Unionists

into an intimate alliance with the Tories. Although they never actually joined the Conservatives, they soon became so closely identified with them that the two groups came to be known as the Unionist party.[20] Salisbury determined to govern conjointly with Chamberlain's faction once the Tories regained office. When Rosebery fell in June 1895, the opportunity presented itself.

Chamberlain naturally had claim to a place in the cabinet, and he was allowed to choose his slot. To the surprise of most everyone, he turned down the powerful and prestigious Exchequer in favor of the Colonial Office, which carried very little status.[21] The choice,however, was consistent with his expressed aspirations. For several years he had coveted the post "in the hope of furthering closer union between [the colonies] and the United Kingdom."[22] Now he had not only the vantage point from which to implement his plans but the political muscle to impress his cabinet colleagues. He had a larger popular following than any other minister, and his leadership of the Liberal Unionists gave him virtually the power of a copremier,[23] especially after his major contribution to the decisive Unionist victory in the elections of July 1895, when his party swept the Midlands for the government.[24]

The colonial secretary envisioned a new relationship between the colonies and the mother country. After the triumph of liberalism in the 1840's, Great Britain had followed a policy of <u>laisser-aller</u> toward the empire.

Chamberlain hoped to replace it with a policy of "constructive imperialism." On August 22 he told the House of Commons that "I regard many of our colonies as being in the condition of undeveloped estates, and estates which can never be developed without imperial assistance."[25] Such assistance could take two forms: direct financial aid to support colonial development and, more important from a commercial standpoint, the modification of strict free-trade principles in order to favor imperial interests.[26] The second was bitterly controversial, but considerable opinion both at home and in the colonies was, as previously noted, swinging toward such views. Just one year earlier, the colonial conference at Ottawa had endorsed imperial preference.

Hardly had Chamberlain settled into the office on Downing Street than he began to press for closer imperial economic ties. In November he dispatched a circular to colonial governors requesting detailed statistics on the volume and direction of their trade. "I am impressed with the extreme importance of securing as large a share as possible of the mutual trade of the United Kingdom and the colonies for British producers and manufacturers, whether located in the colonies or in the United Kingdom...."[27] His long-range dream was to create a federated empire, bound by ties not only of race and language but of trade and defense--an empire that could offset the growing power of Germany and the United States.[28] He realized that such a goal could not be achieved overnight. The self-governing

colonies and dominions jealously guarded their independent identities and their home interests. The mother country could not coerce them. Federation must come about voluntarily; the ties must be forged by common interest. What better means of fostering that interest than commerce? If Chamberlain was convinced that trade followed the flag, he was no less certain that the flag followed trade. Encouraged by the groundswell of pro-imperial sentiment, he boldly launched a trial balloon.

In an address to the Canada Club dinner on March 25, 1896, the colonial secretary came out publicly for the first time in favor of imperial commercial federation. Using the analogy of the Prussian Zollverein, he proposed the creation of an imperial free-trade zone in which the colonies would remain free to set their own tariff schedules against foreign goods but would admit British and imperial commodities free. Great Britain would agree to levy moderate duties against foreign products that competed with colonial produce. Chamberlain admitted that his plan would involve "a great change in the principles which for many years past have guided our commercial policy," but he affirmed the possibility of such an arrangement.[29] On June 9 he returned to the subject in the opening speech to the Congress of Chambers of Commerce of the Empire, of which he was honorary president. Great Britain would impose duties on foreign agricultural products such as "corn, meat, wool, and sugar" if the

colonies agreed to "a free interchange of commodities with the rest of the empire."[30] Like the Fair Traders before him, Chamberlain eschewed a frank endorsement of protection and sought to cloak his scheme in the mantle of free trade. He asserted that his project

> might commend itself even to an orthodox free trader. It would be the greatest advance that free trade has ever made since it was first advocated by Mr. Cobden, since it would extend its doctrines permanently to more than 300,000,000 of the human race... and, on the other hand, it would open up to the colonies an almost unlimited market for their agricultural and other produce.[31]

These speeches were not well received, either at home or in the colonies. Virtually all Liberals, and many Conservatives, repudiated any departure from established commercial policy. The Cobden Club, not beguiled by Chamberlain's allusions to free trade, lashed out at the suggestion of duties on food.[32] The colonies, which in most cases relied on tariffs for the bulk of their revenues, were loath to remove duties from a large percentage of their imports. Furthermore, they hoped to strengthen their own industries. Colonial industrialists feared above all else a massive influx of cheap British and Indian manufactures. They preferred imperial preference, by which they would reduce, not abolish, duties on imperial goods in return for protection in the British market.[33]

West Indian planters relished the prospect of a protected British market. For years they had hoped to recover that

lucrative trade of which the bounties had deprived them. Chamberlain's language was music to their ears. They soon recognized that they had a man in the government who would fight for their cause. As his viewpoint had shifted from the domestic to the imperial plane, Chamberlain's opinions on the bounty question had veered sharply away from the views he had defended at the Board of Trade. He now regarded the bounty system as an outrageous affront to the imperial principle. Foreign subsidies had excluded loyal and venerable colonies from their rightful market and had driven them to ruin, while Cobdenite dogmas had for twenty years debarred the mother country from defending her stricken offspring. The plight of the West Indies demonstrated the incompatibility between free trade and imperial prosperity. The bounty question thus promised to be a major test of "constructive imperialism."

The colonial secretary was no stranger to the hazards of enterprise in the West Indies. In 1891 he had lost £50,000 on an ill-fated sisal growing venture in the Bahamas, and this experience disposed him to lend a sympathetic ear to the planter's complaints. That in itself was a notable change in the attitude of the Colonial Office. For the sugar interests, Chamberlain's advent could not have been more opportune. Whatever grounds the Office and the Board of Trade had previously had for ignoring the planters' cries for aid, by 1895 there could be no doubt that the West Indies were in trouble. Sugar prices continued to fall, and production figures sagged in all the colonies save Trinidad.

Several important colonial financial and marketing houses went under.[34] The situation in Barbados was particularly critical; output dropped from over 1,100,000 to just over 626,000 cwt. in one year.[35] And to make matters worse, a bounty war loomed on the horizon. Unable to "conceal from himself the extreme gravity of the position of the sugar industry in the West Indian colonies... which threatens to become still more acute in the near future,"[36] Chamberlain advocated a bolder government policy toward the bounty problem.

Lord Salisbury still nursed painful memories of his last sally into the sugar controversy, and he preferred a circumspect policy.[37] The Foreign Office maintained that since Parliament had refused to ratify the convention of 1889 it would be futile for the government to propose another conference.[38] Not that it would refuse to consider suggestions by foreign powers, but the commercial department was privately skeptical that another government could propose a remedy acceptable to Parliament.[39] Chamberlain's recommendation that "foreign governments should be made alive to the fact that their bounty system confers a benefit on the consumers of the United Kingdom at the expense of their own taxpayers" [40] contributed nothing. As Sir Henry Bergne noted, "... this aspect of the question has been too often discussed and is too widely known to come on any government as a new revelation."[41]

Chamberlain's support encouraged the sugar interests

to step up their lobbying campaign. The volume of petitions and letters increased. A parliamentary conference on the bounty question was held, and the West India Committee even hoped to organize a deputation to meet personally with Lord Salisbury.[42] The querulous tone of much of this agitation could be irritating, even to one inclined to favor the planters' cause. One time the colonial secretary exclaimed in exasperation:

> I have felt more than once or twice that the British West Indies sugar colonies show very little energy. If they had devoted to cultivation of the cane as much industry and science as other countries have given to beet they would have been in a much better position.[43]

Despite such remarks, Chamberlain was concerned, and he followed West Indian developments closely during the summer and early fall of 1896, even though they must have appeared minor in comparison with the Transvaal crisis. The economic situation, long deteriorating, reached its nadir that summer, when sugar prices fell to their lowest point ever. The severe riots that had swept the island of St. Kitts in February seemed to presage the future unless remedial action were taken soon. The plight of the working population, in particular, touched the former Radical, who had never abandoned his conviction that governments were morally obligated to assist those injured by inexorable economic forces.

Other considerations also drew attention to the

bounty question that summer. In May Germany doubled her bounties. Within days Austria-Hungary followed suit, and France revealed her intention to keep pace. The sugar crisis seemed certain to worsen. Meanwhile, enmity between Great Britain and Germany had flared in the aftermath of the Jameson Raid and the Kruger telegram. In that tense atmosphere, the Foreign and Colonial offices nervously perceived a potential threat to British security in German commercial advances. The populace was swept by anti-German hysteria, fueled by articles in the chauvinistic Daily Mail and, most especially, by the publication of Ernest E. Williams' sensational polemic, Made in Germany, which portrayed the English economy collapsing under an avalanche of German goods.[44] The anti-bounty forces capitalized on these fears (which they apparently shared), pointing out that Germany was England's largest supplier of sugar. They insinuated that Germany intended to subvert the British colonial industry, thus rendering British consumers dependent upon German supplies. Rumors circulated that German consuls had been instructed to estimate the West Indies' capacity to withstand the new bounties and to suggest what further subsidies were necessary to insure their demise.[45] The Foreign Office could uncover no evidence to support these reports. Sir Frank Lascelles, the ambassador to Germany, maintained that that government sought to eliminate bounties, since the unfortunate consequences of its new premiums had quickly become manifest.[46] But such refutations did little

to quiet the anxious sugar interests. They clutched at any scrap of information or hearsay that might further their cause. Through foreign sources they got wind of the contacts between France, Germany, and Austria-Hungary.[47] Their hopes soared. More rumors sprang up that the government had decided to convene a conference. They were quickly squelched by the Foreign Office. Neither Salisbury, nor Bergne, nor George N. Curzon, the parliamentary undersecretary, thought Britain should force the bounty issue.[48]

Chamberlain, however, grew more and more uneasy. Not only the well-being of the islands but the credibility of his imperial policy were at stake. On November 9 he announced publicly that he could no longer "acquiesce in a policy of non-intervention... in regard to bounties."[49] Yet before plunging into the controversy, he wished to obtain solid evidence of conditions in the islands. Shortly after taking office he had conceived of a special investigating commission but had dismissed the notion as too expensive and time consuming. The volume of petitions and other evidence of distress led him to reconsider.[50] That same day the Colonial Office informed the Treasury:

> Mr. Chamberlain is not prepared, as Secretary of State for the Colonies, to accept the responsibility of allowing matters to take their course... in regard to the bounties, without having satisfied himself as to what such a policy may entail, as regards both the colonies and the Exchequer; nor would he think it right that Her Majesty's Government should adhere to their present attitude on this question without knowing, as clearly as possible, at

> what cost it may be to the welfare and stability of an important part of the empire, and to industries in which British capital is largely involved.[51]

He proposed that a royal commission be dispatched to the islands.

Chamberlain had scrupulously avoided proposing remedial measures, because the Chancellor of the Exchequer, Sir Michael Hicks-Beach, was a staunch free trader. The chancellor raised no objection to the commission per se, but he recognized that it could not evade the question of countervailing duties, an issue that could embroil the government in controversy.

> I do not think this is a mere question of form--for the contravailing (sic) duties question is a most important one--and though you may-- to some extent exclude its decision from the scope of the commission, the whole subject turns on it, and they can hardly avoid expressing an opinion as to whether this is, or is not one of the methods by which (if we chose to adopt such a policy) the West Indian difficulties would be overcome. The question at issue is a narrow one. If your commission shows that the West Indies must be aided by our taxpayers if the bounties continue, the taxpayers will have to choose whether they think (temporarily) cheap sugar is worth the subsidies to the West Indies which they would have to pay.[52]

For the moment, Hicks-Beach was willing to await the commission's verdict.

Once Treasury approval had been secured, the cabinet lost little time in appointing the commissioners. Sir Henry Norman, former governor of Jamaica and of Queensland, acquainted

with most of the West Indian colonies, and familiar with the problems of sugar production, offered his services, with the recommendation of Hicks-Beach. He was designated chairman. Sir David Barbour, a man highly esteemed by the Treasury, was chosen second commissioner. And to forestall any charges of partisanship or bias, the third appointment went to a young Liberal politician, Sir Edward Grey.[53] Dr. Daniel Morris, an assistant director of Kew Gardens, was named as expert advisor. One of England's foremost authorities on tropical agriculture he was also a personal friend of Chamberlain, with whom he shared a passionate interest in floriculture. Sydney Olivier, of the Colonial Office, was chosen as secretary. He was a financial expert who had already undertaken several missions to the West Indies to unravel the tangled skein of colonial finances.[54]

Chamberlain's instructions charged the commissioners to ascertain "whether the sugar industry in the colonies... is in fact in danger of extinction," to identify the causes of the islands' difficulties, and to estimate whether those causes were temporary or permanent.[55] But the colonial secretary sought more than information. He wanted ammunition for an attack on the bounty system, and he hoped the commission would recommend punitive measures. Suspecting that Grey, a Liberal, would be the most reluctant, Chamberlain wrote him a long letter clarifying the issues. Colonial sources, he pointed out, maintained that the West Indies verged on ruin. Admittedly, such reports might be exaggerated. He

hoped they were. But if not the government must choose between three courses of action: 1) to endeavor to establish substitute industries in place of sugar, 2) to grant substantial financial assistance to the colonies, 3) to take steps to end the bounty system. The first would require time, and "Iam afraid... the remedy can hardly be applied in time to relieve the present crisis." The second would be mandatory if the sugar industry collapsed. In the meantime, the third option promised to be the best.

> This no doubt is the one complete satisfactory settlement from the West Indian point of view.... The objections, either to prohibition, countervailing duties, or equivalent duties, are very strong--although I believe they are rather political than economic. No government will attempt anything in this direction except in the presence of an imperative necessity. Whether such a necessity...has arisen will appear in the course of your enquiries.[56]

Even though he promised to keep an open mind and to allow the commission to uncover the "true facts," there could be little doubt of Chamberlain's preference.

Once organized, the commission quickly set to work. From December 31 to January 7, 1897 they took evidence in London. On January 13 they embarked for the colonies and arrived at Georgetown, British Guiana, on the 27th. During the next two and one-half months they visited all the colonies, interviewing witnesses and observing conditions first hand. On April 14 they departed for New York, where they gathered information both on trade between the United

States and the West Indies and on the American beet sugar industry. After arriving back in England on May 1, the commissioners spent more than two additional weeks hearing further testimony. Overall, 380 witnesses "of all classes and occupations" testified.[57]

The results confirmed Chamberlain's fears. The commissioners concluded that the West Indian sugar industry was "in danger of great reduction" and, in some colonies, even of extinction. The immediate cause was chronically low prices, resulting from the competition of all sugar-producing countries but "in a special degree" from the competition of bounty-fed beet sugar. The depression thus appeared to be long-term, if not permanent, since the underlying cause resulted from policies of foreign countries that were not likely soon to change. They emphasized that the depression could not be wholly attributed to poor management, absenteeism, or backward technology, although all those evils were present. Even superior estates found it difficult to make a profit under existing competitive conditions. The best immediate remedy, they concluded, would be the abolition of the bounty system.[58]

> The benefit which the British Empire as a whole derives from any lowering of the price of sugar due to the operation of the bounty system is too dearly purchased by the injury which that system imposes on... your Majesty's West Indian and other subjects dependent on the sugar industry.[59]

The government should thus take steps to secure the removal of bounties.

At this crucial juncture, when it came to concrete recommendations, the commission failed to fulfill Chamberlain's hopes. It affirmed that the welfare of the colonies merited some sacrifice on the part of the mother country, "provided always that such sacrifice would be really effective and would not involve evils out of all proportion to those which it is desired to remove." The "evils" were, of course, countervailing duties. Whatever advantages the colonies might gain would be outweighed by the disadvantages: higher sugar prices for consumers, inconvenience to trade, uncertainty whether such a measure would actually save the sugar industry, possible difficulties with most-favored-nation clauses in commercial treaties, and the "danger, direct and indirect, of departing from what has hitherto been considered to be the settled policy of the United Kingdom."[60] Instead, they recommended 1) that the working population be settled on the land as peasant proprietors so that they might support themselves in the absence of employment, 2) that crop diversification be implemented where practical and that agricultural improvements be encouraged, 3) that inter-island communications be improved, 4) that the fruit trade between the West Indies, New York, and possibly London be fostered, and 5) that the Treasury approve a loan of £120,000 for the construction of central factories in Barbados. The programs outlined in points two, three, and four would cost an estimated £27,000 per year for ten years. In addition, the

commission proposed immediate grants-in-aid of £30,000 to Dominica and St. Vincent for road construction and land settlement, £60,000 to pay the debts of several smaller colonies, and annual grants of £20,000 for five years to enable the colonies to cover current deficits. Total financial assistance would thus amount to £580,000.[61] Sir Henry Norman argued forcefully that the majority's proposals were mere palliatives. No measure apart from countervailing duties "seems to afford such a good prospect of helping the sugar industry."[62]

The disagreement reflected Britain's dilemma. Sugar had become a staple of the English diet, in reach of even the poorest classes. Countervailing duties most likely would raise its price; how much no one could say with certainty,but the principle of "free food" transcended niggling questions of price. Thanks to cheap, unencumbered food imports, the living standard of the British working classes had risen steadily during the years of the "Great Depression."[63] Whatever free trade's effects on English agriculture it benefited the average working man, and he knew it. It benefited his employer too, lightening his costs for labor and raw materials. On the other hand, some home and colonial industries--the sugar industry was only one--suffered increasingly from foreign competition in both domestic and neutral markets. Among some segments of the community there was real distress. Which interest took priority? The dilemma was agonizing. Despite the decline

of her global economic status, Great Britain in the 1890's still benefited more than she suffered from free trade.[64] More dependent for her livelihood upon buying and selling than any other country, she could not cavalierly adopt a policy of retaliation. Yet a growing body of opinion maintained that the government was morally obligated to assist those beset by economic hardships beyond their control.

The tone of the commission's report was pessimistic. The colonies would lead a precarious existence as long as they depended primarily upon sugar. In light of the great technological advances in beet sugar manufacture, the possibility of alternative means of stimulating that industry, and the expansion of American beet sugar production, it was always possible that another crisis would someday engulf the islands, even if the bounties disappeared.[65]

Although disappointed over the commission's refusal to advocate countervailing duties, West Indian interests praised its analysis of the crisis. The report had vindicated their importunity. Eager to wield it in their battle with the free traders, they clamored for early publication. Owing to administrative delays, however, the report did not appear in print until November. Before that time the rush of events had altered the complexion of the bounty question, particularly from the West Indian point of view.

In July 1897 a new American tariff, the Dingley Act, took effect. Under pressure from the powerful sugar trust, the U. S. Congress had included an article imposing counter-

vailing duties against all bounty-fed sugars.[66] British free traders had long argued that countervailing duties, a form of differential treatment, were inconsistent with the most-favored-nation clause and that such duties would thus provoke international complications. At that time, precedent had not clarified the issue,[67] and varying opinions had been expressed. Denmark had refused to sign the Convention of 1888 on the grounds that the penal clause violated the most-favored-nation clause in her commercial treaties. Other nations, including Germany, Spain, and Great Britain, had rejected such an interpretation, asserting that countervailing duties merely equalized competition. The new American tariff and the ensuing controversy between the United States and Germany provided a test case.

In 1891 those two countries had concluded the Saratoga Convention, under which Germany agreed to lift numerous restrictions on American meat imports and to reduce duties on other goods in return for most-favored-nation treatment for German sugar in the American market.[68] German exports to the United States rose swiftly, from 76,294,591 lbs. in 1892 to 255,067,811 lbs. in 1894.[69] In the latter year the Wilson Act placed a surtax of 1/10 cent per pound on all bounty-fed sugar imports. Contradicting her position at the London conference, Germany immediately protested that the duty violated the most-favored-nation articles in the commercial treaty of 1828 between the United States and Prussia.[70] The American Secretary of State, Walter Gresham, sustained the objection on the grounds that bounties, being intended to

encourage domestic industry, were analogous to protective tariffs and were thus an internal matter. Richard Olney, the Attorney-General, disagreed, pointing out that the Convention of 1888, which Germany had signed, explicitly affirmed that countervailing duties did not violate the most-favored-nation clause. Rather than provoke an international incident, President Grover Cleveland concurred with Gresham and secured the removal of the surtax.[71]

By 1897 German imports had soared to 829,408,880 lbs. causing American sugar interests to redouble their campaign to check the influx. The countervailing duty article of the Dingley Bill crowned their efforts. Predictably, Germany renewed her protests. This time, however, the new Secretary of State, John Sherman, defended the duties, citing Olney's opinion of three years earlier. When its protests failed to move the Americans, the German government toyed with the idea of repudiating the Saratoga Convention. Agrarian interests, concerned about growing foreign competition and declining prices, cried out for retaliation. A tariff war appeared imminent, but in the end moderation prevailed. Berlin refused to wage a costly trade war to defend an industry which accounted for only about 4 per cent of the total value of German exports to the United States in 1895.[73] German exports consisted mostly of manufactured goods, commodities that Great Britain would be only too happy to supply in the event of commercial hostilities.

In England both sides of the countervailing duties

controversy found in the American experience evidence to buttress their arguments. Opponents pointed to the bothersome litigation that must arise from an anti-bounty policy. Proponents retorted that the affair proved that Continental nations would not risk a trade war to protect the wasteful bounty system. The initial consequences of the Dingley Act reaffirmed their faith in duties, since by March 1898 American imports of German sugar had fallen to 483,709,521 lbs.[74] Neither side could claim that the case had resolved their dispute.

The Dingley Act had important consequences for the West Indies. As European sugar relentlessly expelled muscovado from the British market, the colonies turned toward the United States. The Cuban revolution, which broke out in 1895, disrupted that island's thriving industry and temporarily created a larger market for the West Indian product in the United States. By 1897 most West Indian sugar found its way to American ports, as the following figures for the year 1896 reveal:

TABLE 9

WEST INDIAN EXPORTS TO GREAT BRITAIN AND THE U.S.A.

	Total Exports	To Great Britain	To U.S.A.
Jamaica	390,918[b]	54,084[b]	322,253[b]
Santa Lucia[a]	70,966	16,628	52,794
Saint Vincent	51,070	1,242	49,193

TABLE 9 continued.

	Total Exports	To Great Britain	To U.S.A.
Barbados[a]	889,182	48,474	824,832
St. Kitts-Nevis	296,440	13,760	229,280
Antigua	274,280	20	229,380
Trinidad	1,076,455	649,903	409,276
British Guiana	2,023,200	679,060	1,269,200

[a]Figures include both muscovado and vacuum pan sugar.

[b]Cwts.

Source: LJ, pp. 503-510.

Since West Indian sugar received no subsidies, the American countervailing duties gave it an advantage of about 35s per ton.[75] At first glance, one would expect the colonies to silence their demands for protection and for bounty abolition. If the premiums were removed, West Indian sugar would again be exposed to the full force of beet sugar competition in its principal market.

The planters and sugar brokers,however, did not see things that way. While grateful for their good fortune, they regarded it as a temporary blessing. Experience had shown the fickleness of American tariff policy. They were also haunted by Cuba's apparently limitless potential. The war would end someday; whatever the outcome American capital and Cuban sugar would doubtlessly continue their close relationship, strengthening the likelihood that the United

States would favor the Cuban product.[76] Consequently, the windfall that West Indian interests obtained from the Cuban revolution and the Dingley tariff did not divert them from their efforts to recover the British market. Chamberlain's dream of a free-trade empire protected against foreign competition sounded ideal for their purposes. That very summer, public attention turned once more to the question of imperial trade relations..

During the early 1860's Great Britain had concluded commercial treaties with Belgium and the Zollverein, in which she had granted most-favored-nation treatment to all Belgian and German goods in both British and British colonial markets. The self-governing colonies, particularly Canada, chafed under that obligation, and as the movement for imperial preference grew, the treaties were roundly criticized. Every colonial conference condemned them, but the mother country stood firm. Finally, in 1897 Canada repudiated the treaties by granting British imports an exclusive 25 per cent tariff reduction. Germany lodged a strong protest.[77] In the midst of this dispute, another colonial conference gathered in London.

Convened by Joseph Chamberlain, the conference was associated with the Jubilee celebration honoring the sixtieth year of Queen Victoria's reign. With dignitaries from all parts of the empire present in London to pay homage to the aging monarch, the occasion was auspicious for an affirmation of imperial unity. On five occasions

between June 24 and July 8 the foreign ministers of the eleven self-governing colonies found time amid the festivities for serious discussions of imperial defense and commercial policy. The convivial mood of the occasion could not conceal underlying conflicts of interest. Chamberlain's scheme of an imperial customs union went glimmering. Colonial governments were too jealous of their autonomy and too devoted to protecting their infant economies to embrace such a program. As noted, they preferred imperial preference, which would allow them to keep their tariffs on British goods and at the same time to gain favored treatment in the British market. The frustrated colonial secretary was forced to accept their point of view. The conference urged the government to denounce the Belgian and German commercial treaties and to renegotiate them so as to permit discrimination in favor of imperial goods. Chamberlain strongly supported this recommendation, and on July 28 Lord Salisbury gave Belgium and Germany the mandatory twelve months notice.[78] A keystone of British free trade had been removed. Although the West Indies were not represented at the conference, the outcome permitted them to hope that the government was inching toward a revision of its commercial policy.

The real significance of the conference for the West Indies, however, would not become apparent for some time. In 1898 Canada lowered customs duties on numerous colonial products, including West Indian sugar.[79] The islands thus acquired another market, one that would in the

long run prove more reliable than either the United States or Great Britain. But the future could not be foretold. In the fall of 1897 the planters clung to the hope that the mother country would afford them protection.

Meanwhile, the refiners, who had resolutely pursued their own anti-bounty campaign, discerned in the abrogation of the commercial treaties an opportunity to break the bounty impasse. In October five leaders of the trade[80] addressed a petition to Lord Salisbury urging the government to insert an anti-bounty clause in the new commercial treaties to be negotiated with Belgium and Germany.[81] The Foreign Office took a dim view of this suggestion. In the absence of a general settlement, Belgium and Germany could hardly recognize Britain's right to penalize their sugars. Such a provision would leave other bounty-fed imports untouched and would merely exclude Belgian and German sugar from the British market. To insist on an anti-bounty article would doubtlessly rupture the negotiations. If the United Kingdom failed to secure new commercial treaties, she would probably lose the most-favored-nation treatment she had enjoyed under the old ones. Best to avoid the question of countervailing duties altogether.[82] Chamberlain concurred, but he advised that the new treaties contain no provision depriving Great Britain of the right to impose such measures. In the meantime, he recommended the postponement of commercial negotiations until the government had clearly determined its policy on the bounty question.[83] The Board of Trade

likewise warned of the dangers of ill-conceived action.[84] All of the concerned departments agreed that an international conference would be the safest approach to the sugar problem.

The Foreign Office had closely followed the negotiations between Austria-Hungary, Germany and France. They knew that Austria-Hungary favored a conference, since she had taken the lead in the negotiations. They had no doubts about Germany either. For more than a year reports had described her dissatisfaction with the law of 1896. The act had further burdened both the imperial treasury and the consumer without restoring prosperity to the sugar industry. Other countries had retaliated, exacerbating the crisis in the world market. "Seldom has a law had such wrong effects as this one; and it was one for which 144 deputies voted and which 124 opposed. Now that this fiasco is public, new reform measures are demanded."[85] Prominent among those demands was the abolition of the bounty system, a course which, to all appearances, the government favored. The Dingley tariff appeared likely to bar German sugar from the lucrative American market. But even if Germany could recapture that market, as long as she gave the bounties she would merely transfer German taxes to the American treasury while gaining no competitive advantage. Under such conditions the bounty system was absurd. The Foreign Office was confident that Belgium and the Netherlands would also agree to a conference.[86] France was the question mark. The British knew that she had declined two separate

Austro-Hungarian proposals, and Sir Edmund Monson, the British ambassador in Paris, reported that "the general impression here seems to be that Monsieur Méline has no wish for the moment to see the bounty system abolished, as it is one of the bribes he offers the agriculturists in view of the forthcoming elections.[87]

British sugar interests had long pressed the government to call a conference. In the fall of 1897 support for such a step was growing in the cabinet and in the Foreign Office. Now that Austria-Hungary's efforts had collapsed, the way seemed clear for a British initiative. Sir Henry Bergne, for one, argued that France would have to accept an invitation in self-defense if Germany, Austria-Hungary, Belgium, and the Netherlands agreed to attend.[88]

The whole cabinet could agree that a conference offered the best means of dealing with the bounty question, but controversy surrounded the question of Britain's role in such a conference. Would she empower her delegation to threaten countervailing duties in order to force a settlement? Could she carry out such a threat if the other powers called her hand? What parliamentary reaction could the government expect?

The publication of the West India Royal Commission report lent a fresh urgency to these questions. The document's gloomy tone actually aggravated the colonies' difficulties by further discouraging potential investors.[89] For several months Chamberlain and his staff had reflected

on the issues and on the consequences of inaction. The Royal Commission had outlined a five-point plan for colonial rehabilitation which corresponded to his concept of constructive imperialism, but he apparently doubted its efficacy, especially the implementation of 'minor' industries. Recollections of his disastrous sisal-growing venture probably influenced him. To diversify colonial economies would be a slow, expensive, and dangerous process, which could, in the short run, cause additional hardships. His advisors, particularly C. P. Lucas, the chief of the West Indian department, had little faith in the capacity of the Negro population and feared that the collapse of the sugar industry might increase emigration of white and Indian inhabitants. The best alternative appeared to be the revival of the sugar industry. Aid for that purpose could be direct or indirect. The former, in the form of financial assistance to the planters, would be costly and would most likely meet resistance both in the cabinet and in Parliament, since the planters lacked adequate security. Moreover, Chamberlain considered West Indians generally lacking in enterprise and too disposed to depend on the government. If fair competitive conditions could be restored, capital would become more available, allowing the energetic and resourceful planters to succeed. It was the government's responsibility to provide those conditions.[90]

On November 8 the colonial secretary submitted to the cabinet an incisive memorandum in which he described

West Indian conditions as "alarming" and "almost certain to become disastrous and dangerous" within a short time. He conjured up the spectre of unemployment, governmental bankruptcy, and social turmoil. Following the commission's report, he indicted the bounty system as the root cause of the crisis, both because it encouraged overproduction and because its very existence deterred investment in the islands' economies. Since the commission "have not given much assistance to the solution of the problem," he argued, the cabinet itself must come to grips with the thorny question of aid to the stricken colonies.

Chamberlain stressed that the government could not avoid substantial monetary grants-in-aid to restore colonial finances and to implement the ameliorative measures proposed by the majority report, but he agreed with Sir Henry Norman that more drastic action was imperative and forthrightly declared that "if the matter could be treated independently of political considerations, I should certainly recommend the renewal of negotiations for the removal of the bounties with the declared intention of placing a considerable duty on bounty-fed sugar." The bounty system was "indefensible;" it was "absolutely wrong that the United Kingdom should profit by the ruin of its oldest colonies." The simple expedient of a countervailing duty would speedily destroy it. There would be several advantages to such a policy. If nothing else, the duty would boost the morale of the colonies and help to restore the sugar industry's credit,

for it would demonstrate that Great Britain "intends to see fair play." It would also squelch the notion, expressed by some colonists, that the West Indies had more to gain by joining the United States than by remaining British. On a somewhat cynical note, he argued that if the cabinet took steps to extirpate the bounties they would absolve themselves of all responsibility if the colonies eventually collapsed. Even if the industry were not salvageable, abolition would give the colonies a respite and time to substitute new crops. "It would be a great gain if the enterprise [sugar] died out gradually, instead of becoming extinct before any satisfactory preparation could be made against the inevitable consequences of such a catastrophe." On the other hand, if no action were taken "it will be absolutely necessary to allocate much larger sums to the relief of the West Indian colonies than would otherwise be the case."

He recognized, of course, the likely political consequences of his proposals. Just as in 1889 the government could expect "violent opposition" from fanatical free traders supported by jam and confectionery interests. Their objections, he believed, could be met. The revenue duties on tea might be lowered to compensate consumers for the higher price of sugar. Administrative difficulties involved in collecting the tax might be avoided by levying a fixed penalty duty rather than true countervailing ones. Nevertheless, opposition was inevitable. The cabinet, he

concluded, must decide if "they will face it."[91]

Chamberlain's audacious proposal ignited a spirited debate within the cabinet. Predictably, the Treasury and the Board of Trade led the opposition. The antipathy of the former augured ill for the colonial secretary's schemes, since of all the cabinet departments the Treasury was particularly influential. "In practice," Lord Salisbury once observed, "the Treasury... acts as a sort of court of appeal on other departments. Because every policy at every step requires money the Treasury can veto everything...."[92] Antagonism and tension between the Treasury and the great spending departments characterized British administrative life. Strained relations arose not from the mere fact that the Treasury controlled the purse strings but from increasingly divergent views on government spending. The Treasury was imbued with the traditional Gladstonian doctrines of limited expenditures and balanced budgets. By the 1890's it had become "the watchful guardian of the status quo."[93] In an age of soaring fiscal demands on governments, such an attitude brought the Treasury into sharp conflict with other departments. More than once Chamberlain's grandiose imperial schemes collided with obdurate Treasury resistance. As fate would have it, that department was headed by the one man in the cabinet whose will and stubbornness matched his own[94]--Sir Michael Hicks-Beach.

Apart from Lord Salisbury, Hicks-Beach was the

outstanding Conservative in a Unionist cabinet illuminated by the minority of renegade Liberals. He thus enjoyed a certain indispensability which fortified his position. Like Chamberlain he had once presided over the Board of Trade, but unlike the man from Birmingham he had never renounced his commitment to free trade and fiscal conservatism. Those ideals he shared with his two principal subordinates, Sir Francis Mowatt, the permanent Treasury undersecretary, and Sir Edward Hamilton, the permanent assistant secretary in charge of finance.[95] They were a redoutable trio, and they cast a jaundiced eye on Chamberlain's expensive plans for colonial development. As Lord Salisbury, whose distaste for the Treasury could scarcely be concealed,[96] remarked to the House of Lords: "When the Treasury lays its hand on any matter connected with the future development of the British empire, the chances of our imperial policy are small.[97] Unfortunately for Chamberlain, the Treasury and the Board of Trade instantly discerned in his proposals to aid the West Indies a potential threat to traditional economic principles. The battle was joined.

The debate exhibited little profundity or originality. Both sides resorted to the same tired arguments that had been bandied back and forth in innumerable pamphlets, articles, books, and speeches for twenty years.

Sir Michael's initial objections did not concern free trade. He found Chamberlain's proposals disturbingly vague, and he accused the colonial secretary of having

glossed over the problems inherent in countervailing duties. To attempt to countervail the bounties exactly was impractical. In many cases, precise calculation was impossible. He did acknowledge that a fixed duty, equal to the lowest direct bounty given by any country, might be feasible, "though I belive it is contrary to our most-favored-nation treaties with Russia, Austria, and Italy." But since this duty could also be evaded by disguised bounties, it might not help the West Indies at all.[98] Such objections aside, the Chancellor of the Exchequer thought foremost of politics:

> ... as the first step in increasing the price of sugar, it would rouse many interests here besides those named by Chamberlain, e.g., the brewers, the fruit-growers and fruit-pickers (a class as poor as match makers) whose industry means jam, and requires cheap sugar: biscuit-makers, aerated-water makers--and others. We shall never know how many people are interested in cheap sugar until we attack it. On the other side are only (I mean here) a few West Indian proprietors, their bankers or agents, and sugar brokers. Whatever the strength of sentiment on behalf of our colonies, it will not weigh much against the interest of the pocket.[99]

The dispute between Chamberlain and Hicks-Beach reflected two contrasting conceptions of national interest. Chamberlain believed that the welfare of the mother country was inseprarably linked to that of the empire. Britain's future, both economically and politically, depended upon closer relations with her colonies and dominions. The value of that objective vastly outweighed the cost of a

minor inconvenience to consumers. Hicks-Beach, on the other hand, subordinated the interests of the colonies to those of the United Kingdom. He rightly saw that free trade in foodstuffs had brought enormous benefits to the British people, in this case the boon of cheap sugar. Even the poor could enjoy what had once been a luxury. Furthermore, those poor could vote. They would surely rise up in arms against any threat to cheap food. To attack free trade was to court political disaster, and, as he wrote to Salisbury, "I would sooner see the West Indies ruined than the Unionist party."[100]

Chamberlain fought hard to overcome the chancellor's objections. In a second memorandum, addressed directly to Hicks-Beach, he marshaled fresh arguments and more specific proposals. There was a "serious" political, and moral, question at stake. The West Indies were suffering rather than prospering as a result of their imperial connection. Twice within a century British policy had drive them to the brink of ruin--once by emancipating the slaves, again by refusing to counter the bounties. No wonder discontent was rife in the islands and there was talk of transferring their allegiance to the United States.[101] Imperial responsibilities obligated the government to aid them. Again, the colonial secretary proposed to call a conference, accompanied by a threat to impose a fixed penalty duty of 30s per ton on all bounty-fed sugar. To allay the chancellor's suspicions, he reassured him that "I look upon a counter-

vailing duty not as a remedy, but rather as a weapon to use in negotiations, and as an indication to the colonies that the mother country is not wholly indifferent to their interests." The threat was essential. The history of the earlier conferences proved that no agreement could be concluded without a penal clause. In all probability, the government would never need to invoke countervailing duties because the mere threat should topple the bounty system. Nevertheless, if the threat failed the government must impose the duty and "incur the hostility of certain interests at home, while gaining or regaining the confidence of that section of the mercantile community which is connected with the West Indies and of those colonies themselves." Without countervailing duties, he reiterated, the Exchequer must be prepared to assume greater burdens than would otherwise be necessary. "These colonies cannot be left to repudiate their debts, and relapse into anarchy.... For myself, I am not prepared to be responsible for the administration of colonies which the mother country will neither save from ruin, nor regenerate when ruined."[102]

The Chancellor of the Exchequer remained unconvinced. He acknowledged that free-trade doctrine was ambiguous on the question of bounties and that in this special case one might justifiably depart from a "passive attitude." But such a hazardous modification of traditional commercial policy should be made only to assist a vital domestic industry; otherwise, the government would fail to enlist

mass support. French bounties on ship construction might be profitably attacked, he suggested, but the refining industry was nearly dead, and imperial sentiment, though strong, would not override immediate "pocket" interests. The public would not support a campaign against sugar premiums. Moreover,

> I must frankly say that I do not like framing our fiscal system, not for our own benefit, but for the benefit of those who do not bear our taxation, even if we were sure that we should benefit them by so doing....[103]

In any case, would such duties really help the West Indies? Even if they did, would the gain be commensurate with the cost to the mother country? The royal commission had entertained similar doubts, and Hicks-Beach refused to believe that the promises warranted the risks.

