Defining National Trade Policy and National Interests from Mutual Aid to the End of the War

International relations in all their phases are political problems; and international trading problems are no exception in being a politico-economic problem.¹

(Redvers Opie)

Foreign policy is an expression of national identity, and, because it comprises acts of a public nature, performed on the world stage, it shapes identity.²

(Hedley Bull)

By early 1942, policy-makers in the US, UK and dominions had begun to concentrate on the challenges of rebuilding the international order. There was no sense that this was premature. The failure of the victorious leaders of World War I to think adequately about the peace in advance was widely seen as one cause for the renewal of war twenty years later. Successful planning was considered as important to lasting peace as defeating the Axis powers. One key part of the exercise was the definition of postwar trade policies. For Britain and the dominions that meant deciding what to do about imperial preference. The issue was as much political as economic. To understand how each government saw imperial preference, and how tariff policy was influenced as a result, one must understand the national economic and political histories of Britain, Canada, Australia, New Zealand and South Africa, as well as their involvement in the Empire and Commonwealth. Only then can one fully appreciate what preferential tariffs had come to mean for each of them. This chapter traces the formulation of postwar tariff policy from Mutual Aid to the end of the war in Britain and the dominions and fills in the historical
background without which the complexity of tariff policy cannot be fully understood.

American tariff and trade policies also require explanation. The US was in the forefront of the movement to liberalize international trade. Through the Atlantic Charter and Mutual Aid, the US initiated the reconsideration of tariff and trade policies among members of the Commonwealth. American influence did not stop there. Britain and the dominions could not fulfil their commercial or political objectives in Commonwealth councils alone. They had to participate in international forums to which the US brought a crusading zeal to the subject of commercial discrimination. British and dominion trade policies took shape with constant reference to American policy and ultimately in direct negotiations with the US. From closed national policy-making centres, to exclusive Commonwealth meetings, to Anglo-American preparations and finally in larger international conferences America figured prominently, as a catalyst to Commonwealth negotiations, a target for exports, a partner in rebuilding international institutions, and an ally neither Britain nor the dominions could afford to lose.

The United States: awakening giant

Washington’s declaration of neutrality of September 1939 kept America out of the early stages of the war but did not mean the Roosevelt administration was disinterested, impartial or inactive. If the UK was to fall, as seemed likely at the beginning of the Blitz, the burden of defending freedom, sovereignty and the rule of law in international relations would shift to the United States. America had to prepare for that possibility.

The administration’s thoughts also turned to the postwar world. Where long-term peace, security and prosperity were concerned the US had never been neutral. American postwar planners tried to understand the causes of the war in order to establish a lasting peace. Hitler obviously bore much of the responsibility for this conflict, but removing individual transgressors would not eliminate the rivalry inherent in international relations. There was a growing consensus that economic forces and market policies were at the root of many conflicts, this war in particular. The nationalist and restrictive economic measures of the interwar years, introduced to combat the Depression, had given rise to deprivation, resentment and retaliation which begat beggar-thy-neighbour economic policies. As markets closed and ruthless economic self-interest prevailed, international relations suffered. Reforming the