

# **Trade Policy in Canada and Australia in the Twentieth Century\***

**by**

**Richard Pomfret**  
*University of Adelaide*

## **ABSTRACT**

The paper provides an analytical comparison of the evolution of trade policy in Canada and Australia and of the two countries' roles in international trade diplomacy. Despite similarities in history and resource endowment, these roles have differed substantially, especially during the third quarter of the twentieth century. The focus is on the reasons why Canadian and Australian attitudes and policies differed so markedly. The importance of the USA as a trading partner, differing economic experiences during the decade of the 1920s, and the more concentrated composition of Australian exports all played a part. Once in train, the position that Australia was different and need not participate in GATT tariff cuts as long as agriculture was excluded became the inertial position, while Canada played an active role in GATT's early development. After 1973 Australia's position as an outlier among high income countries' trade policies was reversed, and Australian and Canadian trade policies again became similar in the 1980s.

## **Trade Policy in Canada and Australia in the Twentieth Century**

Canada and Australia are often linked as high-income primary-product-exporting economies, but there has been little explicit comparative economic history. In Pomfret (1981) it was argued that their experiences up until the mid-nineteenth century could be interpreted within a staple theoretic framework, albeit with different staple exports and hence differences in outcome. Nevertheless, there was a common pattern of both countries being highly integrated into the world economy yet pursuing protectionist trade policies by the early twentieth century in order to promote industrial development.

At the start of the twentieth century both were high income countries. Australia possibly had the highest per capita income in the world, although it was suffering from a deep depression since the financial crises of the early 1890s. Canada had a long-standing concern with its low income levels relative to the USA, but was enjoying a major boom in the early twentieth century. Both economies were hard hit by the fall in primary product prices at the end of the 1920s and responded to the US tariff increase in 1930 by increasing their general tariffs and embracing Imperial Preference.

Despite the common features of their economies during the early twentieth century and of their response to the depression of the 1930s, Canada and Australia pursued very different strategies during the third quarter of the century. While Australia fought hard to preserve Imperial Preference and was lukewarm towards the multilateralism encompassed in the General Agreement on Tariffs and Trade (GATT), Canada embraced multilateralism and was eager to renounce Imperial Preference. While Canadian trade barriers were dismantled substantially in the two decades after 1947, Australia remained committed to protection into the 1970s and only undertook substantial trade liberalization after 1983.

After that there was a convergence of trade policies as both countries pursued liberal tariff policies, with exceptions for contingent protection and offset by various non-tariff barriers. During the 1980s there was even some role reversal as Australia became an enthusiastic participant in the Uruguay Round of trade negotiations (1986-94) while Canada stood on the Uruguay sidelines and negotiated bilateral arrangements with the USA. Nevertheless, the overall impression is of fairly similar policies in the final decades of the twentieth century, as in the first four decades of the century; the aberration is the quarter century after 1947.

### **1. Protectionism in the Early Twentieth Century**

Canada had moved definitively towards a protectionist trade policy during the second half of the twentieth century, initially with the 1858-9 Cayley-Galt tariffs in Canada and then after Confederation with the 1879 National Policy tariff. Australia had a different experience because prior to Federation the two most populous states pursued differing policies, with New South Wales relying mainly on land sales for revenue and

pursuing liberal trade policies while Victoria in 1866 adopted high tariffs for revenue and with protectionist motives. In the Federal parliament after 1901, an initial conflict between NSW free-traders and Victorian protectionists was won by the protectionists by the end of the first decade.<sup>1</sup> In 1913 Canada and Australia had similar average tariff rates, 18% and 17%. Although by 1925 a gap had emerged between Canada's average tariff of 16% and Australia's of 25%, both were among the high tariff countries, together with Argentina (26%), USA (29%) and Spain (44%), in contrast to the low tariffs of the UK and smaller western European countries and the 12-17% average tariffs of the other large European economies (League of Nations, 1927, 15, method B1).<sup>2</sup>