Further arguments against Chamberlain's proposals were contributed by Henry W. Primrose, the chairman of the Board of Inland Revenue. He insisted that free trade implied equal treatment for all countries and added that "personally, I cannot see that there is any difference in principle between countervailing a bounty, and countervailing a hostile tariff...."[104] He referred to the dispute in which the United States had become embroiled over the interpretation of the most-favored-nation clause. If Great Britain should follow the American example, "we should have created for the Foreign Office a disturber of the peace beside which Africa would be as nothing."[105] To this

objection the Colonial Office retorted that the London Conference of 1887-88 had exempted countervailing duties from the operation of the most-favored-nation clause and that the United States had formally adopted that interpretation.[106]

Primrose's most telling objection was that countervailing duties would not only open the British market more to West Indian sugar but that they would also render that market more attractive to foreign cane sugar producers. Since numerous cane growing regions boasted more advanced industries and harbored greater growth potential than the West Indies, any initial advantage to those colonies might soon vanish. Moreover, what if some of the self-governing colonies, such as Victoria or New Zealand, decided to grant bounties? Would British duties penalize their sugar?[107] The Colonial Office had no anwer to those arguments.

Primrose conceded that a sugar duty would make an excellent war tax but asserted that only a real emergency would warrant taxing an important food item.

> I should say that no single method of meeting the West Indian difficulty by adjustment of our home tariff commends itself to me.... every possible method has this objection that it goes beyond the necessities of the case, and means either loss to the British consumer of sugar, or risk to British trade generally, out of all proportion to the gain to the West Indian planter.[108]

He fell back at last upon the moral arguments so popular with free traders. "The moral is obvious that it would be but a cruel kindness to do anything for the West Indian

planters that would relieve them of inducement to improve their methods."[109]

Chamberlain categorically rejected such arguments. A real emergency had already arisen, he declared, but free traders were blind to it because their eyes were focused on home interests. Many planters had made improvements, but to no avail. Many others could not do so owing to lack of capital. Without assistance from the mother country "there will be no disposition on the part of the colonists to help themselves."[110]

Chamberlain had hoped to sway the Treasury and the Board of Trade to his viewpoint by dangling over their heads the prospect of heavy future expenditures for colonial relief if no action were taken against bounties. His tactics backfired. Although Hicks-Beach and Sir Edward Hamilton looked askance at grants-in-aid, believing that such government intervention would set an expensive and dangerous precedent, they seized that alternative as the lesser of two evils.[111] By agreeing to a program of financial assistance, they successfully averted a cabinet decision in Chamberlain's favor. The colonial secretary's request for countervailing duties was rejected on the grounds "that such a course would or might disorganize the whole commercial system of the United Kingdom for the sake of one section of one industry."[112]

Chamberlain, nevertheless, won at least a partial victory. Shortly afterward he again urged the government

to call a bounty conference "with as little delay as possible." If another country took the initiative then London, to avoid "any appearance of undue anxiety," should defer to it, but if none stepped forward, the United Kingdom should take the lead. He suggested Paris as the site of the proposed meeting.[113]

For two years Salisbury had rebuffed repeated appeals for a conference, but several factors were leading him to modify his cautious policy. Evidence from abroad hinted at a favorable climate for negotiations. His two commercial undersecretaries at the Foreign Office, Bergne and Curzon, had embraced the anti-bounty viewpoint, and by late 1897 they were insistently urging a vigorous approach. Chamberlain had thrown the weight of the Colonial Office behind the anti-bounty campaign. And in late November a Conservative party conference approved a resolution endorsing government protection for the West Indies. Under such influences, Salisbury grew more receptive to the idea of a conference. In late December he gave the signal to initiate negotiations.[114] The Foreign Office duly transmitted a circular letter to British representatives in Paris, Berlin, Vienna, St. Petersburg, Brussels, the Hague, and Copenhagen ordering them to ascertain "whether the government to which you are accredited would be disposed to take part in such a conference...."[115]

After more than two years in office, the Salisbury government, pressured from within and without, had

reluctantly reopened the bounty question. Chamberlain could consider that fact a triumph of sorts. But his success was limited. He had failed to persuade the cabinet to adopt the most reliable antidote to the bounties. The redoubtable Hicks-Beach adamantly opposed any tampering with traditional fiscal policy. In the public arena the bounty debate was heating up again. The struggle was far from decided. In fact, it had just begun.

NOTES

[1]Brown, p. 58.

[2]Ibid., pp. 78-79.

[3]Ibid., pp. 80-81.

[4]Ibid., p. 82.

[5]Beachey, p. 149.

[6]Julian Amery, The Life of Joseph Chamberlain, IV, 235-36

[7]Sir Edward Grey, undersecretary, Foreign Office, to Count de St.-Genys, May 20, 1895, ADC, A/53Q/1.

[8]The story of Chamberlain's conversion from a Radical reformer to an ardent imperialist is well known, and it would be superfluous to recapitulate it here. A study by William L. Strauss, Joseph Chamberlain and the Theory of Imperialism, examines in detail the development of his imperialistic notions, from a point of view hostile to Chamberlain. A more recent and more dispassionate work treating various aspects of Chamberlain's career is that of Peter Fraser, Joseph Chamberlain: Radicalism and Empire, 1868-1914 (hereinafter referred to as Joseph Chamberlain). Of course, the starting point for any study of Chamberlain is the six volume work begun by James Louis Garvin and recently concluded by Julian Amery, The Life of Joseph Chamberlain. More panegyric than history, it is nonetheless valuable for the wealth of documents it quotes at length. Volume IV contains a brief chapter on Chamberlain and the sugar question.

[9]Fraser, Joseph Chamberlain, pp. 15-16.

[10]Martineau, Short History, p. 42.

[11]Farrer later reflected that he was amazed by Chamberlain's ignorance "of all economic questions" but was at the same time struck by his skill at reproducing arguments he did not understand. Garvin, I, 410-11.

[12]All the favorable votes came from the Conservative benches. Brown, p. 59.

[13]Strauss, pp. 96-97, contrasts British and German techniques of marketing and salesmanship and points out the superiority of the German approach. See also A. E. Musson, "The Great Depression in Britain, 1873-1896: A Reappraisal," Journal of Economic History, XIX, No. 2 (1959), 210.

[14]Musson, pp. 200-01, 211.

[15]As early as 1882 Chamberlain had spoken favorably of such a scheme to Sir Charles Dilke. Garvin, I, 434.

[16]Strauss, pp. 125-26.

[17]Garvin, I, 435.

[18]Bernard Semmel, Imperialism and Social Reform: English Social-Imperial Thought, 1895-1914, p. 26.

[19]Musson, p. 228, and S. B. Saul, "The Economic Significance of 'Constructive Imperialism'" (hereinafter referred to as "Constructive Imperialism"), Journal of Economic History, XVII, No. 2 (1957), 173. Brown, pp. 85-128, examines the rise of numerous schemes for imperial federation, for imperial customs unification, and for imperial preference during the years 1881-1895. See also D. C. M. Platt, "Economic Factors in British Policy during the 'New Imperialism'" (hereinafter referred to as "Economic Factors in British Policy"), Past & Present, No. 39 (April 1968), 123-26.

[20]Henceforth the label Unionist will be used interchangeably with Conservative.

[21]Robert Charles Kirkwood Ensor, England, 1870-1814, pp. 224-25.

[22]Memorandum by Chamberlain, June 24, 1895, quoted in Garvin III, 5.

[23]Garvin, III, 7.

[24]Robert V. Kubicek, The Administration of Imperialism: Joseph Chamberlain at the Colonial Office, p. 4. The voting returned 340 Conservatives and 71 Liberal Unionists as opposed to 177 Liberals and 82 Nationalists. Salisbury enjoyed a comfortable majority of 152. Ensor, England, 1870-1914, p. 221.

[25]Quoted in Garvin, III, 19.

[26]Saul, "Constructive Imperialism," p. 175.

[27]November 28, 1895, quoted in Garvin, III, 23-24.

[28]Chamberlain feared that without imperial federation Britain would sink to the status of a second class power, both economically and militarily. Such fears must not be excluded from the complex of motives behind British imperialism. Platt, "Economic Factors in British Policy," pp. 137-38, and Semmel, p. 87.

[29]Joseph Chamberlain, Foreign and Colonial Speeches, pp. 161-76.

[30]Mr. Chamberlain's Speeches, ed. by Charles W. Boyd, I, 370-71.

[31]Ibid., p. 371.

[32]See, for example, Lord Thomas Henry Farrer, The Neo-Protection Scheme of the Right Hon. Joseph Chamberlain, Cobden Club Leaflet No. CV (July 1896).

[33]Brown, pp. 116-17.

[34]Beachey, p. 150.

[35]LJ, p. 505.

[36]Edward Wingfield, assistant undersecretary, Colonial Office, to Sir Henry Bergne, commercial undersecretary, Foreign Office, Sept. 3, 1895, F083/1711.

[37]Bergne to H. Farnall, Board of Trade, Oct. 30, 1895; minute by Bergne on draft to Colonial Office, Jan. 7, 1896, ibid.

[38]Memorandum by Bergne, March 4, 1896, ibid.

[39]Ibid.

[40]Wingfield to Bergne, Dec. 18, 1895, ibid.

[41]Minute, ibid.

[42]West India Commitee Circular No. 130, ibid.

[43]Quoted in Beachey, p. 151.

[44]Ross J. S. Hoffman, Great Britain and the German Trade Rivalry, 1875-1914, pp. 241, 247-49, 251.

[45]C. Czarnikow, British sugar dealer, to Sydney Olivier, Colonial Office, Nov. 25, 1896, copy to Foreign Office, F083/1712.

[46] Lascelles to Salisbury, Dec. 18, 1896, ibid.

[47] James L. Ohlson, secretary, West India Committee, to Bergne, June 11, 1896, F083/1711.

[48] Note by Salisbury, July 2, 1896; minute initialed by Salisbury, Bergne, and Curzon on West India Committee to Bergne, July 16, 1896, F083/1712.

[49] Quoted in Beachey, pp. 152-53.

[50] Ibid., p.

[51] Quoted in Amery, IV, 237-38.

[52] Hicks-Beach to Chamberlain, Nov. 22, 1896, JCP, JC14/3/22.

[53] Amery, IV, 238.

[54] Kubicek, p. 19.

[55] Chamberlain to Sir Henry Norman, Jan. 5, 1897, PP, 1898, L, "Report of the West India Royal Commission," p. 5.

[56] Chamberlain to Sir Edward Grey, Dec. 16, 1896, JCP, JC14/3/24.

[57] PP, 1898, L, "Report of the West India Royal Commission," p. 7.

[58] Ibid., p. 69.

[59] Ibid., p. 9.

[60] Ibid., p. 13.

[61] Ibid., pp. 70-76.

[62] Ibid., pp. 78-80.

[63] Musson, p. 217.

[64] S. B. Saul, Studies in British Overseas Trade, 1870-1914, pp. 135-36.

[65] PP, 1898, L, "Report of the West India Royal Commission," p. 70.

[66] The duties were adjusted to U. S. Treasury estimates of the amounts of foreign bounties. The duties thus varied, depending upon the country of origin.

[67]Stanley K, Hornbeck, "The Most-Favored-Nation Clause," American Journal of International Law, III, No. 3 (1909), 645. See also L. E. Visser, "La clause de la nation la plus favorisée dans les traités de commerce," Revue de droit international et de législation comparée, 2e ser., IV (1902), 172. Visser argued that compensatory duties were not compatible with most-favored-nation treatment because bounties, like tariffs, were internal matters beyond the legal reach of foreign governments. See pp. 174-76. On the other hand, Wilhelm Kaufmann, a contemporary German scholar, saw no conflict. He did maintain, however, that a fixed countervailing duty could not be reconciled with the most-favored-nation clause because it discriminated among bounty-paying countries. See Welt-zuckerindustrie, pp. 298-309.

[68]Percy Ashley, Modern Tariff History: Germany--United States-- France, 3rd ed., p. 76.

[69]For years ending March 3. "World's Sugar," p. 2717.

[70]Article 5 of that treaty stated that "no higher or other duties shall be imposed on the importation" of the produce or manufacture of each country into the market of the other "than are or shall be payable on the like article being the produce or manufacture of any other foreign country...." Article 9, the conditional most-favored-nation clause, read: "If either party shall hereafter grant to any other nation any particular favor in navigation or commerce, it shall immediately become common to the other party, freely, where it is freely granted... or on yielding the same compensation, when the grant is conditional." See Hornbeck,pp. 412-13.

[71]William Smith Culbertson, International Economic Policies: A Survey of the Economics of Diplomacy, pp. 71-72.

[72]"World's Sugar," p. 2717.

[73]William S. H. Gastrell, British commercial attaché in Berlin, to Viscount Gough, secretary of the British embassy in Berlin, April 9, 1897, F083/1712. Gastrell quoted German figures that the value of the Reich's sugar exports to the United States in 1895 amounted to £675,000 out of a total of £18,420,000 for all exports.

[74]"World's Sugar," p. 2717. News that countervailing duties were impending was partly responsible for the high import figures for the first months of 1897. The sharp drop apparent after passage of the act was thus partly caused by the fact that American importers held large stocks on hand.

[75]Beachey, p. 160.

[76]The West Indians greatly feared a reciprocity arrangement between the United States and Cuba. See, for example, West India Committee to Foreign Office, Jan. 19, 1897, F083/1712.

[77]Ashley p. 75.

[78]Ensor, England, 1870-1914, pp. 240-42.

[79]Culbertson, p. 160.

[80]They were Edwin Tate, chairman of the London Sugar Refiners' Association; Charles J. Crosfield, chairman of the Lancashire Sugar Refiners' Association; Robert Kerr, chairman of the Scottish Sugar Refiners' Association; Henry J. Mirehouse, a Bristol refiner; and L. A. Martin, secretary of the British Sugar Refiners' Committee.

[81]Refiners to Lord Salisbury, Oct. 22, 1897, F083/1713.

[82]Memorandum by Bergne, Nov. 24, 1897, ibid.

[83]H. Bertram Cox, undersecretary, Colonial Office, to Bergne, Nov. 18, 1897, ibid.

[84]Sir Courtenay Boyle, permanent secretary, Board of Trade, to Bergne, Nov. 26, 1897, ibid.

[85]Memorandum by Gastrell, Nov. 14, 1897, ibid.

[86]Note, Bergne to Curzon, Nov. 26, 1897, ibid.

[87]Monson to Salisbury, Nov. 15, 1897, ibid.

[88]Note, Bergne to Curzon, Nov. 26, 1897, ibid.

[89]Wingfield to Bergne, Dec. 15, 1897, ibid.

[90]H. A. Will, "Colonial Policy and Economic Development in the British West Indies, 1895-1903," Economic History Review, 2d ser., XXIII, No. 1 (1970), 137.

[91]Cab 37/45, No. 44, "Condition of the West Indian Colonies."

[92]Henry Roseveare, The Treasury: The Evolution of a British Institution, p. 185.

[93]Kubicek, p. x.

[94]Fraser, p. 231.

[95]Kubicek, pp. 70-71.

[96]Roseveare, p. 184.

[97]Quoted, ibid.

[98]Hicks-Beach to Salisbury, Nov. 24, 1897, HBP, PCC/34.

[99]Ibid.

[100]Ibid.

[101]The royal commission had discounted any real movement in that direction. Beachey, pp. 158-59. However, see below, p. 244.

[102]Cab 37/45, No. 52, "Correspondence on the Subject of a Countervailing Duty against Sugar Bounties," Nov. 26, 1897.

[103]Hicks-Beach to Chamberlain, Dec. 3, 1897, ibid.

[104]Comments by Primrose on notes from Colonial Office, Dec. 7, 1897, Cab 37/45, No. 53, "Further Correspondence on the Subject of a Countervailing Duty against Sugar Bounties," Dec. 8, 1897.

[105]Memorandum by Primrose on the West India Royal Commission report, Nov. 19, 1897, Cab 37/45, No. 52.

[106]Colonial Office reply to Primrose, Dec. 6, 1897, Cab 37/45, No. 53.

[107]Memorandum by Primrose, Nov. 30, 1897, Cab 37/45, No. 52.

[108]Memorandum by Primrose, Nov. 19, 1897, ibid.

[109]Ibid.

[110]Notes by Colonial Office in memorandum by Mr. Primrose, Dec. 6, 1897, Cab 37/45, No. 53.

[111]Kubicek, p. 77; Hicks-Beach to Chamberlain, Dec. 3, 1897, Cab 37/45, No. 52; and comments by Primrose on notes from Colonial Office, Dec. 7, 1897, Cab 37/45, No. 53.

[112]Quoted in Will p. 138n1. The decision had been a close one. Hicks-Beach later wrote to Hamilton that he "fully expected to be beaten." Kubicek, p. 77n32.

[113]Wingfield to Bergne, Dec. 15, 1897, F083/1713.

[114]Curzon to Board of Trade and Colonial Office, Dec. 30, 1897, ibid.

[115]January 7, 1898, ibid.

CHAPTER VI

THE CONFERENCE OF 1898

"The difficult period is not over," cautioned Jules Méline to an audience of sugar manufacturers in the fall of 1897. "A new era is about to open, with all its uncertainty. The sugar question, heretofore a domestic issue, is about to become an international issue. Now we will have to reckon with others and that is a whole new game."[1] A decade after the failure of the London Conference, the deepening sugar crisis again compelled the nations of Europe to seek an international solution to the bounty question. Experience had shown that the task would not be easy, and no government could confidently predict success, especially since three major powers held stubbornly to policies that threatened to doom the conference before it ever met.

Germany, Austria-Hungary, and France had carried on tentative negotiations between 1895 and 1897. The French government had purposefully withheld a reply to the second Austro-Hungarian formula until its sugar legislation could be restructured. After the Senate passed the government's sugar bill, Hanotaux reminded his colleagues that a response was due. But the cabinet would not comply. Méline and his ministers were chary of a conference. In view of agri-

culture's devotion to the law of 1884, they risked a confrontation with their own majority if they participated. For this reason the President of the Council preferred to play the waiting game. Do not force the issue, he advised. France was not to blame for the bounty crisis. Wait for another Austro-German approach before revealing French terms. The government needed time to evaluate the new sugar regime before formulating a definite policy.[2]

Time failed to modify the cabinet's stand. France must attend a conference if invited, but she could agree to no advance agenda.[3] Certain conditions must also be met; all bounties must be truly abolished, and all major sugar-producing and consuming countries must sign the convention. In Méline's view the former condition did not conflict with his determination to preserve the law of 1884, since he denied that it allowed a bounty. With the exception of Russia, all other European governments disagreed. Therein lay the seed of future trouble.

While the French bided their time, a fresh overture came, surprisingly, from Brussels. Belgium's obduracy had thwarted several previous conferences, but by 1897 her sugar industry was suffering acutely from high bounties and low prices. Her government recognized that the round of bounty increases initiated by Germany menaced not only the sugar industry but the national budget. When France moved to create direct bounties, the Belgians decided to intervene. They had followed with keen interest the earlier negotiations,

and they knew those talks had borne no fruit. France was clearly the obstacle. In newspaper interviews and in the Chamber, the French cabinet repeatedly refused to compromise on the law of 1884. The Belgians thus doubted the efficacy of a direct approach to Paris at that time. France would have to be coaxed into a conference by the promise of concessions. The best course lay in negotiations with Germany and Austria-Hungary, since those countries must agree beforehand to pay a price for French participation.

On March 24, 1897 the Count Smet de Nayer, the Belgian Prime Minister and Minister of Finances, who strongly opposed the bounty system, ordered Baron Jules Greindl and Baron Emile de Borchgrave, ambassadors to Germany and to Austria-Hungary respectively, to sound those governments on the following two proposals:

1) In the opinion of the Belgian Government, an agreement might be obtained if the negotiations were based on the one hand upon the complete abolition of the bounties in countries such as Germany, Austria, the Netherlands, and Belgium, where the beet sugar industry has attained an approximately equal level of development, and on the other upon the allowance of certain advantages to countries, France, for example, where the sugar industry is less advanced.

2) The Belgian Government would see no disadvantage in participating in such an international conference. If necessary, and if it is desired, they would be prepared to take the initiative in convening that conference.[4]

Greindl encountered mixed reactions from the German cabinet. Baron von Marschall, the foreign minister, agreed that the moment seemed opportune to settle the bounty question. His country had become disillusioned with the system and was more anxious than ever to rid herself of it, especially now that the United States was threatening to levy countervailing duties. Believing the German industry strong to compete with a moderate French bounty, he raised no objections to allowing France an advantage. Such a concession was a fair price for a settlement.[5] But Marschall's opinion was challenged by Count Posadowsky, Secretary of the Imperial Treasury, who insisted that the French industry had achieved equality with its competitors and thus did not deserve special favors. Greindl argued cogently that without an advantage France would not likely accept a convention. Eventually, Posadowsky relented. If the French could prove their industry's inferiority, Germany could allow them favored treatment. But, he warned, the Reichstag would never consent to negotiate on that basis, for to do so would leave Germany no means of securing reciprocal concessions from the French. Paris must under no circumstances learn of Germany's complaisance.[6] The Belgians were satisfied. As they saw it, the first problem was to lure France to a conference. As long as the other major producers were willing to countenance her claim to some favor in compensation for the cost disadvantages under which her manufacturers labored, there was hope for a settlement.

The Austro-Hungarian government also proved receptive to the Belgian suggestions. Its second initiative having apparently collapsed, Vienna actually preferred to see Belgium take the lead.[7]

Before renouncing their own program, the Austro-Hungarians informed Paris of Belgium's approach and requested a clear statement of policy. Unable to temporize any longer, Méline replied that France was no less convinced than Germany and Austria-Hungary that bounty abolition would serve the interests of everyone, but she doubted the other powers would find the Austrian formula acceptable, particularly Vienna's claim to an advantage. On the other hand, she was not averse to attending a conference called by Belgium, provided that all the interested countries took part and that the discussions were limited to direct bounties, excluding all questions concerning the domestic regimes of the participants.[8] The tenor of the answer reinforced the Dual Monarchy's willingness to defer to Belgium.

A new, though not unexpected, factor obtruded that summer, when the United States Congress enacted the Dingley tariff. Although the German government protested vigorously on behalf of its sugar interests, public opinion in that country turned sharply against the bounties. The liberal press called for abolition. Even sugar manufacturers and refiners openly questioned the wisdom of bounties under such conditions. They urged the government to withdraw

premiums on exports to America if the United States refused to accede to German protests. This suggestion, though never implemented, revealed a growing disillusionment,[9] and the government discerned in the Dingley Act the promise of an eventual solution to the bounty conundrum. As Baron von Thielmann, the Imperial Secretary of the Treasury, informed the Reichstag:

> ... several States and among them some of the largest sugar growers are about to again enter into negotiations. You will, doubtless, say they do so for the ninth time. Quite right; but a new factor now comes into play, like a pike in a carp pond, I mean the American tariff.... I hope that this pike, an unwelcome apparition for us, may yet have the good effect of quickening the carp, so that the new negotiations between the subsidizing States may now be more possible than before.[10]

He was correct. The Dingley Act encouraged efforts to solve the problem because it diverted vast quantities of sugar from American ports to other markets, thus intensifying competition. It also inspired more strenuous anti-bounty lobbying in Great Britain. All sugar-exporting states realized that if the British followed the American example, the bounty system could no longer endure.

But such a prospect failed to daunt Méline and his colleagues. They believed that free trade was too deeply embedded in Albion's psyche to permit her to impose countervailing duties. Calling upon their agricultural and industrial supporters to uphold them, they kept to their determined course.

> ... we must make sure that the stakes [of the conference] do not include the law of 1884. It must be well understood that law will never, for any reason, be involved in the coming negotiations. I do not need to tell you that our government has firmly resolved that we will never abandon that beneficial statute that safeguards French production. Let me add, to reassure you, that I am convinced that all succeeding governments will continue this policy. They can do no other.
>
> That is why it is more necessary than ever that you close ranks behind the government. You must serve as our support. We must be able to assert that we defend the fortunes of an entire industry and of some of the principal departments of France. When we can speak with such authority, others will understand that there are sacrifices that cannot be demanded because they are impossible to accept.[11]

Such language reconfirmed Belgian fears that France would spurn a convention unless it guaranteed the regime of 1884. Meanwhile, a new cabinet had taken power in Berlin, and Smet de Naeyer ordered Greindl to repair, if possible, the informal agreement concluded the previous spring. Both Bernhard von Bülow, the new foreign minister, and von Thielmann, Secretary of the Treasury,were initially skeptical. Would other governments accept such a scheme? Would it not undermine the conference at the outset? Greindl reassured them.

> Of course it will never do to offer to negotiate on that basis. That would certainly cause the parliaments of the participating countries to reject the future convention. We must allow this concession to be dragged out of us after fighting as long as possible to prevent it.

> But we in Belgium do not believe there is any other way out. That is the price of French adherence.[12]

Here is the strategy, the ambassador contined. France has two bounties, direct and indirect. She is prepared to renounce the former, which she only created to serve as bargaining weapon to enable her to preserve the latter. While accepting that concession, the otherpowers must also ask her to give up, or at least to reduce, her indirect bounty. Hopefully such an approach might achieve at least some reduction in the indirect bounty, while, at the same time, it "would have the advantage of permitting M. Méline to keep the promise that he made recently in a public speech not to touch French legislation."

Not quite convinced, Thielmann asked Greindl if Belgium would consider a convention without France. After all, despite her extravagant bounties, she exported less than she consumed. No, replied the ambassador, if France should keep all her bounties while other countries abolished theirs, her industry would likely expand enormously, forcing other governments to restore their subsidies. Belgium preferred not to conclude a convention at all rather than omit any major producer.[14] Greindl's arguments were persuasive. Within a few days the Germans informed Vienna that the powers must prepare to grant concessions to France.[15] The Austro-Hungarian again proved amenable.[16]

To this point Belgium had sought a compromise acceptable to France. She had not disclosed her own aims. But her

government did not intend to play only the role of mediator. It had always tenaciously defended the interests of its own producers, and, while Smet de Naeyer and his cabinet were disposed to compromise, they also pursued well defined objective that threatened to raise additional obstacles.

In November 1897 Belgium submitted a four-point program to Germany.

1) The Belgian government will disavow any intention to create direct bounties.

2) It will abolish the existing tax on the volume and density of the beet juice and substitute manufacturing in bond.

3) It will accept, if absolutely necessary, the principle that certain countries may retain an advantage to compensate for their cost inferiorities.

4) It will demand that a limit be placed on customs surtaxes.[17]

The final point was crucial. Dutch delegates to the London Conference in 1887-88 had first pointed out that excessively high surtaxes encouraged the formation of combinations, allowing them to charge unnaturally high prices in the domestic market and to dump in export markets. They thus produced effects identical to bounties. Both distorted the world market; both encouraged dumping; both penalized the domestic consumer to the benefit of the foreigner. No settlement would be complete unless the surtax problem were also eliminated. Germany, Austria-Hungary, and Russia all levied exorbitant surtaxes.[18] Powerful sugar cartels already operated in the latter two countries, and one was being organized in Germany. The Belgians feared that they might

dispose of bounties yet find nothing changed. Their own producers, lacking subsidies, would then be crushed. They entertained no illusions that their quest for surtax limitation would be easy. France, Germany, and Austria-Hungary had rebuffed the surtax issue in 1888, and the latter two would likely do so again.

Greindl hastened to assure the Germans that his government did not propose the abolition of all surtaxes. Every country had the right to defend its domestic market. But some statutory limit, low enough to hinder the formation of cartels, should be established. The Imperial cabinet had not anticipated such a demand. They were at first nonplussed and refused to commit themselves without prior consultations with Austria-Hungary.[19] The two empires, already bound by close military and diplomatic ties, had resolved to act in concert. Both had a vested interest in subsidizing their industries by means of high surtaxes, which were cheaper than bounties and less blatantly offensive. They were also competitors and must act together lest one acquire an advantage. Their discussions were bound to take time and Greindl advised his government to be content that Germany had not rejected surtax limitation outright.[20]

The failure to secure a German commitment on surtaxes did not impede progress toward a conference. Now that anti-bounty sentiment was running high in their country, the Germans wanted to convene quickly, to settle the issue while the time was ripe. They hoped a convention could take effect

before the campaign of 1898-99, a year away. There was no time to lose since the legislatures of the participating countries would have to ratify.[21]

Haste proved impossible. The powers had never officially decided who was to call the conference. After a flurry of notes both Germany and Austria-Hungary formally deferred to Belgium,considering that France would respond more favorably to a Belgian invitation than to a third Austro-German initiative. They also anticipated that Belgian leadership would produce a favorable impression on the European public, since that country had consistently blocked a settlement in years past.[22]

Smet de Naeyer first suggested summoning most of the nations invited to the London Conference of 1887-88, viz., Germany, Austria-Hungary, the Netherlands, Great Britain, France, Italy, Russia, Sweden, and the United States. Neither Berlin nor Vienna wholeheartedly approved. They recommended that only the major beet sugar exporters--the four countries already involved in negotiations as well as the Netherlands--be invited. The other were only marginally important, and the more participants the more difficult an agreement.[23] Great Britain was conspicuously missing from their list, and in the absence of documentary evidence the significance of this omission can only be surmised. They probably regarded Great Britain as a liability. If she attended, the question of a penal clause would surely arise. In the light of past experience, there was small likelihood

that she would accept one, and her refusal could break up the talks. The Germans preferred to rely on the good faith of the participants rather than on a dubious agreement with the British.

The German and Austrian suggestions were not binding, however, and the Belgians trusted their own judgement. They considered Britain's participation essential, not only because she was the world's leading sugar market, but also because she could be a valuable ally in the inevitable struggle over surtaxes. They also wanted Russia to take part. While Russia did not grant export bounties, her sugar regime was contrived to encourage exports. Since prohibitive customs duties enabled that system to function, the Belgian government hoped to secure Russian assent to surtax limitation.

On December 30, 1897 Favereau telegraphed his ambassadors in Paris, Berlin, Vienna, and the Hague, instructing them to announce officially Belgium's intention to summon a conference.[24] That very same day Lord Salisbury also decided to convene a conference. When the Foreign Office issued its circular eight days later, the Belgian government simultaneously instructed Baron Edouard Whettnall, the ambassador to Great Britain, and Alfred Leghair, the ambassador to Russia, to sound those governments. Neither London nor Brussels knew of the other's initiative. The instructions crossed. When Sir Francis Plunkett, the British ambassador, called on the Belgian Foreign Ministry the next day, the coincidence was revealed. Favereau and Baron

Lambermont, the secretary-general of the ministry, were surprised and delighted, and they expressed their hope that their initiative would be favorably received in London.[25] Whettnall's initiative was likewise warmly greeted by Curzon, who expressed the hope that the coincidence would be "an augury of ultimate agreement."[26]

Despite the good feelings, Plunkett's suspicions were aroused. Favereau had divulged that his government had been negotiating with Germany and Austria-Hungary for months. The British had had not the slightest inkling of those talks. Why had the secret been so well guarded? Plunkett speculated that some of the powers had harbored schemes inimical to British interests but that at the last moment Belgium insisted on British participation.[27]

The simultaneous overtures produced uncertainty about who was to take the lead. Whettnall interpreted Salisbury's official reply to mean that Great Britain intended to pursue her initiative.[28] A close associate of the Prime Minister, Lord Pirbright, who as the Baron Henry de Worms had presided over the Conference of 1887-88, was known to covet that role again and to favor London as the site. On the other hand, Joseph Chamberlain had already congratulated Belgium and expressed his pleasure that the initiative had come from a bounty-giving country.[29] The Belgians were seriously concerned about Britan's intentions. Since she was a major power, if she chose to follow through, Belgium would have to defer, a circumstance her government

ardently hoped to avoid. Through months of negotiations they had painstakingly laid the foundations of a strategy they believed would succeed. If the British stepped in, all would go for naught. Since London had not clearly stated its wishes, they pressed on with their initiative.[30]

Belgium had already issued, on January 12, her formal invitation, couched in the following terms:

> The King's Government, convinced that it would be useful to discuss in an international Conference the question of the abolition of export bounties on sugar and the points connected therewith, has resolved to invite the governments of the European beet sugar exporting countries to appoint delegates in order to examine in concert the question at issue.
>
> I am,therefore, instructed... to ask the Government if it would be good enough to be represented at a conference which, if the indicated date is acceptable to the various countries concerned, will meet at Brussels around next February 15.[31]

The invitation received a frigid reception in Paris. Hanotaux exclaimed that "no moment could be more inopportune ... as far as this government is concerned."[32] Elections to the Chamber of Deputies, usually held in the fall, had been postponed until the spring of 1898. Méline did not relish committing his government before those elections. If a conference met and France were forced to accept a settlement regarded by the sugar interests as detrimental, the government coalition might lose heavily in the populous beet-growing regions, where they could otherwise count on firm support. Even to attend a conference at all before the elections might

embarrass the government, since the suspicions of the sugar interest would be aroused. There were also, added Hanotaux, administrative considerations in that M. Pallain, the Director-General of Customs, had been transferred to the Board of Governors of the Bank of France, and ministerial discussions would be impeded until his succesor could master the details of the sugar question. France could thus not possibly agree to such an early date.[33]

The Belgian cabinet found themselves in a quandary because Germany, hoping to allay the doubts of pessimists and to forestall counterattacks from the protectionists, continued to press for an early convocation.[34] They concluded that France must be mollified whenever possible. Since her objections seemed legitimate, they preferred to wait. Their stand was reinforced when the Netherlands requested more time to study the bounty problem and when Great Britain and Russia failed to reply definitively until early February. But Germany did not give up easily. She next suggested that, in place of the general conference, a short preliminary session be held during February at which the powers would state their views. Such a meeting would satisfy domestic opinion and hopefully force France to declare herself. The Germans did not trust France. They suspected that she did not really intend to come to a conference, that she was just stalling while casting about for an excuse to withdraw.[35] The Belgians pointed out, however, that a preliminary meeting might give France that very excuse, since it would

most likely only display the conflicts of opinion among the powers. France might be more conciliatory if her request for a delay were granted. The Germans remained dubious, but under the circumstances grudgingly agreed to wait "until M. Méline has had his elections."[36]

The elections were scheduled for April, and the French eventually declared that they would accept any date after May 16.[37] To allow a bit more time for final arrangements, the conference was called for June 7.[38]

The date was a mere procedural matter, easily resolved incomparison with the knotty substantive issues that threatened to wreck the conference before it could begin. The Belgians government walked a diplomatic tight rope, attempting to reconcile French and Russian reservations with British expectations.

Méline's government made no effort to conceal its distaste for the conference.[39] Hanotaux frankly told Sir Edmund Monson that his government simply could not take decisive action against bounties at that time.[40] They were too deeply committed to protectionist and proprietary groups with a vested interest in the system.