The adoption of protectionist trade policies in Canada reflected the political power of Central Canadian industrial interests before and after Confederation. Trade policies were a source of inter-provincial discord during the settlement of western Canada, although on specific trade policy issues the alliances could be more complex.<sup>3</sup> In Australia, rural industry was dominated by pastoralists, producing wool and meat for export. These farmers were willing to come to an accommodation with other rural interests (sugar, dairy, fruit, tobacco and, to a lesser extent, grain producers) who were less efficient and more labour-intensive. The rural interests as a group made an implicit, and sometimes explicit, deal of supporting protection for industry in return for subsidies or protection for the less productive rural industries (Anderson and Garnaut, 1987, 47). After the initial debates following Federation in 1901, there was no politically significant lobby for freer trade in Australia until the 1970s.

Another significant difference between the two countries' economic experiences lay in the decade of the 1920s. Canada benefited from a handful of new resource exports for which the booming US market provided a market (newsprint, hydroelectricity and minerals), as well as from internally generated growth as major new consumer durables (especially the automobile) became more common. The Canadian economy was decisively reoriented from Europe to the USA,<sup>4</sup> and by the end of the 1920s the major trade policy imperative was maintenance of access to the US market.

For Australia the 1920s were a less positive experience. The intellectual arguments in favour of tariff protection were at their most influential in the 1920s, culminating in the 1929 *Brigden Report*. The main theme of the *Brigden Report* was that using a tariff as a tax on the rent from exports increased employment in the manufacturing sector without reducing real wages. (M.C. Samuelson, 1940; P. Samuelson, 1981; Manger, 1981),

A third and partially related difference is that the commodity composition of Canada's exports had become more diversified by the 1930s. In no major export did Canada dominate world markets, even though the belief that the wheat sector had some market power was one motive behind establishment of the Wheat Board. Australia by contrast was still heavily dependent on a few pastoral and agricultural products of which wool was the most important, and Australia accounted for over a third of world wool exports in 1929 (a share that rose to a peak of 42% in 1933). Between 1925 and 1929 a debate on the terms of trade gains from protection flourished in the *Economic Record* with leading Australian economists (Brigden and Giblin) arguing that Australia had market

power in wool, and probably wheat, which could be exploited by imposition of a general tariff.<sup>5</sup>

When agricultural prices began to decline, Australia in 1928 was one of the first countries to abandon the gold standard, and between 1928 and 1930 the number of items subject to tariffs of over 50% more than quadrupled, to 252 (Anderson and Garnaut, 1987, 135 n12). Moreover, this policy was accepted intellectually; the *Brigden Report* justified the tariff both on income redistribution and population grounds and on terms of trade grounds, although it concluded that further tariff increases might be unjustified.<sup>6</sup> In Canada in 1928 and 1929, tariffs were revised downwards as often as upwards, and the net change in the average tariff was minor (McDonald et al., 1997; Bothwell et al., 1987, 225)

## 2. Retaliation and Imperial Preference in the 1930s

The US Smoot-Hawley tariff of June 1930 invited immediate retaliation from almost all of the major trading nations, with Canada and Australia in the vanguard (Jones, 1934). Britain was amongst the slowest to respond, but eventually in the face of deepening depression abandoned its longstanding free trade policy in November 1931. Introduction of significant tariffs by Britain opened up the prospect of economically meaningful discriminatory trade policies within the British Empire, and Imperial Preference were agreed upon at the 1932 Ottawa Conference. That both Australia and Canada followed up their retaliatory tariff hikes by introducing Imperial Preference was conditional on the British shift away from free trade in November 1931. Yet the two dominions' responses were conditioned by differing perceptions. For Canada, the 1932 Ottawa agreement was a means of putting pressure on the USA to reverse its 1930 tariff increases. Australia, on the other hand, saw the revival of Imperial Preference as a step toward strengthening the British connection.