Méline's stubborn determination to prevent discussion of the French internal regime dismayed the British who rejected French arguments that the law of 1884 did not encourage exports. A conference would be useless unless it dealt with indirect as well as direct subsidies. Curzon warned that "if the French maintain their former attitude a

conference is certain to be abortive," and he urged the government to demand a clear statement from Belgium on the agenda of the negotiations.[41] Accordingly, Salisbury bluntly asked Whettnall to reveal the "exact bases of the proposed conference, and whether the discussion will include the questions both of direct and indirect bounties."[42]

The Belgians were in an awkward position. To placate the French they must appear to accede to French reservations; to gain British support they had to assure them that indirect bounties would be discussed. But they hesitated to commit themselves to the British for fear that if the French learned of their commitment they would seize it as a pretext to refuse an invitation. Accordingly, they hinted that the conference might bear on issues apart from direct bounties, but they avoided specifics.

> Not only will the discussion bear on export bounties, but it has even seemed desirable to enlarge the scope of the deliberations so as to permit examination of the points that seem related to the principal question..., notably, all the advantages that might encourage sugar exports. For this reason the invitations describe as the object of the Conference "the question of the suppression of export bounties on sugar and the points connected therewith."[43]

This reply was too equivocal to satisfy the Foreign Office, and two weeks later Curzon pointedly asked Whettnall if indirect bounties would be discussed. The Belgians were still awaiting a reply from France and wished to do nothing to antagonize her. On the evening of February 12, at a ball given by the Countess of Flanders, Smet de Naeyer buttonholed

Sir Francis Plunkett and spoke to him at length and "very earnestly" on the sugar question. As the ambassador reported:

> He pressed me hard to move Your Lordship [Salisbury] not to insist on a too clear definition beforehand of the precise subjects which the proposed conference would discuss, ... He said his intention was to include in the discussion the questions not only of direct Bounties... but also all questions of the indirect advantages granted in certain countries.... Her Majesty's Government might therefore rest satisfied that this important portion of the question would not be neglected. He felt strongly that if the Conference were to be confined solely to the matter of Direct Bounties, it would be [a] waste of time to assemble it at all; therefore he quite agreed with Your Lordship's view that the question of the indirect bounties must necessarily be examined at the same time. But he was anxious that too much stress should not be laid upon this beforehand, as,in that case, he feared France might decline altogether to come to the Conference.[44]

Five days later Whettnall handed Salisbury a note obliquely affirming that the Belgian formula would allow the conference to examine the French indirect bounty.[45] Bergne proffered that "it is possible that we shall not get a more complete assurance than this," and Salisbury agreed.[46]

To this point neither Belgium nor Great Britain had resolved who was to call the conference. As Salisbury's optimism faded before mounting evidence of French intrasigence, he became more and more inclined to defer to Belgium.[47] If the conference met in London and collapsed, his government might be blamed for its failure. The Anti-Bounti League

would certainly mount a vociferous campaign that could be embarrassing. The French wouldprobably prefer to meet in Brussels rather than in London, and since Great Britain could not accept their reservations, best to let the Belgians wrestle with the problem of accomodation. On March 8 the United Kingdom formally accepted the Belgian invitation.[48]

A few days previously the French had also responded officially. Hanotaux acknowledged that the abolition of direct bounties was "desirable" and that France was prepared, "in principle," to join a conference attended by all the countries concerned. He reaffirmed, however, his government's determination to limit discussions to direct bounties per se.[49] French suspicions had been stirred by the phrase "and the points connected threwith," in the Belgian invitation. The formula could be a device to empower the conference to take up their internal bounties. Once again the Belgians had to summon up their full resources of subtlety to placate the French while keeping their promise to the British. Rather than risk a breakdown at the outset over France's attitude, they hoped to delay the fixing of an agenda until the conference actually met.[50] Baron D'Anethan accordingly hastened to "clarify" his government's stand:

> I can assure Your Excellency that the intention of the King's Government in adopting the formula in the invitations defined the object of the Conference was to specify the abolition of export bounties as its basic aim. If that formula envisions as well the points connected to that principal question, it is only to permit the Conference to pursue this point in all its ramifications.

> Moreover, it seems that proposals to limit the scope of the discussions might most usefully be brought up in the Conference itself.[51]

Although Méline construed the declaration as an acceptance of French reservations,[52] he still felt misgivings about Belgium's sincerity. "In my opinion," he wrote to Hanotaux, "it is not after but before the gathering of the Conference that it ought to be quite clearly established that the domestic regimes of the participants shall not be in any case discussed."[53] Despite his reservations, Belgian policy had succeeded. Both France and Great Britain would attend.

In early January the Belgians had also sounded Russia. The vast Russian plains had proved well suited for beet culture, and the industry had grown impressively, so much so that by 1895 it held third rank among European sugar producers. Russian exports competed with Austro-Hungarian sugar in the Balkans, the Middle East, and India; Russian sugar had also begun to penetrate the British market in quantity.

As previously noted, Russia granted no bounties, but foreign economic experts argued that her domestic sugar regime did encourage exportation. Since 1895 the Russian sugar industry had been organized in a giant, government-controlled syndicate called the Normirovka. The Council of Ministers annually determined the amount of sugar that could be freely placed upon the domestic market, and they also stipulated what quantity the manufacturers must hold as a reserve, to be released if prices rose above a predetermined

level, also set by the council. No restrictions were placed upon production. Sugar produced in excess of the consumption and reserve allotments could either be placed on the domestic market, in which case a penalty tax of 1.75 rubles per pood was imposed, or be exported. Since the government fixed the maximum price allowable in the domestic market, the former alternative was unfeasible. The manufacturer's only recourse was to export. In doing so he received a drawback of the excise taxes he had paid, but, since the tax had been collected under strict excise supervision, he received no bounty. The system, nevertheless, encouraged overproduction and exportation. The home market was so lucrative that profits from domestic sales more than made up for losses on exports. Each establishment thus aimed to secure as large a percentage of that market as it could. Since the government determined each factory's annual domestic sales quota on the basis of that factory's percentage of the national production the previous year, manufacturers were stimulated to increase their output regardless of whether or not they could sell the surplus at home. Critics asserted that the system produced the same effects as a bounty. The Russian consumer paid dearly so that producers could dump abroad.[54]

It should be obvious that the regime depended upon prohibite surtaxes that insured control of the home market. For this reason, Belgium was particularly anxious for Russia to participate. Unless she could be persuaded to lower her surtaxes, there was little chance that Germany and Austria-

Hungary would reduce theirs. But Russia, like France, presented a challenge because she was determined to preserve her domestic regime.

On January 13, two days after they had been sounded by Belgium, the Russians informed France.[55] French spirits rose with the news. The ally who had rescued them from diplomatic isolation might once again save them from isolation vis-a-vis the Dual Alliance--only this time in a sugar conference. The French quickly telegraphed their intention to attend, with the reservation that internal regimes not be discussed, and urged Russia to respond in similar terms.[56]

The two countries were likely partners. The existing sympathy between them was reinforced by congenial views of the sugar question. Like Méline, Count Sergei Witte, the Russian Minister of Finances and the leading voice in determining government economic policies, was an economic nationalist who considered the sugar industry indispensable for the agricultural well-being of his country. Like Méline, he was convinced that his domestic legislation was essential to the prosperity of that industry.

The Russians were also suspicious of the formula, "and the points connected therewith," in the Belgian invitation. They suspected that surtaxes would be included. When the Russian foreign ministry informed Leghait that there was little hope that Russia would consent to discuss import duties,[57] the Belgians were challenged to compose a reply

that could satisfy Russia yet not falsify their own intentions to broach the surtax question. They suggested that even though a conference might investigate surtaxes, it would not necessarily enact measures dealing with them, and they hastened to assure the Russians that they contemplated not the abolition of surtaxes but only their limitation.[58]

On March 3 Witte informed Leghait of his decision: Russia would stand by France. She would attend "only on the condition that the decisions taken by the Conference do not in any way affect the various Governments' freedom of action in regard to sugar import duties as well as internal excise taxes."[59] The last provision indicated Russian support for the French law of 1884.

The Belgians found the reply acceptable. At least Russia would take part, and she too might be persuaded to make concessions. The British, however, were dismayed by the French and Russian reservations, which apparently vitiated Belgian assurances that the conference would come to grips with indirect bounties. The Foreign Office began to lose faith. A partial settlement "would be entirely useless."[60] If France and Russia retained their advantages, their sugar might merely replace the German and Austro-Hungarian article in the British market, but British refiners and colonials would still suffer. Other countries might be tempted, or constrained, to restore indirect subsidies. Nothing would really be changed, except that the problem would have become even more complex.

While these negotiations were in progress, Sweden and Spain petitioned to join the conference. They could scarcely be refused, even though Germany and Austria-Hungary preferred to limit the number of participants. Brussels was not displeased; the newcomers would be likely allies against France and Russia.[61] The question of American participation was more sensitive.

On February 19 the American minister to Belgium, Bellamy Storer, asked if his government could send a technical expert as a non-voting observer. France and the Netherlands had previously expressed their desire to invite the United States. France hoped to forestall a possible American bounty that might endanger her South American market.[62] On this occasion the Belgians were forced to conciliate the Germans, who still nursed a grudge against the United States as a result of the Dingley Act. Custom dictated that if even one nation objected to the participation of another, the latter should not be invited. Belgium thus declined the American request.[63] Germany was satisfied, but now France had one more excuse to reject a convention.

All could see that the impending conference was headed for a deadlock. Everyone knew as well that success or failure would hinge on British policy. Recognition of the fact had, of course, underlain the decision to invite Great Britain. The Belgians hoped the lively anti-bounty campaign being conducted in England would nudge that government out of its doctrinaire free-trade posture. They

also tried a little nudging of their own. Smet de Naeyer, for instance, frankly told Plunkett that "he considered that England could settle this Sugar question as she chose, for she could free the hands of the Bounty-giving countries by the imposition of countervailing duties," and he "expressed a strong hope that Her Majesty's Government might be able to persuade the House of Commons to accept this innovation."[64] The Germans, originally indifferent towards British participation, now reminded them that they "had it in their power to put a stop to the bounties."[65]

But Salisbury's government had to muster the political will to take such a step. We have already seen that many in the cabinet and civil service favored it. The Colonial Office under Chamberlain fought for the interests of the West Indian planters. The Foreign Office, after years of wrestling with the seemingly eternal question, longed to extirpate the nuisance once and for all. Both Bergne and Curzon lobbied hard for countervailing duties. Bergne wrote:

> I do not believe we stand a chance of getting the Bounties abolished unless we are prepared to make up our minds to duties of some kind on Beet Sugar.... If we were to state plainly and positively that that was our intention my belief is that the bounties would speedily disappear.[66]

Some of Salisbury's associates, such as Lord Pirbright and even his private secretary, Eric Barrington, were ardent partisans of countervailing duties.[67] Salisbury the man

inclined to their view, but Salisbury the politician could not afford to overlook the extent and influence of the opposition. The cabinet had already turned down Chamberlain's recommendation of a countervailing duty policy. Would they reverse that verdict. No one could be certain.

In April 1898 the sugar-producing countries of Europe prepared for the ninth international sugar conference. Belgian policy had succeeded insofar as France and Russia had consented to attend. But the outlook for the negotiations themselves was far from encouraging.

Now that a conference was imminent, vehement lobbying broke out in every concerned country. Méline's public declarations had disquieted German and Austro-Hungarian manufacturers, and they declared bounty abolition unacceptable unless all bounty-giving states simultaneously eliminated both direct and indirect bounties.[68] Their governments found their room to maneuver shrinking. To allow France an advantage, as they had agreed, would clearly enrage powerful agrarian interests. They concluded that France must yield substantial concessions before an agreement was possible. But Méline showed no signs of softening, and his stand was supported by the Société des agriculteurs de France, by many chambers of commerce, and by the sugar trade press, all of which importuned the government to preserve the law of 1884.

French sugar interests need not have worried; Méline would not desert them. More than ever he needed their

support. The Dreyfus affair was arousing immense excitement in Paris. The President of the Council struggled to play down the affair, his overriding concern being to hold power until the elections in May. If he fell, the only alternative was a Radical government, something the moderate Republicans and their Rightist allies desperately hoped to prevent.

The conference had also sparked controversy across the Channel. Smelling victory, the West India Committee, the Sugar Refiners' Association, and the Anti-Bounty League stepped up their agitation, in which they were joined by numerous chambers of commerce, including the prestigious London organization.[69] On April 28 a group of MP's submitted a petition signed by 180 of their colleagues urging the government to press for the abolition of both direct and indirect bounties and to supply the British delegation with the power to act decisively.[70] In accepting this petition, A. J. Balfour, the First Lord, rashly said that the government would use "every means to bring the conference to a successful conclusion."[71] This unfortunate remark implied a commitment Salisbury was not prepared to make.

The Cobden Club responded with its own campaign, reminding Salisbury of his earlier defeat on the bounty question and warning of another setback if his government should accept a penal clause. According to Lord Farrer, even to attend a conference endangered British interests, for wily foreign negotiators might trick British delegates into accepting penalties.[72] Interestingly enough, the jam and confectionary

industry, whose interests were allegedly threatened by an anti-bounty policy, lobbied only perfunctorily. The managing director of the firm of Clark, Nichols, and Coombs did send the Foreign Office a long letter rebutting the arguments of the refiners,[73] but no other such correspondence is to be found in the Foreign Office papers. This lack of enthusiasm demonstrated either that confectioners discounted the likelihood of countervailing duties or that they did not feel particularly threatened by the prospect of them--probably the latter.

As the date of the conference drew near, the governments appointed their delegates and prepared their instructions. The complexion of the Russian and French delegations evinced the intransigent attitudes of those governments. Although it was customary for each delegation to be headed by its government's chief diplomatic representative to the host country, Russia appointed Arthur Raffalovich, the Paris agent of the Imperial Ministry of Finances. This act revealed both Count Witte's concern that Russian policy be defended by one of his own subordinates and his intent to work closely with the French. Méline's choice as chief negotiator fell upon his old associate Alexandre Ribot. Once could readily assume that he would represent not so much the French governments as the French sugar interests. Of course, when it came to the bounty question, the two were virtually identical.

Great Britain appointed her delegation in May. Sir

Francis Plunkett was selected to lead it. Sir Henry Bergne, well versed in the diplomatic ramifications of the question, would represent the Foreign Office. Joseph Chamberlain appointed his private secretary, Lord Ampthill. And in deference to a request from the India Office, E. C. Ozanne, a retired director of the Indian Department of Agriculture, was chosen fourth delegate.[74]

Having been unable to satisfy the anti-bounty groups in regard to duties, Chamberlain proposed that "one or more" representatives of the sugar trade accompany the delegation. At least they would have the chance to express their opinions. The Anti-Bounty League made a similar request, proposing the names of Nevile Lubbock and George Martineau.[75] The Foreign Office would not appoint them to the delegation, but Salisbury agreed with Chamberlain that it would be both "politic and useful" to send them to Brussels as unofficial advisors. The gesture would reassure the sugar interests that the government cared about their plight.

The British delegation favored a resolute anti-bounty policy. How frustrating they found their instructions!

Those instructions reflected Salisbury's doubts that a settlement was possible. While authorizing the delegates "to press for and to assist in the negotiation of an International Convention," they enjoined them merely to listen to and report the proposals of others rather than to advance a program of their own. The delegates yearned for at least a modicum of power to force a settlement. To satisfy

them, the commercial department of the Foreign Office authorized them to declare:

> Her Majesty's Government sincerely trust that the result of the deliberations... may relieve them from the necessity of prosecuting any ulterior measures which might be rendered necessary, especially in regard to the British Colonies, if the system of bounties should be retained....

Salisbury challenged this paragraph. Since the cabinet had rejected countervailing duties, what "ulterior measures" were meant?[76] If pressed, Curzon replied, the delegates could refer to the possibility of indirect bounties on West Indian sugar or of parliamentary grants-in-aid to the colonies. But, he added:

> In the course of the conference the delegates of France and Germany may perhaps say to our people that they are disposed to give way if their Government can find some legitimate excuse for doing so. If at such a juncture our delegates are able to point to this rather mysterious passage in their instructions, the obscure threat which appears to involve may supply the foreigners with the very excuse they stand in need of.[77]

Although dubious, Salisbury allowed the words to stand, but he ordered the delegation not to commit the government on any important point without first requesting instructions. The delegation obviously lacked the power to influence materially the course of the negotiations.

On the eve of the conference a sudden change occurred in the French delegation. The political situation in Paris was volatile. Elections had taken place, and the

Left had gained strength. When the new Chamber convened, the government would certainly come under attack. For Ribot, a devoted supporter of Méline and a possible successor if he should fall, absence from Paris would be inopportune. He thus withdrew from the delegation, and in his place Méline chose Charles-Nicolas Sébline, a senator from the Aisne. A representative of an important sugar-producing district and a protectionist of repute, Sébline, like Ribot, manifested his government's determination to defend the viewpoint of the sugar interests. The switch portended no softening of French policy.

On June 7 representatives of nine European countries gathered at the Ministry of Foreign Affairs in Brussels. The opening session was devoted to formalities and to organization. Following established precedent, the assembly elected Smet de Naeyer, the chief of the host delegation, as president and Count Alvensleben, the head German delegate and the senior member of the diplomatic corps in Brussels, as vice-president.

In his opening address Smet de Naeyer outlined the evils of the bounty system and appealed for its abolition "in the name of sound economic reason." With the French and Russian reservations in mind, he sought to strike a conciliatory chord and at the same time to bring moral pressure to bear on those two powers. Belgium, he affirmed, would replace her traditional tax regime with manufacturing and refining in bond. He then conjured up the spectre of

countervailing duties. Was it not better to reach a voluntary understanding rather than to court retaliation?[78]

The delegations responded with their formal declarations in the second sitting. Germany, Austria-Hungary, and the Netherlands agreed to abolish all their bounties if the other powers did likewise.[79] The first evidence of an impasse appeared when the president outlined the proposed agenda and remarked that it would naturally include the question of surtax limitation. Arthur Raffalovich responded sharply that his government regarded its domestic regime, including its customs duties, as beyond the scope of the conference. Sébline injected a reminder of the French reserves. Smet de Naeyer appealed for a spirit of conciliation. Just because a point is up for discussion, he pointed out, does not mean that everyone must agree.

At this juncture the British inserted their declaration hinting at "ulterior measures" if the conference should fail. They had played their hand, weak though it was, at the very beginning in hopes that their statement would at least sow uncertainty in the minds of the French and Russian delegates. During the interval between sittings they had already hinted to the French delegate, Bousquet, that Britain's intentions could be inferred from the declaration they would make.[80] As hoped, Sébline instantly concluded that the British intended, as in 1888, to accept a penal clause obliging them to levy countervailing duties. But he also recalled that Parliament had repudiated the 1888

convention on that very point. Since Parliament, not the government, held ultimate authority, would the government be any more able to enact penalty duties in 1898 than it had been a decade earlier? He was at first uncertain.[81] He noted that the British had not openly threatened duties, which might indicate that they lacked the power. As negotiations proceeded without a specific British declaration, Sébline grew confident. Britain posed no threat.

At the beginning of the third sitting, Smet de Naeyer opened discussions on the modifications to be effected in the sugar legislation of the participating states in order to eliminate bounties. Sébline seized the occasion to reaffirm French reservations. He recalled that France had been the last major producer to adopt production bounties. From the outset her manufactureres had labored under excise supervision, but they paid a heavy price for their country's "good faith." While other nations, by allowing tax advantages, had spurred their sugar industries to prodigious growth, the French industry had fallen further and further behind. But the issue went beyond sugar. France could not, like England, allow her agricultural sector to whither. Her very survival depended upon self-reliance in foodstuffs. Her domestic sugar regime had been framed to that end. Since it had not yet achieved its goal of modernizing the French sugar industry, it must be preserved out of economic necessity.

> This legislation is not immutable; far from it. Since 1884 it has been modified three times, each time with the result of

> diminishing the advantages accorded to our sugar industry. It is not impossible that financial necessities will in the future bring about new reductions. It is even likely. But the Government of the Republic intends to remain the sole judge of the question.[82]

Sebline's statement could scarcely have been more categorical. The conference appeared stymied when, in the fourth sitting, Count Khevenhüller-Metsch, the chief Austro-Hungarian delegate, declared that a bounty could appear in many guises and that the amount of subsidy, not the form, was decisive. His government maintained that a settlement was unacceptable without guarantees "that the systems applied in the territories of the contracting countries include no bounty, whether for manufacture or export, of any nature whatsoever."[83] Germany rallied to this view.

Belgian equivocation had successfully convened the conference, but the divergent views of the participants could no longer be concealed. Sébline believed his declaration had sealed the conference's doom, a prospect not unpleasing to the French. Now, he wrote to Hanotaux, "all our efforts should aim to fasten the responsibility for its failure on another power."[84]

On June 15 Bergne eagerly wrote to Curzon. It was unreasonable to expect Germany to relinquish her entire bounty while France kept her indirect subsidies intact; but, since Germany did produce sugar more cheaply than France, he believed she would be willing to allow the French to keep a portion of their indirect bounty. The problem was

to persuade the French. Here Great Britain could apply pressure. "France dreads beyond everything the loss of the English market..., and if we received definite instructions to accept a penal clause as part of an otherwise satisfactory treaty, we might see our way clear to a satisfactory result." On the other hand, "if we do not get some such instructions--and that during the next three or four days--the Conference is pretty certain to lead to nothing."[85] Salisbury was unswayed. The government could make no reply until the cabinet met on June 21.

In the meantime the conference bogged down. Most of the fourth sitting was consumed by an inconclusive discussion of the compatibility of countervailing duties with the most-favored-nation clause, both France and Russia maintaining that the conference had no competence in the matter and Great Britain refusing to declare herself.

In the fifth sitting Belgium at last mooted the surtax question and immediately collided with Russia's stubborn resolve to prevent modification of her sugar regime. Raffalovich denied once again that Russia granted a bounty. Her tax regime allowed no excessive drawbacks. He also rejected the assertion that the regime encouraged dumping. It only stabilized prices and guaranteed Russian producers their domestic market. It had been highly successful, and Russia did not wish to abandon a proven policy. But there was also an important question of principle involved. Sovereign states could not allow a supranational body to infringe

on their right to levy taxes and duties as they saw fit.[86]

In the next sitting Khevenhüller-Metsch delivered a detailed refutation of Raffalovich's arguments and demonstrated that the Russian system did encourage exports. Smet de Naeyer indicated that Belgian and French trade journals had taken such a view,[87] and he appealed for compromise. An agreement with Russia was indispensable. Khevenhüller-Metsch had frankly asserted that Austria-Hungary could not give up her subsidies unless Russia consented to modify her regime.[88] Since Germany would not abolish her bounties unless Austria-Hungary did so, an agreement thus depended upon Russia.

Sébline had scrupulously refrained from intervening, for the Russo-Austrian dispute served French interests by casting Russia in the role of the irreconcilable party.[89] After all, France was willing to sacrifice her direct bounties, while Russia would proffer no concessions.

Other delegations had not quite thrown in the towel. British, Belgian, and Dutch representatives sought to draft a compromise satisfactory to France and Russia. A glimmer of hope had appeared in regard to France. Méline had fallen from office on June 14. If the conference could be extended, perhaps another French government might reverse his policy.[90] But this hope soon faded. The political atmosphere in Paris was too turbulent and confused to permit a careful review of the sugar question.

On June 21 the British cabinet refused Bergne's

request for the power to threaten countervailing duties. As a last resort the British delegation privately sounded the German and Belgian delegates if they would agree to a settlement without France and Russia, but they found no support, since they could not guarantee a penal clause. On June 24 the delegation telegraphed the Foreign Office that unless they could definitely state that their government would penalize all bounty-fed sugar "no solution seems possible."[91] But the cabinet had spoken.

When the conference met for the seventh time on June 25, all could see that it was hopelessly deadlocked. The French and Russian delegations had no power to assent to any compromise. Further negotiations must be pursued outside the conference. On the previous day the Belgian and Dutch delegations had submitted two compromise formulas that would allow France to retain some advantage until her industry had reached equality with its rivals. The first stated:

> France agrees that whenever her exports of refined sugar shall exceed during one season the quantity of 235,000 tons, which represents the average export of the years 1892-93 to 1896-97, to reduce by one-quarter the indirect premium resulting from her fiscal regime and to continue doing so until the bounty shall have been completely abolished.

The second provided that:

> France agrees to collect on exported sugar a duty equal to the amount of the indirect bounty by which production may have profited during the season preceding that under consideration. A quantity of 50,000 tons, however, will be exempted from the export duty every year.[92]

A third proposal suggested an amelioration rather than a solution to the bounty problem Germany would lower her direct bounties to a figure "a fraction" larger than her bounties in 1896. Austria-Hungary would decrease hers proportionately. Belgium would establish manufacturing in bond, and she and the Netherlands would be allowed a direct bounty equal to Germany's. France would abolish her direct subsidies but keep the law of 1884. Russia would restructure her regime so that manufacturers would no longer be compelled to export. Spain and Sweden would pledge to grant no drawbacks.[93]

No action could be taken until the compromise formulas had been studied by the French government. The delegates agreed that the conference should not be definitevely closed but only adjourned sine die. Belgium was to pursue negotiations through diplomatic channels. The conference would reconvene if a suitable compromise could be found.[94]

Although another sugar conference had proved abortive, definite progress had been realized on several points. A working definition of bounties had been hammered out. The effect of excessive surtaxes had been clarified. The powers had agreed on a program to eliminate indirect bounties on refined sugar.[95] But the bounty problem had not been solved, and it could not be solved until France and Great Britain decided to change their policies. A compromise with France seemed predicated upon the advent of a more conciliatory government than Méline's. That government would have to

assign consumer and fiscal interests priority over the interests of beet growers and manufacturers. It would require a majority capable of withstanding the opposition of the protectionists. In Great Britain the immediate political question was the issue of countervailing duties, which itself hinged upon the larger questions of free trade and consumer interest. Paradoxically, a solution depended upon a step away from protection in France and a step toward protection in England. Both governments would have to contravene deeply entrenched and popular policies. Meanwhile, the sugar question remained open.

NOTES

[1]Newspaper clipping (source unidentified), enclosure in memorandum by Austin Lee, British commercial attaché in Paris, Jan. 16, 1898, F083/1713.

[2]Méline to Hanotaux, April 30, 1897, ADC, A/53Q/1.

[3]Boucher to Hanotaux, April 15, 1897, AN, F12 6976; Pallain, Director-General of Customs, to Bompard, April 18, 1897, ADC, A/53Q/1.

[4]Smet de Naeyer to Favereau, March 24, 1897, MAEB, 3.178/1.

[5]Greindl to Favereau, March 31, 1897, ibid.

[6]Greindl to Favereau, April 3 and 7, 1897, ibid.

[7]Conrad de Buisseret, Belgian chargé d'affaires in Vienna, to Favereau, July 7, 1897, MAEB, 3.178/1

[8]Méline to C. Dumba, Austro-Hungarian embassy councilor in Paris, Aug. 19, 1897, LJ, pp. 28-29.

[9]Soulange-Bodin, French chargé d'affaires in Berlin, to Hanotaux, Aug. 11, 1897, ADC, A/53Q/1; Bompard to Boucher, Aug. 25, 1897, AN, F12 6976; Marquis de Noailles, French ambassador to Germany, to Hanotaux, Nov. 14, 1897, ADC, A/53Q/1.

[10]Quoted in memorandum by Gastrell, Dec. 11, 1897, F083/1713.

[11]Newspaper clipping (source unidentified), enclosure in memorandum by Austin Lee, Jan. 16, 1898, ibid.

[12]Greindl, to Favereau, Oct. 15, 1897, MAEB, 3.178/1.

[13]Ibid.

[14]Ibid.

[15]Greindl to Favereau, Oct. 25, 1897, ibid.

[16]Greindl to Faverau, Nov. 9, and Dec. 8, 1897, ibid.

[17]Smet de Naeyer to Favereau, Nov. 12, 1897, ibid.

[18]Germany--20 marks per 100 kilograms (all sugars).
Austria-Hungary--2 florins per 100 kilograms of all raw sugars below No. 19 Dutch standard. 7 florins per 100 kilograms of all raw sugars above No. 19 Dutch standard and refined sugars. (In 1899 the Austro-Hungarian surtaxes were raised to 6 florins and 11 florins for the two classes of sugar.)
Russia--1 ruble 25 kopecks per pood (16.380 kilograms) of raw sugar. 2 rubles 25 kopecks per pood of refined sugar.
PP, 1898, XCII, "Correspondence Relating to the Conference at Brussels on the Question of Sugar Bounties," pp. 58-59, 62-63, 96; LJ, p. 429.

[19]Greindl to Favereau, Nov. 18, 1897, MAEB 3.178/1.

[20]Greindl to Favereau, Dec. 11, 1897, ibid.

[21]Greindl to Favereau, Dec. 19, 1897, ibid.

[22]Greindl to Favereau, Oct. 25 and Dec. 18, 1897, ibid.

[23]Bülow to Greindl, Dec. 20, 1897; Greindl to Favereau, Dec. 18, and 19, 1897, ibid.

[24]MAEB 3.178/1.

[25]Plunkett to Salisbury, Jan. 8, 1898, F083/1713.

[26]Curzon to Whettnall, Jan. 10, 1898, MAEB, 3.178/1.

[27]Plunkett to Salisbury, Jan. 8, 1898, F083/1713.

[28]The reply was worded as follows: "... I have the honour to inform you that I have already instructed Her Majesty's Representatives in the countries concerned, to ascertain the views of the Governments to which they are accredited, with regard to the summoning of a conference on the question." Whettnall to Favereau, Jan. 18, 1898, MAEB 3.178/1.

[29]In a speech to the Chamber of Commerce of Liverpool, Jan. 18, 1898. See Whettnall to Favereau, Jan 19, 1898, and Edouard Sève, Belgian consul in Liverpool, to Favereau, Jan. 19, 1898, ibid.

[30]Favereau to Smet de Naeyer, Jan. 21, 1898, ibid.

[31]MAEB 3.178/1.

[32]Monson to Salisbury, Jan. 12, 1898, F083/1713.

[33]Baron Auguste d'Anethan, Belgian ambassador to France, to Favereau, Jan. 15, 17, and 27, 1898, MAEB 3.178/1; Monson to Salisbury, Jan. 18, 1898, F083/1713.

[34]Greindl to Favereau, Feb. 20 and 22, 2898, MAEB 3.178/1.

[35]Greindl to Favereau, Feb.23, 1898, ibid.

[36]Greindl to Favereau, Feb. 25, 1898, ibid.

[37]Anethan to Favereau, March 24, 1898, ibid.

[38]Auguste Gérard, French minister to Belgium, to Hanotaux, March 30, 1898, ADC, A/53/2.

[39]Anethan to Favereau, Dec. 31, 1897, and Jan. 15, 1898, MAEB, 3.178/1.

[40]Monson to F. H. Villiers, undersecretary, Foreign Office, Jan. 14, 1898, F083/1713.

[41]Note to Salisbury attached to enclosure in Monson to Salisbury, Jan. 20, 1898, ibid.

[42]Jan. 25, 1898, ibid.

[43]Favereau to Whettnall, Jan. 28, 1898, MAEB, 3.178/1.

[44]Feb. 13, 1898, F083/1714.

[45]Feb. 17, 1898, ibid.

[46]Minute by Bergne, initialed by Salisbury, ibid.

[47]Minute by Salisbury on Monson to Salisbury, Jan. 28, 1898, F083/1714.

[48]Curzon to Whettnall, ibid.

[49]Hanotaux to Anethan, March 5, 1898, LJ, p. 39.

[50]Favereau to Smet de Naeyer, March 9, 1898, MAEB, 3.178/1.

[51]Anethan to Hanotaux, March 16, 1898, LJ, p. 40.

[52]Méline to Hanotaux, April 12, 1898, ADC, A/53/2.

[53]April 14, 1898, ibid.

[54]"World's Sugar," pp. 2620-21.

[55]Count de Montebello, French ambassador to Russia, to Hanotaux, telegram, Jan. 13, 1898, ADC, A/53/2.

[56]Hanotaux to Montebello, telegram, Jan. 17, 1898, ibid.

[57]Leghait to Favereau, Jan. 19, 1898, MAEB, 3.178/1.

[58]Favereau to Leghait, Jan. 25, 1898, ibid.

[59]Leghait to Favereau, March 3, 1898, ibid.

[60]Minute by Bergne on Monson to Foreign Office, telegram. March 6, 1898, F083/1714.

[61]Smet de Naeyer to Favereau, Feb. 18, 1898, MAEB, 3.178/1.

[62]Cochery to Hanotaux, Dec. 15, 1898, ADC, A/53Q/1; Feb. 5, 1898, ADC, A/53/2.

[63]Favereau to Storer, March 31, 1898, MAEB, 3.178/1.

[64]Plunkett to Salisbury, Feb. 13, 1898, F083/1714.

[65]Lascelles to Salisbury, Jan. 14, 1898, F083/1713.

[66]Minute on Monson to Salisbury, Jan. 12, 1898, ibid.

[67]See the report of an interview with Barrington in Whettnall to Favereau, Feb. 24, 1898, MAEB, 3.178/1.

[68]Noailles to Hanotaux, Jan. 22, 1898, ADC, A/53/2; Greindl to Favereau, Jan. 17, 1898, MAEB, 3.178/1; Lascelles to Salisbury, Jan. 22, 1898, F083/1713.

[69]Noailles to Hanotaux, Feb. 15, 1898, ADC, A/53/2.

[70]Clipping from The Times, April 29, 1898, enclosure in Whettnall to Favereau, MAEB, 3.178/2.

[71]Resolution of the Anti-Bounty League, July 28, 1898, F083/1716.

[72]Letter to The Times, cited in Whettnall to Favereau, Feb. 4, 1898, MAEB, 3.178/2. See also Lord Thomas Henry Farrer, Reasons against Countervailing Duties on Sugar, Cobden Club Leaflet NO. CVIII (Dec. 1897).

[73]March 31, 1898, F083/1714.

[74]After the United States imposed countervailing duties, Germany, Austria-Hungary, and Russia turned to India as a major outlet. By mid-1898 bounty-fed imports were climbing prodigiously, and the Indian government took a keen interest in the sugar question. See Chapter VII.

[75]Lucas to Curzon, April 19, 1898; Beeton to Salisbury, May 6, 1898, F083/1714.

[76]Minute by Salisbury on draft instructions, May 31, 1898, F083/1717.

[77]Note to Salisbury, June 6, 1898, ibid.

[78]LJ, pp. 49-50.

[79]Ibid., pp. 56-58.

[80]Sébline to Hanotaux, June 10, 1898, ADC, A/53/2.

[81]Ibid.

[82]LJ, pp. 64-69.

[83]Ibid., p. 75.

[84]June 14, 1898, ADC, A/53/2.

[85]F083/1717.

[86]LJ, pp. 86-87, 94.

[87]Ibid., pp. 115-16. The journals were the French La sucrerie indigène et coloniale, June 24, 1898, and the Belgian La sucrerie belge, April 16, 1898.

[88]LJ, p. 99.

[89]Sébline to Théophile Delcassé, French Minister of Foreign Affairs, July 8, 1898, AN, F12 6976.

[90]Sébline feared such an occurence. Sébline to Hanotaux, June 15, 1898, ADC, A/53/2.

[91]F083/1717.

[92]LJ, p. 105.

[93]Ibid., p. 120.

[94]Ibid., pp. 117-18.

[95]Negotiations on refining had been carried out in closed committee meetings. All countries concurred on a three point program: 1) refining in bond, 2) equal taxation of all forms of sugar, 3) tax exemptions for non-edible by-products of refining. Ibid., p. 104.

CHAPTER VII

BOUNTIES AND IMPERIALISM

The failure of the Brussels conference produced mixed reactions in the United Kingdom. The anti-bounty groups were dismayed and angry. Their hopes had been raised by Balfour's thoughtless declaration that the government would use "every means" to secure a settlement. Now they felt betrayed. Some, such as Lord Pirbright, upbraided the government for its feckless attitude.[1] Others turned their ire toward foreign powers. British sugar interests in general were sharply critical of France and assigned her most of the blame.[2] The Cobden Club, on the other hand, exulted. The conference's failure afforded "fresh proof of the soundness of this club's consistent protests against international intervention on this question."[3] They hoped the government had learned its lesson.

The real lesson of the conference was that Great Britain could not play a passive role and expect to see the bounties abolished. If the government was sincere in seeking their abolition, it would sooner or later have to accept a penal clause. Chamberlain had advocated that policy, but the cabinet was divided and lacked the political courage. Only evidence of a decisive shift in public and, more important, in parliamentary opinion could supply confidence.