Canada's reaction to the Smoot-Hawley tariff was rapid and strong. McDonald, O'Brien and Callahan (1997) show convincingly that this is to be explained by the election victory of the Conservatives, rather than by an interest group model, and that retaliation was an endogenous response, in that the Conservatives would not have been elected had the USA not adopted the Smoot-Hawley tariff.

Liberal leader Mackenzie King called a June 1930 election after favourable initial reactions to the budget announced on May 1<sup>st</sup>. After the passing of the Smoot-Hawley tariff, however, the election revolved around the tariff issue with each party vying to show it would retaliate most vigorously, which was a contest in which the more protectionist and more pro-British Conservatives had a natural edge. An election expected to be close turned into a landslide. The Conservative victory was assured by net gains of twenty-two seats in the Prairie provinces and twenty in Quebec, normally the least protectionist and most pro-US regions of Canada. McDonald et al. (1997) relate these swings directly to the Smoot-Hawley tariffs on key exports such as dairy products from Quebec and wheat from the Prairies.

The Bennett government's tariff legislation of September 1930 and June 1931 increased general and intermediate tariff rates substantially, and the tariffs on imports from Britain by minor amounts. Thus, the retaliatory measures not only increased tariffs on US exports to Canada, but widened the discrimination against US goods relative to imports from British Empire sources.<sup>7</sup> Under the 1932 Ottawa agreements, Canada received exemption from British tariff increases and agreed to reduce the Canadian tariff on imports from Britain.

After the enactment of the 1934 Reciprocal Trade Agreements Act in the USA, Canada signed a bilateral agreement with the USA in 1935 and in 1938 Canada participated in a tripartite trade liberalization agreement with the USA and UK (Kottman, 1968). The return to power of Mackenzie King's Liberals in 1935 underlined the special conditions of the 1930 Conservative election victory and the exceptional nature of the protectionist peak in the early 1930s.<sup>8</sup> Although the actual trade liberalization provisions were conservative, the 1935 and 1938 trade agreements signalled a shift away from confrontation between Canada and the USA on trade issues (Pomfret, 1997, 396-7). The legal process was disrupted by the outbreak of war in 1939, but tariff reductions were already in the air for the USA and Canada.<sup>9</sup>

Canada signalled its lack of commitment to Imperial Preference by accepting Article 7 of the 1942 US-UK Lend Lease Agreement which, by committing nations to trade liberalization and elimination of discriminatory trade policies, foreshadowed multilateralism as the basis for the postwar international trade. Cuff and Granatstein (1978, 25) argue that Canada had made clear that it would readily abandon Imperial Preference completely as long as compensatory tariff reductions were made by the USA and the UK. The first GATT tariff cuts in 1947 showed this presumption to be correct, and that the USA rather than the UK was the trade partner which mattered in the equation.

Australia, by contrast, had been increasing its tariffs in the years before 1930. The *Brigden Report* had provided justification for protectionist policies and, although the *Brigden Report* concluded that further tariff increases would not be justified, the political environment at the end of the 1920s was favourable to any requests for protection from producers hurt by the depression. No domestic group would strongly oppose tariff increases. The 1930 US tariff thus validated measures which could now be taken in response to the USA closing its markets, but which were consistent with Australian trade policy in the immediate past.

After 1932, Australia saw trade with its major trading partner, the UK, grow rapidly, mainly because of increased British demand for wool (Thorbecke, 1960, 137-9), but helped by discrimination against non-preferred suppliers of dairy and meat products to the UK (Denmark and Argentina in particular). Australia had poor trade relations with the USA, which withheld MFN concessions from Australia, ostensibly because of Imperial Preference, but also because competition from Australian wheat, butter and other agricultural exports was feared by US farmers. In contrast to the situation in Canada, there was no indication that Australia was unhappy with the 1930s combination of high general tariffs plus Imperial Preference. In the wartime economic negotiations, while Canada was an active participant in talks about establishing

multilateral trading relationships, Australia was more concerned about retaining the imperial connection.

### 3. The Postwar Era

Already during the war years 1941-5, Canada acted as an honest broker between the USA and Britain in negotiations about the postwar international economic system. Canada early indicated its opposition to US high tariffs and its willingness to discard Imperial Preference. When the USA signalled its willingness to take the first step by making major tariff cuts in 1947, Canada followed suit to preserve the appearance of a multilateral round of reciprocal tariff reductions within the framework established by the newly signed General Agreement on Tariffs and Trade (GATT). Given that the UK also came around to supporting GATT-style multilateralism, it is Australia's ambivalence or outright opposition to trade liberalization that needs to be explained.

After 1945 Australia remained committed to a high tariff and pro-British trade policy. In the international trade negotiations held in London in 1946, Geneva in 1947 and Havana in 1947-8, Australia expressed concerns about the US approach to multilateralism and increasingly identified itself as a "developing country" representing the interests and aspirations of non-industrialized countries. The postwar Labor government saw the US proposals as undermining the Australian Tariff Board's autonomy to make objective recommendations for protection, just as the government itself was more than ever committed to promoting industrial diversification as the basis for growth and economic security. Despite these concerns, Australia could not absent itself from the international negotiations given its prior commitments to participate in international economic cooperation and its unwillingness to disrupt British negotiations for US financial assistance.

At the 1946 London conference to discuss the US draft Charter for world trade, Australia assumed a high profile. The Charter was supported by the USA, Canada and the UK, while the other European industrialized nations approved in principle but with reservations about the need for assurances about full employment policies. Australia led the remaining countries, which included India, Lebanon, Czechoslovakia and several South American countries, which opposed the Charter for not paying enough attention to the United Nations' commitment to economic development. Australian negotiators were successful in introducing employment and development clauses into the draft Charter but it was a Pyrrhic victory. The Charter which was further refined at Havana as the basis for the putative International Trade Organization was not ratified by the US Congress and the ITO was stillborn.<sup>10</sup>

Between London and Havana the critical meetings were in Geneva where the initial portions of the Charter were accepted, as the General Agreement on Tariffs and Trade (GATT), as the basis for early negotiated tariff reductions. The GATT Articles did not include the employment and development clauses which had been central to Australia's negotiating position. Moreover, Australia dragged its feet in the detailed negotiations; the US offer of a 25% reduction in the duty on wool and tariff reductions on various meat categories of interest to Australia was initially rejected, and in the final outcome

Australia's tariff reductions were minor (Gardner, 1980, 360). The stage was set for Australia's non-participation in the GATT-based trade liberalization of the next two decades.

The Australian government was also reluctant to dilute Imperial Preference. The horticultural industries of Victoria and Tasmania and cane producers of Queensland lobbied strongly to preserve a system which gave them an edge over competitors in the British and Canadian markets. Their cause was taken up by the Liberal and Country parties, currently in opposition, who also supported the British connection.<sup>11</sup> It could also be argued that, faced with what Australia considered inadequate offers from the USA with respect to US treatment of Australian exports, Imperial Preference were the only bargaining chip available to Australian negotiators.<sup>12</sup>

So far as Australia's own policies were concerned, the wartime protection was initially maintained by exchange controls and import licensing. When the import controls were dismantled in the late 1950s and early 1960s, tariffs were increased to have similar protective effect (Moffatt, 1970). In a public lecture in the mid-1990s, Corden (1995) reminisced about a parallel lecture in 1967 when he proposed two benchmarks for Australian trade policy - a maximum nominal tariff of 30% for new activities and of 45% for existing activities - which were widely seen as unrealistic ideas of an academic "free-trader".

The UK was the major trading partner, buying 36% of Australia's exports and providing 45% of imports during the first half of the 1950s (Anderson, 1987, 173), and the major fears concerned British relations with the European Economic Community which could jeopardize Australian preferential access to UK markets. These fears came to pass in the early 1970s when the UK negotiated accession to the European Community and, through a brief transition period, Australian agricultural exports went from positive to negative discrimination in the UK market.