The breakdown of negotiations in June 1898 left the West Indies in the same limbo of uncertainty wherein they had long languished. The hopes of the planters and sugar dealers had been dashed, and gloom settled over the colonies. Nature struck her own blow in September, when a devastating hurricane roared through the Windward Islands. This natural disaster threatened to drive many debt-ridden muscovado estates into bankruptcy.[4] Despite such misfortunes and the persistence of economic uncertainty, the situation in the West Indies had improved somewhat since the royal commission's investigation. The Dingley tariff had given West Indian sugar an advantage of about 35s per ton in the American market. Canada had then granted colonial sugar a preference of 25 per cent. By mid-1898, the islands had gained a substantial advantage in their natural market over their German and Austro-Hungarian competitors, while the Cuban revolution had considerably reduced Cuban competition.

This windfall failed to allay West Indian fears. American tariff policy was capricious. Even more menacing was the outcome of the Spanish-American War. Hardly had the colonies enjoyed one year of privilege than the United States seized the Philippines and Puerto Rico and established a protectorate over Cuba. All three territories possessed well-developed sugar industries. Cuba alone had produced over a million tons annually before the revolution. American enterprise and capital promised to extend and improve her industry still further. When added to the rising output of

Hawaii, Louisiana, and a young, vigorous beet sugar industry, the sugar produced by the new American possessions appeared likely to satisfy American requirements within a relatively brief time. The United States might even become an exporter and another competitor.

That dismal prospect led some West Indians once again to advocate transferring their allegiance to the United States if the mother country refused to protect them with countervailing duties. Some petitions to that effect were received by the Colonial Office,[5] and anti-bounty propagandists often referred to them.[6] One can question the sincerity of such sentiments. A staunch opponent of the bounties reported little if any genuine support for union with the United States.[7] Advocates chiefly sought to dramatize colonial grievances and quicken imperial pride. They were successful, since the possible loss of even a small portion of the empire, especially one of potential strategic value, disquieted many Englishmen. W. F. Lawrence, an MP from Liverpool, declared that Britain should reestablish closer relations with the colonies rather than secure reciprocity treaties for them with the United States. The islands possessed important harbors; they guarded the entrance to the Caribbean and lay astride the route to Panama. "... it is, to my thinking, very prejudicial to the interests of the mother country that their sympathies should be alienated from us and handed over to a foreign power, although that power may happen to speak the same

language we do."[8] His colleague Sir Cuthbert Quilter also warned of the danger in allowing the colonies to become dependent on the United States.[9]

Frustrated in his efforts to aid the West Indies by abolishing bounties, Chamberlain threw himself wholeheartedly into relief and assistance programs. In addition to the grants recommended by the royal commission, the colonial secretary requested a supplementary grant of £340,000 in order 1) to relieve the planters of Trinidad and British Guiana for one year of all expenses incurred in returning coolie laborers to India upon the expiration of their contracts, 2) to remit all direct taxes incumbent on the sugar industry in the smaller colonies, and 3) to allow West Indian governments to remit some import duties. This last provision, designed to facilitate a reciprocity agreement with the United States, was never implemented. Treaties were actually negotiated during 1899, but they never took effect owing to the United States' refusal to ratify them.[10] In March 1898, with the support of Sir Edward Grey, the former Liberal commissioner, Chamberlain did secure a grant of £120,000 which was followed in August by another of £41,000.[11] Both were intended to relieve colonial governments of accumulated debt. The next year he arranged a special government loan of £450,000 for bankrupt Jamaica and at the same time asserted direct imperial control over the colony's administration, whose mismanagement and corruption were responsible for the financial crisis.[12]

Other measures aimed to diversify and improve the islands' economies. Here Chamberlain drew principally on the recommendations of the royal commission. In several colonies, notably Dominica and St. Vincent, he initiated programs to settle unemployed plantation workers as peasant proprietors. This represented an attempt to mitigate the social consequences of the sugar industry's decline. The fertility of the islands guaranteed that no one need starve if he owned a plot of land. At the same time, the colonial secretary persuaded Parliament to create an Agricultural Department of the West Indies. Designed to conduct experiments in tropical agriculture and to disseminate new information and techniques to the colonial farmers, it was a pioneering step in "constructive imperialism," which was later extended to other tropical colonies. Its long-term contributions were considerable.[13] Chamberlain also sought to improve interisland transportation and communications. The commission had recommended that a fruit service be created between Dominica, St. Vincent, and New York. Chamberlain extended it to include Canadian and British markets. He also extended subsidized steamship lines to British Guiana and Trinidad. Finally, he took energetic steps to foster the Jamaican fruit trade, enlisting the assistance of Sir Alfred L. Jones and his Elder, Dempster line. Jones received an annual subsidy of £40,000 to establish mail, fruit, and passenger service between Jamaica and the United Kingdom.[14]

This last episode reveals another facet of Chamberlain's approach. A fervent devotee of free enterprise, he regarded government assistance as only supplementary. The soundest guarantee of future colonial prosperity lay in attracting fresh capital and outside business experience. He held a low regard for native colonial enterprise. The royal commission had suggested an imperial loan for the construction of central factories in Barbados, a colony particularly well-suited for cane cultivation. Chamberlain preferred to secure private funding. Sir Cuthbert Quilter proposed the formation of a syndicate,[15] but when one could not be organized, the colonial secretary sought to interest individual capitalists. Sir Thomas Lipton showed an interest in promoting and marketing West Indian sugar as a complement to his tea trade, and Chamberlain urged him to invest directly in the Barbadian sugar industry. Lipton was tempted. At first he proposed to sink £1,000,000 sterling into central factories, but, as he said:

> there are many serious obstacles in the way, and I cannot see how these can be overcome, unless the government throws itself heart and soul into the matter, and cooperates with me in a very thorough manner.[16]

Chamberlain considered Lipton's cooperation "so important" that he was ready "to meet him in any way."[17] He offered generous terms. Either the colonial government would agree to finance the construction and maintenance of all necessary wharves and railroads or the British government would engage,

after £250,000 had been invested, to pay Lipton a yearly subsidy of £10,000. If he chose the first alternative, the home government would protect him from any increase in the European bounties by subsidizing him up to the extent of the increase, enough to guarantee him at least a 2.5 per cent profit on his invested capital.[18] The offer failed to convince Lipton. Reports from his agents painted a depressing picture of colonial prospects in light of the bounties, and the suspicious Barbadian planters were reluctant to place "their whole industrial fate in the hands of an absentee capitalist or company taking all the profits."[19] By August 1899, even though he was still willing to venture between £500,000 and £600,000, he demanded that the government guarantee both his interest and his capital.[20] While Chamberlain could agree to the first demand, he could not cover Lipton against capital losses. Parliament would never accept such an unprecedented step, so at variance with traditional notions of free enterprise.[21] Lipton in the end lost his taste for the venture, and it was never launched. In the meantime, the colonial secretary sought to ease credit for colonial investments in order to expedite the general flow of capital to the colonies. This was the purpose of the Colonial Loans Act of 1899 and the Colonial Stock Act of 1900. Despite a few successes, his efforts were frustrated by the financial debility of the colonies, by tight money in the London capital market after 1899, by the persistent uncertainty and pessimism towards

West Indian investment and by Treasury restrictions on the volume and use of imperial funds.[22]

The difficulties plaguing Chamberlain's efforts to enlist private capital in his reconstruction schemes lent credence to colonial assertions that such measures were mere palliatives and that only bounty abolition could save them. Since the bounties engendered uncertainties that inhibited investment, the "policy of doles" could never reach the root of the problem. Besides, the bounties injured not only the West Indies but other colonies and the British refining industry as well. The Anti-Bounty League thus proclaimed that West Indian reconstruction policies could "in no way relieve the government of their bounden duty to defend the interests of the empire as a whole." There was also the possibility that the United States might regard British aid as a form of bounty and impose countervailing duties on West Indian sugar.[23] The colonies, therefore, continued to seek a protected market in the United Kingdom.

During the late 1890's the colonies' last market in the mother country was imperiled by an infuriating new development. By that time muscovado exports to Great Britain had almost ceased,and remaining shipments consisted almost entirely of "Demerara" sugar, an attractive, soft, moist, yellow sugar that still fetched good prices from British consumers. Sales of yellow crystals enabled the planters of Guiana and Trinidad, the only ones equipped to manufacture them, to accept lower prices for their gray

refining crystals in the American market. This special trade for many years provided the margin of survival for those producers. About 1895 the cruel blow fell. Unscrupulous importers began encroaching on their market with beet crystals dyed to resemble Demerara sugar. The phony crystals were much cheaper than the genuine article and found a ready acceptance. By late 1897 about 1,500 tons of fraudulent sugar entered the British market each week. West Indian importers sued repeatedly, but they could not stem the flood. This competition struck directly at the interests of the West India Committee, which by then was composed chiefly of Guianan and Trinidadian planters,[24] and explains the intensity of its agitation during those years.

Whatever the reason, West Indian interests continued to blame the bounty system for their miseries and unrealistically believed that once the nefarious foreign subsidies had been eliminated the palmy days of yore would return. The Brussels fiasco only steeled their determination to fight on. In league with the refiners, they pressed their views upon the government. George Martineau, for example, throughout the fall and winter of 1898-99 bombarded the Foreign Office with suggestions for compromise formulas to win the adherence of France and Russia.[26] When it became apparent that no early compromise was in sight, the anti-bounty groups advocated a separate agreement with those countries that sincerely wished to abolish bounties.

Then Great Britain could bring France and Russia to their senses by penalizing their sugar.[27] On February 22, 1899 a large private gathering of MP's passed a resolution supporting this scheme. Signed by 176 members, it indicated growing support in the Commons for an anti-bounty policy.[28]

The government dismissed these suggestions. The conference had given Belgium the responsibility of negotiating with France and Russia; Great Britain punctiliously refrained from interference. Nor would the government take any precipitate steps toward a separate treaty that might necessitate penalties against French and Russian sugar, for that would mean a showdown with the free traders. Prudence dictated that the government await the outcome of Belgium's negotiations. In the meantime, the mild improvement in the economic condition of the West Indies that resulted from the American tariff and the colonial assistance programs rendered the Caribbean situation less urgent. Sir Cuthbert Quilter, sent by Chamberlain to inspect the islands, reported optimistically that "the royal commission took too gloomy a view of their prospects."[29]

Despite such reports, Chamberlain still considered bounty abolition the only ultimate solution. The outcome of the conference had confirmed his belief in a resolute policy. Although the cabinet as a whole was not ready to challenge the free traders on the issue of penalties in Great Britain, the course of events in India presented the colonial secretary with an opportunity to outflank the Cobden

Club and to gauge public opinion, while at the same time serving notice on foreign governments.

Of ancient origin, the Indian sugar industry had by 1899 become widespread. More than 2,500,000 acres were planted in sugar cane. Considerable quantities of sugar were also extracted from palm trees. The typical Indian producer was a peasant who employed antique methods of extraordinarily low productivity, about one ton per acre. Most of this sugar was consumed in a form known as gur, or jaggery, which looked "more like mud than sugar." There was also a domestic refining industry that turned out a coarse product consumed primarily by the upper classes.[30] Consumption was surprisingly high. According to official figures, annual consumption in 1899 stood at about twenty pounds per capita, comparable to that of France and Germany. Most experts believed that actual figures were considerably greater. Much sugar was grown and consumed locally and thus never figured in trade reports. Total consumption was probably twice the official estimate.[31] Refined sugar, in whatever form, accounted for only a small fraction.

At the beginning of the nineteenth century, India was a sugar exporter. A century later she had become primarily an importer, although she still exported some raw sugar, mostly to Great Britain.[32] Before 1890-91 the bulk of her imports had come from Mauritius, Java, China, and the Straits settlements. In that year bounty-fed beet sugar first made significant inroads; imports leaped from

51,297 cwts. to 774,969 cwts.[33] This astonishing increase was the immediate result both of the establishment of direct steamship communications between India and Germany and of a temporary rise in the value of the rupee, which allowed German sugar to be sold unusually cheaply. Although imports from Europe fell to 280,620 cwts., the next year, this figure was still much higher than for any year prior to 1890. The next great increase occurred in 1896, when Germany and Austria-Hungary raised their bounties. Imports shot up to 724,649 cwts., all but an infinitesimal quantity being German sugar. A year later Austria-Hungary entered the race in earnest. By 1899 she had beaten Germany decisively, as the following figures of Indian imports reveal:[34]

Year	From Germany	From Austria-Hungary
1894-95	274,632 cwts.	7,093 cwts.
1895-96	718,218 "	4,934 "
1896-97	758,806 "	115,514 "
1897-98	1,203,309 "	945,787 "
1898-99	413,971 "	1,063,737 "

The sudden shift from German to Austro-Hungarian sugar resulted principally from the fact that the Austrian Lloyd steamship line began to receive government refunds of its Suez Canal dues, while German freighters enjoyed no such treatment. The difference in transport costs allowed Austrian sugar to undersell German competition.[35]

The soaring beet sugar imports struck fear in the hearts of Indian and Mauritian sugar interests. Now they appeared to be the next victims of the rapacious bounties.

Refining interests protested that imports were superseding domestically refined sugar and that some refiners were already being driven out of business. If the trend continued, they warned, sooner or later demand for locally grown sugar had to fall. Prices would collapse, and the whole Indian trade would face ruin. The sufferings of thousands of small cultivators might give rise to dangerous unrest, possibly directed at British rule. Bounty-fed imports must be checked before irreparable damage had been done. The refiners urged that an Indian representative be included in the delegation to the Brussels conference and that, if the conference, failed, countervailing duties be imposed on imports to India.[36]

They painted a grim picture, but was it true? The Indian government under the Liberal viceroy, Lord Elgin, had considered the refiners' warnings exaggerated. The evidence simply did not bear out their apocalyptic prognostications. About three-fifths of all imports were cane, not beet, sugar, and while bounty-fed imports might have reduced refining profits somewhat, there were no indications that raw sugar producers had been affected. About seven-eighths of the domestic trade involved raw sugar, the vast bulk consumed as gur by millions of peasants. Only a tiny proportion supplied domestic refineries. Elgin's government saw no need for drastic measures. While they gladly agreed to send an Indian delegate to Brussels, they flatly rejected countervailing duties.[37]

Two events strengthened the hand of Indian anti-bounty forces. One was the failure of the Brussels conference, which presaged continued bounty-fed competition. More important was the replacement of Lord Elgin by George Nathaniel, Lord Curzon, a change which installed a government inclined to listen sympathetically to the refiners' tales of woe.

As parliamentary undersecretary at the Foreign Office, Curzon had dealt with the bounty question for several years. Like Sir Henry Bergne, in the process he had acquired a strong distaste for the bounty system. He had no scruples about countervailing duties; on the contrary, he regarded them, or some similar penalty, as the only practical means of ending the system. Curzon was also a dedicated imperialist. Like Chamberlain, he believed Great Britain was obligated to provide sound government and prosperity for regions under her flag. Considerations of narrow economic orthodoxy should not stand in the way.

When the new viceroy arrived in Calcutta in December 1898, he discovered that he had not left the sugar question behind at the Foreign Office. Fresh petitions from the chambers of commerce of Madras and of Upper India awaited him. Both repeated the same dire warnings; the refining industry "will soon perish;" countervailing duties are a "pressing necessity."[38] Such assertions were so exaggerated that they bordered on the hysterical, but the government lacked the necessary evidence to evaluate them. Two months

earlier Lord Elgin had ordered the provincial governments to gather information on the economic condition of the sugar industry and to estimate, if possible, the effects of bounty-fed competition.[39] This investigation was in progress when Curzon arrived. He would not see the reports for over two months. During the interim he obtained his information from local sugar interests.

Mauritian planters also were growing restive over increasing bounty-fed competition in their prime market. Before 1895 their pleas for assistance had been ignored by Lord Ripon, the Liberal colonial secretary.[40] Chamberlain was more inclined to listen, but for several years he took no action. Despite the challenge from beet sugar, Mauritian exports were holding their own, and the colonial secretary's attention, as far as sugar was concerned, centered on the West Indies. By 1898 Mauritian planters were alarmed. As a result of the American countervailing duties, Indian imports from Germany and Austria-Hungary had leaped from 874,000 to 2,149,000 cwts. in one year. Until 1898 India had imported more sugar from Mauritius than from Europe. That year she bought less. In May the governor of Mauritius, Charles Bruce, sent Chamberlain a series of resolutions from the lcoal chamber of commerce importuning countervailing duties.[41] Five months later 8,000 planters and sugar dealers dispatched a similar petition to Lord George Hamilton, the Secretary of State for India. Hamilton, impressed by this demonstration of opinion, passed it on to

Chamberlain, who at once discerned an opportunity to strike a blow at the bounty system.

Owing to the cabinet's fear of opposition, he had been unable to obtain their agreement to countervailing duties in England. But India possessed its own Legislative Council, which could impose duties without having to go through Parliament. The government could thus avoid a direct confrontation with the free traders. Hopefully, a successful foray against the bounty system in India would facilitate the adoption of a similar policy at home. At any rate, foreign powers would certainly take notice.

On January 3, 1899 Chamberlain wrote Hamilton of his belief that "in present circumstances, bounty-fed sugars will drive Mauritius sugar out of the Indian market and will entail ruin and distress." and he urged the new viceroy's government to give "favorable consideration" to the demands of the Mauritian planters, that is, to countervailing duties.[42] In Chamberlain's opinion there was "no valid economic argument against countervailing duties, and the question is purely one of policy and expediency." The colonial secretary did not "presume" to suggest what course the Indian government should take, but he urged it to give the question of duties close attention. "He [Chamberlain] has more than once declined to allow colonial policy on commercial questions to be tied by the policy ... of the mother country." If India saw fit to levy countervailing duties, Chamberlain "would welcome the step as likely to strengthen the opposition

to bounties and to hasten the collapse of a mischievous and unsound device for ruining an important British industry."[43] The message could not have been clearer.

Lord Hamilton, though a professed free trader, was but one of a growing number who questioned the wisdom of one-sided free trade in a protectionist world and who favored revising Britain's tariff policy to give her greater bargaining power in commercial negotiations.[44] On January 24 he telegraphed Curzon that he agreed with the colonial secretary and broached the matter of duties.[45] Two days later he dispatched a long letter describing the threat to the Mauritian and Indian sugar industries and closing with the injunction:

> I have no doubt but that you will take steps for dealing with this important matter at an early date. If, on reconsideration, you should see reasons for modifying the views expressed by the government of India in May last, and for advising the levy of countervailing duties on bounty-fed sugars imported into India, the precise measures you would propose, either legislative or otherwise, should be clearly stated.[46]

Just for good measure, he enclosed a paper describing the operation of countervailing duties in the United States.

Curzon needed no encouragement. With his preconceived antipathy to the bounty system, he had readily adopted the viewpoint of the Indian refiners. He had made up his mind weeks before receiving the reports from the provincial governments. On January 26 he sent Hamilton a dispatch in which he repeated the same arguments the refiners had given

Lord Elgin the previous winter. He admitted that he lacked evidence of injury to the raw sugar industry, but he predicted serious trouble in the future. On February 1 he wired Hamilton that

> irrespectively of imperial policy in relation to the colonies, we arrive at conclusions on the whole favorable to recommendations of Colonial Office.... Generally, we disapprove of any influence tending to discourage growth of manufacturing industries.... we will give every consideration to the question of countervailing duties, and submit proposals without delay.[47]

Events moved rapidly. The next day Hamilton declared to the cabinet that the Indian government would probably impose countervailing duties and that Indian opinion favored such a policy. Undoubtedly he meant the refiners. The Council of India lent unanimous support,[49] and the cabinet raised no objections. Meanwhile Curzon was preparing to act. Not every member of the Indian government was enthusiastic. Sir James Westland, finance member of the Legislative Council and the official responsible for implementing the policy, questioned its wisdom. He feared that India was being used as a stalking horse "from behind whom the home government propose to slay an independent quarry."[49] Westland had guessed right, but Curzon's suave arguments brought him over.

The government in London wanted action quickly, before the end of the Indian legislative session in late March. On February 24 Hamilton telegraphed Curzon, asking

if he proposed to enact duties during the current session.[50] The next day he received a return wire: "Sugar bounties. Propose to legislate at once on the American model."[51] Hamilton and Chamberlain quickly secured cabinet approval.

Both Curzon and the home government acted with almost guilty haste. On March 10 the viceroy laid the bill before the Legislative Council. Under pressure from London, he rammed it through in ten days' time. Contrary to normal procedure, it was not even referred to a committee for examination and discussion. A few members protested such ill-considered action, but they were overridden. The bill became law on March 20.[52]

As expected, the act fanned the flames of controversy in England. Some of the statements by Curzon and his associates seemed almost designed to raise the dander of free traders. Carried away in the enthusiasm of the moment, the once dubious Westland announced, "I am proposing to open an entirely new chapter in our fiscal history."[53] Another member of the council remarked that "free trade can never prevent us from initiating legitimate measures of self-defense,"[54] a protectionist statement if there ever was one. In his speech summing up the debate, Curzon delivered the standard anti-bounty argument that countervailing duties fulfilled, not violated, freedom of trade. He concluded with a slap at the Cobden Club:

> I do not think that we need pay much attention... to the mutterings of the high priests at the free trade shrines. Their oracles do not stand precisely at their

> original premium. This is not a question of economic orthodoxy or heterodoxy; it is a question of reestablishing a fiscal balance which has been deflected for their own advantage, and to our injury, by certain of our foreign competitors.[55]

The Cobden Club quickly sprang to battle stations to repel this fresh assault on the bastions of free trade. They proceeded to demolish Hamilton's claim that the act meant to "prevent a vast indigenous trade in India, based on free enterprise and industry, from being undermined by the subsidized products of foreign countries."[56] The publication of the parliamentary Blue Book supplied them with fresh ammunition. It reproduced the lengthy reports submitted by the provincial governments, the earliest of which was transmitted in mid-February. Most of them could not have reached the government before the bill's discussion in the Legislative Council. This fact alone proved that the government had not acted on a firm knowledge of local conditions but had carried out a preconceived scheme. Even the reports that called for countervailing duties showed that the condition of the Indian sugar industry as a whole was not as serious as the government had portrayed it. Some local refiners were evidently feeling the pinch, but little evidence that cane cultivation was suffering could be found anywhere. What evidence existed was ambiguous because during the previous three years the country had passed through a devastating drought and an epidemic of bubonic plague. The effect of bounty-fed imports could not be ascertained. All in all, imports of European refined sugar apparently posed

little threat to the native raw sugar industry. One reporter pointed out that a revolution in consumption habits would have to occur before refined sugar could replace the native products, since the peasant preferred gur. Several saw no reason for countervailing duties. The ones that did admitted that their conclusions were based on inference.[57]

The government's case in regard to Mauritius seemed even weaker. Imports from Mauritius had generally been rising since 1893, despite growing competition from beet sugar.[58] Their amount might have been greater, but larger-quantities of Mauritius sugar were also moving into the rapidly expanding South African market.[59] Beet sugar showed no signs of pushing cane out of the Indian market. In fact, one could well argue that rising imports of raw sugar from Mauritius posed a greater danger to Indian cane culture than imports of refined beet sugar.

Since all available evidence indicated that, with the exception of some refiners, neither the Indian nor the Mauritian sugar industry was no sorely beset as to require drastic defensive measures, free traders concluded that the government's real aim was to force a revision of British tariff policy. The Liberals persistently urged the cabinet to lay the act before Commons. Although A. J. Balfour proclaimed that "the government have no reason to fear" discussion of the measure, and though Hamilton affirmed his readiness to defend it,[60] the government temporized, probably hoping that the storm would blow over. After three

months had elapsed without the government's having placed it on the agenda, the exasperated opposition determined to force a debate. Sir Henry H. Fowler, former Secretary of State for India in the Rosebery cabinet, presented a motion of censure on the government, asking the queen to disallow the Indian Tariff Amendment Act. The motion came to the floor on the evening of June 15.

The resulting debate will not bear lengthy quotation.[61] Though often vehement, the speeches contributed nothing original. Both sides drew their arguments from polemicists like Farrer, Cox, Lubbock, and Martineau, who had debated the sugar question ad nauseum for years, and the speakers showed a lamentable tendency toward sarcasm and ad hominem arguments. Sir Henry Fowler and the Unionist, J. M. Maclean, headed the opposition; Hamilton and Chamberlain were the featured government speakers.[62]

Insofar as the debate dealt with India, the opposition had little difficulty exposing the weakness of the government's rationale, and government spokesmen were forced to admit that their policy was based not upon present conditions but upon future possibilities. The debate actually centered on the familiar and futile question of the true nature of free trade and the legitimacy of countervailing duties. Both sides avowed that the real issue was future British policy toward bounties.

Government speakers denounced the bounty system and heaped withering scorn upon Lord Farrer and his allies, whom

they portrayed as heretics who had led the nation astray from the sane and flexible notions of Cobden. The opposition accused Hamilton and Chamberlain of protectionist sympathies. They reserved their heaviest attacks for the colonial secretary. Despite his asseveration of free-trade orthodoxy, the apostate Chamberlain was a menacing figure to many Liberals. They feared that this driving, overbearing man contemplated nothing less than a revolution in British fiscal policy. If he won on the bounty question, he would then be emboldened to press on. Time would prove them right.

Aside from all the indecisive straining over doctrinal issues, a fundamental dichotomy was evident. The opposition refused to distinguish between the interests of the mother country and those of the colonies. If free trade (i.e., free imports) had served Britain well, then it would also benefit the colonies. Conversely, protection in India was just as pernicious as protection in England. As Sir Henry Fowler put it:

> I say that what we cannot and what we dare not do for Great Britain we have no right to do in India. The British nation is as responsible for the fiscal policy, for the commercial freedom, for the material progress of India as it is for its civil and military administration.... We have adopted that policy because we know by dear-bought and long experience that it was best for ourselves, and we believed it to be the best for that great empire which was entrusted to our charge.... We are bound to apply that principle all the way through, and the test of righteous trusteeship is that you deal with the interests of others on the same lines as you deal with your own interests in similar circumstances.... I

> ask the House tonight to deal with these retrograde, illusory, mischievous proposals of the Indian government as they would deal with the same proposals if they were made to the people of Great Britain.[63]

Although the sentiment sounded noble, in imperial terms it made no sense. A uniform policy could never meet the economic needs of such disparate societies as the United Kingdom, the West Indies, and India. Free trade had indisputably injured the West Indies. The Indians had had to be compelled, much against their will, to accept its blessings, which included increased competition from British exports. Chamberlain lashed out at the assumption that what was good for Britain was ipso facto good for the empire, and he accused his opponents of desiring a return to the mercantile system, "which lost us the United States of America."

> And what was that mercantile system? It was that the interests of our colonies should be subordinated and put on one side in favor of the interests of British consumers and producers. It is based on the subordination of colonial interests and colonial opinion to British interests and British opinion; and it seems now that there are persons who hold that the interests of the East Indies, of the West Indies, of Mauritius, and of Queensland are comparatively of no importance; that the local opinion of these places is to be sneered at; ... That is the line taken in deference to a number of pedantic economists, and in the supposed interests of the working classes. We are told that we should be sane imperialists. That is not sane imperialism. That is insane imperialism, whatever else it is, and it tends to produce a state of feeling between us and the colonies which I for one exceedingly regret.[64]

Would Parliament accept the principle of retaliation

for one of her colonies? Would imperial interest in this case take precedence over home interests? When the votes were counted, the government had won a decisive victory. Fowler's motion was defeated by 141 votes,[65] more than the government's usual majority.

The significance of this triumph as a measure of opinion was not unambiguous. Most newspapers had supported Fowler's motion,[66] and it was not altogether certain that Parliament would have accepted countervailing duties in England. But the vote did reveal an upsurge of imperial sentiment. A majority of MP's were willing to set aside the principle of non-retaliation in hopes of cementing imperial unity. Suggestions of colonial discontent with British rule were deeply disturbing. Amidst the mad scramble for colonies at the end of the nineteenth century, not merely prosperity but national prestige and security seemed to depend upon a vigorous and successful imperial policy. Evidence of economic hardship and intimations of fading loyalty in some of Britain's oldest possessions stirred uneasiness,lest they slip into the grasp of other powers, and undermined the cherished assumption that British rule benefited colonial peoples. Given the unconvincing nature of the government's case on purely economic grounds, it is difficult to escape the conclusion that the vote reflected a growing willingness to respond to imperial concerns, even at the expense of home interests. Chamberlain and his supporters regarded the outcome as a decisive step toward both constructive imperialism and the abolition of the bounty system.

Retaliation was risky to a nation wholly dependent upon international trade. Foreign reaction to the Indian duties and the success of the government in defending them would determine the likelihood of imposing penalties in Great Britain. Free traders had long asserted that countervailing duties were incompatible with the most-favored-nation clause in commercial treaties. That issue had not yet been resolved. The United States' successful defense of the Dingley Act furnished a precedent, but it had not been sufficient to institute the American interpretation. The British government expected to receive protests.

They received fewer perhaps than they anticipated. The Netherlands, consistent with her position in 1888, saw no conflict. Belgium had already acknowledged Britain's right to levy such duties. Neither country, of course, exported bounty-fed sugar to India.[67] Germany did, but she had no justification to protest on most-favored-nation grounds, since her commercial treaty with Great Britain had been denounced in 1897. She could only threaten reprisals, but engaged in delicate negotiations over Samoa, she hesitated to complicate matters by antagonizing the British.[68] German sugar interests were not complaining. Their exports to India were declining. Berlin, therefore, merely petitioned for fair treatment.

The only objections came from Austria-Hungary and Russia. Although the former maintained that the Indian duties violated the most-favored-nation clause as she interpreted it,

she withheld a formal protest and did not demand a return to the status quo ante. But her communication contained a veiled threat. It pointed out that the concept of a bounty was very extensible and that if British reasoning were to be accepted by Austria-Hungary, many English products could be penalized to compensate for advantages English manufacturers enjoyed in obtaining much of their raw material duty-free.[69] The Foreign Office refused to be bluffed. "The argument," Bergne noted, "is scarcely worth following." How could a policy of allowing goods free entry for sale at their natural market price be compared with deliberate subsidies to enable exporters to undersell competitors in foreign markets?[70] Russia's protest was more serious. Not only did she proclaim the Indian duties a violation of the most-favored-nation clause, she also protested the inclusion of Russian sugar in the duty list on the grounds that it obtained no bounty.[71]

Since the Indian Act expressly repudiated Russia's position at the 1893 conference, the British were particularly interested in the case. They hoped that a firm stand would force Russia to reconsider her policy and would thus expedite a settlement. An effective defense would require credible arguments. It was the function of the law officers to provide them.

Their opinions were not unanimous. The relationship of countervailing duties to the most-favored-nation clause was an old and controversial question. The traditional,

strict interpretation held that any differential treatment violated the clause. That view was still maintained by Willaim E. Davidson, the legal advisor to the Foreign Office, and by Sir Richard Webster, the Attorney-General.[72] On the other hand, Robert B. Finlay, the Solicitor-General,and the Earl of Halsbury, the Lord Chancellor, submitted carefully reasoned arguments denying that the Indian duties violated the clause. According to Finlay, the intent of countervailing duties was not to give preference to one country over another, but to treat all countries alike. Goods were not taxed because of their origin but because they were bounty-fed. If a government wished to escape the duties, it had only to remove its bounties.[73] The Lord Chancellor pointed out that the premiums themselves violated the spirit of the most-favored-nation clause in that they were designed to give the goods of one country an artificial advantage over those of another in third markets. In no construction of the treaty can it be supposed that this country agreed to place its produce at a disadvantage when contracting in terms of equal treatment to all."[74]

The negative opinions of Davidson and Webster had no influence on the government. The cabinet had decided to plunge ahead; it only sought a well-conceived rationalization for its actions. In mid-July Salisbury replied to Austria-Hungary:

> ... the great extension and development which has taken place in the system of bounties, and other analogous expedients, constitutes a grave menace to British industry and enterprise. H. M. Government

> are therefore not disposed to admit that any government has the unrestricted right by such means to override the clear intention of the most-favored-nation clause, which is that goods shall enjoy equality of treatment but not preferential advantages, as compared with goods of the most favored nation.[75]

The reply to Russia, couched in similar language, further asserted that the Russian sugar regime artificially stimulated exports, thus acting as a bounty, and cited American legislation and the majority opinion of the Brussels conference as authorities.[76] Aware that their reply would probably not satisfy the Russians, the British avowed that they were prepared to terminate the Anglo-Russian commercial treaty if no settlement could be reached. Their stern attitude surprised the Russians. The British had more to lose than they.[77] But the cabinet was determined to stand fast, believing it essential to instill their new interpretation of most-favored-nation treatment in order that they might retain the option of countervailing duties in England. Continental nations were impressed.[78] Many believed that Great Britain's stand presaged the imminent imposition of penalties.[79]

The Indian Tariff Amendment Act whetted the appetite of anti-bounty groups for countervailing duties at home, and they urged the immediate resumption of negotiations. But the government preferred to wait until Belgium had performed her assigned role, however slowly she might move. The cabinet had encouraging news from France. M. Bompard,

the commercial director at the Quai d'Orsay, had confidentially informed Austin Lee that the new French government, led by René Waldeck-Rousseau, favored reducing the French bounty.[80] Lee considered such information "more promising than anything... that we have yet got out of the French."[81] But Bompard had also warned that any precipitate step toward countervailing duties would only make it more difficult for the new government in Paris to convince the sugar interests that bounties should be reduced.[82] It was impossible to gauge the sincerity of his warning. Lee suspected that it might be a ploy to forestall British action against bounties. Whatever its intent, it gave reason to proceed carefully. Moreover, there was always the nagging doubt about domestic opinion. The Indian duties had passed, but they were for India. British consumers were not affected. How would a similar measure for England fare? Until the government obtained further evidence that public opinion had shifted decisively against bounties, the objections of a minority of cabinet members would be difficult to overcome. Hicks-Beach, for one, reamined steadfastly opposed.[83]

Some evidence of such a shift became available in June 1900, when the Congress of Chambers of Commerce of the Empire held its annual meeting. On June 28, after a lengthy debate, during which "the weakening of the Manchester school [was] apparent," the congress adopted a strong resolution advocating penalties. There were only three dissenting votes.[84] Salisbury, however, would not be stampeded.

He sidestepped an interview with representatives of the chambers of commerce, pleading that

> previous action on the part of this department has disclosed so strong a Parliamentary feeling against a penal tariff that it would not, in His Lordship's opinion, be desirable to approach foreign powers on the subject until the views of the House of Commons have been more definitely expressed.[85]

It was a lame excuse, and the West India Committee quickly reminded the Prime Minister of the vote on the Indian tariff. But the government had reason for circumspection. British representatives abroad revealed that France, Germany, and Austria-Hungary were negotiating in search of a compromise that would allow the conference to resume.[86] As long as there was the possibility of an international settlement, there was no reason to act unilaterally. To do so might provoke retaliation, whereas to accept a penal clause as part of an international convention would create no problems.

The government was also cautious because by late 1900 it was casting about for new sources of revenue to ease the financial strain of the Boer War. Hicks-Beach contemplated, among other things, a small revenue duty on sugar. Given the magnitude of sugar imports, such a duty would be a "great fiscal advantage." It would not be protective, since Great Britain had no domestic sugar manufacturing industry. Nevertheless, they Chancellor of the Exchequer hesitated. A sugar tax would create many difficulties. Administration and collection would be costly; the old problem of evaluation would reappear;

refiners and confectioners would probably demand a drawback on their exports, although this last difficulty might be eliminated if the tax were small. But the greatest disadvantage of all, in Hicks-Beach's eyes, was that a revenue duty might open the door for countervailing duties, which he earnestly hoped to avoid.[87] Financial necessity eventually overcame his objections. By the end of the year the government was planning to impose a revenue tax. For the time being, there could be no question of countervailing duties. An additional tax would drive prices up sharply and would undoubtedly arouse considerable discontent.

As 1900 drew to a close, the British government was content to wait on Continental developments before declaring itself. Lord Salisbury, in failing health, relinquished the Foreign Office to Lord Lansdowne, the former Secretary of State for War, and assumed the less arduous post of Lord Privy Seal. This cabinet shuffle had no effect on the government's orientation toward the bounty question. British policy had already taken a decisive turn. The Indian tariff amendment had carried with an impressive majority. The free traders were on the defensive. Parliamentary and commercial opinion was becoming more hostile to the bounty system. As imperial enthusiasm swept the country, men more readily subordinated home economic interests to the responsibilities of empire. It was true that powerful elements in the press, in commercial circles, in Parliament, and in the administration remained loyal to the views of the Cobden Club. The

great controversy over sugar was far from ended. But the government had taken a long stride toward reversing the policy it had followed in 1898. This fact, coinciding with the conclusion of a compromise agreement between France, Germany, and Austria-Hungary, which was itself motivated in part by evidence of a new British attitude, afforded fresh hope to colonial and refining interests that, at long last, an end to the bounty system was in sight.

NOTES

[1]Letter to the Morning Post, July 5, 1898, cited in Whettnall to Favereau, July 5, 1898, MAEB, 3.178/3.

[2]Paul Cambon, French ambassador to Great Britain, to Delcassé, Feb. 28, 1899, LJ, p. 129.

[3]Cobden Club, Report of the Committee for the Year 1897-98.

[4]R. Monnet, French consul in Port of Spain, Trinidad, to Delcassé, Sept. 15, 1898, CC, Porte d'Espagne, I.

[5]For instance, some residents of St. Kitts-Nevis recommended that the West Indies be exchanged for the Philippines. Lequeux, French consul in London, to Delcassé, April 1, 1899, LJ, p. 132. There were also suggestions that Jamaica be annexed by the United States. Monnet to Delcassé, Aug. 31, 1898, ibid., pp. 122-23. See also West India Committee Circular NO. 34, Dec. 11, 1900, p. 7, F083/1777.

[6]See, for example, J. W. Root, The British West Indies and the Sugar Industry, p. 102.

[7]Henry de Rosenbach Walker, The West Indies and the Empire: Study and Travel in the Winter of 1900-1901, pp. 7-8.

[8]Hansard, 4th ser., LXXVI (1899), c. 78.

[9]Cambon to Delcassé, Feb. 28, 1899, LJ, p. 129.

[10]Will, p. 138.

[11]Amery, IV, 243.

[12]Ibid., p. 248.

[13]Ibid., pp. 244-45.

[14]Will, p. 139. Unfortunately, this venture fared badly from the start and eventually proved a complete commercial failure. The subsidy was halted in 1911. Saul, "Constructive Imperialism," p. 180.

[15]Letter to Chamberlain, July 18, 1898, JCP, JC14/3/42.

[16]Lipton to Chamberlain, Nov. 29, 1898, ibid., JC14/3/46.

[17]Will, p. 138.

[18]Ibid., pp. 138-39.

[19]Memorandum by Olivier, Oct. 23, 1899, quoted in Kubicek, pp. 126-27.

[20]Memorandum by Chamberlain on correspondence with Lipton, Aug. 1900, JCP, JC14/3/71.

[21]Chamberlain to Lipton, August 14, 1899, quoted in Kubicek, p. 127.

[22]Will, pp. 142-43.

[23]Beachey, p. 169.

[24]Few muscovado producers could even afford the membership dues.

[25]Beachey, pp. 162-63.

[26]F083/1716, passim.

[27]Resolutions of the Anti-Bounty League, Jan. 9, 1899, ibid.

[28]Sir Thomas Sutherland to Foreign Office, Feb. 24, 1899, ibid.

[29]Letter to Chamberlain, March 1, 1899, JCP, JC14/3/58.

[30]"World's Sugar," pp. 2631-32; PP, 1899, LXVI, Pt. 1, "Countervailing Duties in India: Correspondence and Act," passim.

[31]"World's Sugar," pp. 2631-32.

[32]Exports were falling rapidly in the face of bounty-fed competition. In 1889-90 they totaled 1,615,996 cwt.; by 1897-98 they had declined to 690,227 cwt. Ibid., p. 2635.

[33]PP, 1899, LXVI, Pt. 1, "Countervailing Duties in India: Correspondence and Act," p. 568.

[34]"World's Sugar," p. 2633. The great increase in 1897 was a direct result of the imposition of countervailing duties in the United States, which diverted European surpluses to India, the only remaining large free market apart from Great Britain herself.

[35]"World's Sugar," p. 2612.

[36]PP, 1899, LXVI, Pt. 1, "Countervailing Duties in India: Correspondence and Act," pp. 564-76.

[37]Elgin to Lord George Hamilton, Secretary of State for India, May 5, 1898, ibid., p. 563. E. C. Ozanne, the Indian delegate, shared the refiners' view that countervailing duties were imperative Ibid., p. 280.

[38]Ibid., pp. 593-94.

[39]Ibid., p. 589.

[40]Ibid., pp. 583-84.

[41]Ibid., p. 581.

[42]Ibid., p. 582.

[43]Ibid., pp. 586-87.

[44]Lord George Hamilton, Parliamentary Reminiscences and Reflections, Vol II, 1886-1906, p. 325.

[45]PP, 1899, LXVI, Pt. 1, "Countervailing Duties in India: Correspondence and Act," p. 590.

[46]Ibid., p. 592.

[47]Ibid., p. 591.

[48]Cab 37/49, No. 10, "Countervailing Duty on Bounty-Fed Sugars Imported into India," Feb. 2, 1899.

[49]Curzon to A. Godley, Feb. 23, 1899, quoted in Earl of Ronaldshay, The Life of Lord Curzon, Being the Authorized Biography of George Nathaniel, marquess Curzon of Kedleston, II, 31.

[50]PP, 1899, LXVI, Pt. 1, "Countervailing Duties in India: Correspondence and Act," p. 591.

[51]Ibid.

[52]Ibid., pp. 591-92, 657. The Indian Tariff Amendment Act, as the new measure was called, stipulated that the Indian government could at its discretion impose countervailing duties on any bounty-fed article. It did not specify sugar, although it obviously was meant to deal with bounties on that commodity. The act can be found in ibid., p. 649.

[53]Ibid., p. 650.

[54]Ibid., p. 658.

[55]Quoted in Ronaldshay, II, 32.

[56]See Harold Cox, Protection in India, Cobden Club Leaflet No. CXV (March 1899), and India Sacrificed to Mauritius, Cobden Club Leaflet No. CXIX (June 1899); and Lord Thomas Henry Farrer, Protection within the Empire, Cobden Club Leaflet No. CXVI (April 1899).

[57]These reports can be found in PP, 1899, LXVI, Pt. 1, "Countervailing Duties in India: Correspondence and Act," passim.

[58]World's Sugar," p. 2633.

[59]Saul, "Constructive Imperialism," p. 177n13.

[60]Hansard, 4th ser., LXIX (1899), c. 787; LVIII (1899), c. 529.

[61]It can be found in ibid., LXXII (1899), cc. 1199-1311.

[62]Other opponents were Thomas Lough, William H. Holland, Leonard H. Courtney, and Sir Henry Campbell-Bannermann. Sir Lewis McIver, Sir Charles Cameron, and Alexander Wylie supported the government.

[63]Hansard, 4th ser., LXXII (1899), cc. 1221-22.

[64]Ibid., c. 1302.

[65]For 152. Against: 293. Ibid., c. 1312.

[66]Whettnall to Favereau, June 16, 1899, MAEB, 3.195/2.

[67]The Dutch colony of Java did ship some cane sugar to India, but it was not bounty-fed. "World's Sugar," pp. 2632-33.

[68]Greindl to Favereau, April 15, 1899, MAEB, 3.195/2.

[69]Count Deym, Austro-Hungarian ambassador to Great Britain, to Salisbury, May 1, 1899, F083/1716.

[70]Minute by Bergne, ibid.

[71]P. M. Lessar, financial agent of the Russian embassy in London, to Salisbury, June 12, 1899, F083/1716.

[72]Minute by Davidson on Robert B. Finlay to Salisbury, June 23, 1899; note, Sir Martin Gosselin, assistant undersecretary, Foreign Office, to Salisbury, n.d., ibid.

[73]Finlay to Salisbury, June 23, 1899, ibid.

[74]Halsbury to Foreign Office, July 5, 1899, ibid.

[75]Salisbury to Deym, July 14, 1899, ibid.

[76]This document is quoted in Culbertson, p. 73.

[77]Note, Gosselin to Salisbury, Aug. 26, 1899, F083/1716.

[78]Ibid.

[79]See Chapter VIII.

[80]Monson to Salisbury, July 13, 1899, F083/1716.

[81]Letter to Bergne, July 14, 1899, ibid.

[82]Monson to Salisbury, July 13, 1899, ibid.

[83]Hicks-Beach to The Times, June 1, 1900, clipping in ADC, A/53S/1.

[84]The Times, June 29, 1900, clipping in F083/1777.

[85]Gosselin to London Chamber of Commerce, July 18, 1900, ibid.

[86]See Chapter VIII.

[87]Cab 37/52, No. 13,"Sugar Duty," Feb. 7, 1900.

CHAPTER VIII

THE SEARCH FOR A COMPROMISE

If Great Britain's aversion to a penal clause had insured the failure of the 1898 conference, the refusal of France and Russia to modify their domestic legislation had been the immediate cause of the breakdown. France was the foremost obstacle. Twice within a decade her devotion to the law of 1884 had thwarted a settlement. The sugar interests considered that law essential to the survival of their industry. Between 1895 and 1898 political circumstances favored their cause. The Ralliement had nothing to do with sugar, of course, but it created a political environment in which the sugar interests flourished. During the Méline administration the Right and the Progressists, the two most strongly protectionist blocs in the Chamber, who were always disposed to cooperate on issues of national economics, also tempered their long-standing political enmities enough to form a secure, working majority. Méline himself had created the law of 1884, which had served to establish his reputation as the champion of agriculture. It was no wonder that French policy matched the wishes of the sugar industry. Rather than compromise, Méline preferred to see the conference fail. The abortive result was thus the logical outcome of his policy.

Yet even before the conference met, political and economic events were undermining that policy. The elections of May 1898 weakened the Right and Center and strengthened the Left. Méline fell and the political alliance based on the Ralliement collapsed. Subsequent governments proved less friendly to the sugar interests. At the same time, fresh motivations for compromise arose. The financial and commercial folly of the bounty system became increasingly evident. Great Britain seemed to be drifting toward a harder anti-bounty line. Méline had predicted that no French government would abandon his course. He was wrong. After June 1898 successive governments inched toward a more conciliatory attitude. By October 1900 a compromise had been reached that cleared the way for the renewal of the Brussels Conference. How that compromise came about is the subject of this chapter.

In May 1898, as final preparations were being laid for the conference, Frenchmen went to the polls to elect a new Chamber. The Right-Center coalition that had so ably supported Méline did not survive. As a parliamentary strategy, the Ralliement had succeeded, but it did not reflect political attitudes in the provinces, where traditional republican-clerical hostility still smoldered.[1] A concerted, well-coordinated campaign by both Progressists and Ralliés might possibly have overcome provincial suspicions, but numerous and deep divisions among Catholics prevented its realization.[2] The Ralliés, torn between their need to conciliate the

Progressists and their reluctance to repudiate the militantly antirepublican and anti-Semitic factions, such as the Assumptionists and the Christian Democrats, could not prevent the most intransigent elements of the Catholic Right from setting the tone of the campaign.[3] These schisms not only led to the defeat of many Rallié candidates, they also worked to the positive advantage of the anticlerical Left. In many regions, Rightists either attacked or refused to support their erstwhile Progressist allies.[4] In other cases they even threw their support to Radicals, the ill-conceived politique du pire, inspired by the notion that a Radical victory would lead to such excesses of anticlericalism that it would produce a revulsion against Radicalism and possibly even against the Republic itself.[5] The instances in which the Right and the Progressists did cooperate produced some outstanding victories,[6] but those were only evidence of what might have been. The winners were the Radicals and the Socialists. Not only did they gain seats, but the parliamentary alliance between their opponents was shattered.

Five hundred and eighty-one deputies took seats in the new Chamber; two hundred and five for the first time.[7] The Ministry of the Interior classified them as follows:

Antirepublicans, Revisionists, Anti-Semites	10
Monarchists	44
Ralliés	38
Progressists	254
Radicals	104
Radical-Socialists	74
Socialists	57
	581

Although the figures are only approximate, one can readily see that while the Right (which now included a small group of virulently nationalist antirepublicans and anti-Semites) had preserved its strength almost unchanged, the great Center bloc had lost considerably. The Radical-Socialists and Socialists scored the most striking gains. The three Left groups combined so nearly equalled the Center that any Centrist government must perforce seek cooperation either from the Right or from the Left.

When the Chamber reassembled on June 13, the invigorated Left sprang instantly to the attack. After Méline had weathered a vote on Ribot's motion that the Chamber approved the declarations of the government, the Radical Henri Ricard called for a vote on the formula, "and supported by an exclusively Republican majority," a patent repudiation of the "new spirit" that Méline could only reject. It was the end of his ministry and of the Ralliement. Twenty-one of his previous supporters abstained; thirty bolted to the opposition; and Ricard's declaration passed 295 to 246. Indubitably, numerous Progressist deputies switched their votes in retaliation for the Right's conduct of the election.[9] Although the significance of the vote was not immediately apparent, the foundation of the sugar interests' ascendency had crumbled. The protectionist coalition had not only been weakened; it had disintegrated. The hero had fallen from power, even while in Brussels the French delegation, obedient to his instructions, blocked a settlement.

Nearly two weeks of confused maneuvering ensued.

Several attempts to replace the "new spirit" with a Center-Left coalition embracing the Radicals but excluding the Socialists miscarried. Finally, President Faure called on Henri Brisson, former president of the Chamber, to form a Radical government.

The Brisson ministry represented a clean break with the past. It contained no member of Méline's government, and it was anchored on the Left side of the Chamber.[10] Most of the former government's supporters withdrew into the opposition.

The new government revealed no clear orientation toward the bounty question. The Minister of Commerce, Émile Maruéjouls, was a newcomer who had not taken part in the bounty vote in 1897. Paul Peytral, a senator from the Bouches-du-Rhône, who acquired the portfolio of Finances, was a free trader and an outspoken critic of the bounty system. He had fought the law of 1884 at its inception. As a member of the tariff commission in 1892, he had defended free trade against Méline and his allies, albeit unsuccessfully.[11] He had voted no to the bounties of 1897. On the other hand, agricultural protectionists could count on Albert Viger, now Minister of Agriculture for the sixth time. Like most protectionists, Viger considered the law of 1884 vital to the prosperity of the sugar industry. He had even counseled Méline not to attend the conference for fear of jeopardizing it. Finally, Théophile Delcassé, Hanotaux's replacement at the Quai d'Orsay, took no strong stand on sugar, although he

had voted against the act of 1897. The new government was split on the bounty question, and once again the opposite poles were represented by Finances and Agriculture. Foreign observers expected no significant change in French policy.[12]

No sooner had the Brisson cabinet taken office than disturbing rumors began to filter in from abroad. German, Austro-Hungarian, and British newspapers denounced France for torpedoing the conference and ominously hinted of negotiations for a new arrangement that would penalize French and Russian sugars.[13] Le Temps printed similar reports. They proved false, but they reminded the government of France's vulnerability to a hostile coalition, particularly if it included Great Britain.

Great Britain's policy would be decisive. If she levied countervailing duties, it would be foolishly wasteful for France to continue the bounties. Expecting soon to receive several compromise proposals from Belgium, the French government took an acute interest in the debate raging in England. The Council's response would in large measure depend upon the ministers' perception of British policy.[14] Unfortunately, the Salisbury government would take no clear stand, and the vociferous exchanges between the anti-bounty groups and the free traders only confused the French. Before long, domestic upheavals and a foreign crisis shoved the sugar question into the background.[15]

Paris was seething over the Dreyfus Affair: forged documents revealed, Colonel Henry a suicide, Cavaignac

discredited, the cabinet in turmoil. The incubus of the ultra-Right haunted Republicans as the tirades of Dreyfusards and anti-Dreyfusards gave way to violence and threats of a coup d'état. Amid this ferment, labor unrest erupted. Construction and railroad workers marched out on strike. And as if these torments were insufficient, a confrontation on the Nile momentarily threatened war with Great Britain. With France so distressed, the Belgian government saw little use in approaching her. The British momentarily feared that Belgium had abandoned her mission, but Brussels assured them that negotiations would resume once the storm in Paris had settled.[16]

In late October the Dreyfus Affair topped Brisson. His replacement, the Republican Charles Dupuy, constructed his fourth government, retaining four men from the former cabinet. Three of them, Peytral, Viger, and Delcassé, kept their posts. Maruéjouls gave way to a "first rate economist," Paul Delombre, the former economics editor of Le Temps. Delombre, like Peytral, leaned toward free trade. He could even claim membership in the Cobden Club of London.[17] He likewise had opposed direct bounties in 1897. His advent strengthened antiprotectionist sentiment in the key ministries, but, while Viger held forth in the rue de Varennes, cabinet unanimity would be difficult to achieve.

Shortly after the settlement of the Fashoda crisis, the Belgian government judged that conditions permitted the resumption of negotiations with France. Baron d'Anethan

approached Delcassé for a preliminary change of views on the three compromise formulas proposed by the conference. The foreign minister had requested opinions from the three administrations concerned, but they had not replied. He again urged his colleagues to hammer out an agreement as quickly as possible and charged the Ministry of Finances with coordinating the interministerial discussions.

The ministers had to answer a fundamental question: should France regard the breakup of the conference as final, or should she pursue negotiations on the basis of one of the suggested compromises, all of which would entail the sacrifice of a portion of her bounties? Both Commerce and Finances concluded that France should seize the opportunity to settle the matter once and for all, especially since she would be allowed some advantage under all three proposals. Developments in the world market portended a substantial reduction in the French sugar trade, perhaps even in the near future. The return of Cuba to large-scale production under American tutelage promised to nullify the temporary boon European exporters had received from the revolution. American demand would likely be satisfied by her new possessions. France exported little sugar to the United States, but if the American market were closed, enormous quantities of European, particularly German, sugar would be diverted to other markets, where it would compete with the French commodity. New areas of the world, such as Australia, New Zealand, Natal, and Egypt, were entering sugar production.

Many smaller European countries, Spain, Italy, and Rumania, for example, were rapidly expanding their industries. Shortly they would cease to provide markets. In view of such changes, Peytral wrote to Delombre,

> the reduction of our exports... must be considered an eventuality that no protective measure can prevent. Under these conditions one may, I believe, wonder if it is wise to continue a system of encouragement, of stimulating production increases that are perhaps leading, in the near future, to a great many misfortunes...

Was it not preferable for France to adjust to reality voluntarily rather than to be driven to it by inexorable circumstances?[18] Higher bounties were the only alternative, and the Minister of Finances did not think them practical. The previous August his department had reduced the direct bounties because they had surpassed the taxes collected to fund them.[19] They would probably continue to fluctuate considerably, rarely attaining the full amount. Unless the law were changed and new taxes imposed, direct bounties could not be raised, and Peytral firmly opposed new tax increases. He pointed out that, contrary to the predictions of Méline's supporters, the bounties did raise consumer prices. The direct subsidies had already squeezed from the French people about 24,000,000 francs.[20] From a strictly financial standpoint the direct bounties did not affect treasury receipts, since they were paid from a special tax fund. But the industry's beloved indirect premiums were another matter. Each year those

discounts cost the Treasury millions of francs. In 1897-98 the indirect bounty per 100 kilograms amounted to 8.40 francs, and the total amount withheld reached 61,000,000 francs.[21] According to the Minister of Finances:

> In our present financial situation, when the reorganization of our military and naval forces demand new expenditures each year, one must wonder if it is possible to allow such considerable advantages to the sugar manufacturers to go untouched, and if the State will not in the near future be led to ask them to relinquish some of their benefits....[22]

Peytral concluded that commercial and financial considerations dictated both the abolition of the direct bounties and substantial reductions in the indirect ones. It would be "wise and prudent" for France to do so through an international agreement, in which she could obtain reciprocal concessions. Such a policy would best serve the interest of French agriculture.[23]

Such arguments could not convince Viger. The sugar interests had come to regard their subsidies as an acquired right, and the Minister of Agriculture sympathized with them. The Conseil supérieur de l'agriculture rejected any modification of the domestic sugar regime. With the support of his permanent staff and of the Conseil supérieur, Viger informed Peytral that he could not agree to any negotiations except under the same reservations as in 1898.[24]

Despite his objections,both Commerce and Finances had undertaken a thorough study of the compromise formulas

submitted by Belgium. Both concurred that the second was unacceptable.[25] Peytral indicated that while its intent was to allow France her full indirect bounty on sugar consumed domestically, its effect would be to limit normal French exports to 50,000 tons.[26] It would also create administrative problems. How would the 50,000 ton exemption be apportioned among manufacturers?[27] The third, on the other hand, appeared at first glance more acceptable.[28] It would virtually restore the pre-1896 status quo, and since that time the French sugar industry had made rapid strides. Production had risen by 144,000 kilograms. The average saccharine yield of French beets had jumped from 10.98 per cent to 12.08 per cent, the highest ever.[29] Indirect bounties had soared from 43,000,000 to over 60,000,000 francs.[30] The French industry had become more competitive. Nevertheless, there were grave disadvantages to the proposal. Germany and Austria-Hungary would retain their bounties, and, in that case, French sugar interests would grimly resist the loss of their direct premiums. It was unclear just how large a fraction Germany would be allowed above her 1895 bounties. It was doubtful that Russia would accept any restrictions. Finally, the formula implied that the French indirect bounty was an export bounty, an interpretation consistently rejected by the French government.[31] Both departments ultimately concluded that the third formula was also unacceptable and recommended that discussions concentrate on the first.[32]

That formula[33] implicitly recognized French assertions that the 1884 system only served to offset their sugar industry's inferiority to its German and Austro-Hungarian rivals. A significant rise in French exports after the abolition of competing bounties would indicate that the French advantage more than compensated and should thus be reduced.[34] Peytral believed the figure of 235,000 tons was too low. The true mean for the period 1893-97 was about 271,000.[35] In fact, the former total had been surpassed every year but one since 1899. The quantity should thus be raised to at least 250,000 tons. Since exports fluctuated greatly, a reduction should not be required after an exceptional year but should occur only when export surpluses indicated a general trend, perhaps after two or three exceptional years. The reduction should also be proportionate to the magnitude of the surplus. One-fourth was excessive.[36] Of course, whatever compromise was agreed upon must satisfy both the Chamber and foreign powers. Peytral reckoned that the first formula, if modified, would be the most acceptable to the sugar interests, since the mode of reduction was not specified and the date of implementation was uncertain. Both ministers recognized that the formula so modified would produce little effect on French sugar legislation until considerable time had elapsed. Foreign powers were thus likely to have serious reservations.[37]

As an alternative, Peytral suggested that France should offer to raise the tax on excess yields from 30 to 40

francs per metric quintal. He expressed confidence that the proposal would bring about a settlement. It had several advantages. It would allow the sugar interests to retain two thirds of their indirect bounty; the government would not have to modify repeatedly its legislation as exports grew; and France would escape arbitrary export limitations imposed by foreign powers.[38] The Ministry of Commerce considered Peytral's reasoning persuasive, but Delombre expected sugar interests to fight any reduction. The government could be courting dangerous opposition.[39]

Several methods were available to reduce the bounty: 1) to raise the legal yield, 2) to reduce the quantity of sugar subject to the reduced duty, 3) to raise the tax on sugars subject to the reduced duty, 4) to reduce the bounty indirectly by lowering the full tax of 60 francs without reducing the legal yield and without increasing the proportion of sugar subject to the reduced duty. From a fiscal viewpoint, Peytral preferred the third. It required no structural modification of the 1884 regime. It also preserved the full tax of 60 francs. Delombre agreed, but pointed out that the fourth option was available if the Chamber balked. "Not being able to surmount the obstacle, there will be a good chance of circumventing it, for the warmest partisans of protection for the sugar industry could only with great difficulty oppose a reduction of the consumption tax"[40]

Both Commerce and Finances finally concluded that

France should resume negotiations on the basis of the first compromise formula, with the provision that she be freed from any obligation contained therein if, before her exports attained the stipulated figure, she voluntarily reduced her indirect bounty by one-third.[41] The government could then preserve greater flexibility in dealing with foreign powers and domestic interests.

An accord between Commerce and Finances meant nothing without the assent of Agriculture, and Viger remained obdurate. Days, then weeks, passed, and France could still give no definite reply to Belgium. The Quai d'Orsay grew restless. French behavior at the conference had provoked sharp criticism abroad, and the ministry worried lest France irritate foreign opinion to the extent of imperiling her international trade relations. The commercial section, like Commerce and Finances, favored a conciliatory policy. In light of world market trends, France would lose nothing by an international agreement that would in return eradicate the bounties of her competitors.[42]

The protectionist mentality refused to countenance such considerations. The agrarians, and their representative, Viger, knew nothing of the future. In the present the indirect bounties were indisputably benefiting the sugar industry. Production was on the upswing. That very year the beet crop was the richest on record. Beet prices had risen from 26.43 per ton in 1895 to 30.24 francs. Farmers were receiving an average of 778 francs per hectare for their crop, whereas

three years previously they had collected 699 francs.[43] Such gains were credited to the 1884 system. To opponents of the bounties, the evidence proved that the industry no longer required encouragement. Once the bounties had been reduced or abolished, the sugar industry would suffer no ill effects because the lower cost of sugar would foster domestic consumption. But the sugar interests were loath to trade security for dubious promises. The normal protectionist reaction to forecasts of impending doom was to call for yet more protection, not less.

In March 1899 their cause was jolted by news of the Indian countervailing duties, which aroused immediate speculation in European capitals that Great Britain had dropped her long-standing antipathy to retaliation. The sugar question took on a new urgency in Paris. A compromise agreement seemed more imperative than ever. Delcassé pleaded with his colleagues to settle their differences with all possible speed. Again external circumstances intervened. The ongoing Dreyfus imbroglio brought down the government of Charles Dupuy and plunged France into another cabinet crisis.

The sugar bounty question had no bearing on the formation of the Waldeck-Rousseau government, which was constituted to liquidate the Dreyfus Affair and to defend the Republic from what appeared, in Republican eyes, an alarming threat from the Right. But after June 1899 the altered political visage of the government decisively

influenced policy toward bounties. The bulwarks from which the sugar interests had defended their advantages in 1898 had crumbled. The groups and individual politicians who had fought for the bounties were thrown into the minority. The key ministries fell to men of a reformist bent, men who owed nothing to the protectionists. Their majority rested on a coalition of the Left, including the Socialists, the groups that had shown the least sympathy for the sugar interests' cause. The festering issue of social reform had finally split the Progressists. Poincaré and his followers broke away to join the Left, leaving Méline, Ribot, and their supporters, tainted by association with the Right, in the opposition. The new government was no longer divided on the need for a solution, and it had greater freedom to compromise. One last factor was crucial: despite a shaky beginning, it endured almost three years.

The ministries concerned with the sugar question devolved upon three of the most colorful and controversial members of Waldeck-Rousseau's government, men who were destined to play a leading role on the stage of the Third Republic. The Socialist Alexandre Millerand took the Ministry of Commerce. The sugar interests could expect no coddling from him. He had recently advocated nationalizing the refining industry and had also opposed the bounty act of 1897. To balance him, a brash young deputy named Joseph Caillaux was given the portfolio of Finances. Son of an Orleanist father who had been Minister of Finances for six

months during the Seize Mai government, Caillaux was no stranger to the ministry or to his new responsibilities. Professionally trained in economics, he had begun his career as an inspector of Finances. Through this experience he had become intimately acquainted with the absurdities of the French tax structure and had conceived schemes for its reform. He was,however, no economic radical. His fiscal views had been shaped by the free-trade ideas of his mentor, Paul Leroy-Beaulieu. Throughout his life he remained an orthodox financier, devoted to frugality and to balanced budgets. Nor was he, at least in 1899, inclined to the Left. Although he sat with the Progressists, he was not a "political" man at all. He was a "technician," dedicated to bringing order out of the chaos of French finances.[44] To this task he brought an incisive mind and a supreme, unquestioning self-confidence.[45] The President of the Council, himself ignorant of economic questions, allowed Caillaux free rein in his special area.[46] Finally, Agriculture went to the Radical senator Jean Dupuy, owner of the pugnacious and influential Left-wing newspaper Le Petit Parisien. Like Caillaux a newcomer to cabinet rank, he had long specialized in agricultural questions at the Palais de Luxembourg. But he was no doctrinaire agrarien like Méline, whom he scorned as an unprincipled opportunist.[47] Under the pseudonym of Jean Frollo he had combatted Méline's efforts to restore protection.[48] He numbered among the minority of senators who had voted no to the bounty act of 1897. In replacing the

archprotectionist Viger, he shifted the government's position on the sugar question. Although the ministry remained biased toward the agrarian view, its new chief was amenable to compromise. In sum, the three key ministers were no longer divided between free traders and protectionists. Now there were two free traders[49] and a socialist. The pendulum had swung away from the rigid position of Méline, and Viger.

As the new government took office, a compromise appeared more vital than ever. The previous week the House of Common had overturned Sir Henry Fowler's motion to disallow the Indian duties by a resounding majority of 141. News of the event convinced the French that the Salisbury government had obtained "a sort of blank check from Parliament for any measures it might take in order to abolish the bounty system."[50] That prospect left them with the alternative of compromise or British retaliation. Either course appeared risky. The sugar interests would surely make trouble, and the government's first vote of confidence had been narrow. But the threat of British action was even more foreboding. Delcassé, who had stayed on at the Quai d'Orsay, pressed his new colleagues to concur with haste. His department went so far as to disclaim all responsibility in the event that further delays provoked retaliation.[51] Millerand and Caillaux quickly reaffirmed the conclusions of their predecessors. The decision thus lay with Agriculture.

Dupuy also perceived the importance of developments in England, but he headed a staff inculcated with the views of the sugar interests. During the second week of July, extended conferences took place in the rue de Varennes. Bompard presented the arguments of the Quai d'Orsay in person to the personnel at Agriculture.[52] Dupuy met with a special committee of sugar manufacturers and farmers and also with the Conseil supérieur de l'agriculture. Although the sugar interests and the departmental staff argued against concessions,[53] Dupuy believed that circumstances argued powerfully for conciliation.[54] Given the strength of the sugar interests and the genuine contribution of a healthy sugar industry to French agriculture, Dupuy admitted some reservations as to the nature and extent of the sacrifices that could be accepted; nevertheless, he judged that in the current situation "it would not be impossible to get our farmers and manufacturers to agree to a reduction of the bounties."[55] At long last, an agreement seemed near.

Like his colleagues, the Minister of Agriculture questioned the first Belgian formula. Reductions in the production bounties should not be linked to chance trade fluctuations, since a succession of good years would eliminate the premiums. The sugar interests had persuaded him that without some indirect bounty, the French industry would be hopelessly outclassed.[56] He sought a middle path: to appease foreign powers by renouncing a portion of the bounty and to mollify the sugar interests by preserving some advantage.

The plan adumbrated by Peytral but rejected by Viger apparently satisfied these requirements.[57] The ministries of Finances and of Commerce quickly concurred. Seven months after Belgium's approach, the French government was prepared to submit a reply.

Dupuy suggested, however, that it might be wise first to

> establish a preliminary agreement by means of official negotiations on the one hand with Russia, who at Brussels showed herself to be our faithful ally, and on the other hand with... Berlin, who is in reality our only adversary, it being obvious that she will draw Austria-Hungary into her orbit.[58]

Such precautions might save embarrassment and would doubtlessly expedite negotiations once resumed. Delcassé saw considerable merit in Dupuy's proposal. On July 20 he instructed the Marquis de Noailles to inform Germany that France was prepared to accept a reduction in her production bounty "by means either of an increase in the legally presumed yield, or by raising the tax on sugar subject to the reduced duty, or finally by lowering the consumption tax."[59] The initial reaction was guardedly favorable, but the imperial government requested more detailed information.[60] The French then offered to dispatch a technical delegate to Berlin. Before doing so, they sought a formal admission by Germany that she accepted the principle of the proffered compromise. Berlin gladly complied.[61] A similar overture to Austria-

Hungary received an identical response.[62]

A brief dispute flared in the Council of Ministers over the selection of a delegate. Caillaux first recommended Dubois de l'Estang, Director of the Inspection générale des finances.[63] The sugar interests, however, plumped for Sébline, and Millerand proposed his accreditation on the grounds of courtesy.[64] The Minister of Commerce had evidently overlooked Sébline' reputation. Caillaux wrote the Quai d'Orsay:

> You are going a bit fast. I am not and will never be a supporter of M. Sébline's candidacy.... I will only accept it if, after an interview at the Ministry of Finances, I am convinced that M. Sébline wants to go to Berlin to defend not the narrow interests of a certain class of producers but the general interests of the country and of the consumers. In any case, I must demand that he be accompanied by one of my chefs de service or by an inspector of Finances.[65]

A few weeks later Caillaux held a meeting at the Louvre with Sébline and the permanent directors of the concerned administrations. They ultimately agreed to offer a reduction of one-third in the indirect bounty. The Minister of Finances, evidently unconvinced of Sébline's reliability, recommended that the mission be entrusted to Delatour, the Director-General of Indirect Taxation, and to Chandèze, the Director of Commerce.[66] They were duly accredited.

The French delegates left for Berlin on November 22. On their arrival they were introduced to a committee drawn from the various imperial adminstrations concerned with the sugar question. The first formal discussions took place on

the 28th. The French set forth their offer, a reduction of one-third in the indirect bounty to be achieved by lowering from 30 francs to 20 francs the difference between the full tax and the reduced tax. They reserved their right to decide the method of implementation. The Germans pressed for further concessions,proposing a reduction to 15 francs and the application of the full duty to all yields above 10.5 per cent. Their plan would cut the French bounty by about two-thirds. Chandèze and Delatour replied that their instructions did not permit them to go beyond a one-third reduction and that it would be useless to refer to Paris, since the government had resolved against further reductions.[67]

A second meeting was held on December 2. The Germans remained hopeful of securing additional concessions. They too faced powerful agrarian and industrial interests whose views they were bound to consider. Again they declared the French proposal "somewhat meager," but the French refused to bend. At last, even though they asked for more time to determine "whether our sugar industry, in exchange for these concessions, could entirely renounce its current advantages,"[68] the Germans tentatively accepted "a similar proposal" as the basis for renewed negotiations, provided that Austria-Hungary agreed. As Delatour and Chandèze departed Berlin, von Bülow assured them that his government would press for an early agreement with Vienna.[69]

The Quai d'Orsay had kept Russia informed of these contacts with Germany. St. Petersburg was irked by the

French proposals, which, by admitting that internal legislation was a proper concern of the conference, had implicated Russia.[70] French assurances of support for Russia's viewpoint could not assuage Count Witte. He rejected any compromise.[71] It was becoming clear that to assure herself of Russian support France would have to revert to her policy of 1898, but to do so would destroy all hope of a settlement. The Tsar's government remained a dark cloud on an otherwise brightening horizon.

In March representatives of the German and the Austro-Hungarian administrations gathered in Vienna to examine the French offer. The Germans favored a more conciliatory posture than the Austrians, but they did not press their views too strongly, since they wished to act jointly with their ally.[72] Both governments finally agreed to accept the principle of an advantage for France, something they had envisioned in 1897, but they refused to commit themselves to wholesale bounty abolition as long as she insisted on keeping two-thirds of her indirect premiums. They would reassess their position if France proposed an additional reduction. It was understood that all concessions were contingent on reciprocal action by the other sugar-producing countries.[73]

On June 9 French administrative officials met at the Ministry of Finances to discuss the Austro-German reply. It resembled the third compromise formula enunciated at the Brussels conference in that it foresaw the reduction, not the suppression, of the German and Austro-Hungarian bounties.

It did not promise a solution. The officials decided to invite Berlin and Vienna to send to Paris representatives "instructed to formulate with precision the desiderata of their governments and to discuss with their French colleagues the possibility and the means of giving them satisfaction."[74] The cabinet resolved to proffer further concessions in hopes of obtaining a speedy agreement.

Seventeen months had elapsed since Belgium's approach, and France still had not declared herself. Further delays increased the likelihood that Great Britain would take unilateral action. Reports that London was closely following the current negotiations provided sufficient reason, according to Delcassé, "for us to hope that an understanding is reached as soon as possible."[75] Despite French desires for haste, Germany and Austria-Hungary could not prepare their missions until October. The conference was finally scheduled for the eleventh of that month.

Each of the concerned French ministries appointed delegates. They were all men long acquainted with the bounty question: Bompard, Chandèze, Delatour, Vassillière, and Courtin. As a gesture to the sugar interests, Sébline received an appointment, but, unable to endorse the planned concessions, he refused to participate.[76]

The talks opened on schedule. In the first session the German delegation declared that, whereas for many years their sugar industry had advocated the general abolition of the bounties, it had recently reversed itself and now

favored preserving the subsidies. The German government continued to seek a settlement and was amenable to permitting France an advantage; however, in view of the sugar industry's attitude and of the "remarkable development" of French production in recent years, the Reichstag would not likely assent to an advantage much larger than the existing German bounty. Since the German premium was about 3 francs, and the French bounty between 8 and 9 francs, they urged France to reduce hers by about two-thirds.

The Austro-Hungarian representatives took a similar line. Their sugar interests had importuned them to insist on a three-fourths reduction, but the government had concluded that two-thirds would suffice. They reckoned that the maximum allowable French bounty would thus be 2.88 francs per 100 kilograms. France should pledge to respect that limit.

The French did not believe they could accept such a severe reduction, especially since the sugar lobby agitated against any concessions at all.[77] The cabinet had authorized them to yield half the bounty, the reduction to be carried out by imposing the full tax on all yields above 10.5 per cent (as the Germans had suggested the previous November) in addition to raising the reduced duty by 10 francs. This new arrangement would not only further diminish the bounty, it also guaranteed that no subsequent improvement in the saccharine content of the roots would increase it. Only the portion of the yield between 7.75 and 10.5 per cent would qualify for the reduced duty.