Even if Imperial Preference had remained an option, that option would surely have become less attractive as Australia's trade patterns shifted rapidly from Europe to Asia. Europe had supplied 60% of Australian imports and purchased 63% of Australian exports in the first half of the 1950s, but these shares had declined to 40% and 27% by 1968-72 and would fall to 24% and 14% by the early 1980s. The counterpart was a rapid increase in the East Asian share from 9% to 20% to 35% of imports and from 14% to 38% to 47% of exports over the same periods (Anderson and Garnaut, 1987, 19), as Japan and the new industrialized economies of the region grew rapidly by pursuing manufactured export expansion strategies and importing increasing quantities of materials in which Australia had a comparative advantage. The large potential gains from specialization and trade with East Asia was an important background pressure on Australia to abandon its inward-looking protectionism.

The mechanism by which this pressure was transformed into policy change was not interest group lobbying. Some rural export interests started to worry about the effects of Australian protectionism on their access to Japanese markets after trade relations with Japan were normalized in the second half of the 1950s, but it was not until the formation of the National Farmers Federation in the mid-1970s that a free trade wing

emerged in the Liberal party.<sup>13</sup> Mining companies, despite their increasing share of Australian exports, were even less influential, because the large companies also had manufacturing activities which benefited from protection (Anderson and Garnaut, 1987, 74); only in 1982 did five mining companies start to lobby for trade liberalization.

The main force for trade policy change in Australia was a growing recognition of the national costs of protection, with politicians, public officials and academic economists all contributing to changing perceptions. Intellectual arguments were reinforced by casual empiricism as Australia gradually slid down the league table of high income countries (Anderson and Garnaut, 1987, 17). Decisions could be delayed during the 1960s when the minerals boom offered an apparent free lunch solution, but the first steps towards trade liberalization were taken in 1973 when the Whitlam government cut tariffs by a quarter across the board. Subsequent tariff reductions led to a cumulative average tariff cut of forty percent by 1977, which was sufficient to qualify Australia for participation in the Tokyo Round - the first positive contribution of Australia to GATT-based multilateral trade liberalization. In the late 1970s and early 1980s there was some backsliding on liberalization, but major lasting changes were introduced after 1983.<sup>14</sup> Australia was an enthusiastic and active participant in the 1986-94 Uruguay Round, and by the late 1990s Australian tariffs had been cut to 5% or lower, with only two major exceptions (textiles, clothing and footwear with tariffs up to 37% and passenger motor vehicles at 22%).

Accounts of Australia's post-1945 trade policy emphasise to an extraordinary extent the role of a handful of individuals in the process (Anderson and Garnaut, 1987; Corden, 1995). Reorientation of Australian exports from Europe towards the rapidly growing East Asian economies also played a role. If Australia wanted secure market access to Japanese, Korean and south-east Asian markets, then it could hardly hide behind high barriers to those countries' major exports. The rule-based approach of GATT became more attractive as an embodiment of appropriate rights and obligations.

#### **4. Conclusions**

In both Canada and Australia protectionists seized the policy high ground in the early stages of industrial development. In Canada the 1858/9 tariffs were garbed with talk of revenue needs and incidental protection, but were structured to provide substantial effective protection to manufacturing. In 1879 when protection was included in a broader national policy, it was related to the desire for population growth. In Australia the tariff initially adopted by Victoria had revenue motives, but also served to protect manufacturing industries and to retain population as the gold boom faded. The tariff became national policy in Australia and explicitly protectionist in the first decade of the twentieth century.

Although actual trade policies were fairly similar in Canada and Australia from 1908 to 1939, there was a significant divergence during these three decades in the two countries' underlying protectionism. Between 1911 and 1935 Canada moved from a situation where the electorate rejected a rather moderate bilateral trade liberalization

measure with the USA to a situation where the Canadian government had widespread support in courting the USA for mutual trade liberalization. Although Canada's positive response to the USA's 1934 Reciprocal Trade Agreements Act yielded minimal gains in the 1930s, it signalled a willingness to reciprocate any US tariff cuts and this brought fruits in the two countries' major tariff cuts during the first GATT Rounds of the late 1940s.