Both sides eventually agreed to meet halfway. Germany and Austria-Hungary accepted the French proposal as the basis for a renewal of the conference. Bounty abolition would depend upon the adherence of the other countries involved. The Austro-Hungarian declaration, expressing her hope that the other powers represented at Brussels would follow her example, "whatever their form of protective system," was obviously directed at Russia, which now loomed as the major impediment.[78]

Aside from the uncertainty over Russia's future course, the prospects for a solution to the bounty problem appeared brighter than ever as 1900 drew to a close. No longer did the French government dance to the sugar interests' tune. Germany and Austria-Hungary were intent on eradicating that wasteful system "that benefited only England." For her part, Great Britain seemed ready to sacrifice those benefits in the interest of her empire. Little now appeared to stand in the way of a swift conclusion. Yet at that very moment, another complication reared its head.

NOTES

[1]Shapiro, pp. 43-45.

[2]A perspicuous examination of Catholic divisions and their effect on the elections of 1898 can be found in Parker Thomas Moon, The Labor Problem and the Social Catholic Movement in France: A Study in the History of Social Politics, pp. 211-14.

[3]Ibid., and Segwick, pp. 110-15.

[4]Moon, pp. 213-14.

[5]Ibid., p. 213, and Shapiro, p. 45.

[6]For example, in Lille Jules Guesde was defeated by a Catholic, while in Carmaux Jaurès lost his seat to a Rallié. Moon, pp. 212-13.

[7]Chapman, p. 208.

[8]See Emile Simond, Histoire de la troisième République de 1897 à 1899. Présidence de M. Félix Faure, p. 167.

[9]Shapiro, p. 43n42. See also Chastenet, p. 123.

[10]Chastenet, p. 124.

[11]Henri Avenel, Le nouveau ministère et la nouvelle chambre, pp. 35-38; Bertrand, Le Sénat de 1894, pp. 106-07.

[12]Baron Fallon, Belgian chargé d'affaires in Paris, to Favereau, Aug. 12, 1898, MAEB, 3.178/3; Monson to Salisbury, Sept. 12, 1898, F083/1716.

[13]Noailles to Delcassé, July 5, 1898, LJ, p. 121; Noailles to Delcassé, July 6, 1898; Marquis de Reverseaux, French ambassador to Austria-Hungary, to Delcassé, July 7, 1898, ADC, A/53/2.

[14]This was explicitly stated by Peytral in a letter to Delcassé, July 15, 1898, ADC, A/53/2.

[15]There are practically no French documents concerning sugar for the late summer and early fall of 1898.

[16]Salisbury to Plunkett, Oct. 24, 1898; Plunkett to Salisbury, Nov. 5, 1898, F083/1716.

[17]Avenel, pp. 59-60.

[18]Jan. 17, 1899, AN, F12 6977.

[19]A decree of August 17, 1898, lowered the bounties from their legal maximum to 2.42, 2.77 and 3.11 francs respectively for the three classes of sugar, BSLC, XLVII, 46.

[20]Ibid.

[21]The above figures are taken from ibid., XLV, 65, and XLIX, 31.

[22]Peytral to Delombre, Jan. 17, 1899, AN, F12 6977.

[23]Ibid.

[24]Note for the Minister of Foreign Affairs, April 17, 1899; Jean Dupuy, Minister of Agriculture, to Delcassé, July 10, 1899, ADC, A/53/3.

[25]It stated that "France agrees to collect on exported sugar a duty equal to the amount of the indirect bounty by which production may have profited during the season preceding that under consideration. A quantity of 50,000 tons, however, will be exempted from the export duty every year."

[26]Peytral to Delombre, Jan. 17, 1899, AN, F12 6977.

[27]Note, Chandèze, Director of Commerce, for the Minister of Commerce, Feb. 1, 1899, ibid.

[28]See p. 236.

[29]BSLC, XLI, 19-20; XLVII, 43-44.

[30]Ibid., XLIX, 31.

[31]Peytral to Delombre, Jan. 17, 1899; note, Chandèze for the Minister of Commerce, Feb. 1, 1899, AN, F12 6977.

[32]Belgium and Germany also rejected the third formula. Smet de Naeyer to Favereau, Jan. 23, 1899, MAEB, 3.178/3.

[33]France agrees that whenever her exports of refined sugar shall exceed during one season the quantity of 235,000 tons, which represent the average export of the years 1892-93 to 1896-97, to reduce by one-quarter the indirect premium resulting from her fiscal regime and to continue doing so until the bounty shall have been completely abolished."

[34]Delombre to Peytral, March 11, 1899, ADC, A/53/3.

[35]Using Helot's figures, I get 259,000 tons.

[36]Peytral to Delombre, Jan. 17, 1899, AN, F12 6977.

[37]Ibid.; Delombre to Peytral, March 11, 1899, ADC, A/53/3.

[38]Peytral to Delombre, Jan. 17, 1899, AN, F12 6977.

[39]Delombre to Peytral, March 11, 1899, ADC, A/53/3.

[40]Of course, such a solution would be less acceptable from a fiscal standpoint unless domestic comsumption rose to offset the tax reduction.

[41]Note for the Minister of Foreign Affairs, April 17, 1899, ADC, A/53/3.

[42]Ibid.

[43]BSLC, XLI, 20; XLVII, 43-44.

[44]The above characterization is based on Binion, pp. 19-24.

[45]T. H. Thomas, "Caillaux," The Atlantic Monthly, CXXXV (June 1925), p. 841.

[46]Pierre Sorlin, Waldeck-Rousseau, p. 453.

[47]Micheline Dupuy, Un homme, un journal: Jean Dupuy, 1844-1919, pp. 133, 119.

[48]Dictionnaire des parlementaires francais: notices biographiques sur les ministres, sénateurs et députés francais de 1889 à 1940, edited by Jean Jolly, IV, 1574.

[49]In the relative sense of the term, of course. Few French politicians were prepared to dismantle the country's tariffs. Witness Millerand's speech to the Conseil supérieur du commerce et de l'industrie: "Parliament has spoken. It is not for us to revive the struggles of yesterday. The stability of our customs tariffs is one of the essential conditions of our industrial and commercial prosperity." JO (Jan. 19, 1900), p. 393. The bounties were a special case.

[50]Note for the Minister of Commerce, June 30, 1899, AN, F12 6977.

[51]Ibid.; Dupuy to Delcassé, July 10, 1899, ibid.

[52]Vassillière, Director of Agriculture, to Bompard, July 11, 1899, ibid.

[53]Although I found no record of what transpired at these discussions, the evidence of later petitions from sugar trade organizations and chambers of commerce make it safe, I think, to infer that the sugar manufacturers, the farmers, and the Conseil supérieur expressed the same opinions they had set before Viger the previous winter: no modification in the domestic regime.

[54]Dupuy to Delcassé, July 10, 1899, ADC, A/53/3.

[55]Dupuy to Delcassé, July 13, 1899, ibid.

[56]Ibid.

[57]Ibid.

[58]Ibid.

[59]LJ, p. 139.

[60]Ibid., pp. 138-40.

[61]Boutiron to Delcassé, Aug. 16, 1899, ADC, A/53/3.

[62]Sohier de Vermandois, French chargé d'affaires in Vienna, to Delcassé, Sept. 28, 1899, ibid.

[63]Caillaux to Delcassé, Sept. 30, 1899, ibid.

[64]Millerand to Delcassé, Opt. 4, 1899, ibid.

[65]Caillaux to Bompard, Oct. 8, 1899, ibid.

[66]Caillaux to Delcassé, Nov. 16, 1899, ibid.

[67]Noailles to Delcassé, telegram, Nov. 29, 1899, ibid.

[68]Note, Körner, German Director of Finances, to French delegates, Dec. 2, 1899, ibid.

[69]Delcassé to Reverseaux, Dec. 7, 1899, LJ, p. 146.

[70]Count Muraviev, Russian Minister of Foreign Affairs, to Montebello, Dec. 28/Jan. 9, 1899/1900, AN, F12 6977.

[71]Memorandum by Count Witte, enclosure in Montebello to Delcassé, Sept. 15, 1899, ADC, A/53/3.

[72]Greindl to Favereau, June 1, 1900, MAEB, 3.178/3.

[73]Enclosure in Noailles to Delcassé, May 11, 1900, LJ, pp. 147-48.

[74]Delcassé to Ministry of Finances, June 22, 1900, ADC, A/53S/1.

[75]Delcassé to Millerand and Caillaux, July 19, 1900, ibid. From the British point of view, the negotiations actually were an incentive to await further developments, but the French could not dispel the specter of the Indian duties.

[76]Monson to Salisbury, Oct. 18, 1900, F083/1777.

[77]See, for example, the speech of the president of the Syndicat de fabricants de sucre, printed in Le travail national, April 15, 1900, clipping, ibid.

[78]The foregoing discussion was taken from the official procès-verbaux of the proceedings. LJ, pp. 159-62.

CHAPTER IX

SURTAXES, CARTELS, AND PESSIMISM

Although the Tripartite Agreement of October 1900 marked an apparently decisive step toward a settlement of the bounty question, new issues and complications arose to delay the renewal of the conference. Cartels in Austria-Hungary and in Germany were the principal embarrassment. Throughout 1899 and 1900 negotiations had focused on the French bounty; in 1901 they revolved around the cartel issue. The Austro-Hungarian and German governments, which had previously led the way in seeking a solution, suddenly became obstructive. France, heretofore an obstacle, now actively pursued a settlement, even though her Russian ally obstinately refused to participate further. The British tentatively accepted a penal clause, but the cabinet remained divided and had not resolved the question when the conference reassembled. In the meantime, the demands of the Boer War compelled them to levy revenue duties on sugar imports, which created fresh difficulties. Despite these problems, worsening international market conditions and the burgeoning financial demands on all European governments militated against the bounty system. Although the various national sugar interests strenuously resisted the loss of their subsidies, their governments plodded on in quest of a solution. But on the

eve of the conference the outcome of their labors once more appeared dubious.

The Tripartite Agreement provoked outraged protests in all three countries. French agrarians and sugar manufacturers were dismayed at the prospect of any change in their treasured internal regime. One of their spokesmen, Jean Plichon, a Rallié deputy from the Nord, sternly admonished the ministers concerned.

> To impair the law of 1884 would jeopardize our whole sugar industry, the important investments it represents, the labor, both industrial and agricultural, that it maintains, and finally, agriculture itself, which has found in beet cultivation the means of utilizing lands which might otherwise have been rendered unproductive by the low price of wheat and by the impossibility of employing alcohol for industrial purposes.[1]

Several chambers of commerce lodged formal resolutions censuring the agreement and urging that the production bounty be left intact.[2] German sugar interests were also critical. Both the president of the Verein der Deutsche Zucker-Industrie and the trade journal, Deutsche Zuckerindustrie condemned the French advantage. German production since 1895-96 had remained almost stationary, while French output had soared. Since the French industry had probably not fulfilled its potential, to permit it an advantage was unwise.[3] Most German sugar interests by this time did not wish to see the bounties abolished at all, on whatever terms, an opinion shared by their Austro-Hungarian counter-

parts, who were miffed that their government had jeopardized their interests without even consulting them.[4] The Royal Agricultural Council of Bohemia actually petitioned the government to abandon efforts to abolish the bounties.[5]

The attitudes of sugar interests in all three countries had hardened considerably over the previous three years. The French had always clung to the law of 1884, but by early 1901 many of them were also demanding the retention of the direct bounties, created originally as a temporary tactical expedient. For many years the Germans and the Austro-Hungarians had pledged to renounce bounties gladly if their competitors did likewise. By 1901 most of them protested any diminution of their premiums. Several factors underlay this reversal. One was national suspicion. If the French perceived the Tripartite Agreement as a German ploy to strip them of a portion of their protection, the Germans and Austrians discerned a cunning French maneuver to gain a privileged status while appearing to render a magnanimous concession. Another factor was the catastrophic state of the world sugar market. An enormous glut kept prices continually depressed, and the future promised little relief. European countries that had produced little or no sugar--Italy, Rumania, Spain, Bulgaria, Greece, and Turkey--were either inaugurating or expanding production. Several promised in the foreseeable future to cease providing markets. As beet sugar production rose, competition for remaining export markets would intensify; prices would

sink even lower. Protectionists to the core, most producers and refiners deduced that only bounties would insure survival in such an environment.[6] One could also conclude, of course, that the bounty system was courting disaster and that abolition offered the sole exit from the crisis. A minority of sugar dealers, more enlightened than their fellows, thus regarded abolition with equanimity,[7] but for most further considerations seemed to justify the bounties. Without them cane sugar would likely drive beet sugar off the world market. It was well known, as British colonial interests had long proclaimed, that with modern technology cane sugar could be produced more cheaply than beet, even when the latter enjoyed optimum conditions. The president of the Verein der Deutsche Zucker-Industrie declared: "Only the bounty and nothing but the bounty can combat the action of the tropical sun, and without this weapon the beet sugar industry must inevitably succumb."[8] The tinsel was off the Tripartite Agreement, and a rugged struggled loomed ahead.

Despite opposition, all three governments were determined to press on. After receiving assurances of supoort from Berlin and Vienna, the French transmitted their compromise proposal to Belgium, which in turn communicated it to the participants of the last conference.[9]

> If the various powers that were represented at the Brussels Conference of 1898 pledge, on the one hand, not to grant bounties on sugar exports or to abolish them where already granted, and, on the other hand, not to subject French sugars imported into their territory to duties

> higher than those levied on all other foreign sugars, France pledges, in turn, to abolish her export bounties on sugar and not to reestablish them and also to reduce to 20 francs the current difference of 30 francs between the full internal excise duty on the consumption of sugar and the reduced duty, which is applicable to yields of 7 3/4 to 10 1/2 per cent, and to apply the full duty to yields superior to 10 1/2 per cent.[9]

This note was not an invitation to renew the conference. It was merely to ascertain if the other powers were prepared to resume talks on the basis of the Tripartite Agreement. At this point, the replies of several governments raised thorny new problems that threatened to hamper the negotiations.

The Russian government, as anticipated, refused to attend another conference. Count Witte stubbornly adhered to his interpretation of the Russian sugar regime,[10] and he was prepared to retaliate against any attempt to treat Russian sugar as bounty-fed, a fact illustrated by a sharp tariff altercation with the United States in 1900. That country, in order to abtain a commercial treaty with Russia, had suspended countervailing duties on her sugar in return for the admission of a wide range of American goods on the minimum tariff. Negotiations broke down, and in February the United States reimposed the duties, an action inspired in part by her desire to secure a legal opinion as to whether or not Russian sugar was bounty-fed. Several importers immediately brought suit on that basis. Witte awaited no foreign judgement. He immediately clamped the maximum tariff on numerous American products.[11] This precipitate action

convinced several members of the diplomatic corps in St. Petersburg that a compromise with Russia was unattainable. The British ambassador, Charles S. Scott, wrote to Lord Lansdowne that M. Leghait, the Belgian ambassador, considered Witte "capable of resorting to similar measures of retaliation against any country applying a differential tariff to Russian sugar."[12] Leghait tried vainly to persuade the finance minister to relent, but to no avail.[13]

Russia's withdrawal cast doubt over the whole affair. The Austro-Hungarian ambassador in Paris informed Austin Lee that a conference "without Russia would be abortive." The Dual Monarchy feared that if she dropped bounties while leaving the Russian regime intact, Russian sugar would capture the trade with the Far East[14] and threaten her markets in Italy and the Balkans.

Foreseeing such a problem, Smet de Naeyer had broached the idea that Russia might be induced to cooperate if France would consent to host the next conference. The French ambassador politely declined. Such tactics would exert little influence on Russia. Judging from Witte's reaction to the French compromise formula, Gerard was right. If the conference met at all, it would meet in Brussels.[15]

The British also pondered measures to overcome Russian resistance. Bergne suggested "a friendly question and answer in the House of Commons that H. M. Government were now prepared to accept the principle of a penal clause toward states which would not come to some understanding...."[16]

Some foreign officials, such as Smet de Naeyer and von Körner, the director of the German Ministry of Finances, took the same position. The latter insinuated that his government might settle for a convention without Russia if Great Britain would penalize bounty-fed sugars.[17]

Both Sir Martin Gosselin, the new superintending undersecretary of the Commercial department of the Foreign Office and Lord Lansdowne favored awaiting further developments before announcing British intentions.[18] Neither the Foreign Office nor the Colonial Office were completely happy with the French compromise proposal. They calculated the French advantage to be in the vicinity of 4.50 francs per metric quintal. Bergne admitted that "as a 'pis aller' it might suffice for British interests" but suggested that an explicit commitment to penalties might secure better terms.[19] Chamberlain believed the government should ask for the reduction of the French bounty, but if necessary they could accept the Tripartite Agreement, which would only place France in a roughly equal position with Germany and Austria-Hungary in the British market and "would not immediately affect British interests in the sugar colonies."[20] The Board of Trade warned, however, that the French advantage could lead to troublesome disputes over most-favored-nation treatment. The penal clause, as originally conceived, was meant to govern a situation on which all the contracting states had totally abolished their bounties. The law officers had already judged that countervailing duties did

not violate the most-favored-nation clause in such a case. But if France, a signatory state, were allowed to retain a bounty, the situation would be complicated immensely. Since Great Britain would not penalize French sugar, though bounty-fed, non-signatory powers entitled to most-favored-nation rights could legitimately claim equal treatment. The Board, long an opponent of penalties, considered the Tripartite Agreement acceptable only if the conference did not oblige Great Britain to invoke a penal clause. It recommended that the government should withhold definite assent until such points were clarified.[21] On March 19 Lansdowne asked Belgium to inquire whether France would pledge either to reduce or abolish her indirect bounty by some definite date.[22] The Belgians passed this inquiry on to the French, but no reply was soon forthcoming.

Smet de Naeyer privately agreed with the British that the Tripartite Agreement did not go far enough. He assented to it in order to preserve the negotiations, but he left the door open to future modifications by informing Paris that its acceptance did not imply, ipso facto, its adoption. Each country would retain full liberty to discuss the various points connected with the French proposal.[23]

The French were puzzled. Delcassé interpreted the reply to mean that the powers in conference would have the right to examine the "terms and the corollaries of our position and that their role will not be limited to the signature of a convention drawn up in those terms." If such were the case, there could be no objection. But he

feared that if the principle of the Tripartite Agreement were called into question, the French government would have little choice but to stay home.[24] When Gérard called Favereau's attention to the ambiguity, the latter hastily reassured him that Belgium wholly agreed with France on the basis of the conference. Just as in 1898 the Belgians were equivocating. They entertained hopes that once the conference met the French could be induced to yield.

The Belgians set forth their own reservation in their official reply to the French proposal. They could not allow the bounties to reappear "in other forms."[25] At the 1898 conference Smet de Naeyer had mooted the question whether high surtaxes acted as a form of bounty. The delegates had concluded that excessively high surtaxes did promote exports, but no definite decision had been reached. The surtax issue had become more pressing since that time. Giant syndicates, or cartels, of sugar manufacturers and refiners had appeared in Austria-Hungary and in Germany, giving their industries enormous competitive advantages over their less-favored rivals. The sugar question no longer concerned only direct and indirect bounties per se.

At this point, some illumination of the cartels' mode of operation and of their economic effects is required in order to elucidate the efforts later made to deal with them.

In 1890 a few Hungarian refineries initially attempted to organize a sugar syndicate in the Dual Monarchy. Five years later, after several failures, a successful

combination was formed, but it did not encompass raw sugar manufacturers until 1898. The organization's intent was to regulate production, stabilize prices, and guarantee all the participants a living profit. Every year the cartel determined the quantity of sugar it would release on the domestic market. Each manufacturer and refiner was then assigned a share. Since the refiners enjoyed total control of the home market as a consequence of the empire's high tariffs, they were able to set prices artificially high, assuring themselves a comfortable profit. Manufacturers were free to seek the best prices in the domestic market, but they were guaranteed a return of 15 florins per metric quintal. If the domestic price stood below that figure, the refiners would contribute the difference from a cartel fund, to which they donated a percentage of their profits. If the price rose above 15 florins, no payments were made from the cartel fund, and the manufacturers were allowed to keep the additional profit. For their part, the manufacturers pledged neither to refine sugar nor to sell to refiners outside the cartel.

The German combination, organized in late 1900, was structured along similar lines. It comprised three associations, one embracing the manufacturers, another the refiners, and the third covering both groups. Just as in Austria-Hungary, the refiners, able to fix unnaturally high prices in the home market, set aside a portion of their profits to guarantee the manufacturers a minimum price

whenever the free market price dipped below that level. The guaranteed return, called the inland normal price, was pegged at 12.75 marks per metric centner (50 kilograms). Manufacturers were free to sell at home for whatever price they could command, but whenever the world price fell below 12.75 marks, the refiners, on a monthly basis, paid their organization the difference plus 10 per cent. This sum--the cartel advantage--was then distributed among the manufacturers according to their production quotas as set by the government. In the interest of the refiners, the advantage was limited to 3.40 marks. The cartel would not make up the additional deficit if the world price went lower than 9.35 marks. If it rose above 12.75 marks, the combination would cease to operate. Manufacturers agreed in exchange not to sell refined sugar at home or to deal with non-member refineries. Refiners undertook to buy only from participating factories.

The cartels were principally a response to the dismally low sugar prices of the 1890's. The effects of both organizations were identical. Price fluctuations were minimized, raw sugar manufacturers were assured a predictable return, which meant that farmers could obtain better prices than they would have been able to command in the absence of the combination. By eliminating competition the refiners guaranteed themselves a healthy profit on sugars marketed at home. The burden of these advantages was borne, obviously enough, by the domestic consumer.

The weight of his load is easily shown by comparing domestic prices with the free market price, then subtracting taxes and freight costs. The following figures apply to first-class centrifugal sugar at the port of Trieste in 1900.

Domestic price	85.70 kronen per metric quintal
Export price	27.72
Difference	57.98
Minus taxes	-38.00
	19.98
Minus freight	- 2.35
Remainder	17.53

The remainder represents the advantage gained from the cartel. Sample German figures (converted to francs) from March 1901 follow. They are based on prices for 100 kilogram lots of refined cubes.

Domestic price (Magdeburg)	79.875	francs
World price (Hamburg)	-31.59	francs
Excise and bounty	-29.4	francs
Remainder	18.885	francs

In this case, the poor German consumer groaned under 48.29 francs extra charges.[26]

Although neither cartel exerted a direct effect on free market prices, both indirectly influenced them by enabling exporters to undersell foreign competition. It was this feature that distressed Smet de Naeyer, who feared that unless cartels were strictly circumscribed they would

nullify the benefits of bounty abolition.[27] The key to the cartel's operation was the prohibitively high customs surtaxes maintained by Germany and Austria-Hungary The conference had to limit them to a figure sufficiently low to discourage combinations. So great was his concern that he seemed ready to make surtax limitation a sine qua non of a convention.

Belgium's determination to press for customs restrictions posed a formidable obstacle, for it envisioned a limitation on the rights of sovereign states to govern their tariffs. The governments of Germany and Austria-Hungary were naturally quite cold to the idea. Baron von Thielmann, von Körner, and von Richthofen, who had replaced Bülow at the Wilhelmstrasse, cautioned the Belgian ambassador that an agreement on such terms was highly unlikely.[28] Their sugar industries had already taken a determined stand against the loss of their bounties. To demand the abolition of their cartel advantages as well would arouse a furor. Such considerations failed to deter Smet de Naeyer. As in the past, he shifted responsibility to the British. Penalties would force the Germans and the Austro-Hungarians to give way.[29] He averred that it would be useless to call a conference if Great Britain would not agree to a penal clause.[30]

The British had still not resolved the pivotal question of retaliation. Although at times the government had crept toward acceptance, it had always drawn back for

fear of the political consequences. By early 1901 the outlook appeared more propitious than ever for a commitment. The resounding vote in favor of the Indian duties betokened swelling Parliamentary sentiment for the defense of colonial economic interests. The resolution passed by the Association of Chambers of Commerce of the Empire in June 1900 demonstrated that an important segment of commercial opinion was also turning against bounties. Sir Henry Bergne believed the government could ill afford to repeat its pusillanimous performance of 1898.[31] Lord Lansdowne concurred. As Secretary of State for War, he had taken no direct part in the sugar controversy, but the commercial staff of the Foreign Office had briefed him thoroughly and had convinced him of Britain's responsibility for the failure of the previous conference. He became an ardent supporter of penalties. In urging Lord Salisbury to raise the question once again in the cabinet, he warned that "if we are not prepared to face a penal clause now, the new conference will probably also be abortive."[32]

The issue was thrashed out in the cabinet during February. Only after extreme pressure from Chamberlain and Lansdowne did Hicks-Beach grudgingly concede to permit a penal clause. But he steadfastly rejected countervailing duties. They smacked too much of rank protectionism. He preferred the outright prohibition of bounty-fed imports, both for its simplicity and for its freedom from the stigma of a tariff. But the chancellor had no desire to invoke

penalties at all, and he urged caution in the negotiations. "It is clear that ours must be purely a waiting game...."[33] Such a strategy would prevent Great Britain from influencing the negotiations at a time when they appeared bogged down. Although the Foreign Office bowed to the Exchequer's demand that no formal declaration of intent be given, Bergne recommended unofficial insinuations that the government contemplated penalties.[34] The chancellor would not countenance even so much as a hint at that time, for he had plans of his own that promised to complicate the question further.

Since 1899 Great Britain had been enmeshed in a protracted, costly struggle in South Africa that strained her fiscal resources. Concurrently, general administrative expenses were rising swiftly as the sphere of government activity expanded. Like most financial administrators of the day, Hicks-Beach was horrified by red ink. He anxiously began to hunt for new sources of revenue. In early 1900 he had toyed with the notion of a tax on sugar but had dismissed it as too difficult to administer and too risky politically. But after a year's fruitless search, the cabinet decided to take the gamble. In his budget statement before the House of Commons, the chancellor proposed to levy graduated duties ranging from 1s 3d to 4s 2d per cwt. on all imported sugars.[35] Hoping to calm the opposition, he asserted that the duties could in no way be deemed protective and that they would raise prices by no more than a half-penny per pound.[36] His arguments, based on the expectation that

bounties would keep prices down, seemed to bind government policy to the bounty system.

A resolution temporarily imposing the duties "on and after April 19" passed the Commons in a light vote, 183 to 123.[37] Within days the opposition began to gather. Ten days later, when the Ways and Means Committee recommended that the new duties be permanently approved, the measure came under heavy fire. It was charged that "red tape is rampant at the customs house." The member from Islington, Mr. Lough, warned that the duties would promote a decline in the quality of sugar imports and encourage fraud because they favored the inferior grades. He accused the government of covertly protecting West Indian planters and domestic refiners under the camouflage of a revenue duty. The measure contravened two cardinal principles of British policy: no taxes on important food items and no taxes on raw materials.[38] There were cries that the jam, confectionary, and fruit industries had been sentenced to death.[39] The heaviest attacks, however, emphasized the act's effects on the poor. Any increase in the price of a staple article would trim their already thin margin of existence. Hicks-Beach responded that there was no alternative. "I do not believe there is a tax producing anything worth having that could be substituted for this tax on sugar."[40] Despite the vehemence of the opposition, the government won easily, 251 to 148.[41]

During the debate on the finance bill in July, an amendment was proposed to abolish the sugar duties. After

another sharp debate, in which virtually the same arguments were repeated, the amendment was rejected, 247 to 153.[42] The government's majority appeared unbreakable.

Colonial and refining interests hoped the new duties would pave the way for anti-bounty measures. Administrative costs had been a notable objection to countervailing duties. With customs machinery now in operation, that objection was invalidated. Furthermore, if West Indian sugars were accorded a lower rate, the new duty scale could be used as a protective device. Hicks-Beach coldly rebuffed such suggestions. He had been concerned all along that the duties not be protective. Far from benefitting the sugar interests, the duties threatened to become yet another roadblock. They made Continental producers even more dependent on bounties to realize a profit in the glutted English market. Great Britain's consent to some form of penalty arrangement had become even more necessary.[43]

Despite the new obstacles that had cropped up in the path of negotiations, economic realities drove European statesmen to pursue a settlement. Within the previous six years, the world sugar crisis had reached massive proportions; the financial burdens on both governments and consumers had grown apace. World production had leaped 33 1/2 per cent between 1895 and 1901; beet sugar had climbed even more swiftly--43 per cent.[44] From 1899-1900 to 1900-01, world output rose nearly 1,200,000 metric tons. French production alone jumped from 869,201 to

1,040,294 metric tons.[45] The market could not absorb such an influx. The export price of French 88° raw sugar dropped to 22.53 francs per metric quintal,[46] the lowest it had ever gone. Other varieties of sugar underwent similar declines. The following table shows the fluctuations in both export and domestic prices for three grades of French sugar:

TABLE 10

FRENCH SUGAR PRICES, 1894-1901

Year	Export Prices		Domestic Prices
	Raw 88°	White No. 3	Refined Loaf
1894	30.78 frs.*	32.50 frs.*	105.16 frs.*
1895	27.05	28.62	99.53
1896	28.65	30.45	100.88
1897	25.66	26.79	96.69
1898	29.62	31.17	103.29
1899	31.02	31.89	105.11
1900	30.13	30.90	104.43
1901	22.53	26.08	100.33

*Per metric quintal

Source: "World's Sugar," p. 2609.

While prices worried producers, the adverse fiscal effects of the bounties disturbed state treasuries. In France, a succession of rich beet crops inflicted increasingly severe losses on the fisc.

TABLE 11

FRENCH INDIRECT BOUNTIES, 1895-1901

Year	Indirect Bounty	Percentage of Total Product Exempt from Tax	Amount of Indirect Bounty
1895-96	8.06 frs.*	26.88	47,880,301 frs.
1896-97	6.48	21.61	43,345,626
1897-98	8.40	28.005	61,336,876
1898-99	8.79	29.302	64,868,055
1899-1900	8.62	28.72	74,893,358
1900-01	8.69	28.97	90,436,910

*Per metric quintal.

Source: BSLC, XLIII, 54; XLV,65; XLIX, 31; LI, 40.

The figures manifest the irony of the 1884 system. As the sugar industry developed, as the quality of the beet rose and the technological capacity of the factories expanded, tax revenues shrank. The consumer still paid a heavy 66 francs in taxes. The difference went into the pockets of the manufacturers. According to Yves Guyot, by 1901 the Treasury received only 36.50 francs out of every 66.[47]

To those losses were added the cost of the direct bounties and rebates. Since 1897-98 their amounts had been reduced far below the full rate; nevertheless, as exports rose, bounty payments crept upward.

Year	Direct bounties and rebates
1897-98	19,503,944 francs
1898-99	11,216,940 "
1899-1900	21,287,518 "
1900-01	21,530,762 "

While production and exports increased rapidly between 1899 and 1901, receipts from taxes and duties on sugar sank from 196,044,000 to 156,935,100 francs,[49] a drop of nearly 20 per cent. These losses came at a particularly difficult time when government expenditures were rising. By 1901 Joseph Caillaux, who like Hicks-Beach believed the ideal budget should show a fat surplus, confronted a deficit of over 125,000,000 francs.[50]

With prices collapsing, with tax losses mounting, with the government in the red, Caillaux concluded that to continue such lavish subsidies smacked of madness.[51] The only solution lay in suppressing them and in slashing taxes to encourage domestic consumption.[52] The Tripartite Agreement would solve nothing, since it would merely eliminate the direct bounties, the lesser evil, while preserving the offensive indirect premiums, albeit at a reduced level. Neither of the two methods projected for lowering the bounty would serve the interests of both Treasury and consumer. The first--to lower the 60 franc consumption tax to 50 francs while leaving the reduced duty at 30--would have slight effect on prices but would mean further revenue losses. The second--to raise the reduced tax to 40 francs--might cut tax losses but would not benefit the consumer. In either case, the law would continue to stimulate overproduction at the expense of the government and the people.

In June Caillaux formulated a plan to suppress the indirect bounty by stages over a three year period commencing

in September 1902.[53] The sugar industry would have time to adjust. Hopefully, domestic consumption would be stimulated by lower prices, thus compensating the Treasury for the reduced tax rate, and the stimulus to overproduction would be removed, thus lessening the industry's dependence on foreign markets.

The sugar interests reacted with irate anxiety. The Chamber of Commerce of Arras accused Caillaux of having "declared a merciless war against the interests of our region."[54] In no time, a sizeable number of deputies rallied around Ribot to combat the proposal. They urged that no alteration of the domestic regime be made until an international accord had been reached. This marked a retreat, since they had long protested any modification at all. Perhaps they were stalling for time in the belief that a conference could never succeed. Several representatives of this group met personally with Waldeck-Rousseau, Dupuy, and Caillaux. The Minister of Finances found himself outnumbered. Dupuy favored the Tripartite Agreement, and the sugar interests persuaded the President of the Council to oppose Caillaux's project.[55] A few days later the government at long last transmitted its reply to the British inquiry about the possibility of future reductions in the French indirect bounty. Dupuy and Caillaux disagreed on the question of reductions, but both agreed that to promise anything to the British at this point would be imprudent. Freedom of action must be preserved.[56] The Ministry of Commerce thus concocted

an evasive answer that promised nothing yet held out the hope of future satisfaction.

> The French government has concluded... that it is not possible to render a definite pledge at this time.... One cannot determine a priori the time in which French agriculture will have sufficiently improved its situation to be able to renounce the production premiums, whose preservation has been recognized as indispensable for the time being.
>
> Nevertheless, if, as the French government sincerely hopes, the Brussels Conference ends with the signature of an international convention, this diplomatic act will have no other object than to adjust the situation within the limits of current possibilities. It will thus be of limited duration. Upon its expiration, each power will regain its freedom to conclude, if necessary, a new agreement on the basis of the economic conditions manifest at that time.
>
> This limitation of the duration of the stipulations... furnishes the British government with the warrant it apparently seeks in asking the French government to fix a date after which French agriculture will no longer need any domestic premiums. We think the cabinet in London will recognize the justice of this viewpoint and will definitely accept the French proposal.[57]

The British were naturally disappointed, and the Foreign Office once more suggested that a hint of Britain's readiness to accept a penal clause was essential to further negotiations.[58] As usual, Hicks-Beach intervened. The finance bill had still not passed the report stage, and the chancellor wanted no superfluous parliamentary controversy to impede its progress.[59] The Foreign Office could but bow to his wishes. One month later, Joseph Chamberlain, restless over the sluggishness of the negotiations, proposed

to inform Belgium of Great Britain's readiness to apply a penal clause against both signatory states that violated the convention and bounty-giving states that refused to join.[60] This time Hicks-Beach gave in, but he still had reservations. The penal clause could be justified only as a last resort.[61]

Three days later, July 26, Lansdowne read to Baron Whettnall the Official British reply to the Tripartite Agreement. The United Kingdom was "prepared to participate in a conference on the basis of the French formula."

> Whilst it is not possible for His Majesty's Government to give at the present time any definite indication of the course they might think it right to pursue, this being necessarily dependent upon the nature of the proposals which may be made, and the attitude which may be adopted by the other powers represented at the Conference, I am in a position to state that His Majesty's Government will join the Conference not only with the most earnest wish to contribute towards a satisfactory result, but with every intention of giving their adhesion to such measures as may be indispensable for the purpose of assuring the success of any arrangement which may be agreed upon.[62]

Lansdowne then assured the ambassador that his government would do everything in its power, even accept a penal clause, to attain a successful agreement. The cabinet had not officially divulged their intentions in order not to bind themselves too strictly before knowing the attitudes of the other powers. But Great Britain intended to settle the question once and for all.[63]

While chances for a pact outlawing direct and indirect premiums now appeared better than ever, the cartel question still cast its baleful shadow over the proceedings. Belgium and the Netherlands seemed ready to make surtax limitation a sine qua non,[64] and France was lining up with them. The cartels had aroused deep concern in French sugar circles. The Tripartite Agreement, never popular, was even less acceptable if Germany and Austria-Hungary retained their cartel advantages.[65] The two empires, on the other hand, expressed grave reservations,[66] for their sugar interests violently opposed any interference with the syndicates. They denied that cartels were detrimental to the world sugar market. The sudden slump of 1901 was a mere coincidence.[67] Far from causing the crisis, the cartels provided the only sure means of combatting it, for they guaranteed the manufacturers and refiners a living profit.[68] The German and Austro-Hungarian governments would obviously meet severe pressure if they acted to hinder the combinations.

The British government, too, was in a quandary. The cartel question dangerously enlarged the scope of the negotiations and appeared likely to imperil the chances for bounty abolition, the original aim. Chamberlain and the colonial sugar interests gave bounty abolition priority. The latest collapse in prices had struck the West Indies a devastating blow, and they feared further delays in eliminating bounties would seal the doom of several islands.[69] George

Martineau addressed a lengthy letter to Bergne, pleading for the government to remonstrate with Belgium so that "our poor little anti-bounty ship shall not be wrecked once more." It was "crying for the moon" and "at present outside of practical politics" to expect Germany and Austria-Hungary to renounce their cartels. "Let us stick to state bounties and their abolition and get it over."[70] The Foreign Office and the Board of Trade warned that Great Britain could not launch a "crusade against trusts."[71] According to Bergne, the government should support surtax limitation, but, if the going got heavy, it should settle the bounty question per se and leave the cartel question for later negotiations.[72] His advice appeared sound. Khevenhüller-Metsch had told Phipps that Austria-Hungary would rebuff any attack on the cartel system itself.[73]

Suddenly the sugar interests turned about face. In a memorial to Lord Lansdowne, the Anti-Bounty League deemed the cartels a new and serious threat to the stability of the world market and urged the government to attack them at the conference.[74] A few days later Martineau, accompanied by two other representatives of the sugar trade, called on Bergne. He had changed his mind. Simple bounty abolition would no longer suffice to protect home and colonial sugar interests. As long as the cartels persisted, Germany and Austria-Hungary could afford to dump in the British market. He and his associates especially feared that even if state bounties were eliminated the combinations could pay their

own subsidies out of depreciation allowances. Furthermore, if bounties were abolished and the cartels survived, West Indian sugar would lose its advantage in the American market, where it was already experiencing vigorous competition from Cuba, without obtaining equality in the British market. The visitors suggested that a mandatory surtax limit of 5 francs per metric quintal would solve the problem, but "nothing less will do."[75]

This abrupt reversal forced the government to reexamine its policy. In these new circumstances, it seemed unwise to commit the government to a penal clause directed against bounties but not against cartels, since the sugar interests would no longer be satisfied with the abolition of bounties alone. On the other hand, one could not expect Germany and Austria-Hungary to yield without heavy pressure. But the fact that they, rather than France and Russia, were in the opposition cast a new light on the question. If Great Britain threatened penalties and the two empires refused to budge, she would have to carry out her threat to preserve her credibility. Owing to Hicks-Beach's insistence on prohibition, she would have to exclude her major suppliers. Few believed she could take such a step. The only alternative was countervailing duties against both bounties and cartels, but considering the chancellor's bias, there seemed little chance of taking that line.[76] Unfortunately, the whole question of penalties was up in the air again.[77] Only one thing was certain: Great Britain would attend the conference. But her tactics would hinge upon the drift of negotiations and upon the outcome of yet more cabinet discussions.

Through several months of routine negotiations, the Belgian government had laid the groundwork for a renewal of the conference. All the powers represented in 1898, save Russia, had at least tacitly accepted the Tripartite Agreement as the basis of the negotiations. All had been duly informed of Belgian and French reservations concerning the cartels. Upon Austria-Hungary's suggestion, two additional powers, Italy and Rumania, had been invited. Both possessed young and expanding sugar industries; both also provided markets that Austria-Hungary hoped to protect from Russian encroachment. As the year neared its end, haste became paramount. Most governments submitted their budgets early in the year, and they naturally wished to have definite knowledge of the outcome of the conference as soon as possible. Both Great Britain and France pressed for a November convocation, but annoying delays over minor details kept cropping up. The opening was finally scheduled for December 16.

As the date drew near, the sugar controversy flared anew in France. Caillaux had never accepted his setback in June as permanent. He had become even more convinced that the 1884 system must be extirpated.[78] French sugar production for 1901-02 promised to surpass the record-breaking total of the previous year.[79] The industry was dangerously over-extended; it exported over 60 per cent of its product.[80] Just when the state was running short of revenue, it was squandering nearly 90,000,000 francs to encourage a small

circle of manufacturers to bring forth an even larger surplus. To Caillaux and to his administration, the system was a calamity, a paradigm of protection run wild. Anti-bounty opinion was growing in France. Free-trade economists, such as Yves Guyot, Gustave Molinari, Emile Macquart, and Daniel Bellet recounted its follies and called for its total eradication.[81] Yet even at this late hour, despite irrefutable evidence that the European sugar industries were rushing headlong toward disaster, a vast majority of the sugar manufacturers and their parliamentary exponents persisted in their blind devotion to the status quo. They either could not or would not see that a system which apparently paid such handsome dividends was actually driving them deeper into depression. Led by their old stalwarts, Méline and Ribot, they opened a vitriolic press campaign against the government's policy of compromise.[82] The foreign cartels, they cried, justified the preservation of the bounties. No change in the existing system should be conceded.[83] Caillaux was uncowed by the acrimony, much of it directed at his person. He enjoyed a challenge and a fight. By this time he probably pictured himself as a bespectacled and bespatted St. George out to slay the bounty dragon and rescue the much abused consumer. He seriously entertained the notion of representing France himself.[84] When his ministerial and parliamentary duties proved too heavy, he did the next best thing: he stacked the delegation with officials from the Ministry of Finances.

On December 9, one week before the scheduled opening of the conference, Caillaux struck back, taking the tribune to deliver a mordant, ironical attack on the 1884 system and on the men who had conceived and defended it. Ribot and Méline, he charged, had bled the state and the public for the enrichment of a narrow, private interest. (Loud applause from Left and Extreme Left; protests from Center and Right.) Behold the wonders of their legislation: the state benefits inversely to the quality of the beet crop. When that crop is good, tax revenues go down; when it is poor, revenues go up. (Laughter and applause from Left) Naturally, such a state of affairs plays havoc with the budget, because no one can predict the richness of next year's crop. The same criticism applied to the system of agricultural tariffs erected in 1892. If domestic harvests are good, the Treasury suffers, but in lean years, while France suffers, the Treasury becomes engorged with gold. "These are the consequences of your laws." (Lively applause from Left)

Méline: Are you then suggesting the abrogation of the tariff of 1892?

Caillaux: I have said, and I repeat, that by instituting the general tariff of 1892, we have condemned ourselves to have hunch-backed budgets, deformed by gibbosities, as much in one direction as in another. (Laughter from Left)

The Minister of Finances then surveyed the Chamber, faced Méline,and declared, "You and your predecessorswanted this economic system; threfore, you have no choice but to accept

its budgetary consequences." Returning to the sugar question, he affirmed that the government was attending the conference with "a deep and sincere desire to succeed." His speech was warmly received by the government's Left-wing majority, which voted to have it printed and posted.[85]

Ribot rose to defend himself and the law of 1884. Caillaux's behavior was "impudent and incredible." The Germans would make fine use of his reckless words. Turning to the Left, he demanded if they wished to disarm the French sugar industry in face of the German and Austro-Hungarian cartels, for such was the inevitable result of their policy. After rehashing the standard, shopworn paeans to the law of 1884, he finished by warning Caillaux of the political consequences of his ill-conceived remarks.[86] But such threats and fulminations had less impact than formerly because the sugar interests no longer enjoyed the political leverage they had exerted in 1898. Commercial and financial developments had discredited many of their arguments. They had little hope but to pray for the conference to fail. As December 16 dawned, failure was a strong possibility. Belgium, the Netherlands, and France had made their agreement contingent upon resolution of the surtax question, which would entangle the negotiations in the ticklish subject of tariffs. Germany and Austria-Hungary were publicly hostile to such a settlement. Russia's absence posed a problem, expecially for Austria-Hungary. Although France no longer appeared an obstacle, Belgium and Great Britain hoped to

reduce her advantage yet further. The British still wrestled with the issue of penalties. Three and one-half years after the abortive Conference of 1898, the powers girded for yet another effort to resolve the bounty problem. They had no more assurance of success.

NOTES

[1]Plichon to Millerand, copy to Delcassé, Oct. 26, 1900, ADC, A/53S/1.

[2]For example, the resolutions of the chambers of commerce of Niort (Deux-Sèvres), Nov. 15, 1900, and of Arras (Pas-de-Calais), Nov. 15, 1900, AN, F12 6978.

[3]R. Pilet, French consul in Breslau, to Delcassé, n.d., copy to Commerce, Jan. 30, 1901, AN, F12 6977; Noailles to Delcasse, Oct. 29, 1900, ADC, A/53S/1.

[4]Centralblatt für die Zuckerindustrie, Dec. 1, 1900, translation, F083/1777.

[5]Pilet to Delcassé, Nov. 2, 1900, ADC, A/53s/1.

[6]Pilet to Delcassé, n.d., copy to Commerce, Jan. 30, 1901, AN, F12 6977.

[7]Memorandum by A. Percy Bennett, British commercial attaché in Vienna, enclosure in Plunkett to Lansdowne, Jan. 19, 1901, F083/1868. Sir Francis Plunkett had been made ambassador to Austria-Hungary in September 1900.

[8]Quoted in Pilet to Delcassé, n.d., copy to Commerce, Jan. 30, 1901, AN, F12 6977. The same fear is expressed in the resolutions of the Chamber of Commerce of Arras, Nov. 15, 1900, AN, F12 6978.

[9]LJ, p. 169.

[10]Charles S. Scott, British ambassador to Russia, to Lansdowne, Feb. 21, 1901, F083/1868.

[11]Sir Julian Pauncefote, British ambassador to the United States, to Lansdowne, telegrams, Jan. 9 and Feb. 13, 1901; Scott to Lansdowne, Feb. 21, 1901, ibid.

[12]Feb. 21, 1901, ibid. Bergne minuted dryly that the Russians were acting with "a very high hand--but it will hardly pay them to retaliate on every country." Possibly not, but the prospect of tariff retaliation by any major sugar producer supplied ammunition for the Cobden Club, which had long opposed countervailing duties on such grounds.

[13]Leghait to Favereau, March 19, 1901, MAEB, 3.179/1.

[14]Minute by Gosselin on Constantine Phipps to Foreign Office, telegram, March 1, 1901, F083/1868. Phipps had replaced Plunkett as minister to Belgium.

[15]There were several reasons the French did not want to host the conference. First of all, the proposed meeting was only a renewal of the previous Brussels conference, and precedent dictated that the same arrangements should apply. Secondly, while the French were ready to compromise, the government still hoped to placate the sugar interests by conserving a portion of their indirect bounty. They were unwilling to appear to be taking an initiative contrary to their avowed interests. Finally, and most important, "opinion is too divided on this question in France to permit us to assume the role one would like to see us take or to assign to us in this affair." Delcassé to Finances, Commerce, and Agriculture, Feb. 2, 1901, ADC, A/53S/2. M. Capelle, the director of the commercial department of the Belgian Ministry of Foreign Affairs, acknowledged that, since the object of the conference was the total abolition of bounties, Belgium, who was prepared to sacrifice all of hers, would be the better host. Phipps to Lansdowne, Jan. 30, 1901, F083/1868.

[16]Minute on Scott to Lansdowne, March 12, 1901, F083/1868.

[17]Greindl to Favereau, March 8, 1901, MAEB, 3.179/1; Phipps to Lansdowne, March 25, 1901, F083/1868.

[18]Minutes on Scott to Lansdowne, March 12, 1901, F083/1868.

[19]Memorandum by Bergne, Feb. 19, 1901, ibid.

[20]H. Bertram Cox, assistant undersecretary, Colonial Office, to Foreign Office, March 8, 1901, ibid.

[21]Alfred E. Bateman, General Controller of Commerce, Labor, and Statistics, Board of Trade, to Foreign Office March 5, 1901, ibid.

[22]Lansdowne to Whettnall, March 19, 1901, F083/1868.

[23]Smet de Naeyer to Favereau, Feb. 14, 1901, MAEB, 3.179/1; Anethan to Delcassé, Feb. 18, 1901, LJ, pp. 166-67.

[24]Delcassé to Gérard, Feb. 28, 1901, ADC, A/53S/2.

[25]Anethan to Delcassé, Feb. 18, 1901, LJ, p. 167.

[26]The foregoing discussion of the cartels is indebted to "World's Sugar," pp. 2600-03, 2612-13; to Yves Guyot, The Sugar Question in 1901, trans, by Jules Hedeman, pp. 25-32, and to U. S., Department of Agriculture, Bureau of

Statistics, International Sugar Situation. Origin of the Sugar Problem and Its Present Aspects under the Brussels Convention, (hereinafter referred to as International Sugar Situation), by Frank Roy Rutter, Bulletin No. 30, pp. 28-31.

[27]Phipps to Lansdowne, Feb. 17, 1901, F083/1868.

[28]Greindl to Favereau, March 2 and 8, 1901, MAEB, 3.179/1.

[29]Phipps to Lansdowne, March 2, 1901, F083/1868.

[30]Phipps to Lansdowne, March 25, 1901, ibid.

[31]Minute by Bergne on Cox to Foreign Office, Jan. 31, 1901, ibid.

[32]Note, Lansdowne to Salisbury, n.d., ibid.

[33]Memorandum by Hicks-Beach, March 8, 1901, ibid.

[34]Minute by Bergne on Cox to Foreign Office, March 8, 1901, ibid.

[35]Hansard, 4th ser., XCII (1901), c. 652.

[36]Ibid., cc. 631-38.

[37]Ibid., c. 738.

[38]Ibid., XCII (1901), cc. 140-45.

[39]Ibid., c. 150.

[40]Ibid., cc, 155-56.

[41]Ibid., c. 160.

[42]Ibid., XCVI (1901), c. 1502.

[43]Minutes by Lansdowne on Plunkett to Lansdowne, April 19, 1901; Phipps to Lansdowne, May 4, 1901, F083/1868.

[44]BSLC, LI, 468.

[45]Ibid., LIII, 11.

[46]The true price, taxes and bounties not added.

[47]"The Sugar Industry on the Continent," Royal Statistical Society, Journal, LXV, Pt. 3 (Sept. 1902), 427.

[48]BSLC, LI, 41.

[49] Ibid., XLVII, 140; LI, 166.

[50] Ibid., LXIII, 413.

[51] Monso wrote to Lansdowne that M. Caillaux was "known to be hostile to the bounty system on account of the hole which it makes in the budget." June 20, 1901, F083/1869.

[52] Joseph Caillaux, Mes memoires, Vol I: Ma jeunesse orgueilleuse, 1893-1909, p. 190.

[53] The consumption tax would be lowered to 40 francs the first year, leaving a margin of 10 francs. The following year it would drop to 35 francs and the subsequent year to 30 francs, at which time the bounty would cease to exist. Reported in Monson to Lansdowne, June 20, 1901, F083/1869. Monson obtained his information from the Journal des débats.

[54] Speech by M. Duquesne, June 13, 1901, AN, F12 6978.

[55] There is no document relating to this meeting in the French archives. but the British ambassador claimed to have seen a report of it. Monson to Lansdowne, June 20, 1901, F083/1869.

[56] Caillaux to Delcassé, April 18, 1901, ADC, A/53S/2.

[57] Delcassé to Anethan, June 14, 1901, ibid.

[58] Minutes by Bergne, Gosselin, and Viscount Cranborne, parliamentary undersecretary, Foreign Office, on Whettnall to Lansdowne, June 24, 1901, and Lansdowne's note affixed to same, F083/1869.

[59] Note by Hicks-Beach affixed to Whettnall to Lansdowne, June 24, 1901, ibid.

[60] Lucas to Foreign Office, July 22, 1901, ibid.

[61] Note, July 23, 1901, ibid.

[62] Lansdowne to Whettnall, July 24, 1901, ibid.

[63] Whettnall to Favereau, July 26, 1901, MAEB, 3.179/1.

[64] Phipps to Lansdowne, May 4, 1901, F083/1868.

[65] Whettnall to Lansdowne, July 3, 1901, F083/1869.

[66] Phipps to Lansdowne, June 29, 1901, ibid.

[67] Memorandum by Bennett, June 26, 1901, ibid.; Greindl to Favereau, Nov. 9, 1901, MAEB, 3.179/1; report by William Ward, British consul in Hamburg, Dec. 7, 1901, F083/1870.

[68]Report by Ward, Dec. 7, 1901, F083/1870; M. de Valois, French consul in Prague, to Delcassé, Oct. 18, 1901, AN, F12 6978.

[69]Arthur A. Pearson, undersecretary, Colonial Office, to Foreign Office, Nov. 11, 1901.

[70]Oct. 28, 1901, F083/1869.

[71]Francis Hopwood,undersecretary, Board of Trade, to Foreign Office, Nov. 19, 1901; memorandum by Bergne, Nov. 30, 1901, F083/1870.

[72]Minute by Bergne on Martineau to Bergne, Oct. 28, 1901, F083/1869.

[73]Phipps to Lansdowne, Nov. 16, 1901, F083/1870.

[74]Nov. 30, 1901, ibid.

[75]Memorandum by Bergne, Dec. 4, 1901, ibid.

[76]E. W. Hamilton to Foreign Office, Dec. 5, 1901, ibid.

[77]Memorandum by Bergne, Dec. 5, 1901, ibid.

[78]See a report of an interview with Caillaux in Le Matin, Oct. 13, 1901, clipping in F083/1869.

[79]It eventually exceeded 1900-01 by 11,636,500 kilograms. The bounty, however, fell from 8.69 francs to 8.29 francs. BSLC, LI, 11.

[80]"World's Sugar," p. 2714.

[81]The works by Guyot have already been cited. The Journal des économistes provided a popular forum for anti-bounty opinion. See the articles by [Gustave de Molinari], "La question des sucres et la conférence de Bruxelles," 5e ser., XLVIII (Dec. 1901), 342-57; Emile Macquart, "La question des sucres en 1901," 5e ser., XLVI (May 1901), 237-43 (a review of Guyot's book of the same title); and Daniel Bellet, "La question du sucre aux Indes anglaises," 5e ser., XLVII (Aug. 1901), 270-76.

[82]L'indépendance belge, Oct. 26, 1901, clipping in F083/1869.

[83]Resolutions of the Société des agriculteurs de la Somme, enclosure in L. Froment, prefect of the Somme, to Millerand, Dec. 17, 1901, AN, F12 6978.

[84]Monson to Lansdowne, Oct. 19, 1901, F083/1869.

[85]It can be found in JO,CD (Dec. 9, 1901), pp. 2607-10.

[86]Ibid., pp. 2616-17.

CHAPTER X

THE ACCORD

An atmosphere of crisis hung over the world sugar market as the tenth international bounty conference prepared to open in Brussels. The 1901-02 campaign was under way, and beet sugar production figures were mounting to unprecedented heights, to reach ultimately about 6,700,000 long tons,[1] the greatest total of the pre-World War One era. Prices were falling to their lowest levels in history.[2] Governments faced the grim choice of reform or ruin. Both would be painful. To reach a settlement, all the major powers would have to renounce legislation or principles supported by powerful political and economic interests; they would have to accept unprecedented limitations upon their sovereignty. Given the sensitive issues involved, many dismissed a solution as a fatuous dream. Nevertheless,the breakthrough was achieved. The conference concluded the first successful sugar convention, laying an important precedent for international economic cooperation. Of all the participants, Great Britain and France played the pivotal roles: the former because she controlled the world's largest free sugar market, the latter because she held, by the consent of the other powers, an advantage with which she could bargain.

The composition of the French delegation revealed

that France had assumed a new attitude. In 1898 an influential member of the parliamentary sugar interests had served as the chief delegate; in 1901 those interests were excluded. Reverting to tradition, the government appointed its minister to Belgium, Auguste Gérard, to lead the delegation. The other members evinced the precedence attained by the Ministry of Finances under Caillaux. Unable to act, as he wished, as chief delegate, he dispatched three trusted lieutenants from his permanent staff: Bousquet, the Director-General of Customs; Delatour, the Director-General of the Caisse des dépots et consignations; and Courtin, the Director-General of Indirect Taxation. Even the secretary, Julien Lafont, was a clerk from the Ministry of Finances. The agrarian viewpoint, so long dominant, had been eclipsed. Not a single representative of the Ministry of Agriculture was present. The Waldeck-Rousseau government had obviously decided to treat the sugar problem as primarily a financial question.

In contrast, the British delegation did not show the uniform anti-bounty complexion it had displayed in 1898. The new minister to Belgium, Constantine Phipps, headed it. Sir Henry Bergne and E. C. Ozanne, both veterans of the 1898 conference, and Arthur A. Pearson, undersecretary of the West Indian Department of the Colonial Office, represented the anti-bounty viewpoint. They were supported by Nevile Lubbock and George Martineau, once again serving as experts. But this time Hicks-Beach insisted that representatives of his own department and the Board of Trade be included. To balance Lubbock and Martineau, T. J. Pittar, the Commissioner of

Customs, was also designated as an expert. Sir Henry Primrose, Chairman of the Board of Inland Revenue, was accredited as the fifth delegate. His mission was to represent the consumers of the United Kingdom, to keep the chancellor informed, and to defend the Treasury's viewpoint in strategy discussions.[3] Hicks-Beach rightly suspected that the representatives of the Foreign and Colonial offices would be less than candid with him.

On Monday, December 16, the delegations of France, Great Britain, Germany, Austria-Hungary, Belgium, the Netherlands, Sweden, Spain, Italy, and Rumania met in the opening sitting, devoted to the usual formalities. Smet de Naeyer once again received the president's chair. Count Khevenhüller-Metsch, now the dean of the diplomatic corps in Brussels, was chosen vice-president. Actual negotiations commenced in the second sitting. During the laborious, intricate, and often precarious discussions, success or failure hinged on six vital points: the French advantage, the surtaxes, the colonial question, the penal clause, the permanent commission, and the date of enforcement. The following narrative will concentrate upon those key issues.

The Tripartite Agreement of 1900 headed the agenda. The French announced that they would fulfill the agreement if the other powers abolished all existing bounties, agreed to impose countervailing duties on bounty-fed sugars, and accepted restrictions on import duties. Although loyal to the agreement, both Germany and Austria-Hungary were stung by the last condition, which tied it to surtax limitation, a

stipulation they had not anticipated. The British expressed the hope that France might consent to future reductions. The French cabinet, at Caillaux's urging, was prepared to renounce the advantage in return for surtax limitation,[4] but their delegation had no intention of playing its hand so soon. Gérard announced that the Tripartite formula marked the absolute limit of French concessions. The conference then unanimously approved the advantage, on the assumption that it would never exceed 4.95 francs per metric quintal of refined sugar.[5] The Belgians objected that the détaxes de distance and high import duties on foreign molasses gave France an additional 3 franc advantage. After a prolonged and futile debate, the conference agreed to ignore those issues, which were not worth the risk of a deadlock.[6]

The troublesome surtax issue arose in the third sitting. The Belgians disavowed any intent to interfere with domestic legislations concerning combinations but affirmed the need to impede cartels by limiting profit margins in their domestic markets. Estimating the German and Austro-Hungarian cartel advantages to be worth three and one-half times the direct bounties of those countries, they declared that "the conference would accomplish nothing if it permitted them to continue." Both Germany and Austria-Hungary,while not rejecting surtax limitation, warned that the question presented "grave difficulties" and refused to commit themselves without "absolute reciprocity" from the other powers. All the participants having accepted the principle, the crux of the problem was to determine the actual surtax limit.[7]

It became evident immediately that agreement would be difficult, for widely varying amounts were proposed. Baron d'Aulnis de Bourouill of the Netherlands propounded 10 francs, a figure also preferred by the French. The British hoped for drastic limitation. After declaring their preference for surtax abolition, they suggested a 5 franc limit and quickly secured Belgian support. The Belgians considered 3, or even 2, francs feasible, since the signatories would no longer confront bounty-fed imports. Obviously displeased, the German and Austro-Hungarian delegations refused to commit themselves, and, in view of their non-cooperation, the British moved to postpone discussions until the second session.[8]

One of the most crucial issues was the penal clause, for without such sanctions no country could safely join the proposed sugar union. It was imperative to secure British cooperation. The Salisbury government had at last decided to risk a penal clause, provided that it allowed prohibition in lieu of countervailing duties. Phipps formally affirmed that decision in the fifth sitting.[9] But the British entertained important reservations. They earnestly wished to avoid the possibility of having to impose penalties against the United States, which might retaliate against West Indian products, and for this reason they suggested limiting the clause to European countries. Furthermore, Great Britain could never apply it to her colonies or possessions.[10] Serious disagreement arose. Germany and Austria-Hungary warned that competition was not confined to Europe. In the future the most

bitter rivalry promised to be between cane and beet sugar; both varieties must be placed on an equal footing. All the participants concurred in rejecting the first British reservation.

Several powers were also dissatisfied with the second. The Belgian delegate, Beauduin, asserted that to permit Great Britain to import bounty-fed sugars from her colonies would violate the very purpose of the convention. Khevenhüller-Metsch then solicited a pledge from the British that no colonial bounties were given or contemplated. They responded with a tentative pledge covering the crown colonies but not the dominions, but it had no binding force until the government approved it.[11]

The most-favored-nation clause was another worrisome aspect of the penalty question. Great Britain maintained that she could not penalize bounty-fed sugars unless the bounties exceeded the French advantage, but the Belgians, fearing that such a reservation would torpedo the conference, had sharply rejected it. The advantage was a special concession, designed to equalize competition between France and her more advanced rivals. It was not a bounty and had no influence on the most-favored-nation clause.[12]

In the final sitting of the first session, Smet de Naeyer brought up the date of enforcement. Anxious to relieve their desperate colonies, the British urged the earliest possible, September 1902. Belgium countered that any date before September 1903 was unrealistic. Ratification

would require time. At this point the Dutch suggested a gradual abolition of the bounties but were opposed by all the others. This question was also shelved until the next session, with most of the powers seemingly favorable to September 1903.[13]

During the first seven sittings the conference had clarified the issues to be resolved in the ensuing session. In contrast to the foreboding mood prevailing at the beginning, a fresh optimism now infected the delegates. Smet de Naeyer deemed the outlook the best ever.[14] According to Gérard, "circumstances are propitious [and] the situation of the French delegation... is, I dare say, particularly favorable."[15] Most significant, the German Minister of Finances informed the Reichstag that rank necessity was driving the powers toward a settlement.[16] The surtax question, however, still cast a shadow of doubt.

On December 20 the conference adjourned for Christmas, with the intention of reassembling on January 6. Almost immediately, postponements cropped up. Belgium requested a one week delay. Simultaneously, the British proposed a recess until January 20 or 27 to allow thorough cabinet deliberations. Faced with similar considerations, all the powers save France preferred the later date. But Caillaux, aggravated by the delays, announced that he would accept the 27th only "with great regret." The sugar question had aroused a stir in French political circles and he wished to expedite a settlement before the end of the parliamentary session in mid-March.[17]

The conference deferred to his wishes.

During the interval between sessions the British administrations debated future strategy. Surtax limitation, the one issue likely to destroy the conference, took priority. Germany and Austria-Hungary had assented to the principle, but would they accept a figure sufficiently low to be effective? According to Primrose, 5 francs was unattainable and, since he calculated that a 10 franc limit would "seriously cripple" the cartels, the government could allow 7.50 francs.[18] But the Foreign and Colonial offices and the Board of Trade held out for 5 francs, the latter consenting to 7.50 only if 5 were impossible.[19]

In their report on the first session, the delegation had requested permission to declare that Great Britain would impose countervailing duties if the conference failed. A serious dispute flared up in the cabinet. Chamberlain, as usual, pressed for a forceful line. A resolute defense of colonial interests was imperative. The Colonial Office was being bombarded by appeals for a decisive blow against the bounties.[20] If the conference deadlocked, the delegates should intimate the possibility of either countervailing duties or differential duties in favor of the colonies. Delegates Bergne and Pearson staunchly supported the colonial secretary, the former arguing his case in a private letter to Lansdowne.[21] The foreign minister found his reasoning persuasive. As he wrote to Chamberlain:

> I cannot help believing that if, as Beach desires, we preclude ourselves from resorting to countervailing duties, we shall find that we have parted

> with the only really serviceable weapon at our disposal. Now that sugar is taxed the main objection to these duties disappears.
>
> Beach makes no secret of his belief that it will be a misfortune for us if the bounties are got rid of. I ventured to tell him that if we honestly entertain this view, we have no business at the conference. It seems to me scarcely honest to go there and then to ride for a fall.[22]

But the chancellor and his department did not waver. Hicks-Beach noted with satisfaction that, thanks to the bounties, the new sugar duties had garnered £6,000,000 with little extra charge to the consumer. The policy urged by the Foreign and Colonial offices would send prices soaring and would likely be of little real benefit to the West Indies. But even if it were, West Indian sugar accounted for only one thirty-fifth of total British sugar imports. "Yet for this we are asked to tax our sugar consumers here to the extent of six millions a year, in a year when I may probably have to impose a duty on corn and meat."[23]

The issue came before the cabinet on January 14. Although Primrose had warned that preferential duties on West Indian imports "cuts more deeply into the foundations of our present fiscal system than could the imposition of special rates of duty designed to correct the effects of bounties," Hicks-Beach preferred preferential duties to the despised countervailing duties. By opting for that alternative, he successfully blocked Chamberlain again.

The cabinet realized that to reveal its decision in conference would be tactically inexpedient. Preferential duties carried no coercive force. Just as in 1898 the delegates themselves preferred an indefinite declaration implying

retaliation. For this reason the supplementary instructions authorized them to state that "if this last of several efforts which the powers have made to terminate the system should share the fate of its predecessors, H. M. Government will be bound to propose to Parliament such measures as will in their judgment be sufficient to meet the case."[24]

The only remaining issue concerned the application of the convention to the colonies. Although the cabinet agreed to invite the self-governing colonies to adhere, it lacked the power to compel them to join, and imperial sentiment forbade the imposition of penalties against them. Smet de Naeyer had suggested a pledge that no bounties existed nor would any be encouraged in the crown colonies during the term of the convention. Chamberlain perceived in this request a means of coercing the French while catering to colonial opinion. Rather than make such a pledge, the government would reserve the right to grant colonial bounties up to the amount of the French advantage.[25]

While the British cabinet deliberated, similar debates were raging in the French Council of Ministers. Significantly, they took place concurrently with the discussions of the budget committee of the Chamber. The magnitude of the French deficit drew considerable attention to the bounties and strengthened the hand of the Minister of Finances.

In its initial instructions the government had projected an offer to reduce the advantage gradually in order to obtain a surtax limit of at least 10 francs. In a

ministerial meeting on December 27 Caillaux advocated immediate abolition in order to secure a surtax ceiling of 5 francs. His arguments evidently swayed the Minister of Agriculture, who acknowledged the necessity of surtax limitation, even at the expense of the French advantage.[26] Although the discussions were confidential, word leaked out to the sugar interests. Within days, agitated deputies and senators held two meetings at the Palais Bourbon, formed a "defense league" boasting 140 members, and denounced any compromise whatsoever.[27] Shocked by this outburst of agrarian indignation, Dupuy reversed himself. Reflecting his constituents' terror of the cartels, he embraced the 5 franc limit,[28] but he refused to countenance reduction of the indirect bounty. Since the German and Austro-Hungarian industries, aside from the cartels, operated at lower costs, France must preserve an advantage or else "abandon completely the interests of our agriculture and our sugar industry.[29] A rift had appeared in the council that threatened to stall negotiations.

At this crucial moment a curious incident occurred. M. Cronier, the managing director of La sucrerie Say and one of the few "sucriers" hostile to the bounty system, addressed a letter to Czarnikow, the British sugar dealer, who in turn passed it on to the Foreign Office.

> That which I beg you to make known confidentially as something of the utmost importance (and this does not come from me, though it is desirable that it be so thought) is that England should demand of France the abolition of all the bounties, or else she will establish countervailing duties.

> This will not be considered an "unfriendly" act at all.
>
> It is very important.
>
> I do not need to tell you that all this is most confidential and is intended to overcome a disagreement in our Council of Ministers analogous to that which exists in yours.[30]

By Cronier's admission the suggestion did not emanate from him. Its most likely source was Caillaux, who was not beyond seeking foreign assistance to overcome domestic resistance to his aims.

Unable to reconcile Dupuy or Caillaux, the Quai d'Orsay patched together a compromise. To satisfy the finance minister, the delegation retained its power to concede reductions or even the abolition of the indirect premiums. To placate the agrarians, it was instructed to yield only when constrained by a "well-demonstrated necessity."[31] Caillaux was not displeased. Since only substantial concessions promised to dislodge Germany and Austria-Hungary, the odds were great that France would have to pay the price.

The French were determined to pursue surtax limitation regardless of foreign reaction. In their supplementary instructions they came down squarely on the side of Great Britain and Belgium: the delegates were to seek 5 francs for raw and 6 francs for refined.[32]

As for the date of enforcement of the convention, Dupuy regarded the British suggestion of September 1902 as unfeasible. Ratification was impossible before then, and the farmers also should have at least one year's notice. September 1, 1903 was more reasonable.[33] The other ministers

concurred, adding that measures to encourage production before that time should be forbidden.[34]

Finally, France agreed to bind Algeria and all her overseas colonies, possessions, and protectorates to the convention. She was thus entitled to reciprocity from other colonial powers. The council recognized Great Britain's inability to coerce her autonomous colonies, but they did desire the adhesion of India and the crown colonies, which included the West Indies and Mauritius.[35]

The conference had scarcely opened when the colonial issue came up. Smet de Naeyer had sought a British pledge to grant no bounties to her colonies. Phipps read his government's response:

> Great Britain declares that neither direct nor indirect bounties on sugar exist in the Crown colonies. It is understood that the Government of Great Britain has no intention, during the term of the convention, either to provoke or to encourage in the Crown colonies the establishment of any bounty that might exceed the bounties reserved to France and the French colonies.[36]

Reaction was immediately hostile. The French, obviously shocked, discerned a threatening new turn in British policy. The United Kingdom had assumed the attitude of a producer, not a consumer, and was evidently seeking to favor colonial cane sugar at the expense of beet sugar. Gérard reaffirmed the exceptional character of the French subsidy, and the Germans rallied to his side. The Dutch then declared that, while it was neither necessary nor desirable for their colonies to submit to the convention, no direct or indirect bounties would be given to their colonial sugars. A yawning

gulf separated the British and the Dutch declarations. It had to be bridged, for the colonial settlement was as vital as the European one. The host delegation proffered a compromise. Since the British were evidently disturbed that French colonial sugar would continue to profit from a bounty while their own would receive none, Great Britain should be able to withdraw her claim if France would limit her advantage to domestic sugar.[37]

On January 24 the French Council of Ministers examined the colonial question. It found both the British declaration and the Belgian compromise proposal unacceptable. According to Albert Decrais, the Minister of Colonies, the latter would mean ruin for the colonial industry, which had grown progressively weaker during the 1890's.[38] A deadlock apparently loomed ahead, but the colonial issue seemed more threatening than it was. Great Britain's claim was but a bargaining weapon. She was quite willing to retract it in return for concessions.

During subsequent sittings three important issues were settled. A German proposal requiring all factories and refineries to work in bond was adopted. It was considered the best means of insuring equal treatment for all producers.[39] The conference also unanimously agreed that "cane and beet sugar shall not be subject to differential duties" and thus guaranteed equality for both varieties in the British market.[40] The third topic was the permanent regulatory commission to oversee the agreement. This was a

bold idea but not a novel one; the 1888 convention had envisioned such a body. Despite its infringement of national sovereignty, a regulatory agency was considered indispensable, and, since market conditions and legislation were in continuous flux, the advantages of a permanent organization were obvious. The principal issue concerned the definition of the commission's powers.

Believing that a requirement of unanimity would emasculate the commission, the conference provided that its decisions would be by majority vote, each power casting one vote. Austria and Hungary were allowed one vote apiece. The commission was assigned four powers: 1) to determine whether or not direct or indirect bounties on production or exportation existed in the contracting states, 2) to ascertain the existence of bounties in non-signatory states and to determine their amount, 3) to render opinions on litigious questions, and 4) to receive petitions for admission from non-participating countries. A permanent bureau, to be located in Brussels, was charged with collecting information on sugar legislation and trade statistics the world over. In a later sitting the powers of the commission were defined as solely those of examination and verification; nevertheless, the decisions concerning points one and two above were to be binding on the member states (... les constatations et évaluations ... auront un caractère obligatoire ...).[41] The French objected to the term obligatoire, which they claimed attributed statutory powers to the commission itself, an

unacceptable infringement of national sovereignty.[42] On their suggestion the conference substituted the word exécutoire, implying that the contracting powers agreed to abide by the commission's decisions.[43] The distinction was subtle but important, for the conference was treading on perilous ground.