Meanwhile, Australian economists with the government's ear were propagating arguments for protection in the leading academic journal and a major official report during the second half of the 1920s. In responding to the 1930 US tariff hike and the 1931 UK tariff, both Canada and Australia retaliated against the USA and embraced Imperial Preference. A crucial difference, however, was that Canada was eager to reverse both measures if the USA would cut tariffs, while Australia was quite happy to seize an opportunity to raise its tariffs and to favour trade with the UK, and would make no concessions to the USA in order to improve access to the US market.

These differing attitudes provide the background to the differing attitudes towards GATT in 1947 and towards all of the GATT Rounds until the 1970s. But why did Canadian and Australian attitudes differ so markedly? The importance of the USA as a trading partner, differing economic experiences during the decade of the 1920s, and the more concentrated composition of Australian exports all played a part. Once in train, the position that Australia was different and need not participate in GATT tariff cuts as long as agriculture was excluded became the inertial position (Arndt, 1965). The beneficiaries, protected manufacturing activities and less efficient rural producers, supported this position and opposition was weak.

Just as conditions in the 1920s and 1930s affected differing Canadian and Australian trade policy positions in the 1940s and beyond, Australia's eventual rejection of generalized protection was a delayed reaction to conditions which had started to change in earlier decades. By far the most important of these changes was the loss of markets in Europe and the rapid emergence of the high-performing East Asian economies as major trade partners. As the potential benefits from engaging in multilateral trade became increasingly apparent<sup>15</sup> and with widespread recognition of Australia's relatively poor growth performance during the first three-quarters of the twentieth century, Australia changed its trade policy to approach the norm of high income countries such as Canada.<sup>16</sup>

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## NOTES

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- <sup>1</sup> For overviews of the evolution of the two countries' tariff policies, see McDiarmid (1946) and Pomfret (1993, 90-123) on Canada and Reitsma (1960, 1-26), Anderson (1987) and Pincus (1995) on Australia.
- <sup>2</sup> The 1920-1 Australian tariff increases were intended to protect industries which had emerged during the 1914-18 war in response to the disruption of normal supplies. The legislation was entitled the Customs Tariff (Industries Preservation) Act. Meanwhile, Canadian governments in the early 1920s were reducing tariffs (McDiarmid, 1946, 261-2; McDonald et al., 1997, 804).
- <sup>3</sup> Percy et al. (1982) identify opposition to trade liberalization from urban centres in the west and from orchard-owners and mixed farmers in the 1911 election, fought over the proposed Reciprocity Treaty with the USA. In the early 1920s, Liberal governments responded to pressure from the primarily rural-based Progressives by reducing Canadian tariffs. The Progressives' fortunes declined over the decade, partly due to defections to the Liberals as the main anti-high-tariff party with the best chance of success in federal elections.
- <sup>4</sup> Trade reorientation had been a long-term process. At Confederation in 1867 Britain supplied 60% and the USA 32% of Canada's imports, but by 1938, despite Imperial Preference, the shares were 18% from Britain and 63% from the USA. The reorientation was reinforced during the 1920s by a sharp change in the source of capital inflows. In 1920 53% of the foreign capital in Canada was British and 44% from the USA, but by 1926 these proportions had been reversed and in 1930 36% was from Britain and 60% from the USA (Urquhart and Buckley, 1965, 169).
- <sup>5</sup> Reitsma (1960, 106-14) summarizes the debate; the opposition was led by Benham and Viner.
- <sup>6</sup> Even if both arguments are accepted there were superior policies to the tariff, ie. a tax on land rents to redistribute income and create jobs in manufacturing or an export tax on wool to exploit monopoly power in international markets. It is also clear that whatever monopoly power Australia had in wool markets declined as synthetic fibres became more popular and with the rise of alternative wool suppliers (Anderson, 1987, 180-2).