A genuine crisis arose in the eleventh sitting, when the surtax issue came once again to the fore. After a lengthy defense of his country's high customs duties, Khevenhüller-Metsch asserted that Austria-Hungary could not accept a surtax limit below her current figure of 11 gold florins per metric quintal.[44] As many had feared, the conference appeared to have reached a deadlock. Belgium, France, and Great Britain believed 5 francs essential. Germany accepted limitation but maintained that 5 francs was unrealistic as long as France kept an indirect bounty of 4.95 francs. Since a breakdown seemed imminent, the British judged the time had come to show their hand. Phipps pronounced the menacing declaration that in the event of failure his government would be forced "to submit to Parliament measures that seem most likely to meet the case" and followed it with a statement asserting India's determination to apply countervailing duties against cartels.[45]

Subsequent private conversations revealed the possibility of an arrangement between France and Germany based on the former's renunciation of her advantage and the latter's acceptance of 5 francs. Austria-Hungary remained a question

mark. Although they suspected that her uncompromising attitude was partly bluff, the British delegates doubted that she would concede enough to satisfy them.[46] Vienna was under severe pressure from her sugar interests to yield nothing.[47]

Urgently appealing for conciliation, Smet de Naeyer proposed a compromise. Great Britain would pledge to grant no bounties to her colonies; France would reduce her advantage; Germany and Austria-Hungary would lower their surtaxes but would be allowed 6 francs and 7 francs respectively. Later he spoke of six for them and for France as well. None of the delegations wished to commit itself without fresh instructions, but the negotiations left the impression that 6 francs might be possible.[48]

The date of enforcement also continued to cause problems. To the British, September 1902 was "essential."[49] Lubbock and Martineau doubted that the West Indies or the refiners could withstand nearly two more years of bounties and cartels.[50] But the majority favored September 1903, and a German delegate privately informed the British that Berlin and Vienna would never give way.[51] Outnumbered and faced with such stubborn resistance, London empowered her delegation to accept 1903 as a last resort.

On January 31, at the end of the thirteenth sitting, the conference adjourned until February 11 to allow the governments time to examine the remaining points at issue. Its resumption was soon postponed to February 17.

In Paris the Council of Ministers concluded that they

must offer further concessions if the conference was to succeed. Smet de Naeyer had suggested a reduction to 10 francs of the difference between the full and the reduced duty. Gérard believed he could secure 15 francs, since Germany was pressing for a 6 franc rather than a 5 franc surtax limit. Caillaux, however, still hoped to eliminate the indirect bounty. The council decided to withhold a definite offer until it had received more concrete proposals from Germany and Austria-Hungary, but the drift of negotiations favored Caillaux. The French advantage was the key to the settlement of the cartel question.[52]

In London the cabinet wrestled again with the issue of sanctions. With the conference at an impasse, pressure for a decision mounted. Chamberlain and Lansdowne still pressed for countervailing duties; Hicks-Beach still grasped for an alternative to avoid them. He thought of granting preference to cane over beet sugar, but his aides, Primrose and Pittar, pointed out that the measure would penalize English refiners equipped for beet sugar and that if bounties were abolished it would become superfluous if not harmful, since it would encourage competition from Cuba and Java to the detriment of the West Indies.[53] Bergne then proposed a fixed penalty duty against bounty-fed sugar, a measure strongly recommended by Lansdowne. It was preferable to a general penalty on beet sugar, which might conceivably reinforce, rather than undermine, the bounty system. For a moment it appeared that the chancellor had been won over, and the Foreign Office drafted an announcement that if the conference

failed the government would propose a "heavy fixed duty" on all bounty-fed sugar. But the chancellor's compunctions overcame him.

> A fixed duty against all bounty-fed sugars would necessarily be a far greater grievance to any country whose bounties were admittedly less than that duty, than a mere countervailing duty. In my belief, it would be bitterly resisted by them--we should be placed by them on their maximum, instead of as now, on their minimum tariff, and our merchants would force us from a fixed duty, which would be open to such objections in argument, into the system of countervailing duties to which I have always been opposed. I will not dwell on the great importance, in these days, of the most-favored-nation clause to our whole foreign trade.[54]

The message was never sent.

Resistance to surtax reduction was mounting in Austria-Hungary and in Germany. In Berlin, on February 9, representatives of the sugar trade of the two empires unanimously condemned surtax limitation and declared bounty abolition "inadmissable" until market conditions had improved.[55] The Dual Monarchy was wavering. If she withdrew, Germany was likely to follow. Smet de Naeyer glumly concluded that failure was near and formulated an alternative arrangement. It would embrace Belgium, Great Britain, the Netherlands, and France. It would abolish both direct and indirect bounties, establish a maximum surtax of 5 francs, and impose a penalty duty of 10 shillings against bounty-fed imports. If the four powers approved it, Smet de Naeyer reasoned, Germany and Austria-Hungary "would have to join."[56]

The Foreign and Colonial offices were enthusiastic,

for Plunkett had just reported that Count Goluchowski, the Austro-Hungarian foreign minister, had predicted the failure of the conference. Lansdowne argued:

> It is very possible that Germany and Austria might give way before such a prospect. They would not long go on paying heavy subventions to their sugar industries which would be collected into the British Exchequer, whilst France, Belgium, and Holland, paying no subventions, would enter the British market at a preference of about £5 per ton.

He admitted that the scheme would raise prices somewhat, "but the abolition of the bounties, which we are pledged to bring about if we can, is bound to have this result." Chamberlain believed the plan "the only chance of securing a satisfactory result. . . "[58] But all fiscal decisions ultimately lay with Hicks-Beach, and, with the support of the cabinet free traders, C. T. Ritchie and A. J. Balfour, he overrode Chamberlain and Lansdowne.[59] Smet de Naeyer could but shelve his scheme and grope for other means to break the logjam. When he requested a declaration of intent from London, he received only the vague reply: "should the conference unfortunately fail we shall certainly take steps to protect British interests."[60]

The ominous British threat in the second session had already provoked an uproar in Austria-Hungary. Imperial sugar interests called for retaliation against British goods if London penalized their exports.[61] Anti-British sentiment was running high. The press was filled with caustic attacks; one bore the title "Chamberlain against Austria."[62] In an

interview with Plunkett, Goluchowski excoriated London's role in the conference. The Viennese banker, Baron Albert Rothschild, implored Plunkett to urge his government to relent on surtaxes. Austria-Hungary might agree to 15 francs, possibly to 12 or even 10 francs, but she would meet violent domestic opposition. Five francs was patently impossible. He warned Plunkett against alienating Great Britain's "almost only friend on the Continent."[63]

Austria-Hungary's attitude was threatening, but within a few days she began to soften under indirect pressure from Germany. Berlin, although experiencing equally severe domestic opposition, remained committed to a settlement, even at the cost of her high surtaxes. As Vienna lost confidence in her ally's support, a more realistic view supplanted the passions of the the previous weeks. The threat of isolation was sobering. The industry was obviously overextended and would face disaster if excluded from the British market while Germany and France preserved access to it. Given Germany's attitude, the safest course for Austria-Hungary was to join a convention with her. The confusion having prevented the government from formulating instructions, Vienna requested a further postponement of the conference until February 22. The French delegate, Bousquet, for one, construed the delay as a favorable omen of compromise.[64]

The day before the conference resumed, Germany simultaneously approached France and Great Britain. She was prepared to accept surtax limitation on the conditions that

France abolish her indirect bounty and that the convention not come into force until September 1, 1904. The French had anticipated the first demand, but they refused to commit themselves until Germany proposed a surtax ceiling, which the Reich ambassador, Prince Radolin, would not do. In London the German ambassador did suggest 15 francs, a completely unacceptable figure. Both Paris and London were also dissatisfied with the proposed date, which Berlin declared a sine qua non. Legislative adjustments would require time, the Germans argued, and the sugar industry needed time to adapt. Furthermore, since the penal clause might lead to most-favored-nation difficulties with Russia, the convention should be delayed until after the expiration of the Russo-German commercial treaty on December 31, 1903.[65] The excuses sounded flimsy; only time would tell how earnestly Germany would defend them. But when Austria-Hungary rallied to the 1904 date, the prospects again dimmed. As Bergne noted, "This would render any convention quite valueless from our point of view and seems to render any satisfactory result out of the question by means of a general convention."[66]

The affair now pivoted on the questions of surtax and date. In the fifteenth sitting Khevenhüller-Metsch announced his government's willingness to lower its surtax to 15 francs. Wallwitz of Germany followed with a long supporting declaration and then suggested that if 15 francs were unacceptable, an accord might be attained by further surtax reduction in stages or by deferring the enforcement date. One condition was essential: the abolition of the French advantage.[67]

These announcements were followed by a long pause. They were obviously a mere trial balloon, preparatory to subsequent proposals.[68] The French finally spoke up: the offer was insufficient to merit the renunciation of their premium. Supported by the British, they reaffirmed their desire for 5 francs and a date no later than September 1903.[69]

Fresh proposals then came privately from the Austro-Hungarians. On the morning of February 25 two technical delegates, Jorkasch-Koch and Toepke, called on Phipps to make a "candid" statement of the conditions under which their government might adhere to a convention. After several hours of lively haggling, the three men thrashed out an informal eight-point compromise program.

1) The convention to take effect on September 1, 1903.

2) Austria-Hungary to reduce her surtax to 7 francs as of September 1, 1903 and to 5 francs on September 1, 1904.

3) Austria-Hungary not to sign immediately but to reserve the right to accede at any date before the convention takes effect.

4) Austria-Hungary to reserve the right to give one year's notice of withdrawal after September 1905. She thus might withdraw after September 1906.

5) A provision to be added to the surtax article allowing a temporary increase in order for a member to protect its domestic market from an extraordinary influx of foreign sugar from one country. Austria-Hungary regarded this as essential.

6) No conditions to be placed on the abolition of the French bounty before September 1, 1904, after which date it must disappear. Austria-Hungary expressed the hope that it would be reduced before that time.

7) No differential treatment by Great Britain against Austro-Hungarian sugar before September 1, 1903, whether Austria-Hungary signs or not.

8) No objections to be raised to Great Britain's subsidizing or improving the position of its West Indian colonies before September 1, 1904. After that date the colonies to receive no preferential treatment.

The Austro-Hungarians assured Phipps that the third point was designed to give the government time to cultivate public opinion. The fourth was meant as "a sop to sugar interests." The direct bounties would be abolished immediately, and the cartel would not be renewed after its expiration that year.[70]

Phipps quickly sought out Primrose and Bergne. Together they scrupulously examined the proposals in the company of Gérard and Smet de Naeyer. All were greatly encouraged. Under such circumstances, France could easily terminate her indirect subsidy.[71]

In light of the proposed compromise, the conference was surprised when Austria-Hungary issued a much less conciliatory declaration than expected on February 27. She offered to reduce her surtax to 6, not 5, francs, but only after a four-year period, during which it would be lowered first to 12, then to 10, then to 8, and finally to the ultimate figure. Great Britain, France, and Belgium in turn pronounced the offer unacceptable. Germany then proposed an immediate reduction to 6 francs and a starting date of September 1904.

Smet de Naeyer expressed serious reservations as to 1904; the continuance of the current depressed conditions for two and one-half more years would entail too many

hardships. The British, French, and Dutch agreed that September 1903 was the latest permissable date.

After prolonged discussions Smet de Naeyer, ably fulfilling the presidential role, put forward a compromise:

1) Enforcement on September 1, 1903.

2) France's renunciation of the advantage conceded to her in 1900.

3) A uniform surtax limit of 6 francs, with provision for an increase of 1 franc, on permission from the permanent commission, if a member state should be subject to unusually heavy imports from a particular country. The increase would be applied only to the imports of that country.[72]

That afternoon the formula was modified to lower the limit on raw sugar to 5.50 francs, refined sugars remaining at six. Both the French and the British delegations believed they had arrived at a reasonable solution and urged their governments to accept it.[73]

On March 1 the conference sat for the twentieth time. All the powers save Germany agreed to the compromise; Wallwitz declared he lacked the authority to adhere.[74] Although an accord seemed near, Bergne cautioned that "we are. . . by no means out of the wood yet."[75]

The German delegation received instructions on March 3, and the conference tensely awaited its declaration that afternoon. With keen disappointment and frustration, the assembly heard Wallwitz agree to all points except the date. He insisted on 1904. Khevenhüller-Metsch, whose instructions bound him to support the latest date proposed, had to

withdraw his acceptance of the compromise and back Germany. Belgium, the Netherlands, France, and Great Britain refused to yield. Wallwitz and his delegation must have shared the general dismay, for, when confronted with such resolute opposition, they immediately telegraphed for permission to sign. For good measure, von Körner departed at once for Berlin to remonstrate personally with his government.[76] A general anti-bounty settlement was too valuable to be sacrificed for such a minor detail.

On March 5 the delegates reassembled to sign the final instrument. At the last moment the Rumanian delegate declared that in order to safeguard their domestic market his government intended to preserve full liberty to fix tariff schedules.[77] Since Rumania did not export, her abstention did not weaken the convention.

Contrary to virtually all expectations, the conference had successfully surmounted the obstacle that seemed certain to wreck it--the surtax question. Although amenable to bounty abolition, Germany and Austria-Hungary were suspicious of customs restrictions. Their sugar cartels were influential institutions, supported by the organized weight of agrarian interests. When the issue was joined, the two empires grudgingly accepted the principle of limitation but resisted the drastic reductions demanded by the other four major powers concerned. If the script had run to form, the conference should have collapsed. That it did not was the result of French and British policy. The Tripartite Agreement of 1900 had given France a potent bargaining weapon, a

sacrificial offering to induce concessions by her rivals. But she had to be willing to use it as such. The government's readiness to accept abolition of the indirect bounties enabled Germany and her ally to sacrifice their cartels. Of course, it might be argued, with justice, that the German and Austro-Hungarian producers could afford to give up their cartels since they had nothing to fear from France. But under the law of 1884 the French industry had made rapid strides. If France had refused to renounce her indirect premiums, it would have been far more difficult, perhaps impossible, for the two empires to dispense with their combinations. If the French advantage provided the carrot, British policy provided the whip. As anti-bounty opinion had argued for years, Great Britain held the power to annihilate the bounties. What she had always lacked was the will. The outcome of the conference was proof. Torn by internal disagreement, the British cabinet never went so far as to spell out the penalties awaiting bounty-fed sugar if the conference failed. But they did agree to a penal clause, without which no convention was possible. Their cooperation lent credence to their undefined threats and helped break down Austro-Hungarian resistance. If Great Britain had pursued the same course in 1901-02 as she had in 1898, the outcome most probably would have been the same.

On the afternoon of March 5, 1902 the task of diplomacy was completed. The decision now passed to the European parliaments. Weary but pleased, the delegates took their leave.

All could say with Sir Henry Bergne, "It has been a stiff fight, full of difficulties and anxieties, and I shall be profoundly thankful if the convention comes through all right." [78]

Unlike its predecessor, the Convention of 1902 passed unscathed through the ratification process. Only Spain failed to ratify, and, since she did not export, her absence was not damaging. The eight remaining powers were joined by Peru and Luxemburg in 1904. Two years later Switzerland was admitted, and in 1907 Russia entered under special provisions allowing her to retain her domestic regime as long as she limited her exports westward to 200,000 tons a year.[79]

Despite the passionate opposition of French sugar interests and British free traders, the convention and the requisite legislative revisions encountered little difficulty. In France the agrarians grudgingly acquiesced in the fait accompli, although the debate produced an acrimonious exchange between Caillaux, Méline, and Ribot which revealed again the intimate relation of the bounty question to the larger issues of protectionism and national economics.[80] Méline's resistance was but a rear-guard action. The convention was approved by voice vote. Shortly afterwards the government passed a law to lower the consumption tax from 60 francs to 25 francs. Designed to ease the burden on the consumer, it brought the price of a kilogram of refined sugar down from 1.10 francs to .65 franc. Caillaux expected increases in domestic consumption to prevent any loss to the Treasury, and he proved correct.[81]

Across the Channel the convention ran into stiffer resistance but was never actually in danger. On November 24, 1902 Gerald Balfour, the President of the Board of Trade, proposed a resolution affirming that the House of Commons approved the convention and was prepared to enact the necessary legislation.[81] The government portrayed the issue as a question of imperial defense: "What is at stake in the West Indies is the fate of entire communities under the British crown." A response from Sir William Holland aptly summarizes the opposition view:

> In my humble opinion this Brussels Convention is one of the most unfortunate fiscal and political instruments, from the point of view of this country, that has ever been drafted. It is one of the poorest pieces of statesmanship that can be imagined, as it will involve the maximum of cost with the minimum of gain. It will add to the cost of the food of the people, and tax the raw material of very important industries in this country. . . it is not at all certain to achieve the object intended, viz., to benefit the West Indies, while it will place the fiscal arrangements of this country very largely in the control of foreign nations.[82]

Many Conservatives as well as Liberals were suspicious. Realizing this, and confident of adequate support, the government did not request a formal division but allowed the question to be passed in an open vote. A bill soon followed to close British ports to bounty-fed sugar. It too weathered an impassioned debate. The government won, but opposition to the convention was widespread and deep.

Just as in France, the issue of protectionism overshadowed the bounty question. Ex-Fair Traders and colonial interests hoped the convention betokened a turning point in

British fiscal policy. A personal triumph for Joseph Chamberlain, the anti-bounty struggle became the springboard for his famous tariff reform campaign, launched the following year. The story of that campaign is well known. It wrecked the Unionist alliance, ended Chamberlain's political career, and led to the smashing Liberal victory of 1906. Chamberlain had disastrously misconstrued popular opinion. The public was not prepared to renounce the blessings of cheap food.

For both France and Great Britain the sugar convention was not a new departure but an anomaly. In spite of Caillaux's blustering, the Waldeck-Rousseau government made no effort to dismantle the agricultural tariffs Méline had erected. The British refused to abandon free trade. The convention was not the opening move of a reorientation in European commercial policies but merely a response to peculiar and especially adverse international marketing conditions.

In dealing with those conditions, the convention succeeded admirably. The sugar bounties in Europe were largely eradicated in the years before 1914.[83] The consumer was the principal beneficiary. As the anti-bounty forces had long predicted, speculation was frustrated, domestic prices dropped sharply, and consumption rose accordingly.[84] The sugar industries no longer had to export a substantial share of their output at ruinous prices. These wholesome consequences eventually aroused opposition to the Sugar Union in Great Britain, for they inevitably meant higher world market prices. At

first, prices climbed but slightly, owing to enormous accumulated stocks, but when drought devastated the European beet crop in 1904-05, prices surged upward. British consumers and confectioners began to grumble; free traders crowed that they had been vindicated. Even tariff reformers and imperialist circles became disillusioned. As long as the convention had promised to sanction the right of retaliation, they had favored it. But its proscription of imperial preference, the only form of imperial cooperation acceptable to the colonies, aroused their increasing animosity. Pressures mounted to modify the convention or to withdraw. From early 1905 on, British obstreperousness continually hampered the operation of the permanent commission. This was especially true after the return of the Liberals to power in 1906. Great Britain eventually withdrew in 1912, and her disengagement was "an almost mortal blow."[85] The Sugar Union did survive until 1920, but the First World War destroyed it as a functioning institution.

Despite its viccisitudes, the convention was an undisputed success. It was a daring experiment in international organization, accomplished in an era of rising nationalistic passions and suspicions. As one historian has noted, "that it should have worked at all in the face of such hostility, and of such deep attachment to traditional concepts of sovereignty, was one of the most remarkable phenomena of internationalism in the era before the first world war."[86]

NOTES

[1] International Sugar Situation, pp. 9-10.

[2] The following figures are illustrative. Between 1900-01 and 1901-02 the price of 88° raw sugar in Paris dropped from 25 francs per metric quintal to 17.99 francs. German granulated refined (f. o. b. Hamburg) sank from 2.50 cents (U.S.) per pound to 1.87 cents. In Great Britain the price of raw beet sugar declined from 2.17 cents in 1900 to 1.56 cents in 1902. All these prices were lower than any before. See ibid., pp. 32, 62, & 88.

[3] Memorandum by Gosselin, Nov. 30,1901, F083/1870.

[4] Instructions to French delegates, Delcassé to Gérard, Dec. 13, 1901, ADC, A/53S/2.

[5] LJ, pp. 189-97.

[6] Ibid., pp. 238-41.

[7] Ibid., pp. 202-05.

[8] Ibid., pp. 254-55.

[9] Great Britain would accept a penal clause "provided that the British Government... is satisfied with the conditions to be incorporated into the eventual convention." Ibid., p. 224.

[10] Ibid.

[11] Ibid., pp. 227-31.

[12] Ibid., pp. 229-30.

[13] Ibid., pp. 252-53.

[14] Gérard to Delcassé, Dec. 24, 1901, ADC, A/53S/2.

[15] Ibid.

[16] Greindl to Favereau, Jan. 9, 1902, MAEB, 3.179/1.

[17] Caillaux to Anethan, Jan. 4, 1902, ibid; Phipps to Lansdowne, Jan. 3, 1902, F083/1872.

[18]Note, Jan. 14, 1902, F083/1871.

[19]Lucas to Foreign Office, Jan. 1, 1902; Hopwood to Foreign Office, Jan. 6, 1902, F083/1872.

[20]See PP. 1902, CIV, "Correspondence Relating to the Sugar Conference at Brussels, 1901-02," passim.

[21]Bergne to Lansdowne, Dec. 25, 1901, F083/1871. The letter is not in the FO correspondence.

[22]Dec. 27, 1901, JCP, JC14/3/87.

[23]Note by Hicks-Beach, n.d. HBP, PC/PP/71.

[24]Lansdowne to British delegates, Jan. 17, 1902, F083/1871.

[25]Ibid.

[26]Unsigned note, Ministry of Commerce, Dec. 28, 1901; note for the Minister of Commerce, Jan. 13, 1902, AN, F12 6979.

[27]L'indépendance belge, Jan. 9, 1902, clipping in F083/1872.

[28]With provision for 6 francs on refined sugar. Dupuy to Delcassé, Jan. 2, 1902, AN, F10 2003.

[29]Note for the Minister of Commerce, Jan. 13, 1902, AN, F12 6979.

[30]Enclosure in Czarnikow to Bergne, Jan. 16, 1902, F083/1872.

[31]Delcassé to Ministry of Agriculture, Jan. 17, 1902, DC, A/251/2; Delcassé to Gérard, Jan. 17, 1902, copy to Commerce, AN, F12 6979.

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[33]Dupuy to Delcassé, Jan. 2, 1902, AN, F10 2003.

[34]Delcassé to Gérard, Jan. 17, 1902, AN, F12 6979.

[35]Ibid.

[36]LJ, p. 264.

[37]Ibid., pp. 264-65.

[38]Decrais to Delcassé, Jan. 26, 1902, DC, A/251/2.

[39]LJ, p. 275.

[40]Ibid., p. 281.

[41]Ibid., pp. 368-69.

[42]Delcassé to Gérard, Feb. 26, 1902, AN, F12 6979.

[43]LJ, p. 371.

[44]Ibid., pp. 301-05.

[45]Ibid., p. 310.

[46]Primrose to Hicks-Beach, Jan. 26, 1902, HBP, PC/PP/71; British delegates to Lansdowne, Jan. 26, 1902, F083/1871.

[47]Borchgrave to Favereau, Dec. 30, 1901 and Jan. 4, 1902, MAEB, 3.179/1.

[48]Gérard to Delcassé, Jan. 29, 1902, DC, A/251/2.

[49]Gosselin to Phipps, telegram, Jan. 25, 1902, F083/1871.

[50]Memorandum by Lubbock and Martineau, Jan. 24, 1902, ibid.

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[53]Phipps to Hicks-Beach, Jan. 24, 1902, F083/1872.

[54]Hicks-Beach to Lansdowne, Feb. 4, 1902, ibid.

[55]"Manifesto of the Austro-Hungarian and German Sugar Manufacturers," Fremden Blatt, Feb. 13, 1902, enclosure in Plunkett to Lansdowne, Feb. 13, 1902, ibid.

[56]Phipps to Foreign Office, telegram, Feb. 14, 1902, ibid.

[57]Cab 37/61, No. 46, "Sugar Conference," Feb. 21, 1902.

[58]Note, Feb. 16, 1902, F083/1872.

[59]Memorandum, Feb. 20, 1902, HBP, PCC/12.

[60]Lansdowne to Phipps, telegram, Feb. 21, 1902, F083/1871.

[61]Die Information, Feb. 18, translation, enclosure in Plunkett to Lansdowne, Feb. 19, 1902, F083/1872.

[62]Neue freie Presse, Feb. 21, 1902, translation, enclosure in Plunkett to Lansdowne, Feb. 21, 1902, ibid.

[63]Plunkett to Foreign Office, telegram, Feb. 20, 1902, ibid.

[64]Minute by Gosselin on Plunkett to Lansdowne, Feb. 15, 1902, ibid.

[65]Memorandum by Gosselin, Feb. 21, 1902, F083/1871.

[66]Minute on Lascelles to Foreign Office, Feb. 17, 1902, F083/1872.

[67]LJ, pp. 336-37.

[68]Gérard to Delcassé, Feb. 24, 1902, DC, A/251/2.

[69]LJ, pp. 337-38.

[70]Phipps to Lansdowne, Feb. 25, 1902, F083/1873.

[71]Ibid.

[72]LJ, pp. 348-49 The four minor producers, Sweden, Spain, Italy, and Rumania, feared that surtax limitation would prevent them from protecting their domestic markets adequately. They were consequently exempted from the surtax clause, since they were not exporters.

[73]Gérard to Delcassé, telegram, Feb. 27, 1902, DC, A/251/2; Bergne to Lansdowne, Feb. 27, 1902, F083/1871.

[74]LJ, pp. 376-77.

[75]Bergne to Gosselin, March 2, 1902, F083/1871.

[76]British delegates to Lansdowne, March 4, 1902, ibid.; Gérard to Delcassé, March 4, 1902, DC, A/251/2.

[77]LJ, p. 400.

[78]Bergne to Gosselin, March 2, 1902, F083/1871.

[79]Sayre, pp. 126-28.

[80]See L'année politique, XXIX(1902), 291-93, for a summary of this debate.

[81]Caillaux, p. 191.

[82]Hansard, 4th ser., CXV (1903), c. 271

[83]Ibid., c. 297.

[84]Lyons, p. 106.

[85]Borel, p. 155. Consumption in France rose from 458,000,000 kilograms in 1902 to 592,000,000 in 1904. AS, XXVII (1907), 3*.

[86]Sayre, p. 125; Lyons, p. 110.

[87]Lyons, p. 110.

CONCLUSIONS

The Brussels Sugar Convention of 1902 seems explicable as a logical response to world market conditions that were rapidly becoming intolerable. Spurred by the bounty system, the European beet sugar industries had grown enormously, but much of this growth was artificial since it did not spring from genuine demand but from subsidies contrived to foster expansion. The bounties actually constricted demand while they stimulated production; consequently, European sugar industries came to rely principally upon export markets. This was an inherently unstable situation. Production outran consumption, exerting a depressing effect on prices. From the 1870's onward the sugar industry was also affected by the world economic depression. After the great collapse of 1884, world sugar prices slipped lower and lower. By the late 1890's they stood below production costs. Only exorbitant tariffs and export bounties enabled many producers to show a profit. The sugar industry exhibited a paradoxical combination of boom and malaise. The bounties doubtlessly had served the industry well: they had provided a solid foundation for growth; they had encouraged innovation. But once the industry had matured they became abusive. After 1884 the bounty system was more detrimental than beneficial.

In every major beet sugar-producing country, domestic prices were grossly swollen by taxes which in many cases far exceeded the free market price. A goodly share of those taxes supported the bounty system. The European consumer thus, in effect, subsidized foreign consumption. Per capita consumption in free market countries surpassed that in the producing countries several times over. Governments shared the burden, since the bounties absorbed revenues that might have been employed for more constructive purposes. As governmental functions expanded and as expenses climbed, the premiums appeared unjustifiably extravagant, especially in view of their baneful consequences.

Undesirable as the bounties might be, governments found them exceedingly difficult to eliminate, for in every country the sugar question had become just as much a political as an economic issue. Vocal and influential agrarian and industrial interest groups defended the sugar industry. It was widely agreed that the beneficial agricultural concomitants of beet cultivation rendered a healthy sugar industry indispensable to national well-being. Such reasoning underlay the subsidies and insured that the industry was among the most cosseted and protected of all. Since competition for export markets was savage, governments dared not deprive their sugar industries of premiums as long as their rivals enjoyed them. Both France and Germany attempted to suppress their bounties, but political pressures compelled them to reinstate them. Only a concerted abolition by all

the important producing states could succeed. During nearly four decades, repeated international conferences groped for a solution; again and again they foundered on the shoals of antagonistic national interests and domestic political conflicts. Given the multiplicity and the complexity of the factors involved, the customary requirements of unanimity proved a formidable obstacle. For a settlement to emerge, each participant had to muster the political will to accept some sacrifice for the common good. While economic factors account for the motive, the settlement itself was a political phenomenon.

Of the powers whose consent was essential, Germany, Austria-Hungary, Belgium, and the Netherlands after 1888 proved amenable to bounty abolition. France and Great Britain were the primary obstacles.

France was wedded to a protectionist fiscal system that had rescued her sugar industry from stagnation and had enabled it to expand in the face of German competition. Haunted by their deep-seated inferiority complex toward Germany, French agrarian and industrial circles enshrined the law of July 29, 1884 as a "measure of salvation." Since the French industry, despite its rapid strides, never achieved parity with Germany, the agrarians, particularly the large wheat farmers of the northeast, considered the law vital to their survival. Through agricultural societies, chambers of commerce, and their parliamentary representatives, they lobbied arduously to preserve their subsidies. They

found the zealously protectionist Chamber of 1893 a congenial political milieu. Their influence reached its zenith during the premiership of Jules Méline, the father of their beloved law of 1884. Bolstered by a parliamentary alliance between the Right and the Center protectionist blocs, Méline molded French bounty policy according to the economic nationalist views of the sugar interests. Preservation of the law of 1884--not bounty abolition--was his goal. Given this attitude, the failure of the Conference of 1898 was inevitable.

The one power that might have broken the deadlock was Great Britain. She was the world's largest free sugar market, the recipient of the bulk of the European surpluses, and Continental producers were in large measure dependent upon her. By imposing countervailing duties against bounty-fed sugars, she could confiscate the bounties and subvert the system. Her consent to penalties was essential for a settlement, since no exporting country could feel safe in abolishing its bounties unless it were guaranteed protection against bounty-fed competition in its principal foreign market. There were colonial and domestic interests that urged such a step. Bounty-fed imports had almost excluded West Indian sugar from the British market, and the home refining industry had been severely injured. But Great Britain was hamstrung by her political and ideological commitment to free trade, which in the eyes of the majority meant "no retaliation." Penalties were thus unacceptable. There

were also practical considerations. The populace enjoyed cheap sugar; great industries had arisen that utilized sugar as a raw material. Competing interests were in the balance, and for years consumer interests had been given priority.

In both France and Great Britain, therefore, powerful interests and entrenched policies debarred the compromises essential to a settlement. An accord would depend upon the reversal of those policies.

The reorientation of French policy originated with the elections of May 1898. The Right-Center alliance that had supported Méline cracked and he fell from power. The Left, particularly the Radical-Socialist and Socialist groups, was strengthened. While not homogeneously antiprotectionist, the Left was far less sympathetic to protectionism than the Right and Center, and it had shown itself largely hostile to Méline's bounty policy. The sugar forces lost much of their political leverage with the advent of the new Chamber. Subsequent governments took a more realistic, less doctrinaire, approach to the sugar problem. Compromise was hampered, however, by differences in outlook between the responsible administrations. Whereas the Ministry of Finances, in the interests of the Treasury, consistently favored reducing the indirect premiums granted by the law of 1884, the Ministry of Agriculture, reflecting the views of the interests it administered, resisted tenaciously. The Ministry of Commerce characteristically took an intermediate position in order to compromise the opposing viewpoints. During the

Brisson and Charles Dupuy governments, Finances and Commerce agreed that some reduction was essential to permit further negotiations. The veritable explosion of beet sugar production after 1896 threatened disaster unless bounties were abolished, but the Ministry of Agriculture under Albert Viger frustrated a decision. The accession of Waldeck-Rousseau and his long-lived government of Republican defense broke the logjam. The three key ministries fell to reformist, strong-willed men, two of whom in particular held the key to change--Jean Dupuy and Joseph Caillaux. The former, although he fell somewhat under the sway of the Ministry of Agriculture, was more flexible than Méline or Viger. He believed a settlement merited the sacrifice of part of the indirect bounty. Joseph Caillaux, Minister of Finances, took over an administration that shared his view that the bounties were a financial abomination. When his budget showed a sizeable deficit in 1901, nothing less than their total eradication would satisfy him. There can be little doubt that Caillaux contributed more to the reorientation of French bounty policy than any other individual, even though his role fell short of the total responsibility he claimed for himself. Although scornful of the protectionist system erected by Méline and his allies, he recognized the political folly of a frontal assault against it. The system sheltered too many "little men." But the sugar laws benefited a narrow interest, composed principally of politically conservative rich men. By attacking the bounties, Caillaux was able to strike a

satisfying blow at a politically suspect group without storming the stronghold of protectionism. The Left gladly lent support, and the disarray of the Right and Center forces enabled them to attack the law of 1884 with impunity.

The reorientation of British policy is more difficult to trace, for the decisions were less clear-cut, but the decisive factors and the turning points are discernible. The bounty question in Great Britain was inseparable from the larger questions of free trade and imperialism. For decades free trade had served British interests,but the onset of world depression, the rise of powerful economic rivals, and the general reversion of the Western economy toward protection after 1875 called that policy into question. The Fair Trade League and other organizations arose to demand protection against favored foreign competition. The sugar bounties were frequently cited as the prime example of "unfair" tactics. Associated with the Fair Trade movement was a growing sentiment for closer ties between the mother country and the empire. True, the interests of the two were often antagonistic and not easily reconciled, but as time passed more and more voices advocated a departure from free trade to serve the ends of imperialism. The sugar bounties and the plight of the West Indies were seen as object lessons of the pernicious consequences of free trade to the empire. Nevertheless, despite the growing pressures for fiscal reform, majority opinion clung fast to free trade, a policy that had rendered too many benefits to be lightly

discarded. Free traders, led by the Cobden Club, saw in the prospect of countervailing duties on sugar the entering wedge of protection. In 1889 their vociferous opposition to penalties forced Lord Salisbury to withdraw the Convention of 1888.

The foundations for a shift in British policy were laid in 1895, when the Conservatives and their Liberal Unionist allies returned to power under Lord Salisbury. Fair Trade and imperialist notions had taken deeper root among the Tories than among the Liberals, the heirs of Cobden and Bright. Colonial and refining interests always expected a more sympathetic hearing from the Conservatives. Of even greater significance was the advent of Joseph Chamberlain to the Colonial Office. Although the bounty question was largely a colonial matter, that administration had never vigorously attacked the problem. Chamberlain changed all that. The extirpation of the bounty system became a major goal of his policy of "constructive imperialism." He compelled the government to face the sensitive question of penalties.

The commercial department of the Foreign Office, the administration charged with conducting the international negotiations, was sympathetic to Chamberlain's viewpoint. Had his opinion been the only strongly held one, a conversion of British policy might have followed quickly. But, as in so many other instances, Chamberlain's views collided with the stubborn fiscal conservatism of the Treasury and its

chief, Sir Michael Hicks-Beach. The bounty debate was but one chapter in a long tale of intracabinet friction. Since the Treasury was the most prestigious and powerful department and since Hicks-Beach's pertinacity and combativeness matched Chamberlain's, no decision was soon forthcoming. Great Britain drifted toward a harder anti-bounty line with glacial slowness. Not until the eve of the Conference of 1901-02 did the government commit itself to a penal clause, and even then the Chancellor of the Exchequer insisted on prohibition of bounty-fed imports, a less effective weapon than countervailing duties but one less ideologically suspect.

While Chamberlain's role must be seen as decisive, other factors were also at work. Underlying the sugar question was a question of values. Which interest should take precedence--that of the domestic consumers or that of the colonies and refiners? The traditional answer had favored the former, but as enthusiasm for empire grew apace in the late 1890's the public and the politicians became more conscious of colonial interests, a fact evidenced by Parliament's acceptance of the Indian countervailing duties in 1899. An increasingly broad spectrum of commercial opinion came to view the bounties less as a gratuitous foreign gift than as a wicked, unfair attack on imperial interests that free trade was powerless to counter; it was thus disposed to accept the penalties essential for a settlement. Yet the bounty question was a narrow issue. The success of the sugar convention did not indicate that

the country was prepared to abandon free trade, as Chamberlain's disastrous tariff reform campaign proved.

The record of the Conference of 1901-02 testifies that the reorientation of French and British policy was decisive. Belgium, supported by France and Great Britain, demanded the drastic limitation of customs surtaxes in order to frustrate cartels, a measure resisted by Germany and Austria-Hungary. The French and British were able to overcome their resistance, the former by agreeing to renounce the indirect subsidies and the latter by intimating that penalties might be imposed if the conference failed.

While the Brussels Convention of 1902 was clearly a response to critical economic conditions, the foregoing study reveals that it was just as much the product of fortuitous political circumstances.

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I certify that I have read this study and that in my opinion it conforms to acceptable standards of scholarly presentation and is fully adequate, in scope and quality, as a dissertation for the degree of Doctor of Philosophy.

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