- <sup>7</sup> Canada also signed reciprocal trade agreements with Australia in 1931 and New Zealand in 1932.
- <sup>8</sup> In Westminster-style political systems, changes in public sentiment during elections can lead to abrupt policy changes which are not delayed and diluted by the checks and balances of, say, the US system. In Canada the electorate reacted negatively to the tariff legislation which was passed by the US Congress during the 1930 Canadian election campaign, and voted in a Conservative government, despite an underlying “natural majority” for the anti-protection parties during the 1920s and 1930s. The 1930-5 Bennett government was the only majority Conservative government in the almost half a century between the 1911 reciprocity election and 1958.
- <sup>9</sup> Bilateral trade was substantially liberalized *de facto* under the April 1941 Hyde Park agreement even before the USA entered the war on Canada’s side. After December 1941, all barriers impeding the free flow of war supplies between the USA and Canada were suspended for the duration of the war.
- <sup>10</sup> The Bill accepting the Havana Charter and the GATT passed both Houses of Parliament in Australia in December 1948. The Havana Charter and many primary sources on Australian attitudes towards multilateralism are contained in Crawford (1968).
- <sup>11</sup> The position was sometimes tinged with racism, as for example when Liberal Party leader and future Prime Minister, Robert Menzies, argued in a 1947 parliamentary speech that internal trade among 80 million “white British people” was no different to the internal trade of the USA. Australia was less committed to the Sterling Area; Australia supported the UK during the 1947 crisis, but the Menzies government became more and more direct in their opposition to the principle of the Sterling Area in 1951 and 1952 (Robertson 1997). Rooth (1999a, 1999b) focuses on financial aspects of Britain’s relations with Canada and Australia between 1945 and 1950.
- <sup>12</sup> Snape (1984); Curzon (1965, 61). The USA considered the Australia one of its eight key negotiating partners, reflecting a view of Australia as a “swing” country in the Imperial Preference system. In the GATT negotiations, New Zealand supported Australia but other dominions and colonies accepted the Article I emphasis on most-favoured nation treatment as the cornerstone of the international trading system.
- <sup>13</sup> The Country Party (later renamed the National Party), the Liberal Party’s partner in conservative governments, was strongly pro-protection under the leadership of John McEwen until 1971. McEwen was Deputy Prime Minister and Minister for Trade and Industry during the 1960s. Excerpts from several of McEwen’s speeches on trade policy issues are included in Snape, Gropp and Luttrell (1998).

- <sup>14</sup> The reversals in the second half of the 1970s were tied up with political manoeuvring as Whitlam's Labor government was controversially dismissed, and the Liberals embraced protectionism as a quick route to popularity during a period of increasing unemployment. The Liberal Prime Minister, Fraser, however, came to recognize that protectionism had negative implications for his international diplomacy, especially within Asia. After 1983 trade liberalization had bipartisan support in Parliament.
- <sup>15</sup> Australia's trade in recent decades has been triangular as the country has had trade surpluses with all important Asian trading partners and trade deficits with the USA and western Europe - Canada is the only country with which Australia has had roughly balanced trade (Pomfret, 1996). This feature meant that multilateralism was the only serious option. The only significant element of bilateralism in Australian trade policies is the Closer Economic Relations agreement with New Zealand.
- <sup>16</sup> One referee argued that, because the average tariff in Australia is less than that of the USA or Canada and that Australia provides less assistance to agriculture than either of these countries, Australia now has a more liberal policy than the USA, Canada or most other high income countries. On the other hand, Australia has been restrictive in its use of anti-dumping procedures than most countries and has fewer exemptions from the most-favoured nation tariff than Canada does. It is difficult to rank the high income countries by a single yardstick of trade liberalization, but in all of them current policies are markedly different from what they were half a century ago; the universal pattern among high income countries is of convergence towards low trade barriers, and Australia was a latecomer to this convergence.